

Sarepta Therapeutics, Inc.  
Form 10-Q  
October 31, 2018

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 001-14895

SAREPTA THERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

Delaware	93-0797222
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)

215 First Street, Suite 415

Cambridge, MA	02142
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (617) 274-4000

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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, a 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 (Check one):

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Common Stock with \$0.0001 par value (Class)	66,823,624 (Outstanding as of October 26, 2018)
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SAREPTA THERAPEUTICS, INC.

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## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements

## SAREPTA THERAPEUTICS, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited, in thousands, except share and per share amounts)

	As of	As of
	September	December
	30,	31,
	2018	2017
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 209,702	\$ 599,691
Short-term investments	583,158	479,369
Accounts receivable	48,601	29,468
Inventory	115,816	83,605
Other current assets	54,800	36,511
Total current assets	1,012,077	1,228,644
Property and equipment, net of accumulated depreciation of \$25,224		
and \$18,022 as of September 30, 2018, and December 31, 2017, respectively	76,841	43,156
Intangible assets, net of accumulated amortization of \$5,532 and \$4,145 as of		
September 30, 2018, and December 31, 2017, respectively	15,324	14,355
Other assets	78,664	21,809
Total assets	\$ 1,182,906	\$ 1,307,964
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 20,408	\$ 8,467
Accrued expenses	88,687	68,982
Current portion of long-term debt	—	6,175
Deferred revenue	3,303	3,316
Other current liabilities	1,995	1,392
Total current liabilities	114,393	88,332
Long-term debt	415,446	424,876
Deferred rent and other	13,219	5,539
Total liabilities	543,058	518,747
Commitments and contingencies (Note 16)		

Stockholders' equity:

Preferred stock, \$0.0001 par value, 3,333,333 shares authorized; none issued and

outstanding

— —

Common stock, \$0.0001 par value, 99,000,000 shares authorized; 66,693,348

and 64,791,670 issued and outstanding at September 30, 2018, and

December 31, 2017, respectively	7	6
Additional paid-in capital	2,077,864	2,006,598
Accumulated other comprehensive income (loss)	8	(379 )
Accumulated deficit	(1,438,031)	(1,217,008)
Total stockholders' equity	639,848	789,217
Total liabilities and stockholders' equity	\$1,182,906	\$1,307,964

See accompanying notes to unaudited condensed consolidated financial statements.

## SAREPTA THERAPEUTICS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(unaudited, in thousands, except per share amounts)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2018	2017	September 30, 2018	2017
<b>Revenues:</b>				
Product, net	\$ 78,486	\$ 45,954	\$ 216,619	\$ 97,307
Total revenues	78,486	45,954	216,619	97,307
<b>Costs and expenses:</b>				
<b>Cost of sales (excluding amortization of in-licensed rights)</b>				
	\$ 8,741	3,078	\$ 21,058	3,807
Research and development	86,584	34,239	255,636	122,266
Selling, general and administrative	53,044	28,176	143,541	90,461
EXONDYS 51 litigation and license charges	—	25,588	—	28,427
Amortization of in-licensed rights	216	780	649	837
Total costs and expenses	148,585	91,861	420,884	245,798
Operating loss	(70,099 )	(45,907 )	(204,265 )	(148,491 )
<b>Other (loss) income:</b>				
Gain from sale of Priority Review Voucher	—	—	—	125,000
Interest (expense) income and other, net	(6,968 )	184	(16,671 )	703
Other (loss) income	(6,968 )	184	(16,671 )	125,703
Loss before income tax (benefit) expense	(77,067 )	(45,723 )	(220,936 )	(22,788 )
Income tax (benefit) expense	(674 )	2,011	87	3,902
Net loss	(76,393 )	(47,734 )	(221,023 )	(26,690 )
<b>Other comprehensive income:</b>				
<b>Unrealized gain on cash equivalents and short-term investments</b>				
	369	26	387	108
Total other comprehensive income	369	26	387	108
Comprehensive loss	\$ (76,024 )	\$ (47,708 )	\$ (220,636 )	\$ (26,582 )
Net loss per share - basic and diluted	\$ (1.15 )	\$ (0.78 )	\$ (3.38 )	\$ (0.47 )
<b>Weighted average number of shares of common stock used in</b>				
computing basic and diluted net loss per share	66,209	61,528	65,454	57,166

See accompanying notes to unaudited condensed consolidated financial statements.





## SAREPTA THERAPEUTICS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands)

	For the Nine Months Ended September 30,	
	2018	2017
<b>Cash flows from operating activities:</b>		
Net loss	\$ (221,023 )	\$ (26,690 )
<b>Adjustments to reconcile net loss to cash flows from operating activities:</b>		
Gain from sale of Priority Review Voucher	—	(125,000 )
Depreciation and amortization	8,718	5,968
Amortization of investment discount	(4,742 )	(344 )
Loss from debt extinguishment	2,322	—
Non-cash interest expense	15,206	200
Loss on disposal of assets	94	792
Stock-based compensation	37,289	23,099
<b>Changes in operating assets and liabilities, net:</b>		
Net increase in accounts receivable	(19,133 )	(19,523 )
Net increase in inventory	(32,211 )	(51,880 )
Net increase in other assets	(84,344 )	(7,319 )
Net increase (decrease) in accounts payable, accrued expenses, deferred revenue and other liabilities	31,584	(241 )
Net cash used in operating activities	(266,240 )	(200,938 )
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(40,954 )	(8,101 )
Purchase of intangible assets	(2,633 )	(8,591 )
Purchase of available-for-sale securities	(651,387 )	(100,348 )
Maturity and sale of available-for-sale securities	562,575	296,225
Proceeds from sale of Priority Review Voucher	—	125,000
Purchases of restricted investment	(353 )	—
Maturity of restricted investment	—	10,695
Net cash (used in) provided by investing activities	(132,752 )	314,880
<b>Cash flows from financing activities:</b>		
Proceeds from July 2017 Term Loan, net of cash debt issuance costs	—	29,620
Repayment of June 2015 and July 2017 Term Loan	(30,000 )	(15,000 )
Proceeds from revolving line of credit	217,722	24,000
Repayment of revolving line of credit	(218,631 )	(23,008 )
Repayments on mortgage loans	(1,265 )	—