

Aldeyra Therapeutics, Inc.
Form 10-Q
November 12, 2014
Table of Contents

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, 2014

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: 001-36332

ALDEYRA THERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	20-1968197 (I.R.S. Employer Identification No.)
131 Hartwell Avenue, Suite 320	
Lexington, MA (Address of principal executive offices)	02421 (Zip Code)
(781) 761-4904	
(Registrant's telephone number, including area code)	

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 <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input checked="" type="checkbox"/>

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 November 11, 2014, there were 5,565,415 shares of the registrant's common stock issued and outstanding.

Table of Contents

Aldeyra Therapeutics, Inc.
Quarterly Report on Form 10-Q
For the Quarter Ended September 30, 2014

INDEX

	Page
<u>PART I FINANCIAL INFORMATION</u>	
ITEM 1. <u>Financial Statements (Unaudited):</u>	3
<u>Balance Sheets at September 30, 2014 and December 31, 2013</u>	3
<u>Statements of Operations and Comprehensive Income (Loss) for the three and nine months ended September 30, 2014 and 2013</u>	4
<u>Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit) for the Period from December 31, 2013 to September 30, 2014</u>	5
<u>Statements of Cash Flows for the nine months ended September 30, 2014 and 2013</u>	6
<u>Notes to Financial Statements</u>	7
ITEM 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16
ITEM 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	21
ITEM 4. <u>Controls and Procedures</u>	21
<u>PART II OTHER INFORMATION</u>	
ITEM 1. <u>Legal Proceedings</u>	21
ITEM 1A. <u>Risk Factors</u>	21
ITEM 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	46
ITEM 3. <u>Defaults Upon Senior Securities</u>	47
ITEM 4. <u>Mine Safety Disclosures</u>	47
ITEM 5. <u>Other Information</u>	47
ITEM 6. <u>Exhibits</u>	47
<u>Signatures</u>	48
<u>Exhibits</u>	49

Table of Contents**Part I FINANCIAL INFORMATION****Item 1. Financial Statements (Unaudited)****ALDEYRA THERAPEUTICS, INC.****BALANCE SHEETS (Unaudited)**

	September 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,142,137	\$ 3,262,354
Prepaid expenses and other current assets	202,612	8,412
Total current assets	10,344,749	3,270,766
Deferred offering cost		472,467
Fixed Assets, net	5,768	
Total assets	\$ 10,350,517	\$ 3,743,233
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 482,470	\$ 341,853
Convertible notes payable - related parties		85,000
Accrued interest on convertible notes payable - related parties		2,125
Accrued expenses	363,661	117,873
Current portion of credit facility		58,160
Total current liabilities	846,131	605,011
Credit facility, net of current portion and debt discount	1,240,828	1,129,015
Accrued deferred offering costs		394,368
Convertible preferred stock warrant liability		253,247
Convertible preferred stock warrant liabilities - related parties		3,265,620
Total liabilities	2,086,959	5,647,261
Commitments and contingencies (Note 13)		
Redeemable convertible preferred stock:		
Series A Preferred Stock, \$0.001 par value, none authorized, issued and outstanding as of September 30, 2014 and 24,000,000 shares authorized; 980,391 shares issued and outstanding as of December 31, 2013 (Liquidation preference of \$36,000,000)		29,291,865

Edgar Filing: Aldeyra Therapeutics, Inc. - Form 10-Q

Series B Preferred Stock, \$0.001 par value, none authorized, issued and outstanding as of September 30, 2014 and 38,000,000 shares authorized; 1,316,681 shares issued and outstanding as of December 31, 2013 (Liquidation preference of \$20,377,506)		9,025,433
Total redeemable convertible preferred stock		38,317,298
Stockholders' equity (deficit):		
Preferred stock, \$0.001 par value, 15,000,000 shares authorized, none issued and outstanding as of September 30, 2014; none authorized, issued or outstanding as of December 31, 2013		
Common stock, voting, \$0.001 par value; 150,000,000 authorized and 5,565,415 shares issued and outstanding as of September 30, 2014; 65,000,000 shares authorized; 327,365 shares issued and outstanding as of December 31, 2013	5,565	327
Additional paid-in capital	52,324,911	1,102,685
Accumulated deficit	(44,066,918)	(41,324,338)
Total stockholders' equity (deficit)	8,263,558	(40,221,326)
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	\$ 10,350,517	\$ 3,743,233

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

Table of Contents**ALDEYRA THERAPEUTICS, INC.****STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) (Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Operating expenses:				
Research and development	\$ 1,195,668	\$ 666,040	\$ 2,303,854	\$ 1,141,323
General and administrative	772,467	500,416	2,555,692	1,302,361
Loss from operations	(1,968,135)	(1,166,456)	(4,859,546)	(2,443,684)
Other income (expense):				
Change in fair value of preferred stock warrant liabilities		940,700	2,327,502	627,100
Change in fair value of convertible preferred stock rights and rights option liabilities		9,551,186		5,628,986
Interest income		7	3	23
Other expenses		(1,987)		(1,987)
Interest expense	(41,071)	(14,467)	(210,539)	(45,172)
Total other income (expense), net	(41,071)	10,475,439	2,116,966	6,208,950
Net income (loss) and comprehensive income (loss)	(2,009,206)	9,308,983	(2,742,580)	3,765,266
Accretion of preferred stock		(189,792)	(333,082)	(463,046)
Allocation of undistributed earnings to preferred stockholders		(8,241,671)		(2,986,631)
Deemed dividend			(4,053,570)	
Net income (loss) attributable to common stockholders	\$ (2,009,206)	\$ 877,520	\$ (7,129,232)	\$ 315,589
Net income (loss) per share attributable to common stockholders:				
Basic	\$ (0.36)	\$ 2.76	\$ (2.21)	\$ 1.00
Diluted	\$ (0.36)	\$ (9.81)	\$ (2.89)	\$ (5.37)
Weighted average common shares outstanding:				
Basic	5,565,413	317,375	3,229,338	314,972

Edgar Filing: Aldeyra Therapeutics, Inc. - Form 10-Q

Diluted	5,565,413	979,837	3,272,730	1,106,031
---------	-----------	---------	-----------	-----------

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

Table of Contents**ALDEYRA THERAPEUTICS, INC.****STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS
EQUITY (DEFICIT) (Unaudited)**

Redeemable Convertible Preferred Stock					Stockholders' Equity (Deficit)				
Series A Preferred Stock		Series B Preferred Stock		Total Redeemable Convertible Preferred Stock	Common Voting Stock		Additional Paid-in Capital	Accumulated Deficit	Total
Shares	Amount	Shares	Amount		Shares	Amount			
980,391	\$ 29,291,865	1,316,681	\$ 9,025,433	\$ 38,317,298	327,365	\$ 327	\$ 1,102,685	\$ (41,324,338)	\$ (2,914,365)
							1,571,895		
	78,037		255,045	333,082			(333,082)		
					1,500,000	1,500	9,975,408		
(980,391)	(29,369,902)	(1,316,681)	(9,280,478)	(38,650,380)	3,642,799	3,643	38,646,736		
					74,001	74	1,191,290		
					21,250	21	169,979		(2,742,580)
					5,565,415	\$ 5,565	\$ 52,324,911	\$ (44,066,918)	\$ 8,258,000

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

Table of Contents**ALDEYRA THERAPEUTICS, INC.****STATEMENTS OF CASH FLOWS (Unaudited)**

	Nine months ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (2,742,580)	\$ 3,765,266
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Stock-based compensation	1,571,895	1,328,474
President and CEO contributed services		32,221
Amortization of debt discount non-cash interest expense	138,653	22,005
Change in fair value of warrant liability, purchase rights and warrant purchase rights	(2,327,502)	(6,256,086)
Depreciation	339	
Change in assets and liabilities:		
(Increase) decrease		
Prepaid expenses and other current assets	(194,200)	(1,548)
Deferred offering costs		(50,000)
Accounts payable	140,617	(7,241)
Security deposit		
Accrued interest on convertible notes related parties	(2,125)	
Accrued deferred offering costs		50,000
Accrued expenses	245,788	11,457
Net cash used in operating activities	(3,169,115)	(1,105,452)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of property and equipment	(6,107)	
Net cash used in investing activities	(6,107)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock, net of issuance costs	10,055,005	
Repayments of credit facility		(104,167)
Net proceeds from issuance of Series B redeemable convertible preferred stock		2,750,436
Net cash provided by financing activities	10,055,005	2,646,269
NET INCREASE IN CASH	6,879,783	1,540,817
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,262,354	1,223,638