

ATHEROGENICS INC
Form 10-Q
May 08, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2006

Commission File No. 0-31261

ATHEROGENICS, INC.

(Exact name of registrant as specified in its charter)

Georgia **58-2108232**
(State of incorporation) (I.R.S. Employer Identification
Number)

8995 Westside Parkway, Alpharetta, Georgia 30004
(Address of registrant's principal executive offices, including zip code)

(Registrant's telephone number, including area code): **(678) 336-2500**

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Act).

Large accelerated filer [] Accelerated filer [] Non-accelerated filer []

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 May 5, 2006 there were 39,435,090 shares of the registrant's common stock outstanding.

ATHEROGENICS, INC.
FORM 10-Q
INDEX

PART I. FINANCIAL INFORMATION	Page No.
Item 1. Condensed Financial Statements (unaudited)	
Condensed Balance Sheets	
March 31, 2006 and December 31, 2005	1
Condensed Statements of Operations	
Three months ended March 31, 2006 and 2005	2
Condensed Statements of Cash Flows	
Three months ended March 31, 2006 and 2005	3
Notes to Condensed Financial Statements	4
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	8
Item 3. Quantitative and Qualitative Disclosures About Market Risk	15
Item 4. Controls and Procedures	15
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	15
Item 6. Exhibits	15
SIGNATURES	16

PART I. - FINANCIAL INFORMATION**Item 1. Financial Statements**

ATHEROGENICS, INC.
CONDENSED BALANCE SHEETS
(Unaudited)

	March 31, 2006	December 31, 2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 81,934,748	\$ 82,831,679
Short-term investments	127,535,049	99,672,844
Prepaid expenses	3,708,592	2,639,900
Interest and other receivables	2,921,896	900,192
Total current assets	216,100,285	186,044,615
Equipment and leasehold improvements, net of accumulated depreciation and amortization	4,405,100	4,108,462
Debt issuance costs and other assets	6,734,268	7,344,450
Total assets	\$ 227,239,653	\$ 197,497,527
Liabilities and Shareholders' Deficit		
Current liabilities:		
Accounts payable	\$ 3,479,290	\$ 2,188,461
Accrued research and development	3,036,223	3,946,970
Accrued and other liabilities	1,368,492	1,344,876
Accrued interest	770,000	2,750,000
Accrued compensation	533,790	2,649,640
Current portion of deferred revenue	25,000,000	—
Total current liabilities	34,187,795	12,879,947
Convertible notes payable and equipment loan, net of current portion	286,045,095	300,053,796
Long-term portion of deferred revenue	20,833,333	—
Shareholders' deficit:		
Preferred stock, no par value: Authorized—5,000,000 shares	—	—
Common stock, no par value: Authorized—100,000,000 shares; issued and outstanding — 39,381,022 and 38,143,678 shares at March 31, 2006 and December 31, 2005, respectively	199,607,034	178,771,376
Warrants	613,021	620,223
Accumulated deficit	(313,899,681)	(294,674,874)
Accumulated other comprehensive loss	(146,944)	(152,941)
Total shareholders' deficit	(113,826,570)	(115,436,216)

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Total liabilities and shareholders' deficit	\$	227,239,653	\$	197,497,527
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The accompanying notes are an integral part of these condensed financial statements.

1

ATHEROGENICS, INC.
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended	
	March 31,	
	2006	2005
License fee revenue	\$ 4,166,667	\$ —
Operating expenses:		
Research and development	16,260,622	16,155,070
General and administrative	3,707,333	1,820,818
Total operating expenses	19,967,955	17,975,888
Operating loss	(15,801,288)	(17,975,888)
Interest and other income	2,205,234	1,447,904
Interest expense	(2,107,517)	(2,103,573)
Other expense	(3,521,236)	—
Net loss	\$ (19,224,807)	\$ (18,631,557)
Net loss per share - basic and diluted	\$ (0.49)	\$ (0.50)
Weighted average shares outstanding - basic and diluted	39,202,076	37,532,613

The accompanying notes are an integral part of these condensed financial statements.

ATHEROGENICS, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

Three months ended
March 31,
2006 **2005**