

Conformis Inc
Form 10-Q
May 03, 2019

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, 2019

OR

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

For the transition period from _____ to _____

Commission file number: 001-37474

Conformis, Inc.
(Exact name of registrant as specified in its charter)

Delaware 56-2463152
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)
600 Technology Park Drive 01821
Billerica, MA
(Address of principal executive offices) (Zip Code)

(781) 345-9001
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically 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, or a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer,"

Edgar Filing: Conformis Inc - Form 10-Q

“accelerated filer” and “smaller reporting company” and "emerging growth company," in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer x

Non-accelerated filer Smaller reporting company x

Emerging growth company x

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. x

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

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	CFMS	NASDAQ

As of April 30, 2019, there were 67,863,789 shares of Common Stock, \$0.00001 par value per share, outstanding.

Conformis, Inc.

INDEX

	Page
<u>Part I - FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements (interim periods unaudited)</u>	<u>1</u>
<u>Consolidated Balance Sheets as of March 31, 2019 and December 31, 2018</u>	<u>1</u>
<u>Consolidated Statements of Operations for the three months ended March 31, 2019 and 2018</u>	<u>2</u>
<u>Consolidated Statements of Comprehensive Loss for the three months ended March 31, 2019 and 2018</u>	<u>3</u>
<u>Consolidated Statements of Changes in Stockholders' Equity for the three months ended March 31, 2019 and 2018</u>	<u>4</u>
<u>Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and 2018</u>	<u>5</u>
<u>Notes to Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>26</u>
<u>Item 4. Controls and Procedures</u>	<u>38</u>
<u>Part II- OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>39</u>
<u>Item 1A. Risk Factors</u>	<u>39</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>39</u>
<u>Item 6. Exhibits</u>	<u>39</u>
<u>Signatures</u>	<u>41</u>

PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS
CONFORMIS, INC. AND SUBSIDIARIESConsolidated Balance Sheets
(in thousands, except share and per share data)

	March 31, 2019 (unaudited)	December 31, 2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 18,616	\$ 16,380
Investments	—	7,245
Accounts receivable, net	12,992	13,244
Royalty receivable	148	145
Inventories	9,561	9,534
Prepaid expenses and other current assets	1,477	1,408
Total current assets	42,794	47,956
Property and equipment, net	14,156	14,439
Operating lease right-of-use assets	6,678	—
Other Assets		
Restricted cash	462	462
Intangible assets, net	83	109
Other long-term assets	17	17
Total assets	\$ 64,190	\$ 62,983
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 4,443	\$ 3,445
Accrued expenses	7,122	7,930
Operating lease liabilities	1,427	—
Current portion of long-term debt	1,250	—
Total current liabilities	14,242	11,375
Other long-term liabilities	—	616
Long-term debt, less debt issuance costs	13,567	14,792
Operating lease liabilities	5,994	—
Total liabilities	33,803	26,783
Commitments and contingencies	—	—
Stockholders' equity		
Preferred stock, \$0.00001 par value:		
Authorized: 5,000,000 shares authorized at March 31, 2019 and December 31, 2018; no shares issued and outstanding as of March 31, 2019 and December 31, 2018	—	—
Common stock, \$0.00001 par value:		
Authorized: 200,000,000 shares authorized at March 31, 2019 and December 31, 2018; 67,880,664 and 65,290,879 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	1	1
Additional paid-in capital	514,484	513,336
Accumulated deficit	(483,248)	(475,667)
Accumulated other comprehensive loss	(850)	(1,470)

Edgar Filing: Conformis Inc - Form 10-Q

Total stockholders' equity	30,387	36,200
Total liabilities and stockholders' equity	\$ 64,190	\$ 62,983

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

1

CONFORMIS, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(unaudited)

(in thousands, except share and per share data)

	Three Months Ended March 31,	
	2019	2018
Revenue		
Product	\$20,469	\$19,483
Royalty	175	173
Total revenue	20,644	19,656
Cost of revenue	10,813	10,869
Gross profit	9,831	8,787
Operating expenses		
Sales and marketing	8,181	10,411
Research and development	2,912	4,694
General and administrative	5,329	6,140
Total operating expenses	16,422	21,245
Loss from operations	(6,591)	(12,458)
Other income and expenses		
Interest income	107	140
Interest expense	(453)	(735)
Foreign currency exchange transaction (loss) income	(653)	1,085
Total other (expenses) income, net	(999)	490
Loss before income taxes	(7,590)	(11,968)
Income tax provision	(9)	33
Net loss	\$(7,581)	\$(12,001)