

Section 1: 10-Q (10-Q)

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, 2019

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

(State or other jurisdiction of
incorporation or organization)

326 Bollay Drive

Goleta, CA

(Address of principal executive offices)

33-0989359

(I.R.S. Employer
Identification No.)

93117

(Zip Code)

Registrant's telephone number, including area code: (805) 562-0500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value	INGN	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

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 every Interactive Data File required to be submitted 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 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 October 31, 2019, the registrant had 21,998,485 shares of common stock, par value \$0.001, outstanding.

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INOGEN, INC.
PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Inogen, Inc.
Consolidated Balance Sheets
(amounts in thousands)

	<u>September 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
	<i>(unaudited)</i>	
Assets		
Current assets		
Cash and cash equivalents	\$ 156,131	\$ 196,634
Marketable securities	44,514	43,715
Accounts receivable, net	41,180	37,041
Inventories, net	34,072	27,071
Deferred cost of revenue	356	359
Income tax receivable	2,867	2,655
Prepaid expenses and other current assets	10,716	7,108
Total current assets	<u>289,836</u>	<u>314,583</u>
Property and equipment		
Rental equipment, net	39,821	43,038
Manufacturing equipment and tooling	9,455	7,338
Computer equipment and software	7,051	6,153
Furniture and equipment	1,678	1,445
Leasehold improvements	4,295	3,407
Land and building	125	125
Construction in process	1,461	3,128
Total property and equipment	<u>63,886</u>	<u>64,634</u>
Less accumulated depreciation	<u>(43,998)</u>	<u>(42,293)</u>
Property and equipment, net	<u>19,888</u>	<u>22,341</u>
Goodwill	33,277	2,257
Intangible assets, net	79,536	3,755
Operating lease right-of-use asset	6,355	—
Deferred tax asset - noncurrent	11,176	30,130
Other assets	4,664	2,832
Total assets	<u>\$ 444,732</u>	<u>\$ 375,898</u>

See accompanying condensed notes to the consolidated financial statements.

Inogen, Inc.
Consolidated Balance Sheets (continued)
(amounts in thousands, except share and per share amounts)

	<u>September 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
	<i>(unaudited)</i>	
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable and accrued expenses	\$ 30,418	\$ 26,786
Accrued payroll	6,700	11,407
Warranty reserve - current	4,311	3,549
Operating lease liability - current	2,193	—
Deferred revenue - current	5,835	4,451
Income tax payable	586	392
Total current liabilities	<u>50,043</u>	<u>46,585</u>
Long-term liabilities		
Warranty reserve - noncurrent	7,165	5,981
Operating lease liability - noncurrent	5,123	—
Earnout liability - noncurrent	25,749	—
Deferred revenue - noncurrent	13,285	11,844
Deferred tax liability - noncurrent	221	232
Other noncurrent liabilities	—	832
Total liabilities	<u>101,586</u>	<u>65,474</u>
Commitments and contingencies (Note 10)		
Stockholders' equity		
Common stock, \$0.001 par value per share; 200,000,000 authorized; 21,998,374 and 21,778,632 shares issued and outstanding as of September 30, 2019 and December 31, 2018, respectively	22	22
Additional paid-in capital	260,071	249,194
Retained earnings	82,809	60,484
Accumulated other comprehensive income	244	724
Total stockholders' equity	<u>343,146</u>	<u>310,424</u>
Total liabilities and stockholders' equity	<u>\$ 444,732</u>	<u>\$ 375,898</u>

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)

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	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Revenue				
Sales revenue	\$ 86,392	\$ 89,712	\$ 267,073	\$ 255,283
Rental revenue	5,369	5,579	15,953	16,297
Total revenue	<u>91,761</u>	<u>95,291</u>	<u>283,026</u>	<u>271,580</u>
Cost of revenue				
Cost of sales revenue	44,769	42,810	134,066	124,726
Cost of rental revenue, including depreciation of \$1,482 and \$1,689, for the three months ended and \$4,781 and \$5,820 for the nine months ended, respectively	3,677	3,668	11,021	11,844
Total cost of revenue	<u>48,446</u>	<u>46,478</u>	<u>145,087</u>	<u>136,570</u>
Gross profit				
Gross profit-sales revenue	41,623	46,902	133,007	130,557
Gross profit-rental revenue	1,692	1,911	4,932	4,453
Total gross profit	<u>43,315</u>	<u>48,813</u>	<u>137,939</u>	<u>135,010</u>
Operating expense				
Research and development	2,636	2,096	5,773	5,287
Sales and marketing	24,047	26,339	80,006	67,376
General and administrative	8,525	9,982	27,050	29,230
Total operating expense	<u>35,208</u>	<u>38,417</u>	<u>112,829</u>	<u>101,893</u>
Income from operations	<u>8,107</u>	<u>10,396</u>	<u>25,110</u>	<u>33,117</u>
Other income (expense)				
Interest income	1,149	895	3,877	2,111
Other income (expense)	(503)	8	(478)	(596)
Total other income, net	<u>646</u>	<u>903</u>	<u>3,399</u>	<u>1,515</u>
Income before provision (benefit) for income taxes	<u>8,753</u>	<u>11,299</u>	<u>28,509</u>	<u>34,632</u>
Provision (benefit) for income taxes	<u>1,890</u>	<u>(5,133)</u>	<u>6,184</u>	<u>(7,168)</u>
Net income	<u>6,863</u>	<u>16,432</u>	<u>22,325</u>	<u>41,800</u>
Other comprehensive income (loss), net of tax				
Change in foreign currency translation adjustment	(309)	(47)	(340)	137
Change in net unrealized gains (losses) on foreign currency hedging	(420)	102	(954)	577
Less: reclassification adjustment for net (gains) losses included in net income	338	(354)	796	(286)
Total net change in unrealized gains (losses) on foreign currency hedging	(82)	(252)	(158)	291
Change in net unrealized gains (losses) on marketable securities	(18)	3	18	3
Total other comprehensive income (loss), net of tax	<u>(409)</u>	<u>(296)</u>	<u>(480)</u>	<u>431</u>
Comprehensive income	<u>\$ 6,454</u>	<u>\$ 16,136</u>	<u>\$ 21,845</u>	<u>\$ 42,231</u>
Basic net income per share attributable to common stockholders (Note 7)	\$ 0.31	\$ 0.77	\$	\$