

Sarepta Therapeutics, Inc.  
Form 10-Q  
November 12, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 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, 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 001-14895**

**SAREPTA THERAPEUTICS, INC.**

**(Exact name of registrant as specified in its charter)**

**Delaware**  
**(State or other jurisdiction of**

**incorporation or organization)**

**93-0797222**  
**(I.R.S. Employer**

**Identification No.)**

**215 First Street Suite 7, Cambridge, Massachusetts**  
**(Address of principal executive offices)**

**02142**  
**(Zip Code)**

**Registrant's telephone number, including area code: (857) 242-3700**

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 ☐

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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 the 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 ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

**Common Stock with \$0.0001 par value**  
(Class)

**37,582,309**  
(Outstanding as of October 31, 2013)

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****SAREPTA THERAPEUTICS, INC.****(A Development Stage Company)****CONDENSED CONSOLIDATED BALANCE SHEETS****(unaudited)****(in thousands, except per share amounts)**

	<b>September 30,</b>	<b>December 31,</b>
	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 273,644	\$ 187,661
Accounts receivable	6,721	4,713
Restricted investments	7,250	
Other current assets	2,807	1,534
Total current assets	290,422	193,908
Restricted investments	557	
Property and equipment, net of accumulated depreciation and amortization of \$17,345 and \$16,708	8,244	3,397
Patent Costs, net of accumulated amortization of \$1,538 and \$2,626	5,231	4,913
Other assets	25	2,775
Total assets	\$ 304,479	\$ 204,993
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 8,129	\$ 7,532
Accrued employee compensation	2,909	2,741
Current portion of long-term debt	91	89
Warrant liability	35,994	65,193
Deferred revenue	3,963	3,304
Other current liabilities	15	27
Total current liabilities	51,101	78,886
Long-term debt	1,599	1,668
Other long-term liabilities	4,795	760

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Total liabilities	57,495	81,314
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.0001 par value, 3,333,333 shares authorized; none issued and outstanding		
Common stock, \$.0001 par value, 50,000,000 shares authorized; Issued and outstanding: 37,533,695 at September 30, 2013 and 31,703,817 at December 31, 2012	4	3
Additional paid-in capital	781,396	554,927
Deficit accumulated during the development stage	(534,416)	(431,251)
Total stockholders' equity	246,984	123,679
Total liabilities and stockholders' equity	\$ 304,479	\$ 204,993

See accompanying notes to condensed consolidated financial statements.

**Table of Contents****SAREPTA THERAPEUTICS, INC.****(A Development Stage Company)****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME  
(LOSS)****(unaudited)****(in thousands, except per share amounts)**

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>		<b>July 22, 1980 (Inception) through September 30, 2013</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	
Revenues from license fees, grants and research contracts	\$ 4,168	\$ 7,574	\$ 11,593	\$ 29,993	\$ 185,141
Operating expenses:					
Research and development	21,087	10,914	47,833	39,568	433,501
General and administrative	8,014	3,565	21,195	9,761	140,282
Acquired in-process research and development					29,461
Operating loss	(24,933)	(6,905)	(57,435)	(19,336)	(418,103)
Other (loss) income:					
Interest income and other, net	63	67	281	270	9,804
Loss on change in warrant valuation	(17,160)	(42,716)	(46,011)	(40,154)	(112,979)
Realized gain on sale of short-term securities available-for-sale					3,863
Write-down of short-term securities available-for-sale					(17,001)
Total other loss	(17,097)	(42,649)	(45,730)	(39,884)	(116,313)
Net loss	\$ (42,030)	\$ (49,554)	\$ (103,165)	\$ (59,220)	\$ (534,416)
Other comprehensive (loss) income:					
Write-down of short-term securities available-for-sale					17,001
Realized gain on sale of short-term securities available-for-sale					(3,863)
Unrealized loss on short-term securities available-for-sale					(13,138)

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Total other comprehensive (loss) income

Comprehensive loss	\$ (42,030)	\$ (49,554)	\$ (103,165)	\$ (59,220)	\$ (534,416)
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Net loss per share    basic	\$ (1.24)	\$ (2.17)	\$ (3.17)	\$ (2.61)
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Net loss per share    diluted	\$ (1.24)	\$ (2.17)	\$ (3.17)	\$ (2.61)
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Weighted average number of common  
shares outstanding for computing basic net  
loss per share

33,943	22,824	32,588	22,691
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Weighted average number of common  
shares outstanding for computing diluted  
net loss per share

33,943	22,824	32,588	22,691
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See accompanying notes to condensed consolidated financial statements.



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	<b>For the Period July 22, 1980 Nine months ended September 30, (Inception) through 2013 2012 September 30, 2013</b>		
Cash flows from operating activities:			
Net loss	\$ (103,165)	\$ (59,220)	\$ (534,416)
Adjustments to reconcile net loss to net cash flows used in operating activities:			
Depreciation and amortization	998	1,090	22,968
Loss on disposal of property and equipment	460	182	3,096
Realized gain on sale of short-term securities available-for-sale			(3,863)
Write-down of short-term securities available-for-sale			17,001
Impairment charge on real estate owned			1,445
Stock-based compensation	7,476	1,840	39,549
Acquired in-process research and development			29,461
Increase on warrant liability	46,011	40,154	112,979
Changes in operating assets and liabilities:			
Net increase in accounts receivable, other current assets and other assets	(520)	(1,162)	(9,281)
Net increase (decrease) in accounts payable, accrued employee compensation, and other liabilities	1,867	(5,420)	14,280
Net cash used in operating activities	(46,873)	(22,536)	(306,781)
Cash flows from investing activities:			
Purchase of restricted investments	(7,807)		(7,807)
Purchase of property and equipment	(1,762)	(108)	(21,749)
Patent costs	(1,281)	(614)	(11,810)
Purchase of marketable securities			(112,993)
Sale of marketable securities			117,724
Acquisition costs			(2,389)
Net cash used in investing activities	(10,850)	(722)	(39,024)

Cash flows from financing activities:

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Proceeds from sale of common stock, warrants, and partnership units, net of offering costs, and exercise of options and warrants	143,951	21,405	620,510
Repayments of long-term debt	(67)	(64)	(497)
Other financing activities, net	(178)		(564)
Net cash provided by financing activities	143,706	21,341	619,449
Increase (decrease) in cash and cash equivalents	85,983	(1,917)	273,644
Cash and cash equivalents:			
Beginning of period	187,661	39,904	
End of period	\$ 273,644	\$ 37,987	\$ 273,644
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$ 123	\$ 65	\$ 698
Supplemental schedule of noncash investing activities and financing activities:			
Short-term securities available-for-sale received in connection with the private offering	\$	\$	\$ 17,897
Issuance of common stock in satisfaction of warrant liabilities	\$ 75,210	\$ 391	\$ 108,044
Tenant improvements paid by landlord	\$ 3,692	\$	\$ 3,692
Issuance of common stock for building purchase	\$	\$	\$ 750
Assumption of long-term debt for building purchase	\$	\$	\$ 2,200
Issuance of common stock to acquire assets	\$	\$	\$