

BioAmber Inc.  
Form 10-Q  
August 09, 2016  
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

x 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: 001-35905

BIOAMBER INC.

(Exact name of registrant as specified in its charter)

Delaware 98-0601045  
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)

Jean-François Huc

President and Chief Executive Officer

BioAmber Inc.

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1250 Rene Levesque West, Suite 4310

Montreal, Quebec, Canada H3B 4W8

Telephone: (514) 844-8000

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

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  (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 August 9, 2016, there were 28,836,983 shares of the registrant's Common Stock, \$0.01 par value per share, outstanding.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains or incorporates by reference statements that are not historical facts and are considered forward-looking within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These forward-looking statements may contain projections of our future results of operations or of our financial position or state other forward-looking information. In some cases you can identify these statements by forward-looking words such as “anticipate,” “believe,” “could,” “continue,” “estimate,” “expect,” “intend,” “may,” “should,” “will,” “would,” “plan,” “projected” or the negative of such words or other similar words or phrases. We believe that it is important to communicate our future expectations to our investors. However, there may be events in the future that we are not able to accurately predict or control and that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. You are cautioned not to unduly rely on forward-looking statements because they involve risks and uncertainties, and actual results may differ materially from those discussed as a result of various factors, including, but not limited to:

- the expected funding sources of our future planned manufacturing facilities and the expected timing of the completion of construction and the start of commercial operations at each of these facilities;
- our joint venture with Mitsui & Co. Ltd., or Mitsui;
- our offtake agreements with Vinmar International Ltd., or Vinmar, related to bio-based 1,4-butanediol, which we refer to as 1,4 BDO or BDO, tetrahydrofuran, which we refer to as THF, and bio-based succinic acid, and with PTTMCC Biochem Company Limited, or PTTMCC Biochem, for bio-succinic acid;
- the expected market applications for our products and the sizes of these addressable markets;
- our ability to gain market acceptance for bio-succinic acid, its derivatives including 1,4 BDO and THF and other building block chemicals;
- our ability to ramp up commercial sales and execute on our commercial expansion plan, including the timing and volume of our future production and sales;
- the expected cost-competitiveness and relative performance attributes of our bio-succinic acid and the products derived from it;
- our ability to cost-effectively produce and commercialize bio-succinic acid, its derivatives and other building block chemicals;
- customer qualification, approval and acceptance of our products;
-

our ability to maintain and advance strategic partnerships and collaborations and the expected benefits and accessible markets related to those partnerships and collaborations;

- the impact of our off-take agreements on our business with our customers, our distributors and our current and future equity partners;
  - our ability to economically obtain feedstock and other inputs;
  - the achievement of advances in our technology platform;
  - our ability to obtain and maintain intellectual property protection for our products and processes and not infringe on others' rights;
  - government regulatory and industry certification approvals for our facilities and products;
  - government policymaking and incentives relating to bio-chemicals; and
  - our ability to maintain an effective system of internal controls and prevent future material weaknesses or significant deficiencies from occurring;
  - our ability to maintain and secure adequate funding for our current business activities;
-

and other risks and uncertainties referenced under “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. You should not place undue reliance on our forward-looking statements. These forward-looking statements speak only as of the date on which the statements were made and are not guarantees of future performance. Except as may be required by applicable law, we do not undertake or intend to update any forward-looking statements after the date of this Quarterly Report on Form 10-Q or the respective dates of documents incorporated by reference herein or therein that include forward-looking statements.

BIOAMBER INC.

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## PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements  
BIOAMBER INC.

## Consolidated Statements of Operations

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Revenues				
Product sales	2,521,097	341,900	3,979,582	709,149
Total revenues	2,521,097	341,900	3,979,582	709,149
Cost of goods sold excluding depreciation and amortization	3,480,991	752,323	6,543,381	1,062,412
Gross loss	(959,894 )	(410,423 )	(2,563,799 )	(353,263 )
Operating expenses				
General and administrative	2,985,456	2,963,708	5,609,119	5,591,273
Research and development, net	1,522,501	4,959,725	3,371,643	9,568,470
Sales and marketing	583,534	1,124,185	1,739,715	2,276,907
Depreciation of property and equipment and amortization of intangible assets	1,238,411	92,854	2,391,862	164,694
Write-off of intangible assets (Note 5)	—	1,141,000	—	1,141,000
Foreign exchange loss	24,909	202,181	145,979	258,133
Operating expenses	6,354,811	10,483,653	13,258,318	19,000,477
Operating loss	(7,314,705 )	(10,894,076)	(15,822,117)	(19,353,740)
Amortization of debt discounts	839,410	91,810	1,440,445	158,060
Financial charges (income), net (Note 9)	(11,296,346)	3,782,361	(7,850,400 )	4,353,219
Other (income) expense, net	196,788	517	172,097	(21,050 )
Income (loss) before income taxes	2,945,443	(14,768,764)	(9,584,259 )	(23,843,969)
Income taxes (Note 13)	12,341	10,603	18,379	43,923
Net income (loss)	2,933,102	(14,779,367)	(9,602,638 )	(23,887,892)
Net income (loss) attributable to:				
BioAmber Inc. shareholders	4,810,667	(13,979,153)	(6,135,020 )	(22,377,384)
Non-controlling interest	(1,877,565 )	(800,214 )	(3,467,618 )	(1,510,508 )
	2,933,102	(14,779,367)	(9,602,638 )	(23,887,892)
Basic net earnings (loss) per share attributable to BioAmber Inc. shareholders	\$0.17	\$(0.58 )	\$(0.22 )	\$(0.97 )
Diluted net earnings (loss) per share attributable to BioAmber Inc. shareholders	\$0.16	\$(0.58 )	\$(0.22 )	\$(0.97 )
Weighted-average of common shares outstanding				
- basic	28,781,753	24,283,275	28,481,753	23,067,190
Effect of dilutive employee stock options	413,000	—	—	—



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Effect of dilutive warrants	491,236	—	—	—
Weighted-average of common shares outstanding - diluted	29,685,989	24,283,275	28,481,753	23,067,190

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

## BIOAMBER INC.

Consolidated Statements of Comprehensive Loss  
(Unaudited)

	Three Months Ended June		Six Months Ended June	
	30, 2016	2015	30, 2016	2015
	\$	\$	\$	\$
Net income (loss)	2,933,102	(14,779,367)	(9,602,638)	(23,887,892)
Foreign currency translation adjustment	207,205	1,719,473	6,762,215	(5,166,361 )
Total comprehensive income (loss)	3,140,307	(13,059,894)	(2,840,423)	(29,054,253)
Total comprehensive income (loss) attributable to:				
BioAmber Inc. shareholders	4,941,912	(14,324,471)	(1,719,071)	(24,249,821)
Non-controlling interest	(1,801,605)	1,264,577	(1,121,352)	(4,804,432 )
	3,140,307	(13,059,894)	(2,840,423)	(29,054,253)

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

## BIOAMBER INC.

## Consolidated Balance Sheets

(Unaudited)

	As of June 30, 2016 \$	As of December 31, 2015 \$
Assets		
Current assets		
Cash and cash equivalents	5,543,053	6,973,591
Accounts receivable	2,191,901	978,634
Inventories (Note 3)	2,849,947	1,749,224
Prepaid expenses and deposits	838,263	579,864
Valued added tax, income taxes and other receivables	515,553	562,800
Total current assets	11,938,717	10,844,113
Property and equipment, net (Note 4)	128,201,328	122,542,688
Investment in equity method and cost investments (Note 2)	447,035	447,035
Intangible assets, net (Note 5)	6,240,106	6,352,091
Goodwill	625,364	625,364
Restricted cash	576,750	540,975
Deferred financing costs	661,503	434,941
Total assets	148,690,803	141,787,207
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	5,118,284	15,834,274
Income taxes payable	118,711	112,256
Deferred grants (Note 8)	3,669,761	3,437,791
Short-term portion of long-term debt (Note 7)	10,241,984	10,297,542
Total current liabilities	19,148,740	29,681,863
Long-term debt (Note 7)	26,521,468	28,491,549
Warrants financial liability (Note 12)	3,122,842	12,231,906
Other long-term liabilities	452,032	443,135
Total liabilities	49,245,082	70,848,453
Commitments and contingencies (Note 10)		
Redeemable non-controlling interest (Note 11)	41,188,283	24,583,636
Equity		
Share capital		
Common stock:		
\$0.01 par value per share; 250,000,000 authorized, 28,781,753 and 26,181,753		
issued and outstanding at June 30, 2016 and December 31, 2015,		
respectively	287,817	261,817
Additional paid-in capital	272,387,562	258,792,171
Warrants (Note 12)	748,075	748,075

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Accumulated deficit	(204,424,917)	(198,289,897)
Accumulated other comprehensive loss	(10,741,099 )	(15,157,048 )
Total BioAmber Inc. shareholders' equity		