

Xencor Inc
Form 10-Q
August 05, 2015
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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 June 30, 2015

or

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

Commission file number: 001-36182

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Xencor, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of Incorporation

20-1622502

(I.R.S. Employer Identification No.)

or Organization)

111 West Lemon Avenue, Monrovia, CA
(Address of Principal Executive Offices)

91016

(Zip Code)

(626) 305-5900

(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.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

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

Class	Outstanding at July 24, 2015
Common stock, \$0.01 par value	40,472,028

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Xencor, Inc.

Quarterly Report on FORM 10-Q for the quarter ended June 30, 2015

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In this report, unless otherwise stated or the context otherwise indicates, references to "Xencor," "the Company," "we," "us," "our" and similar references refer to Xencor, Inc. The Xencor logo is a registered trademark of Xencor, Inc. This report also contains registered marks, trademarks and trade names of other companies. All other trademarks, registered marks and trade names appearing in this report are the property of their respective holders.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of federal securities laws. Forward-looking statements include statements that may relate to our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs and other information that is not historical information. Many of these statements appear, in particular, under the headings “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. Forward-looking statements can often be identified by the use of terminology such as “subject to”, “believe”, “anticipate”, “plan”, “expect”, “intend”, “estimate”, “project”, “may”, “will”, “should”, “would”, “could”, “can”, the negatives thereof, variations thereon and similar expressions, discussions of strategy.

All forward-looking statements, including, without limitation, our examination of historical operating trends, are based upon our current expectations and various assumptions. We believe there is a reasonable basis for our expectations and beliefs, but they are inherently uncertain. We may not realize our expectations, and our beliefs may not prove correct. Actual results could differ materially from those described or implied by such forward-looking statements. The following uncertainties and factors, among others (including those set forth under “Risk Factors”), could affect future performance and cause actual results to differ materially from those matters expressed in or implied by forward-looking statements:

- our plans to develop and commercialize our product candidates;
- our ongoing and planned clinical trials;
- the timing of and our ability to obtain and maintain regulatory approvals for our product candidates;
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing;
- our ability to identify additional products or product candidates with significant commercial potential that are consistent with our business objectives;
- the rate and degree of market acceptance and clinical utility of our products;
- the capabilities and strategy of our suppliers and vendors including key manufacturers of our clinical drug supplies;
- significant competition in our industry;

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- costs of litigation and the failure to successfully defend lawsuits and other claims against us;
- our partners' ability to advance drug candidates into, and successfully complete, clinical trials;
- our ability to receive research funding and achieve anticipated milestones under our collaborations;
- our intellectual property position;
- loss or retirement of key members of management;
- costs of compliance and our failure to comply with new and existing governmental regulations;
- failure to successfully execute our growth strategy, including any delays in our planned future growth; and
- our failure to maintain effective internal controls.

The factors, risks and uncertainties referred to above and others are more fully described under the heading "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December, 31, 2014, as amended, as updated from time to time in Current Reports on Form 8-K. Forward-looking statements should be regarded solely as our current plans, estimates and beliefs. You should not place undue reliance on forward-looking statements. We cannot guarantee future results, events, levels of activity, performance or achievements. We do not undertake and specifically decline any obligation to update, republish or revise forward-looking statements to reflect future events or circumstances or to reflect the occurrences of unanticipated events.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Xencor, Inc.

Balance Sheets

(In thousands, except share amounts)

	June 30, 2015 (unaudited)	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	\$ 11,171	\$ 54,649
Marketable securities	56,714	—
Accounts receivable	454	2,966
Interest receivable	670	—
Prepaid expenses and other current assets	711	134
Total current assets	69,720	57,749
Property and equipment		
Computers, software and equipment	5,073	4,270
Furniture and fixtures	102	97
Leasehold improvements	3,204	3,086
Less accumulated depreciation and amortization	(6,575)	(6,554)
Property and equipment, net	1,804	899
Other assets		
Patents, licenses, and other intangible assets, net	9,691	9,116
Marketable securities - long term	91,284	—
Other assets	64	59
Total other assets	101,039	9,175
Total assets	\$ 172,563	\$ 67,823
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 3,077	\$ 1,691
Accrued expenses	2,537	2,251
Current portion of deferred revenue	2,794	2,254
Total current liabilities	8,408	6,196
Deferred rent, less current portion	703	—
Deferred revenue, less current portion	1,384	2,337
Total liabilities	10,495	8,533
Commitments and contingencies		
Stockholders' equity		

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Common stock, \$0.01 par value: 200,000,000 authorized shares at June 30, 2015 and December 31, 2014; 40,460,091 issued and outstanding at June 30, 2015 and 31,434,272 issued and outstanding at December 31, 2014	405	314
Additional paid-in capital	421,058	302,969
Accumulated other comprehensive loss	(90)	—
Accumulated deficit	(259,305)	(243,993)
Total stockholders' equity	162,068	59,290
Total liabilities and stockholders' equity	\$ 172,563	\$ 67,823

See accompanying notes.

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Xencor, Inc.

Statements of Comprehensive Loss

(unaudited)

(In thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenue				
Collaborations, licenses and milestones	\$ 1,014	\$ 824	\$ 2,505	\$ 3,008
Operating expenses				
Research and development	7,476	4,283	12,681	8,511
General and administrative	2,524	1,594	5,288	3,317
Total operating expenses	10,000	5,877	17,969	11,828
Loss from operations	(8,986)	(5,053)	(15,464)	(8,820)
Other income (expenses)				
Interest income	290	11	391	29
Interest expense	(4)	(3)	(8)	(5)
Other income (expenses)	(168)	1	(231)	1
Total other income (expense), net	118	9	152	25
Net loss	(8,868)	(5,044)	\$ (15,312)	\$ (8,795)
Other comprehensive loss				
Net unrealized loss on marketable securities available-for-sale				