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Intellia Therapeutics, Inc.
Form 10-Q
October 31, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2017

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: 001-37766

INTELLIA THERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

36-4785571
(I.R.S. Employer
Identification No.)

40 Erie Street, Suite 130, Cambridge, Massachusetts 02139
(Address of principal executive offices) (Zip code)

857-285-6200

(Registrant's telephone number, including area code)

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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 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, smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth 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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of the registrant’s common stock as of October 27, 2017: 36,085,816 shares.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

INTELLIA THERAPEUTICS, INC.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Amounts in thousands except share and per share data)

	September 30, 2017	December 31, 2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 222,264	\$ 273,064
Accounts receivable	4,493	6,454
Prepaid expenses and other current assets	2,296	1,788
Total current assets	229,053	281,306
Property and equipment, net	13,560	10,628
Other assets	6,557	7,035
Total Assets	\$ 249,170	\$ 298,969
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 2,194	\$ 4,652
Accrued expenses	5,939	5,900
Current portion of deferred revenue	17,653	20,178
Total current liabilities	25,786	30,730
Deferred revenue, net of current portion	47,336	58,109
Other long-term liabilities	201	293
Commitments and contingencies		
Stockholders' Equity:		
Common stock, \$0.0001 par value; 120,000,000 shares authorized, 36,085,266 shares and 36,018,540 shares issued and outstanding, respectively	 4	 4
Additional paid-in capital	272,993	263,403
Accumulated deficit	(97,150)	(53,570)
Total stockholders' equity	175,847	209,837
Total Liabilities and Stockholders' Equity	\$ 249,170	\$ 298,969

See notes to consolidated financial statements.

INTELLIA THERAPEUTICS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(Amounts in thousands except per share data)

	Three Months		Nine Months Ended	
	Ended		September 30,	
	2017	2016	2017	2016
Collaboration revenue	\$7,317	\$4,869	\$19,449	\$10,852
Operating expenses:				
Research and development	17,481	7,861	46,477	20,509
General and administrative	5,711	4,705	17,812	11,680
Total operating expenses	23,192	12,566	64,289	32,189
Operating loss	(15,875)	(7,697)	(44,840)	(21,337)
Interest income	519	215	1,260	266
Net loss	\$(15,356)	\$(7,482)	\$(43,580)	\$(21,071)
Net loss per share attributable to common				
stockholders, basic and diluted	\$(0.44)	\$(0.22)	\$(1.25)	\$(1.16)
Weighted average shares outstanding, basic				
and diluted	35,189	34,316	34,945	18,098

See notes to consolidated financial statements.

INTELLIA THERAPEUTICS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Amounts in thousands)

	Nine Months Ended September 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(43,580)	\$(21,071)
Adjustments to reconcile net loss to net cash (used in) provided by		
operating activities:		
Depreciation and amortization	2,161	699
Loss on disposal of property and equipment	112	2
Equity-based compensation	8,726	4,700
Changes in operating assets and liabilities:		
Accounts receivable	1,961	(112)
Prepaid expenses and other current assets	(508)	(162)
Accounts payable	(232)	154
Accrued expenses	302	1,741
Deferred revenue	(13,298)	67,260
Other assets	478	(2,675)
Other long-term liabilities	(92)	(17)
Net cash (used in) provided by operating activities	(43,970)	50,519
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(7,694)	(2,760)
Net cash used in investing activities	(7,694)	(2,760)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments to acquire in-process research and development	—	(600)
Payment of preferred unit and preferred stock issuance costs	—	(100)
Proceeds from options exercised	508	—
Issuance of shares through employee stock purchase plan	356	—
Proceeds from common stock offering	—	170,507
Payment of common stock offering costs	—	(2,764)
Net cash provided by financing activities	864	167,043
Net (decrease) increase in cash and cash equivalents	(50,800)	214,802
Cash and cash equivalents, beginning of period	273,064	75,816
Cash and cash equivalents, end of period	\$222,264	\$290,618
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Purchases of property and equipment unpaid at period end	\$601	\$944

See notes to consolidated financial statements.

INTELLIA THERAPEUTICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Overview and Basis of Presentation

Intellia Therapeutics, Inc. (collectively referred to with its wholly-owned, controlled subsidiary, Intellia Securities Corp., as “Intellia” or the “Company”) is a genome editing company focused on developing potentially curative therapeutics utilizing a biological tool known as CRISPR/Cas9.

The consolidated financial statements of the Company included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S.”) have been condensed or omitted from this report, as is permitted by such rules and regulations. Accordingly, these consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016.

The unaudited consolidated financial statements include the accounts of Intellia Therapeutics, Inc. and its wholly-owned, controlled subsidiary. All intercompany balances and transactions have been eliminated in consolidation. In the opinion of management, the information furnished reflects all adjustments, all of which are of a normal and recurring nature, necessary for a fair presentation of the results for the reported interim periods. The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. The three months ended September 30, 2017 and 2016 are referred to as the third quarter of 2017 and 2016, respectively. The results of operations for interim periods are not necessarily indicative of results to be expected for the full year or any other interim period.

2. Summary of Significant Accounting Policies

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes existing revenue recognition guidance. The standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The standard defines a five-step process to achieve this principle and will require companies to use more judgment and make more estimates than under the current guidance. The Company expects that these judgments and estimates will include identifying performance obligations in the customer contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. The new standard will be effective for the Company for annual and interim periods beginning after December 15, 2017. The Company continues to evaluate the impact that the adoption will have on its consolidated financial statements; however, the Company does not expect that adoption of this standard will have a material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases. ASU 2016-02 amends ASC 840, Leases, by introducing a lessee model that requires balance sheet recognition of most leases. The Company is the lessee under certain leases that are accounted for as operating leases. The proposed changes would require that substantially all of the Company’s operating leases be recognized as assets and liabilities on the Company’s balance sheet. ASU 2016-02 will be effective for the Company for annual periods, and interim periods within those annual periods, beginning after

December 15, 2018. The Company is evaluating the impact that the adoption of ASU 2016-02 will have on its consolidated financial statements but expects that the Company will recognize a material lease obligation upon adoption in connection with the Company's existing lease agreements.

3. Fair Value Measurements

The Company classifies fair value based measurements using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows: Level 1, quoted market prices in active markets for identical assets or liabilities; Level 2, observable inputs other than quoted market prices included in Level 1, such as quoted market prices for markets that are not active or other inputs that are observable or can be corroborated by observable market data; and Level 3, unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, including certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company's financial instruments as of September 30, 2017 and December 31, 2016 consisted primarily of cash and cash equivalents, accounts receivable and accounts payable. As of September 30, 2017 and December 31, 2016, the Company's financial assets recognized at fair value on a recurring basis consisted of the following:

Fair Value as of September 30, 2017				
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Cash equivalents	\$206,657	\$206,657	\$ —	\$ —
Total	\$206,657	\$206,657	\$ —	\$ —

Fair Value as of December 31, 2016				
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Cash equivalents	\$270,448	\$270,448	\$ —	\$ —
Total	\$270,448	\$270,448	\$ —	\$ —

The Company values its cash equivalents at quoted market prices in active markets. Other financial instruments, including accounts receivable and accounts payable, are carried at cost, which approximate fair value due to the short duration and term to maturity.

4. Accrued Expenses

Accrued expenses consisted of the following:

	September 30, 2017	December 31, 2016
	(In thousands)	
Employee compensation and benefits	\$3,131	\$ 2,703

Research and development and professional expenses