

Verastem, Inc.
Form 10-Q
August 08, 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 June 30, 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: 001 35403

Verastem, Inc.

(Exact name of registrant as specified in its charter)

Delaware	27-3269467
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
117 Kendrick Street, Suite 500	
Needham, MA	02494
(Address of principal executive offices)	(Zip Code)

(781) 292-4200

(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.

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

Large accelerated filer Accelerated filer Non accelerated filer Smaller reporting company
(Do not check if a
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 August 2, 2016 there were 36,992,418 shares of Common Stock, \$0.0001 par value per share, outstanding.

Table of Contents

TABLE OF CONTENTS

PART I—FINANCIAL INFORMATION

<u>Item 1.</u>	<u>Condensed Consolidated Financial Statements (Unaudited)</u>	4
<u>Item 2.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	14
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	19
<u>Item 4.</u>	<u>Controls and Procedures</u>	19

PART II—OTHER INFORMATION

<u>Item 1.</u>	<u>Legal Proceedings</u>	20
<u>Item 1A.</u>	<u>Risk Factors</u>	20
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	20
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	20
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	20
<u>Item 5.</u>	<u>Other Information</u>	20
<u>Item 6.</u>	<u>Exhibits</u>	20

Table of Contents

FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10 Q contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements related to present facts or current conditions or historical facts, contained in this Quarterly Report on Form 10 Q, including statements regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management, are forward looking statements. Such statements relate to, among other things, the development of our product candidates, including VS-6063, VS-4718 and VS-5584, and our FAK, PI3K/mTOR and diagnostics programs generally, the timeline for clinical development and regulatory approval of our product candidates, the expected timing for the reporting of data from on-going trials, the structure of our planned or pending clinical trials, additional planned studies, our rights to develop or commercialize our product candidates and our ability to finance contemplated development activities and fund operations for a specified period. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “target,” “potential,” “will,” “would,” “could,” “should,” “continue” and similar intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

Forward-looking statements are not guarantees of future performance and our actual results could differ materially from the results discussed in the forward-looking statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, our ability to raise additional capital to support our clinical development program and other operations, our ability to develop products of commercial value and to identify, discover and obtain rights to additional product candidates, our ability to protect and maintain our intellectual property and the ability of our licensors to obtain and maintain patent protection for the technology or products that we license from them, the fact that the preclinical and clinical testing of our product candidates and preliminary data from clinical trials may not be predictive of the success of ongoing or later clinical trials, that data may not be available when we expect it to be, that enrollment of clinical trials may take longer than expected, that our product candidates may cause unexpected safety events, that we will be unable to successfully initiate or complete the clinical development of our product candidates, including VS-6063, VS-4718 and VS-5584, that development of our product candidates will take longer or cost more than planned, our reliance on third-parties, competitive developments, the effect of current and future legislation and regulation and regulatory actions, as well as other risks described in our Annual Report on Form 10-K and other filings with the Securities and Exchange Commission (SEC).

As a result of these and other factors, we may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Table of Contents

PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (unaudited).

Verastem, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

(in thousands, except per share amounts)

	June 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 39,564	\$ 24,870
Short-term investments	53,302	85,388
Prepaid expenses and other current assets	667	585
Total current assets	93,533	110,843
Property and equipment, net	1,728	2,048
Restricted cash	162	203
Total assets	\$ 95,423	\$ 113,094
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 2,149	\$ 3,942
Accrued expenses	3,776	6,098
Liability classified stock-based compensation awards	—	69
Total current liabilities	5,925	10,109
Other liabilities	430	516
Stockholders' equity:		
Convertible preferred stock, \$0.0001 par value; 5,000 shares authorized, no shares issued and outstanding	—	—
Common stock, \$0.0001 par value; 100,000 shares authorized, 36,992 and 36,941 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	4	4
Additional paid-in capital	304,733	301,305
Accumulated other comprehensive income	77	43
Accumulated deficit	(215,746)	(198,883)
Total stockholders' equity	89,068	102,469
Total liabilities and stockholders' equity	\$ 95,423	\$ 113,094

See accompanying notes to the condensed consolidated financial statements.

4

Table of Contents

Verastem, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(unaudited)

(in thousands, except per share amounts)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Operating expenses:				
Research and development	\$ 4,492	\$ 11,045	\$ 8,671	\$ 21,573
General and administrative	4,217	4,417	8,472	9,131
Total operating expenses	8,709	15,462	17,143	30,704
Loss from operations	(8,709)	(15,462)	(17,143)	(30,704)
Interest income	140	85	280	147
Net loss	\$ (8,569)	\$ (15,377)	\$ (16,863)	\$ (30,557)
Net loss per share—basic and diluted	\$ (0.23)	\$ (0.42)	\$ (0.46)	\$ (0.87)
Weighted-average number of common shares used in net loss per share—basic and diluted	36,992	36,522	36,983	34,931
Net loss	\$ (8,569)	\$ (15,377)	\$ (16,863)	\$ (30,557)
Unrealized (loss) gain on available-for-sale securities	(58)	(7)	34	21
Comprehensive loss	\$ (8,627)	\$ (15,384)	\$ (16,829)	\$ (30,536)

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

Verastem, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)

	Six months ended	
	June 30,	
	2016	2015
Operating activities		
Net loss	\$ (16,863)	\$ (30,557)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	359	377
Stock-based compensation expense	3,433	5,671
Amortization of premiums and discounts on available-for-sale marketable securities	(92)	135
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(41)	(83)
Accounts payable	(1,832)	(58)
Accrued expenses and other liabilities	(2,408)	880
Liability classified stock-based compensation awards	(69)	(109)
Net cash used in operating activities	(17,513)	(23,744)
Investing activities		
Purchases of property and equipment	—	(196)
Purchases of investments	(40,398)	(95,333)
Maturities of investments	72,610	57,072
Net cash provided by (used in) investing activities	32,212	(38,457)
Financing activities		
Proceeds from the exercise of stock options	—	9
Net proceeds from the issuance of common stock and restricted common stock	—	63,716
Cash used to settle restricted stock liability	(5)	(253)
Net cash (used in) provided by financing activities	(5)	63,472
Increase in cash and cash equivalents	14,694	1,271
Cash and cash equivalents at beginning of period	24,870	33,901
Cash and cash equivalents at end of period	\$	