

**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, 2023**

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)

301 Coromar 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 type="checkbox"/>	Accelerated filer	<input checked="" 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 April 28, 2023, the registrant had 23,121,377 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
(unaudited)
(amounts in thousands)

	March 31, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 164,137	\$ 187,014
Marketable securities	10,428	—
Accounts receivable, net	53,885	62,725
Inventories, net	38,822	34,093
Income tax receivable	1,859	1,626
Prepaid expenses and other current assets	14,016	19,187
Total current assets	283,147	304,645
Property and equipment, net	45,942	43,269
Goodwill	32,887	32,852
Operating lease right-of-use asset	21,108	21,653
Other assets	2,590	2,622
Total assets	<u>\$ 385,674</u>	<u>\$ 405,041</u>
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable and accrued expenses	\$ 32,183	\$ 33,974
Accrued payroll	10,757	11,190
Warranty reserve - current	8,075	7,790
Operating lease liability - current	3,570	3,515
Deferred revenue - current	8,794	8,880
Total current liabilities	63,379	65,349
Long-term liabilities		
Warranty reserve - noncurrent	12,018	12,123
Operating lease liability - noncurrent	19,179	19,764
Deferred revenue - noncurrent	9,801	10,399
Total liabilities	104,377	107,635
Commitments and contingencies (Note 9)		
Stockholders' equity		
Common stock, \$0.001 par value per share; 200,000,000 authorized; 23,120,786 and 22,941,643 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively	23	23
Additional paid-in capital	316,127	312,126
Accumulated deficit	(34,849)	(14,500)
Accumulated other comprehensive loss	(4)	(243)
Total stockholders' equity	281,297	297,406
Total liabilities and stockholders' equity	<u>\$ 385,674</u>	<u>\$ 405,041</u>

See accompanying condensed notes to the consolidated financial statements.

Inogen, Inc.
Consolidated Statements of Comprehensive Loss
(unaudited)
(amounts in thousands, except share and per share amounts)

	Three months ended March 31,	
	2023	2022
Revenue		
Sales revenue	\$ 55,887	\$ 67,402
Rental revenue	16,275	12,983
Total revenue	72,162	80,385
Cost of revenue		
Cost of sales revenue	33,964	39,500
Cost of rental revenue, including depreciation of \$3,078 and \$2,638, respectively	7,465	5,879
Total cost of revenue	41,429	45,379
Gross profit		
Gross profit-sales revenue	21,923	27,902
Gross profit-rental revenue	8,810	7,104
Total gross profit	30,733	35,006
Operating expense		
Research and development	5,344	5,364
Sales and marketing	28,441	28,039
General and administrative	18,863	15,189
Total operating expense	52,648	48,592
Loss from operations	(21,915)	(13,586)
Other income (expense)		
Interest income	1,525	29
Other income (expense)	237	(433)
Total other income (expense), net	1,762	(404)
Loss before provision for income taxes	(20,153)	(13,990)
Provision for income taxes	196	224
Net loss	(20,349)	(14,214)
Other comprehensive income (loss), net of tax		
Change in foreign currency translation adjustment	170	(203)
Change in net unrealized gains (losses) on foreign currency hedging	—	(528)
Less: reclassification adjustment for net (gains) losses included in net income	—	454
Total net change in unrealized gains (losses) on foreign currency hedging	—	(74)
Change in net unrealized gains (losses) on marketable securities	69	(8)
Total other comprehensive income (loss), net of tax	239	(285)
Comprehensive loss	\$ (20,110)	\$ (14,499)
Basic net loss per share attributable to common stockholders (Note 6)	\$ (0.88)	\$ (0.62)
Diluted net loss per share attributable to common stockholders (Note 6)	\$ (0.88)	\$ (0.62)
Weighted average number of shares used in calculating net loss per share attributable to common stockholders:		
Basic common shares	23,009,617	22,754,421
Diluted common shares	23,009,617	22,754,421

See accompanying condensed notes to the consolidated financial statements.

Inogen, Inc.
Consolidated Statements of Stockholders' Equity
(unaudited)
(amounts in thousands, except share amounts)

	Three months ended March 31, 2023 and March 31, 2022						
	Shares	Common stock Amount	Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive income (loss)	Total stockholders' equity	
Balance, December 31, 2021	22,731,586	\$ 23	\$ 299,463	\$ 69,272	\$ 1,469	\$ 370,227	
Stock-based compensation	—	—	2,665	—	—	2,665	
Employee stock purchases	30,558	—	915	—	—	915	
Vesting of restricted stock units	73,495	—	(958)	—	—	(958)	
Shares withheld related to net restricted stock settlement	(2,666)	—	(94)	—	—	(94)	
Stock options exercised	3,499	—	29	—	—	29	
Net loss	—	—	—	(14,214)	—	(14,214)	
Other comprehensive loss	—	—	—	—	(285)	(285)	
Balance, March 31, 2022	<u>22,836,472</u>	<u>\$ 23</u>	<u>\$ 302,020</u>	<u>\$ 55,058</u>	<u>\$ 1,184</u>	<u>\$ 358,285</u>	
Balance, December 31, 2022	22,941,643	\$ 23	\$ 312,126	\$ (14,500)	\$ (243)	\$ 297,406	
Stock-based compensation	—	—	3,442	—	—	3,442	
Employee stock purchases	47,676	—	630	—	—	630	
Vesting of restricted stock units	77,530	—	(454)	—	—	(454)	
Shares withheld related to net restricted stock settlement	(495)	—	(1)	—	—	(1)	
Stock options exercised	54,432	—	384	—	—	384	
Net loss	—	—	—	(20,349)	—	(20,349)	
Other comprehensive income	—	—	—	—	239	239	
Balance, March 31, 2023	<u>23,120,786</u>	<u>\$ 23</u>	<u>\$ 316,127</u>	<u>\$ (34,849)</u>	<u>\$ (4)</u>	<u>\$ 281,297</u>	

See accompanying condensed notes to the consolidated financial statements.

Inogen, Inc.
Consolidated Statements of Cash Flows
(unaudited)
(amounts in thousands)

	Three months ended March 31,	
	2023	2022
Cash flows from operating activities		
Net loss	\$ (20,349)	\$ (14,214)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,086	5,760
Loss on rental units and other assets	1,099	706
Gain on sale of former rental assets	(21)	(52)
Provision for sales revenue returns and doubtful accounts	2,258	2,953
Provision for inventory losses	603	934
Stock-based compensation expense	3,442	2,665
Change in fair value of earnout liability	—	630
Changes in operating assets and liabilities:		
Accounts receivable	6,726	(12,802)
Inventories	(6,362)	(2,515)
Income tax receivable	(233)	(92)
Prepaid expenses and other current assets	5,173	764
Operating lease right-of-use asset	550	832
Other noncurrent assets	47	66
Accounts payable and accrued expenses	(1,845)	6,539
Accrued payroll	(436)	(8,465)
Warranty reserve	180	(633)
Deferred revenue	(684)	(231)
Income tax payable	—	(79)
Operating lease liability	(535)	(864)
Net cash used in operating activities	(6,301)	(18,098)
Cash flows from investing activities		
Purchases of available-for-sale securities	(10,359)	—
Investment in property and equipment	(1,076)	(1,366)
Production and purchase of rental equipment	(5,733)	(2,777)
Proceeds from sale of former assets	58	91
Net cash used in investing activities	(17,110)	(4,052)

(continued on next page)

See accompanying condensed notes to the consolidated financial statements.

Inogen, Inc.
Consolidated Statements of Cash Flows (continued)
(unaudited)
(amounts in thousands)

	Three months ended March 31,	
	2023	2022
Cash flows from financing activities		
Proceeds from stock options exercised	384	29
Proceeds from employee stock purchases	630	915
Payment of employment taxes related to release of restricted stock	(455)	(1,052)
Net cash provided by (used in) financing activities	559	(108)
Effect of exchange rates on cash	(25)	133
Net decrease in cash and cash equivalents	(22,877)	(22,125)
Cash and cash equivalents, beginning of period	187,014	235,524
Cash and cash equivalents, end of period	<u>\$ 164,137</u>	<u>\$ 213,399</u>
Supplemental disclosures of cash flow information		
Cash paid during the period for income taxes, net of refunds received	\$ 418	\$ 372
Supplemental disclosure of non-cash transactions		
Property and equipment in accounts payable and accrued liabilities	65	91

See accompanying condensed notes to the consolidated financial statements.

Inogen, Inc.
Condensed Notes to the Consolidated Financial Statements (continued)
(unaudited)
(amounts in thousands, except share and per share amounts)

Inogen, Inc.
Condensed Notes to the Consolidated Financial Statements
(unaudited)
(amounts in thousands, except share and per share amounts)

1. Business overview

Inogen, Inc. (Company or Inogen) was incorporated in Delaware on November 27, 2001. The Company is a medical technology company that primarily develops, manufactures and markets innovative portable oxygen concentrators (POCs) used to deliver supplemental long-term oxygen therapy to patients suffering from chronic respiratory conditions. Traditionally, these patients have relied on stationary oxygen concentrator systems for use in the home and oxygen tanks or cylinders for mobile use, which the Company calls the delivery model. The tanks and cylinders must be delivered regularly and have a finite amount of oxygen, which requires patients to plan activities outside of their homes around delivery schedules and a finite oxygen supply. Additionally, patients must attach long, cumbersome tubing to their stationary concentrators simply to enable mobility within their homes. The Company's proprietary Inogen One[®] systems concentrate the air around the patient to offer a single source of supplemental oxygen anytime, anywhere with a single battery and can be plugged into an outlet when at home, in a car, or in a public place with outlets available. The Company's Inogen One systems reduce the patient's reliance on stationary concentrators and scheduled deliveries of tanks with a finite supply of oxygen, thereby improving patient quality of life and fostering mobility.

The Company incorporated Inogen Europe Holding B.V., a Dutch limited liability company, on April 13, 2017. On May 4, 2017, Inogen Europe Holding B.V. acquired all issued and outstanding capital stock of MedSupport Systems B.V. (MedSupport) and began operating under the name Inogen Europe B.V. The Company merged Inogen Europe Holding B.V. and Inogen Europe B.V. on December 28, 2018. Inogen Europe B.V. is the remaining legal entity. Inogen completed the acquisition of New Aera, Inc. (New Aera) on August 9, 2019.

2. Basis of presentation and summary of significant accounting policies

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

The results of operations for the three months ended March 31, 2023 shown in this report are not necessarily indicative of results to be expected for the full year ending December 31, 2023. In the opinion of the Company's management, the information contained herein reflects all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the Company's results of operations, financial position, cash flows and stockholders' equity. Certain footnote disclosures normally included in annual consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to Securities and Exchange Commission (SEC) rules and regulations relating to interim financial statements. The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K filed with the SEC on February 24, 2023. Except as further described below, there have been no significant changes in the Company's accounting policies from those disclosed in its Annual Report on Form 10-K filed with the SEC on February 24, 2023.

Basis of consolidation

The consolidated financial statements include the accounts of Inogen, Inc. and its wholly owned subsidiary. All intercompany balances and transactions have been eliminated.

Inogen, Inc.
Condensed Notes to the Consolidated Financial Statements (continued)
(unaudited)
(amounts in thousands, except share and per share amounts)

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases these estimates and assumptions upon historical experience, existing and known circumstances, authoritative accounting pronouncements and other factors that management believes to be reasonable. Significant areas requiring the use of management estimates relate to revenue recognition, warranty reserves and expense, determining the stand-alone selling price (SSP) and service period of performance obligations, rental asset valuations and write-downs, accounts receivable allowances for bad debts, returns and adjustments, impairment of goodwill, impairment of long-lived assets, stock-based compensation expense, and income taxes. Actual results could differ from these estimates.

Restructuring charges

Restructuring costs include workforce reductions, termination benefits, centralizing manufacturing activities, outsourcing, contract termination, and equipment relocation. Key assumptions used in calculating the restructuring costs include the terms of, and payments under, agreements to terminate certain contractual obligations and the timing of reductions in workforce.

3. Fair value measurements

Cash, cash equivalents and marketable securities

The following table summarizes fair value measurements by level for the assets measured at fair value on a recurring basis for cash, cash equivalents and marketable securities:

	As of March 31, 2023				
	Adjusted cost	Gross unrealized gains	Fair value	Cash and cash equivalents	Marketable securities
Cash	\$ 23,864	\$ —	\$ 23,864	\$ 23,864	\$ —
Level 1:					
Money market accounts	99,048	—	99,048	99,048	—
Level 2:					
Corporate bonds	5,985	—	5,985	5,985	—
U.S. Treasury securities	25,253	95	25,348	14,920	10,428
Institutional Insured Liquidity Deposit Savings	20,320	—	20,320	20,320	—
Total	<u>\$ 174,470</u>	<u>\$ 95</u>	<u>\$ 174,565</u>	<u>\$ 164,137</u>	<u>\$ 10,428</u>

	As of December 31, 2022				
	Adjusted cost	Gross unrealized gains	Fair value	Cash and cash equivalents	
Cash	\$ 27,970	\$ —	\$ 27,970	\$ 27,970	
Level 1:					
Money market accounts	113,534	—	113,534	113,534	
Level 2:					
Corporate bonds	6,474	—	6,474	6,474	
U.S. Treasury securities	18,913	26	18,939	18,939	
Institutional Insured Liquidity Deposit Savings	20,097	—	20,097	20,097	
Total	<u>\$ 186,988</u>	<u>\$ 26</u>	<u>\$ 187,014</u>	<u>\$ 187,014</u>	

Inogen, Inc.
Condensed Notes to the Consolidated Financial Statements (continued)
(unaudited)
(amounts in thousands, except share and per share amounts)

Derivative instruments and hedging activities

The Company records the assets or liabilities associated with derivative instruments and hedging activities at fair value based on Level 2 inputs in other current assets or other current liabilities, respectively, in the consolidated balance sheet. The Company had a related payable of \$203 and \$422 as of March 31, 2023 and December 31, 2022, respectively.

Accumulated other comprehensive income (loss)

The components of accumulated other comprehensive income (loss) were as follows:

	Foreign currency translation adjustments	Unrealized gains on marketable securities	Accumulated other comprehensive income (loss)
Balance as of December 31, 2022	\$ (269)	\$ 26	\$ (243)
Other comprehensive income	170	69	239
Balance as of March 31, 2023	<u>\$ (99)</u>	<u>\$ 95</u>	<u>\$ (4)</u>

Comprehensive income (loss) is the total net earnings and all other non-owner changes in equity. Except for foreign currency translation adjustments and unrealized gains and losses on marketable securities, the Company does not have any transactions or other economic events that qualify as other comprehensive income (loss).

4. Balance sheet components

Cash, cash equivalents and marketable securities

Cash, cash equivalents and marketable securities consist of the following:

	March 31, 2023	December 31, 2022
Cash and cash equivalents		
Cash	\$ 23,864	\$ 27,970
Money market accounts	99,048	113,534
Corporate bonds	5,985	6,474
U.S. Treasury securities	14,920	18,939
Institutional Insured Liquidity Deposit Savings	20,320	20,097
Total cash and cash equivalents	<u>\$ 164,137</u>	<u>\$ 187,014</u>
Marketable securities		
U.S. Treasury securities	10,428	—
Total marketable securities	<u>\$ 10,428</u>	<u>\$ —</u>

Accounts receivable and allowance for bad debts, returns, and adjustments

Net accounts receivable (gross accounts receivable, net of allowances) balance concentrations by major category as of March 31, 2023 and December 31, 2022 were as follows:

	March 31, 2023	December 31, 2022
Net accounts receivable		
Rental ⁽¹⁾	\$ 7,392	\$ 5,246
Business-to-business and other receivables ⁽²⁾	46,493	57,479
Total net accounts receivable	<u>\$ 53,885</u>	<u>\$ 62,725</u>

Inogen, Inc.
Condensed Notes to the Consolidated Financial Statements (continued)
(unaudited)
(amounts in thousands, except share and per share amounts)

(1)Rental includes Medicare, Medicaid/other government, private insurance and patient pay.

(2)Business-to-business receivables included extended terms for two customers: 1) One customer had accounts receivable balances of \$7,734 and \$9,861 as of March 31, 2023 and December 31, 2022, respectively. The customer received extended payment terms through a direct financing plan offered. The Company also has a credit insurance policy in place, which allocated up to \$12,000 in coverage as of March 31, 2023 and December 31, 2022, for this customer with a \$400 deductible and 10% retention; and 2) One customer had an accounts receivable balance of \$18,757 and \$22,641 as of March 31, 2023 and December 31, 2022.

The following table sets forth the accounts receivable allowances as of March 31, 2023 and December 31, 2022:

Allowances - accounts receivable	March 31,		December 31,	
	2023		2022	
Doubtful accounts	\$	156	\$	77
Sales returns		699		483
Total allowances - accounts receivable	<u>\$</u>	<u>855</u>	<u>\$</u>	<u>560</u>

Concentration of customers and vendors

The Company primarily sells its products to traditional home medical equipment providers, distributors, and resellers in the United States and in foreign countries on a credit basis. The Company also sells its products direct-to-consumers primarily on a prepayment basis. Two customers each represented more than 10% of the Company's net accounts receivable balance with accounts receivable balances of \$18,757 and \$7,734, respectively, as of March 31, 2023, and two customers each represented more than 10% of the Company's net accounts receivable balance with accounts receivable balances of \$22,641 and \$9,861, respectively, as of December 31, 2022.

The Company also rents products directly to consumers for insurance reimbursement, which resulted in a customer concentration relating to Medicare's service reimbursement programs. Medicare's service reimbursement programs accounted for 73.8% and 79.0% of rental revenue in the three months ended March 31, 2023 and 2022, respectively, and based on total revenue were 16.6% and 12.8% for the three months ended March 31, 2023 and 2022, respectively. Accounts receivable balances relating to Medicare's service reimbursement programs (including held and unbilled, net of allowances) amounted to \$3,039 or 5.6% of total net accounts receivable as of March 31, 2023 compared to \$2,138 or 3.4% of total net accounts receivable as of December 31, 2022.

The Company currently purchases raw materials from a limited number of vendors, which resulted in a concentration of three major vendors. The three major vendors supply the Company with raw materials used to manufacture the Company's products. For the three months ended March 31, 2023, the Company's three major vendors accounted for 34.1%, 13.1% and 7.3%, respectively, of total raw material purchases. For the three months ended March 31, 2022, the Company's three major vendors accounted for 25.2%, 19.9% and 8.4%, respectively, of total raw material purchases.

A portion of revenue is earned from sales outside the United States. Approximately 77.0% and 73.2% of the non-U.S. revenue for the three months ended March 31, 2023 and 2022, respectively, were invoiced in Euros. A breakdown of the Company's revenue from U.S. and non-U.S. sources for the three months ended March 31, 2023 and 2022, respectively, is as follows:

	Three months ended			
	2023		2022	
	March 31,			
U.S. revenue	\$	53,190	\$	52,444
Non-U.S. revenue		18,972		27,941
Total revenue	<u>\$</u>	<u>72,162</u>	<u>\$</u>	<u>80,385</u>

Inventories

Inventories are stated at the lower of cost and net realizable value, using the first-in, first-out (FIFO) method. The Company records adjustments at least quarterly to inventory for potentially excess, obsolete, slow-moving or impaired items. The Company recorded noncurrent inventory related to inventories that are expected to be realized or consumed after one year of \$1,296 and \$1,249 as of March 31, 2023 and December 31, 2022, respectively. Noncurrent inventories are primarily related to raw materials purchased in bulk

Inogen, Inc.
Condensed Notes to the Consolidated Financial Statements (continued)
(unaudited)
(amounts in thousands, except share and per share amounts)

to support long-term expected repairs to reduce costs and are classified in other assets. The Company had prepayments for raw materials of \$3,041 and \$7,017 as of March 31, 2023 and December 31, 2022, respectively, that were classified in prepaid expenses and other current assets. During the three months ended March 31, 2023 and 2022, \$1,013 and \$533, respectively, of inventory was transferred to rental equipment and was considered a noncash transaction in the production and purchase of rental equipment on the consolidated statements of cash flows. Inventories that are considered current consist of the following:

	March 31,		December 31,
	2023		2022
Raw materials and work-in-progress	\$ 25,689	\$	26,496
Finished goods	14,291		9,324
Less: reserves	(1,158)		(1,727)
Inventories, net	<u>\$ 38,822</u>	<u>\$</u>	<u>34,093</u>

Property and equipment

Repair and maintenance expense, which includes labor, parts and freight, for rental equipment was \$1,311 and \$1,030 for the three months ended March 31, 2023 and 2022, respectively.

Depreciation and amortization expense related to rental equipment and other property and equipment are summarized below for the three months ended March 31, 2023 and 2022, respectively.

	Three months ended	
	March 31,	
	2023	2022
Rental equipment	\$ 3,078	\$ 2,638
Other property and equipment	982	975
Total depreciation and amortization	<u>\$ 4,060</u>	<u>\$ 3,613</u>

Property and equipment and rental equipment with associated accumulated depreciation is summarized below as of March 31, 2023 and December 31, 2022, respectively.

	March 31,		December 31,
	2023		2022
Property and equipment			
Rental equipment, net of allowances of \$2,765 and \$2,255, respectively	\$ 63,250	\$	61,679
Other property and equipment	34,507		33,434
Property and equipment	97,757		95,113
Accumulated depreciation			
Rental equipment	30,363		31,320
Other property and equipment	21,452		20,524
Accumulated depreciation	51,815		51,844
Property and equipment, net			
Rental equipment, net of allowances of \$2,765 and \$2,255, respectively	32,887		30,359
Other property and equipment	13,055		12,910
Property and equipment, net	<u>\$ 45,942</u>	<u>\$</u>	<u>43,269</u>

Long-lived assets

The Company accounts for the impairment and disposition of long-lived assets in accordance with Accounting Standards Codification (ASC) 360 — *Property, Plant, and Equipment*. In accordance with ASC 360, long-lived assets to be held are reviewed for events or changes in circumstances that indicate that their carrying value may not be recoverable. No impairments were recorded as of March 31, 2023 and March 31, 2022.

Inogen, Inc.
Condensed Notes to the Consolidated Financial Statements (continued)
(unaudited)
(amounts in thousands, except share and per share amounts)

Goodwill

The changes in the carrying amount of goodwill for the three months ended March 31, 2023 were as follows:

Balance as of December 31, 2022	\$	32,852
Translation adjustment		35
Balance as of March 31, 2023	\$	<u>32,887</u>

As of March 31, 2023, the Company had no accumulated impairment losses related to goodwill.

Current liabilities

Accounts payable and accrued expenses as of March 31, 2023 and December 31, 2022 consisted of the following:

	March 31, 2023	December 31, 2022
Accounts payable	\$ 18,043	\$ 18,237
Accrued inventory (in-transit and unvouchered receipts) and trade payables	8,688	10,837
Accrued purchasing card liability	3,459	2,606
Accrued franchise, sales and use taxes	480	492
Other accrued expenses	1,513	1,802
Accounts payable and accrued expenses	<u>\$ 32,183</u>	<u>\$ 33,974</u>

Accrued payroll as of March 31, 2023 and December 31, 2022 consisted of the following:

	March 31, 2023	December 31, 2022
Accrued bonuses	\$ 2,076	\$ 2,620
Accrued wages and other payroll related items	5,043	4,967
Accrued vacation	3,449	3,133
Accrued employee stock purchase plan deductions	189	470
Accrued payroll	<u>\$ 10,757</u>	<u>\$ 11,190</u>

5. Leases

The Company has entered into operating leases primarily for commercial buildings. These leases have terms which range from 3 years to 11 years, some of which include options to extend the leases for up to 5 years. Rent expense, including short-term lease cost, was \$972 and \$971 for the three months ended March 31, 2023 and 2022, respectively.

Information related to the Company's right-of-use assets and related operating lease liabilities were as follows:

	Three months ended	
	March 31,	
	2023	2022
Cash paid for operating lease liabilities	\$ 994	\$ 1,008
Operating lease cost	957	975
Non-cash right-of-use assets obtained in exchange for new operating lease obligations	264	—
Weighted average remaining lease term	2.1 years	2.7 years
Weighted average discount rate	3.0 %	2.9 %

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Maturities of lease liabilities due in the 12-month period ending March 31,

2024	\$	4,002
2025		3,464
2026		2,787
2027		2,803
2028		2,842
Thereafter		8,675
		24,573
Less imputed interest		(1,824)
Total lease liabilities	\$	<u>22,749</u>
Operating lease liability - current	\$	3,570
Operating lease liability - noncurrent	\$	19,179
Total lease liabilities	\$	<u>22,749</u>

6. Earnings (loss) per share

Earnings (loss) per share (EPS) is computed in accordance with ASC 260—*Earnings per Share* and is calculated using the weighted average number of common shares outstanding during each period. Diluted EPS assumes the conversion, exercise or issuance of all potential common stock equivalents (which can include dilution of outstanding stock options, restricted stock units and restricted stock awards) unless the effect is to reduce a loss or increase the income per share. For purposes of this calculation, common stock subject to repurchase by the Company, options, and other dilutive awards are considered to be common stock equivalents and are only included in the calculation of diluted earnings (loss) per share when their effect is dilutive.

The computation of EPS is as follows:

	Three months ended	
	March 31,	
	2023	2022
Numerator—basic and diluted:		
Net loss	\$ (20,349)	\$ (14,214)
Denominator:		
Weighted average common shares - basic common stock ⁽¹⁾	23,009,617	22,754,421
Weighted average common shares - diluted common stock ⁽²⁾	23,009,617	22,754,421
Net loss per share - basic common stock	\$ (0.88)	\$ (0.62)
Net loss per share - diluted common stock ⁽²⁾	\$ (0.88)	\$ (0.62)
Denominator calculation from basic to diluted:		
Weighted average common shares - basic common stock ⁽¹⁾	23,009,617	22,754,421
Stock options and other dilutive awards	228,281	88,193
Weighted average common shares - diluted common stock	23,237,898	22,842,614
Shares excluded from diluted weighted average shares:		
Stock options	286,861	380,890
Restricted stock units and restricted stock awards	491,406	577,242
Shares excluded from diluted weighted average shares	778,267	958,132

(1) Unvested restricted stock units and restricted stock awards are not included as shares outstanding in the calculation of basic earnings per share. Vested restricted stock units and restricted stock awards are included in basic earnings per share if all vesting and performance criteria have been met. Performance-based restricted stock units and restricted stock awards are included in the number of shares used to calculate diluted earnings per share as long as all applicable performance criteria are met, and their effect is dilutive. Restricted stock awards are eligible to receive all dividends declared on the Company's common shares during the vesting period; however, such dividends are not paid until the restrictions lapse.

(2) Due to net losses for the three months ended March 31, 2023 and March 31, 2022, diluted loss per share is the same as basic.

Inogen, Inc.
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7. Income taxes

The Company accounts for income taxes in accordance with ASC 740 — *Income Taxes*. Under ASC 740, income taxes are recognized for the amount of taxes payable or refundable for the current period and deferred tax liabilities and assets are recognized for the future tax consequences of transactions that have been recognized in the Company's consolidated financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided when it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. As of December 31, 2022, the Company recorded a full valuation allowance of \$41,933. As of March 31, 2023, the Company continued to record a valuation allowance against its deferred tax assets.

The Company accounts for uncertainties in income taxes in accordance with ASC 740-10 — *Accounting for Uncertainty in Income Taxes*. ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This accounting standard also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Company recognizes interest and penalties on taxes, if any, within its income tax provision on its consolidated statements of comprehensive loss.

8. Stockholders' equity

The Company has a 2012 Equity Incentive Plan (2012 Plan) under which the Company granted options to purchase shares of its common stock. As of March 31, 2023, options to purchase 2,866 shares of common stock remained outstanding under the 2012 Plan. The 2012 Plan was terminated in connection with the Company's initial public offering in February 2014, and accordingly, no new options are available for issuance under this plan. The 2012 Plan continues to govern outstanding awards granted thereunder.

The Company has a 2014 Equity Incentive Plan (2014 Plan) that provides for the grant of incentive stock options, within the meaning of Section 422 of the Internal Revenue Code, to the Company's employees and any parent and subsidiary corporation's employees, and for the grant of nonstatutory stock options, restricted stock, restricted stock units, restricted stock awards, stock appreciation rights, performance units and performance shares to its employees, directors and consultants and its parent and subsidiary corporations' employees and consultants.

As of March 31, 2023, awards with respect to 1,931,076 shares of the Company's common stock were outstanding, and 691,309 shares of common stock remained available for issuance under the 2014 Plan. The shares available for issuance under the 2014 Plan will be increased by any shares returned to the 2012 Plan and 2014 Plan as a result of expiration or termination of awards (provided that the maximum number of shares that may be added to the 2014 Plan pursuant to such previously granted awards under the 2012 Plan is 2,328,569 shares). The number of shares available for issuance under the 2014 Plan also is increased annually on the first day of each fiscal year by an amount equal to the least of:

- 895,346 shares;
- 4% of the outstanding shares of common stock as of the last day of the Company's immediately preceding fiscal year; or
- such other amount as the Company's board of directors may determine.

For 2023, an additional 895,346 shares were added to the 2014 Plan share reserve pursuant to the provision described above.

Stock options

Options typically expire between seven and ten years from the date of grant and vest over one to four year terms. Options have been granted to employees, directors and consultants of the Company, as determined by the board of directors, at the deemed fair market value of the shares underlying the options at the date of grant.

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The activity for stock options under the Company's stock plans for the three months ended March 31, 2023 is as follows:

	Options	Price per share	Weighted-average exercise price	Remaining weighted-average contractual terms (in years)	Per share average intrinsic value
Outstanding as of December 31, 2022	348,284	\$1.17-\$83.30	\$ 44.21	0.43	\$ 2.07
Exercised	(54,432)	1.17-8.37	7.03		
Forfeited	(4,125)	44.19	44.19		
Outstanding as of March 31, 2023	<u>289,727</u>	8.37-83.30	51.19	0.22	0.04
Vested and exercisable as of March 31, 2023	289,727	8.37-83.30	51.19	0.22	0.04
Vested and expected to vest as of March 31, 2023	289,727	\$8.37-\$83.30	\$ 51.19	0.22	\$ 0.04

The total intrinsic value of options exercised during the three months ended March 31, 2023 and 2022 was \$735 and \$84, respectively. As of March 31, 2023, all stock-based compensation expense for options granted under the Plans was recognized.

Stock incentive awards

The Company grants restricted stock units (RSUs) and restricted stock awards (RSAs) under the 2014 Plan (Stock Awards). The Stock Awards vest either based solely on the satisfaction of time-based service conditions or on the satisfaction of time-based service conditions combined with performance criteria. Stock Awards are subject to forfeiture if the holder's services to the Company terminate before vesting.

Stock Awards granted with only time-based service vesting conditions generally vest over three-year and four-year service periods, as defined in the terms of each award. Stock Awards that vest based on the satisfaction of time-based service conditions combined with performance criteria generally vest over a three-year service and performance period, based on performance criteria established at the time of the award. The portion of the Stock Award that is earned may equal or be less than the targeted number of shares subject to the Stock Award depending on whether the performance criteria are met.

Stock Awards activity for the three months ended March 31, 2023 is summarized below:

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Restricted stock units	Time-based	Performance and time-based	Total	Weighted- average grant date fair value per share
Unvested restricted stock units as of December 31, 2022	820,941	183,197	1,004,138	\$ 32.72
Granted	670,317	536,990	1,207,307	15.84
Vested	(90,677)	(15,618)	(106,295)	38.36
Forfeited/canceled	(80,175)	(60,904)	(141,079)	31.10
Unvested restricted stock units as of March 31, 2023 ⁽¹⁾	<u>1,320,406</u>	<u>643,665</u>	<u>1,964,071</u>	\$ 22.82
Unvested and expected to vest restricted stock units outstanding as of March 31, 2023			1,475,786	\$ 23.12

Restricted stock awards	Time-based	Performance and time-based	Total	Weighted- average grant date fair value per share
Unvested restricted stock awards outstanding as of December 31, 2022	786	—	786	\$ 59.55
Vested	(495)	—	(495)	69.32
Unvested restricted stock awards outstanding as of March 31, 2023 ⁽¹⁾	<u>291</u>	<u>—</u>	<u>291</u>	\$ 42.93
Unvested and expected to vest restricted stock awards outstanding as of March 31, 2023			272	\$ 42.93

(1) Outstanding restricted stock units and restricted stock awards are based on the maximum payout of the targeted number of shares.

As of March 31, 2023, the unrecognized compensation cost related to unvested employee restricted stock units and restricted stock awards was \$28,329, excluding estimated forfeitures. This amount is expected to be recognized over a weighted average period of 2.4 years.

Employee stock purchase plan

The Company's 2014 Employee Stock Purchase Plan (ESPP) provides for the grant to all eligible employees an option to purchase stock under the ESPP, within the meaning Section 423 of the Internal Revenue Code. The ESPP permits participants to purchase common stock through payroll deductions of up to 15% of their eligible compensation, which includes a participant's base straight time gross earnings, incentive compensation, bonuses, overtime and shift premium, but exclusive of payments for equity compensation and other similar compensation. A participant may purchase a maximum of 1,500 shares during a purchase period. Amounts deducted and accumulated by the participant are used to purchase shares of the Company's common stock at the end of each six-month period. The purchase price of the shares will be 85% of the lower of the fair market value of the Company's common stock on the first trading day of each offering period or on the exercise date. The offering periods are currently approximately six months in length beginning on the first business day on or after March 1 and September 1 of each year and ending on the first business day on or after September 1 and March 1 approximately six months later.

As of March 31, 2023, a total of 638,951 shares of common stock were available for sale pursuant to the ESPP.

The number of shares available for sale under the ESPP is increased annually on the first day of each fiscal year by an amount equal to the least of:

- 179,069 shares;
- 1.5% of the outstanding shares of the Company's common stock on the last day of the Company's immediately preceding fiscal year; or
- such other amount as may be determined by the administrator.

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Condensed Notes to the Consolidated Financial Statements (continued)
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For 2023, an additional 179,069 shares were added to the ESPP share reserve pursuant to the provision described above.

Stock-based compensation

Stock-based compensation expense recognized for the three months ended March 31, 2023 and 2022, was as follows:

	Three months ended March 31,	
	2023	2022
Stock-based compensation expense by type of award:		
Restricted stock units and restricted stock awards	\$ 3,305	\$ 2,468
Employee stock purchase plan	137	197
Total stock-based compensation expense	<u>\$ 3,442</u>	<u>\$ 2,665</u>

Employee stock-based compensation expense was calculated based on awards of stock options, restricted stock units and restricted stock awards ultimately expected to vest based on the Company's historical award cancellations. ASC 718 – *Compensation-Stock Compensation* requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

For the three months ended March 31, 2023 and 2022, respectively, stock-based compensation expense recognized under ASC 718, included in cost of revenue, research and development expense, sales and marketing expense, and general and administrative expense was as follows:

	Three months ended March 31,	
	2023	2022
Cost of revenue	\$ 84	\$ 233
Research and development	458	384
Sales and marketing	774	591
General and administrative	2,126	1,457
Total stock-based compensation expense	<u>\$ 3,442</u>	<u>\$ 2,665</u>

9. Commitments and contingencies

Purchase obligations

The Company had approximately \$111,400 of outstanding purchase orders due within one year with its outside vendors and suppliers as of March 31, 2023.

Warranty obligation

The following table identifies the changes in the Company's aggregate product warranty liabilities for the three and twelve-month periods ended March 31, 2023 and December 31, 2022, respectively:

	March 31, 2023	December 31, 2022
Product warranty liability at beginning of period	\$ 19,913	\$ 13,726
Accruals for warranties issued	1,681	10,416
Adjustments related to preexisting warranties	1,540	8,234
Settlements made (in cash or in kind)	(3,041)	(12,463)
Product warranty liability at end of period	<u>\$ 20,093</u>	<u>\$ 19,913</u>

Contract liabilities

Contract liabilities primarily consist of deferred revenue related to lifetime warranties on direct-to-consumer sales revenue when cash payments are received in advance of services performed under the contract. The contract with the customer states the final terms of the

Inogen, Inc.
Condensed Notes to the Consolidated Financial Statements (continued)
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sale, including the description, quantity, and price of each product or service purchase. The decrease in deferred revenue related to lifetime warranties for the three months ended March 31, 2023 was primarily driven by \$1,674 of revenue recognized that were included in the deferred revenue balances as of December 31, 2022, partially offset by \$869 of payments received in advance of satisfying performance obligations. Deferred revenue related to lifetime warranties was \$15,729 and \$16,534 as of March 31, 2023 and December 31, 2022, respectively, and is classified within deferred revenue - current and noncurrent deferred revenue in the consolidated balance sheet.

Legislation and HIPAA

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Compliance with government laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. The Health Insurance Portability and Accountability Act of 1996 (HIPAA) was enacted to ensure health insurance portability, reduce healthcare fraud and abuse, guarantee security and privacy of health information, and enforce standards for health information. The Health Information Technology for Economic and Clinical Health Act (HITECH Act), in part, imposes notification requirements of certain security breaches relating to protected health information. The Company is not aware of any pending claims against it under the HIPAA and HITECH regulations that are applicable to the Company's business.

Legal proceedings

Civil Investigative Demand

On June 21, 2022, the Company received a civil investigative demand (CID) from the United States Attorney's Office for the Northern District of Iowa. The CID states that it was issued in a False Claims Act investigation to determine whether there is or has been a violation of the False Claims Act and that the investigation involves concerns of inappropriate kickbacks provided by certain manufacturers of portable oxygen concentrators and related products in violation of the Anti-Kickback Statute. The CID followed informal requests from the United States Attorney's Office for the Northern District of Iowa begun in late 2020, with which the Company voluntarily complied, to obtain information concerning the Company's participation in (i) zero-interest or below market-rate loans through a third party lender to finance customer purchases; (ii) guaranteeing the obligation of a customer to a finance company in connection with financing of purchases of Company equipment; and (iii) entering into an agreement with a customer that included marketing, exclusivity, discount, and favorable financing terms. The Company is cooperating in the investigation. The Company is currently unable to predict the outcome of this investigation or whether qui tam or other litigation is probable. Regardless of the outcome, this inquiry has the potential to have an adverse impact on the Company due to any related defense and settlement costs, diversion of management resources, and other factors.

Other Litigation

The Company is party to various legal proceedings arising in the normal course of business. The Company carries insurance, subject to specified deductibles under the policies, to protect against losses from certain types of legal claims. At this time, the Company does not anticipate that any of these other proceedings arising in the normal course of business will have a material adverse effect on the Company's business. Regardless of the outcome, litigation can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources, and other factors.

10. Restructuring charges

The Company incurred \$1,809 of restructuring costs during the three months ended March 31, 2023, primarily in connection with the Company's cost reduction initiatives, which were recorded within general and administrative expense in the consolidated statements of loss. The restructuring charges consisted primarily of severance and termination benefits. Other related costs consisted of targeted workforce reductions, centralizing manufacturing activities, equipment relocation and outsourcing.

11. Foreign currency exchange contracts and hedging

As of March 31, 2023 and March 31, 2022, the Company's total non-designated and designated derivative contracts had notional amounts totaling approximately \$8,041 and \$2,445, respectively, and \$0 and \$1,704, respectively. These contracts were comprised of offsetting contracts with the same counterparty, each expires within one month. During the three months ended March 31, 2023 and 2022, these contracts had, net of tax, an unrealized loss of \$0 and \$74, respectively.

The nonperformance risk of the Company and the counterparty did not have a material impact on the fair value of the derivatives. During the three months ended March 31, 2023 and 2022, there were no ineffective portions relating to these hedges and the hedges remained effective through their respective settlement dates. As of March 31, 2023, the Company had no designated hedges and one non-designated hedge. As of March 31, 2022, the Company had eight designated hedges and one non-designated hedge.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

The following discussion and analysis should be read together with our consolidated financial statements and the condensed notes to those statements included elsewhere in this Quarterly Report on Form 10-Q. This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are based on our management's beliefs and assumptions and on information currently available to our management. The forward-looking statements are contained principally in this Management's Discussion and Analysis of Financial Condition and Results of Operations and in the section entitled "Risk Factors" of our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission (SEC). Forward-looking statements include, but are not limited to, statements concerning the following:

- information concerning our possible or assumed future cash flows, revenue, sources of revenue and results of operations, operating and other expenses;
- the impact of expense inflation on the components we use in our products, and the impact of inflation of the ability of our customers to afford our products;
- the potential for future supply chain constraints;
- our expectations regarding the effect of the COVID-19 pandemic and related public health emergency (PHE);
- our assessment and expectations regarding reimbursement rates, future rounds of competitive bidding, Centers for Medicare and Medicaid Services (CMS) changes associated with the COVID-19 pandemic and related PHE impacting respiratory care, CMS changes to Home Use of Oxygen national coverage determination and how those changes are implemented, and future changes in rental revenue;
- our expectations with respect to our restructuring and cost reduction initiatives;
- our expectations regarding regulatory approvals and government and third-party payor coverage and reimbursement;
- the ability of our competitors to introduce products to the market that may be lower priced than ours, may have more product features than ours, or are otherwise more accepted by the market, including our home medical equipment partners;
- our ability to develop new products, improve our existing products and increase the value of our products;
- our expectations regarding the timing of new products and product improvement launches as well as product features and specifications;
- market share expectations, unit sales, business strategies, financing plans, expansion of our business, competitive position, industry environment, and potential growth opportunities;
- our expectations regarding the market size, market growth and the growth potential for our business;
- our ability to grow our business and enter new markets;
- our expectations regarding the average selling prices and manufacturing costs of our products, including our expectations related to the impact of supply chain disruptions on our manufacturing costs and our ongoing efforts to reduce average unit costs for our systems;
- our expectations regarding our sales and marketing channels related to our prescriber sales team, including the expansion of the sales team and concierge service representatives and implementation of healthcare data, insights and its impact on clinician awareness and coverage, POC penetration, and sales team productivity;
- our expectations with respect to our European and U.S. facilities and our expectations with respect to our contract manufacturer in Europe;
- our expectations regarding tariffs being imposed by the U.S. on certain imported materials and products;
- our ability to successfully acquire and integrate companies and assets;
- our expectations regarding the impact and implementation of trade regulations on our supply chain;
- our expectations regarding excess tax benefits or deficiencies from stock-based compensation and our assessments and estimates of our effective tax rate;
- our expectations of future accounting pronouncements or changes in our accounting policies;

- our internal control environment;
- the effects of seasonal trends on our results of operations and estimated hiring plans;
- our expectation that our existing capital resources and the cash to be generated from expected product sales and rentals will be sufficient to meet our projected operating and investing requirements for at least the next twelve months; and
- the effects of competition.

Forward-looking statements include statements that are not historical facts and can be identified by terms such as “anticipates,” “believes,” “could,” “seeks,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects,” “should,” “will,” “would,” or similar expressions and the negatives of those terms.

Forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. We discuss these risks in greater detail in the sections entitled “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K filed with the SEC. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. Except as required by law, we assume no obligation to update these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

This Quarterly Report on Form 10-Q also contains estimates, projections and other information concerning our industry, our business, and the markets for certain diseases, including data regarding the estimated size of those markets, and the incidence and prevalence of certain medical conditions. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties and actual events, or circumstances may differ materially from events and circumstances reflected in this information. Unless otherwise expressly stated, we obtained this industry, business, market and other data from reports, research surveys, studies and similar data prepared by market research firms and other third parties, industry, medical and general publications, government data and similar sources.

“Inogen,” “Inogen One,” “Inogen One G3,” “G4,” “G5,” “Rove 4,” “Rove 6,” “Live Life in Moments, not Minutes,” “Never Run Out of Oxygen,” “Oxygen Therapy on Your Terms,” “Oxygen.Anytime.Anywhere,” “Reclaim Your Independence,” “Intelligent Delivery Technology,” “Inogen At Home,” the Inogen design, “TIDAL ASSIST,” “TAV,” and “SIDEKICK” are registered trademarks with the United States Patent and Trademark Office of Inogen, Inc. We own trademark registrations for the mark “Inogen” in Argentina, Australia, Canada, Chile, China, Columbia, Ecuador, South Korea, Malaysia, Mexico, Europe (European Union Registration), the United Kingdom, Iceland, India, Israel, Japan, Kuwait, New Zealand, Norway, Paraguay, Peru, Turkey, Singapore, South Africa, Switzerland, and Uruguay. We own pending applications for the mark “Inogen” in Brazil, India, Malaysia, and South Africa. We own a trademark registration for the mark “イノジェン” in Japan. We own trademark registrations for the marks “印诺真” and “艾诺根” in China. We own trademark registrations for the mark “Inogen One” in Australia, Canada, China, South Korea, Mexico, Europe (European Union Registration), and the United Kingdom. We own a trademark registration for the mark “Satellite Conserver” in Canada. We own a trademark registration for the mark “Inogen At Home” in Europe (European Union Registration) and the United Kingdom. We own trademark registrations for the mark “G4” in Europe (European Union Registration) and the United Kingdom. We own trademark registrations for the mark “G5” in Europe (European Union Registration) and the United Kingdom. We own a trademark application for the Inogen design in Bolivia. We own a trademark registration for the Inogen design in China. We own a trademark registration for the mark “الوجن” in Saudi Arabia. Other service marks, trademarks, and trade names referred to in this Quarterly Report on Form 10-Q are the property of their respective owners.

In this Quarterly Report on Form 10-Q, “we,” “us” and “our” refer to Inogen, Inc. and its subsidiary.

The following discussion of our financial condition and results of operations should be read together with our consolidated financial statements and the accompanying condensed notes to those statements included elsewhere in this document.

The purpose of Management's Discussion and Analysis (MD&A) is to provide an understanding of Inogen's financial condition, results of operations and cash flows by focusing on changes in certain key measures from year-to-year. The MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and accompanying condensed notes. The MD&A is organized in the following sections:

- Critical accounting policies and estimates
- Recent accounting pronouncements
- Macroeconomic environment and COVID-19 pandemic
- Overview
- Basis of presentation
- Results of operations
- Liquidity and capital resources
- Sources of funds
- Use of funds
- Non-GAAP financial measures

Critical accounting policies and estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements which have been prepared in accordance with generally accepted accounting principles in the United States of America, or U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and related disclosure of contingent assets and liabilities, revenue and expenses at the date of the financial statements. Generally, we base our estimates on historical experience and on various other assumptions in accordance with U.S. GAAP that we believe to be reasonable under the circumstances. Actual results may differ from these estimates and such differences could be material to the financial position and results of operations.

Critical accounting policies and estimates are those that we consider the most important to the portrayal of our financial condition and results of operations because they require our most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our critical accounting policies and estimates include those related to:

- revenue recognition; and
- acquisitions and related acquired intangible assets and goodwill.

There have been no material changes in our critical accounting policies and estimates in the preparation of our consolidated financial statements during the three months ended March 31, 2023 compared to those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on February 24, 2023.

Recent accounting pronouncements

Information about recently adopted and proposed accounting pronouncements, if applicable, is included in Note 2 to the unaudited Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report under the heading "Recent Accounting Pronouncements" and is incorporated herein by reference.

Macroeconomic environment and COVID-19 pandemic

The global economy is experiencing increased inflationary pressures in part due to global supply chain disruptions, labor shortages and other impacts of the COVID-19 pandemic and current macroeconomic environment. The macroeconomic environment has had significant and potentially will continue to have unexpected adverse effects on businesses and healthcare institutions around the world and has and may continue to negatively impact our consolidated operating results. Higher interest rates and capital costs and increased shipping costs are expected to impact demand for our products while the potential for continued supply chain disruptions and inflationary impact on material, labor and logistics could increase our cost of operations.

We continued to see inflated costs related to the acquisition and availability of semiconductor chips negatively impact our cost of sales revenue in the first quarter of 2023, and we expect this to continue to impact our cost of sales revenue for the remainder of 2023. We incurred significant costs associated with acquiring chips on the open market and a portion of these costs increased our prepaid expense and inventory given that these components were not yet in finished products that were sold during the period. Additionally, we are seeing cost inflation for other components used in our products.

We also have experienced, along with most other companies across many industries, the macroeconomic impact of a challenging employment environment related to hiring and retaining employees and wage inflation. We expect that these hiring, retention, and wage inflation challenges, as well as challenges related to maintaining our current workforce, will continue through 2023. These challenges may negatively affect our ability to grow our business and keep our best employees or increase our cost of operations. In response we have implemented more flexible workplace requirements for certain roles, including remote workplace opportunities, but we still expect to be challenged by the macroeconomic employment environment.

For additional information on risk factors that could impact our results, please refer to the sections entitled "Risk Factors" in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K.

Overview

We are a medical technology company that primarily develops, manufactures, and markets innovative portable oxygen therapy solutions for patients with chronic respiratory conditions. Our leading portfolio of innovative portable oxygen concentrators (POCs) is optimized to deliver high output ratio-to-weight, meaningful sound suppression and among the longest run times in the industry so that we can meet the needs of patients across a variety of disease states. As of March 31, 2023, we had twenty-four pending patent applications and seventy-two issued patents relating to the design and construction of our respiratory devices. We are positioned in the market as both a medical technology company and as a home medical equipment provider that is accredited in all 50 states in the United States with a significant patient, prescriber and provider reach. Our products have been sold internationally through distributors and medical equipment companies outside of the United States and through direct patient and prescriber sales, as well as resellers and home medical equipment companies in the United States.

We derive the majority of our revenue from the sale and rental of our Inogen One systems and related accessories to patients, insurance carriers, home healthcare providers, resellers, and distributors, including our private label partner. We sell multiple configurations of our Inogen One and Inogen At Home systems with various batteries, accessories, warranties, power cords and language settings. Our goal is to design, build and market oxygen solutions that redefine how long-term oxygen therapy is delivered.

To accomplish this goal and to grow our revenue, we intend to:

- *Optimize our domestic direct-to-consumer sales and prescriber sales teams and increase productivity.* We launched a prescriber sales force initiative in February 2022 to market directly to physicians, gaining the prescription at initiation and maximizing the number of months of billing for long-term oxygen treatment. Also, as part of our growth plans, we expect to continue to expand sales capacity by focusing on increased productivity driven by improved sales management discipline, insights-informed tools, and optimized patient lead generation.
- *Expand our domestic direct-to-consumer marketing efficiently and optimize pricing.* We have maintained our marketing efforts to continue to drive patient awareness of our products and patient inquiries about their ability to switch from their current oxygen products to our technology as the patient becomes dissatisfied with their current modality. We plan to optimize marketing spend to drive consumer and physician awareness of our products in 2023.
- *Expand our rental revenues.* We are evolving our operating model to focus the enhanced prescriber sales team on rental opportunities with our direct-to-consumer sales team focusing mainly on sales. We believe the new specialized operating model will drive higher rental setups as we expand prescriber and payor awareness of our products and services.
- *Expand our domestic home medical equipment (HME) provider and reseller sales.* We are also focused on building our domestic business-to-business partnerships, including relationships with distributors, key accounts, resellers, our private label partner, and traditional HME providers. We offer patient-preferred, low total cost of ownership products to help providers convert their businesses to a non-delivery POC business model. Supplemental oxygen is a treatment prescribed by healthcare professionals for some patients with hypoxemia, which in some cases may be caused or exacerbated by COVID-19.
- *Increase international business-to-business adoption.* Although our main growth opportunity remains POC adoption in the United States given what we still believe is a relatively low penetration rate, we believe there is a sizable international market opportunity, particularly in Europe where there is existing oxygen reimbursement for respiratory conditions. In order to take advantage of these international markets, we have partnered with distributors who serve those markets and

key customers in them. We additionally have an Inogen base of operations for sales and customer service in the Netherlands, and use a contract manufacturer, Foxconn, located in the Czech Republic to support the majority of our European sales volumes.

Over time, as the U.S. and European markets mature, our growth will depend on our ability to drive POC adoption in developing or emerging markets, where limited oxygen therapy treatment and reimbursement exists today. However, growth may also be limited by regulatory and reimbursement clearances, currency fluctuations, capital expenditure constraints, ongoing restructuring challenges, and tender uncertainty.

•*Invest in our oxygen product offerings to develop innovative products and expand clinical evidence.* We incurred \$5.3 million and \$5.4 million in the three months ended March 31, 2023 and March 31, 2022, respectively, in research and development expenses, and we intend to continue to make such investments in the foreseeable future.

We launched the Rove 6, our latest portable oxygen concentrator, in December 2022. We have also received U.S. Food and Drug Administration 510(k) clearance for the Rove 4 that will be launched in 2023. The Rove 6 weighs 4.8 pounds and produces 1,260 ml per minute of oxygen output with very quiet operations at 37 dBA and long battery life at 6 hours and 15 minutes for a single battery and up to 12 hours and 45 minutes for a double battery, as well as improvements to provide ease-of-use and improvements to design in compliance to European Union medical device regulation (MDR) standards. We launched the Inogen One G5[®] in 2019. The Inogen One G5 is similar to the product specifications of the Rove 6. We estimate that the Rove 6 and Inogen One G5 are each suitable for over 90% of ambulatory long-term oxygen therapy patients based on our analysis of the patients who have contacted us and their clinical needs.

Inogen Connect, our connectivity platform on our Inogen One G4[®] and Inogen One G5 products in the United States and Canada, is compatible with Apple and Android platforms and includes patient features such as purity status, battery life, product support functions, notification alerts, and remote software updates. We believe home oxygen providers have also found features such as remote troubleshooting, equipment health checks, and location tracking to help drive operational efficiencies when transitioning away from the oxygen tank delivery model.

We plan to also invest in clinical studies to evaluate expected improvements in clinical, economic and patient reported outcomes associated with the use of our products as part of our efforts to drive payor and prescriber advocacy for our products.

•*Expand our product offerings and indications for use.* We are focused on expanding new products that drive benefits to patients, prescribers and our customers with a clinically-relevant pipeline. These products would include innovations that strengthen our offerings in chronic obstructive pulmonary disease, as well as future innovations that differentiate beyond devices to allow patients and clinicians to better manage respiratory disease with advanced portable oxygen concentrations with digital health value added services, broader use for hypercapnia and shortness-of-breath, and expansion to other related disease indications. We are also committed to exploring complementary acquisition opportunities to strengthen our technology, product offerings, and channel access.

Cost Reduction Initiatives

During the first quarter of 2023, we implemented certain operational efficiency and cost-savings initiatives intended to align our resources with our product strategy, reduce our operating expense, and manage our cash flows. These cost efficiency initiatives include targeted workforce reductions, centralizing manufacturing activities, and outsourcing. The efficiency and cost-savings initiatives are designed to reduce cost of revenue and operating expense and enable us to efficiently align our resources in areas providing the greatest benefit.

Sales revenue

Our future financial performance will be driven in part by the growth in sales of our portable oxygen concentrators, and, to a lesser extent, sales of batteries, other accessories, and our Inogen At Home stationary oxygen concentrators. We plan to grow our system sales in the coming years through multiple strategies including: improving sales force productivity, hiring additional sales representatives directly or through our contract sales organization, investing in consumer and physician awareness and advocacy through increased sales and marketing efforts, expanding our clinical evidence, expanding our sales infrastructure and efforts outside of the United States, expanding our business-to-business sales through key strategic partnerships, and enhancing our product offerings through additional product launches. While we believe HME providers are still in the process of converting their business model to a non-delivery model through the purchase of POCs, growth has been challenged due to the COVID-19 pandemic and related PHE, HME restructuring efforts, lack of access to available credit, provider capital expenditure constraints, and risk of potential changes in reimbursement rates.

Our direct-to-consumer sales processes involve numerous interactions with the individual patient, their physician and the physician's staff, and includes an in-depth analysis and review of our product, the patient's diagnosis and prescribed oxygen therapy, including procuring an oxygen prescription. The patient may consider whether to finance the product through an Inogen-approved third party or purchase the equipment. Product is not deployed until both the prescription and payment are secured. Once a full system is deployed, the patient has 30 calendar days to return the product, subject to the payment of a minimal processing and handling fee. Approximately 6-10% of consumers who purchase a system return the system during this 30-day return period.

Our business-to-business efforts are focused on selling to distributors, HME oxygen providers, our private label partner, and resellers who are based inside and outside of the United States. This process involves interactions with various key customer stakeholders including sales, purchasing, product testing, and clinical personnel. Businesses that have patient demand that can be met with our products place purchase orders to secure product deployment. This may be influenced based on outside factors, including the result of tender offerings, changes in insurance plan coverage or reimbursement rates, business restructuring activities toward a non-delivery model, capital constraints, and overall changes in the net oxygen therapy patient populations, and is presently being impacted by the COVID-19 pandemic and related PHE. As a result of these factors, product purchases can be subject to changes in demand by customers.

We sold approximately 26,900 systems in the three months ended March 31, 2023 and 30,400 systems for the same period in 2022. The decline in the current period was caused primarily by lower direct-to-consumer sales driven by fewer inside sales representatives as the transformation of this team was underway. Going forward, our plan is to optimize our sales capacity while focusing on increased productivity, improved sales personnel and lead distribution systems, and improved training.

Rental revenue

Our rental process involves numerous interactions with the individual patient, their physician and the physician's staff. The process includes an in-depth analysis and review of our product, the patient's diagnosis and prescribed oxygen therapy, and their medical history to confirm the appropriateness of our product for the patient's oxygen therapy and compliance with Medicare and private payor billing requirements, which often necessitates additional physician evaluation and/or testing for oxygen. Once the product is deployed, the patient receives instruction on product use and may receive a clinical titration from our licensed staff to confirm the product meets the patient's medical oxygen needs prior to billing. As a result, the period of time from initial contact with a patient to billing can vary significantly and be up to one month or longer. However, during the COVID-19 PHE, CMS has reduced the paperwork requirements for Medicare oxygen therapy patients, as discussed in more detail in the Reimbursement section below. CMS has also adopted additional changes to the administrative requirements to dispense and bill for oxygen therapy, which is discussed in more detail in the Reimbursement section below, which may reduce the administrative burden and increase patient access to our products.

Rental revenue increased in the three months ended March 31, 2023 compared to the three months ended March 31, 2022, primarily due to a greater number of patients on service and higher Medicare reimbursement rates. Medicare reimbursement rates for oxygen therapy have increased, as detailed in the Reimbursement section below. We plan to add new rental patients on service in future periods through multiple strategies, including expanding our prescriber sales teams, expanding our direct-to-consumer marketing efforts, investing in patient and physician awareness and advocacy, expanding clinical evidence, and securing additional insurance contracts.

A portion of rental patient population includes a capped rental period during which no additional reimbursement is allowed unless additional criteria are met. This capped period begins after month 36 and continues until month 60. The ratio of billable patients to total patients on service is critical to maintaining rental revenue growth as patients on service increase. Medicare has noted a certain percentage of beneficiaries, approximately 25%, based on their review of Medicare claims, reach the 36th month of eligible reimbursement and enter the post-36 month capped rental period. The percentage of capped patients may fluctuate over time as new patients come on service, patients come off of service before and during the capped rental period, and existing patients enter the capped rental period.

We had approximately 45,800 and 43,200 oxygen rental patients as of March 31, 2023 and March 31, 2022, respectively. Management focuses on patients on service as a leading indicator of likely future rental revenue; however, actual rental revenue recognized is subject to a variety of other factors, including billable patients as a percentage of patients on service, reimbursement levels by payor, patient location, the number of capped patients, write-offs for uncollectable balances, and rental revenue adjustments.

Reimbursement

We rely significantly on reimbursement from Medicare and private payors, including Medicare Advantage plans and Medicaid, for our rental revenue. For the three months ended March 31, 2023 and 2022, approximately 73.8% and 79.0%, respectively, of our rental revenue was derived from Medicare's traditional fee-for-service reimbursement programs. For additional discussion of our reliance on third-party reimbursement and the impact of the recent Medicare reimbursement proposals, see the discussion in the subsection entitled "Third Party Reimbursement" in Item 1 of our Annual Report on Form 10-K and the section entitled "Risk Factors" in our Annual Report on Form 10-K filed with the SEC on February 24, 2023.

Basis of presentation

The following describes the line items set forth in our consolidated statements of comprehensive loss.

Revenue

We classify our revenue in two main categories: sales revenue and rental revenue. There will be fluctuations in mix between business-to-business sales, direct-to-consumer sales and rental revenue from period-to-period. Product selling prices and gross margins may fluctuate based on revenue channel mix, as we introduce new products, our product costs change, we have changes in purchase volumes, and as currency variations occur. For example, the higher costs for semiconductor chips has had a negative impact on our gross margin, and we expect that will continue in 2023. Additionally, fluctuations in the channel mix could cause variability in our gross margins, as direct-to-consumer sales and rental revenue have higher margins than the business-to-business channels. Quarter-over-quarter results may vary due to seasonality in both the international and domestic markets, as discussed in Item 1. *Seasonality* and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on February 24, 2023.

Sales revenue

Our sales revenue is primarily derived from the sale of our Rove, Inogen One, and Inogen At Home systems in addition to our related accessories to individual consumers, our private label partner, HME providers, distributors, resellers, and charitable organizations worldwide. Sales revenue is classified into two areas: business-to-business sales and direct-to-consumer sales. Generally, our direct-to-consumer sales have higher gross margins than our business-to-business sales.

Rental revenue

Our rental revenue is primarily derived from the rental of our Inogen One and Inogen At Home systems to patients through reimbursement from Medicare, private payors and Medicaid, which typically also includes a patient responsibility component for patient co-insurance and deductibles. Rental revenue increased in the three months ended March 31, 2023 compared to the three months ended March 31, 2022, primarily due to higher patients on service and higher Medicare reimbursement rates. We expect our rental revenue to increase in future periods as we scale the sales teams, secure additional insurance contracts, and increase new rental setups. In addition, we expect to benefit from higher Medicare reimbursement rates through December 31, 2023 and reduced administrative requirements for oxygen therapy enacted during the COVID-19 PHE. We also expect that our rental revenue will be impacted by the number of our sales representatives, reimbursement rate changes, including the impact of COVID-19 PHE changes, the level of and response from potential customers to direct-to-consumer marketing spend, product launches, the number of billable patients and denial rates, and other uncontrollable factors such as changes in the market and competition.

Cost of revenue

Cost of sales revenue

Cost of sales revenue consists primarily of costs incurred in the production process, including component materials, assembly labor and overhead, warranty expense, provisions for slow-moving and obsolete inventory, rework and delivery costs for items sold. Labor and overhead expenses consist primarily of personnel-related expenses, including wages, bonuses, benefits, and stock-based compensation for manufacturing, logistics, repair, manufacturing engineering, and quality assurance employees and temporary labor. Cost of sales revenue also includes manufacturing freight in, depreciation expense, facilities costs and materials. Provisions for warranty obligations are included in cost of sales revenue and are provided for at the time of revenue recognition.

The impact of supply chain disruptions began negatively affecting our cost of sales revenue starting in the third quarter of 2021 and is expected to continue to do so through 2023. The supply chain constraints are primarily associated with semiconductor chips used in our batteries and printed circuit boards which are components of our POCs.

For these reasons, we expect sales gross margin percentage to fluctuate over time based on the sales channel mix, product mix, changes in average selling prices and manufacturing cost per unit.

Cost of rental revenue

Cost of rental revenue consists primarily of depreciation expense, consumable disposables, logistics costs and service costs for rental patients, including rework costs, material, labor, and freight.

Rental gross margin percentage could fluctuate due to changes in depreciation expense, cost to service and maintain the rental fleet as well as the percentage of billable patients as a percentage of patients on service.

Operating expense

Research and development

Our research and development expense consists primarily of personnel-related expenses, including wages, bonuses, benefits and stock-based compensation for research and development, engineering, and medical affairs employees. It also includes facility costs, laboratory supplies, product development materials, consulting fees, clinical studies costs, and testing costs for new product launches as well as enhancements to existing products. We have made substantial investments in research and development since our inception. Our research and development efforts have focused primarily on development and commercialization of new and existing products.

We plan to continue to invest in research and development activities to stay at the forefront of patient preference in oxygen therapy, including significant investments in clinical research. We continue to invest in our engineering and technology teams to support our new and enhanced product research and development efforts and manufacturing improvements. We will also focus research and development efforts on broadening our product portfolio.

Sales and marketing

Our sales and marketing expense primarily supports our direct-to-consumer sales and rental strategy and consists mainly of personnel-related expenses, including wages, bonuses, commissions, benefits, and stock-based compensation for sales, marketing, customer service, rental intake, and clinical service employees. It also includes expenses for media and advertising, printing, informational kits, dues and fees, credit card fees, recruiting, training, sales promotional activities, travel and entertainment expenses as well as allocated facilities costs.

Going forward, our plan is to optimize our sales capacity while focusing on increased productivity, improved sales personnel and lead distribution systems, and improved training. We expect to continue to invest in sales and marketing by focusing on increased productivity driven by improved sales management discipline, insights-informed tools, and optimized patient lead generation as well as increasing our rental infrastructure and rising patient support costs as our patient and customer base increases.

General and administrative

Our general and administrative expense consists primarily of personnel-related expenses, including wages, bonuses, benefits, and stock-based compensation for employees in our compliance, finance, medical billing, order intake, regulatory, legal, human resources, and information technology departments as well as facilities costs, and board of directors' expenses, including stock-based compensation. In addition, general and administrative expense includes professional services, such as legal, patent registration and defense costs, insurance, consulting and accounting services, including audit and tax services, and travel and entertainment expenses. General and administrative expense also includes one-time costs, such as restructuring, acquisition expenses or changes in the fair value of the New Aera earnout liability.

We expect general and administrative expense to increase in future periods as the number of administrative personnel grows and we continue to introduce new products, broaden our customer base and grow our business. General and administrative expense will increase in absolute dollars as we continue to invest in corporate infrastructure to support our growth including personnel-related expenses, professional services fees and compliance costs associated with operating as a public company.

Other income (expense), net

Our other income (expense), net consists primarily of foreign currency gains (losses), as well as interest income earned on cash equivalents and marketable securities.

Income taxes

We account for income taxes in accordance with Accounting Standards Codification (ASC) 740—*Income Taxes*. Under ASC 740, income taxes are recognized for the amount of taxes payable or refundable for the current period and deferred tax liabilities and assets are recognized for the future tax consequences of transactions that have been recognized in our consolidated financial statements or tax returns. A valuation allowance is provided when it is more likely than not that some portion, or all, of the deferred tax asset will not be realized.

We account for uncertainties in income tax in accordance with ASC 740-10—*Accounting for Uncertainty in Income Taxes*. ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This accounting standard also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The accounting for stock-based compensation will increase or decrease our effective tax rate based upon the difference between our stock-based compensation expense and the deductions taken on our U.S. tax return, which depends upon the stock price at the time of employee option exercise or award vesting. We recognize excess tax benefits or deficiencies on a discrete basis, and we anticipate our effective tax rate will vary from year-to-year depending on our stock price in each period.

Results of operations

Comparison of three months ended March 31, 2023 and 2022

Revenue

(amounts in thousands)	Three months ended		Change 2023 vs. 2022		% of Revenue	
	March 31,		\$	%	2023	2022
	2023	2022				
Sales revenue	\$ 55,887	\$ 67,402	\$ (11,515)	-17.1 %	77.4 %	83.8 %
Rental revenue	16,275	12,983	3,292	25.4 %	22.6 %	16.2 %
Total revenue	<u>\$ 72,162</u>	<u>\$ 80,385</u>	<u>\$ (8,223)</u>	<u>-10.2 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

Sales revenue decreased \$11.5 million for the three months ended March 31, 2023 from the three months ended March 31, 2022, a decrease of 17.1% from the comparable period. The decrease was primarily attributable to a decrease in domestic direct-to-consumer sales and lower international business-to-business sales, partially offset by higher domestic business-to-business sales. We sold approximately 26,900 oxygen systems during the three months ended March 31, 2023 compared to approximately 30,400 oxygen systems sold during the three months ended March 31, 2022, a decrease of 11.5%. The decrease in the number of systems sold resulted primarily due to lower direct-to-consumer sales as the transformation of this team was underway during the current year period.

Rental revenue increased \$3.3 million for the three months ended March 31, 2023 from the three months ended March 31, 2022, or an increase of 25.4% from the comparable period. The increase in rental revenue was primarily related to higher rental patients on service and higher Medicare reimbursement rates.

(amounts in thousands)	Three months ended		Change 2023 vs. 2022		% of Revenue	
	March 31,		\$	%	2023	2022
	2023	2022				
Revenue by region and category						
Business-to-business domestic sales	\$ 12,585	\$ 5,101	\$ 7,484	146.7 %	17.4 %	6.3 %
Business-to-business international sales	18,972	27,941	(8,969)	-32.1 %	26.3 %	34.8 %
Direct-to-consumer domestic sales	24,330	34,360	(10,030)	-29.2 %	33.7 %	42.7 %
Direct-to-consumer domestic rentals	16,275	12,983	3,292	25.4 %	22.6 %	16.2 %
Total revenue	<u>\$ 72,162</u>	<u>\$ 80,385</u>	<u>\$ (8,223)</u>	<u>-10.2 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

Domestic business-to-business sales increased 146.7% for the three months ended March 31, 2023 compared to the three months ended March 31, 2022 due to our ability to meet all customer demand during the first three months of 2023 versus the comparative period in the prior period that had supply constraints and limited shipments.

International business-to-business sales decreased 32.1% for the three months ended March 31, 2023 compared to the three months ended March 31, 2022, mostly driven by intentional focus on fulfilling European orders in our international business-to-business sales channel prior to the EU MDR certificate expiration in the comparative period in 2022. In the three months ended March 31, 2023, sales in Europe as a percentage of total international sales revenue decreased to 81.8% versus 98.2% in the comparative period in 2022.

Domestic direct-to-consumer sales decreased 29.2% for the three months ended March 31, 2023 compared to the three months ended March 31, 2022, primarily driven by lower volume due to lower sales representative headcount, partially offset by increased average selling prices versus the comparative period in the prior period.

Domestic direct-to-consumer rentals increased 25.4% for the three months ended March 31, 2023 compared to the three months ended March 31, 2022, primarily due to an increase in rental patients on service and increased Medicare reimbursement rates due to the inflation adjustment effective January 1, 2023.

Cost of revenue and gross profit

<i>(amounts in thousands)</i>	Three months ended		Change 2023 vs. 2022		% of Revenue	
	2023	2022	\$	%	2023	2022
Cost of sales revenue	\$ 33,964	\$ 39,500	\$ (5,536)	-14.0 %	47.1 %	49.1 %
Cost of rental revenue	7,465	5,879	1,586	27.0 %	10.3 %	7.4 %
Total cost of revenue	<u>\$ 41,429</u>	<u>\$ 45,379</u>	<u>\$ (3,950)</u>	<u>-8.7 %</u>	<u>57.4 %</u>	<u>56.5 %</u>
Gross profit - sales revenue	\$ 21,923	\$ 27,902	\$ (5,979)	-21.4 %	30.4 %	34.7 %
Gross profit - rental revenue	8,810	7,104	1,706	24.0 %	12.2 %	8.8 %
Total gross profit	<u>\$ 30,733</u>	<u>\$ 35,006</u>	<u>\$ (4,273)</u>	<u>-12.2 %</u>	<u>42.6 %</u>	<u>43.5 %</u>
Gross margin percentage - sales revenue	39.2 %	41.4 %				
Gross margin percentage- rental revenue	54.1 %	54.7 %				
Total gross margin percentage	42.6 %	43.5 %				

Cost of sales revenue decreased \$5.5 million for the three months ended March 31, 2023 from the three months ended March 31, 2022, a decrease of 14.0% from the comparable period due primarily to lower sales volumes and improved manufacturing productivity, partially offset by increased premiums paid for components used to manufacture our batteries and motherboards used in our POCs. The first quarter of 2023 included \$4.5 million of higher material costs associated with open-market purchases of semiconductor chips used in our batteries and POCs.

Cost of rental revenue increased \$1.6 million for the three months ended March 31, 2023 from the three months ended March 31, 2022, an increase of 27.0% from the comparable period. The increase in cost of rental revenue was primarily attributable to an increase in total patients on service, which led to increased rental asset depreciation and service costs. Cost of rental revenue included \$3.1 million of rental asset depreciation for the three months ended March 31, 2023 compared to \$2.6 million for the three months ended March 31, 2022.

Gross margin on sales revenue decreased to 39.2% for the three months ended March 31, 2023 from 41.4% for the three months ended March 31, 2022. The decrease was primarily due to a shift in channel mix, with a higher volume of units sold through the business-to-business channel versus the direct-to-consumer channel. Total worldwide business-to-business sales revenue accounted for 56.5% of total sales revenue in the three months ended March 31, 2023 versus 49.0% in the three months ended March 31, 2022. The decrease was partially offset by lower labor and overhead costs per unit and higher average selling prices.

Gross margin on rental revenue decreased to 54.1% for the three months ended March 31, 2023 from 54.7% for the three months ended March 31, 2022, primarily due to higher servicing costs per patient on service, partially offset by higher Medicare reimbursement rates.

Research and development expense

<i>(amounts in thousands)</i>	Three months ended		Change 2023 vs. 2022		% of Revenue	
	March 31,		\$	%	2023	2022
	2023	2022				
Research and development expense	\$ 5,344	\$ 5,364	\$ (20)	-0.4 %	7.4 %	6.6 %

Research and development expense slightly decreased for the three months ended March 31, 2023 from the three months ended March 31, 2022, with a decrease of 0.4% from the comparable period, primarily due to a \$1.9 million decrease in amortization costs of intangible assets, partially offset by an increase of \$1.3 million in product development expenses and \$0.5 million of personnel-related expenses.

Sales and marketing expense

<i>(amounts in thousands)</i>	Three months ended		Change 2023 vs. 2022		% of Revenue	
	March 31,		\$	%	2023	2022
	2023	2022				
Sales and marketing expense	\$ 28,441	\$ 28,039	\$ 402	1.4 %	39.4 %	34.9 %

Sales and marketing expense increased \$0.4 million for the three months ended March 31, 2023 from the three months ended March 31, 2022, an increase of 1.4% from the comparable period, primarily due to an increase of \$1.3 million in professional fees and licenses and \$0.9 million of consulting fees, partially offset by a decrease of \$1.5 million of media and advertising costs. In the three months ended March 31, 2023, we spent \$6.4 million in media and advertising costs versus \$7.9 million in the comparative period in 2022.

General and administrative expense

<i>(amounts in thousands)</i>	Three months ended		Change 2023 vs. 2022		% of Revenue	
	March 31,		\$	%	2023	2022
	2023	2022				
General and administrative expense	\$ 18,863	\$ 15,189	\$ 3,674	24.2 %	26.1 %	18.9 %

General and administrative expense increased \$3.7 million for the three months ended March 31, 2023 from the three months ended March 31, 2022, an increase of 24.2% from the comparable period. The increase was primarily attributable to an increase of \$1.8 million in restructuring and severance costs, \$1.4 million in personnel-related expenses, and \$0.6 million in acquisition-related expenses incurred as part of business development activities. These increases were partially offset by a \$0.6 million decrease in the change in the fair value of the New Aera earnout liability.

Other income (expense)

<i>(amounts in thousands)</i>	Three months ended		Change 2023 vs. 2022		% of Revenue	
	March 31,		\$	%	2023	2022
	2023	2022				
Interest income	\$ 1,525	\$ 29	\$ 1,496	5158.6 %	2.1 %	0.0 %
Other income (expense)	237	(433)	670	-154.7 %	0.3 %	-0.5 %
Total other income (expense), net	<u>\$ 1,762</u>	<u>\$ (404)</u>	\$ 2,166	536.1 %	2.4 %	-0.5 %

Total other income (expense), net increased \$2.2 million for the three months ended March 31, 2023 from the three months ended March 31, 2022, an increase of 536.1% from the comparable period, primarily attributable due to an increase of \$1.5 million in interest income due to the higher interest rate environment and an increase of \$0.7 million in net foreign currency gains.

Income tax expense

(amounts in thousands)	Three months ended March 31,		Change 2023 vs. 2022		% of Revenue	
	2023	2022	\$	%	2023	2022
Income tax expense	\$ 196	\$ 224	\$ (28)	-12.5 %	0.3 %	0.3 %
Effective income tax rate	-1.0 %	-1.6 %				

Income tax expense decreased slightly for the three months ended March 31, 2023 from the three months ended March 31, 2022. We continued to record a valuation allowance on the use of deferred tax assets in the current and prior periods. Income taxes in the current and prior periods were attributable to foreign taxes and minimum state taxes.

Our effective tax rate for the three months ended March 31, 2023 increased compared to the three months ended March 31, 2022, primarily due to lower foreign taxes and minimum state taxes.

Net loss

(amounts in thousands)	Three months ended March 31,		Change 2023 vs. 2022		% of Revenue	
	2023	2022	\$	%	2023	2022
Net loss	\$ (20,349)	\$ (14,214)	\$ (6,135)	43.2 %	-28.2 %	-17.7 %

Net loss increased \$6.1 million for the three months ended March 31, 2023 from the three months ended March 31, 2022, or an increase of 43.2% from the comparable period. The increase in net loss was primarily related to a reduction in gross profit and higher operating expense.

Contractual obligations

We obtain individual components for our products from a wide variety of individual suppliers. Consistent with industry practice, we acquire components through a combination of purchase orders, supplier contracts, and open orders based on projected demand information. Where appropriate, the purchases are applied to inventory component prepayments that are outstanding with the respective supplier. As of March 31, 2023, we had purchase obligations with outside vendors and suppliers of approximately \$111.4 million of which the timing varies depending on demand, current supply on hand and other factors. The obligations normally do not extend beyond twelve-month time frames.

Except as indicated above, there have been no other material changes, outside of the ordinary course of business, in our outstanding contractual obligations from those disclosed within "Management's Discussion and Analysis of Financial Condition and Results of Operations" section contained in our Annual Report on Form 10-K filed with the SEC on February 24, 2023.

Liquidity and capital resources

As of March 31, 2023, we had cash and cash equivalents of \$164.1 million, which consisted of highly liquid investments with a maturity of three months or less. In addition, we held marketable securities of \$10.4 million, which had maturities of greater than three months. For the three months ended March 31, 2023 and 2022, we received \$1.0 million and \$0.9 million, respectively, in proceeds related to stock option exercises and our employee stock purchase plan.

Our principal uses of cash for liquidity and capital resources in the three months ended March 31, 2023 consisted of net cash used in operating activities of \$6.3 million as well as net cash used in investing activities of \$10.4 million for purchases of marketable securities and capital expenditures of \$6.8 million for additional rental equipment and other property, plant and equipment.

We believe that our current cash, cash equivalents, and marketable securities and the cash to be generated from expected product sales and rentals will be sufficient to meet our projected operating and investing requirements for at least the next twelve months. However, our liquidity assumptions may prove to be incorrect, and we could utilize our available financial resources sooner than we currently expect. Our future funding requirements will depend on many factors, including market acceptance of our products; the cost of our research and development activities; payments from customers; the cost, timing, and outcome of litigation or disputes involving intellectual property rights, our products, employee relations, cyber security incidents, or otherwise; the cost and timing of acquisitions; the cost and timing of regulatory clearances or approvals; the cost and timing of establishing additional sales, marketing, and distribution capabilities; and the effect of competing technological and market developments. In the future, we may acquire businesses or technologies from third parties, and we may decide to raise additional capital through debt or equity financing to the extent we believe this is necessary to successfully complete these acquisitions. Our future capital requirements will also depend on many additional factors, including those set forth in the risk factors included in Item 1A. "Risk Factors" in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q filed with the SEC.

If we require additional funds in the future, we may not be able to obtain such funds on acceptable terms, or at all. In the future, we may also attempt to raise additional capital through the sale of equity securities or through equity-linked or debt financing arrangements. If we raise additional funds by issuing equity or equity-linked securities, the ownership of our existing stockholders will be diluted. If we raise additional financing by the incurrence of indebtedness, we will be subject to increased fixed payment obligations and could also be subject to restrictive covenants, such as limitations on our ability to incur additional debt, and other operating restrictions that could adversely impact our ability to conduct our business. Any future indebtedness we incur may result in terms that could be unfavorable to equity investors. There can be no assurances that we will be able to raise additional capital, which would adversely affect our ability to achieve our business objectives. In addition, if our operating performance during the next twelve months is below our expectations, our liquidity and ability to operate our business could be adversely affected.

The following tables show a summary of our cash flows and working capital for the periods and as of the dates indicated:

<i>(amounts in thousands)</i>	Three months ended		Change 2023 vs. 2022	
	2023	2022	\$	%
Summary of consolidated cash flows				
Cash used in operating activities	\$ (6,301)	\$ (18,098)	\$ 11,797	-65.2 %
Cash used in investing activities	(17,110)	(4,052)	(13,058)	322.3 %
Cash provided by (used in) financing activities	559	(108)	667	-617.6 %
Effect of exchange rates on cash	(25)	133	(158)	-118.8 %
Net decrease in cash and cash equivalents	<u>\$ (22,877)</u>	<u>\$ (22,125)</u>	<u>\$ (752)</u>	<u>3.4 %</u>

<i>(amounts in thousands)</i>	March 31,	December 31,
Summary of working capital	2023	2022
Total current assets	\$ 283,147	\$ 304,645
Total current liabilities	63,379	65,349
Net working capital	<u>\$ 219,768</u>	<u>\$ 239,296</u>

Operating activities

Historically, we derive operating cash flows from cash collected from the sales and rental of our products and services. These cash flows received are partially offset by our use of cash for operating expenses to support the growth of our business.

Net cash used in operating activities for the three months ended March 31, 2023 consisted primarily of our net loss of \$20.3 million, partially offset by non-cash adjustment items such as depreciation of equipment and leasehold improvements and amortization of intangibles of \$4.1 million, stock-based compensation expense of \$3.4 million, provision for sales returns and doubtful accounts of \$2.3 million, net loss on disposal of rental assets and other assets of \$1.1 million, and provision for inventory obsolescence and other inventory losses of \$0.6 million. The net changes in operating assets and liabilities resulted in a net increase in cash of \$2.6 million.

Net cash used in operating activities for the three months ended March 31, 2022 consisted primarily of our net loss of \$14.2 million, partially offset by non-cash expense items such as depreciation of equipment and leasehold improvements and amortization of intangibles of \$5.8 million, provision for sales returns and doubtful accounts of \$3.0 million, stock-based compensation expense of \$2.7 million, provision for inventory obsolescence and other inventory losses of \$0.9 million, net loss on disposal of rental equipment and other fixed assets of \$0.7 million, and the change in fair value of earnout liability of \$0.6 million. The net changes in operating assets and liabilities resulted in a net use of cash of \$17.5 million.

Investing activities

Net cash provided by (used in) investing activities generally includes the production and purchase of rental assets, property, plant and equipment, and intangibles to support our expanding business as well as maturities or purchases of marketable securities.

For the three months ended March 31, 2023, we invested \$10.4 million in the purchase of marketable securities and \$6.8 million in the production and purchase of rental assets and other property and equipment

For the three months ended March 31, 2022, we invested \$4.1 million in the production and purchase of rental assets and other property and equipment.

We expend significant manufacturing and production expense in connection with the development and production of our oxygen concentrator products and, in connection with our rental business, we incur expense in the deployment and maintenance of rental equipment to our patients. Investments will continue to be required in order to grow our sales and rental revenue and continue to supply and replace rental equipment to our rental patients on service.

Financing activities

Historically, we have funded our operations through our sales and rental revenue and the issuance of preferred and common stock.

For the three months ended March 31, 2023, net cash provided by financing activities consisted of \$1.0 million from the proceeds received from stock options that were exercised and purchases under our employee stock purchase program, partially offset by the payment of employment taxes related to the vesting of restricted stock awards and restricted stock units of \$0.5 million.

For the three months ended March 31, 2022, net cash used in financing activities consisted of the payment of employment taxes related to the vesting of restricted stock awards and restricted stock units of \$1.1 million, partially offset by \$0.9 million from the proceeds received from stock options that were exercised and purchases under our employee stock purchase program.

Sources of funds

Our net cash used in operating activities in the three months ended March 31, 2023 was \$6.3 million compared to \$18.1 million in the three months ended March 31, 2022. As of March 31, 2023, we had cash and cash equivalents of \$164.1 million.

Use of funds

Our principal uses of cash are funding our new rental asset deployments and other capital purchases, operations, and other working capital requirements and, from time-to-time, the acquisition of businesses. Over the past several years, our cash flows from customer collections have remained consistent and our annual cash provided by operating activities has generally been a significant source of capital to the business, which we expect to continue in the future.

We may need to raise additional funds to support our investing operations, and such funding may not be available to us on acceptable terms, or at all. If we are unable to raise additional funds when needed, our operations and ability to execute our business strategy could be adversely affected. We may seek to raise additional funds through equity, equity-linked or debt financings. If we raise additional funds through the incurrence of indebtedness, such indebtedness would have rights that are senior to holders of our equity securities and could contain covenants that restrict our operations. Any additional equity financing may be dilutive to our stockholders.

Non-GAAP financial measures

EBITDA and Adjusted EBITDA are financial measures that are not calculated in accordance with U.S. GAAP. We define EBITDA as net income (loss) excluding interest income, interest expense, taxes and depreciation and amortization. Adjusted EBITDA also excludes stock-based compensation, change in fair value of earnout liability, acquisition-related expenses, and restructuring-related and other charges. Below, we have provided a reconciliation of EBITDA and Adjusted EBITDA to our net loss, the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP. EBITDA and Adjusted EBITDA should not be considered alternatives to net income (loss) or any other measure of financial performance calculated and presented in accordance with U.S. GAAP. Our EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of other organizations because other organizations may not calculate EBITDA and Adjusted EBITDA in the same manner as we calculate these measures.

We include EBITDA and Adjusted EBITDA in this Quarterly Report on Form 10-Q because they are important measures upon which our management assesses our operating performance. We use EBITDA and Adjusted EBITDA as key performance measures because we believe they facilitate operating performance comparisons from period-to-period by excluding potential differences primarily caused by variations in capital structures, tax positions, the impact of depreciation and amortization expense on our fixed assets and intangible assets, the impact of stock-based compensation expense, the impact of the change in fair value of the earnout liability, the impact of acquisition-related expenses, and the impact of restructuring-related costs. Because EBITDA and Adjusted EBITDA facilitate internal comparisons of our historical operating performance on a more consistent basis, we also use EBITDA and Adjusted EBITDA for business planning purposes, to incentivize and compensate our management personnel, and in evaluating acquisition opportunities. In addition, we believe EBITDA and Adjusted EBITDA and similar measures are widely used by investors, securities analysts, ratings agencies, and other parties in evaluating companies in our industry as a measure of financial performance and debt-service capabilities.

Our uses of EBITDA and Adjusted EBITDA have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations are:

- EBITDA and Adjusted EBITDA do not reflect our cash expenditures for capital equipment or other contractual commitments;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect capital expenditure requirements for such replacements;
- EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not include changes in fair value of earnout liability related to our acquisitions;
- Adjusted EBITDA does not include acquisition-related expenses, whether the acquisition was consummated or not pursued;
- Adjusted EBITDA does not include charges represent the costs associated with workforce reductions and associated costs and other restructuring-related activities; and
- other companies, including companies in our industry, may calculate EBITDA and Adjusted EBITDA measures differently, which reduces their usefulness as a comparative measure.

In evaluating EBITDA and Adjusted EBITDA, we anticipate that in the future we will incur expenses within these categories similar to this presentation. Our presentation of EBITDA and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by certain expenses. When evaluating our financial results, EBITDA and Adjusted EBITDA should be considered alongside other financial performance measures, including U.S. GAAP results.

The following table presents a reconciliation of EBITDA and Adjusted EBITDA to our net loss, the most comparable U.S. GAAP measure, for each of the periods indicated:

<i>(amounts in thousands)</i>	Three months ended	
	March 31,	
Non-GAAP EBITDA and Adjusted EBITDA	2023	2022
Net loss (GAAP)	\$ (20,349)	\$ (14,214)
Non-GAAP adjustments:		
Interest income	(1,525)	(29)
Provision for income taxes	196	224
Depreciation and amortization	4,086	5,760
EBITDA (non-GAAP)	(17,592)	(8,259)
Stock-based compensation	3,442	2,665
Acquisition-related expenses	554	—
Restructuring-related and other charges	1,809	—
Change in fair value of earnout liability	—	630
Adjusted EBITDA (non-GAAP)	<u>\$ (11,787)</u>	<u>\$ (4,964)</u>

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various market risks, including fluctuation in foreign currency exchange rates and interest rates. Market risk is the potential loss arising from adverse changes in market rates and prices. We do not hold or issue financial instruments for trading purposes.

Foreign currency exchange risk

The principal market risk we face is foreign currency exchange risk. The majority of our revenue is denominated in U.S. dollars while the majority of our European sales are denominated in Euros. Our results of operations, certain balance sheet balances and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. We have experienced and will continue to experience fluctuations in our net income or loss as a result of transaction gains or losses related to revaluing certain current asset and current liability balances that are denominated in currencies other than the functional currency in which they are recorded. The effect of a 10% adverse change in exchange rates on foreign denominated cash, receivables and payables as of March 31, 2023 would not have had a material effect on our financial position, results of operations or cash flows. As our operations in countries outside of the United States grow, our results of operations and cash flows will be subject to fluctuations due to changes in foreign currency exchange rates, which could harm our business in the future.

We enter into foreign exchange forward contracts to protect our forecasted U.S. dollar-equivalent earnings from adverse changes in foreign currency exchange rates. These hedging contracts reduce, but will not entirely eliminate, the impact of adverse currency exchange rate movements on revenue, cash, receivables and payables. We performed a sensitivity analysis assuming a hypothetical 10% adverse movement in foreign exchange rates to the hedging contracts and the underlying exposures described above. As of March 31, 2023, the analysis indicated that these hypothetical market movements would not have a material effect on our financial position, results of operations or cash flows. We estimate prior to any hedging activity that a 10% adverse change in exchange rates on our foreign denominated sales would have resulted in a \$1.5 million decline in revenue for the three months ended March 31, 2023. We designate these forward contracts as cash flow hedges for accounting purposes. The fair value of the forward contract is separated into intrinsic and time values. The fair value of forward currency-exchange contracts is sensitive to changes in currency exchange rates. Changes in the time value are coded in other income (expense), net. Changes in the intrinsic value are recorded as a component of accumulated other comprehensive loss and subsequently reclassified into revenue to offset the hedged exposures as they occur.

Interest rate fluctuation risk

We had cash and cash equivalents of \$164.1 million as of March 31, 2023, which consisted of highly liquid investments with a maturity of three months or less, and \$10.4 million of marketable securities with maturity dates of greater than three months. The primary goals of our investment policy are liquidity and capital preservation. We do not enter into investments for trading or speculative purposes. We believe that we do not have any material exposure to changes in the fair value of these assets as a result of changes in interest rates due to the short-term nature of our cash and cash equivalents. Declines in interest rates, however, would reduce future investment income. We considered the historical volatility of short-term interest rates and determined that it was reasonably possible that an adverse change of 100 basis points could be experienced in the near term. A hypothetical 1.00% (100 basis points) increase in interest rates would not have materially impacted the fair value of our marketable securities as of March 31, 2023 and March 31, 2022. If overall interest rates had increased or decreased by 1.00% (100 basis points), our interest income would not have been materially affected during the three months ended March 31, 2023.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

The Company maintains a system of disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which are designed to provide reasonable assurance that information required to be disclosed in the reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported accurately and completely within the time periods specified in the SEC’s rules and forms. These disclosure controls and procedures include, among other processes, controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Due to inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Further, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions over time, or that the degree of compliance with the policies and procedures may deteriorate. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2023. Based upon the evaluation described above, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2023, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in internal control over financial reporting

There has been no change in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or 15d-15 that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on effectiveness of controls

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Because of the inherent limitations in any control system, misstatements due to error or fraud may occur and not be detected.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

Civil Investigative Demand

On June 21, 2022, we received a civil investigative demand (“CID”) from the United States Attorney’s Office for the Northern District of Iowa. The CID states that it was issued in a False Claims Act investigation to determine whether there is or has been a violation of the False Claims Act and that the investigation involves concerns of inappropriate kickbacks provided by certain manufacturers of portable oxygen concentrators and related products in violation of the Anti-Kickback Statute. The CID followed informal requests from the United States Attorney’s Office for the Northern District of Iowa begun in late 2020, with which we voluntarily complied, to obtain information concerning our participation in (i) zero-interest or below market-rate loans through a third party lender to finance customer purchases; (ii) guaranteeing the obligation of a customer to a finance company in connection with financing of purchases of our equipment; and (iii) entering into an agreement with a customer that included marketing, exclusivity, discount, and favorable financing terms. We are cooperating in the investigation. We are currently unable to predict the outcome of this investigation or whether qui tam or other litigation is probable. Regardless of the outcome, this inquiry has the potential to have an adverse impact on us due to any related defense and settlement costs, diversion of management resources, and other factors.

Other Litigation

We are party to various legal proceedings arising in the normal course of business. We carry insurance, subject to specified deductibles under the policies, to protect against losses from certain types of legal claims. At this time, we do not anticipate that any of these other proceedings arising in the normal course of business will have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

Item 1A. Risk Factors

The significant factors known to us that could materially adversely affect our business, financial condition, or operating results are described in the “[Risk Factors](#)” section of our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on February 24, 2023 and below. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. As of the date of this Quarterly Report on Form 10-Q, there have been no material changes from the risk factors previously disclosed in our 2022 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 24, 2023, which are incorporated by reference herein, except as disclosed below.

An economic recession, downturn, period of inflation, or economic uncertainty in our key markets may adversely affect customer and consumer spending as well as demand for our products.

Our results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. The global credit and financial markets have experienced severe volatility and disruptions in the past several years, including as a result of the impacts of COVID-19, increasing inflation, geopolitical conflict and uncertainties, and the recent events in the U.S. banking sector, including the collapse of Silicon Valley Bank and other financial institutions in March 2023. As global economic conditions continue to be volatile or economic uncertainty remains, trends in consumer spending also remain unpredictable and subject to reductions due to credit constraints and uncertainties about the future. There can be no assurance that further deterioration in credit and financial markets and confidence in economic conditions will not occur. Our general business strategy may be adversely affected by any such economic downturn, volatile business environment, higher inflation, bank failures or continued unpredictable and unstable market conditions. Unfavorable economic conditions may lead customers and consumers to delay or reduce purchases of our products and/or strain our suppliers. Consumer demand for our products may not reach our targets, or may decline, when there is an economic downturn or economic uncertainty in our key markets and our customers could be delayed in making payments for our products. Our sensitivity to economic cycles and any related fluctuation in customer and consumer demand could have a material adverse effect on our business, financial condition, and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**Unregistered Sales of Equity Securities**

None.

Issuer Purchases of Equity Securities

We did not repurchase any shares of our common stock during the three months ended March 31, 2023.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

As discussed elsewhere in this Quarterly Report on Form 10-Q, we incurred \$1.8 million of restructuring costs during the three months ended March 31, 2023, primarily in connection with our cost reduction initiatives. On May 3, 2023, the company announced a cost restructuring that was intended to improve operational efficiency, reduce operating costs and better align our workforce with the current needs of our business. We currently expect restructuring costs to be \$1.8 million, consisting primarily of severance and termination benefits and related costs. We expect the vast majority of the cash expenses related to the restructuring costs to be paid over the first and second quarters of 2023. These estimates are subject to a number of assumptions, and actual results may differ.

Item 6. Exhibits

Exhibit Number	Description	Incorporated by Reference From Form	Incorporated by Reference From Exhibit Number	Date Filed
10.1	Transition Agreement and Release between the Company and Bart Sanford, dated February 10, 2023	8-K	10.1	02/10/23
21.1	List of Subsidiaries of the Registrant	Filed herewith		
31.1	Certification Pursuant to Exchange Act Rules 13a - 14(a) and 15d - 14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Chief Executive Officer	Filed herewith		
31.2	Certification Pursuant to Exchange Act Rules 13a - 14(a) and 15d - 14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Chief Financial Officer	Filed herewith		
32.1(1)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Chief Executive Officer			
32.2(1)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Chief Financial Officer			
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.			
101.SCH	Inline XBRL Taxonomy Extension Schema Document			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document			
101.DEF	Inline XBRL Taxonomy Extension Definition Document			
104	The cover page of this Quarterly Report on Form 10-Q, formatted in inline XBRL.			

(1)The Certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Inogen, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INOGEN, INC.

Dated: May 5, 2023

By: /s/ Nabil Shabshab
Nabil Shabshab
Chief Executive Officer
President
Director
(Principal Executive Officer)

Dated: May 5, 2023

By: /s/ Kristin Caltrider
Kristin Caltrider
Executive Vice President,
Chief Financial Officer
Treasurer
(Principal Financial and Accounting Officer)

Subsidiaries of Inogen, Inc.*

Name of Subsidiary

Jurisdiction of Incorporation or Organization

Inogen Europe B.V.

Netherlands

*Inclusion on the list above is not an admission that any of the above entities, individually or in the aggregate, constitutes a significant subsidiary within the meaning of Rule 1-02(w) of Regulation S-X and Item 601(b)(21)(ii) of Regulation S-K.

**Certification by the Chief Executive Officer Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Nabil Shabshab, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Inogen, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 5, 2023

By: /s/ Nabil Shabshab
Nabil Shabshab
Chief Executive Officer, President and Director
(Principal Executive Officer)

**Certification by the Chief Financial Officer Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Kristin Caltrider, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Inogen, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 5, 2023

By: /s/ Kristin Caltrider
Kristin Caltrider
Chief Financial Officer
Executive Vice President
Treasurer
(Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. § 1350, AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Nabil Shabshab, the chief executive officer of Inogen, Inc. (the “Company”), certify for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge,

(i) the Quarterly Report of the Company on Form 10-Q for the three months ended March 31, 2023 (the “Report”), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 5, 2023

By: /s/ Nabil Shabshab
Nabil Shabshab
Chief Executive Officer, President and Director

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. § 1350, AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Kristin Caltrider, the chief financial officer of Inogen, Inc. (the “Company”), certify for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge,

(i) the Quarterly Report of the Company on Form 10-Q for the three months ended March 31, 2023 (the “Report”), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 5, 2023

By: /s/ Kristin Caltrider
Kristin Caltrider
Chief Financial Officer
Executive Vice President
Treasurer
