

Capnia, Inc.
Form 10-Q
November 14, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2016

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: 001-36593

CAPNIA, INC.
(Exact name of registrant as specified in its charter)

Delaware 77-0523891
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
1235 Radio Road, Suite 110,
Redwood City, California
(Address of principal executive offices)
94065
(Zip Code)
(650) 213-8444
(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 check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions 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 (Do not check if a smaller reporting company) Smaller reporting company

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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 October 31, 2016 there were 15,761,530 shares of the registrant's Common Stock, par value \$0.001 per share, outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

Capnia, Inc.

Condensed Consolidated Balance Sheets

(unaudited)

(In thousands except share and per share data)

	September 30, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 5,415	\$ 5,495
Accounts receivable	137	156
Restricted cash	35	35
Inventory	703	551
Prepaid expenses and other current assets	217	167
Total current assets	6,507	6,404
Long-term assets		
Property and equipment, net	116	86
Goodwill	718	718
Other intangible assets, net	842	917
Other assets	126	76
Total assets	\$ 8,309	\$ 8,201
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 862	\$ 695
Accrued compensation and other current liabilities	915	1,634
Series B warrant liability	—	865
Total current liabilities	1,777	3,194
Long-term liabilities		
Series A warrant liability	509	1,213
Series C warrant liability	115	462
Other long-term liabilities	196	109
Commitments and contingencies (Note 6)		
Stockholders' equity		
Preferred Stock, \$.001 par value, 10,000,000 shares authorized:		
Series A convertible preferred stock, 10,000 shares designated; zero and 4,555 issued and outstanding at September 30, 2016 and December 31, 2015, respectively	—	—
Series B convertible preferred stock, 13,780 and zero shares designated at September 30, 2016 and December 31, 2015, respectively; 13,780 and zero shares issued and outstanding at September 30, 2016 and at December 31, 2015, respectively	—	—
Common stock, \$.001 par value, 100,000,000 shares authorized, 15,761,530 and 14,017,909 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	15	14
Additional paid-in-capital	101,395	89,456
Accumulated deficit	(95,698)	(86,247)
Total stockholders' equity	5,712	3,223
Total liabilities and stockholders' equity	\$ 8,309	\$ 8,201

See accompanying notes to condensed consolidated financial statements

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Capnia, Inc.
Condensed Consolidated Statements of Operations
(unaudited)
(In thousands except share and per share data)

	Three months ended September 30,		Nine months ended September30,	
	2016	2015	2016	2015
Government grant revenue	—	155	—	220
Product revenue	329	92	1,167	146
Total revenue	329	247	1,167	366
Cost of product revenue	399	56	1,287	96
Gross profit (loss)	Ø70	191	Ø120	270
Expenses				
Research and development	1,131	1,193	4,231	3,252
Sales and marketing	342	467	1,457	1,239
General and administrative	1,398	1,714	4,846	4,432
Total expenses	2,871	3,374	10,534	8,923
Operating loss	Ø2,941	Ø3,183	Ø10,654	Ø8,653
Interest and other income (expense)				
Interest expense, net	—	—	—	Ø1
Change in fair value of warrants liabilities (expense)	200	73	1,323	Ø1,177
Cease-use expense	—	—	Ø94	—
Other expense	Ø9	Ø183	Ø27	Ø183
Inducement charge for Series C warrants	—	—	—	Ø3,050
Interest and other income (expense), net	191	(110)		