

Innoviva, Inc.  
Form 10-Q  
May 05, 2016  
[Table of Contents](#)

**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 March 31, 2016

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: 000-30319

# INNOVIVA, INC.

(Exact Name of Registrant as Specified in its Charter)

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

**94-3265960**  
(I.R.S. Employer  
Identification No.)

**951 Gateway Boulevard**

**South San Francisco, CA 94080**

(Address of Principal Executive Offices)

**(650) 238-9600**

(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

The number of shares of registrant's common stock outstanding on April 30, 2016 was 113,069,974.



Table of Contents

**TABLE OF CONTENTS**

**PART I FINANCIAL INFORMATION**

Item 1. Financial Statements

<u>Condensed Consolidated Balance Sheets as of March 31, 2016 (unaudited) and December 31, 2015</u>	3
<u>Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2016 and 2015 (unaudited)</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three Months Ended March 31, 2016 and 2015 (unaudited)</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2016 and 2015 (unaudited)</u>	6
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	7

<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
--	----

<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	22
---	----

<u>Item 4. Controls and Procedures</u>	22
--	----

**PART II. OTHER INFORMATION**

<u>Item 1A. Risk Factors</u>	23
------------------------------	----

<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	37
--	----

<u>Item 6. Exhibits</u>	38
-------------------------	----

<u>Signatures</u>	39
-------------------	----

Exhibits

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****INNOVIVA, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except per share data)

	March 31, 2016 (unaudited)	December 31, 2015 *
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 151,778	\$ 159,180
Short-term marketable securities	16,414	28,103
Related party receivables from collaborative arrangements	27,539	26,228
Prepaid expenses and other current assets	975	814
Total current assets	196,706	214,325
Property and equipment, net	193	221
Capitalized fees paid to a related party, net	190,912	194,368
Other assets	18	18
Total assets	\$ 387,829	\$ 408,932
<b>Liabilities and Stockholders Deficit</b>		
Current liabilities:		
Accounts payable	\$ 576	\$ 818
Accrued personnel-related expenses	913	1,659
Accrued interest payable	6,562	7,911
Other accrued liabilities	1,687	2,218
Deferred revenue	885	885
Total current liabilities	10,623	13,491
Convertible subordinated notes, due 2023	251,124	250,992
Non-recourse notes, due 2029	483,389	482,139
Other long-term liabilities	1,784	1,856
Deferred revenue	2,878	3,099
Commitments and contingencies (Notes 3, 6, and 9)		
Stockholders deficit:		
Preferred stock: \$0.01 par value, 230 shares authorized, no shares issued and outstanding		
Common stock: \$0.01 par value, 200,000 shares authorized, 113,146 and 114,933		
shares issued as of March 31, 2016 and December 31, 2015, respectively	1,132	1,149
Treasury stock: 150 shares as of March 31, 2016 and December 31, 2015	(3,263)	(3,263)
Additional paid-in capital	1,328,155	1,351,898
Accumulated other comprehensive loss	(1)	(2)
Accumulated deficit	(1,687,992)	(1,692,427)
Total stockholders deficit	(361,969)	(342,645)
Total liabilities and stockholders deficit	\$ 387,829	\$ 408,932

Edgar Filing: Innoviva, Inc. - Form 10-Q

*See accompanying notes to condensed consolidated financial statements.*

---

\* Condensed consolidated balance sheet as of December 31, 2015 has been derived from audited consolidated financial statements.

Table of Contents

## INNOVIVA, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Royalty revenue from a related party, net of amortization for capitalized fees paid to a related party of \$3,456 for the three months ended March 31, 2016 and 2015	\$ 23,955	\$ 6,674
Revenue from collaborative arrangements from a related party, net	221	222
Total net revenue	24,176	6,896
Operating expenses:		
Research and development	392	712
General and administrative	6,252	5,439
Total operating expenses	6,644	6,151
Income from operations	17,532	745
Other income (expense), net	(32)	1,178
Interest income	92	116
Interest expense	(13,157)	(12,706)
Net income (loss)	\$ 4,435	\$ (10,667)
Basic and diluted net income (loss) per share	\$ 0.04	\$ (0.09)
Shares used to compute basic and diluted net income (loss) per share:		
Shares used to compute basic net income (loss) per share	112,482	114,658
Shares used to compute diluted net income (loss) per share	113,178	114,658
Cash dividend declared per common share		