Oxford Immunotec Global PLC
Form 10-Q
May 01, 2018

Table of Contents

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, 2018

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 001-36200

OXFORD IMMUNOTEC GLOBAL PLC

(Exact name of registrant as specified in its charter)

England and Wales	**98-1133710**

(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

94C Innovation Drive, Milton Park, Abingdon

OX14 4RZ, United Kingdom (Address of Principal Executive Offices)	**Not Applicable** (Zip Code)

+44 (0)1235 442780

(Registrant's Telephone Number, Including Area Code)

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, 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 Smaller reporting company

Non-accelerated filer Emerging growth company

(Do not check if a smaller

reporting 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 April 25, 2018, there were 25,881,152 Ordinary Shares, nominal value £0.006705, of Oxford Immunotec Global PLC outstanding.

Table of Contents

Oxford Immunotec Global PLC

Form 10-Q

Quarterly Period Ended March 31, 2018

TABLE OF CONTENTS

Table of Contents

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, and exhibits hereto, contains or incorporates by reference estimates, predictions, opinions, projections and other statements that may be interpreted as "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The forward-looking statements are contained principally in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Part II, Item 1A, "Risk Factors," but are also contained elsewhere in this Quarterly Report. In some cases, you can identify forward-looking statements by the words "may," "might," "will," "would," "could," "should," "intend," "plan," "contemplate," "expect," "anticipate," "believe," "estimate," "predict," "project," "target," "potenti "ongoing" and other comparable expressions intended to identify statements about the future, although not all forward-looking statements contain these identifying words. These statements involve substantial known and unknown risks, uncertainties and other factors that may cause our actual results, level of activity, performance or achievements to differ materially from those currently anticipated. Forward-looking statements are neither historical facts nor assurances of future performance. Although we believe that we have a reasonable basis for each forward-looking statement contained in this Quarterly Report, we caution you that these statements are based on a combination of facts and factors currently known by us and our expectations of the future, about which we cannot be certain and that involve substantial risks and uncertainties. Such risks and uncertainties include, but are not limited to:

- our history of losses, our ability to achieve or sustain profitability and our ability to manage our growth;
- our ability to effectively use our current financial resources and our ability to obtain additional capital resources;
- our ability to service our debt and meet the obligations thereunder;
- our ability to further develop, commercialize and achieve market acceptance of our current and future products;
- our ability to obtain and maintain regulatory body clearance and approval to market any of our products;
- continued demand for diagnostic products for tuberculosis, tick-borne diseases and other than immune-regulated conditions and the development of new market opportunities;
- our ability to compete successfully and to maintain and expand our sales network;
- our ability to properly complete and submit claims to insurers and other third party payors with respect to coverage and reimbursement;
- decisions by insurers and other third party payors with respect to coverage and reimbursement;
- our dependence on certain of our customers, suppliers and service providers;
- disruptions to our business, including disruptions at our laboratories and manufacturing facilities;
- the integrity and uninterrupted operation of our information technology and storage systems;
- the impact of currency fluctuations on our business;
- the impact of global economic and political developments, including the referendum to leave the European Union, passed by the United Kingdom, or U.K., on June 23, 2016, and further implementing legislation on our business;
- potential changes in the United States, or U.S., social, political, regulatory and economic conditions or laws and policies governing the health care system, U.S. tax laws, foreign trade, immigration, manufacturing, and development and investment in the territories and countries where we or our customers and suppliers operate;
- our ability to make successful acquisitions or investments and to manage the integration of such acquisitions or investments;
- our ability to retain key members of our management;
- the impact of taxes on our business, including our ability to use net operating losses;
- the impact of legislative and regulatory developments, including healthcare and tax reform, on our business;

potential changes to the Patient Protection and Affordable Care Act of 2010, or PPACA;
the impact of product liability, intellectual property and commercial litigation on our business;
our ability to comply with Securities and Exchange Commission, or SEC, reporting, antifraud, anti-corruption, environmental, health and safety laws and regulations;
our ability to maintain our licenses to sell our products around the world, including in countries such as China and the U.S. and in the several U.S. states requiring licensure;
our ability to protect and enforce our intellectual property rights;
our status as an emerging growth company, which ends in late 2018, and as an English company listing ordinary shares in the U.S.;
the volatility of the price of our shares, substantial future sales of our shares and the fact that we do not pay dividends; and
the impact of anti-takeover provisions under U.K. law and our articles of association.

Table of Contents

You should refer to Part I, Item 1A, “Risk Factors” in our 2017 Annual Report on Form 10-K for a discussion of other important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this Quarterly Report will prove to be accurate. Further, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us that we will achieve our objectives and plans in any specified time frame, or at all. The forward-looking statements in this Quarterly Report represent our views only as of the date of this Quarterly Report. Subsequent events and developments may cause our views to change. While we may elect to update these forward-looking statements at some point in the future, we undertake no obligation to publicly update any forward-looking statements, except as required by law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Quarterly Report. As used in this Quarterly Report, the words “Company,” “we,” “us” and “our” refer to Oxford Immunotec Global PLC, a public limited company incorporated under the laws of England and Wales.

Where you can find more information

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You can inspect, read and copy these reports, proxy statements and other information at the SEC’s Public Reference Room, which is located at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information regarding the operation of the SEC’s Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that makes available reports, proxy statements and other information regarding issuers that file electronically.

We make available free of charge on our corporate website at *www.oxfordimmunotec.com* (in the “Investors” section) copies of materials we file with, or furnish to, the SEC. By referring to our corporate website, *www.oxfordimmunotec.com*, we do not incorporate such website or its contents into this Quarterly Report.

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Oxford Immunotec Global PLC

Condensed consolidated balance sheets

(in thousands, except share and per share data)	**March 31, 2018** (unaudited)	**December 31, 2017**
Assets		
Current assets:		
Cash and cash equivalents	$ *77,246*	$ *90,332*
Accounts receivable, net	*16,900*	*16,981*
Inventory, net	*10,909*	*10,142*
Prepaid expenses and other assets	*4,568*	*3,027*
Total current assets	*109,623*	*120,482*
Restricted cash, non-current	*200*	*200*
Property and equipment, net	*9,239*	*9,067*
Goodwill	*3,967*	*3,967*
Other intangible assets, net	*7,689*	*7,849*
Deferred tax asset	*2,915*	*2,486*
Other assets	*184*	*185*
Total assets	$ *133,817*	$ *144,236*
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ *6,323*	$ *6,842*
Accrued liabilities	*8,564*	*11,134*
Settlement liability	*4,581*	*4,342*
Deferred income	*32*	*36*
Current portion of loans payable	*93*	*91*
Total current liabilities	*19,593*	*22,445*
Long-term portion of loans payable	*30,020*	*29,904*
Settlement liability	*4,106*	*3,894*
Other liabilities	*486*	*364*
Total liabilities	*54,205*	*56,607*

Commitments and contingencies (Notes 2 and 11)		
Shareholders' equity:		
Ordinary shares, £0.006705 nominal value; 36,183,293 shares authorized at March 31, 2018 and December 31, 2017, and 25,875,358 and 25,661,634 shares issued and outstanding at March 31, 2018 and December 31, 2017, respectively	*271*	*269*
Additional paid-in capital	*296,363*	*294,613*
Accumulated deficit	*(211,867)*	*(201,541)*
Accumulated other comprehensive loss	*(5,155)*	*(5,712)*
Total shareholders' equity	*79,612*	*87,629*
Total liabilities and shareholders' equity	$ *133,817*	$ *144,236*

See accompanying notes to these unaudited condensed consolidated financial statements.

Table of Contents

Oxford Immunotec Global PLC

Condensed consolidated statements of operations

(unaudited)

(in thousands, except share and per share data)	Three months ended March 31, 2018	2017
Revenue:		
Product	$7,935	$8,386
Service	13,435	13,119
Total revenue	21,370	21,505
Cost of revenue:		
Product	2,574	3,245
Service	8,016	7,252
Total cost of revenue	10,590	10,497
Gross profit	10,780	11,008
Operating expenses:		
Research and development	3,744	3,805
Sales and marketing	9,405	9,640
General and administrative	6,928	6,876
Change in fair value of contingent purchase price consideration	—	(2,357)
Settlement expense	207	—
Total operating expenses	20,284	17,964
Loss from operations	(9,504)	(6,956)
Other expense:		
Interest expense, net	(604)	(823)
Foreign exchange losses	(103)	(106)
Other expense	(52)	(140)
Loss before income taxes	(10,263)	(8,025)
Income tax expense	(63)	(47)
Net loss	$(10,326)	$(8,072)
Net loss per ordinary share—basic and diluted	$(0.40)	$(0.36)
Weighted-average shares used to compute net loss per ordinary share—basic and diluted	25,718,910	22,533,531

See accompanying notes to these unaudited condensed consolidated financial statements.

Table of Contents

Oxford Immunotec Global PLC

Condensed consolidated statements of other comprehensive loss

(unaudited)

(in thousands)	Three months ended March 31, 2018	2017
Net loss	$*(10,326)*	$*(8,072)*
Other comprehensive income:		
Foreign currency translation adjustment, net of taxes	*557*	*219*
Other comprehensive income, net of taxes	*557*	*219*
Total comprehensive loss	$*(9,769)*	$*(7,853)*

See accompanying notes to these unaudited condensed consolidated financial statements.

Table of Contents

Oxford Immunotec Global PLC

Condensed consolidated statements of cash flows

(unaudited)

(in thousands)	Three months ended March 31, 2018	2017
Cash flows from operating activities		
Net loss	$*(10,326)*	$*(8,072)*
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of intangible assets	*1,133*	*1,003*
Change in fair value of contingent purchase price consideration	*—*	*(2,357)*
Accretion and amortization of loan fees	*140*	*149*
Share-based compensation expense	*1,824*	*1,326*
Deferred income taxes	*43*	*—*
Changes in operating assets and liabilities:		
Accounts receivable, net	*296*	*(3,573)*
Inventory, net	*(490)*	*(806)*
Prepaid expenses and other assets	*(1,473)*	*(1,406)*
Accounts payable	*(624)*	*522*
Accrued liabilities	*(2,455)*	*(1,424)*
Net cash used in operating activities	*(11,932)*	*(14,638)*
Cash flows from investing activities		
Purchases of property and equipment	*(1,118)*	*(1,301)*
Net cash used in investing activities	*(1,118)*	*(1,301)*
Cash flows from financing activities		
Proceeds from exercise of share options	*84*	*59*
Payments of tax withheld on vesting of restricted share units	*(156)*	*(186)*
Payments on loan	*(22)*	*(21)*
Net cash used in financing activities	*(94)*	*(148)*
Effect of exchange rate changes on cash and cash equivalents	*58*	*110*
Net decrease in cash, cash equivalents, and restricted cash	*(13,086)*	*(15,977)*
Cash, cash equivalents, and restricted cash at beginning of period	*90,532*	*59,310*
Cash, cash equivalents, and restricted cash at end of period	$*77,446*	$*43,333*

See accompanying notes to these unaudited condensed consolidated financial statements.

Table of Contents

Oxford Immunotec Global PLC

Notes to Unaudited Condensed Consolidated Financial Statements

March 31, 2018

1. Business and basis of presentation

Description of business

Oxford Immunotec Global PLC, or the Company, is a global, high-growth diagnostics company focused on developing and commercializing proprietary tests for underserved immune-regulated conditions. The Company's focus is on *four* areas: infectious diseases, transplantation, autoimmune and inflammatory disease and immune-oncology. The Company believes these areas are particularly attractive because they involve large patient populations and chronic conditions that present the opportunity for both initial diagnosis and additional testing to monitor the conditions. These immune-regulated conditions also tend to be characterized by wide variation in presentation and progression and often require expensive therapies, making diagnostic tests that can better categorize patients and inform treatment pathways particularly useful and cost-effective. Lastly, the Company believes these conditions to be underserved as the industry lacks the appropriate techniques to prosecute the immune responses which are driving these conditions.

Unaudited interim financial statements

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form *10*-Q and Article *10* of Regulation S-*X.* Accordingly, they do *not* include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the interim condensed consolidated financial statements reflect all adjustments, of a normal recurring nature, necessary for a fair statement of the financial position at *March 31, 2018,* the results of operations for the *three*-month periods ended *March 31, 2018* and *2017,* and the cash flows for the *three*-month periods ended *March 31, 2018* and *2017.* Interim results are *not* necessarily indicative of results for a full year.

The consolidated balance sheet presented as of *December 31, 2017,* has been derived from the audited consolidated financial statements as of that date. The consolidated financial statements and notes included in this report should be read in conjunction with the *2017* consolidated financial statements and notes included in the Company's Annual

Report on Form *10*-K, as filed with the Securities and Exchange Commission on *February 27, 2018,* or the Company's *2017* Form *10*-K.

Cash, cash equivalents, and restricted cash

We maintain our available cash balances in cash, money market funds and repurchase agreements primarily invested in U.S. government and agency securities, and bank savings accounts in the United States, United Kingdom, Germany, Japan, China and South Korea.

Restricted cash is pledged as collateral for procurement cards issued by a U.S. commercial bank.

Cash, cash equivalents, and restricted cash consists of the following:

(in thousands)	**March 31, 2018**	**December 31, 2017**
Cash and cash equivalents	$*77,246*	$ *90,332*
Restricted cash, non-current	*200*	*200*
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	$*77,446*	$ *90,532*

Table of Contents

Revenues

The Company's revenues include product and service revenues. Product revenue from diagnostic test kit sales and related accessories is recognized at a point in time based upon contractual rates. Service revenue from tests performed on samples sent by direct billing customers is recorded based upon contractually established billing rates and recognized upon delivery of test results to the customer. Revenue from tests paid by *third*-party payors in the U.S. includes variable consideration, which is estimated using the expected value method based on the Company's historical collection experience. See Note *2* for disaggregation of revenue by type, indication and geography.

As of *March 31, 2018,* accounts receivables related to products and services were *$16.9* million. For the *three* months ended *March 31, 2018,* the Company had *no* material bad-debt expense and there were *no* material contract assets, contract liabilities or deferred contract costs recorded on the Condensed Consolidated Balance Sheet as of *March 31, 2018.* The Company generally expenses sales commissions when incurred because the amortization period would have been less than *one* year.

For the *three* months ended *March 31, 2018,* revenue recognized from performance obligations related to prior periods (for example, due to changes in transaction price), was *not* material.

Revenue expected to be recognized in any future year related to remaining performance obligations is *not* material.

The remainder of the significant accounting estimates and policies used in preparation of the consolidated financial statements is disclosed in Note *1* to the consolidated financial statements in the Company's *2017* Form *10*-K remain unchanged.

Recently Adopted Accounting Pronouncements

In *May 2014,* the FASB issued Accounting Standards Update, or ASU, *2014-09, Revenue from Contracts with Customers*, or ASU *2014-09,* which converges the FASB and the International Accounting Standards Board standards on revenue recognition. Under ASU *2014-09,* a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In addition, ASU *2014-09* requires certain additional disclosures around the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The FASB has issued several amendments to the standard, including clarification on accounting for licenses of intellectual property, identifying performance obligations and other technical corrections. The Company adopted ASU

2014-09 on *January 1, 2018,* using the modified retrospective approach. The adoption of ASU *2014-09* did *not* have a material impact on the Company's financial position, results of operations, equity or cash flows as of the adoption date or for the *three* months ended *March 31, 2018.* The Company has included the disclosures required by ASU *2014-09* above.

In *August 2016,* the FASB issued ASU *2016-15,* Classification of Certain Cash Receipts and Cash Payments, or ASU *2016-15.* ASU *2016-15* is intended to reduce the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The Company adopted ASU *2016-15* retrospectively as of *January 1, 2018.* The adoption of ASU *2016-15* has *not* had a material impact on the Company's statement of cash flows.

In *October 2016,* the FASB issued ASU *2016-16, Income Taxes*, or ASU *2016-16.* The guidance requires companies to recognize the income tax effects of intercompany sales and transfers of assets, other than inventory, in the income statement as income tax expense (or benefit) in the period in which the transfer occurs. The Company adopted ASU *2016-16* retrospectively as of *January 1, 2018.* The adoption of ASU *2016-16* has *not* had a material impact on the Company's financial position, results of operations or related disclosures.

In *November 2016,* the FASB issued ASU *2016-18, Statement of Cash Flows (Topic 230): Restricted Cash*, or ASU *2016-18.* ASU *2016-18* requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Company adopted ASU *2016-18* retrospectively as of *January 1, 2018.* The adoption of ASU *2016-18* has *not* had a material impact on the Company's statement of cash flows.

Table of Contents

In *January 2017,* the FASB issued ASU *2017-01, Business Combinations*, or ASU *2017-01.* ASU *2017-01* clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The Company adopted ASU *2017-01* prospectively as of *January 1, 2018.* The adoption of ASU *2017-01* has *not* had a material impact on the Company's financial position, results of operations or related disclosures.

In *May 2017,* the FASB issued ASU *2017-09, Scope of Modification Accounting*, or ASU *2017-09.* ASU *2017-09* provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting of a share-based payment award. The guidance should be applied prospectively to an award modified on or after the adoption date. The Company adopted ASU *2017-09* prospectively as of *January 1, 2018.* The adoption of ASU *2017-09* has *not* had a material impact on the Company's financial position, results of operations or related disclosures.

Recently Issued Accounting Pronouncements

In *February 2016,* the FASB issued ASU *2016-02, Leases*, or ASU *2016-02.* ASU *2016-02* requires lessees to put most leases on their balance sheets but recognize expenses on their income statements in a manner similar to current accounting. The guidance also eliminates real estate-specific provisions for all entities. The new guidance will be effective for the Company for annual and interim periods beginning after *December 15, 2018.* In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Early adoption is permitted. The Company is currently evaluating ASU *2016-02* and has *not* yet determined how it *may* impact its financial position, results of operations or related disclosures.

In *June 2016,* the FASB issued ASU *2016-13, Financial Instruments-Credit Losses*, or ASU *2016-13.* ASU *2016-13* requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. Under current U.S. GAAP, a company only considered past events and current conditions in measuring an incurred loss. Under ASU *2016-13,* the information that a company must consider is broadened in developing an expected credit loss estimate for assets measured either collectively or individually. The use of forecasted information incorporates more timely information in the estimate of expected credit loss. The new guidance will be effective for the Company for annual and interim periods beginning after *December 15, 2019.* Early adoption is permitted for annual and interim periods beginning after *December 15, 2018.* The guidance is applied using a modified retrospective, or prospective approach, depending on a specific amendment. The Company is currently evaluating ASU *2016-13* and has *not* yet determined how it *may* impact its financial position, results of operations or related disclosures.

In *January 2017,* the FASB issued ASU *2017-04, Intangibles – Goodwill and Other*, or ASU *2017-04.* ASU *2017-04* simplifies subsequent measurement of goodwill by eliminating Step *2* from the goodwill impairment test. The new guidance will be applied on a prospective basis. ASU *2017-04* will be effective for the Company for annual or any

interim goodwill impairment tests in fiscal years beginning after *December 15, 2019.* Early adoption is permitted for interim or annual goodwill impairment tests. The Company is currently evaluating ASU *2017-04,* but does *not* expect its adoption to have a material impact on the Company's financial position, results of operations or related disclosures.

Under the U.S. Jumpstart our Business Startups Act, or the JOBS Act, emerging growth companies that become public can delay adopting new or revised accounting standards until such time as those standards apply to private companies. The Company irrevocably elected *not* to avail itself of this exemption from new or revised accounting standards and, therefore, it is subject to the same new or revised accounting standards as public companies that are *not* emerging growth companies.

Table of Contents

***2*. Revenue**

The following table presents the Company's revenues disaggregated by type:

(in thousands, except percentages)	Quarter ended March 31, 2018	2017
Revenue		
Product	$*7,935*	$*8,386*
Service	*13,435*	*13,119*
Total revenue	$*21,370*	$*21,505*

The following table presents the Company's revenues disaggregated by indication:

(in thousands, except percentages)	Quarter ended March 31, 2018	2017
Revenue		
Tuberculosis	$*18,837*	$*18,542*
Tick-borne disease and other	*2,533*	*2,963*
Total revenue	$*21,370*	$*21,505*

The following table reflects revenue by geography (United States, Europe and rest of world, or Europe and ROW, and Asia):

(in thousands, except percentages)	Quarter ended March 31, 2018	2017
Revenue		
United States	$*13,393*	$*13,536*
Europe and ROW	*2,240*	*1,806*
Asia	*5,737*	*6,163*

Total revenue	$*21,370*	$*21,505*

***3*. Fair value measurement**

As a basis for determining the fair value of certain of the Company's financial instruments, the Company utilizes a *three*-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level *1*—*Observable* inputs such as quoted prices in active markets for identical assets or liabilities.

Level *2*—*Observable* inputs, other than Level *1* prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are *not* active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level *3*—*Unobservable* inputs that are supported by little or *no* market activity and that are significant to the fair value of the assets or liabilities.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. The carrying amount of certain of the Company's financial instruments, including cash, accounts receivable, prepaid expenses and other assets, accounts payable, and accrued liabilities approximate fair value due to their short term nature.

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the entire fair value measurement requires management to make judgments and consider factors specific to the asset or liability.

Table of Contents

The Company has a term loan outstanding with MidCap Financial Trust, or the MidCap agreement. The amount outstanding on the MidCap agreement is reported at its carrying value in the accompanying balance sheet. The estimated fair value of the MidCap agreement as of *March 31, 2018,* based upon current market rates for similar borrowings, as measured using Level *2* inputs, approximates the carrying amount as presented on the condensed consolidated balance sheet.

***4*. Accounts receivable, net**

Accounts receivable, net, consisted of the following as of:

(in thousands)	**March 31, 2018**	**December 31, 2017**
Accounts receivable	$*17,928*	$ *17,807*
Less allowance for uncollectible accounts receivable	*(1,028*)	*(826*)
Accounts receivable, net	$*16,900*	$ *16,981*

***5*. Inventory, net**

Inventory, net consisted of the following as of:

(in thousands)	**March 31, 2018**	**December 31, 2017**
Raw materials	$*6,783*	$ *6,927*
Work in progress	*330*	*179*
Finished goods	*3,796*	*3,036*
Inventory, net	$*10,909*	$ *10,142*

***6*. Goodwill and acquired intangible assets**

The carrying amount of goodwill reflected in the Company's condensed consolidated balance sheets was *$4.0* million at *March 31, 2018* and *December 31, 2017* and was recorded in conjunction with the *2016* acquisitions of Imugen, Inc., or Imugen, and Immunetics, Inc., or Immunetics.

Acquired intangible assets consisted of the following as of *March 31, 2018* and *December 31, 2017:*

	As of March 31, 2018			
(in thousands)	**Amortization period (years)**	**Gross carrying amount**	**Accumulated Amortization**	**Net carrying amount**
Imugen technology - clinical	*15*	$ *5,100*	$ *595*	$ *4,505*
Imugen customer relationships	*10*	*1,400*	*245*	*1,155*
Imugen trademarks / trade names	*16*	*1,140*	*125*	*1,015*
Immunetics technology - clinical	*15*	*883*	*86*	*797*
Immunetics customer relationships	*11*	*130*	*17*	*113*
Immunetics trade name	*5*	*30*	*9*	*21*
Other	*5 - 10*	*718*	*635*	*83*
Total		$ *9,401*	$ *1,712*	$ *7,689*

Table of Contents

	As of December 31, 2017			
(in thousands)	**Amortization period (years)**	**Gross carrying amount**	**Accumulated Amortization**	**Net carrying amount**
Imugen technology - clinical	*15*	$ *5,100*	$ *510*	$ *4,590*
Imugen customer relationships	*10*	*1,400*	*210*	*1,190*
Imugen trademarks / trade names	*16*	*1,140*	*107*	*1,033*
Immunetics technology - clinical	*15*	*883*	*72*	*811*
Immunetics customer relationships	*11*	*130*	*14*	*116*
Immunetics trade name	*5*	*30*	*8*	*22*
Other	*5 - 10*	*692*	*605*	*87*
Total		$ *9,375*	$ *1,526*	$ *7,849*

The weighted average amortization period of our definite-lived intangible assets is *14* years. Amortization expense related to acquired intangible assets is estimated at *$0.7* million per year for each of the years *2018* through *2020* and *$0.6* million in *2021* and *2022.*

***7*. Accrued liabilities**

Accrued liabilities consisted of the following as of:

(in thousands)	**March 31, 2018**	**December 31, 2017**
Employee related expenses	$*4,714*	$ *6,162*
Clinical trials	*551*	*688*
Royalties	*335*	*1,419*
Other accrued liabilities	*2,964*	*2,865*
Total accrued liabilities	$*8,564*	$ *11,134*

***8*. Share option and equity incentive plan**

The impact on the Company's results of operations from share-based compensation was as follows:

	Three months ended	
	March 31,	
(in thousands)	2018	2017
Cost of revenue	$12	$43
Research and development	288	160
Sales and marketing	615	425
General and administrative	909	698
Total share-based compensation	$1,824	$1,326

In *November 2013,* in connection with the Company's initial public offering, the Company adopted the *2013* Share Incentive Plan, or the *2013* Plan, which provides for the grant of share options, restricted shares, restricted share units, or RSUs, and other share-based awards to employees, officers, directors and consultants of the Company. The *2013* Plan was amended at the *2017* annual general meeting of shareholders.

During the *three* month-period ended *March 31, 2018,* the Company granted to certain employees *684,131* share options with exercise prices ranging from *$10.93* to *$13.24* per share under the *2013* Plan. The weighted-average grant date fair value related to share options granted under the *2013* Plan during the *three* month-period ended *March 31, 2018* was *$6.11* per share. Share options generally vest based on the grantee's continued service with the Company during a specified period following the vesting start date and expire after *ten* years.

Table of Contents

During the *three*-month period ended *March 31, 2018,* the Company awarded to certain employees *117,426* RSUs with a weighted average grant date fair value of *$13.24* per share under the *2013* Plan. The RSUs vest based on the grantee's continued service with the Company during a specified period following grant as follows: *40%* on the *second* anniversary of the grant date; *30%* on the *third* anniversary of the grant date; and *30%* on the *fourth* anniversary of the grant date. Share-based compensation expense for these RSUs is calculated based on the grant date market price of the shares and is being recognized over the vesting period.

For the *three* month-period ended *March 31, 2018,* the Company incurred shared-based compensation expense related to share options and restricted shares/RSUs of *$985,000* and *$839,000,* respectively. For the *three*-month period ended *March 31, 2017,* the Company incurred shared-based compensation expense related to share options and restricted shares/RSUs of *$784,000* and *$542,000,* respectively.

As of *March 31, 2018,* there was *$9.8* million and *$4.9* million of total unrecognized compensation cost related to unvested share options and restricted shares/RSUs, respectively. These costs are expected to be recognized over weighted-average periods of *3* years for both share options and RSUs.

9. Share capital

During the *first three* months of *2018,* the Company issued *166,127* ordinary shares upon the exercise of options and *47,597* ordinary shares were issued upon the vesting of RSUs.

10. Net loss per share

The following numbers of outstanding ordinary share options and unvested restricted shares and unvested RSUs were excluded from the computation of diluted net loss per share for the periods presented because their effect would have been anti-dilutive:

	Three months ended	
	March 31,	
	2018	**2017**
Options to purchase ordinary shares	*508,618*	*1,186,335*

Unvested restricted shares	—	*63,438*
Unvested RSUs	*405,527*	*262,872*

***11*. Lease commitments**

In *March 2018,* the Company entered into an agreement relating to its location in Norwood, Massachusetts to bifurcate its existing lease for *two* adjacent facilities into *two* separate leases, as *one* of the facilities was being sold to a new owner. The *first* of the *two* leases, which is referred to as the *"315* Lease", relates to about *18,000* rentable square feet within a larger facility. The escalating monthly base rental payments on the *315* Lease over the lease term will range from *$32,000* per month to *$35,000* per month and the term currently extends through *September 30, 2018.*

The *second* lease, which extends through *March 31, 2023,* is referred to as the *"320* Lease" and relates to a building containing about *39,000* rentable square feet. The escalating monthly base rental payments on the *320* Lease over the lease term will range from *$67,000* per month to *$83,000* per month. The Company will have *two* options to extend the lease term, each for a *five*-year period.

Table of Contents

***12*. Restructuring**

During the *third* quarter of *2017,* the Company's management committed to a plan to terminate various government grants that were acquired as part of the acquisition of Immunetics. As a result, the Company terminated *15* employees during the *fourth* quarter of *2017* and recorded restructuring charges of *$169,000* in research and development expense and *$13,000* in general and administrative expense.

The following table provides a rollforward of the liability balance for this restructuring. Accrued restructuring costs at *December 31, 2017* and *March 31, 2018* were included in accrued liabilities in the accompanying balance sheet.

(in thousands)	**Severance**
Balance at December 31, 2017	$ *74*
Payments	*(44*)
Balance at March 31, 2018	$ *30*

Table of Contents

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

This management's discussion and analysis of financial condition and results of operations contains forward-looking statements that involve risks and uncertainties. Please see "Special note regarding forward-looking statements" in this Quarterly Report on Form 10-Q for a discussion of the uncertainties, risks and assumptions associated with these statements. You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our condensed consolidated financial statements and the related notes to those statements included elsewhere in this Quarterly Report. In addition to our historical condensed consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, beliefs and expectations. Our actual results and the timing of events could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and in the Company's 2017 Form 10-K, particularly in Part I, Item 1A, "Risk Factors."

Overview

We are a global, high-growth diagnostics company focused on developing and commercializing proprietary tests for underserved immune-regulated conditions. Our focus is on four areas: infectious diseases, transplantation, autoimmune and inflammatory disease and immune-oncology. We believe these areas are particularly attractive because they involve large patient populations and chronic conditions that present the opportunity for both initial diagnosis and additional testing to monitor the conditions. These immune-regulated conditions also tend to be characterized by wide variation in presentation and progression and often require expensive therapies, making diagnostic tests that can better categorize patients and inform treatment pathways particularly useful and cost-effective. Lastly, we believe these conditions to be underserved as the industry lacks the appropriate techniques to prosecute the immune responses which are driving these conditions.

Our first product is our proprietary T-SPOT®.*TB* test, which is used to test for tuberculosis, or TB, infection and leverages our T-SPOT technology platform, which allows us to measure the response of specific immune cells to inform the diagnosis, prognosis and monitoring of patients with immune-regulated conditions. Our T-SPOT.*TB* test has been approved for sale in over 50 countries, including the United States, where we have received premarket approval, or PMA, from the Food and Drug Administration, or FDA, in Europe, where we have obtained a CE mark, as well as in Japan and China. Interferon-gamma release assays, or IGRAs, such as our T-SPOT.*TB* test have been included in clinical guidelines for TB testing in over 30 countries, including the United States, several European countries and Japan. In addition, we have established reimbursement for our test in the United States, as well as a Current Procedural Terminology, or CPT [1], code that is unique to our test. Outside the United States, we have established reimbursement in several countries where reimbursement applies, including Japan, Switzerland, Germany, France and South Korea. We have also established the cost-effectiveness of our test in several published studies.

Our second product line is a range of assays for tick-borne diseases, such as Lyme disease. Tick-borne disease is the collective name for diseases passed to humans through the bite of an infected tick. The most prevalent and well known tick-borne disease is Lyme disease, but there are others such as anaplasmosis, ehrlichiosis, and babesiosis. If left unrecognised, and therefore untreated, they may go on to cause significant complications, including in rare cases death. Our tick-borne disease tests utilize molecular methods (such as polymerase chain reaction) and techniques to prosecute the immune system, and are widely reimbursed in the U.S. using existing codes on fee schedules. Our tests include multiple laboratory developed tests, or LDTs, which utilize unique methodologies offered from our Clinical and Laboratory Improvement Amendments, or CLIA, certified and College of American Pathologists, or CAP, accredited laboratory in Massachusetts and an FDA cleared test kit utilizing the C6 peptide, which is a marker specific to Lyme disease. Our C6 Lyme ELISA™ kit is also CE marked in the European Union.

Our third product line is a series of assays for use in screening blood for the parasite *Babesia microti* which causes babesiosis. Babesiosis is a tick-borne disease characterized by a wide spectrum of clinical manifestations that range from asymptomatic to severe acute or even fatal illness. The disease is generally mild to moderate in children and young healthy adults, but it is more severe in neonates, the elderly and immunocompromised individuals such as those undergoing treatment for cancer. While it is primarily transmitted through a tick bite, babesiosis can also be transmitted by blood transfusion. In fact, transfusion-transmitted babesiosis is responsible for the highest percentage (31%) of transfusion-related infectious fatalities reported to the FDA in transfusion recipients and *Babesia microti* is the highest ranking pathogen in the U.S. transmitted by blood transfusion for which no licensed donor screening is available. The transmission risk of *Babesia microti* is comparable to the transmission risk of HIV, HBV, and HCV prior to the implementation of routine blood screening programs for these pathogens. Screening of blood products for *Babesia microti*, therefore, has become a priority for the FDA. We are developing three assays for use in screening the U.S. blood supply for *Babesia microti*, and received FDA approval in March 2018 for two of our assays. Our third assay remains under review by the FDA.

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[1] CPT is a registered trademark of the American Medical Association.

Table of Contents

Our T-SPOT.*CMV* test is a part of our fourth product line focused on the transplantation market. The test utilizes our T-SPOT technology platform and is an LDT performed in our CLIA certified, CAP accredited laboratory in Tennessee. The T-SPOT.*CMV* test is also CE marked as a kit in the European Union. The T-SPOT.*CMV* test measures the strength of a patient's cellular immune response to antigens specific to cytomegalovirus, or CMV, and provides information that may be useful in informing management strategies of patients at risk of CMV infection and disease, such as transplant patients. We continue to take a measured approach to market introduction of this test as we continue to evaluate the final results of our two pivotal clinical studies involving this test.

In addition to our existing product lines, we continue to pursue development programs to enhance our TB and tick-borne disease and other product offerings. Product development activities are inherently uncertain, and there can be no assurance that we will be able to obtain regulatory body clearance to market any of our products, or if we obtain clearances that we will successfully commercialize any of our products. In addition, we may terminate our development efforts with respect to one or more of our products under development at any time, including before or during clinical trials.

We have incurred significant losses from inception and as of March 31, 2018 had an accumulated deficit of $211.9 million. We anticipate that our operating losses may continue for the foreseeable future as we continue to invest to grow our customer base and invest in research and development to expand our product portfolio. Our revenue for the three months ended March 31, 2018 was $21.4 million and for the three months ended March 31, 2017 was $21.5 million. Our net loss for the three months ended March 31, 2018 was $10.3 million and for the three months ended March 31, 2017 was $8.1 million.

Financial operations overview

Revenue

We generate revenue from sales associated with our T-SPOT technology platform via our direct sales force and also through distributors. Our T-SPOT.*TB* test is our first commercialized product based on this technology and accounted for $18.8 million of our revenue in the first quarter of 2018. We also generate revenue from sales of tick-borne disease and other tests via our direct sales force and also through distributors. During the first quarter of 2018 these tests accounted for revenue of $2.5 million.

Revenue mix

We currently offer our T-SPOT.*TB* test as both an *in vitro* diagnostic kit and a service. In the former, we sell test kits and associated accessories to distributors for resale and directly to institutions and laboratories that perform TB testing. In the latter, we have established clinical testing laboratories in the U.S. and the U.K., where we perform our T-SPOT.*TB* test on samples sent to us by customers. In these markets, we have found that many of our customers prefer to send samples to us rather than perform their own analysis on-site.

Our U.S. business derived 94% and 92% of its revenue from our service offering, as opposed to kit sales, for the three months ended March 31, 2018 and 2017, respectively. These results reflect our experience that U.S. customers prefer to send IGRA tests out for processing and analysis rather than run them in-house. For the majority of our U.S. customers in the hospital and public health segments, TB testing programs are funded primarily from institutional budgets. We receive payment from these customers according to our pre-negotiated prices. For other segments of the U.S. market (notably, for example, the physicians' office segment) third-party reimbursement is often available to cover the cost of our T-SPOT.*TB* test. In addition, U.S. results include revenue from our portfolio of tick-borne disease tests. For certain customers, we receive payment from customers according to pre-negotiated rates. For other customers we seek third party reimbursement. U.S. results also include revenue from our C6 Lyme ELISA kits, which is included in product revenue. Our C6 Lyme ELISA kits are sold to customers at pre-negotiated rates.

Table of Contents

Outside the U.S., we derived 90% and 91% of our revenue from the sale of our *in vitro* diagnostic kits and associated accessories for the three months ended March 31, 2018 and 2017, respectively. For the majority of our customers outside the U.S., we primarily negotiate pricing directly with our customers; our prices are influenced to some degree by the mechanism and level of funding our customers receive for performing tests for TB infection.

Revenue by type

By type, total revenues were as summarized in the table below.

	Three months ended March 31,	
(in thousands)	**2018**	**2017**
Revenue		
Product	$7,935	$8,386
Service	13,435	13,119
Total revenue	$21,370	$21,505

Revenue by indication

By indication, total revenues were as summarized in the table below.

	Three months ended March 31,	
(in thousands)	**2018**	**2017**
Revenue		
Tuberculosis	$18,837	$18,542
Tick-borne disease and other	2,533	2,963
Total revenue	$21,370	$21,505

Revenue by geography

We have a direct sales force in the U.S., certain European countries and Japan and market development personnel in China and South Korea. In parts of the world where we do not maintain a direct sales force, we market and sell our products through distributors. As a result, our revenue is denominated in multiple currencies.

The following table reflects revenue by geography (United States, Europe and rest of world, or Europe and ROW, and Asia) and as a percentage of total revenue, based on the billing address of our customers.

	Three months ended March 31,					
(in thousands, except percentages)	**2018**			**2017**		
Revenue						
United States	$13,393	63	%	$13,536	63	%
Europe and ROW	2,240	10	%	1,806	8	%
Asia	5,737	27	%	6,163	29	%
Total revenue	$21,370	100	%	$21,505	100	%

Cost of revenue and operating expenses

Cost of revenue and gross margin

Cost of revenue consists of direct labor expenses, including employee benefits and share-based compensation expenses, overhead expenses, material costs, cost of laboratory supplies, freight costs, royalties paid under license agreements, depreciation of laboratory equipment and leasehold improvements.

Table of Contents

We expect our overall cost of revenue to increase as we continue to increase our volume of kits manufactured and tests performed. However, we also believe that through these increased volumes, we can achieve certain efficiencies in our manufacturing and laboratory operations that could help maintain or improve our overall margins.

On June 30, 2017, we entered into a Release and Settlement Agreement, or the Settlement Agreement, with Statens Serum Institut, or SSI, to resolve outstanding disputes arising from the license agreement with SSI. The terms of the Settlement Agreement are confidential. Based on the Settlement Agreement, we no longer expect to pay royalties to SSI, which will improve future margins. On December 19, 2017, the Company amended its license agreement with Rutgers, The State University of New Jersey, which reduced our royalties due under the license. This agreement will further improve our future margins.

During the three months ended March 31, 2018 and 2017, our cost of revenue represented 50% and 49%, respectively, of our total revenue.

	Three months ended March 31,	
(in thousands)	**2018**	**2017**
Cost of revenue		
Product	$2,574	$3,245
Service	8,016	7,252
Total cost of revenue	$10,590	$10,497

Our gross profit represents total revenue less total cost of revenue, and gross margin is gross profit expressed as a percentage of total revenue. Our gross margins were 50% and 51% for the three months ended March 31, 2018 and 2017, respectively.

Research and development expenses

Our research and development efforts have historically focused on developing multiple new diagnostic tests that use our quantitative T cell measurement technology, including assays that may help transplant physicians better manage patients at risk of rejection and infection.

Our research and development activities include performing research, development, clinical and regulatory activities and validating improvements to our technology and processes for the purposes of enhancing product performance. Research and development expenses include personnel-related expenses, including share-based compensation, fees for

contractual and consulting services, clinical trial costs, travel costs, laboratory supplies, amortization, depreciation, rent, insurance and repairs and maintenance. We expense all research and development costs as incurred.

During each of the three month periods ended March 31, 2018 and 2017, our research and development expenses represented 18% of our total revenue.

Sales and marketing expenses

Our sales and marketing expenses include costs associated with our sales organization, including our direct sales force and sales management, and our marketing, customer service and business development personnel. These expenses consist principally of salaries, commissions, bonuses and employee benefits for these personnel, including share-based compensation, as well as travel costs related to sales, marketing, customer service activities, medical education activities and overhead expenses. We expense all sales and marketing costs as incurred.

During the three-month periods ended March 31, 2018 and 2017, our sales and marketing expenses represented 44% and 45%, respectively, of our total revenue.

Table of Contents

General and administrative expenses

Our general and administrative expenses include costs for our executive, accounting, treasury, finance, legal, information technology, or IT, and human resources functions. These expenses consist principally of salaries, bonuses and employee benefits for the personnel included in these functions, including share-based compensation and travel costs, professional services fees, such as consulting, audit, tax and legal fees, costs related to our Board of Directors, general corporate costs, overhead expenses, and bad debt expense. We expense all general and administrative expenses as incurred.

During each of the three months ended March 31, 2018 and 2017, our general and administrative expenses represented 32% of our total revenue.

Interest expense, net

Interest expense, net mainly relates to our October 4, 2016 MidCap agreement, that provides us with $40 million in debt financing, comprised of both a term loan and a revolving line of credit. The MidCap agreement provides us with a term loan of $30 million, which matures five years from closing. The term loan accrues interest at a rate of LIBOR plus 7.60% with interest only payments for the first 24 months, with the ability to extend to 48 months subject to certain conditions, before the loan begins to amortize. The MidCap agreement also provides us with a revolving line of credit of up to $10 million, which matures five years from closing. The revolving line of credit accrues interest at a rate of LIBOR plus 4.45%. Based on certain conditions, both the term loan and revolving line of credit may be increased by an additional $10 million for a total of $60 million. To date, we have not borrowed under the revolving line of credit.

Foreign exchange gains (losses)

Foreign exchange (losses) gains largely result from U.S. Dollar denominated bank accounts, accounts receivable, and accounts payable reflected on the books of Oxford Immunotec Limited, which has a functional currency of the U.K. Pound Sterling. We are exposed to foreign exchange rate risk because we currently operate in three major regions of the world: the United States, Europe and ROW, and Asia, and our revenue is denominated in multiple currencies. Sales in the United States, China and South Korea are denominated in U.S. Dollars. Sales in Europe are denominated primarily in the U.K. Pound Sterling and Euro. As we grow Europe and ROW sales outside the United Kingdom and the Euro Zone, we may be subject to risk from additional currencies. Sales in Japan are denominated in Yen.

Other expense

Other expense includes interest expense, net, foreign exchange gains/ (losses) and other income and expense items.

Monetary assets and liabilities that are denominated in foreign currencies are remeasured at the period-end closing rate with resulting unrealized exchange fluctuations. Realized exchange fluctuations result from the settlement of transactions in currencies other than the functional currencies of our businesses. The functional currencies of our businesses are U.S. Dollars, Pounds Sterling, Euros, Japanese Yen and Chinese Yuan, depending on the entity.

Table of Contents

Results of operations

Comparison of three months ended March 31, 2018 and 2017

The following table sets forth, for the periods indicated, the amounts of certain components of our statements of operations and the percentage of total revenue represented by these items, showing period-to-period changes.

	Three months ended March 31,								
	2018			2017			Change		
(in thousands, except percentages)	**Amount**	**% of revenue**		**Amount**	**% of revenue**		**Amount**	**%**	
Revenue:									
Product	$7,935	37	%	$8,386	39	%	$(451)	(5)	%
Service	13,435	63	%	13,119	61	%	316	2	%
Total revenue	21,370	100	%	21,505	100	%	(135)	(1)	%
Cost of revenue:									
Product	2,574	12	%	3,245	15	%	(671)	(21)	%
Service	8,016	38	%	7,252	34	%	764	11	%
Total cost of revenue	10,590	50	%	10,497	49	%	93	1	%
Gross profit	10,780	50	%	11,008	51	%	(228)	(2)	%
Operating expenses:									
Research and development	3,744	18	%	3,805	18	%	(61)	(2)	%
Sales and marketing	9,405	44	%	9,640	45	%	(235)	(2)	%
General and administrative	6,928	32	%	6,876	32	%	52	1	%
Change in fair value of contingent purchase price consideration	—	0	%	(2,357)	(11)	%	2,357	(100)	%
Settlement expense	207	1	%	—	0	%	207	N/M	
Total operating expenses	20,284	95	%	17,964	84	%	2,320	13	%
Loss from operations	(9,504)	(44)	%	(6,956)	(32)	%	(2,548)	37	%
Interest expense, net	(604)	(3)	%	(823)	(4)	%	219	(27)	%
Foreign exchange losses	(103)	(0)	%	(106)	(0)	%	3	(3)	%
Other expense	(52)	(0)	%	(140)	(1)	%	88	(63)	%
Loss before income taxes	(10,263)	(48)	%	(8,025)	(37)	%	(2,238)	28	%
Income tax expense	(63)	(0)	%	(47)	(0)	%	(16)	34	%
Net loss	$(10,326)	(48)	%	$(8,072)	(38)	%	$(2,254)	28	%

Revenue

Revenue declined slightly to $21.4 million for the three months ended March 31, 2018 compared to $21.5 million for the same period in 2017.

U.S. revenue declined slightly to $13.4 million for the three months ended March 31, 2018, compared to the same period in 2017, driven largely by tick-borne disease and other revenue of $2.5 million in 2018, compared to $3.0 million in 2017.

Table of Contents

Asia revenue declined by 7% to $5.7 million for the three months ended March 31, 2018, compared to the same period in 2017, due primarily to the timing of shipments to China. On a non-Generally Accepted Accounting Principles, or non-GAAP, constant currency basis, revenue for Asia would have decreased by 9%. Europe and ROW revenue increased 24% to $2.2 million for the three months ended March 31, 2018, compared to the same period in 2017, due to strong TB sales and the additional contribution from the sale of Lyme kits. On a non-GAAP constant currency basis, Europe and ROW revenue would have increased by 9% in 2018 compared to 2017.

Changes in revenue include the impact of changes in foreign currency exchange rates. We use the non-GAAP financial measure “constant currency basis” in our filings to show changes in our revenue without giving effect to period-to-period currency fluctuations. Under U.S. GAAP, revenues received in local (non-U.S. Dollar) currencies are translated into U.S. Dollars at the average exchange rate for the period presented. When we use the term “constant currency basis”, it means that we have translated local currency revenues for the prior reporting period into U.S. Dollars using the same average foreign currency exchange rates for the conversion of revenues into U.S. Dollars that we used to translate local currency revenues for the comparable reporting period of the current year. We then calculate the change, as a percentage, from the prior period revenues using the current period exchange rates versus the current period revenues. This resulting percentage is a non-GAAP measure referring to a change as a percentage on a “constant currency basis”. We consider the use of a period over period revenue comparison on a constant currency basis to be helpful to investors, as it provides a revenue growth measure free of positive or negative volatility due to currency fluctuations.

By revenue type, total revenues were:

	Three months ended March 31,		Change	
(in thousands, except percentages)	**2018**	**2017**	**Amount**	**%**
Revenue				
Product	$7,935	$8,386	$(451)	(5)%
Service	13,435	13,119	316	2 %
Total revenue	$21,370	$21,505	$(135)	(1)%

By indication, total revenues were:

	Three months ended March 31,		Change	
(in thousands, except percentages)	**2018**	**2017**	**Amount**	**%**
Revenue				
Tuberculosis	$18,837	$18,542	$295	2 %
Tick-borne disease and other	2,533	2,963	(430)	(15)%
Total revenue	$21,370	$21,505	$(135)	(1)%

By geography, total revenues were:

(in thousands, except percentages)	Three months ended March 31, 2018	2017	Change Amount	%
Revenue				
United States	$13,393	$13,536	$(143)	(1)%
Europe and ROW	2,240	1,806	434	24%
Asia	5,737	6,163	(426)	(7)%
Total revenue	$21,370	$21,505	$(135)	(1)%

Table of Contents

Cost of revenue and gross margin

Cost of revenue of $10.6 million for the three months ended March 31, 2018 was essentially flat when compared to the same period in 2017. Gross margin was 50% and 51% for the three months ended March 31, 2018 and 2017, respectively.

	Three months ended March 31,		Change	
(in thousands, except percentages)	**2018**	**2017**	**Amount**	**%**
Cost of revenue				
Product	$2,574	$3,245	$(671)	(21)%
Service	8,016	7,252	764	11 %
Total cost of revenue	$10,590	$10,497	$93	1 %

Research and development expenses

Research and development expenses of $3.8 million for the three months ended March 31, 2018 were essentially flat when compared to the same period in 2017. As a percentage of total revenue, research and development expenses were 18% for each of the three month periods ended March 31, 2018 and 2017.

Sales and marketing expenses

Sales and marketing expenses decreased to $9.4 million for the three months ended March 31, 2018 from $9.6 million for the same period in 2017. As a percentage of total revenue, sales and marketing expenses declined slightly to 44% for the three months ended March 31, 2018 compared to 45% for the same period in 2017.

General and administrative expenses

General and administrative expenses of $6.9 million for the three months ended March 31, 2018 were essentially unchanged from the same period in 2017. As a percentage of total revenue, general and administrative expenses were 32% for each of the three month periods ended March 31, 2018 and 2017.

Settlement expense

Settlement expense relates to the Settlement Agreement with SSI to resolve outstanding disputes arising from our previous license agreement. The terms of the Settlement Agreement are confidential.

Interest expense, net

Interest expense, net was $604,000 for the three months ended March 31, 2018, compared to $823,000 in the same period in 2017.

Foreign exchange losses

We recorded foreign exchange losses of $103,000 for the three months ended March 31, 2018, substantially all as a net result of U.S. Dollar denominated bank accounts, accounts receivable, and accounts payable reflected on the books of Oxford Immunotec Limited, which has a functional currency of the U.K. Pound Sterling. For the three months ended March 31, 2017, we recorded foreign exchange losses of $106,000. We are exposed to foreign exchange rate risk because we currently operate in three major regions of the world: the United States, Europe and ROW, and Asia, and our revenue is denominated in multiple currencies. Approximately 63% of our sales for the three months ended March 31, 2018 were in the United States, which are denominated in U.S. Dollars. Sales in China and South Korea are also denominated in U.S. Dollars. Sales in Europe are denominated primarily in the U.K. Pound Sterling and the Euro. As we grow Europe and ROW sales outside the United Kingdom and the Euro Zone, we may be subject to risk from additional currencies. Sales in Japan are denominated in Yen.

Our expenses are generally denominated in the currencies in which our operations are located, which are primarily in the United States, the United Kingdom, Japan, Europe, China and South Korea.

As we continue to grow our business outside the United States, 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. To date, we have not entered into any foreign currency hedging contracts, although we may do so in the future.

Table of Contents

Other expense

Other expense was $52,000 for the three months ended March 31, 2018, compared to $140,000 for the three months ended March 31, 2017.

Liquidity and capital resources

Sources of funds

Since our inception, we have incurred significant net losses and negative cash flows from operations. For the three months ended March 31, 2018, we had a net loss of $10.3 million and used $11.9 million of cash for operating activities. As of March 31, 2018, we had an accumulated deficit of $211.9 million. We incurred a net loss of $8.1 million and used $14.6 million of cash for operating activities for the three months ended March 31, 2017.

As noted above, on October 4, 2016, we entered into a credit agreement with MidCap Financial Trust. The credit agreement consisted of a 60 month, $30 million term loan and a $10 million revolving line of credit, both of which mature on September 30, 2021. The availability of funds under the revolving line of credit is based upon the Company's eligible accounts receivable and eligible inventory. To date, we have not borrowed under the revolving line of credit. Based on certain conditions, both the term loan and revolving line of credit may be increased by an additional $10 million for a total of $60 million.

The term loan accrues interest at a rate of LIBOR plus 7.60% with interest only payments for the first 24 months, with the ability to extend to 48 months subject to certain conditions, before the loan begins to amortize. The Company has the intention and ability to extend the interest only period by at least six months.

As of March 31, 2018, we had cash and cash equivalents of $77.3 million. We maintain our available cash balances in cash, money market funds and repurchase agreements primarily invested in U.S. government and agency securities, and bank savings accounts in the United States, United Kingdom, Germany, Japan, China and South Korea. Essentially all our cash is in the U.S. and the U.K.

Summary of cash flows

The following table summarizes our cash and cash equivalents, accounts receivable and cash flows for the periods indicated:

	As of and for the three months ended March 31,	
(in thousands)	**2018**	**2017**
Cash and cash equivalents, including restricted cash	$77,446	$43,333
Accounts receivable, net	16,900	16,906
Net cash used in operating activities	$(11,932)	$(14,638)
Net cash used in investing activities	(1,118)	(1,301)
Net cash used in financing activities	(94)	(148)
Effect of exchange rate changes on cash and cash equivalents	58	110
Net decrease in cash and cash equivalents, including restricted cash	$(13,086)	$(15,977)

Cash flows for the three months ended March 31, 2018 and 2017

Operating activities

Net cash used in operating activities was $11.9 million during the three months ended March 31, 2018, which included a net loss of $10.3 million, non-cash expenses of $3.1 million, and cash used for changes in operating assets and liabilities of $4.7 million. The non-cash items included share-based compensation expense of $1.8 million, depreciation and amortization of intangible assets expense of $1.1 million, and accretion and amortization of loan fees of $140,000. The cash used for changes in operating assets and liabilities included a decrease in accounts payable and accrued liabilities of $3.1 million, an increase in prepaid expenses and other assets of $1.5 million, and an increase in inventory, net of $490,000, partially offset by a decrease in accounts receivable, net of $296,000. The decrease in accounts payable and accrued liabilities was largely due to payments in the first three months of 2018 for royalties on intellectual property and bonuses that were accrued for at December 31, 2017, as well as the timing of payments. The increase in prepaid expenses and other assets reflects the timing of certain payments. Inventory, net increased due to timing, and accounts receivable, net declined due to the timing of customer payments.

Table of Contents

Net cash used in operating activities was $14.6 million during the three months ended March 31, 2017, which included a net loss of $8.1 million, non-cash expenses of $121,000, and cash used for changes in operating assets and liabilities of $6.7 million. The non-cash items included share-based compensation expense of $1.3 million, depreciation and amortization of intangible assets expense of $1.0 million, and accretion and amortization of loan fees of $149,000, largely offset by a decrease in the fair value of contingent purchase price consideration of $2.4 million. The cash used for changes in operating assets and liabilities included an increase in accounts receivable of $3.6 million, an increase in prepaid expenses and other assets of $1.4 million, a decrease in accounts payable and accrued liabilities of $908,000, and an increase in inventory, net of $806,000. The increase in accounts receivable, net reflects growing sales and timing of customer payments. The increase in prepaid expenses and other assets reflects the timing of certain payments. The decrease in accounts payable and accrued liabilities was largely due to payments in the first three months of 2017 for royalties on intellectual property and bonuses that were accrued for at December 31, 2016, as well as the timing of payments. Inventory, net increased due to timing.

Investing activities

Net cash used in investing activities was $1.1 million during the three months ended March 31, 2018 and consisted of purchases of property and equipment.

Net cash used in investing activities was $1.3 million during the three months ended March 31, 2017 and consisted of purchases of property and equipment.

Financing activities

Net cash used in financing activities was $94,000 during the three months ended March 31, 2018.

Net cash used in financing activities was $148,000 during the three months ended March 31, 2017.

Employees

As of March 31, 2018, we had 446 employees. None of our employees is represented by a labor union. We have not experienced any work stoppages and we believe our employee relations are good.

Contractual obligations

In March 2018, we entered into an agreement relating to our location in Norwood, Massachusetts to bifurcate our existing lease for two adjacent facilities into two separate leases, as one of the facilities was being sold to a new owner. The first of the two leases, which is referred to as the “315 Lease”, relates to about 18,000 rentable square feet within a larger facility. The base rent on the 315 Lease will range from an initial low of $32,000 per month to a high of $35,000 per month and extends through September 30, 2018, when the Company is anticipated to surrender the space.

The second lease, which extends through March 31, 2023, is referred to as the “320 Lease” and relates to an entire building containing about 39,000 rentable square feet. The base rent on the 320 Lease over the lease term will range from an initial low of $67,000 per month to a high of $83,000 per month. The Company will have two options to extend the lease term, each for a five-year period.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's exposure to market risk from interest rate fluctuations, capital market fluctuations, and foreign currency exchange rate fluctuations has not materially changed from its exposure as of December 31, 2017, as described in Item 7A of our 2017 Form 10-K.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Quarterly Report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our Chief Executive and Chief Financial Officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting

There have been no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period covered by this Quarterly Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

There have been no material changes in the risk factors described in "Item 1A. Risk Factors" of the Company's 2017 Form 10-K.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

See the Exhibit Index on the page immediately preceding the exhibits for a list of exhibits filed as part of this Quarterly Report, which Exhibit Index is incorporated herein by this reference.

26

Table of Contents

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.

OXFORD IMMUNOTEC GLOBAL PLC

Date: May 1, 2018 /s/ Peter Wrighton-Smith, Ph.D.
Peter Wrighton-Smith, Ph.D.
Chief Executive Officer and Director
(Principal Executive Officer)

Date: May 1, 2018 /s/ Richard M. Altieri
Richard M. Altieri
Chief Financial Officer
(Principal Financial and Accounting Officer)

Table of Contents

EXHIBIT INDEX

Exhibit No.	Description
3.1	Articles of Association of the Registrant (Filed as Exhibit 3.1 to our Current Report on Form 8-K on June 18, 2014 and incorporated herein by reference.)
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed consolidated balance sheets at March 31, 2018 and December 31, 2017; (ii) Condensed consolidated statements of operations for the three months ended March 31, 2018 and 2017; (iii) Condensed consolidated statements of comprehensive loss for the three months ended March 31, 2018 and 2017; (iv) Condensed consolidated statements of cash flows for the three months ended March 31, 2018 and 2017; and (v) Notes to unaudited condensed consolidated financial statements