

MEDAREX INC
Form 10-Q
November 09, 2004

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended September 30, 2004

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 No. 0-19312

MEDAREX, INC.

(Exact Name of Registrant as Specified in Its Charter.)

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New Jersey
(State or Other Jurisdiction of

22-2822175
(I.R.S. Employer

Incorporation or Organization)

Identification No.)

707 State Road, Princeton, New Jersey
(Address of Principal Executive Offices)

08540
(Zip Code)

Registrant's Telephone Number, Including Area Code: (609) 430-2880

Indicate by check x whether 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 x whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of common stock, \$.01 par value, outstanding as of October 29, 2004 was 85,451,840 shares.

MEDAREX, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	December 31, 2003	September 30, 2004 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 72,998	\$ 90,134
Marketable securities	285,460	288,417
Segregated cash	5,617	6,199
Prepaid expenses and other current assets	6,244	10,831
Total current assets	370,319	395,581
Property, buildings and equipment:		
Land	6,624	6,789
Buildings and leasehold improvements	74,764	77,017
Machinery and equipment	37,006	40,854
Furniture and fixtures	4,081	4,259
Construction in progress	4,384	3,140
	126,859	132,059
Less accumulated depreciation and amortization	(31,494)	(41,512)
	95,365	90,547
Investments in Genmab	10,976	6,861
Investments in IDM	48,199	48,199
Investments in, and advances to, other affiliates and partners	11,182	10,482
Segregated cash	11,579	7,752
Other assets	10,106	11,189
Total assets	\$ 557,726	\$ 570,611
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 2,197	\$ 1,951
Accrued liabilities	13,878	20,640
Deferred contract revenue - current	3,807	12,175
Total current liabilities	19,882	34,766
Deferred contract revenue - long-term	661	74,027
Other long-term liabilities	3,172	5,418
4.25% Convertible senior notes due August 15, 2010	125,000	146,986
2.25% Convertible senior notes due May 15, 2011		150,000
4.50% Convertible subordinated notes due July 1, 2006	175,000	
Commitments and contingencies		
Shareholders' equity:		

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Preferred stock, \$1.00 par value, 2,000,000 shares authorized; none issued and outstanding		
Common stock, \$.01 par value; 200,000,000 shares authorized; 79,501,080 shares issued and 79,007,564 outstanding at December 31, 2003 and 85,718,849 shares issued and 85,451,740 shares outstanding at September 30, 2004	795	857
Capital in excess of par value	639,784	697,680
Treasury stock, at cost 493,516 shares in 2003 and 267,109 shares in 2004	(1,242)	(672)
Deferred compensation	994	549
Accumulated other comprehensive income	6,560	3,400
Accumulated deficit	(412,880)	(542,400)
	<u> </u>	<u> </u>
Total shareholders' equity	234,011	159,414
	<u> </u>	<u> </u>
Total liabilities and shareholders' equity	\$ 557,726	\$ 570,611
	<u> </u>	<u> </u>

See notes to these unaudited consolidated financial statements.

MEDAREX, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2003	2004	2003	2004
Sales	\$	\$	\$ 25	\$
Contract and license revenues	943	2,499	4,593	4,807
Sales, contract and license revenues from Genmab	1,317	1,183	3,857	2,714
Total revenues	2,260	3,682	8,475	7,521
Costs and expenses:				
Cost of sales			3	
Research and development	24,742	40,583	72,018	93,695
General and administrative	5,322	5,682	16,204	16,985
Acquisition of in-process technology		5,439		5,439
Total costs and expenses	30,064	51,704	88,225	116,119
Operating loss	(27,804)	(48,022)	(79,750)	(108,598)
Equity in net loss of affiliate	(4,652)	(4,106)	(11,593)	(14,478)
Interest and other income	2,584	2,454	8,299	8,323
Additional payments related to asset acquisitions		(245)	(86)	(245)
Interest expense	(3,395)	(2,504)	(8,013)	(10,090)
Net loss on extinguishment of debt		(2,402)		(4,241)
Pre tax loss	(33,267)	(54,825)	(91,143)	(129,329)
Provision for income taxes	3	182	45	191
Loss before cumulative effect of change in accounting principle	(33,270)	(55,007)	(91,188)	(129,520)
Cumulative effect of change in accounting principle			(830)	
Net loss	\$ (33,270)	\$ (55,007)	\$ (92,018)	\$ (129,520)
Basic and diluted net loss per share:				
Loss before cumulative effect of change in accounting principle	\$ (0.43)	\$ (0.68)	\$ (1.17)	\$ (1.62)
Cumulative effect of change in accounting principle			(0.01)	
Net loss	\$ (0.43)	\$ (0.68)	\$ (1.18)	\$ (1.62)
Weighted average number of common shares outstanding - basic and diluted	78,088	80,904	78,046	79,981

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See notes to these unaudited consolidated financial statements.

MEDAREX, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	For the Nine Months Ended	
	September 30,	
	2003	2004
Operating activities:		
Net loss	\$ (92,018)	\$ (129,520)
Adjustments to reconcile net loss to net cash used in operating activities:		
Cumulative effect of change in accounting principle	830	
Depreciation	7,811	8,750
Amortization	2,560	3,365
Loss on extinguishment of debt		4,566
Loss on sale of equipment		105
Stock options and awards	718	387
Non-cash revenue - Genmab	(333)	(1,500)
Equity in net loss of Genmab	11,593	14,478
Impairment loss on investments in partners		316
License fees paid with stock		2,563
Write off of in-process technology		5,439
Gain on exchange of convertible debt		(325)
Gain on exchange of Eos Stock	(393)	
Gain on sale of equity securities		(1,664)
Changes in operating assets and liabilities		
Prepaid expenses and other current assets	3,414	(4,581)
Trade accounts payable	(986)	(246)
Accrued liabilities	(876)	9,584
Deferred contract revenue	(782)	83,234
Net cash used in operating activities	(68,462)	(5,049)
Investing activities:		
Purchase of property and equipment	(6,170)	(6,620)
Proceeds from sale of equipment		600
Increase in investments and advances to affiliates and partners	(1,000)	
Purchase of Ability Biomedical Corp., net of cash acquired		