

DEXCOM INC  
Form 10-Q  
November 04, 2009  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10 - Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended September 30, 2009

**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 000-51222

**DEXCOM, INC.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**33-0857544**  
(I.R.S. Employer  
Identification No.)

**6340 Sequence Drive**

**San Diego, California**  
(Address of Principal Executive offices)

**92121**  
(Zip Code)

**Registrant's Telephone Number, including area code: (858) 200-0200**

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 website, 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

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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 (Check one):

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company   
(Do not check if a 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 October 29, 2009, 46,031,757 shares of the Registrant's common stock were outstanding.

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**DexCom, Inc.**

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**Table of Contents****DexCom, Inc.****Consolidated Balance Sheets****(In thousands except par value data)****(Unaudited)**

	<b>September 30, 2009</b>	<b>December 31, 2008 (1)</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 6,362	\$ 12,700
Short-term marketable securities, available-for-sale	31,356	14,368
Accounts receivable, net	2,487	1,118
Inventory, net	1,932	2,446
Prepaid and other current assets	1,239	1,426
Total current assets	43,376	32,058
Property and equipment, net	6,731	6,105
Restricted cash	2,639	4,270
Other assets	1,210	1,449
Total assets	\$ 53,956	\$ 43,882
<b>Liabilities and stockholders equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,373	\$ 4,599
Accrued payroll and related expenses	3,560	2,115
Current portion of long-term debt	900	1,931
Current portion of deferred revenue	8,702	6,351
Total current liabilities	17,535	14,996
Long-term portion of deferred revenue		5,669
Other liabilities	839	889
Long-term debt, net of current portion	44,683	41,796
Total liabilities	63,057	63,350
Commitments and contingencies (Note 4)		
Stockholders equity (deficit):		
Preferred stock, \$0.001 par value, 5,000 shares authorized; no shares issued and outstanding at September 30, 2009 and December 31, 2008, respectively		
Common stock, \$0.001 par value, 100,000 authorized; 46,307 and 46,027 issued and outstanding at September 30, 2009; 30,103 and 29,824 shares issued and outstanding at December 31, 2008		
	46	30
Additional paid-in capital	270,496	218,136
Accumulated other comprehensive income	36	50
Accumulated deficit	(279,679)	(237,684)
Total stockholders deficit	(9,101)	(19,468)
Total liabilities and stockholders deficit	\$ 53,956	\$ 43,882

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- (1) The Consolidated Balance Sheet at December 31, 2008 has been derived from the audited consolidated financial statements as adjusted for the adoption on January 1, 2009 of authoritative guidance for accounting for convertible debt instruments that may be settled in cash upon conversion.

See accompanying notes

**Table of Contents****DexCom Inc.****Consolidated Statements of Operations****(In thousands except per share data)****(Unaudited)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2009</b>	<b>2008 (1)</b>	<b>2009</b>	<b>2008 (1)</b>
Product revenue	\$ 4,620	\$ 1,878	\$ 11,404	\$ 5,643
Development grant revenue	2,639	42	7,818	122
Total revenue	7,259	1,920	19,222	5,765
Product cost of sales	4,589	3,577	12,738	9,833
Development cost of sales	1,805	263	6,930	643
Total cost of sales	6,394	3,840	19,668	10,476
Gross margin (deficit)	865	(1,920)	(446)	(4,711)
Operating expenses				
Research and development	3,496	5,418	10,122	15,058
Selling, general and administrative	8,948	6,652	25,803	20,320
Total operating expenses	12,444	12,070	35,925	35,378
Operating loss	(11,579)	(13,990)	(36,371)	(40,089)
Interest and other income	93	215	323	1,087
Interest expense	(2,037)	(1,856)	(5,947)	(5,409)
Net loss	\$ (13,523)	\$ (15,631)	\$ (41,995)	\$ (44,411)
Basic and diluted net loss per share	\$ (0.29)	\$ (0.53)	\$ (0.96)	\$ (1.51)
Shares used to compute basic and diluted net loss per share	45,919	29,627	43,797	29,415

- (1) The Consolidated Statements of Operations for the three and nine months ended September 30, 2008 have been derived from the audited consolidated financial statements as adjusted for the adoption on January 1, 2009 of authoritative guidance for accounting for convertible debt instruments that may be settled in cash upon conversion.

See accompanying notes

**Table of Contents****DexCom, Inc.****Consolidated Statements of Cash Flows****(In thousands)****(Unaudited)**

	<b>Nine Months Ended September 30,</b>	
	<b>2009</b>	<b>2008 (1)</b>
<b>Operating activities</b>		
Net loss	\$ (41,995)	\$ (44,411)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	1,903	2,268
Share-based compensation	6,212	5,707
Non-cash restructuring benefit	(362)	
Accretion and amortization related to investments, net	763	(26)
Accretion related to convertible debt discount	3,562	2,975
Amortization of debt issuance costs	178	112
Changes in operating assets and liabilities:		
Accounts receivable	(1,369)	(214)
Inventory	514	(1,451)
Prepaid and other assets	535	283
Restricted cash	1,631	(3,925)
Accounts payable and accrued liabilities	136	(1,872)
Accrued payroll and related expenses	1,445	185
Deferred revenue	(3,318)	379
Deferred rent and other liabilities	(51)	13
<b>Net cash used in operating activities</b>	<b>(30,216)</b>	<b>(39,977)</b>
<b>Investing activities</b>		
Purchase of available-for-sale marketable securities	(53,597)	(32,950)
Proceeds from the maturity of available-for-sale marketable securities	35,483	53,301
Purchase of property and equipment	(2,529)	(2,061)
<b>Net cash provided by/(used in) investing activities</b>	<b>(20,643)</b>	<b>18,290</b>
<b>Financing activities</b>		
Net proceeds from issuance of common stock	46,231	1,696
Proceeds from equipment loan		2,657
Repayment of equipment loan	(1,706)	(1,138)
<b>Net cash provided by financing activities</b>	<b>44,525</b>	<b>3,215</b>
Effect of exchange rate changes on cash and cash equivalents	(4)	(1)
<b>Decrease in cash and cash equivalents</b>	<b>(6,338)</b>	<b>(18,473)</b>
Cash and cash equivalents, beginning of period	12,700	23,115
<b>Cash and cash equivalents, ending of period</b>	<b>\$ 6,362</b>	<b>\$ 4,642</b>
<b>Non-cash investing and financing transactions:</b>		
Common shares received as settlement for a call spread option	\$	\$ 869

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- (1) The Consolidated Statement of Cash Flows for the nine months ending September 30, 2008 has been derived from the audited consolidated financial statements as adjusted for adoption on January 1, 2009 of authoritative guidance for accounting for convertible debt instruments that may be settled in cash upon conversion.

See accompanying notes



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**DexCom, Inc.**

**Notes to Consolidated Financial Statements**

**(Unaudited)**

**1. Organization and Summary of Significant Accounting Policies**

***Organization and Business***

DexCom, Inc. (the Company) is a medical device company focused on the design, development and commercialization of continuous glucose monitoring systems for ambulatory use by people with diabetes and by healthcare providers in the hospital for the treatment of both diabetic and non-diabetic patients. On March 24, 2006, the Company received approval from the FDA for its STS designed for up to three days of continuous use. On May 31, 2007, the Company received approval from the FDA for its second generation continuous glucose monitoring system, the SEVEN, designed for up to seven days of continuous use, and the Company began commercializing this product in the third quarter of 2007. On February 13, 2009, the Company received approval from the FDA for its third generation continuous glucose monitoring system, the SEVEN PLUS, also approved for up to seven days of continuous use, and the Company began commercializing this product during the first quarter of 2009, and discontinued U.S. sales of the SEVEN system in the first quarter of 2009. On November 26, 2008, the Company received CE Mark (Conformité Européene) approval for the SEVEN, enabling commercialization of the SEVEN system in the European Union and the countries in Asia and Latin America that recognize the CE Mark, and on September 30, 2009, the Company received CE Mark approval for the SEVEN PLUS. In 2008, the Company established a wholly owned subsidiary in Sweden to begin expansion outside of the United States.

***Basis of Presentation***

The Company has prepared the accompanying unaudited consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ( U.S