Teligent, Inc.
Form 10-Q
November 09, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2015

¨ **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 001-08568

Teligent, Inc.

(Formerly IGI Laboratories, Inc.)

(Exact name of registrant as specified in its charter)

Delaware	**01-0355758**
(State or other Jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

105 Lincoln Avenue
Buena, New Jersey **08310**
(Address of Principal Executive Offices) *(Zip Code)*

(856) 697-1441

(Registrant's telephone number, including area code)

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 þ 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 þ 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	þ
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 þ

The number of shares outstanding of the issuer's common stock is 52,872,953 shares as of November 2, 2015.

PART I

FINANCIAL INFORMATION

ITEM 1. Financial Statements

TELIGENT, INC. AND SUBSIDIARIES

(FORMERLY IGI LABORATORIES, INC. AND SUBSIDIARIES)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share information)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Revenues:				
Product sales, net	$ 11,375	$ 6,005	$ 30,532	$ 18,525
Research and development income	237	635	475	1,385
Licensing, royalty and other revenue	3	28	172	95
Total revenues	11,615	6,668	31,179	20,005
Costs and Expenses:				
Cost of revenues	5,538	4,036	15,808	11,603
Selling, general and administrative expenses	2,433	1,124	6,474	3,563
Product development and research expenses	3,253	1,652	9,319	5,045
Total costs and expenses	11,224	6,812	31,601	20,211
Operating income (loss)	391	(144)	(422)	(206)
Other Income (Expense):				
Change in the fair value of derivative liability	-	-	23,144	-
Interest and other expense, net	(3,279)	(58)	(9,679)	(162)
Income (loss) before income tax expense	(2,888)	(202)	13,043	(368)
Income tax expense	-	-	-	12
Net income (loss)	$ (2,888)	$ (202)	$ 13,043	$ (380)
Basic earnings (loss) per share	$ (0.05)	$ 0.00	$ 0.25	$ (0.01)

Diluted earnings (loss) per share	$ (0.05)	$ 0.00	$ (0.02)	$ (0.01)
Weighted average shares of common stock outstanding:				
Basic	52,869,529	52,457,938	52,857,624	48,811,328
Diluted	52,869,529	52,457,938	67,173,250	48,811,328

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

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TELIGENT, INC. AND SUBSIDIARIES

(FORMERLY IGI LABORATORIES, INC. AND SUBSIDIARIES)

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share information)

	September 30, 2015 (Unaudited)	December 31, 2014*
ASSETS		
Current assets:		
Cash and cash equivalents	$ 145,699	$ 158,883
Accounts receivable, net	10,947	14,366
Inventories	4,958	2,784
Prepaid expenses and other receivables	1,348	1,185
Total current assets	162,952	177,218
Property, plant and equipment, net	7,117	3,262
Product acquisition costs, net	12,031	10,604
Debt issuance costs, net	4,575	5,132
Other	479	862
Total assets	$ 187,154	$ 197,078
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,013	$ 1,643
Accrued expenses	5,817	5,141
Payable for product acquisition costs	-	6,000
Other current liabilities	336	218
Total current liabilities	9,166	13,002
Convertible 3.75% senior notes, net of debt discount (face of $143,750)	105,239	100,311
Fair value of derivative liability - convertible 3.75% senior notes	-	41,400
Note payable, bank	-	3,160
Other long term liabilities	200	71
Total liabilities	114,605	157,944
Stockholders' equity:		
Series A Convertible Preferred stock, $0.01 par value, 100 shares authorized; 0 shares issued and outstanding as of September 30, 2015 and December 31, 2014, respectively	-	-
Series C Convertible Preferred stock, $0.01 par value, 1,550 shares authorized; 0 shares issued and outstanding as of September 30, 2015 and December 31, 2014, respectively	-	-

Common stock, $0.01 par value, 100,000,000 and 60,000,000 shares authorized; 52,872,953 and 52,819,787 shares issued and outstanding as of September 30, 2015 and December 31, 2014, respectively	548	548
Additional paid-in capital	98,544	78,172
Accumulated deficit	(26,543)	(39,586)
Total stockholders’ equity	72,549	39,134
Total liabilities and stockholders' equity	$ 187,154	$ 197,078

*Derived from the audited December 31, 2014 financial statements

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

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TELIGENT, INC. AND SUBSIDIARIES

(FORMERLY IGI LABORATORIES, INC. AND SUBSIDIARIES)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended September 30, 2015 and 2014

(in thousands)

(Unaudited)

	September 30, 2015	September 30, 2014
Cash flows from operating activities:		
Net income (loss)	$ 13,043	$ (380)
Reconciliation of net income (loss) to net cash used in operating activities		
Depreciation and amortization of fixed assets	379	292
Amortization of license fee	75	75
Stock based compensation	1,708	649
Amortization of debt issuance costs	584	24
Amortization of product acquisition costs	90	90
Provision for write down of inventory	50	114
Amortization of debt discount on convertible 3.75% senior notes	4,928	-
Change in the fair value of derivative liability	(23,144)	-
Changes in operating assets and liabilities		
Accounts receivable	3,419	(1,422)
Inventories	(2,224)	(463)
Prepaid expenses and other assets	145	(336)
Accounts payable and accrued expenses	2,673	1,064
Deferred income	95	(737)
Net cash provided by (used in) operating activities	1,821	(1,030)
Cash flows from investing activities:		
Product acquisition costs	(7,517)	(2,459)
Capital expenditures	(4,234)	(618)
Net cash used in investing activities	(11,751)	(3,077)
Cash flows from financing activities:		
Principal payments on note payable, bank	(3,160)	(146)
Proceeds from issuance of stock, net	-	24,866
Proceeds from exercise of common stock options and warrants	31	565
Principal payments on capital lease obligations	(98)	(31)

Debt issuance costs	(27)	-
Net cash (used in) provided by financing activities	(3,254)	25,254
Net (decrease) increase in cash and cash equivalents	(13,184)	21,147
Cash and cash equivalents at beginning of period	158,883	2,101
Cash and cash equivalents at end of period	$ 145,699	$ 23,248
Supplemental Cash flow information:		
Cash payments for interest	$ 2,813	$ 139
Cash payments for income taxes	120	23
Non cash investing and financing transactions:		
Issuance of restricted stock	$ 347	$ -
Payable related to product acquisition costs	-	6,000
Issuance of stock to consultant	30	-
Reclassification of derivative liability to equity	18,256	-

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

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TELIGENT, INC. AND SUBSIDIARIES

(FORMERLY IGI LABORATORIES, INC. AND SUBSIDIARIES)

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the nine months ended September 30, 2015

(in thousands, except share information)

(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
Balance, December 31, 2014	52,819,787	$ 548	$ 78,172	$ (39,586)	$ 39,134
Stock based compensation expense			1,708		1,708
Stock options exercised	15,666		31		31
Issuance of restricted stock	32,500		347		347
Issuance of stock to consultant	5,000		30		30
Reclassification of derivative liability to equity			18,256		18,256
Net income	-	-	-	13,043	13,043
Balance, September 30, 2015	52,872,953	$ 548	$ 98,544	$ (26,543)	$ 72,549

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

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TELIGENT, INC. AND SUBSIDIARIES

(FORMERLY IGI LABORATORIES, INC. AND SUBSIDIARIES)

NOTES TO (UNAUDITED) CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, as updated by other reports we may file from time to time with the Securities and Exchange Commission ("SEC"). The condensed consolidated balance sheet as of December 31, 2014 has been derived from those audited consolidated financial statements. Operating results for the nine month period ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

1. Organization and Business

Teligent, Inc. (the "Company") is a Delaware corporation incorporated in 1977. On October 22, 2015, the Company announced that it will change its name from IGI Laboratories, Inc. to Teligent, Inc. effective as of October 23, 2015, at 5:00 P.M. Eastern Daylight Time. The Company's office, research and development facilities and manufacturing facilities are located at 105 Lincoln Avenue, Buena, New Jersey. The Company is a specialty generic pharmaceutical company. The Company's mission is to become a leader in the specialty generic pharmaceutical market. Under its own label, the Company currently sells generic topical and injectable pharmaceutical products that are bioequivalent to their brand name counterparts. The Company also provides development, formulation and manufacturing services to the pharmaceutical, over-the-counter ("OTC") and cosmetic markets.

2. Liquidity

The Company's principal sources of liquidity are cash and cash equivalents of approximately $145.7 million at September 30, 2015, the $10 million available under the $10 million credit facility detailed below and cash from operations. On August 3, 2015, the Company paid the additional aggregate of $6 million, that was payable at the time of the Company's first filling with the United States Food and Drug Administration (the "FDA") related to any asset purchased from AstraZeneca Pharmaceuticals LP (see Note 14). On October 5, 2015, the Company, together with Teligent Jersey Limited, a wholly-owned subsidiary of the Company, entered into an Asset Purchase Agreement and certain other ancillary agreements with Concordia Pharmaceuticals Inc., S.à.r.l., Barbados Branch, to acquire all rights, title and interests of the Seller in the existing inventory and certain contracts associated with three currently marketed injectable pharmaceutical products (Fortaz®, Zinacef™, and Zantac® Injection) (see Note 15), On October 12, 2015, the Company entered into asset purchase agreements and certain other ancillary agreements with Alveda Pharmaceuticals Inc. for the purchase of the Seller's rights, title, and interest in the development, production, marketing, import and distribution of certain pharmaceutical products in Canada. (see Note 15).

The Company may require additional funding and this funding would depend, in part, on the timing and structure of potential business arrangements. If necessary, the Company may continue to seek to raise additional capital through the sale of its equity or through a strategic alliance with a third party. There may also be additional acquisition and growth opportunities that may require external financing. There can be no assurance that such financing will be available on terms acceptable to the Company, or at all. The Company also has the ability to defer certain product development and other programs, if necessary. The Company believes that our existing capital resources will be sufficient to support its current business plan and operations beyond November 2016.

3. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include valuation of the derivative liability, sales returns and allowances ("SRA"), allowances for excess and obsolete inventories, allowances for doubtful accounts, provisions for income taxes and related deferred tax asset valuation allowances, stock based compensation and accruals for environmental cleanup and remediation costs.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, trade receivables, restricted cash, notes payable, accounts payable, capital leases and other accrued liabilities at September 30, 2015 approximate their fair value for all periods presented. The Company measures fair value in accordance with ASC 820-10, “Fair Value Measurements and Disclosures”. ASC 820-10 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, ASC 820-10 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Company measured its derivative liability at fair value. The derivative convertible option related to Notes (as defined in Note 6) issued December 16, 2014 was valued using the “with” and “without” analysis. A “with” and “without” analysis is a standard valuation technique for valuing embedded derivatives by first considering the value of the Notes with the option and then considering the value of the Notes without the option. The difference is the fair value of the embedded derivatives. The embedded derivative was classified within Level 3 because it was valued using the “with” and “without” method, which does utilize inputs that are unobservable in the market.

On May 20, 2015, the Company received approval to increase its authorized shares sufficient to allow for the conversion of the embedded option into equity at the annual shareholders meeting. Therefore, the derivative liability of $18.3 million was reclassified into stockholders equity. Based on the closing price of the Company’s common stock as of September 30, 2015, the fair value of the Notes was approximately $105.2 million compared to their face value of $143.75 million as of September 30, 2015. However, this variance is due to the conversion feature in the Notes rather than to changes in market interest rates. The Notes carry a fixed interest rate and therefore do not subject the

Company to interest rate risk. The Company recorded a change in the fair value of the derivative liability through May 20, 2015 of $0 for the three months ended September 30, 2015 and $23.1 million for the nine months ended September 30, 2015 on the condensed consolidated statements of operations. On May 20, 2015, the Company recorded the final change in fair value and subsequently reclassified the value of the derivative liability into stockholders equity due to the approval of sufficient shares.

Earnings Per Share

Basic earnings (loss) per share of common stock is computed based on the weighted average number of shares of common stock outstanding during the period. Diluted earnings (loss) per share of common stock is computed using the weighted average number of shares of common stock and potential dilutive common stock equivalents outstanding during the period. Potential dilutive common stock equivalents include shares issuable upon the conversion of the Notes and the exercise of options and warrants.

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(in thousands except shares and per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Basic earnings per share computation:				
Net income (loss) - basic	$ (2,888)	$ (202)	$ 13,043	$ (380)
Weighted average common shares - basic	52,869,529	52,457,938	52,857,624	48,811,328
Basic earnings (loss) per share	$ (0.05)	$ (0.00)	$ 0.25	$ (0.01)
Dilutive earnings per share computation:				
Net income (loss) - basic	$ (2,888)	$ (202)	$ 13,043	$ (380)
Interest expense related to convertible 3.75% senior notes	-	-	4,043	-
Amortization of discount related to convertible 3.75% senior notes	-	-	4,928	-
Change in the fair value of derivative	-	-	(23,144)	-
Net loss - diluted	$ (2,888)	$ (202)	$ (1,130)	$ (380)
Share Computation:				
Weighted average common shares - basic	52,869,529			