

Horizon Pharma plc  
Form 10-Q  
August 08, 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 June 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 001-35238

HORIZON PHARMA PUBLIC LIMITED COMPANY

(Exact name of registrant as specified in its charter)

Ireland (State or other jurisdiction of incorporation or organization)	Not Applicable (I.R.S. Employer Identification No.)
Connaught House, 1st Floor 1 Burlington Road, Dublin 4, D04 C5Y6, Ireland	Not Applicable

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(Address of principal executive offices)

(Zip Code)

011 353 1 772 2100

(Registrant's telephone number, including area code)

Not applicable

(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, 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.

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company) 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

Number of registrant's ordinary shares, nominal value \$0.0001, outstanding as of July 27, 2018: 166,629,738.

HORIZON PHARMA PLC

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## HORIZON PHARMA PLC

## CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(In thousands, except share data)

	As of June 30, 2018	As of December 31, 2017
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$710,211	\$751,368
Restricted cash	6,394	6,529
Accounts receivable, net	403,671	405,214
Inventories, net	50,105	61,655
Prepaid expenses and other current assets	64,231	43,402
Total current assets	1,234,612	1,268,168
Property and equipment, net	18,070	20,405
Developed technology, net	2,272,154	2,443,949
Other intangible assets, net	5,039	5,441
Goodwill	426,441	426,441
Deferred tax assets, net	4,185	3,470
Other assets	29,224	36,081
Total assets	\$3,989,725	\$4,203,955
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Long-term debt—current portion	\$—	\$10,625
Accounts payable	31,110	34,681
Accrued expenses	173,619	175,697
Accrued trade discounts and rebates	449,683	501,753
Accrued royalties—current portion	65,604	65,328
Deferred revenues—current portion	5,629	6,885
Total current liabilities	725,645	794,969
<b>LONG-TERM LIABILITIES:</b>		
Exchangeable notes, net	323,105	314,384
Long-term debt, net of current	1,562,013	1,576,646
Accrued royalties, net of current	293,626	291,185
Deferred revenues, net of current	—	9,713
Deferred tax liabilities, net	157,404	157,945
Other long-term liabilities	67,782	68,015
Total long-term liabilities	2,403,930	2,417,888
<b>COMMITMENTS AND CONTINGENCIES</b>		

## SHAREHOLDERS' EQUITY:

Ordinary shares, \$0.0001 nominal value; 300,000,000 shares authorized;

166,974,870 and 164,785,083 shares issued at June 30, 2018 and December

31, 2017, respectively, and 166,590,504 and 164,400,717 shares outstanding at

June 30, 2018 and December 31, 2017, respectively	17	16
Treasury stock, 384,366 ordinary shares at June 30, 2018 and December 31, 2017	(4,585 )	(4,585 )
Additional paid-in capital	2,306,754	2,248,979
Accumulated other comprehensive loss	(1,128 )	(983 )
Accumulated deficit	(1,440,908)	(1,252,329)
Total shareholders' equity	860,150	991,098
Total liabilities and shareholders' equity	\$3,989,725	\$4,203,955

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

## HORIZON PHARMA PLC

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(UNAUDITED)

(In thousands, except share and per share data)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2018	2017	June 30, 2018	2017
Net sales	\$302,835	\$289,507	\$526,716	\$510,366
Cost of goods sold	100,082	130,150	216,174	269,266
Gross profit	202,753	159,357	310,542	241,100
OPERATING EXPENSES:				
Research and development	24,265	163,101	41,910	176,162
Selling, general and administrative	176,674	159,653	356,273	333,718
Impairment of long-lived assets	—	22,270	37,853	22,270
Total operating expenses	200,939	345,024	436,036	532,150
Operating income (loss)	1,814	(185,667 )	(125,494 )	(291,050 )
OTHER EXPENSE, NET:				
Interest expense, net	(31,030 )	(31,608 )	(61,484 )	(63,591 )
Foreign exchange (loss) gain	(5 )	151	(115 )	(108 )
Gain on divestiture	—	5,856	—	5,856
Loss on debt extinguishment	—	—	—	(533 )
Other income (expense), net	347	(35 )	525	—
Total other expense, net	(30,688 )	(25,636 )	(61,074 )	(58,376 )
Loss before expense (benefit) for income taxes	(28,874 )	(211,303 )	(186,568 )	(349,426 )
Expense (benefit) for income taxes	3,962	(1,767 )	3,596	(49,320 )
Net loss	\$(32,836 )	\$(209,536 )	\$(190,164 )	\$(300,106 )
Net loss per ordinary share—basic and diluted	\$(0.20 )	\$(1.29 )	\$(1.15 )	\$(1.85 )
Weighted average ordinary shares outstanding—basic and				
diluted	165,536,826	162,931,930	164,921,722	162,486,946
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX				
Foreign currency translation adjustments	(897 )	626	(434 )	954
Pension remeasurements	289	—	289	—
Other comprehensive (loss) income	(608 )	626	(145 )	954
Comprehensive loss	\$(33,444 )	\$(208,910 )	\$(190,309 )	\$(299,152 )

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





## HORIZON PHARMA PLC

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(In thousands)

	For the Six Months Ended June 30,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$(190,164)	\$(300,106)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization expense	137,447	143,014
Equity-settled share-based compensation	58,554	57,960
Royalty accretion	29,475	25,694
Royalty liability remeasurement	(2,151 )	(2,944 )
Impairment of long-lived assets	37,853	22,270
Amortization of debt discount and deferred financing costs	11,185	10,629
Deferred income taxes	(1,753 )	(79,486 )
Acquired in-process research and development expense	—	148,609
Gain on divestiture	—	(2,635 )
Loss on debt extinguishment	—	533
Foreign exchange and other adjustments	459	613
Changes in operating assets and liabilities:		
Accounts receivable	1,742	(97,267 )
Inventories	11,549	67,736
Prepaid expenses and other current assets	(21,738 )	2,434
Accounts payable	(3,592 )	29,823
Accrued trade discounts and rebates	(52,138 )	116,950
Accrued expenses and accrued royalties	(14,099 )	(86,235 )
Deferred revenues	333	384
Other non-current assets and liabilities	(1,988 )	14,755
Net cash provided by operating activities	974	72,731
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payment related to license agreement	(12,000 )	—
Payments for acquisitions, net of cash acquired	—	(167,850)
Proceeds from divestiture, net of cash divested	—	69,072
Purchases of property and equipment	(762 )	(2,627 )
Net cash used in investing activities	(12,762 )	(101,405)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of term loans	(27,722 )	(774,875)
Net proceeds from term loans	—	847,768
Proceeds from the issuance of ordinary shares in connection with warrant exercises	—	11
Proceeds from the issuance of ordinary shares through ESPP programs	4,734	3,856
Proceeds from the issuance of ordinary shares in connection with stock option exercises	3,672	1,297
Payment of employee withholding taxes related to share-based awards	(9,185 )	(5,202 )
Repurchase of ordinary shares	—	(992 )
Net cash (used in) provided by financing activities	(28,501 )	71,863
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(1,003 )	2,196

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Net (decrease) increase in cash, cash equivalents and restricted cash	(41,292 )	45,385
Cash, cash equivalents and restricted cash, beginning of the period	757,897	516,150
Cash, cash equivalents and restricted cash, end of the period	\$716,605	\$561,535

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SUPPLEMENTAL CASH FLOW INFORMATION:

Cash paid for interest	\$55,516	\$58,396
Net cash paid for income taxes	27,332	1,519
Cash paid for debt extinguishment	—	145

SUPPLEMENTAL NON-CASH FLOW INFORMATION:

Purchases of property and equipment included in accounts payable and accrued