INFINITY PHARMACEUTICALS, INC.
Form 424B5
August 09, 2012
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Registration File No. 333-173534

Prospectus Supplement

(To Prospectus dated April 22, 2011)

5,300,000 Shares of Common Stock

We are offering up to 5,300,000 shares of common stock, par value $0.001 per share, in this offering.

Our common stock is listed on the NASDAQ Global Select Market under the symbol INFI . On August 8, 2012, the last reported sale price was $15.16 per share.

Investing in our common stock involves risks that are described in the Risk Factors section beginning on page S-7 of this prospectus supplement and the risk factors described in the other documents incorporated by reference herein.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$14.50	$76,850,000
Underwriting discounts and commissions	$0.87	$4,611,000
Proceeds, before expenses, to us	$13.63	$72,239,000

We have granted the underwriters an option for a period of up to 30 days from the date of this prospectus supplement to purchase up to 795,000 additional shares of common stock at the public offering price less the underwriting discounts and commissions to cover over-allotments, if any. If the underwriters exercise this right in full, the total underwriting discounts and commissions payable by us will be $5,302,650, and the total proceeds to us, before expenses, will be $83,074,850.

We estimate the expenses of this offering, excluding underwriting discounts and commissions, will be approximately $150,000.

The underwriters expect to deliver the shares of common stock to purchasers on or about August 14 , 2012, subject to the satisfaction of certain conditions.

Joint Book-Running Managers

Morgan Stanley **J.P. Morgan**

The date of this prospectus supplement is August 9, 2012

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this common stock offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference herein or therein. The second part, the accompanying prospectus, provides more general information. Generally, when we refer to this prospectus, we are referring to both parts of this document combined. To the extent there is a conflict between the information contained in this prospectus supplement and the information contained in the accompanying prospectus or any document incorporated by reference herein or therein filed prior to the date of this prospectus supplement, you should rely on the information in this prospectus supplement; provided that if any statement in one of these documents is inconsistent with a statement in another document having a later date for example, a document incorporated by reference in the accompanying prospectus the statement in the document having the later date modifies or supersedes the earlier statement.

We further note that the representations, warranties and covenants made by us in any agreement that is filed as an exhibit to any document that is incorporated by reference herein or in the accompanying prospectus were made solely for the benefit of the parties to such agreement, including, in some cases, for the purpose of allocating risk among the parties to such agreement, and should not be deemed to be a representation, warranty or covenant to you. Moreover, such representations, warranties or covenants were accurate only as of the date when made. Accordingly, such representations, warranties and covenants should not be relied on as accurately representing the current state of our affairs.

You should rely only on the information contained in this prospectus supplement or the accompanying prospectus, or incorporated by reference herein or therein. We have not authorized, and the underwriters have not authorized, anyone to provide you with information that is different. The information contained in this prospectus supplement or the accompanying prospectus, or incorporated by reference herein or therein, is accurate only as of the respective dates hereof or thereof, regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or of any sale of our common stock. It is important for you to read and consider all information contained in this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference herein and therein, in making your investment decision. You should also read and consider the information in the documents to which we have referred you in the sections entitled Where You Can Find More Information and Incorporation of Certain Information by Reference in this prospectus supplement and in the sections entitled Where You Can Find More Information and Incorporation by Reference in the accompanying prospectus.

We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The distribution of this prospectus supplement and the accompanying prospectus and the offering of the common stock in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus supplement and the accompanying prospectus must inform themselves about, and observe any restrictions relating to, the offering of the common stock and the distribution of this prospectus supplement and the accompanying prospectus outside the United States. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer to sell, or a solicitation of an offer to buy, any securities offered by this prospectus supplement and the accompanying prospectus by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

Unless otherwise stated, all references in this prospectus supplement and the accompanying prospectus to we, us, our, Infinity, the Company similar designations refer to Infinity Pharmaceuticals, Inc. and its subsidiary. The Infinity logo and all other Infinity product names are trademarks of Infinity or its subsidiary in the United States and in other select countries. We may indicate U.S. trademark registrations and U.S. trademarks with the symbols ® and , respectively. Other third-party logos and product/trade names are registered trademarks or trade names of their respective owners.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus and in the documents we incorporate by reference. This summary does not contain all of the information that you should consider before deciding to invest in our common stock. You should read this entire prospectus supplement and the accompanying prospectus carefully, including the Risk Factors section contained in this prospectus supplement and our consolidated financial statements and the related notes and the other documents incorporated by reference herein or therein.

INFINITY PHARMACEUTICALS, INC.

Our Business

We are an innovative drug discovery and development company seeking to discover, develop and deliver to patients best-in-class medicines designed to address diseases with significant unmet need. We combine proven scientific expertise with a passion for developing novel small molecule drugs that target emerging disease pathways. Our programs focused on the inhibition of phosphoinositide-3-kinase, the heat shock protein 90 chaperone system, and fatty acid amide hydrolase are evidence of our innovative approach to drug discovery and development. We have worldwide rights to all of our development candidates and early discovery programs, subject to single-digit royalty obligations to our former development partners on any successfully commercialized products.

PI3K Inhibitor Program. The phosphoinositide-3-kinases, or PI3Ks, are a family of enzymes involved in key immune cell functions, including cell proliferation and survival, cell differentiation and cellular trafficking. PI3K-delta and PI3K-gamma, two isoforms of PI3K, play key roles in inflammatory and autoimmune diseases. Additionally, in certain hematologic malignancies, PI3K-gamma and PI3K-delta contribute to the survival and proliferation of cancer cells. Therefore, inhibition of PI3K-delta and PI3K-gamma may have therapeutic potential across a broad range of inflammatory diseases and hematologic malignancies.

Our lead compound in this program is IPI-145, a potent, oral inhibitor of PI3K-delta and PI3K-gamma, which we are investigating in both inflammation and hematologic malignancies. We believe IPI-145 is the first delta-gamma inhibitor in the clinic. We recently completed our Phase 1, randomized, double-blind, placebo-controlled trial of IPI-145 in healthy adult subjects designed to support the development of IPI-145 in inflammatory diseases. IPI-145 was well tolerated in this trial, with no clinically significant changes in clinical laboratory values or vital signs. We expect to present additional data from this study at a medical meeting in the second half of 2012.

In July 2012, we initiated a Phase 2a randomized, double-blind, placebo-controlled trial of IPI-145 in approximately 30 patients with mild allergic asthma. The endpoints of this multi-dose, two-way cross-over study include safety, pharmacokinetics and FEV1, a standard measure of lung function. We are also planning to initiate a Phase 2a randomized, placebo-controlled trial of IPI-145 in patients with rheumatoid arthritis. This signal-finding trial will evaluate the safety and activity of multiple doses of IPI-145 in approximately 150 patients. We expect this trial to begin in the fourth quarter of 2012.

Our second Phase 1 trial of IPI-145 is an open-label, dose-escalation study designed to evaluate the safety, pharmacokinetics and clinical activity of IPI-145 in patients with advanced hematologic malignancies. In July 2012, we expanded the trial to enroll a cohort of approximately 30 patients with chronic lymphocytic leukemia, indolent non-Hodgkin s lymphoma or mantle cell lymphoma. This cohort expansion allows us to

obtain further safety and pharmacokinetic data, as well as to assess activity of IPI-145 administered at 25 mg twice daily. There have been confirmed investigator assessments of clinical response at lower dose levels, including 15 mg twice

daily and less. To date, IPI-145 has been generally well tolerated in this trial, and dose escalation remains ongoing. We are also planning for additional cohort expansions in a range of hematologic malignancies once the maximum tolerated dose of IPI-145 is determined. The malignancies that may be evaluated in these cohort expansions include T-cell lymphomas, diffuse large B-cell lymphoma, acute lymphocytic leukemia and myeloproliferative malignancies. We expect to report data from this trial at a medical meeting in the second half of 2012.

We are also conducting discovery activities to identify additional PI3K-delta and/or PI3K-gamma inhibitors, which we believe will optimize the development of our portfolio of PI3K inhibitors across a broad range of indications. We expect to name our next development candidate in this program and begin IND-enabling studies by the end of 2012.

Hsp90 Inhibitor Program. Retaspimycin hydrochloride (HCl), also known as IPI-504, is a novel, potent and selective inhibitor of heat shock protein 90, or Hsp90. Cancer cells depend on Hsp90 to maintain many proteins critical for cancer growth, proliferation and survival in a functional state. Certain anticancer therapies may enhance the dependency of cancer cells on Hsp90. Therefore, combining an Hsp90 inhibitor with another anticancer therapy may enhance cancer cell killing. Retaspimycin HCl is currently being evaluated in a randomized, double-blind, placebo-controlled Phase 2 clinical trial in combination with docetaxel, a chemotherapy, compared to placebo and docetaxel in approximately 200 patients with second- or third-line non-small cell lung cancer, or NSCLC, who are naive to docetaxel treatment and have a history of heavy smoking. Based on results from our Phase 1b trial in which we observed partial responses in patients with squamous cell carcinoma, we are stratifying patients in our Phase 2 trial based on pathological subtype. In addition, we are prospectively evaluating a novel biomarker that we believe may be predictive of response. We expect to complete enrollment in this trial this autumn and to report data from this trial in the first half of 2013.

We are also enrolling patients in a Phase 1b/2 trial to explore the safety and efficacy of retaspimycin HCl in combination with everolimus, an inhibitor of the mammalian target of rapamycin, or mTOR, pathway, in NSCLC patients with a KRAS gene mutation. The objective of this Phase 1b/2 trial is to determine the recommended dose for the combination treatment and to evaluate the safety and clinical activity of retaspimycin HCl in combination with everolimus. We expect to report top-line data from the dose escalation portion of this trial in the second half of 2012.

FAAH Inhibitor Program. In July 2012, we reacquired from Purdue Pharmaceutical Products L.P. and its associated company, Mundipharma International Corporation Limited, the global development and commercialization rights for products arising out of a program directed toward fatty acid amide hydrolase, or FAAH. It is believed that inhibition of FAAH may enable the body to bolster its own analgesic and anti-inflammatory response, and may have applicability in a broad range of painful or inflammatory conditions. The lead compound in our FAAH program is IPI-940, a novel, orally available inhibitor of FAAH with potential application for the treatment of a broad range of painful or inflammatory diseases. In October 2010, we reported top-line data from a Phase 1 randomized clinical trial of IPI-940 in 48 healthy adult volunteers demonstrating marked FAAH inhibition and increased anandamide levels. In addition, IPI-940 was well tolerated, with no observed dose-limiting toxicities or clinically significant changes in clinical laboratory values, vital signs or electrocardiogram parameters.

Hedgehog Pathway Inhibitor Program. In June 2012, we announced that we are stopping all company-sponsored clinical trials of saridegib, our lead Hedgehog pathway inhibitor, after a planned futility analysis of interim data from our Phase 2, double-blind, randomized, placebo-controlled study evaluating saridegib in patients with metastatic or locally advanced, inoperable chondrosarcoma showed that treatment with saridegib was similar to placebo and, therefore, the trial would not meet its primary endpoint. Following this analysis, we accelerated our review of data from 12 evaluable patients enrolled in our exploratory Phase 2 clinical trial evaluating saridegib in patients with myelofibrosis, which showed that the level of clinical activity observed in

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these patients did not satisfy our pre-specified criteria for expansion of the trial. Based on these analyses, we are voluntarily stopping both trials and our development of saridegib and are conducting closeout activities. In both trials, saridegib was generally well tolerated. We expect to present the final data from all of our clinical trials of saridegib after all analyses are complete.

Company Information

We were incorporated in California on March 22, 1995, under the name IRORI and, in 1998, we changed our name to Discovery Partners International, Inc., or DPI. In July 2000, we reincorporated in Delaware. On September 12, 2006, DPI completed a merger with Infinity Pharmaceuticals, Inc., or IPI, pursuant to which a wholly-owned subsidiary of DPI merged with and into IPI. IPI was the surviving corporation in the merger, changed its name to Infinity Discovery, Inc. and became a wholly owned subsidiary of DPI. In addition, we changed our corporate name from Discovery Partners International, Inc. to Infinity Pharmaceuticals, Inc., and our ticker symbol on the NASDAQ Global Market to INFI. Our common stock currently trades on the NASDAQ Global Select Market.

Our principal executive offices are located at 780 Memorial Drive, Cambridge, Massachusetts 02139 and our telephone number at that address is (617) 453-1000. Our internet website is http://www.infi.com. The information contained on our website is not incorporated by reference and should not be considered as part of this prospectus supplement. Our website address is included in this prospectus supplement as an inactive textual reference only.

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THE OFFERING

Issuer	Infinity Pharmaceuticals, Inc.
Common stock offered in this offering	5,300,000 shares
Common stock to be outstanding after this offering	32,569,697 shares
Use of proceeds	We intend to use the net proceeds from the shares we are offering for research and development expenditures, including costs associated with the continuing clinical development of IPI-145 and retaspimycin HCl; working capital, capital expenditures; potential acquisitions of new businesses, technologies or products that we believe have the potential to complement or expand our business; and other general corporate purposes. See Use of Proceeds.
Risk factors	See Risk Factors beginning on page S-7 of this prospectus supplement and page 25 of our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012, filed with the Securities and Exchange Commission, or SEC, on August 7, 2012, which is incorporated herein by reference, for a discussion of factors you should carefully consider before deciding to invest in our common stock.
Over-allotment option	We have granted the underwriters an option for a period of up to 30 days from the date of this prospectus supplement to purchase up to 795,000 additional shares of common stock at the public offering price less the underwriting discounts and commissions to cover over-allotments, if any.
NASDAQ Global Select Market symbol	INFI

The number of shares of our common stock to be outstanding after this offering is based on 27,269,697 shares outstanding as of June 30, 2012, and excludes as of such date, unless otherwise indicated below:

- 7,662,752 shares of common stock issuable upon the exercise of outstanding stock options at a weighted-average exercise price of $8.45 per share;
- an aggregate of 3,606,046 additional shares of common stock reserved for future issuance under our 2010 stock incentive plan; and
- 3,170,086 shares of common stock issuable upon the exercise of outstanding warrants at a weighted-average exercise price of $38.57 per share (of such warrants, warrants exercisable for 3,033,431 shares of common stock expired as of July 2, 2012, resulting in warrants exercisable for 136,655 shares of common stock with a weighted average exercise price of $13.35 per share outstanding as of such date).

Unless we specifically state otherwise, all information in this prospectus supplement:

- assumes that the underwriters do not exercise their over-allotment option; and

assumes no exercise of outstanding options or warrants.

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SUMMARY CONSOLIDATED FINANCIAL DATA

You should read the following summary consolidated financial data together with our financial statements and related notes and the Management s Discussion and Analysis of Financial Condition and Results of Operations sections of our periodic reports incorporated by reference in this prospectus supplement. We derived the summary statements of operations data for the years ended December 31, 2011, 2010 and 2009 from our audited financial statements incorporated by reference in this prospectus supplement. We derived the summary statements of operations data for the six months ended June 30, 2012 and 2011 and the balance sheet data as of June 30, 2012 from our unaudited financial statements incorporated by reference in this prospectus supplement. Our historical results for any prior period are not necessarily indicative of results to be expected in any future period, and our results for any interim period are not necessarily indicative of results for a full fiscal year.

The pro forma balance sheet data set forth below gives effect to our issuance and sale of 5,300,000 shares of common stock in this offering at the public offering price of $14.50 per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

	Years Ended December 31,			Six Months Ended June 30,	
	2011	2010	2009	2012	2011
Statement of operations data:				(Unaudited)	
(in thousands, except share and per share data)					
Collaborative research and development revenue from Purdue entities	$ 92,773	$ 71,331	$ 50,765	$ 47,113	$ 47,143
Operating expenses:					
Research and development	108,582	99,232	77,857	57,083	49,271
General and administrative	22,719	21,070	19,456	14,477	11,205
Total operating expenses	131,301	120,302	97,313	71,560	60,476
Loss from operations	(38,528)	(48,971)	(46,548)	(24,447)	(13,333)
Other income (expense):					
Interest expense	(1,841)	(1,910)	(1,300)	(1,375)	(866)
Income from NIH reimbursement			1,745		
Income from residual funding after reacquisition of Hsp90 program			12,450		
Income from Massachusetts tax incentive award				193	
Income from Therapeutic Discovery Grants		734			
Interest and investment income	327	463	2,045	247	162
Total other income (expense)	(1,514)	(713)	14,940	(935)	(704)
Loss before income taxes	(40,042)	(49,684)	(31,608)	(25,382)	(14,037)
Income tax benefit		700	329		
Net loss	$ (40,042)	$ (48,984)	$ (31,279)	$ (25,382)	$ (14,037)
Basic and diluted loss per common share	$ (1.50)	$ (1.86)	$ (1.20)	$ (0.94)	$ (0.53)
Basic and diluted weighted average number of common shares outstanding	26,620,278	26,321,398	26,096,515	26,919,146	26,552,102

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	As of June 30, 2012	
	Actual (1)	Pro Forma (1)(2)
	(unaudited)	
	(in thousands)	
Selected Balance Sheet Data:		
Cash, cash equivalents and available-for-sale securities, including long-term	$ 104,559	$ 176,648
Working capital	70,193	142,282
Total assets	113,049	185,138
Long-term debt due to Purdue entities, net (3)	38,927	38,927
Accumulated deficit	(294,434)	(294,434)
Total stockholders equity (deficit)	(3,392)	68,697

(1) Does not give effect to (i) the $27.5 million in cash proceeds we expect to receive and (ii) the conversion and cancellation of long-term debt and accrued interest of $51.0 million in the aggregate (as of June 30, 2012) due to Purdue Pharma L.P. we expect to occur, in each case, as a result of issuing and selling common stock to Purdue Pharma L.P., for an aggregate amount of approximately $78.5 million pursuant to the Securities Purchase Agreement, dated as of July 17, 2012, between us, Purdue Pharma L.P. and its related entities. The closing of the transactions under the Securities Purchase Agreement remains subject to the required clearance under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and other customary closing conditions.

(2) The pro forma selected balance sheet data gives effect to the issuance and sale of 5,300,000 shares of our common stock in this offering at the public offering price of $14.50 per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

(3) In November 2011, we borrowed $50 million under the line of credit agreement with Purdue Pharma L.P. We reduced the long-term debt on our balance sheet with a debt discount.

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RISK FACTORS

Investing in our common stock involves significant risks. In addition to the Risk Factors described below and the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, you should carefully consider the risks described in Part II. Item 1A. Risk Factors in our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012, which we have filed with the SEC and which is incorporated by reference herein, before making an investment decision. We caution you that the risks and uncertainties we have described, among others, could cause our actual results to differ materially from those expressed in forward-looking statements made by us or on our behalf in filings with the SEC, press releases, communications with investors and oral statements. Actual future results may differ materially from those anticipated in forward-looking statements. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosure we make in our reports filed with the SEC.

Risks Relating to This Offering

Investors in this offering will pay a much higher price than the book value of our stock.

If you purchase common stock in this offering, you will incur an immediate and substantial dilution in net tangible book value (deficit) of $12.39 per share, after giving effect to the sale by us of 5,300,000 shares in this offering at the public offering price of $14.50 per share. In the past, we have issued options to acquire common stock at prices significantly below this offering price. To the extent these outstanding options are ultimately exercised, you will incur additional dilution.

We have broad discretion in how we use the net proceeds of this offering, and we may not use these proceeds effectively or in ways with which you agree.

Our management will have broad discretion as to the application of the net proceeds of this offering and could use them for purposes other than those contemplated at the time of this offering. Our stockholders may not agree with the manner in which our management chooses to allocate and spend the net proceeds. Moreover, our management may use the net proceeds for corporate purposes that may not increase the market price of our common stock.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Such forward-looking statements include statements about our future discovery and development efforts, our collaborations, our future operating results and financial position, our business strategy, and other objectives for future operations. You can identify these forward-looking statements by their use of words such as anticipate, believe, estimate, expect, forecast, intend, plan, project, target, will and other words and terms of similar meaning. You also can identify them by the fac do not relate strictly to historical or current facts. There are a number of important risks and uncertainties that could cause our actual results to differ materially from those indicated by forward-looking statements, including the factors referred to under the caption Risk Factors in this prospectus supplement and our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012 filed with the SEC on August 7, 2012. These important factors include the factors that we identify in the documents we incorporate by reference in this prospectus supplement and the accompanying prospectus. You should read these factors and the other cautionary statements made in this prospectus supplement, the accompanying prospectus and in the documents we incorporate by reference herein and therein as being applicable to all related forward-looking statements wherever they appear in this prospectus supplement, the accompanying prospectus or in the documents incorporated by reference.

You should read these forward-looking statements carefully because they discuss our expectations regarding our future performance, future operating results or future financial condition, or state other forward-looking information. You should be aware that the occurrence of any of the events described under Risk Factors herein and in any document incorporated by reference herein and elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference therein could substantially harm our business, results of operations and financial condition and that upon the occurrence of any of these events, the price of our common stock could decline.

We cannot guarantee any future results, levels of activity, performance or achievements. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this prospectus supplement, the accompanying prospectus or the documents incorporated by reference herein or therein as anticipated, believed, estimated or expected. The forward-looking statements contained or incorporated by reference herein represent our expectations as of the date of such statements (unless another date is indicated) and should not be relied upon as representing our expectations as of any other date. While we may elect to update these forward-looking statements, we specifically disclaim any obligation to do so, even if our expectations change.

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USE OF PROCEEDS

We estimate that the net proceeds we will receive from this offering will be approximately $72.089 million, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters exercise their over-allotment option in full, we estimate that the net proceeds to us will be approximately $82.925 million, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds from this offering for general corporate purposes. Although we have not yet identified specific uses for these proceeds, we currently anticipate using the proceeds for some or all of the following purposes:

- research and development expenditures, including costs associated with the continuing clinical development of IPI-145 and retaspimycin HCl;