VERTEX PHARMACEUTICALS INC / MA
Form S-3/A
September 10, 2004

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As filed with the Securities and Exchange Commission on September 10 , 2004

Registration Statement No. 333-116376

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

PRE-EFFECTIVE AMENDMENT NO. 1
FORM S-3/A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

VERTEX PHARMACEUTICALS INCORPORATED

(Exact name of registrant as specified in its charter)

Massachusetts	**04-3039129**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

130 Waverly Street
Cambridge, Massachusetts 02139
617-444-6100
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Joshua S. Boger
Chief Executive Officer
Vertex Pharmaceuticals Incorporated
130 Waverly Street
Cambridge, Massachusetts 02139-4242
617-444-6100
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Michael L. Fantozzi, Esq.	**Kenneth S. Boger, Esq.**
Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, PC	Senior Vice President and General Counsel
One Financial Center	Vertex Pharmaceuticals Incorporated
Boston, MA 02111	130 Waverly Street
617-542-6000	Cambridge, MA 02139
	617-444-6100

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. ý

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o _____

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o _____

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until this Registration Statement shall become effective on such date as the SEC, acting pursuant to said Section 8(a), may determine.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. THE SELLING HOLDERS MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

Subject to Completion, dated September 10, 2004

PROSPECTUS

VERTEX PHARMACEUTICALS INCORPORATED

$153,135,000 5¾% Convertible Senior Subordinated Notes Due 2011

10,250,000 Shares of Common Stock Issuable Upon Conversion of the Notes

Noteholders may offer for sale the notes and the shares of our common stock issuable upon conversion of the notes. See "Plan of Distribution." The notes have the following terms:

Holders may convert their notes at any time prior to maturity into shares of our common stock at a conversion price of $14.94 per share, which is subject to adjustment.

Holders may require us to repurchase all or a portion of their notes upon a change of control. We may, at our option, pay the change of control purchase price in cash, shares of our common stock (valued at 95% of the market price of our common stock), or a combination thereof.

We may redeem the notes for cash on or after February 15, 2007, in whole or in part, at a redemption price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest, if any, up to, but excluding, the redemption date.

The notes are unsecured and subordinated to all of our existing and future senior indebtedness. The notes are senior to our 5% convertible subordinated notes due 2007.

Our common stock is quoted on the Nasdaq National Market under the symbol "VRTX." On September 8, 2004, the last sale price of our common stock was $10.25 per share. The notes are currently eligible for trading in the PORTAL market.

INVESTING IN THE NOTES OR OUR COMMON STOCK INVOLVES RISKS THAT ARE DESCRIBED IN THE "RISK FACTORS" SECTION BEGINNING ON PAGE 7 OF THIS PROSPECTUS.

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 date of this prospectus is , 2004

TABLE OF CONTENTS

Except as otherwise indicated, the "Company," "Vertex," "we" and "us," as used in this prospectus, refer to Vertex Pharmaceuticals Incorporated, a Massachusetts corporation, and its subsidiaries.

"Vertex" is a registered trademark of Vertex. "Agenerase", "Lexiva", and "Telzir" are registered trademarks of GlaxoSmithKline. "Prozei" is a trademark of Kissei Pharmaceutical Co., Ltd. Other brands, names and trademarks contained in this prospectus are the property of their respective owners.

SUMMARY

THIS SUMMARY MAY NOT CONTAIN ALL OF THE INFORMATION THAT YOU SHOULD CONSIDER BEFORE INVESTING IN THE NOTES OR THE SHARES OF COMMON STOCK ISSUABLE UPON THEIR CONVERSION. YOU SHOULD CAREFULLY READ THE ENTIRE PROSPECTUS AND THE DOCUMENTS WE HAVE INCORPORATED BY REFERENCE INTO THE PROSPECTUS.

We are a biotechnology company in the business of discovering, developing and commercializing small molecule drugs for serious diseases, including HIV infection, chronic hepatitis C virus infection, inflammatory and autoimmune disorders and cancer, independently and with collaborators. Our principal focus is on the development and commercialization of new treatments for viral and inflammatory diseases. There are two Vertex-discovered products on the market now for the treatment of HIV and AIDS. Our pipeline of potential products includes several drug candidates targeting chronic hepatitis C virus infection, inflammatory diseases such as rheumatoid arthritis, osteoarthritis, and psoriasis, and directed at cancer therapy.

Our goal is to mature into a profitable pharmaceutical company with industry-leading capabilities in research, development and commercialization of products. Our strategy is to continue building these capabilities as we advance our own product candidates to market. Our two marketed products to date were developed and commercialized in collaboration with GlaxoSmithKline, which provided us with development capacity, financial support, commercial capabilities, and other valuable resources. We plan to continue to collaborate with existing and new partners to develop and market other Vertex-discovered products for selected major therapeutic areas. We also have begun developing certain potential products independently, for markets in which we believe we can commercialize products effectively and reach large patient populations, but expend comparatively fewer resources by using a sales force focused on specialists. We believe this dual approach will help us diversify risk and create the greatest number of product development and commercialization opportunities for Vertex.

Partnerships are a key component of our corporate strategy. We have collaborations with Aventis, the Cystic Fibrosis Foundation, GlaxoSmithKline, Merck, Mitsubishi Pharma Corp., Novartis, and other companies. These collaborations provide us with financial support and other valuable resources for our research programs, development resources for our clinical drug candidates, and marketing and sales support for our products. We have had a long and fruitful collaboration with GlaxoSmithKline, resulting in our two marketed drugs, Agenerase and Lexiva, and the advancement of a third HIV protease inhibitor, VX-385, into clinical development. We currently are collaborating with Aventis in the development of pralnacasan, an ICE inhibitor for the treatment of rheumatoid arthritis, osteoarthritis and other inflammatory diseases. We also are collaborating with Merck in research and development of Aurora kinase inhibitors for the treatment of cancer and potentially other indications. We expect that Merck will commence the clinical development of VX-680, our first Aurora kinase inhibitor, in the second half of 2004. Our collaboration with Eli Lilly, now ended, produced one of our HCV drug candidates, VX-950.

We plan to continue adding promising potential products to our development pipeline through the conduct of our state-of-the-art research programs. Our drug design approach integrates biology, chemistry, biophysics, automation and information technologies to make the drug discovery process more efficient and productive. We believe that our drug discovery expertise is a distinguishing feature of the Company. We currently are conducting a productive research program in the area of ion channel modulation, and have been engaged in a broad-scale kinase inhibitor collaboration with Novartis since 2000. We expect that future development candidates from these programs will be focused on the treatment of wide variety of diseases and conditions, including cancer and neuropathic pain.

We also seek to opportunistically license and acquire technologies, resources and products that have the potential to strengthen our drug discovery platform, product pipeline and commercial capabilities.

In two independent transactions closed in March and December 2003, we sold the assets of our discovery tools and services business for an aggregate of $101 million in cash and the assumption of certain liabilities. As a result of the disposition of these assets, we now operate in a single operating segment: pharmaceuticals.

We were incorporated in Massachusetts in 1989, and our principal executive offices are located at 130 Waverly Street, Cambridge, Massachusetts 02139.

Our Business Strategy

Our strategy is to:

- continue to advance our pipeline of potential products targeting the treatment of viral and inflammatory diseases;
- continue to collaborate with existing and new partners to develop and commercialize products for selected therapeutic areas;
- utilize our state-of-the-art research capability and drug design approach to create a strong flow of new products into clinical development; and
- license and acquire technologies and products that have the potential to strengthen our drug discovery platform and product pipeline.

Commercial Products and Clinical Development Programs

Our product pipeline is principally focused on viral diseases, inflammatory and autoimmune diseases, and cancer.

Therapeutic Area and Product Candidate	Clinical Indications	Development Phase	Company With Marketing Rights (Region)
Viral Diseases			
Agenerase (amprenavir)	HIV infection	Marketed	GlaxoSmithKline (Worldwide)*
Lexiva (fosamprenavir calcium)**	HIV infection	Marketed	GlaxoSmithKline (Worldwide)*
VX-385	HIV infection	Phase I	GlaxoSmithKline (Worldwide)*
Merimepodib (VX-497)	Chronic hepatitis C	Phase II	Vertex (Worldwide)
VX-950	Chronic hepatitis C	Phase I	Mitsubishi (Far East); Vertex (R.O.W.)
Inflammation and Autoimmune Disease			
VX-765	Inflammatory/autoimmune diseases	Phase I	Vertex (Worldwide)
VX-702	Acute coronary syndromes; inflammatory diseases	Phase II	Kissei (Japan); Vertex (R.O.W.)
Pralnacasan (VX-740)	Rheumatoid arthritis (RA); osteoarthritis (OA); other inflammatory/autoimmune diseases	Phase II	Aventis (Worldwide)*
Cancer			
VX-680	Oncology	Preclinical	Merck (Worldwide)
VX-944	Oncology	Phase I	Vertex (Worldwide)

* Vertex has co-promotion rights in the U.S. and the E.U. Kissei has marketing rights to amprenavir (Prozei) in Japan.

** GlaxoSmithKline has obtained marketing approval in the E.U. under the name "Telzir", and we expect that Telzir will be launched in the E.U. during the second half of 2004.

THE OFFERING

Securities offered	The resale by the selling holders of $153,135,000 principal amount of 5 3/4% Convertible Senior Subordinated Notes due February 15, 2011 and the 10,250,000 shares of common stock into which they are convertible.
Maturity of notes	February 15, 2011.
Interest	5 3/4% per annum on the principal amount, payable semiannually on February 15 and August 15, beginning on August 15, 2004. The interest rate may be re-set upon the occurrence of a Re-set Transaction described under "Description of the notes-Interest rate adjustments."
Conversion rights	The notes are convertible, at the option of the holder, at any time on or prior to maturity, into shares of our common sto