MEDAREX INC
Form 424B5
October 28, 2003

Filed Pursuant to Rule 424(b)(5)

Registration No. 333-52696

Prospectus Supplement to Prospectus dated December 22, 2000.

552,020 Shares

Medarex, Inc.

Common Stock

Medarex is offering 552,020 shares of its common stock all of which will be issued directly to Kyowa Hakko Kogyo Co., Ltd., or Kyowa, in exchange for certain intellectual property rights obtained by Medarex in connection with the execution of a license agreement.

The number of shares to be issued and delivered to Kyowa was determined by dividing $3.6 million by $6.5215, the average of the closing sales prices of our common stock for each of the twenty trading days commencing on September 18, 2003 and ending on October 15, 2003.

Our common stock is quoted on The NASDAQ National Market under the symbol MEDX. The last reported sale price for the common stock on October 27, 2003 was $6.98 per share.

Investing in our common stock involves certain risks. See Risk Factors beginning on page S-11 of this prospectus supplement to read about important factors you should consider before investing in our common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The shares of common stock offered hereby are being issued directly to Kyowa on the date hereof. No discounts, commissions, concessions or other compensation has been paid to any underwriter, broker, dealer or agent in connection with the offering.

October 28, 2003

FORWARD-LOOKING STATEMENTS

This prospectus supplement includes or incorporates by reference forward-looking statements, including those identified by the words believes, anticipates, expects and similar expressions. Medarex has based these forward-looking statements on its current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions, including among other things:

- uncertainties relating to the technological approach;
- history of operating losses and anticipation of future losses;
- uncertainty of product development, need for additional capital and uncertainty of change;
- uncertainty of patent and propriety rights;
- management of growth, and risks of acquiring new technologies;
- uncertainties related to clinical trials;
- government regulation and uncertainty of obtaining regulatory approval;
- dependence on key personnel;
- dependence on research collaborators and scientific advisors;
- uncertainty of health care reform measures; and
- third-party reimbursement and risk of product liability.

Medarex undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in the prospectus supplement, the accompanying prospectus and in the incorporated documents might not occur.

In this prospectus, the terms Medarex, the Company, we, us, and our refer to Medarex, Inc. and our wholly-owned subsidiaries. You should only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. Medarex has not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you

should not rely on it. Medarex is not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate as of the date on the front cover of each such prospectus only. The business, financial condition, results of operations and prospects of Medarex may have changed since such dates.

THE COMPANY

We are a biopharmaceutical company focused on the discovery and development of human antibody-based therapeutic products. We believe that our UltiMAb Human Antibody Development System[SM] enables us to rapidly create and develop therapeutic products for a wide range of diseases, including cancer, inflammation, auto-immune disease and other life-threatening and debilitating diseases.

We believe that antibodies are proven candidates for therapeutic products. To date, the United States Food and Drug Administration, or FDA, has approved fourteen antibody-based therapeutic products for sale in the United States. In 2002, twelve of these products generated aggregate worldwide sales in excess of $4.5 billion. We intend to participate in this market, and to this end, are developing an expanding pipeline of therapeutic antibody products generated through the use of our proprietary UltiMAb technology.

Eleven antibodies derived from our UltiMab human antibody development technology are currently in human clinical trials or have had regulatory applications submitted for such trials for a wide range of diseases, such as cancer (including various lymphomas), rheumatoid arthritis, multiple sclerosis and psoriasis. Three of these products are fully owned by Medarex: MDX-010 (Phase II), MDX-060 (Phase I/II) and MDX-070 (Phase I/II), for the treatment of cancer, lymphoma and/or HIV. One antibody for autoimmune disease, MDX-018 (Phase I/II), is being jointly developed with our partner, Genmab A/S, and three are being developed by Genmab: HuMaxCD4 (Phase II) for psoriasis and lymphoma, HuMax-IL15 (Phase II) for rheumatoid arthritis and HuMax-EGFr (Phase I/II) for head and neck cancer. Additionally, our licensing partners Novartis Pharma AG and Centocor, Inc. (a subsidiary of Johnson & Johnson) are developing a total of four antibodies, for anti-inflammatory and autoimmune diseases, that are currently in early clinical trials. We and our partners also have a number of product candidates in preclinical development. The preceding information regarding the clinical status of our partner s products is based on our partners public disclosure.

As of September 30, 2003, we have more than 45 partnerships with pharmaceutical and biotechnology companies to jointly develop and commercialize products or to enable other companies to use our proprietary technology in their development of new therapeutic products. These companies include industry leaders such as Amgen, Inc., Centocor, Inc. (a subsidiary of Johnson & Johnson), Pfizer, Inc., Eli Lilly & Company, Human Genome Sciences, Inc., Abbott Laboratories, Novartis Pharma AG, Novo Nordisk A/S and Schering AG. Some of our partnerships are licensing partnerships, with the potential to pay us licensing fees, milestone payments and royalty payments; others are collaborative partnerships and provide for the sharing of product development costs, as well as any revenues, expenses and profits associated with products arising under the collaboration.

In addition to our UltiMAb Human Antibody Development System, we have considerable experience in preclinical and clinical development as well as in manufacturing antibodies for clinical trials. Our existing manufacturing facility in Annandale, New Jersey currently has the capacity to develop up to 15 new antibody projects per year for clinical development purposes, meeting our near-term production demands. We have assembled a team of experienced scientific, production, clinical and regulatory personnel to facilitate the discovery, development and

commercialization of antibody-based products for us and for our partners. We intend to add sales and marketing and additional manufacturing capabilities as needed.

We are working to build one of the industry s largest clinical pipelines of human antibody-based therapeutics for the treatment of cancer and other life-threatening and debilitating diseases. To this end, we have implemented a business strategy involving the expansion and diversification of our product pipeline and partnerships and an increase in our resources to develop, manufacture and commercialize products. We intend to capitalize on the value of our own human antibody products by developing them through late stage clinical trials and/or regulatory approval. We believe this will allow us to retain substantial commercial rights or profit sharing opportunities with regard to these products. In addition, we are enhancing and expanding our partnerships, which provide us the opportunity to participate in the development and commercialization of substantially more product candidates than we could using only our own resources. We believe our business strategy will allow us to build and maximize value by delivering a productive clinical pipeline of medically important and commercially successful products.

We were incorporated in 1987. Our principal executive offices are located at 707 State Road, Princeton, New Jersey 08540. Our telephone number is (609) 430-2880. We maintain a worldwide website at www.medarex.com. The reference to our worldwide web address does not constitute incorporation by reference of the information contained on our website. Our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and all amendments to those reports that we file with the Securities and Exchange Commission, or SEC, are currently available free of charge to the general public through our website at www.medarex.com. These reports are accessible on our website at a reasonably practicable time after being filed with the SEC.

RECENT DEVELOPMENTS

On October 17, 2003, we entered into an Amended and Restated License Agreement with Kyowa Hakko Kogyo Co., Ltd. referred to herein as the Kyowa License. Under the terms of the Kyowa License, we received certain intellectual property rights relating to the development and commercialization of our Ultra-Potent Toxin technology. As partial consideration for these rights, we agreed to pay Kyowa a total of $4.0 million, $3.6 million of which shall be paid through the issuance of 552,020 shares of our common stock to Kyowa under this Prospectus Supplement with the balance of $0.4 million to be paid in cash, representing applicable withholding taxes. The number of shares of our common stock was determined by dividing $3.6 million by the average of the closing sales prices of our common stock for each of the trading days during the twenty-trading-day period ending two trading days immediately prior to October 17, 2003 (the Effective Date of the Kyowa License) as publicly reported by NASDAQ. In the event that, during the 60-day period following the applicable date of issuance of such common stock, Kyowa sells all of the shares of our common stock delivered as payment under the Kyowa License and the proceeds of such sale

are less than $3.6 million, we must pay the difference to Kyowa in cash. If such sale proceeds exceed $3.6 million, Kyowa must pay us 50% of any such excess in cash. In the event that, during any such 60-day period, Kyowa does not sell all of the shares of our common stock, there will be no such adjustment.

The Kyowa License is the result of the renegotiation of a pre-existing license agreement with respect to Ultra-Potent Toxin technology between Kyowa and Corixa Corporation which license agreement we acquired as part of our purchase of certain assets of Corixa in May 2002. Upon the execution of the Kyowa License, we are required to make a final payment to Corixa in the amount of $2.5 million on or before October 31, 2003, which is payable, at our option, either in cash or in shares of our common stock. We have chosen to make such payment through the issuance of 353,807 shares of our common stock in satisfaction of this obligation.

All shares of our common stock issued to Kyowa and to Corixa will be fully registered and freely tradable; provided, however, that Kyowa has agreed not to sell more than 20% of shares issued to them in any five-trading-day period.

On July 23, 2003, we completed a private placement pursuant to Rule 144A of the Securities Act of 1933, as amended, of $125 million of 4.25% Convertible Senior Notes due August 15, 2010 to qualified institutional investors. The notes are initially convertible into shares of our common stock at the rate of 148.8261 per each $1,000 principal amount of notes, which is equivalent to an initial conversion price of approximately $6.72 per share, subject to anti-dilution adjustments.

We will pay interest on these notes on February 15 and August 15 of each year beginning on February 15, 2004. We received net proceeds from the private placement of approximately $120.9 million (after deducting the initial purchasers discounts and estimated offering expenses). Approximately $15.8 million of the net proceeds have been used to purchase U.S. Treasury security strips to collateralize the notes in an amount sufficient to pay the initial six interest payments on the notes.

Prior to August 15, 2006, we may redeem some or all of the notes at any time at a redemption price equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest to the redemption date and the make-whole payment described below, if the closing price of our common stock has exceeded 150% of the conversion price then in effect for at least 20 trading days within a period of 30 consecutive trading days ending on the trading day before the date of mailing of the provisional redemption notice. Upon any such provisional redemption, we will make an additional make-whole payment equal to $130.10 per $1,000 principal amount of notes redeemed, less the amount of any interest actually paid and any interest accrued and unpaid on these notes before the provisional redemption date. We may make such additional payment, at our option, in cash or shares or a combination thereof. Payments made in shares of our common stock will be valued at 95% of the average of the closing sale prices of our common stock for the five consecutive trading days ending on the third trading day immediately prior to the provisional redemption date. Noteholders have the option, subject to certain conditions, to require us to repurchase the notes in the event of a change in control at a price equal to 100% of the principal amount of the notes plus accrued and unpaid interest to the date of repurchase.

THE OFFERING

Common Stock Offered	552,020
Common Stock to be outstanding after the offering	78,449,176
Use of Proceeds	We will not receive any cash proceeds from the issuance of the shares of our common stock pursuant to this offering. We have received certain intellectual property assets from Kyowa
NASDAQ National Market Symbol	MEDX

Unless otherwise stated herein, all information contained in this prospectus supplement relating to the number of outstanding shares of our common stock excludes:

- 8,443,542 shares of common stock issuable upon exercise of outstanding options having a weighted average exercise price of $8.92 per share;
- 6,614,739 shares of common stock reserved for issuance under our existing stock option plans;
- 272,578 shares of common stock reserved for issuance under our 2002 Employee Stock Purchase Plan;
- 18,601,190 shares of common stock issuable upon conversion or repurchase of $125.0 million aggregate principal amount of our 4.25% convertible senior notes due August 15, 2010;
- 6,067,961 shares of common stock reserved for issuance upon conversion of $175.0 million aggregate principal amount of our 4.50% convertible subordinated notes due 2006;
- 353,807 shares of common stock reserved for issuance to Corixa as a final payment in connection with our acquisition of certain assets of Corixa in May 2002; and
- 568,985 shares of common stock held in treasury.

In addition, the information contained in this prospectus supplement does not include shares of our common stock which we may be required to issue pursuant to certain contractual obligations and shares we may issue under a shelf registration statement on Form S-3 which we have filed under the Securities Act relating to the sale of up to $299.65 million of our securities, all as more fully described herein under the section entitled Risk Factors.

SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected consolidated financial information for the periods indicated. The selected consolidated financial information for each of the years in the five-year period ended December 31, 2002 and at December 31 of each of those years has been derived from our audited consolidated financial statements. The financial information set forth below for the six months ended June 30, 2002 and 2003 has been derived from unaudited consolidated financial information, which we believe presents fairly such consolidated information in conformity with generally accepted accounting principles. You should read the selected consolidated financial information in conjunction with our consolidated financial statements and the notes thereto and the other financial information incorporated by reference herein.

	For the Year Ended December 31,					For the Six Months Ended June 30,	
	1998	1999	2000	2001	2002	2002	2003
	(in thousands, except per share data)					(unaudited)	
Statement of Operations Data:							
Revenues:							
Sales	$ 1,349	$ 1,079	$ 264	$ 191	$ 176	$ 176	$ 25
Contract and license revenues	5,443	8,593	19,619	37,140	24,552	14,380	3,650
Sales, contract and license revenues from Genmab		252	2,574	4,973	14,751	4,299	2,540
Total revenues	6,792	9,924	22,457	42,304	39,479	18,855	6,215
Costs and expenses:							
Cost of sales	1,218	709	1,189	642	8,327	1,806	3
Research and development	23,122	19,929	33,942	38,626	82,626	35,615	47,276
General and administrative	5,065	8,036	18,142	19,344	22,852	11,196	10,882
Write-off of facility costs					11,294	11,266	
Acquisition of in-process technology					16,312	16,312	
Total costs and expenses	29,405	28,674	53,273	58,612	141,411	76,195	58,161
Operating loss	(22,613)	(18,750)	(30,816)	(16,308)	(101,932)	(57,340)	(51,946)
Equity in net loss of affiliate			(353)	(7,334)	(50,625)	(7,265)	(6,941)
Interest and investment income	1,956	1,205	21,158	24,728	18,495	9,697	5,715
Impairment loss on investment in partners					(11,886)	(4,091)	
Additional payments related to asset acquisition					(2,425)	(281)	(86)
Interest expense	(1,539)	(8)	(3)	(4,615)	(9,065)	(4,527)	(4,618)
Gain on disposition of Genmab stock				1,442			
Income (loss) before provision (benefit) for income taxes	(22,196)	(17,553)	(10,014)	(2,087)	(157,438)	(63,807)	(57,876)
Provision (benefit) for income taxes	341	(522)	(13,075)	600	103		42
Income (loss) before cumulative effect of change in accounting principle	(22,537)	(17,031)	3,061	(2,687)	(157,541)	(63,807)	(57,918)
Cumulative effect of change in accounting principle							(830)

Net income (loss)	$ (22,537)	$ (17,031)	$ 3,061	$ (2,687)	$ (157,541)	$ (63,807)	$ (58,748)
Basic net income (loss) per share before cumulative effect of change in accounting principle	$ (0.44)	$ (0.27)	$ 0.04	$ (0.04)	$ (2.09)	$ (0.86)	$ (0.74)
Basic net income (loss) per share cumulative effect of change in accounting principle							(0.01)
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