

Cyclacel Pharmaceuticals, Inc.  
Form 10-Q  
November 14, 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**

Commission file number 0-50626

**CYCLACEL PHARMACEUTICALS, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or Other Jurisdiction  
of Incorporation or Organization)

**91-1707622**  
(I.R.S. Employer  
Identification No.)

**200 Connell Drive, Suite 1500**

**Berkeley Heights, New Jersey**  
(Address of principal executive offices)

**07922**  
(Zip Code)

Registrant's telephone number, including area code: **(908) 517-7330**

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   
(Do not check if a smaller reporting company)

Smaller reporting filer

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

As of November 13, 2013 there were 18,691,718 shares of the registrant's common stock outstanding.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements.****CYCLACEL PHARMACEUTICALS, INC.****(A Development Stage Company)****CONDENSED CONSOLIDATED BALANCE SHEETS****(In \$000s, except share amounts)**

	<b>December 31, 2012</b>	<b>September 30, 2013 (unaudited)</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 16,412	\$ 34,487
Prepaid expenses and other current assets	1,599	2,440
Current assets of discontinued operations	861	792
Total current assets	18,872	37,719
Property, plant and equipment (net)	129	174
Long-term assets of discontinued operations	353	96
Total assets	\$ 19,354	\$ 37,989
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 2,259	\$ 2,352
Accrued and other current liabilities	5,601	6,284
Economic Rights measured at fair value	1,120	
Other liabilities measured at fair value	20	20
Current liabilities of discontinued operations	335	322
Total current liabilities	9,335	8,978
Total liabilities	9,335	8,978
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized at December 31, 2012 and September 30, 2013; 1,213,142 and 335,273 shares issued and outstanding at December 31, 2012 and September 30, 2013, respectively. Aggregate preference in liquidation of \$14,436,390 and \$3,989,749 at December 31, 2012 and September 30, 2013, respectively	1	
Common stock, \$0.001 par value; 100,000,000 shares authorized at December 31, 2012 and September 30, 2013; 8,686,484 and 18,691,718 shares issued and outstanding at December 31, 2012 and September 30, 2013, respectively	9	18
Additional paid-in capital	280,211	315,036
Accumulated other comprehensive income (loss)	48	(172)
Deficit accumulated during the development stage	(270,250)	(285,871)
Total stockholders' equity	10,019	29,011
Total liabilities and stockholders' equity	\$ 19,354	\$ 37,989

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The accompanying notes are an integral part of these condensed consolidated financial statements.

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## CYCLACEL PHARMACEUTICALS, INC.

(A Development Stage Company)

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In \$000s, except share and per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,		Period from August 13, 1996 (inception) to September 30, 2013
	2012	2013	2012	2013	
<b>Revenues:</b>					
Collaboration and research and development revenue	\$	\$	\$	\$	\$ 3,100
Grant revenue	38	309	64	785	4,502
<b>Total revenues</b>	38	309	64	785	7,602
<b>Operating expenses:</b>					
Research and development	1,532	4,575	4,596	8,786	201,177
General and administrative	2,028	1,529	5,917	5,999	95,410
Goodwill and intangibles impairment					2,747
Other restructuring costs					2,634
<b>Total operating expenses</b>	3,560	6,104	10,513	14,785	301,968
<b>Operating loss</b>	(3,522)	(5,795)	(10,449)	(14,000)	(294,366)
Other income (expense):					
Costs associated with aborted 2004 IPO					(3,550)
Payment under guarantee					(1,652)
Non-cash consideration associated with stock purchase agreement					(423)
Change in valuation of Economic Rights	(63)		27	570	547
Change in valuation of liabilities measured at fair value	1		51		6,378
Foreign exchange gain (loss)	6	25	237	44	(3,961)
Interest income	5	8	17	12	13,759
Interest expense					(4,567)
Other income (expense), net	1	16	77	5,520	5,597
Total other (expense) income	(50)	49	409	6,146	12,128
<b>Loss from continuing operations before taxes</b>	(3,572)	(5,746)	(10,040)	(7,854)	(282,238)
Income tax benefit	419	730	714	1,218	21,013
<b>Net loss from continuing operations</b>	(3,153)	(5,016)	(9,326)	(6,636)	(261,225)
<b>Discontinued operations:</b>					
Income (loss) from discontinued operations	1,263	20	904	70	(11,739)
Income tax on discontinued operations		(8)		(28)	(365)
<b>Net income (loss) from discontinued operations</b>	1,263	12	904	42	(12,104)
<b>Net loss</b>	(1,890)	(5,004)	(8,422)	(6,594)	(273,329)
Dividend on preferred ordinary shares					(38,123)

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Deemed dividend on convertible exchangeable preferred shares			(661)			(9,027)	(12,542)
Dividend on convertible exchangeable preferred shares	(182)	(63)	(546)	(248)	(4,633)		
<b>Net loss applicable to common shareholders</b>	\$ (2,072)	\$ (5,728)	\$ (8,968)	\$ (15,869)	(328,627)		
Net loss per share, continuing operations Basic and diluted	\$ (0.40)	\$ (0.32)	\$ (1.20)	\$ (1.15)			
Net income per share, discontinued operations Basic and diluted	\$ 0.15	\$ 0.00	\$ 0.11	\$ 0.00			
Net loss applicable to common shareholders - Basic and diluted	\$ (0.25)	\$ (0.32)	\$ (1.09)	\$ (1.15)			
Weighted average common shares outstanding	8,429,269	17,788,568	8,227,721	13,850,792			

The accompanying notes are an integral part of these condensed consolidated financial statements.

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	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>		<b>Period from August 13, 1996 (inception) to September 30, 2013</b>
	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	
Net loss from continuing operations	\$ (3,153)	\$ (5,016)	\$ (9,326)	\$ (6,636)	\$ (261,225)
Net income (loss) from discontinued operations	1,263	12	904	42	(12,104)
Net loss	(1,890)	(5,004)	(8,422)	(6,594)	(273,329)
Translation adjustment	(3,611)	(6,985)	(4,542)	(347)	368
Unrealized foreign exchange gain (loss) on intercompany loans	3,584	6,818	4,536	127	(540)
Comprehensive loss	\$ (1,917)	\$ (5,171)	\$ (8,428)	\$ (6,814)	\$ (273,501)

The accompanying notes are an integral part of these condensed consolidated financial statements.



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**CYCLACEL PHARMACEUTICALS, INC.**  
**(A Development Stage Company)**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(In \$000s)**  
**(Unaudited)**

	Nine Months Ended September 30,		Period from August 13, 1996 (inception) to September 30, 2013
	2012	2013	
<b>Operating activities:</b>			
Net loss	\$ (8,422)	\$ (6,594)	\$ (273,329)
Adjustments to reconcile net loss to net cash used in operating activities:			
Accretion of interest on notes payable, net of amortization of debt premium			100
Amortization of investment premiums, net			(2,297)
Change in valuation of liabilities measured at fair value	(78)	(1,120)	(7,475)
Non-cash consideration associated with stock purchase agreement			423
Depreciation	45	58	12,673
Amortization of intangible assets			886
Fixed asset impairment			221
Unrealized foreign exchange (gains) losses			7,747
Deferred revenue			(98)
Compensation for warrants issued to non-employees			1,215
Gain on sale of patents		(5,500)	(5,500)
Shares issued for IP rights			446
Loss (gain) on disposal of property, plant and equipment	(62)		38
Goodwill and intangibles impairment			7,934
Stock-based compensation	287	244	19,647
Provision for restructuring			1,779
Amortization of issuance costs of Preferred Ordinary C shares			2,517
Transaction costs on sale of Economic Rights	33		33
Gain on termination of distribution agreements	(1,192)		(1,192)
Changes in operating assets and liabilities:			
Prepaid expenses and other assets	25	(746)	(1,043)
Accounts payable and other current liabilities	(220)	837	(2,708)
Net cash used in operating activities	(9,584)	(12,821)	(237,983)
<b>Investing activities:</b>			
Purchase of ALIGN			(3,763)
Purchase of property, plant and equipment	(12)	(99)	(8,948)
Minimum royalty payments received from termination of ALIGN license agreement		264	264
Proceeds from sale of patents		5,500	5,500
Proceeds from sale of property, plant and equipment	62		225
Purchase of short-term investments on deposit, net of maturities			(156,657)
Cash proceeds from redemption of short term securities			162,729
Net cash provided by (used in) investing activities	50	5,665	(650)

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**CYCLACEL PHARMACEUTICALS, INC.**  
**(A Development Stage Company)**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)**  
**(In \$000s)**  
**(Unaudited)**

	Nine Months Ended September 30,		Period from August 13, 1996 (inception) to September 30, 2013
	2012	2013	2013
<b>Financing activities:</b>			
Payments of capital lease obligations			(3,719)
Proceeds from issuance of ordinary and preferred ordinary shares, net of issuance costs			121,678
Proceeds from issuance of common stock and warrants, net of issuance costs	2,886	25,636	121,188
Proceeds from the exercise of stock options and warrants, net of issuance costs	48		267
Payment of preferred stock dividend		(255)	(2,153)
Repayment of government loan			(455)
Government loan received			414
Loan received from Cyclacel Group plc			9,103
Proceeds of committable loan notes issued from shareholders			8,883
Loans received from shareholders			1,645
Cash and cash equivalents assumed on stock purchase of Xcyte			17,915
Costs associated with stock purchase			(1,951)
Net cash provided by financing activities	2,934	25,381	272,815
Effect of exchange rate changes on cash and cash equivalents	(12)	(150)	305
Net increase (decrease) in cash and cash equivalents	(6,612)	18,075	34,487
Cash and cash equivalents, beginning of period	24,449	16,412	
Cash and cash equivalents, end of period	\$ 17,837	\$ 34,487	\$ 34,487
<b>Supplemental cash flow information:</b>			
<b>Cash received during the period for:</b>			
Interest	10	9	11,765
Taxes	556	970	19,742
<b>Cash paid during the period for:</b>			
Interest			(1,914)
<b>Schedule of non-cash transactions:</b>			
Acquisitions of equipment purchased through capital leases			3,470
Issuance of shares of common stock in connection with license agreements			592
Issuance of Ordinary shares on conversion of bridging loan			1,638
Issuance of Preferred Ordinary C shares on conversion of secured convertible loan notes and accrued interest			8,893
Issuance of Ordinary shares in lieu of cash bonus		181	