

STEMCELLS INC
Form 10-Q
May 10, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarter ended: March 31, 2012

Commission File Number: 0-19871

STEMCELLS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of

94-3078125
(I.R.S. Employer

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incorporation or organization)

identification No)

7707 Gateway Blvd

Newark, CA 94560

(Address of principal executive offices including zip code)

(510) 456-4000

(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 twelve months (or for such shorter periods 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. (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

At May 8, 2012, there were 25,329,246 shares of Common Stock, \$.01 par value, issued and outstanding.

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Throughout this Form 10-Q, the words "we," "us," "our," and "StemCells" refer to StemCells, Inc., including our directly and indirectly wholly-owned subsidiaries. "Common stock" refers to the common stock, \$.01 par value, of StemCells, Inc.

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ITEM 1. FINANCIAL STATEMENTS

STEMCELLS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

	March 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,454,753	\$ 13,311,261
Marketable securities, current	2,147,699	3,280,591
Trade receivables	101,650	54,527
Other receivables	218,225	213,500
Prepaid assets	373,175	506,464
Other assets, current	41,078	22,063
Total current assets	12,336,580	17,388,406
Property, plant and equipment, net	1,854,962	2,054,563
Other assets, non-current	1,808,048	1,856,057
Goodwill	1,949,641	1,895,000
Other intangible assets, net	1,994,670	2,011,473
Total assets	\$ 19,943,901	\$ 25,205,499
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 930,527	\$ 1,066,495
Accrued expenses and other current liabilities	1,952,022	2,970,251
Accrued wind-down expenses, current	1,428,597	1,360,766
Deferred revenue, current	39,371	43,910
Capital lease obligation, current	0	17,979
Deferred rent, current	1,627	2,603
Bonds payable, current	195,000	191,250
Total current liabilities	4,547,144	5,653,254
Bonds payable, non-current	281,250	331,250
Fair value of warrant liability	11,023,307	6,042,315
Deposits and other long-term liabilities	281,807	281,807
Accrued wind-down expenses, non-current	390,723	774,020
Deferred rent, non-current	1,321,174	1,301,167
Deferred revenue, non-current	92,355	96,562
Total liabilities	17,937,760	14,480,375
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Common stock, \$0.01 par value; 75,000,000 shares authorized; issued and outstanding 23,444,881 at March 31, 2012 and 22,427,955 at December 31, 2011	1,482,945	1,472,776
Additional paid-in capital	343,213,305	341,811,657
Accumulated deficit	(342,829,461)	(332,600,022)

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Accumulated other comprehensive income	139,352	40,713
Total stockholders' equity	2,006,141	10,725,124
Total liabilities and stockholders' equity	\$ 19,943,901	\$ 25,205,499

See Notes to Condensed Consolidated Financial Statements.

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STEMCELLS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three months ended March 31,	
	2012	2011
Revenue:		
Revenue from licensing agreements and grants	\$ 372,677	\$ 72,092
Revenue from product sales	271,359	149,375
Total revenue	644,036	221,467
Cost of product sales	71,959	54,524
Gross profit	572,077	166,943
Operating expenses:		
Research and development	3,938,391	5,525,677
Selling, general and administrative	1,924,325	2,075,729
Wind-down expenses	35,155	75,137
Total operating expenses	5,897,871	7,676,543
Loss from operations	(5,325,794)	(7,509,600)
Other income (expense):		
Change in fair value of warrant liability	(4,941,177)	1,782,955
Interest income	4,210	1,372
Interest expense	(14,447)	(20,207)
Other income (expense)	47,769	(1,755)
Total other income (expense), net	(4,903,645)	1,762,365
Net loss	\$ (10,229,439)	\$ (5,747,235)
Basic and diluted net loss per share*	\$ (0.45)	\$ (0.42)
Shares used to compute basic and diluted loss per share*	22,958,498	13,679,913

See Notes to Condensed Consolidated Financial Statements.

* Adjusted for the 1-for-10 reverse stock split as discussed in Note 1

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STEMCELLS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Three months ended	
	March 31,	
	2012	2011
Net loss	\$ (10,229,439)	\$ (5,747,235)
Other comprehensive income (loss)		
Foreign currency translation adjustments	95,886	193,330
Unrealized gains on securities	2,753	(16,699)
Other comprehensive income	98,639	176,631
Comprehensive loss	\$ (10,130,800)	\$ (5,570,604)

See Notes to Condensed Consolidated Financial Statements.

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STEMCELLS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Three months ended March 31,	
	2012	2011
Cash flows from operating activities:		
Net loss	\$ (10,229,439)	\$ (5,747,235)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	271,397	305,041
Stock-based compensation	736,545	934,464
Gain on disposal of fixed assets	0	(31)
Change in fair value of warrant liability	4,941,177	(1,782,955)
Changes in operating assets and liabilities:		
Other receivables	20,921	(71,021)
Trade receivables	(44,791)	41,473
Prepaid and other current assets	134,673	(5,766)
Other assets, non-current	8,081	3,012
Accounts payable and accrued expenses	(1,163,949)	(1,183,647)
Accrued wind-down expenses	(315,466)	(293,044)
Deferred revenue	(8,859)	(15,921)
Deferred rent	19,031	397,300
Net cash used in operating activities	(5,630,679)	(7,418,330)
Cash flows from investing activities:		
Purchase of marketable securities	(2,076,356)	(8,382,861)
Proceeds from the sale and maturity of marketable securities	3,212,000	0
Purchases of property, plant and equipment	(4,300)	(16,637)
Proceeds from sale of property, plant and equipment	0	35,427
Net cash provided by (used in) investing activities	1,131,344	(8,364,071)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of issuance costs	0	9,399,003
Proceeds from the exercise of stock options	0	880
Proceeds from the exercise of warrants, net of issuance costs	728,623	0
Payments related to net share issuance of stock based awards	(13,536)	(197,757)
Repayment of capital lease obligations	(17,979)	(16,333)
Repayment of bonds payable	(46,250)	(42,500)
Net cash provided by financing activities	650,858	9,143,293
Decrease in cash and cash equivalents	(3,848,477)	(6,639,108)
Effects of foreign exchange rate changes on cash	(8,031)	(2,528)
Cash and cash equivalents, beginning of period	13,311,261	19,707,821
Cash and cash equivalents, end of period	\$ 9,454,753	\$ 13,066,185
Supplemental disclosure of cash flow information:		
Interest paid	\$ 14,447	\$ 20,207

See Notes to Condensed Consolidated Financial Statements.

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Notes to Condensed Consolidated Financial Statements (Unaudited)

March 31, 2012 and 2011

Note 1. Summary of Significant Accounting Policies