

ZIOPHARM ONCOLOGY INC
Form 10-Q
November 08, 2012

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, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

Commission File Number 001-33038

ZIOPHARM Oncology, Inc.

(Exact name of registrant as specified in its charter)

Delaware 84-1475642
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

1180 Avenue of the Americas, 20th Floor, New York, NY 10036

(646) 214-0700

*(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)*

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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 than 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 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 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 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:

The number of shares of the registrant's common stock, \$.001 par value, outstanding as of October 26, 2012, was 79,619,597 shares.

ZIOPHARM Oncology, Inc. (a development stage company)

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that are based on our current beliefs and expectations. These forward-looking statements may be accompanied by such words as “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “intend,” “may,” “plan,” “project,” “target,” “will” and other words and terms of similar meaning. Reference is made in particular to forward-looking statements regarding:

• the anticipated amount, timing and accounting of deferred revenues, milestone and other payments under licensing, collaboration or acquisition agreements, research and development costs and other expenses;

- the protection afforded by our patent rights;

• our assessment of the potential impact on our future revenues of healthcare reform legislation in the United States;

- the timing and impact of measures worldwide designed to reduce healthcare costs;
- the impact of the deterioration of the credit and economic conditions in certain countries in Europe;
- our ability to finance our operations and business initiatives and obtain funding for such activities;
- the sufficiency of our cash, investments and cash flows from operations and our expected uses of cash;
- the costs and timing of the development and commercialization of our pipeline products and services;
- additional planned regulatory filings for and commercialization of Palifosfamide; and
- contract manufacturing activity;

These forward-looking statements involve risks and uncertainties, including those that are described in the “*Risk Factors*” section of this report and elsewhere within this report that could cause actual results to differ materially from

those reflected in such statements. You should not place undue reliance on these statements. Forward-looking statements speak only as of the date of this report. We do not undertake any obligation to publicly update any forward-looking statements.

NOTE REGARDING COMPANY REFERENCES

Throughout this report, “ZIOPHARM,” the “Company,” “we,” “us” and “our” refer to ZIOPHARM Oncology, Inc.

NOTE REGARDING TRADEMARKS

Our registered trademarks include Zymafos and Zinapar. Our trademarks include Zybulin. All other trademarks, trade names and service marks appearing in this Quarterly Report on Form 10-Q are the property of their respective owners.

ZIOPHARM Oncology, Inc. (a development stage company)

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Part I - Financial Information**Item 1. Consolidated Financial Statements****ZIOPHARM Oncology, Inc. (a development stage company)****BALANCE SHEETS****(unaudited)****(in thousands, except share and per share data)**

	September 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 95,333	\$ 104,713
Collaboration receivable	13	79
Prepaid expenses and other current assets	7,235	1,313
Total current assets	102,581	106,105
Property and equipment, net	2,108	1,141
Deposits	133	91
Other non-current assets	818	771
Total assets	\$ 105,640	\$ 108,108
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,248	\$ 1,727
Accrued expenses	16,682	10,821
Deferred revenue - current portion	800	800
Deferred rent - current portion	6	15
Total current liabilities	21,736	13,363
Deferred revenue	2,933	3,533
Deferred rent	415	180

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Warrant liabilities	21,528	19,425
Total liabilities	46,612	36,501
Commitments and contingencies (note 7)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 30,000,000 shares authorized and no shares issued and outstanding	-	-
Common stock, \$0.001 par value; 250,000,000 shares authorized; 79,619,597 and 69,206,044 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively	80	69
Additional paid-in capital - common stock	305,538	246,519
Additional paid-in capital - warrants issued	6,909	12,611
Deficit accumulated during the development stage	(253,499)	(187,592)
Total stockholders' equity	59,028	71,607
Total liabilities and stockholders' equity	\$ 105,640	\$ 108,108

The accompanying notes are an integral part of the unaudited interim financial statements.

ZIOPHARM Oncology, Inc. (a development stage company)**STATEMENTS OF OPERATIONS****(unaudited)****(in thousands, except share and per share data)**

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		Period from September 9, 2003 (date of inception) through September 30, 2012
	2012	2011	2012	2011	
Research contract revenue	\$ 200	\$ 200	\$ 600	\$ 467	\$ 1,267
Operating expenses:					
Research and development, including costs of research contracts	16,215	10,667	48,464	44,433	177,363
General and administrative	5,712	3,742	15,462	11,017	84,257
Total operating expenses	21,927	14,409	63,926	55,450	261,620
Loss from operations	(21,727)	(14,209)	(63,326)	(54,983)	(260,353)
Other income (expense), net	(42)	19	(65)	26	4,649
Change in fair value of warrants	3,945	13,388	(2,516)	4,423	2,205
Net loss	\$ (17,824)	\$ (802)	\$ (65,907)	\$ (50,534)	\$ (253,499)
Net loss per share - basic	\$ (0.23)	\$ (0.01)	\$ (0.85)	\$ (0.77)	
Net loss per share - diluted	\$ (0.23)	\$ (0.01)	\$ (0.85)	\$ (0.77)	
Weighted average common shares outstanding to compute net loss per share - basic	78,670,222	68,104,934	77,605,590	65,277,084	
Weighted average common shares outstanding to compute net loss	78,670,222	68,104,934	77,605,590	65,277,084	

per share - diluted

The accompanying notes are an integral part of the unaudited interim financial statements.

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ZIOPHARM Oncology, Inc. (a development stage company)**STATEMENT OF STOCKHOLDERS' EQUITY****For the Nine Months Ended September 30, 2012****(unaudited)****(in thousands, except share and per share data)**

	Preferred Stock		Common Stock		Additional Paid-in Capital Common	Additional Paid-in Capital Warrants	Deficit Accumulated During the Development Stage	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Stock			
Balance at December 31, 2011	-	\$ -	69,206,044	\$ 69	\$ 246,519	\$ 12,611	\$ (187,592)	\$ 71,607
Stock-based compensation	-	-	-	-	3,482	-	-	3,482
Exercise of employee stock options	-	-	8,300	-	30	-	-	30
Exercise of warrants to purchase common stock	-	-	259,660	-	1,011	(269)	-	742
Issuance of restricted common stock	-	-	170,302	-	-	-	-	-
Forfeiture of unvested restricted common stock	-	-	(123,370)	-	-	-	-	-
Expired warrants	-	-	-	-	5,433	(5,433)	-	-
Issuance of common stock in a securities offering, net of commission and expenses of \$3,426	-	-	10,114,401	11	49,159	-	-	49,170
Repurchase of shares of restricted common stock	-	-	(15,740)	-	(96)	-	-	(96)
Net loss	-	-	-	-	-	-	(65,907)	(65,907)
Balance at September 30, 2012	-	\$ -	79,619,597	\$ 80	\$ 305,538	\$ 6,909	\$ (253,499)	\$ 59,028

The accompanying notes are an integral part of the unaudited interim financial statements.

ZIOPHARM Oncology, Inc. (a development stage company)**STATEMENTS OF CASH FLOWS****(unaudited)****(in thousands)**

	For the Nine Months Ended September 30,		Period from September 9, 2003 (date of inception) through September 30, 2012
	2012	2011	
Cash flows from operating activities:			
Net loss	\$ (65,907)	\$ (50,534)	\$ (253,499)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	466	172	2,382
Stock-based compensation	3,482	1,900	18,783
Change in fair value of warrants	2,516	(4,423)	(2,205)
Loss on disposal of fixed assets	48	-	57
Common stock issued in exchange for in-process research and development	-	17,457	17,457
Change in operating assets and liabilities:			
(Increase) decrease in:			
Collaboration receivable	66	(79)	(13)
Prepaid expenses and other current assets	(5,922)	(981)	(7,235)
Other noncurrent assets	(47)	(518)	(818)
Deposits	(42)	(4)	(133)
Increase (decrease) in:			
Accounts payable	2,521	1,129	4,248
Accrued expenses	5,861	6,251	16,682
Deferred revenue	(600)	4,533	3,733
Deferred rent	226	12	