

Sientra, Inc.
Form 10-Q
November 09, 2016
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 September 30, 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: 001-36709

SIENTRA, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of Incorporation or Organization)

20-5551000
(I.R.S. Employer Identification No.)

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420 South Fairview Avenue, Suite 200
Santa Barbara, California 93117
(Address of Principal Executive Offices) (Zip Code)

(805) 562-3500

(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, 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 November 4, 2016, the number of outstanding shares of the registrant's common stock, par value \$0.01 per share, was 18,594,257.

Table of Contents

SIENTRA, INC.

FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2016

TABLE OF CONTENTS

	Page
<u>Part I — Financial Information</u>	1
<u>Item 1. Condensed Financial Statements - Unaudited</u>	1
<u>Condensed Balance Sheets as of September 30, 2016 and December 31, 2015</u>	1
<u>Condensed Statements of Operations for the Three and Nine Months Ended September 30, 2016 and 2015</u>	2
<u>Condensed Statements of Cash Flows for the Nine Months Ended September 30, 2016 and 2015</u>	3
<u>Notes to the Condensed Financial Statements</u>	4
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	19
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	29
<u>Item 4. Controls and Procedures</u>	30
<u>Part II — Other Information</u>	30
<u>Item 1. Legal Proceedings</u>	30
<u>Item 1A. Risk Factors</u>	31
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	62
<u>Item 3. Defaults Upon Senior Securities</u>	63
<u>Item 4. Mine Safety Disclosures</u>	63
<u>Item 5. Other Information</u>	63
<u>Item 6. Exhibits</u>	64

Table of Contents

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SIENTRA, INC.

Condensed Balance Sheets

(In thousands, except per share and share amounts)

(Unaudited)

	September 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 79,282	\$ 112,801
Accounts receivable, net of allowances of \$3,890 and \$1,116 at September 30, 2016 and December 31, 2015, respectively	2,812	4,249
Inventories, net	19,048	20,602
Insurance recovery receivable	9,282	—
Prepaid expenses and other current assets	1,429	1,473
Total current assets	111,853	139,125
Property and equipment, net	2,076	1,404
Goodwill	3,273	—
Other intangible assets, net	3,586	53
Other assets	231	223
Total assets	\$ 121,019	\$ 140,805
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 3,201	\$ 4,069
Accrued and other current liabilities	7,507	6,959
Legal settlement payable	10,900	—
Customer deposits	6,200	9,488
Total current liabilities	27,808	20,516
Warranty reserve and other long-term liabilities	2,141	1,418
Total liabilities	29,949	21,934
Commitments and contingencies (Note 11)		

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Stockholders' equity:		
Preferred stock, \$0.01 par value – Authorized 10,000,000 shares; none issued or outstanding	—	—
Common stock, \$0.01 par value — Authorized 200,000,000 shares; issued 18,666,984 and 18,066,143 and outstanding 18,594,257 and 17,993,416 shares at September 30, 2016 and December 31, 2015 respectively	186	180
Additional paid-in capital	298,514	294,227
Treasury stock, at cost (72,727 shares at September 30, 2016 and December 31, 2015)	(260)	(260)
Accumulated deficit	(207,370)	(175,276)
Total stockholders' equity	91,070	118,871
Total liabilities and stockholders' equity	\$ 121,019	\$ 140,805

See accompanying notes to condensed financial statements.

Table of Contents

SIENTRA, INC.

Condensed Statements of Operations

(In thousands, except per share and share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net sales	\$ 6,531	\$ 9,929	\$ 14,246	\$ 36,569
Cost of goods sold	1,814	2,933	4,319	10,107
Gross profit	4,717	6,996	9,927	26,462
Operating expenses:				
Sales and marketing	5,137	6,282	16,533	20,087
Research and development	2,052	2,143	7,370	4,896
General and administrative	7,302	4,140	17,945	11,804
Total operating expenses	14,491	12,565	41,848	36,787
Loss from operations	(9,774)	(5,569)	(31,921)	(10,325)
Other income (expense), net:				
Interest income	16	12	47	19
Interest expense	(105)	(1,608)	(118)	(2,947)
Other (expense) income, net	(52)	561	(54)	273
Total other income (expense), net	(141)	(1,035)	(125)	(2,655)
Loss before income taxes	(9,915)	(6,604)	(32,046)	(12,980)
Income taxes	48	—	48	—
Net loss	\$ (9,963)	\$ (6,604)	\$ (32,094)	\$ (12,980)
Basic and diluted net loss per share attributable to common stockholders	\$ (0.55)	\$ (0.43)	\$ (1.77)	\$ (0.86)
Weighted average outstanding common shares used for net loss per share attributable to common stockholders:				
Basic and diluted	18,208,112	15,207,870	18,111,593	15,022,022

See accompanying notes to condensed financial statements.

Table of Contents

SIENTRA, INC.

Condensed Statements of Cash Flows

(In thousands)

(Unaudited)

	September 30,	
	2016	2015
Cash flows from operating activities:		
Net loss	\$ (32,094)	\$ (12,980)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	734	232
Provision for doubtful accounts	384	40
Provision for warranties	133	445
Provision for inventory	519	355
Change in fair value of warrants	57	(274)
Non-cash interest expense	23	1,387
Stock-based compensation expense	2,630	1,759
Loss on disposal of property and equipment	124	—
Deferred income taxes	48	—
Changes in assets and liabilities:		
Accounts receivable	1,053	1,511
Prepaid expenses, other current assets and other assets	(58)	20
Inventories	1,136	(851)
Insurance recovery receivable	(9,282)	—
Accounts payable	(986)	295
Accrued and other liabilities	460	1,082
Legal settlement payable	10,900	—
Customer deposits	(3,288)	(1,048)
Net cash used in operating activities	(27,507)	(8,027)
Cash flows from investing activities:		
Purchase of property and equipment	(916)	(844)
Business acquisition	(6,759)	—
Net cash used in investing activities	(7,675)	(844)
Cash flows from financing activities:		
Proceeds from exercise of stock options	910	113
Proceeds from issuance of common stock, net of underwriters discount	—	62,040
Proceeds from issuance of common stock under ESPP	753	564
Deferred equity issuance costs, IPO	—	(72)
Deferred equity issuance costs, follow-on offering	—	(77)
Repayment of long-term debt	—	(1,487)
Net cash provided by financing activities	1,663	61,081
Net (decrease) increase in cash and cash equivalents	(33,519)	52,210
Cash and cash equivalents at:		

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Beginning of period	112,801	96,729
End of period	\$	