

vTv Therapeutics Inc.
Form 10-Q
September 14, 2015
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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 June 30, 2015

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: 001-37524

vTv Therapeutics Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

4170 Mendenhall Oaks Pkwy

High Point, NC
(Address of principal executive offices)

(336) 841-0300

47-3916571
(I.R.S. Employer
Identification No.)

27265
(Zip Code)

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Class of Stock

Shares Outstanding
as of September 14, 2015
9,156,686

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Class A common stock, par value \$0.01 per
share

Class B common stock, par value \$0.01 per
share

23,655,814

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vTv THERAPEUTICS INC. AND SUBSIDIARIES

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PART I FINANCIAL INFORMATION

The financial statements and other disclosures contained in this report include those of vTv Therapeutics Inc. (we or the Registrant), which is the registrant, and those of vTv Therapeutics LLC (vTv LLC), which became the principal operating subsidiary of the Registrant in a series of reorganizational transactions that were completed subsequent to June 30, 2015 (the Reorganization Transactions) in connection with our initial public offering (the IPO), which was completed on August 4, 2015. Because we had no substantial assets or activities (except for activities relating to our IPO) as of June 30, 2015 and because the Reorganization Transactions had not been completed as of such date, we believe that it is informative to provide the financial statements and various other disclosures as of June 30, 2015 and for the three months and six months ended June 30, 2015 and 2014 of TransTech Pharma, LLC (TTP), which was renamed vTvx Holdings I LLC (vTvx Holdings I), and High Point Pharmaceuticals, LLC (HPP), which was renamed vTvx Holdings II LLC (vTvx Holdings II), which are referred to together in this filing as the Predecessors. For more information regarding the transactions described above, see Note 12, Subsequent Events, to our financial statements contained in this quarterly report on Form 10-Q. In the Reorganization Transactions described in Note 12, Subsequent Events, among other transactions, the Predecessors directly or indirectly contributed substantially all of their assets including all of their personnel and operations, to vTv Therapeutics LLC, a subsidiary of vTv Therapeutics Inc. In this report, unless otherwise indicated or the context otherwise requires, references to the Company, we, us and our refer (1) subsequent to the completion of the IPO and the Reorganization Transactions, vTv Therapeutics Inc. and its consolidated subsidiaries, and (2) prior to the completion of the IPO and the Reorganization Transactions, the Predecessors and their consolidated subsidiaries.

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vTv Therapeutics Inc.

Unaudited Balance Sheet at June 30, 2015

Stockholder's Equity

Common stock, par value \$0.01 per share, 1,000 shares authorized, 100 shares issued and outstanding	\$ 1.00
Common stock receivable	(1.00)
Total stockholder's equity	\$

See accompanying notes to balance sheet.

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vTv Therapeutics Inc.

Notes to Balance Sheet (unaudited) as of June 30, 2015

1. Organization and Background

vTv Therapeutics Inc. (the Company, the Registrant, we or us) is a holding company and was incorporated in the state of Delaware on April 2, 2015 for the sole purpose of becoming the managing member of vTv Therapeutics LLC (vTv LLC). As described in more detail in Note 12 of the Condensed Combined Consolidated Financial Statements of TransTech Pharma, LLC (TTP) and High Point Pharmaceuticals, LLC (HPP), the Company completed an initial public offering (the IPO) on August 4, 2015 of 7,812,500 shares of its Class A common stock at a price of \$15.00 per share. The IPO raised net proceeds of approximately \$109.0 million after underwriting discounts and commissions but before expenses. The Company used the net proceeds of the IPO to acquire nonvoting common units (vTv Units) of vTv LLC, an entity created to hold substantially all of the assets and operations of TTP and HPP, which assets and operations were transferred to such entity in a series of pre-IPO reorganization transactions (the Reorganization Transactions). vTv LLC is an entity under common control with vTv Therapeutics Inc.

Subsequent to the IPO and the Reorganization Transactions, vTv Therapeutics Inc. is a holding company and its principal asset is a controlling equity interest in vTv LLC, the successor company to TTP and HPP. The Company is the sole managing member of vTv LLC, and although it holds a minority economic interest in vTv LLC, the Company has the sole voting power to operate and control all of the business and affairs of vTv LLC. As a result, beginning in the third quarter of 2015, vTv Therapeutics Inc. will consolidate vTv LLC's financial results using the variable-interest entity model (because the Company has determined that vTv LLC is a variable-interest entity and that the Registrant is the primary beneficiary of vTv LLC) and report a noncontrolling interest related to the portion of vTv Units not owned by us.

2. Basis of Presentation

The Company's balance sheet has been prepared in accordance with U.S. generally accepted accounting principles (GAAP). Separate statements of operations, cash flows, and changes in stockholder's equity and comprehensive income have not been presented because the Company has had no operations from its inception (April 2, 2015) through June 30, 2015.

3. Stockholder's Equity

The Company has authorized for issuance 1,000 shares of common stock with a par value of \$0.01 per share (the Common Stock). Under a Subscription Agreement dated April 15, 2015, MacAndrews & Forbes Incorporated (MacAndrews) agreed to fund \$1.00 to the Company in exchange for 100 shares of Common Stock, which are reflected on the Company's balance sheet as issued and outstanding. The Common Stock receivable from MacAndrews is reflected as a reduction to stockholder's equity on the Company's balance sheet.

Holders of Common Stock are entitled to (i) one vote for each share held of record on all matters submitted to a vote of stockholders and (ii) receive dividends, when and if declared by the board of directors out of funds legally available therefor, subject to any statutory or contractual restrictions on the payment of dividends.

Table of Contents**TransTech Pharma, LLC and High Point Pharmaceuticals, LLC****Condensed Combined Consolidated Balance Sheets****(dollars in thousands except per-member unit data)**

	June 30, 2015 (Unaudited)	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,397	\$ 1,384
Restricted cash and cash equivalents	130	130
Prepaid expenses and other current assets	160	97
Total current assets	2,687	1,611
Note receivable	6,709	6,594
Property and equipment, net	3,516	3,778
Receivable due from a related party, net	800	800
Employee loans receivable - related party	57	58
Deferred offering costs	3,478	
Other long-term assets	1,719	110
Total assets	\$ 18,966	\$ 12,951
Liabilities, redeemable convertible preferred units, and members deficit		
Current liabilities:		
Accounts payable and accrued expenses	\$ 7,913	\$ 3,079
Accounts payable and accrued expenses - related party	3,611	1,752
Deferred revenue	440	
Short-term debt	2,189	155
Short-term debt - related party, net	46,586	
Other liabilities	2,246	1,878
Total current liabilities	62,985	6,864
Debt - related party		27,310
Debt, net of current portion		2,110
Fair value of contingent distribution	27,054	26,359
Note payable	6,709	6,594
Other liabilities, net of current portion	3,163	4,434
Total liabilities	99,911	73,671
Commitments and contingencies		
Redeemable convertible preferred units:		
TransTech Pharma, LLC (TTP):		

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Series A redeemable convertible preferred units, no par value; 8,571,337 units authorized, issued and outstanding as of June 30, 2015 and December 31, 2014 (aggregate liquidation preference of \$2,545 at June 30, 2015)	3,237	2,847
Series B redeemable convertible preferred units, no par value, 2,547,593 units authorized, issued and outstanding as of June 30, 2015 and December 31, 2014 (aggregate liquidation preference of \$3,500 at June 30, 2015)	3,500	3,500
Series C redeemable convertible preferred units, no par value, 2,343,922 units authorized and 2,243,922 units issued and outstanding as of June 30, 2015 and December 31, 2014 (aggregate liquidation preference of \$5,514 at June 30, 2015)	9,328	7,781
Series D redeemable convertible preferred units, no par value, 2,442,361 units authorized, issued and outstanding as of June 30, 2015 and December 31, 2014 (aggregate liquidation preference of \$9,556 at June 30, 2015)	9,556	9,556

Table of Contents**TransTech Pharma, LLC and High Point Pharmaceuticals, LLC****Condensed Combined Consolidated Balance Sheets (continued)****(in thousands except per-member unit data)**

	June 30, 2015	December 31, 2014
	(Unaudited)	
Series E redeemable convertible preferred units, no par value, 32,789,595 units authorized, issued and outstanding as of June 30, 2015 and December 31, 2014 (aggregate liquidation preference of \$86,700 at June 30, 2015)	\$ 86,700	\$ 86,700
Series F redeemable convertible preferred units, no par value, 1,367,157,023 units authorized and 1,145,947,422 issued and outstanding as of June 30, 2015 and December 31, 2014, respectively (aggregate liquidation preference of \$114,595 at June 30, 2015)	385,372	312,232
Total TTP redeemable convertible preferred units	497,693	422,616
High Point Pharmaceuticals, LLC (HPP):		
Series A redeemable convertible preferred units, no par value; 49,766,563 units authorized, issued and outstanding as of June 30, 2015 and December 31, 2014 (aggregate liquidation preference of \$1,194 at June 30, 2015)	1,194	1,194
Series B redeemable convertible preferred units, no par value, 704,118,921 authorized and 594,834,833 units issued and outstanding as of June 30, 2015 and December 31, 2014 (aggregate liquidation preference of \$14,276 at June 30, 2015)	14,276	14,276
Total HPP redeemable convertible preferred units	15,470	15,470
Total redeemable convertible preferred units	513,163	438,086
Members deficit:		
TransTech Pharma, LLC:		
Members deficit	(545,295)	(454,315)
Common member units, no par value; 1,512,722,844 units authorized; 4,188,607 issued and outstanding as of June 30, 2015 and December 31, 2014		
Total TransTech Pharma, LLC members deficit	(545,295)	(454,315)
High Point Pharmaceuticals, LLC:		
Members deficit	(48,813)	(44,491)
Common member units, no par value; 805,219,377 units authorized; 5,148,485 issued and outstanding as of June 30, 2015 and December 31, 2014		

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Total High Point Pharmaceuticals, LLC members' deficit	(48,813)	(44,491)
Total members' deficit	(594,108)	(498,806)
Total liabilities, redeemable convertible preferred units, and members deficit	\$ 18,966	\$ 12,951

The accompanying notes are an integral part of the unaudited condensed combined consolidated financial statements.

Table of Contents**TransTech Pharma, LLC and High Point Pharmaceuticals, LLC****Condensed Combined Consolidated Statements of Operations - Unaudited****(in thousands except per-member unit data)**

	Three months ended		Six months ended	
	June 30, 2015	2014	June 30, 2015	2014
Revenue	\$ 110	\$ 201	\$ 160	\$ 215
Operating expenses:				
Research and development	5,146	4,030	12,531	8,172
Research and development - related party	556	505	947	767
General and administrative	2,297	2,858	4,292	7,985
Total operating expenses	7,999	7,393	17,770	16,924
Operating loss	(7,889)	(7,192)	(17,610)	(16,709)
Other income (loss), net	(1,510)	6	(850)	14
Other (expense) - related party	(168)	(157)	(336)	(344)
Interest (expense)	(45)	(42)	(90)	(76)
Interest (expense), net related party	(800)	(14)	(1,339)	(5,392)
Investment (loss) related party		(5)		(9)
Combined consolidated net loss	\$ (10,412)	\$ (7,404)	\$ (20,225)	\$ (22,516)
Net loss per TTP member unit:				
Net loss attributable to TTP member units, basic and diluted	\$ (30,717)	\$ (28,169)	\$ (90,980)	\$ (133,652)
Net loss per TTP member unit, basic and diluted	\$ (7.33)	\$ (2.12)	\$ (21.72)	\$ (10.06)
Weighted-average number of TTP common member units, basic and diluted	4,188,607	13,288,608	4,188,607	13,288,608
Net loss per HPP member unit:				
Net loss attributable to HPP member units, basic and diluted	\$ (2,179)	\$ (1,886)	\$ (4,322)	\$ (10,143)
Net loss per HPP member unit, basic and diluted	\$ (0.42)	\$ (0.10)	\$ (0.84)	\$ (0.52)
Weighted-average number of HPP common member units, basic and diluted	5,148,485	19,609,698	5,148,485	19,609,698

The accompanying notes are an integral part of the unaudited condensed combined consolidated financial statements.

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TransTech Pharma, LLC and High Point Pharmaceuticals, LLC

Condensed Combined Consolidated Statements of Changes in Redeemable Convertible Units and Members Deficit - Unaudited

(in thousands except per-member unit data)

			TTP		HPP		Total Members Deficit
	TTP Redeemable Convertible Preferred Units	HPP Redeemable Convertible Preferred Units	Common membership units no par value Units	TTP Members Deficit	Common membership units no par value Units	HPP Members Deficit	
Balances at December 31, 2014	\$ 422,616	\$ 15,470	4,188,607	\$ (454,315)	5,148,485	\$ (44,491)	\$ (498,806)
Net loss				(15,903)		(4,322)	(20,225)
Change in redemption value of TTP redeemable convertible preferred units	75,077			(75,077)			(75,077)
Balances at June 30, 2015	\$ 497,693	\$ 15,470	4,188,607	\$ (545,295)	5,148,485	\$ (48,813)	\$ (594,108)

The accompanying notes are an integral part of the unaudited condensed combined consolidated financial statements.

Table of Contents**TransTech Pharma, LLC and High Point Pharmaceuticals, LLC****Condensed Combined Consolidated Statements of Cash Flows - Unaudited****(in thousands)**

	Six months ended June 30,	
	2015	2014
Cash flows from operating activities:		
Net loss	\$ (20,225)	\$ (22,516)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	247	453
Change in fair value of contingent distribution	695	
Amortization of debt discount related party		