

InspireMD, Inc.
Form 10-Q
November 12, 2013

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, 2013

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: 001-35731

InspireMD, Inc.

(Exact name of registrant as specified in its charter)

Delaware **26-2123838**
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

800 Bolyston Street, 16th Floor

Boston, MA 02199

(Address of principal executive offices)

(Zip Code)

(857) 453-6553

(Registrant's telephone number, including area code)

Indicate by check mark whether 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.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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

The number of shares of the registrant's common stock, \$0.0001 par value, outstanding as of November 11, 2013:
34,512,568.

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PART I - FINANCIAL INFORMATION**Item 1. Financial Statements****INSPIREMD, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited)

(U.S. dollars in thousands)

	September 30, 2013	June 30, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 11,440	\$ 14,820
Restricted cash	93	93
Accounts receivable:		
Trade	2,128	1,739
Other	447	388
Prepaid expenses	144	272
Inventory	1,392	1,593
Total current assets	15,644	18,905
PROPERTY, PLANT AND EQUIPMENT, net	591	550
NON-CURRENT ASSETS:		
Funds in respect of employees rights upon retirement	436	406
Long term prepaid expenses	143	
Royalties buyout	873	884
Total other non-current assets	1,452	1,290
Total assets	\$ 17,687	\$ 20,745

The accompanying notes are an integral part of the condensed consolidated financial statements.

INSPIREMD, INC.**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited)

(U.S. dollars in thousands)

	September 30, 2013	June 30, 2013
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accruals:		
Trade	\$ 850	\$ 831
Other	3,016	3,028
Advanced payment from customers	176	174
Deferred revenues		10
Total current liabilities	4,042	4,043
LONG-TERM LIABILITIES:		
Liability for employees rights upon retirement	637	600
Total long-term liabilities	637	600
COMMITMENTS AND CONTINGENT LIABILITIES		
(Note 9)		
Total liabilities	4,679	4,643
EQUITY :		
Common stock, par value \$0.0001 per share; 125,000,000 shares authorized; 33,965,950 and 33,888,845 shares issued and outstanding at September 30, 2013 and June 30, 2013, respectively	3	3
Additional paid-in capital	89,930	89,079
Accumulated deficit	(76,925)	(72,980)
Total equity	13,008	16,102
Total liabilities and equity	\$ 17,687	\$ 20,745

The accompanying notes are an integral part of the condensed consolidated financial statements.

INSPIREMD, INC.**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

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

	Three months ended September 30,	
	2013	2012
REVENUES	\$ 1,552	\$ 509
COST OF REVENUES	750	230
GROSS PROFIT	802	279
OPERATING EXPENSES:		
Research and development	1,544	946
Selling and marketing	830	402
General and administrative (including \$795 and \$819 of share-based compensation for the 3 months ended September 30, 2013 and 2012, respectively)	2,313	2,212
Total operating expenses	4,687	3,560
LOSS FROM OPERATIONS	(3,885)	(3,281)
FINANCIAL EXPENSES, net :		
Interest on convertible loan and revaluation of contingently redeemable warrants and others	77	4,213
Other financial expenses (income)	(20)	5
LOSS BEFORE INCOME TAXES	(3,942)	(7,499)
TAX EXPENSES	3	7
NET LOSS	\$(3,945)	\$(7,506)
NET LOSS PER SHARE - basic and diluted	\$(0.12)	\$(0.44)
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK USED IN COMPUTING NET LOSS PER SHARE - basic and diluted	33,959,773	17,074,235

The accompanying notes are an integral part of the condensed consolidated financial statements.

INSPIREMD, INC.**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

(U.S. dollars in thousands)

	3 months ended September 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(3,945)	\$(7,506)
Adjustments required to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	50	34
Change in liability for employees right upon retirement	37	40
Financial expenses	75	3,984
Share-based compensation expenses	851	931
Changes in operating asset and liability items:		
Decrease (increase) in prepaid expenses	(15)	37
Decrease (increase) in trade receivables	(389)	746
Increase in other receivables	(59)	(144)
Decrease in inventory on consignment		41
Decrease (increase) in inventory on hand	201	(332)
Increase in trade payables	19	115
Decrease in deferred revenues	(10)	
Decrease in other payables and advance payment from customers	(87)	(302)
Net cash used in operating activities	(3,272)	(2,356)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(80)	(35)
Amounts funded in respect of employee rights upon retirement, net	(30)	(22)
Net cash used in investing activities	(110)	(57)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Exercise of options and warrants		432
Net cash provided by financing activities		432
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	2	(6)
DECREASE IN CASH AND CASH EQUIVALENTS	(3,380)	(1,987)
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	14,820	10,284
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	\$ 11,440	\$ 8,297

The accompanying notes are an integral part of the condensed consolidated financial statements.

NOTE 1 - DESCRIPTION OF BUSINESS

InspireMD, Inc., a Delaware corporation (the “Company”), together with its subsidiaries, is a medical device company focused on the development and commercialization of its proprietary stent platform technology, MGuard™. MGuard provides embolic protection in stenting procedures by placing a micron mesh sleeve over a stent. The Company’s initial products are marketed for use in patients with acute coronary syndromes, notably acute myocardial infarction (heart attack) and saphenous vein graft coronary interventions (bypass surgery). The Company markets its products through distributors in international markets, mainly in Europe and Latin America.

Due to the Security and Loan Agreement as described in Note 12, the Company believes that it has sufficient cash to continue its operations into 2015. However, depending on the operating results in 2014, the Company may need to obtain additional cash in 2015 to continue to fund its operations.

NOTE 2 - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements. In the opinion of management, the financial statements reflect all adjustments, which include only normal recurring adjustments, necessary to state fairly the financial position and results of operations of the Company. These consolidated financial statements and notes thereto are unaudited and should be read in conjunction with the Company’s audited financial statements for the year ended June 30, 2013, as found in the Company Report on Form 10-K, filed with the Securities and Exchange Commission on September 17, 2013. The balance sheet for June 30, 2013 was derived from the Company’s audited financial statements for the year ended June 30, 2013. The results of operations for the three months ended September 30, 2013 are not necessarily indicative of results that could be expected for the entire fiscal year.

NOTE 3- EQUITY:

a. During the three months ended September 30, 2013, the Company issued a total of 77,103 shares of its common stock in connection with the exercise of 77,103 options, for consideration of less than \$1,000.

b. During the three months ended September 30, 2013, a director of the Company was granted options to purchase shares of the Company’s common stock. See Note 9.

NOTE 4- NET LOSS PER SHARE:

Basic and diluted net loss per share is computed by dividing the net loss for the period by the weighted average number of shares of common stock outstanding during the period. The calculation of diluted net loss per share excludes potential share issuances of common stock upon the exercise of share options, warrants, convertible loans and restricted stock as the effect is anti-dilutive.

For the three month periods ended September 30, 2013 and 2012, all shares of common stock underlying outstanding options, warrants, convertible loans and restricted stock have been excluded from the calculation of the diluted loss per share since their effect was anti-dilutive. The total number of shares of common stock related to outstanding options, warrants, convertible loans and restricted stock excluded from the calculations of diluted loss per share were 8,180,669 and 8,047,714 for the three month periods ended September 30, 2013 and 2012, respectively.

NOTE 5 - FAIR VALUE MEASUREMENT:

Financial Assets and Liabilities Not Measured Using Fair Value Method

The carrying amounts of financial instruments included in working capital approximate their fair value either because these amounts are presented at fair value or due to the relatively short-term maturities of such instruments. If measured at fair value in the financial statements, these financial instruments would be classified as Level 3 in the fair value hierarchy. As of September 30, 2013, the carrying amount of cash and cash equivalents, accounts receivable, other current assets and accounts payables and accrued expenses approximates their fair values due to the short-term maturities of these instruments.

NOTE 6 - INVENTORY:

	September 30, 2013	June 30, 2013
	(\$ in thousands)	
Finished goods	\$551	\$364
Work in process	707	1,111
Raw materials and supplies	134	118
	\$1,392	\$1,593

As of September 30, 2013 and June 30, 2013, the Company had provisions for slow moving inventory of approximately \$356,000 and \$379,000, respectively.

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUALS - OTHER:

	September 30, 2013	June 30, 2013
	(\$ in thousands)	
Employees and employee institutions	\$729	\$626
Accrued vacation and recreation pay	305	313
Accrued clinical trial expenses	760	513
Provision for sales commissions	148	205
Accrued expenses	1,051	1,343
Other	23	28
	\$3,016	\$3,028

NOTE 8 - FINANCIAL EXPENSES, NET:

3 Months
ended
September
30,
2013 2012
(\$ in
thousands)

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Bank commissions	\$11	\$9
Interest income	(2)	(9)
Exchange rate differences	(29)	5
Interest expense (including debt issuance costs)		988
Change in fair value of warrants, embedded derivatives and other	77	