

Jaguar Health, Inc.
Form 10-Q
November 19, 2018
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 001-36714

JAGUAR HEALTH, INC.

(Exact name of registrant as specified in its charter)

Delaware 46-2956775
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

201 Mission Street, Suite 2375

San Francisco, California 94105

(Address of principal executive offices, zip code)

(415) 371-8300

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Edgar Filing: Jaguar Health, Inc. - Form 10-Q

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
No

As of November 14, 2018, there were 24,603,104 shares of voting common stock, par value \$0.0001 per share, outstanding, 40,301,237 shares of non-voting common stock, par value \$0.0001 per share, outstanding, and 5,524,926 shares of convertible preferred stock outstanding, par value \$0.0001 per share.

Table of Contents

	Page No.
<u>PART I. — FINANCIAL INFORMATION (Unaudited)</u>	1
<u>Item 1. Unaudited Condensed Consolidated Financial Statements</u>	1
<u>Condensed Consolidated Balance Sheets as of September 30, 2018 and December 31, 2017</u>	1
<u>Condensed Consolidated Statements of Operations for the Three and Nine Month Periods Ended September 30, 2018 and 2017</u>	2
<u>Condensed Consolidated Statement of Changes in Convertible Preferred Stock and Stockholders' Equity for the period from December 31, 2017 through September 30, 2018</u>	3
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2018 and 2017</u>	4
<u>Notes to the Condensed Consolidated Financial Statements</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	31
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	48
<u>Item 4. Controls and Procedures</u>	48
<u>PART II. — OTHER INFORMATION</u>	50
<u>Item 1. Legal Proceedings</u>	50
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	50
<u>Item 6. Exhibits</u>	51
<u>SIGNATURE</u>	52

Table of Contents

PART I. — FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

JAGUAR HEALTH, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2018 (Unaudited)	December 31, 2017
Assets		
Current assets:		
Cash	\$ 726,129	\$ 520,698
Restricted cash	—	239,169
Accounts receivable	1,028,670	467,658
Other receivable	176,391	1,380
Inventory	2,550,034	2,072,817
Deferred offering costs	1,255,554	—
Prepaid expenses and other current assets	1,765,234	497,373
Total current assets	7,502,012	3,799,095
Land, property and equipment, net	775,975	1,222,068
Goodwill	5,210,821	5,210,821
Intangible assets, net	32,132,222	33,397,222
Other assets	501,120	—
Total assets	\$ 46,122,150	\$ 43,629,206
Liabilities, Convertible Preferred Stock and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 6,450,354	\$ 7,354,932
Deferred collaboration revenue	—	177,389
Accrued expenses	4,050,006	2,204,133
Warrant liability	48,240	103,860
Derivative liability	—	11,000
Conversion option liability	—	111,841
Convertible notes payable, net of discount	1,055,992	2,672,215
Notes payable, net of discount	4,531,952	1,141,153
Current portion of long-term debt	—	1,609,244
Total current liabilities	16,136,544	15,385,767
Convertible long-term debt, net of discount	10,661,026	10,982,437
Total liabilities	\$ 26,797,570	\$ 26,368,204

Commitments and contingencies (See Note 6)

Series A convertible preferred stock: \$0.0001 par value, 10,000,000 shares authorized at September 30, 2018 and December 31, 2017; 5,524,926 and 0 shares issued and outstanding at September 30, 2018 and December 31, 2017; (liquidation preference of \$9,199,002 at September 30, 2018)

9,000,002	—
-----------	---

Stockholders' Equity:

Common stock: \$0.0001 par value, 150,000,000 shares and 250,000,000 authorized at September 30, 2018 and December 31, 2017, respectively; 9,603,103 and 4,180,484 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively.	960	418
Common stock - non-voting: \$0.0001 par value, 50,000,000 shares authorized at September 30, 2018 and December 31, 2017; 40,301,237 and 42,617,893 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively.	4,030	4,262
Additional paid-in capital	92,216,482	79,661,044
Accumulated deficit	(81,896,894)	(62,404,722)
Total stockholders' equity	10,324,578	17,261,002
Total liabilities, convertible preferred stock and stockholders' equity	\$ 46,122,150	\$ 43,629,206

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

JAGUAR HEALTH, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Product revenue	\$ 1,132,067	\$ 445,665	\$ 2,642,880	\$ 581,654
Collaboration revenue	—	654,549	177,389	2,237,491
Total revenue	1,132,067	1,100,214	2,820,269	2,819,145
Operating expenses				
Cost of product revenue	736,733	206,228	1,808,918	247,135
Research and development	1,481,166	851,608	3,843,918	3,033,851
Sales and marketing	2,716,752	663,765	7,119,204	943,908
General and administrative	2,703,628	3,070,702	8,761,776	8,512,195
Impairment of goodwill	—	3,648,000	—	3,648,000
Total operating expenses	7,638,279	8,440,303	21,533,816	16,385,089
Loss from operations	(6,506,212)	(7,340,089)	(18,713,547)	(13,565,944)
Interest expense	(872,044)	(464,684)	(2,185,868)	(800,885)
Other income (expense), net	9,540	(14,876)	322,244	(13,428)
Change in fair value of warrants and conversion option liability	26,231	388,800	(119,134)	636,121
Gain on Valeant settlement	1,204,133	—	1,204,133	—
Loss on extinguishment of debt	—	—	—	(207,713)
Net loss before income tax	(6,138,352)	(7,430,849)	(19,492,172)	(13,951,849)
Income tax benefit	—	12,190,693	—	12,190,693
Net income (loss)	(6,138,352)	4,759,844	(19,492,172)	(1,761,156)
Deemed dividend attributable to preferred stock	—	—	(995,000)	—
Net income (loss) attributable to common shareholders	\$ (6,138,352)	\$ 4,759,844	\$ (20,487,172)	\$ (1,761,156)
Net income (loss) per share, basic	\$ (0.51)	\$ 1.29	\$ (1.91)	\$ (0.94)
Net income (loss) per share, diluted	\$ (0.51)	\$ 1.11	\$ (1.91)	\$ (0.94)
Weighted-average common shares outstanding:				
Basic:	12,061,672	3,695,660	10,701,977	1,883,115
Diluted:	12,061,672	4,480,235	10,701,977	1,883,115

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

JAGUAR HEALTH, INC.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES

IN CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY

(Unaudited)

	Series A Preferred Stock		Common stock - voting		Common stock - non-voting		Additional paid-in capital	Accumulated deficit	Total Stock Equity
	Shares	Amount	Shares	Amount	Shares	Amount			
	—	\$ —	4,180,484	\$ 418	42,617,893	\$ 4,262	\$ 79,661,044	\$ (62,404,722)	\$ 17,
	5,524,926	9,000,002	1,960,794	196	—	—	4,999,804	—	5,0
	—	(995,000)	—	—	—	—	995,000	—	995,
	—	995,000	—	—	—	—	(995,000)	—	(99
	—	—	716,425	72	—	—	1,305,702	—	1,3

of	—	—	478,853	48	—	—	750,052	—	750,052
a									
ent									
with									
	—	—	478,853	48	—	—	750,052	—	750,052
of									
e									
on									
ble	—	—	956,553	96	—	—	1,607,325	—	1,607,325
of									
e									
ces	—	—	3,333	—	—	—	6,425	—	6,425
of									
e									
ent									
est	—	—	285,694	29	—	—	704,696	—	704,696
on									
ng									
a	—	—	154,443	15	(2,316,656)	(232)	217	—	—
of									
lieu									
st									
n)	—	—	320,743	32	—	—	479,776	—	479,776

of									
y	—	—	470,781	47	—	—	624,850	—	624,850
of									
g er	—	—	75,000	7	—	—	47,993	—	48,000
of in									
g er	—	—	—	—	—	—	118,149	—	118,149
of in of 8 ase	—	—	—	—	—	—	—	—	—