

Recro Pharma, Inc.
Form 10-Q
May 09, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended: March 31, 2018

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number: 001-36329

Recro Pharma, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania	26-1523233
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)
490 Lapp Road, Malvern, Pennsylvania 19355	
(Address of principal executive offices) (Zip Code)	

(484) 395-2470

(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 No

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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, a 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

As of May 7, 2018, there were 20,507,616 shares of common stock, par value \$0.01 per share, outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

RECRO PHARMA, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(Unaudited)

(amounts in thousands, except share and per share data)	March 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$46,284	\$ 60,984
Short-term investments	4,989	3,498
Accounts receivable	9,833	9,686
Contract asset	5,508	—
Inventory	10,028	9,839
Prepaid expenses and other current assets	2,686	3,276
Total current assets	79,328	87,283
Property, plant and equipment, net	38,486	39,074
Deferred income taxes	19,989	18,573
Intangible assets, net	34,204	34,850
Goodwill	6,446	6,446
Total assets	\$ 178,453	\$ 186,226
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$4,336	\$ 7,954
Accrued expenses and other current liabilities	6,361	9,897
Current portion of contingent consideration	33,957	32,053
Total current liabilities	44,654	49,904
Long-term debt, net	53,957	53,598
Warrants and other long-term liabilities	4,290	3,516
Long-term portion of contingent consideration	50,976	50,360
Total liabilities	153,877	157,378
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Preferred stock, \$0.01 par value. Authorized, 10,000,000 shares; none issued and outstanding	—	—
Common stock, \$0.01 par value. Authorized, 50,000,000 shares; issued and outstanding, 19,550,414 shares at March 31, 2018 and 19,127,435 shares at December 31, 2017	195	191
Additional paid-in capital	145,367	140,006

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Accumulated deficit	(120,985)	(111,348)
Accumulated other comprehensive loss	(1)	(1)
Total shareholders' equity	24,576	28,848
Total liabilities and shareholders' equity	\$ 178,453	\$ 186,226

See accompanying notes to consolidated financial statements.

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RECRO PHARMA, INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Loss

(Unaudited)

(amounts in thousands, except share and per share data)	For the Three Months Ended March 31,	
	2018	2017
Revenue	\$19,542	\$18,742
Operating expenses:		
Cost of sales (excluding amortization of intangible assets)	10,490	10,498
Research and development	8,442	7,763
General and administrative	9,518	4,032
Amortization of intangible assets	646	646
Change in warrant valuation	773	291
Change in contingent consideration valuation	2,520	2,814
Total operating expenses	32,389	26,044
Operating loss	(12,847)	(7,302)
Other income (expense):		
Interest income	142	105
Interest expense	(2,103)	(1,183)
Net loss before income taxes	(14,808)	(8,380)
Income tax benefit	2,353	293
Net loss	\$(12,455)	\$(8,087)
Per share information:		
Net loss per share of common stock, basic and diluted	\$(0.65)	\$(0.42)
Weighted average common shares outstanding, basic and diluted	19,219,257	19,049,416
Net Loss	\$(12,455)	\$(8,087)
Other comprehensive loss:		
Unrealized loss on available-for-sale securities	—	(57)
Comprehensive loss	\$(12,455)	\$(8,144)

See accompanying notes to consolidated financial statements.

RECRO PHARMA, INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity

For the Three Months Ended March 31, 2018

(Unaudited)

	Common Stock		Additional paid-in	Accumulated Deficit	Accumulated other comprehensive loss	Total
(amounts in thousands, except share data)	Shares	Amount	capital	Deficit	loss	Total
Balance, December 31, 2017	19,127,435	\$ 191	\$ 140,006	\$ (111,348)	\$ (1)	\$ 28,848
Stock-based compensation expense	—	—	1,584	—	—	1,584
Stock option exercise	14,575	—	65	—	—	65
Issuance of restricted stock units, net of						
shares withheld for income taxes	25,364	—	(86)	—	—	(86)
Sale of common stock under equity						
facility, net of transaction costs	383,040	4	3,798	—	—	3,802
Other comprehensive loss	—	—	—	—	—	—
Net loss	—	—	—	(12,455)	—	(12,455)
Cumulative effect of adoption of new accounting standards, net of tax	—	—	—	2,818	—	2,818
Balance, March 31, 2018	19,550,414	\$ 195	\$ 145,367	\$ (120,985)	\$ (1)	\$ 24,576

See accompanying notes to consolidated financial statements.

RECRO PHARMA, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Unaudited)

(amounts in thousands)	For the Three Months Ended March 31,	
	2018	2017
Cash flows from operating activities:		
Net loss	\$(12,455)	\$(8,087)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	1,584	892
Non-cash interest expense	319	158
Depreciation expense	1,216	1,196
Amortization	646	646
Change in warrant valuation	773	291
Change in contingent consideration valuation	2,520	2,814
Deferred income taxes	(2,353)	(1,235)
Inventory	(189)	936
Contract Asset	(1,753)	—
Prepaid expenses and other current assets	912	(518)
Accounts receivable	(147)	(1,867)
Accounts payable, accrued expenses and other liabilities	(5,870)	(2,363)
Net cash used in operating activities	(14,797)	(7,137)
Cash flows from investing activities:		
Purchase of property and equipment	(1,654)	(1,744)
Purchase of short-term investments	(4,981)	(36,117)
Proceeds from maturity of investments	3,500	—
Net cash used in investing activities	(3,135)	(37,861)
Cash flows from financing activities:		
Payment of deferred financing costs	(261)	—
Proceeds from sale of common stock, net of transaction costs	3,514	—
Payments of withholdings on shares withheld for income taxes	(86)	—
Proceeds from option exercise	65	—
Net cash provided by financing activities	3,232	—
Net decrease in cash and cash equivalents	(14,700)	(44,998)
Cash and cash equivalents, beginning of period	60,984	64,483
Cash and cash equivalents, end of period	\$46,284	\$19,485
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$2,546	\$1,026
Purchase of property, plant and equipment included in accrued expenses and accounts payable	\$249	\$237
Retirement of fully depreciated property, plant and equipment	\$30	\$—
Common stock issued in connection with equity facility	\$357	\$—