

MEDICINOVA INC
Form 10-Q
November 12, 2009
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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, 2009

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: 001-33185

MEDICINOVA, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or Other Jurisdiction of

33-0927979
(I.R.S. Employer

Incorporation or Organization)

Identification No.)

4350 La Jolla Village Drive, Suite 950

San Diego, CA
(Address of Principal Executive Offices)

92122
(Zip Code)

(858) 373-1500

(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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer 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

As of November 10, 2009, the registrant had 12,103,969 shares of Common Stock (\$0.001 par value) outstanding.

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MEDICINOVA, INC.

(a development stage company)

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS.
MEDICINOVA, INC.****(a development stage company)****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

| | September 30, 2009 | December 31, 2008 |
|--|-----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 25,644,717 | \$ 19,297,284 |
| Investment securities-current (Note 2) | 21,389,607 | |
| ARS put-current (Note 2) | 5,334,985 | |
| Prepaid expenses and other current assets | 892,969 | 718,317 |
| Total current assets | 53,262,278 | 20,015,601 |
| Property and equipment, net | 203,874 | 368,299 |
| Long-term investment securities (Note 2) | 2,482,370 | 24,047,314 |
| Long-term ARS put (Note 2) | | 5,792,701 |
| Total assets | \$ 55,948,522 | \$ 50,223,915 |
| Liabilities and Stockholders Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 429,502 | \$ 392,572 |
| ARS loan payable (Note 2) | 17,650,538 | |
| Accrued expenses | 1,522,451 | 1,011,916 |
| Income taxes payable | | 9,748 |
| Accrued compensation and related expenses | 493,330 | 765,147 |
| Total current liabilities | 20,095,821 | 2,179,383 |
| Stockholders equity: | | |
| Preferred stock, \$0.01 par value; 500,000 shares authorized at September 30, 2009 and December 31, 2008; no shares outstanding at September 30, 2009 and December 31, 2008 | | |
| Common stock, \$0.001 par value; 30,000,000 shares authorized at September 30, 2009 and December 31, 2008; 12,149,881 and 12,072,027 shares issued at September 30, 2009 and December 31, 2008, respectively, and 12,099,588 and 11,984,713 shares outstanding at September 30, 2009 and December 31, 2008, respectively | 12,149 | 12,072 |
| Additional paid-in capital | 278,571,428 | 276,361,775 |
| Accumulated other comprehensive loss | (59,958) | (29,744) |
| Treasury stock, at cost; 50,293 shares at September 30, 2009 and 87,314 shares at December 31, 2008 | (1,235,395) | (1,317,362) |
| Deficit accumulated during the development stage | (241,435,523) | (226,982,209) |
| Total stockholders equity | 35,852,701 | 48,044,532 |

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| | | |
|--|---------------|---------------|
| Total liabilities and stockholders' equity | \$ 55,948,522 | \$ 50,223,915 |
|--|---------------|---------------|

See accompanying notes.

Table of Contents**MEDICINOVA, INC.****(a development stage company)****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

| | Three months ended September 30, | | Nine months ended September 30, | | Period from September 26, 2000 (inception) to September 30, 2009 |
|---|-------------------------------------|----------------|------------------------------------|-----------------|--|
| | 2009 | 2008 | 2009 | 2008 | |
| Revenues | \$ | \$ | \$ | \$ | \$ 1,558,227 |
| Operating expenses: | | | | | |
| Cost of revenues | | | | | 1,258,421 |
| Research and development | 2,379,588 | 3,500,876 | 8,226,305 | 11,823,065 | 141,899,003 |
| General and administrative | 2,563,772 | 2,195,787 | 6,926,849 | 6,993,195 | 85,587,556 |
| Total operating expenses | 4,943,360 | 5,696,663 | 15,153,154 | 18,816,260 | 228,744,980 |
| Operating loss | (4,943,360) | (5,696,663) | (15,153,154) | (18,816,260) | (227,186,753) |
| Gain/(impairment charge) on investment securities and ARS put, net | 72,967 | | 213,793 | (3,295,621) | (1,046,191) |
| Foreign exchange (loss)/gain | (11,600) | 532,392 | (2,424) | (90,997) | (90,583) |
| Interest income, net | 87,433 | 352,768 | 489,003 | 1,696,687 | 18,285,217 |
| Income taxes | (527) | (3,664) | (532) | (3,811) | (34,091) |
| Net loss | (4,795,087) | (4,815,167) | (14,453,314) | (20,510,002) | (210,072,401) |
| Accretion to redemption value of redeemable convertible preferred stock | | | | | (98,445) |
| Deemed dividend resulting from beneficial conversion feature on Series C redeemable convertible preferred stock | | | | | (31,264,677) |
| Net loss applicable to common stockholders | \$ (4,795,087) | \$ (4,815,167) | \$ (14,453,314) | \$ (20,510,002) | \$ (241,435,523) |
| Basic and diluted net loss per common share | \$ (0.40) | \$ (0.40) | \$ (1.20) | \$ (1.70) | |
| Shares used to compute basic and diluted net loss per common share | 12,119,511 | 12,072,027 | 12,088,029 | 12,072,027 | |

See accompanying notes.

Table of Contents**MEDICINOVA, INC.****(a development stage company)****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

| | Nine months ended September 30, | | Period from September 26, 2000 (inception) to September 30, 2009 |
|---|------------------------------------|-----------------|--|
| | 2009 | 2008 | |
| Operating activities: | | | |
| Net loss | \$ (14,453,314) | \$ (20,510,002) | \$ (210,072,401) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Stock-based compensation | 1,884,535 | 2,381,796 | 45,820,497 |
| Depreciation and amortization | 169,847 | 246,250 | 1,745,943 |
| Amortization of premium/discount on investment securities | | (708,654) | (2,476,420) |
| (Gain)/impairment charge on investment securities and ARS put | (213,793) | 3,295,621 | 1,046,190 |
| Impairment of property and equipment | | | 35,259 |
| Loss on disposal of property and equipment | 11,058 | | 11,058 |
| Changes in operating assets and liabilities: | | | |
| Prepaid expenses and other assets | (174,652) | 1,328,952 | (892,969) |
| Accounts payable, accrued expenses, income taxes payable and deferred rent | 507,503 | (3,549,061) | 1,921,740 |
| Accrued compensation and related expenses | (271,817) | 178,165 | 493,330 |
| Net cash used in operating activities | (12,540,633) | (17,336,933) | (162,367,773) |
| Investing activities: | | | |
| Purchases of investment securities | | (2,000,000) | (377,205,766) |
| Maturities or sales of investment securities | 846,846 | 23,550,000 | 349,400,297 |
| Acquisition of property and equipment | (16,480) | | (2,252,979) |
| Proceeds from sales of property and equipment | | | 256,845 |
| Net cash provided by (used in) investing activities | 830,366 | 21,550,000 | (29,801,603) |
| Financing activities: | | | |
| Net proceeds from the sale of common stock | 325,195 | | 121,215,761 |
| Sale of preferred stock, net of issuance costs | | | 80,216,971 |
| Proceeds from ARS loan, net | 17,650,538 | | 17,650,538 |
| Purchase of treasury stock, net | 81,967 | 86,727 | (1,269,177) |
| Net cash provided by financing activities | 18,057,700 | 86,727 | 217,814,093 |
| Net increase in cash and cash equivalents | 6,347,433 | 4,299,794 | 25,644,717 |
| Cash and cash equivalents, beginning of period | 19,297,284 | 18,778,938 | |
| Cash and cash equivalents, end of period | \$ 25,644,717 | \$ 23,078,732 | |