

PDL BIOPHARMA, INC.
Form 10-Q
May 12, 2008

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 March 31, 2008

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 0-19756

PDL BIOPHARMA, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

94-3023969
(I.R.S. Employer
Identification Number)

1400 Seaport Boulevard

Redwood City, CA 94063

(Address of principal executive offices and Zip Code)

(650) 454-1000

(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 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

As of May 6, 2008, there were 119,308,001 shares of the Registrant's Common Stock outstanding.

PDL BIOPHARMA, INC.

INDEX

		Page
<u>PART I.</u>	<u>FINANCIAL INFORMATION</u>	3
<u>ITEM 1.</u>	<u>FINANCIAL STATEMENTS</u>	3
	<u>Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2008 and 2007</u>	3
	<u>Condensed Consolidated Balance Sheets at March 31, 2008 and December 31, 2007</u>	4
	<u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2008 and 2007</u>	5
	<u>Notes to the Condensed Consolidated Financial Statements</u>	6
<u>ITEM 2.</u>	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	14
<u>ITEM 3.</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	47
<u>ITEM 4.</u>	<u>CONTROLS AND PROCEDURES</u>	47
<u>PART II.</u>	<u>OTHER INFORMATION</u>	48
<u>ITEM 1.</u>	<u>LEGAL PROCEEDINGS</u>	48
<u>ITEM 1A.</u>	<u>RISK FACTORS</u>	49
<u>ITEM 6.</u>	<u>EXHIBITS</u>	53
	<u>Signatures</u>	54

We own or have rights to numerous trademarks, trade names, copyrights and other intellectual property used in our business, including PDL BioPharma and the PDL logo, each of which is considered a trademark, and *Nuvion*[®]. All other company names and trademarks included in this Quarterly Report are trademarks, registered trademarks or trade names of their respective owners.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PDL BIOPHARMA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in thousands, except per share data)

	Three Months Ended March 31,	
	2008	2007
Revenues:		
Royalties	\$ 49,955	\$ 48,595
License, collaboration and other	7,374	10,261
Total revenues	57,329	58,856
Costs and expenses:		
Research and development	47,681	48,091
General and administrative	20,443	11,994
Restructuring charges	5,629	
Asset impairment charges	3,521	
Gain on sale of assets	(49,671)	
Total costs and expenses	27,603	60,085
Operating income (loss)	29,726	(1,229)
Interest income and other, net	4,867	5,032
Interest expense	(3,989)	(3,557)
Income from continuing operations before income taxes	30,604	246
Income tax expense	1,004	30
Income from continuing operations	29,600	216
Loss from discontinued operations, net of income tax expense of \$28,027 and \$35 for the quarters ended March 31, 2008 and 2007, respectively	(91,475)	(10,822)
Net loss	\$ (61,875)	\$ (10,606)
Income (loss) per basic share		
Continuing operations	\$ 0.25	\$ 0.00
Discontinued operations	(0.78)	(0.09)
Net loss per basic share	\$ (0.53)	\$ (0.09)
Income (loss) per diluted share		
Continuing operations	\$ 0.23	\$ 0.00
Discontinued operations	(0.65)	(0.09)
Net loss per diluted share	\$ (0.42)	\$ (0.09)
Shares used to compute income (loss) per basic and diluted share		
Shares used to compute basic income (loss) per share	117,525	115,104
Shares used to compute diluted income (loss) per share	141,232	117,765

See accompanying notes.

PDL BIOPHARMA, INC.**CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except per share data)

	March 31, 2008 (unaudited)	December 31, 2007 (Note 1)
Assets		
Current assets:		
Cash and cash equivalents	\$ 905,661	\$ 340,634
Restricted cash	15,005	25,005
Marketable securities	22,973	71,880
Accounts receivable, net of allowances of \$2.9 million and \$17.7 million at March 31, 2008 and December 31, 2007, respectively	5,846	5,163
Assets held for sale		269,390
Prepaid and other current assets	12,339	8,362
Total current assets	961,824	720,434
Long-term restricted cash	3,269	3,269
Land, property and equipment, net		