

DURECT CORP
Form 10-Q
August 06, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2013

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 000-31615

DURECT CORPORATION

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

94-3297098
(I.R.S. Employer
Identification No.)

10260 Bubb Road

Cupertino, California 95014

(Address of principal executive offices, including zip code)

(408) 777-1417

(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

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 a check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
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

As of July 31, 2013, there were 102,026,179 shares of the registrant's Common Stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

DURECT CORPORATION

CONDENSED BALANCE SHEETS

(in thousands)

	June 30, 2013 (unaudited)	December 31, 2012 (Note 1)
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 7,989	\$ 11,195
Short-term investments	13,024	17,337
Accounts receivable (net of allowances of \$132 at June 30, 2013 and \$154 at December 31, 2012)	2,012	2,166
Inventories	3,151	3,399
Prepaid expenses and other current assets	1,584	2,258
Total current assets	27,760	36,355
Property and equipment (net of accumulated depreciation of \$20,460 and \$19,956 at June 30, 2013 and December 31, 2012, respectively)	2,006	2,457
Goodwill	6,399	6,399
Intangible assets, net	27	36
Long-term restricted investments	300	400
Other long-term assets	148	288
Total assets	\$ 36,640	\$ 45,935
<u>LIABILITIES AND STOCKHOLDERS EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 771	\$ 1,785
Accrued liabilities	3,958	3,997
Contract research liabilities	140	483
Deferred revenue, current portion	255	662
Total current liabilities	5,124	6,927
Deferred revenue, non-current portion	1,424	1,480
Other long-term liabilities	775	1,197
Commitments		
Stockholders' equity:		
Common stock	10	10
Additional paid-in capital	378,975	375,658
Accumulated other comprehensive income	3	6
Accumulated deficit	(349,671)	(339,343)
Stockholders' equity	29,317	36,331
Total liabilities and stockholders' equity	\$ 36,640	\$ 45,935

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

DURECT CORPORATION

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands, except per share amounts)

(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Collaborative research and development and other revenue (see Note 2)	\$ 905	\$ 2,227	\$ 1,818	\$ 40,555
Product revenue, net	3,013	2,569	6,253	5,426
Total revenues	3,918	4,796	8,071	45,981
Operating expenses:				
Cost of product revenues	1,032	1,118	2,690	2,579
Research and development	4,833	4,982	9,622	10,616
Selling, general and administrative	3,210	3,049	6,111	6,329
Total operating expenses	9,075	9,149	18,423	19,524
Income (loss) from operations	(5,157)	(4,353)	(10,352)	26,457
Other income (expense):				
Interest and other income	13	27	27	49
Interest and other expense	(1)	(2)	(3)	(4)
Net other income	12	25	24	45
Net income (loss)	\$ (5,145)	\$ (4,328)	\$ (10,328)	\$ 26,502
Net income (loss) per share				
Basic	\$ (0.05)	\$ (0.05)	\$ (0.10)	\$ 0.30
Diluted	\$ (0.05)	\$ (0.05)	\$ (0.10)	\$ 0.30
Weighted-average shares used in computing net income (loss) per share				
Basic	101,954	87,602	101,918	87,575
Diluted	101,954	87,602	101,918	87,593
Total comprehensive income (loss)	\$ (5,146)	\$ (4,330)	\$ (10,331)	\$ 26,496

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

DURECT CORPORATION

CONDENSED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Six months ended June 30,	
	2013	2012
Cash flows from operating activities		
Net income (loss)	\$ (10,328)	\$ 26,502
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	512	429
Stock-based compensation	1,796	2,246
Changes in assets and liabilities:		
Accounts receivable	154	850
Inventories	248	66
Prepaid expenses and other assets	814	578
Accounts payable	(1,014)	(571)
Accrued liabilities	979	(728)
Contract research liabilities	(343)	(932)
Deferred revenue	(463)	(35,514)
Total adjustments	2,683	(33,576)
Net cash used in operating activities	(7,645)	(7,074)
Cash flows from investing activities		
Purchases of property and equipment	(54)	(62)
Purchases of available-for-sale securities	(6,790)	(14,204)
Proceeds from maturities of available-for-sale securities	11,200	16,554
Net cash provided by investing activities	4,356	2,288
Cash flows from financing activities		
Payments on equipment financing obligations	(4)	(3)
Net proceeds from issuances of common stock	87	49
Net cash provided by financing activities	83	46
Net decrease in cash and cash equivalents	(3,206)	(4,740)
Cash and cash equivalents, beginning of the period	11,195	8,896
Cash and cash equivalents, end of the period	\$ 7,989	\$ 4,156

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

DURECT CORPORATION

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Nature of Operations