

Ceres, Inc.
Form 10-Q
July 11, 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 May 31, 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: 001-35421

Ceres, Inc.

(Exact name of Registrant as specified in its charter)

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Delaware
(State or Other Jurisdiction of

33-0727287
(I.R.S. Employer

Incorporation or Organization)

Identification Number)

1535 Rancho Conejo Boulevard

Thousand Oaks, CA 91320

(Address of principal executive offices)

Telephone: (805) 376-6500

(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 the definitions of large accelerated filer, accelerated filer and smaller reporting 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

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

Under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, Ceres, Inc. qualifies as an emerging growth company, as defined under the JOBS Act.

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

Class
Common Stock, \$0.01 par value per share

Outstanding at July 8, 2013
24,908,874

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Table of Contents**PART I: FINANCIAL INFORMATION****Item 1. Financial Statements.****CERES, INC. AND SUBSIDIARY****Condensed Consolidated Balance Sheets****(In thousands, except share amounts)****(Unaudited)**

| | May 31, 2013 | August 31, 2012 |
|---|-------------------------|----------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 18,821 | \$ 21,069 |
| Marketable securities | 18,554 | 33,565 |
| Prepaid expenses | 1,027 | 1,050 |
| Accounts receivable | 848 | 765 |
| Inventories | 352 | 841 |
| Other current assets | 232 | 278 |
| Total current assets | 39,834 | 57,568 |
| Property and equipment, net | 4,915 | 5,756 |
| Marketable securities | | 5,720 |
| Other assets | 108 | 203 |
| Total assets | \$ 44,857 | \$ 69,247 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 4,899 | \$ 5,476 |
| Other current liabilities | 26 | 732 |
| Current portion of long-term debt | 84 | 134 |
| Total current liabilities | 5,009 | 6,342 |
| Other non-current liabilities | 97 | 88 |
| Long-term debt, net of current portion | 130 | 256 |
| Total liabilities | 5,236 | 6,686 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock and additional paid in capital, \$0.01 par value; 490,000,000 shares authorized; 24,800,624 shares issued and outstanding at May 31, 2013; 24,549,029 shares issued and outstanding at August 31, 2012 | 307,448 | 304,917 |
| Accumulated other comprehensive loss | (572) | (283) |
| Accumulated deficit | (267,255) | (242,073) |
| Total stockholders' equity | 39,621 | 62,561 |

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| | | |
|--|-----------|-----------|
| Total liabilities and stockholders' equity | \$ 44,857 | \$ 69,247 |
|--|-----------|-----------|

See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents**CERES, INC. AND SUBSIDIARY****Condensed Consolidated Statements of Operations****(In thousands, except share and per share amounts)****(Unaudited)**

| | Three months ended May 31, | | Nine months ended May 31, | |
|---|-------------------------------|-------------------|------------------------------|--------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Revenues: | | | | |
| Product sales | \$ 389 | \$ 42 | \$ 462 | \$ 429 |
| Collaborative research and government grants | 966 | 1,106 | 3,884 | 3,778 |
| Total revenues | 1,355 | 1,148 | 4,346 | 4,207 |
| Cost and operating expenses: | | | | |
| Cost of product sales | 2,134 | 627 | 5,114 | 1,876 |
| Research and development | 4,074 | 5,255 | 12,784 | 15,522 |
| Selling, general and administrative | 4,464 | 3,344 | 11,700 | 8,962 |
| Total cost and operating expenses | 10,672 | 9,226 | 29,598 | 26,360 |
| Loss from operations | (9,317) | (8,078) | (25,252) | (22,153) |
| Interest expense | (34) | (341) | (35) | (559) |
| Interest income | 28 | 3 | 106 | 9 |
| Other income (expense) | | | | (84) |
| Loss before income taxes | (9,323) | (8,416) | (25,181) | (22,787) |
| Income tax benefit (expense) | | | (1) | (1) |
| Net loss | \$ (9,323) | \$ (8,416) | \$ (25,182) | \$ (22,788) |
| Basic and diluted net loss per share attributable to common stockholders | \$ (0.38) | \$ (0.34) | \$ (1.02) | \$ (2.33) |
| Weighted average outstanding common shares used for net loss per share attributable to common stockholders: | | | | |
| Basic and diluted | 24,801,705 | 24,423,042 | 24,765,664 | 9,787,652 |

See accompanying notes to the unaudited condensed consolidated financial statements.

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CERES, INC. AND SUBSIDIARY

Condensed Consolidated Statements of Comprehensive Loss

(In thousands)

(Unaudited)

| | Three months ended | | Nine months ended | |
|---|---------------------------|-------------------|--------------------------|--------------------|
| | May 31, | | May 31, | |
| | 2013 | 2012 | 2013 | 2012 |
| Net loss | \$ (9,323) | \$ (8,416) | \$ (25,182) | \$ (22,788) |
| Other comprehensive income (loss) | | | | |
| Foreign currency translation adjustments | 152 | (69) | (288) | (121) |
| Net unrealized gains on marketable securities | (6) | | (1) | |
| Total comprehensive loss | \$ (9,177) | \$ (8,485) | \$ (25,471) | \$ (22,909) |

See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents**CERES, INC. AND SUBSIDIARY****Condensed Consolidated Statements of Cash Flows****(In thousands)****(Unaudited)**

| | Nine months ended May 31, | |
|--|--------------------------------------|-----------------|
| | 2013 | 2012 |
| Cash flows from operating activities: | | |
| Net loss | \$ (25,182) | \$ (22,788) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Change in fair value of common and preferred stock warrants and convertible notes | | 84 |
| Net loss on disposal of assets | 166 | 55 |
| Impairment of assets | | 100 |
| Depreciation | 1,464 | 1,584 |
| Accretion (amortization) of premium/discount on marketable securities | 503 | |
| Non-cash interest income | (607) | |
| Stock compensation | 2,461 | 1,283 |
| Other | 14 | |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses | 23 | (371) |
| Accounts receivable | (73) | 713 |
| Inventories | 295 | |
| Other assets | 53 | 2,775 |
| Accounts payables and accrued expenses | (604) | (1,687) |
| Other liabilities | (696) | (163) |
| Net cash used in operating activities | (22,183) | (18,415) |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (660) | (834) |
| Proceeds from insurance | | 1,000 |
| Change in restricted cash and investments | | 3,000 |
| Purchases of marketable securities | (1,545) | |
| Maturities of marketable securities | 22,379 | |
| Net cash provided by investing activities | 20,174 | 3,166 |
| Cash flows from financing activities: | | |
| Repayment of debt | (286) | (6,854) |
| Proceeds from issuance of debt | | |