

Inogen Inc
Form 10-Q
April 30, 2018

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, 2018

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: 001-36309

INOGEN, INC.

(Exact name of registrant as specified in its charter)

Delaware	33-0989359
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

326 Bollay Drive	
Goleta, California	93117
(Address of principal executive offices)	(Zip Code)
(805) 562-0500	

(Registrant's telephone number, including area code)

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None

(Former name, former address and former fiscal year, if changed since last report)

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, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 April 20, 2018, the registrant had 21,220,517 shares of common stock, par value \$0.001, outstanding.

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	<u>(unaudited)</u>	
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INOGEN, INC.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Inogen, Inc.

Consolidated Balance Sheets

(amounts in thousands)

	March 31, 2018 (unaudited)	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 154,284	\$ 142,953
Marketable securities	34,012	30,991
Accounts receivable, net	35,089	31,444
Inventories, net	22,965	18,842
Deferred cost of revenue	335	361
Income tax receivable	591	1,313
Prepaid expenses and other current assets	3,778	2,584
Total current assets	251,054	228,488
Property and equipment		
Rental equipment, net	47,420	49,349
Manufacturing equipment and tooling	7,011	6,858
Computer equipment and software	5,836	5,484
Furniture and equipment	878	746
Leasehold improvements	1,603	1,598
Land and building	125	125
Construction in process	1,934	408
Total property and equipment	64,807	64,568
Less accumulated depreciation	(43,909)	(44,465)
Property and equipment, net	20,898	20,103
Goodwill	2,430	2,363
Intangible assets, net	4,456	4,717
Deferred tax asset - noncurrent	20,434	18,636
Other assets	610	765
Total assets	\$ 299,882	\$ 275,072

See accompanying condensed notes to the consolidated financial statements.

Inogen, Inc.

Consolidated Balance Sheets (continued)

(amounts in thousands, except share and per share amounts)

	March 31, 2018 (unaudited)	December 31, 2017
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable and accrued expenses	\$ 24,760	\$ 20,626
Accrued payroll	6,607	6,877
Warranty reserve - current	2,829	2,505
Deferred revenue - current	3,152	3,533
Income tax payable	319	345
Total current liabilities	37,667	33,886
Long-term liabilities		
Warranty reserve - noncurrent	4,416	3,666
Deferred revenue - noncurrent	10,391	9,402
Deferred tax liability - noncurrent	358	348
Other noncurrent liabilities	713	729
Total liabilities	53,545	48,031
Commitments and contingencies (Note 8)		
Stockholders' equity		
Common stock, \$0.001 par value per share; 200,000,000 authorized; 21,214,662 and 20,976,350		
shares issued and outstanding as of March 31, 2018 and December 31, 2017, respectively	21	21
Additional paid-in capital	226,635	218,109
Retained earnings	19,397	8,639
Accumulated other comprehensive income	284	272
Total stockholders' equity	246,337	227,041
Total liabilities and stockholders' equity	\$ 299,882	\$ 275,072

See accompanying condensed notes to the consolidated financial statements.

Inogen, Inc.

Consolidated Statements of Comprehensive Income

(unaudited)

(amounts in thousands, except share and per share amounts)

	Three months ended March 31,	
	2018	2017
Revenue		
Sales revenue	\$73,584	\$45,966
Rental revenue	5,467	6,534
Total revenue	79,051	52,500
Cost of revenue		
Cost of sales revenue	36,948	21,913
Cost of rental revenue, including depreciation of \$2,165 and \$2,689, respectively	4,376	4,843
Total cost of revenue	41,324	26,756
Gross profit		
Gross profit-sales revenue	36,636	24,053
Gross profit-rental revenue	1,091	1,691
Total gross profit	37,727	25,744
Operating expense		
Research and development	1,416	1,309
Sales and marketing	18,038	10,529
General and administrative	9,573	8,335
Total operating expense	29,027	20,173
Income from operations	8,700	5,571
Other income (expense)		
Interest income	543	101
Other income	444	207
Total other income, net	987	308
Income before benefit for income taxes	9,687	5,879
Benefit for income taxes	(1,071)	(53)
Net income	10,758	5,932
Other comprehensive income (loss), net of tax		
Change in foreign currency translation adjustment	108	—
Change in net unrealized gains (losses) on foreign currency hedging	(249)	54
Less: reclassification adjustment for net (gains) losses included in net income	172	(57)
Total net change in unrealized gains (losses) on foreign currency hedging	(77)	(3)
Change in net unrealized gains (losses) on available-for-sale investments	(19)	64
Total other comprehensive income, net of tax	12	61
Comprehensive income	\$10,770	\$5,993
Basic net income per share attributable to common stockholders (Note 5)	\$0.51	\$0.29
Diluted net income per share attributable to common stockholders (Note 5)	\$0.48	\$0.27

Weighted-average number of shares used in calculating net income per		
share attributable to common stockholders:		
Basic common shares	21,026,154	20,489,532
Diluted common shares	22,295,213	21,579,721

See accompanying condensed notes to the consolidated financial statements.

Inogen, Inc.

Consolidated Statements of Stockholders' Equity

(amounts in thousands, except share amounts)

	Common stock		Additional paid-in	Retained earnings (accumulated deficit)	Accumulated other comprehensive income (loss)	Total stockholders' equity
	Shares	Amount	capital			
Balance, December 31, 2016	20,389,860	\$ 20	\$ 194,466	\$ (12,363)	\$ (35)	\$ 182,088
Stock-based compensation	—	—	1,891	—	—	1,891
Employee stock purchases	11,805	—	581	—	—	581
Stock options exercised	157,412	—	2,222	—	—	2,222
Net income	—	—	—	5,932	—	5,932
Other comprehensive income	—	—	—	—	61	61
Balance, March 31, 2017 (unaudited)	20,559,077	\$ 20	\$ 199,160	\$ (6,431)	\$ 26	\$ 192,775
Balance, December 31, 2017	20,976,350	\$ 21	\$ 218,109	\$ 8,639	\$ 272	\$ 227,041
Stock-based compensation	—	—	3,381	—	—	3,381
Employee stock purchases	12,013	—	988	—	—	988
Restricted stock awards issued	53,052	—	—	—	—	—
Vesting of restricted stock units	6,206	—	—	—	—	—
Shares withheld related to net restricted stock settlement	(2,553)	—	(302)	—	—	(302)
Stock options exercised	169,594	—	4,459	—	—	4,459