

vTv Therapeutics Inc.
Form 10-Q
November 01, 2017

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, 2017

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: 001-37524

vTv Therapeutics Inc.

(Exact name of registrant as specified in its charter)

Delaware	47-3916571
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)

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4170 Mendenhall Oaks Pkwy

High Point, NC 27265
(Address of principal executive offices) (Zip Code)

(336) 841-0300

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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	Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Class of Stock	Shares Outstanding as of November 1, 2017
Class A common stock, par value \$0.01 per share	9,693,254
Class B common stock, par value \$0.01 per share	23,119,246

vTv THERAPEUTICS INC. AND SUBSIDIARIES

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PART I – FINANCIAL INFORMATION

The financial statements and other disclosures contained in this report include those of vTv Therapeutics Inc. (“we”, the “Company” or the “Registrant”), which is the registrant, and those of vTv Therapeutics LLC (“vTv LLC”), which is the principal operating subsidiary of the Registrant. Unless the context suggests otherwise, references in this Quarterly Report on Form 10-Q to the “Company”, “we”, “us” and “our” refer to vTv Therapeutics Inc. and its consolidated subsidiaries.

vTv Therapeutics Inc.

Condensed Consolidated Balance Sheets

(in thousands, except number of shares and per share data)

	September 30, 2017 (Unaudited)	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 20,488	\$ 51,505
Restricted cash	281	—
Prepaid expenses and other current assets	725	612
Total current assets	21,494	52,117
Property and equipment, net	310	444
Other long-term assets	2,251	1,934
Total assets	\$ 24,055	\$ 54,495
Liabilities, Redeemable Noncontrolling Interest and Stockholders' Deficit		
Current liabilities:		
Accounts payable and accrued expenses	\$ 10,120	\$ 11,413
Deferred revenue	—	21
Current portion of notes payable	2,083	—
Total current liabilities	12,203	11,434
Notes payable	17,228	11,058
Other liabilities	285	433
Total liabilities	29,716	22,925
Commitments and contingencies		
Redeemable noncontrolling interest	130,642	122,515
Stockholders' deficit:		
Class A Common Stock, \$0.01 par value; 100,000,000 shares authorized, 9,693,254		
shares outstanding as of September 30, 2017 and December 31, 2016	97	97
Class B Common Stock, \$0.01 par value; 100,000,000 shares authorized, 23,119,246		
shares outstanding as of September 30, 2017 and December 31, 2016	232	232
Additional paid-in capital	127,036	124,212
Accumulated deficit	(263,668)	(215,486)
Total stockholders' deficit attributable to vTv Therapeutics Inc.	(136,303)	(90,945)
Total liabilities, redeemable noncontrolling interest and stockholders' deficit	\$ 24,055	\$ 54,495

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

vTv Therapeutics Inc.

Condensed Consolidated Statements of Operations - Unaudited

(in thousands, except number of shares and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenue	\$15	\$38	\$58	\$596
Operating expenses:				
Research and development	8,989	10,636	29,572	33,854
Research and development - related party	—	529	—	795
General and administrative	2,567	2,401	8,396	7,654
Total operating expenses	11,556	13,566	37,968	42,303
Operating loss	(11,541)	(13,528)	(37,910)	(41,707)
Other income (loss), net	—	2	—	2
Interest income	35	21	95	66
Interest expense	(849)	—	(2,240)	(3)
Loss before income taxes and noncontrolling interest	(12,355)	(13,505)	(40,055)	(41,642)
Income tax provision	—	—	—	—
Net loss before noncontrolling interest	(12,355)	(13,505)	(40,055)	(41,642)
Less: net loss attributable to noncontrolling interest	(8,705)	(9,512)	(28,222)	(29,340)
Net loss attributable to vTv Therapeutics Inc.	\$(3,650)	\$(3,993)	\$(11,833)	\$(12,302)
Net loss per share of vTv Therapeutics Inc. Class A Common				
Stock, basic and diluted	\$(0.38)	\$(0.41)	\$(1.22)	\$(1.30)
Weighted-average number of vTv Therapeutics Inc. Class A				
Common Stock, basic and diluted	9,693,254	9,691,362	9,693,254	9,495,926

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

vTv Therapeutics Inc.

Condensed Consolidated Statement of Changes in Redeemable Noncontrolling Interest and Stockholders' Deficit - Unaudited

(in thousands, except number of shares)

	Class A Common Stock			Class B Common Stock			Additional	
	Redeemable Noncontrolling Interest	Shares	Amount	Shares	Amount	Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
Balances at December 31, 2016	122,515	9,693,254	97	23,119,246	232	124,212	(215,486)	(90,945)
Net loss	(28,222)	—	—	—	—	—	(11,833)	(11,833)
Share-based compensation	—	—	—	—	—	2,657	—	2,657
Issuance of warrants to purchase Class A Common Stock	—	—	—	—	—	167	—	167
Change in redemption value of noncontrolling interest	36,349	—	—	—	—	—	(36,349)	(36,349)
Balances at September 30, 2017	\$ 130,642	9,693,254	\$ 97	23,119,246	\$ 232	\$ 127,036	\$(263,668)	\$(136,303)

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

vTv Therapeutics Inc.

Condensed Consolidated Statements of Cash Flows - Unaudited

(in thousands)

	Nine Months Ended September 30,	
	2017	2016
Cash flows from operating activities:		
Net loss before noncontrolling interest	\$(40,055)	\$(41,642)
Adjustments to reconcile net loss before noncontrolling interest to net cash used in operating activities:		
Gain on disposal of property and equipment, net	(11)	(2)
Depreciation expense	152	216
Share-based compensation expense	2,657	1,988
Amortization of debt discount	753	—
Changes in assets and liabilities:		
Accounts receivable	—	69
Change in restricted cash	(281)	—
Prepaid expenses and other assets	(113)	56
Employee loans receivable – related party	—	46
Other long-term assets	(317)	(268)
Accounts payable and accrued expenses	(1,293)	3,417
Accounts payable and accrued expenses – related party	—	(474)
Deferred revenue	(21)	(198)
Other liabilities	19	9
Net cash used in operating activities	(38,510)	(36,783)
Cash flows from investing activities:		
Proceeds from sale of assets	32	4
Purchases of property and equipment	(39)	(87)
Net cash used in investing activities	(7)	(83)
Cash flows from financing activities:		
Proceeds from debt issuance	7,500	—
Debt issuance costs	—	(50)
Repayment of long-term obligations	—	(29)
Net cash provided by (used in) financing activities	7,500	(79)
Net decrease in cash and cash equivalents	(31,017)	(36,945)
Cash and equivalents, beginning of period	51,505	88,003
Cash and equivalents, end of period	\$20,488	\$51,058
Non-cash activities:		
Change in redemption value of noncontrolling interest	\$36,349	\$26,120
Exchange of vTv Therapeutics Inc. Class B Common Stock and vTv Therapeutics, LLC member units for vTv Therapeutics Inc. Class A Common Stock	\$—	\$3,164

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

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vTv Therapeutics Inc.

Notes to Condensed Consolidated Financial Statements – Unaudited

(dollar amounts are in thousands, unless otherwise noted)

Note 1: Description of Business, Basis of Presentation and Going Concern

Description of Business

vTv Therapeutics Inc. (the “Company,” the “Registrant,” “we” or “us”) was incorporated in the state of Delaware in April 2015. The Company was formed to discover and develop orally administered small molecule drug candidates to fill significant unmet medical needs.

Principles of Consolidation

vTv Therapeutics Inc. is a holding company and its principal asset is a controlling equity interest in vTv Therapeutics LLC (“vTv LLC”), the Company’s principal operating subsidiary, which is a clinical-stage biopharmaceutical company engaged in the discovery and development of orally administered small molecule drug candidates to fill significant unmet medical needs.

The Company has determined that vTv LLC is a variable-interest entity (“VIE”) for accounting purposes and that vTv Therapeutics Inc. is the primary beneficiary of vTv LLC because (through its managing member interest in vTv LLC and the fact that the senior management of vTv Therapeutics Inc. is also the senior management of vTv LLC) it has the power and benefits to direct all of the activities of vTv LLC, which include those that most significantly impact vTv LLC’s economic performance. vTv Therapeutics Inc. has therefore consolidated vTv LLC’s results pursuant to Accounting Standards Codification Topic 810, “Consolidation” in its Condensed Consolidated Financial Statements. As of September 30, 2017, various holders own non-voting interests in vTv LLC, representing a 70.5% economic interest in vTv LLC, effectively restricting vTv Therapeutics Inc.’s interest to 29.5% of vTv LLC’s economic results, subject to increase in the future, should vTv Therapeutics Inc. purchase additional non-voting common units (“vTv Units”) of vTv LLC, or should the holders of vTv Units decide to exchange such units (together with shares of Class B Common Stock) for shares of Class A Common Stock (or cash) pursuant to the Exchange Agreement (as defined in Note 7). vTv Therapeutics Inc. has provided financial and other support to vTv LLC in the form of its purchase of vTv Units with the net proceeds of the Company’s initial public offering (“IPO”) in 2015 and its agreeing to be a co-borrower under the Venture Loan and Security Agreement (the “Loan Agreement”) with Horizon Technology Finance Corporation and Silicon Valley Bank (together, the “Lenders”) which was entered into in 2016. vTv Therapeutics Inc. will not be required to provide financial or other support for vTv LLC outside of its obligations pertaining to the Loan Agreement as a co-borrower. However, vTv Therapeutics Inc. will control its business and other activities through its managing member interest in vTv LLC, and its management is the management of vTv LLC. The creditors of vTv LLC do not have any recourse to the general credit of vTv Therapeutics Inc. except as allowed under the provisions of the Loan Agreement. Nevertheless, because vTv Therapeutics Inc. will have no material assets other than its interests in vTv LLC, any financial difficulties at vTv LLC could result in vTv Therapeutics Inc. recognizing a loss.

Going Concern and Liquidity

To date, the Company has not generated any product revenue and has not achieved profitable operations. The continuing development of our drug candidates will require additional financing. From its inception through September 30, 2017, the Company has funded its operations primarily through a combination of private placements of preferred equity, research collaboration agreements, upfront and milestone payments for license agreements, debt financing and the completion of its IPO in August 2015. As of September 30, 2017, the Company has an accumulated deficit of \$263.7 million and has generated net losses in each year of its existence. Management estimates that the cash and cash equivalents balance as of September 30, 2017 of \$20.5 million will allow the Company to continue its operations and activities for a period of less than twelve months from the issuance of these Condensed Consolidated Financial Statements.

Based on the Company's current operating plan, management believes that the current cash and cash equivalents will allow the Company to meet its liquidity requirements through the receipt of top-line results for Subpart A of its STEADFAST Study in early 2018. In addition to available cash and cash equivalents, the Company is seeking possible partnering opportunities for our GKA, GLP-1r and other drug candidates which it believes may provide additional cash for use in its operations and the continuation of the clinical trials for its drug candidates. The Company is also pursuing other sources of interim financing to provide flexibility to its operating plan. The timing and occurrence of such interim financing is not yet known. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Company's financial statements have been prepared assuming the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business. The Condensed Consolidated Financial Statements do not include adjustments to reflect the possible future effects on the recoverability and classification of recorded assets or the amounts of liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 2: Summary of Significant Accounting Policies
Unaudited Interim Financial Information

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The accompanying Condensed Consolidated Balance Sheet as of September 30, 2017, Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2017 and 2016, Condensed Consolidated Statement of Changes in Redeemable Noncontrolling Interest and Stockholders' Deficit for the nine months ended September 30, 2017 and Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and 2016 are unaudited. These unaudited financial statements have been prepared in accordance with the rules and regulations of the United States Securities and Exchange Commission ("SEC") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. These financial statements should be read in conjunction with the audited financial statements and the accompanying notes for the year ended December 31, 2016 contained in the Company's Annual Report on Form 10-K. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments (consisting of normal recurring adjustments) necessary to state fairly the Company's financial position as of September 30, 2017, the results of operations for the three and nine months ended September 30, 2017 and 2016 and cash flows for the nine months ended September 30, 2017 and 2016. The December 31, 2016 Condensed Consolidated Balance Sheet included herein was derived from the audited financial statements, but does not include all disclosures or notes required by GAAP for complete financial statements.

The financial data and other information disclosed in these notes to the financial statements related to the three and nine months ended September 30, 2017 and 2016 are unaudited. Interim results are not necessarily indicative of results for an entire year.