LIGAND PHARMACEUTICALS INC
Form 424B3
March 15, 2007

PROSPECTUS FILED PURSUANT TO RULE 424(B)(3)

LIGAND PHARMACEUTICALS INCORPORATED

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-131029

Prospectus Supplement No. 21
(to Prospectus dated April 12, 2006, as supplemented and amended by that Prospectus Supplement No. 1 dated May 15, 2006, that Prospectus Supplement No. 2 dated June 12, 2006, that Prospectus Supplement No. 3 dated June 29, 2006, that Prospectus Supplement No. 4 dated August 4, 2006, that Prospectus Supplement No. 5 dated August 9, 2006, that Prospectus Supplement No. 6 dated August 30, 2006, that Prospectus Supplement No. 7 dated September 11, 2006, that Prospectus Supplement No. 8 dated September 12, 2006, that Prospectus Supplement No. 9 dated October 2, 2006, that Prospectus Supplement No. 10 dated October 17, 2006, that Prospectus Supplement No. 11 dated October 20, 2006, that Prospectus Supplement No. 12 dated October 31, 2006, that Prospectus Supplement No. 13 dated November 14, 2006, that Prospectus Supplement No. 14 dated November 15, 2006, that Prospectus Supplement No. 15 dated December 14, 2006, that Prospectus Supplement No. 16 dated January 5, 2007, that Prospectus Supplement No. 17 dated January 16, 2007, that Prospectus Supplement No. 18 dated February 5, 2007, that Prospectus Supplement No. 19 dated February 28, 2007, and that Prospectus Supplement No. 20 dated March 5, 2007)

This Prospectus Supplement No. 21 supplements and amends the prospectus dated April 12, 2006 (as supplemented and amended by that Prospectus Supplement No. 1 dated May 15, 2006, that Prospectus Supplement No. 2 dated June 12, 2006, that Prospectus Supplement No. 3 dated June 29, 2006, that Prospectus Supplement No. 4 dated August 4, 2006, that Prospectus Supplement No. 5 dated August 9, 2006, that Prospectus Supplement No. 6 dated August 30, 2006, that Prospectus Supplement No. 7 dated September 11, 2006, that Prospectus Supplement No. 8 dated September 12, 2006, that Prospectus Supplement No. 9 dated October 2, 2006, that Prospectus Supplement No. 10 dated October 17, 2006, that Prospectus Supplement No. 11 dated October 20, 2006, that Prospectus Supplement No. 12 dated October 31, 2006, that Prospectus Supplement No. 13 dated November 14, 2006, that Prospectus Supplement No. 14 dated November 15, 2006, that Prospectus Supplement No. 15 dated December 14, 2006, that Prospectus Supplement No. 16 dated January 5, 2007, that Prospectus Supplement No. 17 dated January 16, 2007, that Prospectus Supplement No. 18 dated February 5, 2007, that Prospectus Supplement No. 19 dated February 28, 2007, and that Prospectus Supplement No. 20 dated March 5, 2007), or the Prospectus, relating to the offer and sale of up to 7,790,974 shares of our common stock to be issued pursuant to awards granted or to be granted under our 2002 Stock Incentive Plan, or our 2002 Plan, up to 147,510 shares of our common stock to be issued pursuant to our 2002 Employee Stock Purchase Plan, or our 2002 ESPP, and up to 50,309 shares of our common stock which may be offered from time to time by the selling stockholders identified on page 110 of the Prospectus for their own accounts. Each of the selling stockholders named in the Prospectus acquired the shares of common stock upon exercise of options previously granted to them as an employee, director or consultant of Ligand or as restricted stock granted to them as a director of Ligand, in each case under the terms of our 2002 Plan.

We will not receive any of the proceeds from the sale of the shares of our common stock by the selling stockholders under the Prospectus. We will receive proceeds in connection with option exercises under the 2002 Plan and shares issued under the 2002 ESPP which will be based upon each granted option exercise price or purchase price, as applicable.

This Prospectus Supplement No. 21 includes the attached Current Report on Form 8-K of Ligand Pharmaceuticals Incorporated dated March 15, 2007, as filed by us with the Securities and Exchange Commission.

This Prospectus Supplement No. 21 should be read in conjunction with, and delivered with, the Prospectus and is qualified by reference to the Prospectus, except to the extent that the information in this Prospectus Supplement No. 21 updates or supersedes the information contained in the Prospectus.

Our common stock is traded on The Nasdaq Global Market under the symbol "LGND." On March 14, 2007, the last reported sale price of our common stock on The Nasdaq Global Market was $10.72 per share.

Investing in our common stock involves risk. See "Risk Factors" beginning on page 7 of the Prospectus and beginning on page 62 of Prospectus Supplement No. 13.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if the Prospectus or this Prospectus Supplement No. 21 is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus Supplement No. 21 is March 15, 2007.

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 15, 2007

LIGAND PHARMACEUTICALS INCORPORATED
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation)

000-20720

(Commission File Number)

10275 SCIENCE CENTER DRIVE,
SAN DIEGO, CALIFORNIA
(Address of principal executive offices)
(858) 550-7500 (Registrant's telephone number, including area code)

77-0160744
(I.R.S. Employer Identification No.)

92121-1117
(Zip Code)

ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On March 15, 2007, Ligand Pharmaceuticals Incorporated (the "Company") issued a press release announcing its consolidated financial results for the quarter and year ended December 31, 2006. A copy of this press release is furnished herewith as Exhibit 99.1 and is incorporated herein by reference.

In accordance with General Instruction B.2. of Form 8-K, the information in this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits.

EXHIBIT NO.	DESCRIPTION
99.1	Press release of the Company dated March 15, 2007.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned.

LIGAND PHARMACEUTICALS INCORPORATED

Date: March 15, 2007

By: /s/ Tod. G. Mertes
Name: Tod G. Mertes
Title: Interim CFO

EXHIBIT 99.1

CONTACTS:
Ligand Pharmaceuticals Incorporated
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Erika Luib-De la Cruz, Investor Relations
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Lippert/Heilshorn & Associates
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LIGAND PHARMACEUTICALS ANNOUNCES FOURTH QUARTER RESULTS

CONFERENCE CALL BEGINS AT 4:30 P.M. EASTERN TIME TODAY

SAN DIEGO (MARCH 15, 2007) - LIGAND PHARMACEUTICALS INCORPORATED (NASDAQ: LGND) today announced financial results for the three and 12 months ended December 31, 2006, and reviewed business highlights of the fourth quarter of 2006 and early 2007.

FINANCIAL RESULTS

The Company sold its commercial oncology products in October 2006. The results of operations related to the oncology products have been reflected as discontinued operations for all reporting periods discussed below.

For the fourth quarter of 2006, total revenues were $34.1 million, compared with total revenues of $35.7 million in the fourth quarter of 2005. Net product sales in the quarter were also $34.1 million, compared with net product sales of $33.4 million in the prior-year fourth quarter. Total revenues in 2006 were $141.0 million, compared with total revenue of $123.0 million in 2005. Net product sales were $137.0 million in 2006, compared with net product sales of $112.8 million in 2005.

As a result of the sale of the Company's commercial oncology products in the fourth quarter of 2006, and the sale of AVINZA(R) in February 2007, Ligand expects that revenue in 2007 will be driven primarily by royalty payments related to sales of AVINZA.

Operating expenses in the fourth quarter of 2006 were $32.4 million, compared with operating expenses of $37.5 million in the fourth quarter of 2005. Operating expenses in 2006 were $181.8 million (excluding a co-promotion termination charge of $131.1 million), compared with operating expenses of $144.9 million in 2005.

In accordance with the corporate restructuring announced in January 2007, the Company's full-time workforce will be reduced by approximately 76% and the majority of commercial operations have been eliminated.

Net income in the fourth quarter of 2006 was $141.4 million, or $1.61 per diluted share, compared with a net loss of $2.8 million, or $0.04 per share, in the comparable 2005 quarter. Income from continuing operations in the fourth quarter of 2006 was $40.6 million, or $0.42 per diluted share, compared with a loss from continuing operations of $3.7 million, or $0.05 per share, in the comparable 2005 quarter. Income from discontinued operations in the fourth quarter of 2006 was $100.7 million, or $1.00 per diluted share, compared with income from discontinued operations of $1.0 million, or $0.01 per share, in the comparable 2005 quarter.

The net loss in 2006 was $31.7 million, or $0.39 per share, compared with a net loss of $36.4 million, or $0.49 per share, in 2005. Loss from continuing operations in 2006 was $135.9 million, or $1.69 per share, compared with a loss from continuing operations of $31.5 million, or $0.43 per share, in 2005. Income from discontinued operations in 2006 was $104.1 million, or $1.30 per share, compared with a loss from discontinued operations of $4.9 million, or $0.06 per share, in 2005.

As of December 31, 2006, Ligand had cash, cash equivalents, short-term investments and restricted cash of $212.5 million. As of February 28, 2007, Ligand had approximately $415 million of unrestricted cash and investments. Additionally, there is $35.0 million of cash held in escrow accounts following the sales of AVINZA and our oncology product line to support potential indemnification claims by the purchasers of those assets. To the extent not utilized, the escrowed funds will become available at varying dates starting in April 2007 through February 2008. The increase in cash since the end of 2006 is due to the closing of the sale of AVINZA to King Pharmaceuticals on date February 26, 2007.

"During the fourth quarter of 2006 and into early 2007, we took several critical steps to restructure Ligand into a highly focused R&D and royalty-driven biotech company," said John L. Higgins, President and Chief Executive Officer. "The extent of the Company's transformation is truly revolutionary, and our new business model and highly disciplined operating plan are designed to deliver value to shareholders. Through the sale of AVINZA and of our oncology product line, we now have significant financial resources to continue the development of our proprietary programs and to consider returning cash to our shareholders through a combination of a dividend and share repurchase."

FOURTH QUARTER AND EARLY 2007 HIGHLIGHTS

Business highlights of the fourth quarter of 2006 and early 2007 include the following:

- In March 2007, the Company announced changes to the board of directors including naming John L. Higgins, Todd C. Davis, Elizabeth M. Greetham and David M. Knott as directors; and the resignation of directors John Groom, Irving S. Johnson, Ph.D., Daniel Loeb, Carl C. Peck, M.D. and Brigette Roberts, M.D. Additionally, director John W. Kozarich was named chairman of the board, replacing Henry F. Blissenbach, who remains a director.
- In February 2007, Ligand completed the sale of AVINZA (morphine sulfate extended release capsules) and associated assets to King Pharmaceuticals, Inc. in exchange for cash and royalties. Ligand received $280.4 million in cash, which represents the purchase price of $246.3 million, net of certain inventory adjustments of $18.7 million and less $15.0 million placed into escrow, plus $49.1 million in reimbursement of payments previously made to Organon and others.
- In January 2007, Ligand announced a restructuring including the elimination of approximately 204 positions across all functional areas. Associated with the restructuring, several executive officers agreed to step down including the Company's Chief Financial Officer, Chief Scientific Officer and General Counsel.
- In January 2007, John L. Higgins joined the Company as Chief Executive Officer, President and in March 2007 was named a member of its board of directors.
- In November 2006, Ligand announced initiation of clinical trials for LGD-4665, an oral, small-molecule drug that mimics the activity of thrombopoietin (TPO), a growth factor that promotes growth and production of blood platelets.
- In November 2006, noteholders of Ligand's outstanding 6% convertible subordinated notes, in the aggregate principal amount of $128.2 million, converted all of the notes into 20.8 million shares of common stock. Accrued interest and unamortized debt issue costs related to the converted notes of $0.2 million and $1.0 million, respectively, were recorded as additional paid-in capital. Ligand currently has approximately 101.0 million shares outstanding.
- In October 2006, Ligand completed the sale of its oncology product

line to Eisai Co., Ltd. (placeCityTokyo) and Eisai Inc. (placeStateNew Jersey) for $205.0 million. Of this, $185.0 million was received in cash and $20.0 million was placed into escrow. The sale included Ligand's four marketed oncology drugs ONTAK(R) (denileukin diftitox), Targretin(R)

(bexarotene) capsules, Targretin(R) (bexarotene) gel 1% and Panretin(R) (alitretinoin) gel 0.1%.

PROGRAM UPDATE

The Company also provided the following update on the status and outlook of its key proprietary and partnered development programs.

Proprietary Program Highlights:

- LGD-4665, oral thrombopoietin (TPO) mimetic; as noted above, a Phase I clinical trial began in November 2006; the trial is expected to be completed in the fourth quarter of 2007.
- SARMs (selective androgen receptor modulators); as part of the alliance with TAP, the company has exercised options for development of certain compounds, and is engaged in preclinical research at this time. Ligand anticipates advancing its lead drug candidate, LGD-3303, into clinical studies in 2008.
- SGRMs (selective glucocorticoid receptor modulators): Although the overall program will continue to advance, the Company has determined not to pursue further development of LGD-5552, as Good Laboratory Practice studies failed to demonstrate desired preclinical safety characteristics. The Company expects to optimize other potential drug candidates to advance to clinical studies.

Partnered Program Highlights:

- TPO Mimetics: Ligand's partner GlaxoSmithKline has completed a Phase II/III trial and initiated another Phase III trial with eltrombopag (Promacta)for idiopathic thrombocytopenic purpura. GlaxoSmithKline plans to initiate a Phase III trial in 2007 for hepatitis C.
- SERMs (selective estrogen receptor modulators): Ligand's partner Wyeth, in the fourth quarter, reported positive Phase III trial data for bazedoxifene (Viviant) for osteoporosis, and bazedoxifene CE (Aprela) for menopause. Bazedoxifene (Viviant) currently has a PDUFA date in April 2007, and an NDA filing for bazedoxifene CE (Aprela)is expected in late 2007.
- SARMs (selective androgen receptor modulators): Ligand's partner TAP is continuing its Phase I trial with the LGD-2941 program for osteoporosis and frailty.

CONFERENCE CALL

Ligand management will host a conference call today to discuss this announcement and answer questions; the call will begin at 4:30 p.m. Eastern time (1:30 p.m. Pacific time). To participate via telephone, please dial (800)323-0845 from the U.S. or (760)634-8407 from outside the U.S. A replay of the call will be available until March 17, 2007 at 5:30 p.m. Eastern by dialing (800) 642-1687 from the U.S. or (760)645-9291 from outside the U.S., and entering passcode 2147471. Individual investors can access the Webcast through CCBN's Individual Investor Center at www.earnings.com or by visiting any of the investor sites in CCBN's Individual Investor Network. Institutional investors can access the Webcast via CCBN's password-protected event management site, StreetEvents (WWW.STREETEVENTS.COM).

ABOUT LIGAND PHARMACEUTICALS

Ligand discovers and develops new drugs that address critical unmet medical needs of patients in the areas of thrombocytopenia, cancer, hepatitis C, hormone-related diseases, osteoporosis and inflammatory diseases. Ligand's proprietary drug discovery and development programs are based on its leadership position in gene transcription technology, primarily related to intracellular receptors.

FORWARD-LOOKING STATEMENTS

This news release contains certain forward-looking statements by Ligand that involve risks and uncertainties and reflect Ligand's judgment as of the date of this release. Actual events or results may differ from Ligand's expectations. For example, we may not receive expected royalties on AVINZA(R) from King Pharmaceuticals or any other partnered products or from research and development milestones, and we may not be able to timely or successfully transform the Company or advance any product(s) in our pipeline. In addition, we may have indemnification obligations to King Pharmaceuticals or Eisai in connection with the sales of the AVINZA and oncology product lines. Further, we may not be able to complete our reductions in workforce on any particular or expected timeframe, we may not realize significant operating savings due to our restructuring, we may not be able to successfully or timely complete a transformation of the company, our early stage programs or any specific business or research initiative(s). In addition, we may not be able to successfully implement our strategy, and continue the development of our proprietary programs. Also, the Company's Board of Directors has not completed the analyses necessary to determine the amount and timing of return of cash to stockholders. The failure to meet expectations with respect to any of the foregoing matters may reduce our stock price. Additional information concerning these and other risk factors affecting Ligand's business can be found in prior press releases available via WWW.NASDAQ.COM as well as in Ligand's public periodic filings with the Securities and Exchange Commission at WWW.SEC.GOV Ligand disclaims any intent or obligation to update these forward-looking statements beyond the date of this release. This caution is made under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

[Tables to follow]

LIGAND PHARMACEUTICALS INCORPORATE
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share data)

	THREE MONTHS ENDED DECEMBER 31,	
	2006	2005

		(unaudited)	
REVENUES:			
Product sales	$ 34,130	$ 33,426	$ 1
Collaborative research and development and other revenues, net	--	2,273	
Total revenues	34,130	35,699	1
OPERATING COSTS AND EXPENSES:			
Cost of products sold	5,874	5,103	2
Research and development	12,913	9,309	4
Selling, general and administrative	21,671	13,035	7
Co-promotion	3,799	10,029	3
Co-promote termination charges	(11,902)	--	13
Total operating costs and expenses	32,355	37,476	31
Gain on sale leaseback	3,119	--	
Income (loss) from operations	4,894	(1,777)	(16
Other expense, net	(388)	(1,876)	(
Income tax benefit	36,124	--	3
Income (loss) from continuing operations	40,630	(3,653)	(13
Discontinued operations	100,734	931	10
Net income (loss)	$ 141,364	$ (2,722)	$ (3
BASIC PER SHARE AMOUNTS:			
Income (loss) from continuing operations	$ 0.46	$ (0.05)	$
Discontinued operations	1.15	0.01	
Net income (loss)	1.61	(0.04)	
Weighted average number of common shares	87,677,662	74,057,555	80,
DILUTED PER SHARE AMOUNTS:			
Income (loss) from continuing operations	$ 0.42	$ (0.05)	$
Discontinued operations	1.00	0.01	
Net income (loss)	$ 1.42	$ (0.04)	
Weighted average number of common shares	100,460,489	74,057,555	80,6

LIGAND PHARMACEUTICALS INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

ASSETS	DECEMBER 31, 2006	D
Current assets:		
Cash, cash equivalents, short-term investments, and restricted cash	$ 210,662	$
Other current assets	24,895	
Total current assets	235,557	
Restricted investments	1,826	
Property and equipment, net	5,551	
Acquired technology, product rights and royalty buy-down, net	83,083	
Other assets	36	
Total assets	$ 326,053	$
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities, excluding deferred revenue, deferred gain, co-promote termination liability, and debt	$ 60,936	$
Current portion of deferred revenue, net	57,981	
Current portion of deferred gain	1,964	
Current portion of co-promote termination liability	12,179	
Current portion of debt	37,750	
Total current liabilities	170,810	
Long-term debt	--	
Long-term portion of co-promote termination liability	81,149	
Long-term portion of deferred gain	27,220	
Other long-term liabilities	7,177	
Common stock subject to conditional redemption	12,345	
Stockholders' equity (deficit)	27,352	
Total liabilities and stockholders' equity (deficit)	$ 326,053	$

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