

SCIOS INC
Form 8-K
July 26, 2002

**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

**Current Report
Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): July 25, 2002

SCIOS INC.

(Exact Name of Registrant as Specified in Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

0-11749

(Commission File Number)

95-3701481

(I.R.S. Employer Identification No.)

820 West Maude Avenue, Sunnyvale, CA 94085

(Address of Principal Executive Offices) (Zip Code)

(408) 616-8200

(Registrant's telephone number, including area code)

N/A

(Former Name or Former Address, if Changed Since Last Report)

Item 5. Other Events.

On July 26, 2002, Scios, Inc. issued a press release which is attached hereto as Exhibit 99.1 and is incorporated by reference herein.

On July 25, 2002, Scios Inc. (NASDAQ: SCIO) announced its financial results for the second quarter and six months ended June 30, 2002.

Second quarter 2002 net revenues were \$23.0 million compared to \$5.2 million in the second quarter of 2001. This increase was primarily due to Natrecor sales.

Total operating costs and expenses for the second quarter of 2002 were \$44.3 million compared to \$23.4 million in the second quarter of 2001. The increase in costs and expenses was largely attributable to building a marketing and sales infrastructure for Natrecor, clinical development of the p38 kinase inhibitor program and preclinical development of the TGF-beta program.

Net loss for the quarter was \$22.5 million, or \$0.48 per diluted share, compared to a net loss of \$18.3 million, or \$0.46 per diluted share, for the same period last year. Per share amounts were based on 46.5 million weighted average diluted shares in the second quarter of 2002, compared to 40.1 million weighted average diluted shares in the same quarter last year.

Cash, cash equivalents and marketable securities (both current and non-current) balances at June 30, 2002 were \$101.3 million.

Net revenues for the first six months of 2002 were \$39.5 million compared to \$17.2 million in the same period last year. The increase was primarily due to Natrecor sales of \$37.9 million. Total operating costs and expenses in the six-month period were \$84.8 million, compared to \$39.3 million for the year-ago period. The six months period ended June 30, 2001 included \$12.5 million of revenues, inclusive of a \$9.4 million gain on the sale of marketing rights from the Psychiatric Sales and Marketing Division that was discontinued in March 2001. The company reported a net loss of \$47.7 million in the first six months of 2002, or \$1.03 per diluted share, compared to a \$22.5 million net loss, or \$0.57 per diluted share, in the same period last year.

SCIOS INC.

Consolidated Balance Sheets
(in thousands, except share data and per share data)

| | June 30, 2002 | December 31, 2001 |
|---|-------------------|----------------------|
| | <u> </u> | <u> </u> |
| | (Unaudited) | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 39,212 | \$ 58,296 |
| Marketable securities | 13,396 | 7,351 |
| Accounts receivable, net | 11,081 | 6,943 |
| Inventory | 2,613 | 1,158 |
| Prepaid expenses and other assets | 5,070 | 4,214 |
| | <u> </u> | <u> </u> |
| Total current assets | 71,372 | 77,962 |
| Marketable securities, non-current | 48,673 | 63,669 |
| Property and equipment, net | 10,252 | 10,424 |
| Other assets | 758 | 4,123 |
| | <u> </u> | <u> </u> |
| Total assets | \$ 131,055 | \$ 156,178 |
| | <u> </u> | <u> </u> |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 7,727 | \$ 9,625 |
| Accrued employee compensation | 10,697 | 9,685 |
| Other accrued liabilities | 9,531 | 7,206 |
| Deferred contract revenue | 1,102 | |
| Current portion of long-term debt | 41,313 | 33,035 |
| | <u> </u> | <u> </u> |
| Total current liabilities | 70,370 | 59,551 |
| Deferred contract revenue | 3,493 | |
| Long-term debt | 15,396 | 15,479 |
| | <u> </u> | <u> </u> |
| Total liabilities | 89,259 | 75,030 |
| | <u> </u> | <u> </u> |
| Stockholders' equity: | | |
| Preferred stock; \$.001 par value; 20,000,000 shares authorized; 4,991 issued and outstanding | | |
| Common stock; \$.001 par value; 150,000,000 shares authorized; issued and outstanding 46,654,473 and 46,015,167, respectively | 47 | 46 |
| Additional paid-in capital | 567,958 | 561,352 |
| Treasury stock; shares of 40,000 at June 30, 2002 and 30,000 at December 31, 2001, respectively | (644) | (445) |
| Deferred warrant costs | (4,389) | (6,794) |
| Deferred compensation | (106) | (106) |
| Accumulated other comprehensive income | 564 | 999 |
| Accumulated deficit | (521,634) | (473,904) |
| | <u> </u> | <u> </u> |
| Total stockholders' equity | 41,796 | 81,148 |
| | <u> </u> | <u> </u> |
| Total liabilities and stockholders' equity | \$ 131,055 | \$ 156,178 |
| | <u> </u> | <u> </u> |

SCIOS INC.

Consolidated Statements of Operations
(in thousands, except share and per share data)

| | Three months ended June 30, | | Six months ended June 30, | |
|---|-----------------------------|--------------------|---------------------------|--------------------|
| | 2002 | 2001 | 2002 | 2001 |
| | (Unaudited) | | (Unaudited) | |
| Revenues: | | | | |
| Product sales | \$ 22,510 | \$ 2,098 | \$ 37,883 | \$ 2,098 |
| Research and development contracts and royalties | 517 | 1,484 | 1,588 | 2,581 |
| Psychiatric product sales and co-promotion commissions, net of expenses | | 1,659 | | 3,142 |
| Gain on sale of marketing rights | | | | 9,363 |
| | <u>23,027</u> | <u>5,241</u> | <u>39,471</u> | <u>17,184</u> |
| Costs and expenses: | | | | |
| Cost of product sales | 1,381 | | 2,392 | |
| Research and development | 16,808 | 13,084 | 31,663 | 22,564 |
| Selling, general and administration | 26,075 | 10,278 | 50,789 | 16,758 |
| | <u>44,264</u> | <u>23,362</u> | <u>84,844</u> | <u>39,322</u> |
| Loss from operations | <u>(21,237)</u> | <u>(18,121)</u> | <u>(45,373)</u> | <u>(22,138)</u> |
| Other income (expense): | | | | |
| Interest income | 913 | 742 | 1,721 | 1,554 |
| Interest expense | (2,498) | (754) | (4,442) | (1,603) |
| Realized gains on securities | 370 | 135 | 293 | 389 |
| Other income (expense) | (56) | (275) | 71 | (698) |
| | <u>(1,271)</u> | <u>(152)</u> | <u>(2,357)</u> | <u>(358)</u> |
| Net loss | <u>\$ (22,508)</u> | <u>\$ (18,273)</u> | <u>\$ (47,730)</u> | <u>\$ (22,496)</u> |
| Loss per common share: | | | | |
| Basic and diluted | \$ (0.48) | \$ (0.46) | \$ (1.03) | \$ (0.57) |
| Weighted average number of common shares outstanding used in calculation of: | | | | |
| Basic and diluted | 46,478,885 | 40,087,161 | 46,290,276 | 39,653,959 |

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(c) Exhibits

The following exhibits are filed as part of this Report:

| <u>No.</u> | <u>Exhibit</u> |
|------------|-----------------------------------|
| 99.1 | Press Release dated July 26, 2002 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SCIOS INC.

By:

/s/ DAVID W. GRYSKA

David W. Gryska
Senior Vice President and
Chief Financial Officer

Date: July 26, 2002