

Sientra, Inc.  
Form 10-Q  
May 09, 2018

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: 001-36709

SIENTRA, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware 20-5551000

(State or Other Jurisdiction of (I.R.S. Employer  
Incorporation or Organization) Identification No.)

420 South Fairview Avenue, Suite 200 93117

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Santa Barbara, California

(Zip Code)

(Address of Principal Executive Offices)

(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, a 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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Emerging growth 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 May 7, 2018, the number of outstanding shares of the registrant's common stock, par value \$0.01 per share, was 28,183,911.

SIENTRA, INC.

FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2018

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“Sientra”, “OPUS”, “Allox”, “Allox2”, “BIOCORNEUM”, “Dermaspan”, “Softspan”, “Silishield”, “miraDry”, “Miramar Labs and Design”, “miraDry Fresh”, “The Sweat Stops Here”, “Drop Design”, “miraWave”, “miraSmooth”, “miraFresh”, and “ML Stylized mark” are trademarks of our company. Our logo and our other trade names, trademarks and service marks appearing in this document are our property. Other trade names, trademarks and service marks appearing in this document are the property of their respective owners. Solely for convenience, our trademarks and trade names referred to in the document, appear without the TM or the (R) symbol, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights, or the rights of the applicable licensor to these trademarks and trade names.

## PART I — FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## SIENTRA, INC.

## Condensed Consolidated Balance Sheets

(In thousands, except per share and share amounts)

(Unaudited)

	March 31, 2018	December 31, 2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 16,059	\$ 26,588
Accounts receivable, net of allowances of \$1,137 and \$4,816 at March 31, 2018 and December 31, 2017, respectively	12,072	6,569
Inventories, net	21,829	20,896
Prepaid expenses and other current assets	2,374	1,512
Total current assets	52,334	55,565
Property and equipment, net	4,934	4,763
Goodwill	12,507	12,507
Other intangible assets, net	18,223	18,803
Other assets	719	575
Total assets	\$ 88,717	\$ 92,213
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Current portion of long-term debt	\$ 5,256	\$ 24,639
Accounts payable	10,487	5,811
Accrued and other current liabilities	16,535	13,474
Legal settlement payable	1,000	1,000
Customer deposits	5,431	5,423
Refund liability	4,400	—
Total current liabilities	43,109	50,347
Long-term debt	22,735	—
Deferred and contingent consideration	11,338	12,597
Warranty reserve and other long-term liabilities	1,692	1,646
Total liabilities	78,874	64,590
Commitments and contingencies (Note 12)		
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 19,716,369 and 19,474,702 and outstanding 19,643,642 and 19,401,975 shares at March 31, 2018 and	197	194

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December 31, 2017 respectively		
Additional paid-in capital	308,799	307,159
Treasury stock, at cost (72,727 shares at March 31, 2018 and December 31, 2017)	(260 )	(260 )
Accumulated deficit	(298,893)	(279,470 )
Total stockholders' equity	9,843	27,623
Total liabilities and stockholders' equity	\$88,717	\$ 92,213

See accompanying notes to condensed consolidated financial statements.

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SIENTRA, INC.

## Condensed Consolidated Statements of Operations

(In thousands, except per share and share amounts)

(Unaudited)

	March 31,	
	2018	2017
Net sales	\$ 14,676	\$ 7,489
Cost of goods sold	6,097	2,322
Gross profit	8,579	5,167
Operating expenses:		
Sales and marketing	15,256	6,955
Research and development	2,751	3,194
General and administrative	9,499	6,436
Total operating expenses	27,506	16,585
Loss from operations	(18,927 )	(11,418 )
Other income (expense), net:		
Interest income	40	22
Interest expense	(655 )	(9 )
Other income (expense), net	119	8
Total other income (expense), net	(496 )	21
Loss before income taxes	(19,423 )	(11,397 )
Income tax expense	—	25
Net loss	\$ (19,423 )	\$ (11,422 )
Basic and diluted net loss per share attributable to common		
stockholders	\$ (0.99 )	\$ (0.61 )
Weighted average outstanding common shares used for net loss per		
share attributable to common stockholders:		
Basic and diluted	19,613,417	18,772,965

See accompanying notes to condensed consolidated financial statements.

SIENTRA, INC.

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2018	2017
Cash flows from operating activities:		
Net loss	\$(19,423)	\$(11,422)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	880	570
Provision for doubtful accounts	233	8
Provision for warranties	183	57
Provision for inventory	199	107
Amortization of acquired inventory step-up	59	201
Change in fair value of warrants	(121 )	(9 )
Change in fair value of deferred and contingent consideration	621	64
Change in deferred revenue	(99 )	—
Amortization of debt discount and issuance costs	51	—
Non-cash interest expense	—	8
Stock-based compensation expense	2,548	1,360
Deferred income taxes	—	25
Changes in assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(5,735 )	365
Inventories	(1,191 )	977
Prepaid expenses, other current assets and other assets	(1,009 )	(1,420 )
Insurance recovery receivable	(10 )	9,301
Accounts payable	4,684	(856 )
Accrued and other liabilities	948	3,040
Legal settlement payable	—	(10,900)
Customer deposits	8	335
Refund liability	4,400	—
Net cash used in operating activities	(12,774)	(8,189 )
Cash flows from investing activities:		
Purchase of property and equipment	(142 )	(952 )
Net cash used in investing activities	(142 )	(952 )
Cash flows from financing activities:		