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, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period From _____to

Commission file number: 001-36309

INOGEN, INC.

(Exact name of registrant as specified in its charter)

Delaware	**33-0989359**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
859 Ward Drive Goleta, CA	**93111**
(Address of principal executive offices)	**(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	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 3, 2024, the registrant had 23,577,109 shares of common stock, par value $0.001, outstanding.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	March 31, 2024	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	$ 107,444	$ 125,492
Marketable securities	12,361	2,979
Accounts receivable, net	40,223	42,241
Inventories, net	24,601	21,840
Income tax receivable	976	669
Prepaid expenses and other current assets	13,589	13,846
Total current assets	199,194	207,067
Property and equipment, net	49,270	50,316
Goodwill	9,834	10,057
Intangible assets, net	32,907	34,591
Operating lease right-of-use asset	20,575	20,338
Other assets	3,819	3,825
Total assets	$ 315,599	$ 326,194
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable and accrued expenses	$ 31,706	$ 30,142
Accrued payroll	10,602	11,066
Warranty reserve - current	10,095	9,628
Operating lease liability - current	3,515	3,653
Earnout liability	10,570	10,000
Deferred revenue - current	7,422	7,980
Income tax payable	—	27
Total current liabilities	73,910	72,496
Long-term liabilities		
Warranty reserve - noncurrent	15,435	13,850
Operating lease liability - noncurrent	18,595	18,270
Deferred revenue - noncurrent	7,613	8,227
Deferred tax liability	8,148	8,539
Total liabilities	123,701	121,382
Commitments and contingencies (Note 10)		
Stockholders' equity		
Common stock, $0.001 par value per share; 200,000,000 authorized; 23,546,478 and 23,324,750 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	24	23
Additional paid-in capital	323,213	320,513
Accumulated deficit	(131,527)	(116,949)
Accumulated other comprehensive income	188	1,225
Total stockholders' equity	191,898	204,812
Total liabilities and stockholders' equity	$ 315,599	$ 326,194

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,	
	2024	**2023**
Revenue		
Sales revenue	$ 63,095	$ 55,887
Rental revenue	14,930	16,275
Total revenue	78,025	72,162
Cost of revenue		
Cost of sales revenue	35,244	33,964
Cost of rental revenue, including depreciation of $3,179 and $3,078, respectively	8,410	7,465
Total cost of revenue	43,654	41,429
Gross profit		
Gross profit-sales revenue	27,851	21,923
Gross profit-rental revenue	6,520	8,810
Total gross profit	34,371	30,733
Operating expense		
Research and development	6,578	5,344
Sales and marketing	26,936	28,441
General and administrative	17,131	18,863
Total operating expense	50,645	52,648
Loss from operations	(16,274)	(21,915)
Other income (expense)		
Interest income, net	1,403	1,525
Other income, net	143	237
Total other income, net	1,546	1,762
Loss before provision (benefit) for income taxes	(14,728)	(20,153)
Provision (benefit) for income taxes	(150)	196
Net loss	(14,578)	(20,349)
Other comprehensive income (loss), net of tax		
Change in foreign currency translation adjustment	(1,035)	170
Change in net unrealized gains (losses) on marketable securities	(2)	69
Total other comprehensive income (loss), net of tax	(1,037)	239
Comprehensive loss	$ (15,615)	$ (20,110)
Basic net loss per share attributable to common stockholders (Note 7)	$ (0.62)	$ (0.88)
Diluted net loss per share attributable to common stockholders (Note 7)	$ (0.62)	$ (0.88)
Weighted average number of shares used in calculating net loss per share attributable to common stockholders:		
Basic common shares	23,401,598	23,009,617
Diluted common shares	23,401,598	23,009,617

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, 2024 and March 31, 2023

	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Total stockholders' equity
	Shares	Amount				
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	23,120,786	$ 23	$ 316,127	$ (34,849)	$ (4)	$ 281,297
Balance, December 31, 2023	23,324,750	$ 23	$ 320,513	$ (116,949)	$ 1,225	$ 204,812
Stock-based compensation	—	—	2,416	—	—	2,416
Stock issued	233,927	1	369	—	—	370
Tax withholding related to vesting of restricted stock units	(12,199)	—	(85)	—	—	(85)
Net loss	—	—	—	(14,578)	—	(14,578)
Other comprehensive loss	—	—	—	—	(1,037)	(1,037)
Balance, March 31, 2024	23,546,478	$ 24	$ 323,213	$ (131,527)	$ 188	$ 191,898

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,	
	2024	**2023**
Cash flows from operating activities		
Net loss	$ (14,578)	$ (20,349)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,265	4,086
Loss on rental units and other assets	1,162	1,099
Gain on sale of former rental assets	(38)	(21)
Provision for sales revenue returns and doubtful accounts	2,164	2,258
Provision for inventory losses	(53)	603
Stock-based compensation expense	2,416	3,442
Deferred income taxes	(201)	—
Change in fair value of earnout liability	570	—
Changes in operating assets and liabilities:		
Accounts receivable	(267)	6,726
Inventories	(2,973)	(6,362)
Income tax receivable	(312)	(233)
Prepaid expenses and other current assets	248	5,173
Operating lease right-of-use asset	(249)	550
Other noncurrent assets	4	47
Accounts payable and accrued expenses	1,488	(1,845)
Accrued payroll	(449)	(436)
Warranty reserve	2,052	180
Deferred revenue	(1,172)	(684)
Income tax payable	(27)	—
Operating lease liability	201	(535)
Net cash used in operating activities	(4,749)	(6,301)
Cash flows from investing activities		
Purchases of available-for-sale securities	(12,384)	(10,359)
Maturities of available-for-sale securities	3,000	—
Investment in property and equipment	(1,310)	(1,076)
Production and purchase of rental equipment	(2,820)	(5,733)
Proceeds from sale of former assets	70	58
Net cash used in investing activities	$ (13,444)	$ (17,110)

(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,	
	2024	**2023**
Cash flows from financing activities		
Proceeds from stock options exercised	—	384
Proceeds from employee stock purchases	370	630
Payment of employment taxes related to release of restricted stock	(85)	(455)
Net cash provided by financing activities	285	559
Effect of exchange rates on cash	(140)	(25)
Net decrease in cash and cash equivalents	(18,048)	(22,877)
Cash and cash equivalents, beginning of period	125,492	187,014
Cash and cash equivalents, end of period	$ 107,444	$ 164,137
Supplemental disclosures of cash flow information		
Cash paid during the period for income taxes, net of refunds received	$ 422	$ 418
Supplemental disclosure of non-cash transactions		
Property and equipment in accounts payable and accrued liabilities	100	65

See accompanying condensed notes to the consolidated financial statements.

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 business 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 refers to as 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® and Inogen Rove systems concentrate the air around the patient to offer a source of supplemental oxygen anytime, anywhere with a 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. On September 14, 2023, the Company completed the acquisition of all of the issued and outstanding capital stock of Physio-Assist SAS (Physio-Assist) and its wholly-owned subsidiary PhysioAssist GmbH.

2. Basis of presentation and summary of significant accounting policies

Basis of presentation

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, 2024 shown in this report are not necessarily indicative of results to be expected for the full year ending December 31, 2024. 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 March 1, 2024. 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 March 1, 2024.

Basis of consolidation

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

Accounting 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, income taxes, fair value of acquired intangible assets and goodwill, and fair value of earnout liabilities. Actual results could differ from these estimates.

3. Acquisitions

On July 10, 2023, the Company entered into a share purchase agreement to acquire Physio-Assist, which is in the business of the design, production, and marketing of medical devices for bronchial decongestion (airway clearance technique) for patients suffering from obstructive respiratory diseases. On September 14, 2023, the Company completed the acquisition of all of the issued and outstanding capital stock of Physio-Assist and its wholly-owned subsidiary PhysioAssist GmbH for a purchase price consisting of $32,250 in cash consideration and the fair value of a potential earnout of $3,178 based on future regulatory clearances.

A potential earnout payment of either $13,000 (without a clinical trial requirement) or $11,000 (with a required clinical trial less related development costs) is dependent upon the achievement of one of two milestones related to U.S. Food and Drug Administration (FDA) de novo authorization or 510(k) clearance for the Simeox Airway Clearance System within four years of the date of the closing of the transaction. The fair value of the earnout liability was measured using the probability weighted expected return methodology and was discounted using a rate and probability that appropriately captures the risk associated with the obligation.

Assets and liabilities of the acquired company were recorded at their estimated fair values at the date of acquisition. The excess purchase price over the fair value of net tangible assets and identifiable intangible assets acquired has been allocated to goodwill. Goodwill represents the expected synergies with the existing business, the acquired assembled workforce, and future cash flows after the acquisition. The fair value assigned to the identifiable intangible assets was determined primarily by using the excess earnings method. The key assumptions included in the excess earnings method included revenue recognized, cost of revenue, and the discount rate.

The Company's allocation of the purchase price of Physio-Assist is preliminary and any measurement period adjustments that result from the finalization of the purchase price allocation will be recorded retrospectively to the acquisition date. Changes are possible and could change the allocation of the purchase price.

The following table summarizes the preliminary allocation of the purchase price over the estimated fair value of the assets acquired and liabilities assumed in the acquisition of Physio-Assist:

Cash	$	2,617
Accounts receivable		184
Inventories		296
Other assets		325
Property and equipment		82
Operating lease right-of-use asset		306
Intangible assets		34,100
Goodwill		9,755
Total assets acquired	$	47,665
Accounts payable and accrued expenses	$	1,108
Bank loans		1,922
Other current liabilities		376
Operating lease liability		306
Deferred tax liability - noncurrent		8,525
Total liabilities assumed		12,237
Total identifiable net assets	$	35,428
Cash consideration	$	32,250
Fair value of contingent earnout consideration		3,178
Total purchase price	$	35,428

The consolidated financial and operating results reflect the Physio-Assist operations beginning September 14, 2023. The following unaudited pro forma information for the three months ended March 31, 2023 presents the revenues and net loss assuming the acquisition of Physio-Assist had occurred as of January 1, 2022.

		Three months ended March 31, 2023
Total revenue	$	73,008
Net loss	$	(20,689)

4. 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, 2024				
	Adjusted cost	Gross unrealized gains	Fair value	Cash and cash equivalents	Marketable securities
Cash	$ 22,587	$ —	$ 22,587	$ 22,587	$ —
Level 1:					
Money market accounts	53,607	—	53,607	53,607	—
Level 2:					
U.S. Treasury securities	22,167	134	22,301	9,940	12,361
Institutional Insured Liquidity Deposit Savings	21,310	—	21,310	21,310	—
Total	$ 119,671	$ 134	$ 119,805	$ 107,444	$ 12,361

	As of December 31, 2023				
	Adjusted cost	Gross unrealized gains	Fair value	Cash and cash equivalents	Marketable securities
Cash	$ 12,611	$ —	$ 12,611	$ 12,611	$ —
Level 1:					
Money market accounts	72,368	—	72,368	72,368	—
Level 2:					
Corporate bonds	2,979	—	2,979	—	2,979
U.S. Treasury securities	19,252	136	19,388	19,388	—
Institutional Insured Liquidity Deposit Savings	21,125	—	21,125	21,125	—
Total	$ 128,335	$ 136	$ 128,471	$ 125,492	$ 2,979

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 receivable of $64 and payable of $155 as of March 31, 2024 and December 31, 2023, respectively.

Accumulated other comprehensive income (loss)

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

	Foreign currency translation adjustments	Unrealized gains (losses) on marketable securities	Accumulated other comprehensive income (loss)
Balance as of December 31, 2023	$ 1,089	$ 136	$ 1,225
Other comprehensive loss	(1,035)	(2)	(1,037)
Balance as of March 31, 2024	$ 54	$ 134	$ 188

Comprehensive income (loss) is the total net earnings and all other non-owner changes in equity.

Earnout liability

The Company has obligations to pay up to $13,000 in an earnout payment for the Physio-Assist acquisition in cash if certain future regulatory results are met. The earnout liability was valued using Level 3 inputs.

The reconciliation of the earnout liability measured and carried at fair value on a recurring basis is as follows:

Balance as of December 31, 2023	$ 10,000
Change in fair value	570
Balance as of March 31, 2024	$ 10,570

5. Balance sheet components

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, 2024 and December 31, 2023 were as follows:

Net accounts receivable	March 31, 2024	December 31, 2023
Rental [1]	$ 6,975	$ 6,401
Business-to-business and other receivables [2]	33,248	35,840
Total net accounts receivable	$ 40,223	$ 42,241

(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 a net accounts receivable balance of $6,665 and $8,639 as of March 31, 2024 and December 31, 2023, respectively; and 2) one customer had a net accounts receivable balance of $2,758 and $4,994 as of March 31, 2024 and December 31, 2023, respectively. Each customer received extended payment terms through a direct financing plan offered.

The following table sets forth the accounts receivable allowances as of March 31, 2024 and December 31, 2023:

Allowances - accounts receivable	March 31, 2024	December 31, 2023
Doubtful accounts	$ 2,401	$ 2,341
Sales returns	605	479
Total allowances - accounts receivable	$ 3,006	$ 2,820

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. Medicare's service reimbursement programs represented more than 10% of the Company's total revenue for the three months ended March 31, 2024 and March 31, 2023. One customer represented more than 10% of the Company’s net accounts receivable balance with a net accounts receivable balance of $6,665 as of March 31, 2024, and two customers each represented more than 10% of the Company's net accounts receivable balance with net accounts receivable balances of $8,639 and $4,994, respectively, as of December 31, 2023.

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 58.4% and 73.8% of rental revenue in the three months ended March 31, 2024 and 2023, respectively, and based on total revenue were 11.2% and 16.6% for the three months ended March 31, 2024 and 2023, respectively. Accounts receivable balances relating to Medicare’s service reimbursement programs (including held and unbilled, net of allowances) amounted to $1,427 or 3.5% of total net accounts receivable as of March 31, 2024 compared to $2,059 or 4.9% of total net accounts receivable as of December 31, 2023.

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, 2024, the Company’s three major vendors accounted for 24.6%, 17.2%, and 10.0%, respectively, of total raw material purchases. 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.

A portion of revenue is earned from sales outside the United States. Approximately 79.9% and 77.0% of the non-U.S. revenue for the three months ended March 31, 2024 and 2023, 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, 2024 and 2023, respectively, is as follows:

	Three months ended March 31,	
	2024	2023
U.S. revenue	$ 51,990	$ 53,190
Non-U.S. revenue	26,035	18,972
Total revenue	$ 78,025	$ 72,162

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 to inventory for potentially excess, obsolete, slow-moving, or impaired items, and losses on firm purchase commitments as a component of cost of sales in our consolidated statements of comprehensive loss. The Company recorded noncurrent inventory related to inventories that are expected to be realized or consumed after one year of $1,377 and $1,225 as of March 31, 2024 and December 31, 2023, respectively. Noncurrent inventories are primarily related to raw materials purchased in bulk to support long-term expected repairs to reduce costs and are classified in other assets. During the three months ended March 31, 2024 and 2023, $331 and $1,013, 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, 2024	December 31, 2023
Raw materials and work-in-progress	$ 19,011	$ 18,036
Finished goods	8,702	6,871
Less: reserves	(3,112)	(3,067)
Inventories, net	$ 24,601	$ 21,840

Property and equipment

Repair and maintenance expense, which includes labor, parts, and freight, for rental equipment was $1,759 and $1,311 for the three months ended March 31, 2024 and 2023, respectively.

Depreciation and amortization expense related to rental equipment and other property and equipment are summarized below for the three months ended March 31, 2024 and 2023, respectively.

	Three months ended March 31,	
	2024	2023
Rental equipment	$ 3,179	$ 3,078
Other property and equipment	1,154	982
Total depreciation and amortization	$ 4,333	$ 4,060

Property and equipment and rental equipment with associated accumulated depreciation is summarized below as of March 31, 2024 and December 31, 2023, respectively.

Property and equipment	March 31, 2024	December 31, 2023
Rental equipment, net of allowances of $2,916 and $2,606, respectively	$ 66,352	$ 67,804
Other property and equipment	31,044	30,357
Property and equipment	97,396	98,161
Accumulated depreciation		
Rental equipment	30,783	31,023
Other property and equipment	17,343	16,822
Accumulated depreciation	48,126	47,845
Property and equipment, net		
Rental equipment, net of allowances of $2,916 and $2,606, respectively	35,569	36,781
Other property and equipment	13,701	13,535
Property and equipment, net	$ 49,270	$ 50,316

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 for the three months ended March 31, 2024 and March 31, 2023.

Goodwill and other identifiable intangible assets

Goodwill

The changes in the carrying amount of goodwill for the three months ended March 31, 2024 were as follows:

Balance as of December 31, 2023 [(1)]	$ 10,057
Translation adjustment	(223)
Balance as of March 31, 2024 [(1)]	$ 9,834

(1) Includes $32,894 of accumulated impairment losses as of March 31, 2024 and December 31, 2023.

Intangible assets

The following tables represent the changes in net carrying values of intangible assets as of the respective dates:

March 31, 2024	Average estimated useful lives (in years)	Gross carrying amount	Accumulated amortization	Net amount
Developed technology	10	$ 32,564	$ 1,764	$ 30,800
Licenses	10	185	185	—
Patents and websites	5	4,518	4,446	72
Customer relationships	4	2,908	1,383	1,525
Trade name	4	201	27	174
Commercials	3	494	158	336
Total		$ 40,870	$ 7,963	$ 32,907

December 31, 2023	Average estimated useful lives (in years)	Gross carrying amount	Accumulated amortization	Net amount
Developed technology	10	$ 33,303	$ 971	$ 32,332
Licenses	10	185	185	—
Patents and websites	5	4,518	4,429	89
Customer relationships	4	2,974	1,372	1,602
Trade name	4	206	15	191
Commercials	3	494	117	377
Total		$ 41,680	$ 7,089	$ 34,591

Annual estimated amortization expense for each of the succeeding fiscal years is as follows:

	March 31, 2024
Remaining 9 months of 2024	$ 2,955
2025	3,893
2026	3,762
2027	3,709
2028	3,256
2029	3,256
Thereafter	12,076
	$ 32,907

Current liabilities

Accounts payable and accrued expenses as of March 31, 2024 and December 31, 2023 consisted of the following:

	March 31, 2024	December 31, 2023
Accounts payable	$ 15,922	$ 13,454
Accrued inventory (in-transit and unvouchered receipts) and trade payables	9,359	10,054
Accrued purchasing card liability	2,445	2,197
Accrued loss on purchase commitments	1,941	2,057
Accrued franchise, sales and use taxes	394	472
Other accrued expenses	1,645	1,908
Total accounts payable and accrued expenses	$ 31,706	$ 30,142

Accrued payroll as of March 31, 2024 and December 31, 2023 consisted of the following:

	March 31, 2024	December 31, 2023
Accrued bonuses	$ 1,731	$ 1,110
Accrued wages and other payroll related items	2,989	4,170
Accrued vacation	3,957	3,194
Accrued severance	1,783	2,284
Accrued employee stock purchase plan deductions	142	308
Total accrued payroll	$ 10,602	$ 11,066

6. Leases

The Company has entered into operating leases primarily for commercial buildings. These leases have terms that 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 $1,073 and $972 for the three months ended March 31, 2024 and 2023, respectively.

In July 2023, the Company entered into an Assignment and Assumption of Lease Agreement in which a third party (Assignee) assumed the rights, title, and interest in the lease, including assumption of lease payments. Notwithstanding the Assignee's assumption of lease payments, Inogen remains the primary obligor under the lease to the landlord. Lease payments assumed by the Assignee are:

Payments due in the 12-month period ending March 31,	
2025	$ 1,136
2026	1,136
2027	1,136
2028	1,136
2029	1,136
Thereafter	2,461
	$ 8,141

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

	Three months ended March 31,	
	2024	2023
Cash paid for operating lease liabilities	$ 1,115	$ 994
Operating lease cost	1,056	957
Non-cash right-of-use assets obtained in exchange for new operating lease obligations	1,224	264
Weighted average remaining lease term	3.0 years	2.1 years
Weighted average discount rate	4.8 %	3.0 %

Maturities of lease liabilities due in the 12-month period ending March 31,	
2025	$ 4,091
2026	3,481
2027	3,503
2028	3,470
2029	3,120
Thereafter	6,576
	24,241
Less imputed interest	(2,131)
Total lease liabilities	$ 22,110

Operating lease liability - current	$ 3,515
Operating lease liability - noncurrent	18,595
Total lease liabilities	$ 22,110

7. Loss per share

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 loss per share when their effect is dilutive.

Basic loss per share is calculated using the Company's weighted-average outstanding common shares. Diluted loss per share is calculated using the Company's weighted-average outstanding common shares including the dilutive effect of stock awards as determined under the treasury stock method.

The computation of EPS is as follows:

	Three months ended March 31,	
	2024	2023
Numerator—basic and diluted:		
Net loss	$ (14,578)	$ (20,349)
Denominator:		
Weighted average common shares - basic common stock [1]	23,401,598	23,009,617
Weighted average common shares - diluted common stock	23,401,598	23,009,617
Net loss per share - basic common stock	$ (0.62)	$ (0.88)
Net loss per share - diluted common stock [2]	$ (0.62)	$ (0.88)
Denominator calculation from basic to diluted:		
Weighted average common shares - basic common stock [1]	23,401,598	23,009,617
Stock options and other dilutive awards	267,100	228,281
Weighted average common shares - diluted common stock	23,668,698	23,237,898
Shares excluded from diluted weighted average shares:		
Stock options	20,000	286,861
Restricted stock units and restricted stock awards	493,237	491,406
Shares excluded from diluted weighted average shares	513,237	778,267

(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, 2024 and March 31, 2023, diluted loss per share is the same as basic.

8. 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, 2023, the Company recorded a full valuation allowance of $59,968. As of March 31, 2024, the Company continued to record a valuation allowance against its domestic deferred tax assets.

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

9. Stockholders' equity

The Company has a 2014 Equity Incentive Plan (2014 Plan) under which the Company granted restricted stock units, restricted stock awards, performance units, performance shares, and options to purchase shares of its common stock. As of March 31, 2024, awards with respect to 771,689 shares of the Company's common stock were outstanding.

The Company has a 2023 Equity Incentive Plan (2023 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, 2024, awards with respect to 1,053,427 shares of the Company's common stock were outstanding, and 1,244,094 shares of common stock remained available for issuance under the 2023 Plan. The shares available for issuance under the 2023 Plan will be increased by any shares returned to the 2014 Plan as a result of 1) expiration or termination of awards and 2) tendered to or withheld by us for payment of an exercise or purchase price or for tax withholding obligations.

Pursuant to the Nasdaq inducement grant exception, during the quarter ended March 31, 2024, the Company issued 225,000 shares of common stock to a certain new hire issuable upon (i) the vesting of a maximum of 75,000 time-based restricted stock units granted, and (ii) the vesting of a maximum of 150,000 shares of performance-based restricted stock units granted to induce the employee to accept employment with the Company in accordance with Nasdaq Listing Rule 5635(c)(4).

Stock options

Options expire ten years from the date of grant and vest over one-year terms. The activity for stock options under the Company's stock plans for the three months ended March 31, 2024 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, 2023	20,000	$ 83.30	$ 83.30	0.36	$ —
Forfeited	(10,000)	83.30	83.30		
Outstanding as of March 31, 2024	10,000	83.30	83.30	0.11	—
Vested and exercisable as of March 31, 2024	10,000	83.30	83.30	0.11	—
Vested and expected to vest as of March 31, 2024	10,000	$ 83.30	$ 83.30	0.11	$ —

The total intrinsic value of options exercised during the three months ended March 31, 2024 and 2023 was $0 and $735, respectively. As of March 31, 2024, all stock-based compensation expense for options granted under the Plans was recognized.

Stock incentive awards

The Company grants restricted stock units (RSUs) under the 2014 and 2023 Plans (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 more or 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, 2024 is summarized below:

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, 2023	1,146,404	346,688	1,493,092	$ 14.67
Granted	608,174	235,000	843,174	6.95
Vested	(163,446)	—	(163,446)	20.81
Forfeited/canceled	(28,856)	(103,850)	(132,706)	19.58
Unvested restricted stock units as of March 31, 2024 [1]	1,562,276	477,838	2,040,114	$ 10.96
Unvested and expected to vest restricted stock units outstanding as of March 31, 2024			1,625,427	$ 11.03

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

As of March 31, 2024, the unrecognized compensation cost related to unvested employee restricted stock units was $13,639, excluding estimated forfeitures. This amount is expected to be recognized over a weighted average period of 2.0 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, 2024, a total of 658,823 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.

For 2024, 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, 2024 and 2023, was as follows:

	Three months ended March 31,	
	2024	**2023**
Stock-based compensation expense by type of award:		
Restricted stock units and restricted stock awards	$ 2,309	$ 3,305
Employee stock purchase plan	107	137
Total stock-based compensation expense	$ 2,416	$ 3,442

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, 2024 and 2023, 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,	
	2024	**2023**
Cost of revenue	$ 180	$ 84
Research and development	460	458
Sales and marketing	430	774
General and administrative	1,346	2,126
Total stock-based compensation expense	$ 2,416	$ 3,442

10. Commitments and contingencies

Purchase obligations

The Company had approximately $75,500 of outstanding purchase orders due within one year with its outside vendors and suppliers as of March 31, 2024. The Company has $1,941 and $2,057 accrued within accounts payable and other accrued expenses in the consolidated balance sheets as of March 31, 2024 and December 31, 2023, respectively, related to estimated losses for firm commitment contractual obligations under these agreements. Losses on these firm commitment contractual obligations are recognized based upon the terms of the respective agreement and similar factors considered for the write-down of inventory, including expected sales requirements as determined by internal sales forecasts.

Warranty obligation

The following table identifies the changes in the Company's aggregate product warranty liabilities for the three-month and twelve-month periods ended March 31, 2024 and December 31, 2023, respectively:

	March 31, 2024	December 31, 2023
Product warranty liability at beginning of period	$ 23,478	$ 19,913
Accruals for warranties issued	2,877	9,843
Adjustments related to preexisting warranties (including changes in estimates)	1,876	5,014
Settlements made (in cash or in kind)	(2,701)	(11,292)
Product warranty liability at end of period	$ 25,530	$ 23,478

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 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, 2024 was primarily driven by $1,448 of revenue recognized that were included in the deferred revenue balances as of December 31, 2023, partially offset by $535 of payments received in advance of satisfying performance obligations. Deferred revenue related to lifetime warranties was $12,402 and $13,315 as of March 31, 2024 and December 31, 2023, respectively, and is classified within deferred revenue - current and deferred revenue - noncurrent 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

The Company is party to various legal proceedings and investigations 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.

11. Foreign currency exchange contracts and hedging

As of March 31, 2024 and March 31, 2023, the Company's total non-designated and designated derivative contracts had notional amounts totaling approximately $37,425 and $0, respectively, and $8,041 and $2,445, respectively. These contracts were comprised of offsetting contracts with the same counterparty, each expires within one month. During the three months ended March 31, 2024 and 2023, these contracts had, net of tax, an unrealized gain (loss) of $0.

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, 2024, there were no ineffective portions relating to these hedges and the hedges remained effective through their respective settlement dates. During the three months ended March 31, 2023, there were no ineffective portions related to these hedges. As of March 31, 2024, the Company had no designated hedges and four non-designated hedges. As of March 31, 2023, the Company had no 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, results of operations, and 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 assessment and expectations regarding reimbursement rates, future rounds of competitive bidding, Centers for Medicare and Medicaid Services (CMS) changes to Home Use of Oxygen national coverage determination and how those changes are implemented, and future changes in rental revenue;
- 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;
- 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 attract and keep key talent to the Company;
- our ability to efficiently integrate Physio-Assist SAS and our ability to obtain regulatory clearances in the U.S.;
- 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 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, portable oxygen concentrator (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 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; and
- 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.

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,” “Oxygen.Anytime.Anywhere,” “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 pending applications for the marks “Rove,” “Inogen Rove,” “Inogen Rove 4” and “Inogen Rove 6” with the United States Patent and Trademark Office. 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 a pending application for the mark “Inogen” in the Dominican Republic. 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 marks “Inogen Rove 4” and “Inogen Rove 6” in Europe (European Union Registrations) and the United Kingdom. We own trademark registrations for the mark “G5” in Europe (European Union Registration) and the United Kingdom. We own pending applications for the marks “Inogen Rove 4,” and “Inogen Rove 6,” “Rove 4” in Canada, . We own pending applications for the mark “Rove 6” in Canada, Europe (the European Union), 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 “إنوجن” in Saudi Arabia. We own a pending application for the Inogen One G5 design in Brazil. Other service marks, trademarks, and trade names referred to in this Quarterly Report on Form 10-Q are the property of their respective owners. “PHYSIO-ASSIST,” “PHYSIOASSIST,” the Physio-Assist logo, “SIMEOX,” “SIMEOX PRO,” “SIMESOFT,” “PHYSIOWEB,” “PHYSIODATA,” “PHYSIOSERVICES,” and the Pissenlit logo are registered trademarks of Inogen’s wholly-owned subsidiary Physio-Assist. Physio-Assist owns trademark registrations for the mark “PHYSIO-ASSIST” in European Union, France, Japan, United Kingdom, and USA. Physio-Assist owns trademark registrations for the Physio-Assist logo in China, European Union, France, Japan, South Korea, United Kingdom, and USA. Physio-Assist owns trademark registrations for the mark SIMEOX in European Union, France, Japan, Russia, United Kingdom, and USA. Physio-Assist owns trademark registrations in France for the mark “PHYSIOASSIST,” “SIMESOFT,” “SIMEOX PRO,” “PHYSIOWEB,” “PHYSIODATA,” “PHYSIOSERVICES,” and the Pissenlit logo.

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

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
- 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;
- acquisitions and related acquired intangible assets and goodwill; and
- long-lived asset impairment.

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, 2024 compared to those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on March 1, 2024.

Recent accounting pronouncements

Information about recently adopted and proposed accounting pronouncements, if applicable, is included in Note 2 to our 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

The global economy is experiencing increased inflationary pressures. 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.

We expect minimal inflated costs related to the acquisition of semiconductor chips to impact our cost of sales revenue throughout 2024. We incurred significant costs associated with acquiring chips on the open market and a portion of these costs increased our inventory given that these components were not yet in finished products that were sold during the period.

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 2024. 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 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. 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 are 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 and Rove 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, Rove 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, we intend to:

•*Optimize our domestic direct-to-consumer sales and prescriber sales teams and increase productivity.* We have a continued focus on the prescriber sales force initiative, which markets directly to physicians through a consistent cadence of contact, 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 and rental revenue capacity by focusing on increased productivity driven by improved sales management discipline, insights-informed tools, and optimized patient lead generation.

•*Expand our domestic home medical equipment (HME) provider and reseller network.* We have continued focus on 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.

•*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.

•*Invest in our oxygen product offerings to develop innovative products and expand clinical evidence.* We incurred $6.6 million and $5.3 million in the three months ended March 31, 2024 and 2023, respectively, in research and development expenses, and we intend to continue to make such investments in the foreseeable future.

We launched the Inogen® Rove 6™, our latest POC, in December 2022 in the EU and UK. We have also received U.S. Food and Drug Administration (FDA) 510(k) clearance for the Inogen® Rove 4™ . Inogen 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. The FDA clearance of Inogen Rove 6 was received June 30, 2023 and launched in the U.S. market in July 2023.

The Inogen Rove 6 is the first POC with an 8-year expected service life. The 8-year expected service life also extends to the Inogen One G5® systems. We launched the Inogen One G5 in 2019. The Inogen One G5 is similar to the product specifications of the Inogen Rove 6. We estimate that the Inogen 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®, Inogen One G5, and Inogen Rove 6 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 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 POCs with digital health value added services, expansion of use to hypercapnia, shortness-of-breath, and to other related disease indications.

Sales revenue

Our future financial performance will be driven in part by the growth in sales of our POCs, Simeox airway clearance, 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, 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 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. Approximately 6-11% 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, mergers and acquisitions, and overall changes in the net oxygen therapy patient populations. As a result of these factors, product purchases can be subject to changes in demand by customers.

We sold approximately 33,900 systems in the three months ended March 31, 2024 and 26,900 systems for the same period in 2023. The increase in the current period was primarily due to the result of increased demand from resellers. We continue to focus on optimizing profitability in our direct-to-consumer channel, driving sales productivity with an efficiently scaled sales organization.

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. CMS adopted additional changes to the administrative requirements to dispense and bill for oxygen therapy which may have reduced the administrative burden and increased patient access to our products.

Rental revenue decreased in the three months ended March 31, 2024 compared to the three months ended March 31, 2023, primarily due to a higher rental revenue adjustments and lower average reimbursement rates per patient resulting from the change in mix of payors toward private insurance from Medicare. Medicare reimbursement rates for oxygen therapy have increased annually each January as they are subject to Consumer Price Index adjustments. 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 the rental patient population operates in 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 service before and during the capped rental period, and existing patients enter the capped rental period.

We had approximately 51,800 and 45,800 oxygen rental patients as of March 31, 2024 and March 31, 2023, 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 uncollectible 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, 2024 and 2023, approximately 58.4% and 73.8%, 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 March 1, 2024.

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. 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, 2023, as filed with the SEC on March 1, 2024.

Sales revenue

Our sales revenue is primarily derived from the sale of our Inogen Rove, Inogen One, and Inogen At Home systems in addition to our related accessories to individual consumers, our private label partner, HME providers, distributors, and resellers. 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. We expect that our rental revenue will be impacted by the number of our sales representatives, reimbursement rate 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 impacting our cost of sales revenue starting in the third quarter of 2021 and is expected to have minimal impact throughout 2024. 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, and 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/financing 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 patient support infrastructure 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, and changes in the fair value of the earnout liability.

We expect general and administrative expense may 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.

Income taxes

We account 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 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, 2024 and 2023

Revenue

	Three months ended March 31,		Change 2024 vs. 2023		% of Revenue	
(amounts in thousands)	**2024**	**2023**	**$**	**%**	**2024**	**2023**
Sales revenue	$ 63,095	$ 55,887	$ 7,208	12.9 %	80.9 %	77.4 %
Rental revenue	14,930	16,275	(1,345)	-8.3 %	19.1 %	22.6 %
Total revenue	$ 78,025	$ 72,162	$ 5,863	8.1 %	100.0 %	100.0 %

Sales revenue increased $7.2 million for the three months ended March 31, 2024 from the three months ended March 31, 2023, an increase of 12.9% from the comparable period. The increase was primarily attributable to higher international and domestic business-to-business sales. We sold approximately 33,900 oxygen systems during the three months ended March 31, 2024 compared to approximately 26,900 oxygen systems sold during the three months ended March 31, 2023, an increase of 26.0%.

Rental revenue decreased $1.3 million for the three months ended March 31, 2024 from the three months ended March 31, 2023, or a decrease of 8.3% from the comparable period. The decrease in rental revenue was primarily related to higher rental revenue adjustments and a higher mix of lower private-payor reimbursement rates, partially offset by higher patients on service.

(amounts in thousands)	Three months ended March 31,		Change 2024 vs. 2023		% of Revenue	
Revenue by region and category	**2024**	**2023**	**$**	**%**	**2024**	**2023**
Business-to-business domestic sales	$ 16,519	$ 12,585	$ 3,934	31.3 %	21.2 %	17.4 %
Business-to-business international sales	26,035	18,972	7,063	37.2 %	33.4 %	26.3 %
Direct-to-consumer domestic sales	20,541	24,330	(3,789)	-15.6 %	26.3 %	33.7 %
Direct-to-consumer domestic rentals	14,930	16,275	(1,345)	-8.3 %	19.1 %	22.6 %
Total revenue	$ 78,025	$ 72,162	$ 5,863	8.1 %	100.0 %	100.0 %

Domestic business-to-business sales increased 31.3% for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 primarily due to the result of increased demand from new customers and resellers.

International business-to-business sales increased 37.2% for the three months ended March 31, 2024 compared to the three months ended March 31, 2023, primarily due to an increase in sales from our partners in Europe. In the three months ended March 31, 2024, sales in Europe as a percentage of total international sales revenue increased to 88.2% versus 81.8% from the comparative period in 2023.

Domestic direct-to-consumer sales decreased 15.6% for the three months ended March 31, 2024 compared to the three months ended March 31, 2023, primarily driven by lower volume due to lower sales representative headcount, partially offset by increased average selling prices and increased unit volume per sales representative versus the comparative period in 2023.

Domestic direct-to-consumer rentals decreased 8.3% for the three months ended March 31, 2024 compared to the three months ended March 31, 2023, primarily related to higher rental revenue adjustments and a higher mix of lower private-payor reimbursement rates.

Cost of revenue and gross profit

(amounts in thousands)	Three months ended March 31,		Change 2024 vs. 2023		% of Revenue	
	2024	**2023**	**$**	**%**	**2024**	**2023**
Cost of sales revenue	$ 35,244	$ 33,964	$ 1,280	3.8 %	45.1 %	47.1 %
Cost of rental revenue	8,410	7,465	945	12.7 %	10.8 %	10.3 %
Total cost of revenue	$ 43,654	$ 41,429	$ 2,225	5.4 %	55.9 %	57.4 %
Gross profit - sales revenue	$ 27,851	$ 21,923	$ 5,928	27.0 %	35.7 %	30.4 %
Gross profit - rental revenue	6,520	8,810	(2,290)	-26.0 %	8.4 %	12.2 %
Total gross profit	$ 34,371	$ 30,733	$ 3,638	11.8 %	44.1 %	42.6 %
Gross margin percentage - sales revenue	44.1 %	39.2 %				
Gross margin percentage- rental revenue	43.7 %	54.1 %				
Total gross margin percentage	44.1 %	42.6 %				

Cost of sales revenue increased $1.3 million for the three months ended March 31, 2024 from the three months ended March 31, 2023, an increase of 3.8% from the comparable period, due primarily to an increase in the number of systems sold and partially offset by lower premiums paid for components and lower labor and overhead costs. The first quarter of 2024 included less than $0.1 million of material cost premiums associated with open-market purchases of semiconductor chips used in our batteries and POCs compared to $4.5 million in the first quarter of 2023.

Cost of rental revenue increased $0.9 million for the three months ended March 31, 2024 from the three months ended March 31, 2023, an increase of 12.7% 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 service and logistics costs. Cost of rental revenue included $3.2 million of rental asset depreciation for the three months ended March 31, 2024 compared to $3.1 million for the three months ended March 31, 2023.

Gross margin on sales revenue increased to 44.1% for the three months ended March 31, 2024 from 39.2% for the three months ended March 31, 2023. The increase was primarily due to lower material cost premiums associated with open-market purchases of semiconductor chips used in our batteries and POCs, partially offset by a change in sales mix towards increased business-to-business sales. Total worldwide business-to-business sales revenue accounted for 67.4% of total sales revenue in the three months ended March 31, 2024 versus 56.5% in the three months ended March 31, 2023.

Gross margin on rental revenue decreased to 43.7% for the three months ended March 31, 2024 from 54.1% for the three months ended March 31, 2023, primarily due to lower net revenue per rental patient as a result of a decrease in the percentage of patients billed compared to total patients on service, a higher mix shift of private-payor reimbursement and higher rental revenue adjustments.

Research and development expense

	Three months ended March 31,		Change 2024 vs. 2023		% of Revenue	
(amounts in thousands)	2024	2023	$	%	2024	2023
Research and development expense	$ 6,578	$ 5,344	$ 1,234	23.1 %	8.4 %	7.4 %

Research and development expense increased $1.2 million for the three months ended March 31, 2024 from the three months ended March 31, 2023, an increase of 23.1% from the comparable period. This was due primarily to a $0.8 million increase in amortization of intangible assets.

Sales and marketing expense

	Three months ended March 31,		Change 2024 vs. 2023		% of Revenue	
(amounts in thousands)	2024	2023	$	%	2024	2023
Sales and marketing expense	$ 26,936	$ 28,441	$ (1,505)	-5.3 %	34.5 %	39.4 %

Sales and marketing expense decreased $1.5 million for the three months ended March 31, 2024 from the three months ended March 31, 2023, a decrease of 5.3% from the comparable period. This was primarily due to decreases of $1.9 million in personnel-related expenses, $1.0 million in dues, fees and licenses, and $0.5 million in credit card and financing fees, partially offset by an increase of $2.0 million in media and advertising costs. In the three months ended March 31, 2024, we spent $8.4 million in media and advertising costs versus $6.4 million in the comparative period in 2023.

General and administrative expense

	Three months ended March 31,		Change 2024 vs. 2023		% of Revenue	
(amounts in thousands)	2024	2023	$	%	2024	2023
General and administrative expense	$ 17,131	$ 18,863	$ (1,732)	-9.2 %	22.0 %	26.1 %

General and administrative expense decreased $1.7 million for the three months ended March 31, 2024 from the three months ended March 31, 2023, a decrease of 9.2% from the comparable period. The decrease was primarily attributable to decreases of $1.8 million in restructuring and severance costs and $0.7 million in personnel-related expenses. These decreases were partially offset by a $0.6 million increase in the change in fair value of the earnout liability.

Other income, net

	Three months ended March 31,		Change 2024 vs. 2023		% of Revenue	
(amounts in thousands)	2024	2023	$	%	2024	2023
Interest income, net	$ 1,403	$ 1,525	$ (122)	-8.0 %	1.8 %	2.1 %
Other income, net	143	237	(94)	-39.7 %	0.2 %	0.3 %
Total other income, net	$ 1,546	$ 1,762	$ (216)	-12.3 %	2.0 %	2.4 %

Total other income, net decreased $0.2 million for the three months ended March 31, 2024 from the three months ended March 31, 2023, a decrease of 12.3% from the comparable period.

Income tax expense (benefit)

	Three months ended March 31,		Change 2024 vs. 2023		% of Revenue	
(amounts in thousands)	2024	2023	$	%	2024	2023
Income tax expense (benefit)	$ (150)	$ 196	$ (346)	-176.5 %	-0.2 %	0.3 %
Effective income tax rate	*1.0 %*	*-1.0 %*				

Income tax expense (benefit) decreased $0.3 million for the three months ended March 31, 2024 from the three months ended March 31, 2023. We continued to record a valuation allowance on the use of deferred tax assets in the current and prior periods. The decrease was attributable to foreign taxes.

Our effective tax rate for the three months ended March 31, 2024 increased compared to the three months ended March 31, 2023, primarily due to foreign taxes.

Net loss

(amounts in thousands)	Three months ended March 31, 2024	2023	Change 2024 vs. 2023 $	Change 2024 vs. 2023 %	% of Revenue 2024	% of Revenue 2023
Net loss	$ (14,578)	$ (20,349)	$ 5,771	28.4 %	-18.7 %	-28.2 %

Net loss decreased $5.8 million for the three months ended March 31, 2024 from the three months ended March 31, 2023, or a decrease of 28.4% from the comparable period. The decrease in net loss was primarily related to an increase in sales revenue and lower operating expense and material cost premiums.

Liquidity and capital resources

As of March 31, 2024, we had cash and cash equivalents of $107.4 million, which consisted of highly liquid investments with a maturity of three months or less. In addition, we held marketable securities of $12.4 million, which had maturities of greater than three months. For the three months ended March 31, 2024 and 2023, we received $0.4 million and $1.0 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, 2024 consisted of operating activities of $4.7 million as well as cash used in investing activities of $9.4 million for net purchases of marketable securities, and $4.1 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 and integration thereof; 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:

(amounts in thousands)	Three months ended March 31, 2024	2023	Change 2024 vs. 2023 $	Change 2024 vs. 2023 %
Summary of consolidated cash flows				
Cash used in operating activities	$ (4,749)	$ (6,301)	$ 1,552	-24.6 %
Cash used in investing activities	(13,444)	(17,110)	3,666	-21.4 %
Cash provided by financing activities	285	559	(274)	-49.0 %
Effect of exchange rates on cash	(140)	(25)	(115)	460.0 %
Net decrease in cash and cash equivalents	$ (18,048)	$ (22,877)	$ 4,829	-21.1 %

(amounts in thousands)	March 31, 2024	December 31, 2023
Summary of working capital		
Total current assets	$ 199,194	$ 207,067
Total current liabilities	73,910	72,496
Net working capital	$ 125,284	$ 134,571

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, 2024 consisted primarily of our net loss of $14.6 million, partially offset by non-cash adjustment items such as depreciation of equipment and leasehold improvements and amortization of intangibles of $5.3 million, stock-based compensation expense of $2.4 million, provision for sales returns and doubtful accounts of $2.2 million, net loss on disposal of rental assets and other assets of $1.2 million, and change in fair value of earnout liability of $0.6 million. The net changes in operating assets and liabilities resulted in a net decrease in cash of $1.5 million.

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.

Investing activities

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

For the three months ended March 31, 2024, we invested $12.4 million in the purchase of marketable securities, $4.1 million in the production and purchase of rental assets and other property and equipment, partially offset by $3.0 million we received from maturities 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.

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, 2024, net cash provided by financing activities consisted of $0.4 million from the proceeds received from purchases under our employee stock purchase program, partially offset by the payment of employment taxes related to the vesting of restricted stock units of $0.1 million.

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.

Sources of funds

Our net cash used in operating activities in the three months ended March 31, 2024 was $4.7 million compared to net cash used in operating activities of $6.3 million in the three months ended March 31, 2023. As of March 31, 2024, we had cash and cash equivalents of $107.4 million and marketable securities of $12.4 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.

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 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 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, the impact of restructuring-related costs, and impairment charges. 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 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:

(amounts in thousands)	Three months ended March 31,	
Non-GAAP EBITDA and Adjusted EBITDA	**2024**	**2023**
Net loss (GAAP)	$ (14,578)	$ (20,349)
Non-GAAP adjustments:		
Interest income, net	(1,403)	(1,525)
Provision for income taxes	(150)	196
Depreciation and amortization	5,265	4,086
EBITDA (non-GAAP)	(10,866)	(17,592)
Stock-based compensation	2,416	3,442
Acquisition-related expenses	238	554
Restructuring-related and other charges	—	1,809
Change in fair value of earnout liability	570	—
Adjusted EBITDA (non-GAAP)	$ (7,642)	$ (11,787)

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, 2024 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 began entering 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, 2024, 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 $2.1 million decline in revenue for the three months ended March 31, 2024. 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 $107.4 million as of March 31, 2024, which consisted of highly liquid investments with a maturity of three months or less, and $12.4 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, 2024 and March 31, 2023. 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, 2024 or 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, 2024. Based upon the evaluation described above, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2024, 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

We are party to various legal proceedings and investigations 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, 2023, as filed with the SEC on March 1, 2024 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 2023 Annual Report on Form 10-K filed with the SEC on March 1, 2024, which are incorporated by reference herein, except as disclosed below.

We and our vendors and service providers rely on information technology networks and systems, and if we are unable to protect against service interruptions, data corruption, cybersecurity risks, data security incidents and/or network security breaches, our operations could be disrupted, and our business could be negatively affected.

We rely on information technology networks and systems, certain of which are operated by third parties on which we rely, to process, transmit and store electronic, customer, operational, compliance, and financial information; to coordinate and otherwise operate our business; and to communicate within our company and with customers, suppliers, partners and other third parties. These information technology networks and systems may be susceptible to damage, disruptions or shutdowns, hardware or software failures, power outages, computer viruses, ransomware, and other malware, cybersecurity risks, data security incidents, telecommunication failures, user errors or catastrophic events. Like other companies, we have experienced data security incidents before.

We have incurred remedial, legal and other costs in connection with this incident. We have insurance coverage in place for certain potential liabilities and costs relating to service interruptions, data corruption, cybersecurity risks, data security incidents and/or network security breaches, but this insurance is limited in amount, subject to a deductible, and may not be adequate to cover us for all costs arising from these incidents.

If our information technology networks and systems or those provided by our third-party service providers and vendors suffer unauthorized access, severe damage, disruption or shutdown, and our business does not effectively identify or resolve the issues in a timely manner, our operations could be disrupted, we could be subject to regulatory and consumer lawsuits and other proceedings and our business could be negatively affected. For example, Change Healthcare, a division of UnitedHealthcare, experienced a cyberattack in late February 2024 that caused connection issues with our third-party service provider and a delay in rental revenue collections. In addition, cybersecurity risks and data security incidents could lead to potential unauthorized access to or acquisition of confidential information (including personally identifiable information and protected health information), and data loss, corruption, unavailability, or other unauthorized processing. There is no assurance that we will not experience service interruptions, security breaches, cybersecurity risks and data security incidents, or other information technology failures, whether suffered by us or third parties on which we rely, in the future.

Due to the COVID-19 pandemic and related public health emergency, we allowed an increased number of employees to work remotely, and we continue to do so and expect that this hybrid model of work will continue. As a result, we may have increased cybersecurity or data security risks, due to increased use of home wi-fi networks and virtual private networks, as well as increased disbursement of physical machines. While we implement IT controls to reduce the risk of a cybersecurity and data security breach, there is no guarantee that these measures will be adequate to safeguard all systems with an increased number of employees working remotely.

The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving and may be difficult to anticipate or to detect for long periods of time. As a result of these types of risks and attacks, we have implemented and periodically review and update systems, processes, and procedures to protect against unauthorized access to or use of data and to prevent data loss. For example, we have increased the security of our systems by requiring all email users to change their passwords following our recent data security incident and sooner than they would have otherwise been required to. We also implemented multi-factor authentication for remote email access and have taken additional steps to further limit access to our systems. However, the ever-evolving threats mean we and our third-party service providers and vendors must continually evaluate and adapt our respective systems and processes and overall security environment. There is no guarantee that these measures will be adequate to safeguard against all data security breaches, system compromises or misuses of data.

The compromise of our technology systems resulting in the loss, disclosure, misappropriation of, or access to, customers', employees' or business partners' information or failure to comply with regulatory or contractual obligations with respect to such information, or the perception that any of these has occurred, could result in legal claims and proceedings, initiated by private parties, investigations or other proceedings by regulatory authorities, and liability or regulatory penalties, disruption to our operations and damage to our reputation, any or all of which could adversely affect our business. The costs to remediate breaches and similar system compromises that do occur could adversely affect our results of operations.

Any new laws, regulations, other legal obligations or industry standards, or any changed interpretation of existing laws, regulations or other standards may require us to incur additional costs and restrict our business operations. For example, many jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. These mandatory disclosures regarding a security breach could result in negative publicity to us, which may cause our customers to lose confidence in the effectiveness of our data security measures which could adversely affect 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, 2024.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description	Incorporated by Reference From Form	Incorporated by Reference From Exhibit Number	Date Filed
10.1	Employment Contract by and between the Company and Grégoire Ramade, dated October 5, 2023	10-K	10.44	03/01/24
10.2	Addendum No. 1 to the Employment Contract dated January 4, 2024, between the Company and Grégoire Ramade	10-K	10.45	03/01/24
10.3	Employment and Severance Agreement by and between the Company and Michael Bourque, dated effective as March 4, 2024	8-K	10.1	01/24/24
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 With Embedded Linkbase Documents			
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 8, 2024

By: /s/ Kevin R.M. Smith
Kevin R.M. Smith
Chief Executive Officer
President
Director
(Principal Executive Officer)

Dated: May 8, 2024

By: /s/ Michael Bourque
Michael Bourque
Executive Vice President
Chief Financial Officer
Treasurer
(Principal Financial and Accounting Officer)

Exhibit 31.1

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

I, Kevin R.M. Smith, 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 8, 2024

By: /s/ Kevin R.M. Smith
Kevin R.M. Smith
Chief Executive Officer, President and Director
(Principal Executive Officer)

Exhibit 31.2

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

I, Michael Bourque, 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 8, 2024

By: /s/ Michael Bourque
Michael Bourque
Chief Financial Officer
Executive Vice President
Treasurer
(Principal Financial Officer)

Exhibit 32.1

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, Kevin R.M. Smith, 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, 2024 (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 8, 2024

By: /s/ Kevin R.M. Smith
Kevin R.M. Smith
Chief Executive Officer, President and Director

Exhibit 32.2

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, Michael Bourque, 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, 2024 (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 8, 2024

By: /s/ Michael Bourque
Michael Bourque
Chief Financial Officer
Executive Vice President
Treasurer