

ARROWHEAD RESEARCH CORP
Form 10-Q
August 04, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2015

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number 000-21898

ARROWHEAD RESEARCH CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 46-0408024
(State of incorporation) (I.R.S. Employer Identification No.)
225 S. Lake Avenue, Suite 1050
Pasadena, California 91101

(626) 304-3400

(Address and telephone number of principal executive offices)

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

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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

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) 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

The number of shares of the registrant's common stock outstanding as of July 31, 2015 was 59,500,862.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Arrowhead Research Corporation

Consolidated Balance Sheets

	(unaudited)	
	June 30, 2015	September 30, 2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$87,252,813	\$132,510,610
Prepaid expenses	3,499,324	588,626
Other current assets	654,924	48,502
Short term investments	23,280,640	21,653,032
TOTAL CURRENT ASSETS	114,687,701	154,800,770
Property and equipment, net	4,108,667	3,872,753
Intangible assets, net	25,262,886	1,013,473
Investments	1,085,282	23,088,346
Other assets	45,789	41,414
TOTAL ASSETS	\$145,190,325	\$182,816,756
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$4,862,263	\$2,579,478
Accrued expenses	1,726,449	1,399,486
Accrued payroll and benefits	884,373	3,268,506
Deferred revenue	71,875	103,125
Derivative liabilities	1,724,468	4,173,943
Capital lease obligation	216,653	213,991
Notes payable	-	50,000
Other current liabilities	46,407	58,495
TOTAL CURRENT LIABILITIES	9,532,488	11,847,024
LONG-TERM LIABILITIES		
Capital lease obligation, net of current portion	595,516	758,340
Contingent consideration obligations	3,970,931	3,970,931
Other non-current liabilities	346,996	255,206
TOTAL LONG-TERM LIABILITIES	4,913,443	4,984,477
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Arrowhead Research Corporation stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized; 15,652 and 18,300 shares issued and		
outstanding as of June 30, 2015 and September 30, 2014, respectively	16	18
Common stock, \$0.001 par value; 145,000,000 shares authorized; 59,498,362 and 54,656,936 shares		
issued and outstanding as of June 30, 2015 and September 30, 2014, respectively	151,868	147,026

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Additional paid-in capital	423,182,550	391,164,558
Accumulated other comprehensive income (loss)	(65,947)	-
Accumulated deficit	(291,968,905)	(224,771,159)
Total Arrowhead Research Corporation stockholders' equity	131,299,582	166,540,443
Noncontrolling interest	(555,188)	(555,188)
TOTAL STOCKHOLDERS' EQUITY	130,744,394	165,985,255
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 145,190,325	\$ 182,816,756

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

Arrowhead Research Corporation

Consolidated Statements of Operations

(unaudited)

	Three Months ended June 30, 2015	Three Months ended June 30, 2014	Nine Months ended June 30, 2015	Nine Months ended June 30, 2014
REVENUE	\$123,750	\$43,750	\$338,250	\$131,250
OPERATING EXPENSES				
Research and development	7,490,400	6,392,200	36,877,925	14,719,739
Acquired in-process research and development	-	-	10,142,786	-
Salaries and payroll-related costs	3,570,531	2,454,449	10,262,799	7,634,142
General and administrative expenses	1,829,393	1,582,465	5,612,219	3,865,845
Stock-based compensation	2,486,074	2,038,682	6,706,009	3,758,264
Depreciation and amortization	741,058	276,054	1,480,656	1,075,238
TOTAL OPERATING EXPENSES	16,117,456	12,743,850	71,082,394	31,053,228
OPERATING LOSS	(15,993,706)	(12,700,100)	(70,744,144)	(30,921,978)
OTHER INCOME (EXPENSE)				
Equity in income (loss) of unconsolidated affiliates	-	78,702	-	