

TRUPANION INC.  
Form 10-Q  
May 06, 2016

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, 2016

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: 001-36537

TRUPANION, INC.

(Exact name of registrant as specified in its charter)

Delaware

83-0480694

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

907 NW Ballard Way

Seattle, Washington 98107

(855) 268 - 9606

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of April 28, 2016 there were approximately 28,655,461 shares of the registrant's common stock outstanding.

TRUPANION, INC.  
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#### Note About Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “potentially,” “estimate,” “target,” “continue,” “anticipate,” “intend,” “could,” “would,” “project,” “plan” and “expect,” expressions that convey uncertainty of future events or outcomes, are intended to identify forward-looking statements. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part II. Item 1A. “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. It is not possible for our management 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 forward-looking events and circumstances 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. You should not rely on forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. We undertake no obligation to update publicly any forward-looking statements for any reason, except as required by law.

Unless otherwise stated or the context otherwise indicates, references to “Trupanion,” “we,” “us,” “our” and similar references refer to Trupanion, Inc. and its subsidiaries taken as a whole.

Investors and others should note that we announce material financial information to our investors using our investor relations website (<http://investors.trupanion.com>), SEC filings, press releases, public conference calls and webcasts. We use these channels, as well as social media, to communicate with our members and the public about our company, our services and other issues. It is possible that the information we post on social media could be deemed to be material information. Therefore, we encourage investors, the media, and others interested in our company to review the information we post on the United States (“U.S.”) social media channels listed on our investor relations website.

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

Trupanion, Inc.

Consolidated Statements of Operations

(in thousands, except for share and per share data)

(unaudited)

	Three Months Ended March 31,	
	2016	2015
Revenue	\$42,699	\$ 33,310
Cost of revenue:		
Claims expenses	30,604	23,351
Other cost of revenue	4,791	4,377
Gross profit	7,304	5,582
Operating expenses:		
Sales and marketing	3,840	3,651
Technology and development	2,287	2,798
General and administrative	3,722	3,697
Total operating expenses	9,849	10,146
Operating loss	(2,545 )	(4,564 )
Interest expense	30	245
Other (income) expense, net	(17 )	19
Loss before income taxes	(2,558 )	(4,828 )
Income tax expense	14	108
Net loss	\$(2,572 )	\$(4,936 )
Net loss per share attributable to common stockholders:		
Basic and diluted	\$(0.09 )	\$(0.18 )
Weighted-average shares used to compute net loss per share attributable to common stock holders:		
Basic and diluted	27,999,248	27,337,302

Trupanion, Inc.  
 Consolidated Statements of Comprehensive Loss  
 (in thousands)  
 (unaudited)

	Three Months Ended March 31,	
	2016	2015
Net loss	\$(2,572)	\$(4,936)
Other comprehensive income (loss):		
Foreign currency translation adjustments	289	(129 )
Change in unrealized losses on available-for-sale securities	2	(8 )
Other comprehensive income (loss), net of taxes	291	(137 )
Comprehensive loss	\$(2,281)	\$(5,073)

## Trupanion, Inc.

## Consolidated Balance Sheets

(in thousands, except for share data)

	March 31, 2016	December 31, 2015
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 17,526	\$ 17,956
Short-term investments	25,567	25,288
Accounts and other receivables	8,464	8,196
Prepaid expenses and other assets	2,038	2,193
Total current assets	53,595	53,633
Long-term investments, at fair value	2,489	2,388
Equity method investment	296	300
Property and equipment, net	9,587	9,719
Intangible assets, net	4,865	4,854
Other long term assets	38	23
Total assets	\$ 70,870	\$ 70,917
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,027	\$ 1,289
Accrued liabilities	2,988	4,189
Claims reserve	6,854	6,274
Deferred revenue	11,785	11,042
Deferred tax liabilities	169	169
Other payables	809	654
Total current liabilities	23,632	23,617
Long-term debt	968	—
Deferred tax liabilities	1,431	1,433
Other liabilities	531	511
Total liabilities	26,562	25,561
Stockholders' equity:		
Common stock, \$0.00001 par value per share, 200,000,000 shares authorized at March 31, 2016 and December 31, 2015, 29,195,507 and 28,574,528 issued and outstanding at March 31, 2016; 29,017,168 and 28,396,189 shares issued and outstanding at December 31, 2015.	—	—
Preferred stock: \$0.00001 par value per share, 10,000,000 authorized at March 31, 2016 and December 31, 2015, and 0 issued and outstanding at March 31, 2016 and December 31, 2015.	—	—
Additional paid-in capital	124,077	122,844
Accumulated other comprehensive loss	(211 )	(502 )
Accumulated deficit	(76,957 )	(74,385 )
Treasury stock, at cost: 620,979 shares at March 31, 2016 and December 31, 2015.	(2,601 )	(2,601 )
Total stockholders' equity	44,308	45,356
Total liabilities and stockholders' equity	\$ 70,870	\$ 70,917

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