MEDAREX INC
Form 424B5
December 11, 2002
Table of Contents

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-52696

Prospectus Supplement to Prospectus dated December 22, 2000.

218,341 Shares

Medarex, Inc.

Common Stock

Medarex is offering 218,341 shares of its common stock all of which will be issued directly to Northwest Biotherapeutics, Inc. in exchange for certain intellectual property rights.

The number of shares to be issued and delivered to Northwest was determined by dividing $1,000,000 by $4.58, the average of the opening and closing sales prices of our common stock for each of the five trading days commencing on December 2, 2002 and ending on December 6, 2002.

Our common stock is quoted on the Nasdaq National Market under the symbol MEDX. The last reported sale price for the common stock on December 6, 2002 was $4.36 per share.

Investing in our common stock involves certain risks. See Risk Factors beginning on page S-9 of this prospectus supplement to read about important factors you should consider before investing in our common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The shares of common stock offered hereby are being issued directly to Northwest on the date hereof. No discounts, commissions, concessions or other compensation has been paid to any underwriter, broker, dealer or agent in connection with the offering.

Prospectus Supplement dated December 11, 2002

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus supplement includes or incorporates by reference forward-looking statements, including those identified by the words believes, anticipates, expects and similar expressions. Medarex has based these forward-looking statements on its current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions, including among other things:

- uncertainties relating to the technological approach;
- history of operating losses and anticipation of future losses;
- uncertainty of product development, need for additional capital and uncertainty of change;
- uncertainty of patent and propriety rights;
- management of growth, and risks of acquiring new technologies;
- uncertainties related to clinical trials;
- government regulation and uncertainty of obtaining regulatory approval;
- dependence on key personnel;
- dependence on research collaborators and scientific advisors;
- uncertainty of health care reform measures; and
- third-party reimbursement and risk of product liability.

Medarex undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in the prospectus supplement, the accompanying prospectus and in the incorporated documents might not occur.

In this prospectus, the terms Medarex, the Company, we, us, and our refer to Medarex, Inc. and our wholly-owned subsidiaries. You should only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. Medarex has not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Medarex is not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate as of the date on the front cover of each such prospectus only. The business, financial condition, results of operations and prospects of Medarex may have changed since such dates.

Table of Contents

THE COMPANY

We are a biopharmaceutical company focused on the discovery and development of human antibody-based therapeutic products. Our UltiMAb Human Antibody Development System[SM] enables us to rapidly create and develop therapeutic products for a wide range of potential diseases, including cancer, inflammation, auto-immune disease and other life-threatening and debilitating diseases.

We believe that antibodies are proven candidates for therapeutic products. To date, the United States Food and Drug Administration, or FDA, has approved eleven antibody-based therapeutic products for sale in the United States. During the past three years, these products generated aggregate worldwide sales in excess of $6 billion, with sales doubling from 1999 to 2001. We intend to participate in this market, and to this end, are developing an expanding pipeline of therapeutic antibody products developed through the use of our proprietary UltiMAb technology. Multiple therapeutic products generated using our technology are in various stages of human clinical trials, including several of which we are developing using our own resources and others where we have licensed our technology to our partners for their use in the development of their products. We and our partners also have a number of product candidates in preclinical development.

As of December 6, 2002, we have 42 partnerships with pharmaceutical and biotechnology companies to jointly develop and commercialize products or to otherwise acquire rights to use our proprietary technology in their development of new products, including industry leaders such as Amgen, Inc., Centocor, Inc. (a subsidiary of Johnson & Johnson), Eli Lilly & Company, Human Genome Sciences, Inc., Immunex Corporation, Novartis Pharma AG, Novo Nordisk A/S and Schering AG. Some of these are licensing partnerships, providing us with licensing fees, milestone payments and royalty payments; others are collaborative partnerships that provide for the sharing of product development costs, as well as any revenues, expenses and profits associated with products that might be sold commercially.

In addition to our UltiMAb Human Antibody Development System, we have considerable experience in preclinical and clinical development as well as in manufacturing antibodies for clinical trials. Our existing manufacturing facility in Annandale, New Jersey currently has the capacity to produce up to approximately 10 kilograms of monoclonal antibodies per year for clinical development purposes. We are implementing a strategy that contemplates increased developmental capacity, together with potential outside contract manufacturing for large-scale clinical production. We have assembled a team of experienced scientific, production, clinical and regulatory personnel to facilitate the discovery, development and commercialization of antibody-based products for us and for our partners. We intend to add sales and marketing and additional manufacturing capabilities as needed.

Our goal is to be a leader in the discovery and development of human antibody-based therapeutics for the treatment of cancer and other life-threatening and debilitating diseases. To this end, we have implemented a business strategy involving the expansion and diversification of our product pipeline and partnerships and an increase in our resources to develop, manufacture and commercialize products. We intend to capitalize on the value of our own human antibody products by developing them through late stage clinical trials and/or regulatory approval. We believe this will allow us to retain substantial commercial rights or profit sharing opportunities with regard to these products. In addition, we are enhancing and expanding our partnerships, which provides us the opportunity to participate in the development of substantially more product candidates than we could develop using only our own resources. We believe our business strategy will allow us to capitalize on our broad range of product development capabilities thereby maximizing the value of our business.

Table of Contents

RECENT DEVELOPMENTS

On December 9, 2002, we and our wholly owned subsidiary, Genpharm International, Inc., entered into an Assignment and License Agreement with Northwest, as well as a related Securities Purchase Agreement dated as of the same date, collectively referred to herein as the Northwest Agreements. Under the terms of the Northwest Agreements, we received certain intellectual property rights relating to the development and commercialization of three cancer-related disease targets, including Prostate Specific Membrane Antigen, or PSMA. We had previously entered into a Collaboration Agreement effective April 24, 2001 with Northwest covering the commercialization and development of these and other disease targets. As part of the current transaction, the three designated cancer targets were removed from inclusion in the original collaboration and we acquired all therapeutic rights to any antibodies created by Northwest against such designated targets. As consideration for these rights, we agreed to pay Northwest a total of $3,000,000 of which $1,000,000 has been paid in cash, $1,000,000 is being paid through the issuance of the shares of our common stock being sold to Northwest under this Prospectus Supplement and $1,000,000 is payable, at our election, in cash, shares of our common stock, or any combination thereof on or before January 9, 2003. Upon making a payment to Northwest in shares of our common stock, the number of shares of our common stock to be issued is determined by dividing $1,000,000 (less any cash paid in connection with any installment) by the average of the opening and closing sales prices of our common stock for each of the trading days during the five-trading-day period immediately prior to the applicable date of issuance of such common stock as publicly reported by Nasdaq. In the event that, during the 30-day period following the applicable date of issuance of such common stock, Northwest sells all of the shares of our common stock delivered as payment for the preceding installment, and the proceeds of such sale are less than $1,000,000 (less any cash paid in connection with any installment), we must pay the difference to Northwest in cash. In the event that, during any such 30-day period, Northwest does not sell all of the shares of our common stock delivered as payment of the preceding installment, then there will be no such adjustment.

In addition, under the terms of the Northwest Agreements, Northwest reaquired all development and commercialization rights to five potential cancer-related disease targets, including CXCR4, a potential antibody, anti-sense and small molecule target. Northwest also received certain licenses under our HuMAb Mouse technology to develop and sell antibody-based products against certain targets in return for fees, milestones and royalties. In return, Northwest will issue to us two million shares of its common stock, together with warrants to purchase a total of 800,000 shares of Northwest common stock. Following the issuance of such shares to us by Northwest, we will own approximately 14.7% of the outstanding common stock of Northwest. After six months, the warrants may be exercised at any time during the next 10 years at an exercise price based on the market value of Northwest common stock on the date of issuance. We also received a right of first negotiation in connection with any agreement to research, develop and/or commercialize antibody products against CXCR4.

On December 9, 2002, we entered into a royalty-free, worldwide, non-exclusive cross-license agreement with Millennium Pharmaceuticals, Inc. wherein each of Medarex and Millennium licensed to the other party certain patents relating to anti-PSMA antibodies. As part of the arrangement, we agreed to pay Millennium an upfront license fee of $500,000, payable in cash or, at our election, in shares of our common stock. In addition, Millennium may receive an additional $500,000 in cash, or at our election, in shares of our common stock or any combination thereof based upon certain contingencies. We currently intend to make the first payment to Millennium in shares of our common stock. The number of shares of our common stock to be issued will be determined by dividing $500,000 (less any cash paid in connection with any installment) by the average of the closing sales prices of our common stock for each of the trading days during the five-trading-day period ending two trading days immediately prior to the date of issuance of such common stock as publicly reported by Nasdaq. In the event that, during the 30-day period following the date of issuance of such common stock, Millennium sells all of the shares of our common stock delivered as payment, and the proceeds of such sale are less than $500,000 (less any cash paid in connection with such payment), we must pay the difference to Millennium in cash. In the event such sales proceeds exceed $500,000, Millennium must pay us 50% of any such excess in cash. In the event that, during any such 30-day period, Millennium does not sell all of the shares of our common stock delivered as payment of the preceding installment, then there will be no such adjustment.

All shares of our common stock issued to Northwest and Millennium will be fully registered and freely tradable; provided, however, that both Northwest and Millennium have agreed not to sell more than 50% of the total number of shares constituting a payment in any five-trading-day period.

Table of Contents

THE OFFERING

Common Stock Offered	218,341
Common Stock to be outstanding after the offering	76,675,290
Use of Proceeds	We will not receive any cash proceeds from the issuance of the shares of our common stock pursuant to this offering. We have received certain assets from Northwest, including intellectual property, know-how, data, contracts and materials owned or licensed by Northwest related to certain product candidates and programs.
Nasdaq National Market Symbol	MEDX

Unless otherwise stated herein, all information contained in this prospectus supplement relating to the number of outstanding shares of our common stock excludes:

- 9,946,999 shares of common stock issuable upon exercise of outstanding options having a weighted average exercise price of $13.63 per share;
- 2,018,432 shares of common stock reserved for issuance under our existing stock option plans;
- 500,000 shares of common stock reserved for issuance under our new 2002 Employee Stock Purchase Plan;
- 6,067,961 shares of common stock reserved for issuance upon conversion of $175,000,000 aggregate principal amount of our 4.50% Convertible Subordinated Notes due 2006; and
- 795,392 shares of common stock held in treasury.

In addition, the information contained in this prospectus supplement does not include shares of our common stock which we may be required to issue pursuant to certain contractual obligations and shares we may issue under a shelf registration statement on Form S-3 which we have filed under the Securities Act relating to the sale of up to $304.75 million of our securities, all as more fully described herein under the section entitled Risk Factors.

Table of Contents

SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected consolidated financial information for the periods indicated. The selected consolidated financial information for each of the years in the five-year period ended December 31, 2001 and at December 31 of each of those years has been derived from our audited consolidated financial statements. The financial information set forth below for the nine months ended September 30, 2001 and 2002 has been derived from unaudited consolidated financial information, which we believe presents fairly such consolidated information in conformity with generally accepted accounting principles. You should read the selected consolidated financial information in conjunction with our consolidated financial statements and the notes thereto and the other financial information incorporated by reference herein.

	For the Year Ended December 31,					For the Nine Months Ended September 30,	
	1997	1998	1999	2000	2001	2001	2002
		(in thousands, except share and per share data)		(Restated)		(unaudited)	(unaudited)
Statement of Operations Data:							
Revenues:							
Sales	$ 221	$ 1,349	$ 1,079	$ 264	$ 191	$ 879	$ 176
Contract and license revenues	3,011	5,443	8,593	19,619	37,140	24,797	22,020
Sales, contract and license revenues from Genmab			252	2,574	4,973	2,913	11,288
Total revenues	3,232	6,792	9,924	22,457	42,304	28,589	33,484
Costs and expenses:							
Cost of sales	150	1,218	709	1,189	642	495	5,729
Research and development	14,100	23,122	19,929	33,942	38,626	23,714	56,517
General and administrative	3,644	5,065	8,036	18,142	19,344	11,801	17,022
Stock bonus to GenPharm employees	2,275						
Write-off of facility costs							11,294
Acquisition of in-process technology	40,316						16,312
Total costs and expenses	60,485	29,405	28,674	53,273	58,612	36,010	106,874
Operating loss	(57,254)	(22,613)	(18,750)	(30,816)	(16,308)	(7,421)	(73,390)
Equity in net loss of affiliate				(353)	(7,334)	(3,714)	(11,318)
Interest and investment income	1,903	1,956	1,205	21,158	24,728	18,885	14,290
Impairment loss on investment in Genmab							(30,971)
Impairment loss on investments in other corporate partners							(7,971)
Additional payments related to asset acquisition							(1,700)
Interest expense	(27)	(1,539)	(8)	(3)	(4,615)	(2,376)	(6,790)
Gain on disposition of Genmab stock					1,442		
Income (loss) before provision (benefit) for income taxes	(55,377)	(22,196)	(17,553)	(10,014)	(2,087)	5,374	(117,850)
Provision (benefit) for income taxes		341	(522)	(13,075)	600	450	75
Net income (loss)	$ (55,377)	$ (22,537)	$ (17,031)	$ 3,061	$ (2,687)	4,924	(117,925)
Basic net income (loss) per share (1)	$ (1.47)	$ (0.44)	$ (0.27)	$ 0.04	$		