

ALIMERA SCIENCES INC
Form 10-Q
November 14, 2014
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 September 30, 2014
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: 001-34703

Alimera Sciences, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	20-0028718 (I.R.S. Employer Identification No.)
6120 Windward Parkway, Suite 290 Alpharetta, GA (Address of principal executive offices)	30005 (Zip Code)
(678) 990-5740 (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. (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 12, 2014 there were 44,296,136 shares of the registrant's Common Stock issued and outstanding.

Table of Contents

ALIMERA SCIENCES, INC.
QUARTERLY REPORT ON FORM 10-Q
INDEX

PART I. FINANCIAL INFORMATION

<u>Item 1. Interim Condensed Consolidated Financial Statements (unaudited)</u>	<u>3</u>
<u>Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013</u>	<u>3</u>
<u>Consolidated Statements of Operations for the three and nine months ended September 30, 2014 and 2013</u>	<u>4</u>
<u>Consolidated Statements of Comprehensive Loss for the three and nine months ended September 30, 2014 and 2013</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 and 2013</u>	<u>6</u>
<u>Notes to Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>19</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>34</u>
<u>Item 4. Controls and Procedures</u>	<u>34</u>

PART II. OTHER INFORMATION

<u>Item 1. Legal Proceedings</u>	<u>35</u>
<u>Item 1A. Risk Factors</u>	<u>35</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>59</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>59</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>59</u>
<u>Item 5. Other Information</u>	<u>59</u>
<u>Item 6. Exhibits</u>	<u>60</u>
Exhibit 31.1	
Exhibit 31.2	
Exhibit 32.1	

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. Interim Condensed Consolidated Financial Statements (unaudited)

ALIMERA SCIENCES, INC.

CONSOLIDATED BALANCE SHEETS

	September 30, 2014	December 31, 2013	
	(In thousands, except share and per share data)		
CURRENT ASSETS:			
Cash and cash equivalents	\$61,424	\$12,628	
Accounts receivable, net	1,097	500	
Prepaid expenses and other current assets	2,245	3,474	
Inventory, net (Note 5)	1,654	1,786	
Deferred financing costs	878	250	
Total current assets	67,298	18,638	
PROPERTY AND EQUIPMENT, net	1,042	982	
INTANGIBLE ASSET, net (Note 6)	24,951	—	
TOTAL ASSETS	\$93,291	\$19,620	
CURRENT LIABILITIES:			
Accounts payable	\$2,855	\$1,735	
Accrued expenses (Note 7)	1,572	934	
Accrued milestone payments	27,000	—	
Outsourced services payable	549	603	
Note payable (Note 9)	—	1,667	
Capital lease obligations	10	10	
Total current liabilities	31,986	4,949	
NON-CURRENT LIABILITIES:			
Derivative warrant liability	19,133	16,381	
Note payable, net of discount — less current portion (Note 9)	33,938	3,194	
Other non-current liabilities	11	21	
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDERS' EQUITY (DEFICIT):			
Preferred stock, \$.01 par value — 10,000,000 shares authorized at September 30, 2014 and December 31, 2013:			
Series A convertible preferred stock, 1,300,000 authorized and 600,000 issued and outstanding at September 30, 2014 and 1,000,000 issued and outstanding at December 31, 2013; liquidation preference of \$24,000 at September 30, 2014 and \$40,000 at December 31, 2013	19,227	32,045	
Common stock, \$.01 par value — 100,000,000 shares authorized, 44,272,208 shares issued and outstanding at September 30, 2014 and 31,610,991 shares issued and outstanding at December 31, 2013	443	316	
Additional paid-in capital	291,716	240,135	
Common stock warrants	1,497	412	
Accumulated deficit	(303,997)	(277,345))
Accumulated other comprehensive loss	(663)	(488))
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	8,223	(4,925))
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$93,291	\$19,620	
See Notes to Consolidated Financial Statements.			

Table of Contents

ALIMERA SCIENCES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands, except share and per share data)			
NET REVENUE	\$2,408	\$758	\$6,682	\$937
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(372	) (57	) (1,312	) (68
GROSS MARGIN	2,036	701	5,370	869
RESEARCH AND DEVELOPMENT EXPENSES	3,941	1,780	8,376	5,983
GENERAL AND ADMINISTRATIVE EXPENSES	2,958	2,071	8,643	7,151
SALES AND MARKETING EXPENSES	3,680	4,524	10,227	12,985
DEPRECIATION AND AMORTIZATION	82	42	151	101
OPERATING EXPENSES	10,661	8,417	27,397	26,220
INTEREST EXPENSE, NET AND OTHER	(408	) (134	) (862	) (397
UNREALIZED FOREIGN CURRENCY (LOSS) GAIN, NET	(255	) 508	(457	) 552
CHANGE IN FAIR VALUE OF DERIVATIVE WARRANT LIABILITY	2,324	6,229	(2,752	) (6,107
LOSS ON EARLY EXTINGUISHMENT OF DEBT	—	—	(440	) (153
NET LOSS BEFORE TAXES	(6,964)		