

ZOGENIX, INC.  
Form 10-Q  
November 04, 2013  
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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 September 30, 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: 001-34962

Zogenix, Inc.  
(Exact Name of Registrant as Specified in its Charter)

Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization) 20-5300780  
(I.R.S. Employer  
Identification No.)

12400 High Bluff Drive, Suite 650  
San Diego, California 92130  
(Address of Principal Executive Offices) (Zip Code)  
858-259-1165  
(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

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The number of outstanding shares of the registrant's common stock, par value \$0.001 per share, as of November 1, 2013 was 107,792,467.

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

Zogenix, Inc.

Consolidated Balance Sheets

(In Thousands)

|  | September 30,<br>2013<br>(Unaudited) | December 31,<br>2012 |
|--|--------------------------------------|----------------------|
| Assets   |                                      |                      |
| Current assets:                                |                                      |                      |
| Cash and cash equivalents                      | \$ 17,352                            | \$ 41,228            |
| Trade accounts receivable, net                 | 6,161                                | 5,643                |
| Inventory, net                                 | 12,089                               | 12,886               |
| Prepaid expenses and other current assets      | 1,772                                | 2,254                |
| Total current assets                           | 37,374                               | 62,011               |
| Property and equipment, net                    | 12,943                               | 13,561               |
| Other assets                                   | 4,316                                | 5,114                |
| Total assets                                   | \$ 54,633                            | \$ 80,686            |
| Liabilities and stockholders' equity (deficit) |                                      |                      |
| Current liabilities:                           |                                      |                      |
| Accounts payable                               | \$ 2,972                             | \$ 4,592             |
| Accrued expenses                               | 16,145                               | 14,343               |
| Common stock warrant liabilities               | 12,273                               | 9,493                |
| Accrued compensation                           | 2,901                                | 4,226                |
| Total current liabilities                      | 34,291                               | 32,654               |
| Long-term debt, less current portion           | 28,719                               | 28,481               |
| Other long-term liabilities                    | 5,512                                | 5,078                |
| Commitments and contingencies                  |                                      |                      |
| Stockholders' equity (deficit):                |                                      |                      |
| Common stock                                   | 108                                  | 101                  |
| Additional paid-in capital                     | 360,634                              | 343,763              |
| Accumulated deficit                            | (374,631)                            | (329,391)            |
| Total stockholders' (deficit) equity           | (13,889)                             | 14,473               |
| Total liabilities and stockholders' equity     | \$ 54,633                            | \$ 80,686            |
| See accompanying notes.                        |                                      |                      |

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Zogenix, Inc.

Consolidated Statements of Operations and Comprehensive Loss

(In Thousands, except Per Share Amounts)

(Unaudited)

|                                     | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|-------------------------------------|-------------------------------------|-----------|------------------------------------|-----------|
|                                     | 2013                                | 2012      | 2013                               | 2012      |
| Revenue:                            |                                     |           |                                    |           |
| Net product revenue                 | \$6,897                             | \$8,453   | \$22,693                           | \$26,368  |
| Contract revenue                    | —                                   | —         | —                                  | 8,462     |
| Service and other revenue           | 271                                 | —         | 398                                | —         |
| Total revenue                       | 7,168                               | 8,453     | 23,091                             | 34,830    |
| Operating expenses:                 |                                     |           |                                    |           |
| Cost of sales                       | 5,354                               | 4,249     | 14,144                             | 13,478    |
| Royalty expense                     | 281                                 | 325       | 901                                | 997       |
| Research and development            | 2,544                               | 3,660     | 9,358                              | 16,005    |
| Selling, general and administrative | 10,011                              | 10,857    | 36,491                             | 37,574    |
| Restructuring                       | —                                   | —         | 876                                | —         |
| Total operating expenses            | 18,190                              | 19,091    | 61,770                             | 68,054    |
| Loss from operations                | (11,022                             | ) (10,638 | ) (38,679                          | ) (33,224 |
| Other income (expense):             |                                     |           |                                    |           |
| Interest income                     | 1                                   | 11        | 12                                 | 40        |