

Novocure Ltd  
Form 10-Q  
July 28, 2016

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 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 001-37565

NovoCure Limited

(Exact Name of Registrant as Specified in Its Charter)

Jersey (Channel Islands) 98-1057807  
(State or Other Jurisdiction of (I.R.S. Employer  
Incorporation or Organization) Identification No.)

Le Masurier House

La Rue Le Masurier

St. Helier, Jersey JE2 4YE

(Address of principal executive offices)

+44 (0) 15 3475 6700

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(Registrant's Telephone Number, Including Area Code)

Not Applicable

(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 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  (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 .

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding as of July 26, 2016
Ordinary shares, no par value	85,774,774 Shares

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to historical facts or statements of current condition, this report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements contained in this report are based on our current plans, expectations, hopes, beliefs, intentions or strategies concerning future developments and their impact on us. Forward-looking statements contained in this report constitute our expectations or forecasts of future events as of the date this report was filed with the Securities and Exchange Commission and are not statements of historical fact. You can identify these statements by the fact that they do not relate strictly to historical or current facts. Such statements may include words such as “anticipate,” “will,” “estimate,” “expect,” “project,” “intend,” “should,” “plan,” “believe” and other words and terms of similar meaning in connection with any discussion of, among other things, future operating or financial performance, strategic initiatives and business strategies, regulatory or competitive environments, our intellectual property and delivery system research and development. In particular, these forward-looking statements include, among others, statements about:

- our research and development, clinical trial and commercialization activities and projected expenditures;
- the further commercialization of Optune®, our first Tumor Treating Fields (“TTFields”) delivery system, and our other TTFields delivery system candidates;
- our business strategies and the expansion of our sales and marketing efforts in the United States and in other countries;
- the market acceptance of Optune and our other TTFields delivery systems by patients, physicians, third-party payers and others in the healthcare and scientific community;
- our plans to pursue the use of TTFields for the treatment of other solid tumor cancers;
- our estimates regarding revenues, expenses, capital requirements and needs for additional financing;
- our ability to obtain regulatory approvals for additional indications and any future TTFields delivery systems;
- our ability to acquire the supplies needed to manufacture our TTFields delivery systems from third-party suppliers;
- our ability to manufacture adequate supply;
- our ability to secure adequate coverage from third-party payers to reimburse us for Optune or future TTFields delivery systems;
- our ability to maintain and develop our intellectual property position;
- our cash needs; and
- our prospects, financial condition and results of operations.

These forward-looking statements involve a number of risks and uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. Factors which may cause such differences to occur include those risks and uncertainties set forth under Part I, Item 1A., “Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, as well as other risks and uncertainties set forth from time to time in the reports we file with the U.S. Securities and Exchange Commission. We do not intend to update publicly any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

## TRADEMARKS

This Quarterly Report on Form 10-Q includes trademarks of NovoCure Limited and other persons. All trademarks or trade names referred to herein are the property of their respective owners.



NovoCure Limited

Quarterly Report on Form 10-Q

TABLE OF CONTENTS

		Page
	<u>Cautionary Note Regarding Forward Looking Statements</u>	ii
	<u>PART I—FINANCIAL INFORMATION</u>	
Item 1.	<u>Financial Statements</u>	2
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	11
Item 4.	<u>Controls and Procedures</u>	19
	<u>PART II—OTHER INFORMATION</u>	
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	20
Item 5.	<u>Other Information</u>	20
Item 6.	<u>Exhibits</u>	21
	<u>Signatures</u>	22

## PART I—FINANCIAL INFORMATION

## Item 1. Financial Statements

## NOVOCURE LIMITED AND SUBSIDIARIES

## CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	June 30, 2016 Unaudited	December 31, 2015 Audited
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 80,871	\$ 119,423
Short-term investments	119,979	150,001
Restricted cash	99	87
Receivables and prepaid expenses	12,534	10,799
Inventories	21,215	13,594
Total current assets	234,698	293,904
<b>LONG-TERM ASSETS:</b>		
Property and equipment, net	8,813	6,552
Field equipment, net	5,850	6,029
Severance pay fund	82	79
Other long-term assets	1,076	772
Total long-term assets	15,821	13,432
<b>TOTAL ASSETS</b>	<b>\$ 250,519</b>	<b>\$ 307,336</b>

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

## NOVOCURE LIMITED AND SUBSIDIARIES

## CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share data)

	June 30, 2016 Unaudited	December 31, 2015 Audited
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade payables	\$22,007	\$16,755
Other payables and accrued expenses	12,611	11,872
Total current liabilities	34,618	28,627
<b>LONG-TERM LIABILITIES:</b>		
Long-term loan, net of discount and issuance costs	23,292	23,097
Employee benefit liabilities	2,592	2,057
Other long-term liabilities	3,371	2,735
Total long-term liabilities	29,255	27,889
<b>TOTAL LIABILITIES</b>	<b>63,873</b>	<b>56,516</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital -		
Ordinary shares no par value, unlimited shares authorized; issued and outstanding:		
	85,774,774 shares and 83,778,581 shares at June 30, 2016 and December 31,	
	2015, respectively	
Additional paid-in capital	-	-
	652,460	640,406
Accumulated other comprehensive loss	(1,684 )	(1,505 )
Accumulated deficit	(464,130)	(388,081)
Total shareholders' equity	186,646	250,820
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$250,519</b>	<b>\$307,336</b>

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





## NOVOCURE LIMITED AND SUBSIDIARIES

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. dollars in thousands (except share and per share data)

	Three months ended		Six months ended		Year ended
	June 30,		June 30,		December
	2016	2015	2016	2015	31,
	Unaudited		Unaudited		2015
					Audited
Net revenues	\$17,919	\$6,543	\$30,972	\$11,751	\$33,087
Cost of revenues	9,797	4,750	17,779	8,647	20,610
Impairment of field equipment	6,412	-	6,412	-	-
Gross profit	1,710	1,793	6,781	3,104	12,477
Operating costs and expenses:					
Research, development and clinical trials	11,318	12,765	22,763	22,692	43,748
Sales and marketing	14,598	8,866	27,906	15,221	38,861
General and administrative	13,031	7,368	25,287	14,343	33,864
Total operating costs and expenses	38,947	28,999	75,956	52,256	116,473
Operating loss	(37,237 )	(27,206 )	(69,175 )	(49,152 )	(103,996 )
Financial expenses, net	555	876	1,104	1,467	3,151
Loss before income tax expense	(37,792 )	(28,082 )	(70,279 )	(50,619 )	(107,147 )
Income tax expense	2,820	1,275	5,770	2,011	4,434
Net loss	\$(40,612 )	\$(29,357 )	\$(76,049 )	\$(52,630 )	\$(111,581 )
Basic and diluted net loss per ordinary share	\$(0.48 )	\$(2.36 )	\$(0.90 )	\$(4.12 )	\$(3.67 )
Weighted average number of ordinary shares used in					
computing basic and diluted net loss per share	85,274,683	12,427,442	84,843,028	12,783,881	30,401,603

## CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

U.S. dollars in thousands

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	Three months ended		Six months ended		Year ended
	June 30,	2015	June 30,	2015	December 31, 2015
	Unaudited		Unaudited		Audited
Net loss	\$(40,612)	\$(29,357)	\$(76,049)	\$(52,630)	\$(111,581)
Other comprehensive loss, net of tax :					
Change in foreign currency translation adjustments	56	-	56	-	-
Pension benefit plan	235	-	(235 )	-	(1,505 )
Total comprehensive loss	\$(40,321)	\$(29,357)	\$(76,228)	\$(52,630)	\$(113,086)

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

## NOVOCURE LIMITED AND SUBSIDIARIES

## CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands (except share data)

	Ordinary shares Shares	Preferred shares Shares	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity
Balance as of January 1, 2015 (audited)	13,431,414	58,676,017	\$ 374,375	\$ -	\$(276,500 )	\$ 97,875
Share-based compensation to employees	-	-	11,860	-	-	11,860
Exercise of options and warrants	731,665	-	2,038	-	-	2,038
Issuance of Series J preferred shares, net (a)	-	4,068,500	94,599	-	-	94,599
Issuance of shares and options in respect of  settlement, net of fair value of shares  provided as indemnification	(1,005,210 )	-	-	-	-	-
Issuance of ordinary shares upon IPO and  exercise of over-allotment, net (b)	7,876,195	-	157,534	-	-	157,534
Conversion of preferred shares to ordinary  shares	62,744,517	(62,744,517 )	-	-	-	-
Other comprehensive loss, net of tax benefit	-	-	-	(1,505 )	-	(1,505 )
Net loss	-	-	-	-	(111,581 )	(111,581 )
Balance as of December 31, 2015 (audited)	83,778,581	-	640,406	(1,505 )	(388,081 )	250,820
Share-based compensation to employees	-	-	11,093	-	-	11,093
Exercise of options and warrants	1,996,193	-	961	-	-	961
Other comprehensive loss, net of tax benefit	-	-	-	-	-	-