
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

May 8, 2018
Date of Report (Date of earliest event reported)

Penumbra, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

001-37557
(Commission File No.)

05-0605598
(I.R.S. employer identification number)

One Penumbra Place
Alameda, CA 94502
(Address of principal executive offices, including zip code)

(510) 748-3200
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

Item 2.02. Results of Operations and Financial Condition.

On May 8, 2018 , Penumbra, Inc. issued a press release announcing financial results for the first fiscal quarter ended March 31, 2018 . A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

The information furnished on this Current Report on Form 8-K, including the attached exhibit, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any other filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
<u>99.1</u>	Press release of Penumbra, Inc. dated May 8, 2018.

EXHIBIT INDEX

Exhibit Number

Description

[99.1](#)

Press release of Penumbra, Inc. dated May 8, 2018.

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 hereunto duly authorized.

Penumbra, Inc.

Date: May 8, 2018

By: /s/ Sri Kosaraju

Sri Kosaraju

Chief Financial Officer and Head of Strategy



Press Release

Penumbra, Inc. Reports First Quarter 2018 Financial Results

ALAMEDA, Calif., May 8, 2018 (PR Newswire) - Penumbra, Inc. (NYSE: PEN), a global healthcare company focused on innovative therapies, today reported financial results for the first quarter ended March 31, 2018.

- **Revenue of \$102.7 million in the first quarter of 2018, an increase of 40.3%, or 36.2% in constant currency¹, over the first quarter of 2017.**

First Quarter 2018 Financial Results

Total revenue grew to \$102.7 million for the first quarter of 2018 compared to \$73.2 million for the first quarter of 2017, an increase of 40.3%, or 36.2% on a constant currency basis. The United States represented 64% of total revenue and international represented 36% of total revenue for the first quarter of 2018. Revenue from sales of neuro products grew to \$71.4 million for the first quarter of 2018, an increase of 42.2%, or 37.3% on a constant currency basis, from the first quarter of 2017. Revenue from sales of peripheral vascular products grew to \$31.3 million for the first quarter of 2018, an increase of 36.2%, or 33.7% on a constant currency basis, from the first quarter of 2017.

Gross profit was \$66.6 million, or 64.8% of total revenue, for the first quarter of 2018, compared to \$47.7 million, or 65.2% of total revenue, for the first quarter of 2017.

Total operating expenses were \$62.5 million, or 60.9% of total revenue, for the first quarter of 2018, compared to \$49.8 million, or 68.0% of total revenue, for the first quarter of 2017. R&D expenses were \$8.0 million for the first quarter of 2018, compared to \$7.0 million for the first quarter of 2017. SG&A expenses were \$54.5 million for the first quarter of 2018, compared to \$42.7 million for the first quarter of 2017.

Operating income for the first quarter of 2018 was \$4.0 million, compared to an operating loss of \$2.0 million for the first quarter of 2017.

Full Year 2018 Financial Outlook

The Company is increasing its 2018 guidance for total revenue to be in the range of \$410 million to \$415 million. This new range compares to the previous range of \$400 million to \$405 million.

Webcast and Conference Call Information

Penumbra, Inc. will host a conference call to discuss the first quarter 2018 financial results after market close on Tuesday, May 8, 2018 at 4:30 PM Eastern Time. The conference call can be accessed live over the phone by dialing (866) 393-4306 for domestic callers or (734) 385-2616 for international callers (conference id: 8595887), or the webcast can be accessed on the "Events" section under the "Investors" tab of the Company's website at: www.penumbrainc.com. The webcast will be available on the Company's website for two weeks following the completion of the call.

About Penumbra

Penumbra, Inc., headquartered in Alameda, California, is a global healthcare company focused on innovative therapies. Penumbra designs, develops, manufactures and markets medical devices and has a broad portfolio of products that addresses challenging medical conditions and significant clinical needs. Penumbra sells its products to hospitals primarily through its direct sales organization in the United States, most of Europe, Canada and Australia, and through distributors in select international markets. The Penumbra logo is a trademark of Penumbra, Inc. For more information, visit www.penumbrainc.com.

¹ Constant currency results are non-GAAP financial measures. Please refer to "Non-GAAP Financial Measures" herein for important information about our use of constant currency results (including reconciliations to the most comparable GAAP measures).

Non-GAAP Financial Measures

In addition to financial measures prepared in accordance with U.S. generally accepted accounting principles (GAAP), the Company uses the following non-GAAP financial measures in this press release: a) constant currency and b) adjusted net income (loss).

Constant Currency. The Company's constant currency revenue disclosures estimate the impact of changes in foreign currency rates on the translation of the Company's current period revenue as compared to the applicable comparable period in the prior year. This impact is derived by taking the current local currency revenue and translating it into U.S. dollars based upon the foreign currency exchange rates used to translate the local currency revenue for the applicable comparable period in the prior year, rather than the actual exchange rates in effect during the current period. It does not include any other effect of changes in foreign currency rates on the Company's results or business.

Adjusted net income (loss). The Company defines adjusted net income (loss) as net income (loss), excluding the one-time effect of the transition tax from the Tax Cuts and Jobs Act of 2017 (the Tax Reform Act) and the effects of the excess tax benefits associated with share-based compensation arrangements, net of any related valuation allowance.

Full reconciliation of these non-GAAP measures to the most comparable GAAP measures is set forth in the tables below.

Our management believes the non-GAAP financial measures disclosed in this press release are useful to investors in assessing the operating performance of our business and provide meaningful comparisons to prior periods and thus a more complete understanding of our business than could be obtained absent this disclosure. Specifically, we consider the change in constant currency revenue as a useful metric as it provides an alternative framework for assessing how our underlying business performed excluding the effect of foreign currency rate fluctuations. We consider adjusted net income (loss) a useful metric as it provides an alternative framework for assessing how our underlying business performed excluding the one-time effects of the transition tax from the Tax Reform Act and the excess tax benefits associated with share-based compensation arrangements, net of any related valuation allowance.

The non-GAAP financial measures included in this press release may be different from, and therefore may not be comparable to, similarly titled measures used by other companies. These non-GAAP measures should not be considered in isolation or as alternatives to GAAP measures. We urge investors to review the reconciliation of these non-GAAP financial measures to the comparable GAAP financial measures included in this press release, and not to rely on any single financial measure to evaluate our business.

Forward-Looking Statements

Except for historical information, certain statements in this press release are forward-looking in nature and are subject to risks, uncertainties and assumptions about us. Our business and operations are subject to a variety of risks and uncertainties and, consequently, actual results may differ materially from those projected by any forward-looking statements. Factors that could cause actual results to differ from those projected include, but are not limited to: failure to sustain or grow profitability or generate positive cash flows; failure to effectively introduce and market new products; delays in product introductions; significant competition; inability to further penetrate our current customer base, expand our user base and increase the frequency of use of our products by our customers; inability to achieve or maintain satisfactory pricing and margins; manufacturing difficulties; permanent write-downs or write-offs of our inventory; product defects or failures; unfavorable outcomes in clinical trials; inability to maintain our culture as we grow; fluctuations in foreign currency exchange rates; potential adverse regulatory actions; and potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make. These risks and uncertainties, as well as others, are discussed in greater detail in our filings with the Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on February 27, 2018. There may be additional risks of which we are not presently aware or that we currently believe are immaterial which could have an adverse impact on our business. Any forward-looking statements are based on our current expectations, estimates and assumptions regarding future events and are applicable only as of the dates of such statements. We make no commitment to revise or update any forward-looking statements in order to reflect events or circumstances that may change.

Penumbra, Inc.
Condensed Consolidated Balance Sheets
(unaudited)
(in thousands)

	March 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 52,805	\$ 50,637
Marketable investments	162,636	163,954
Accounts receivable, net	65,107	58,007
Inventories	94,616	94,901
Prepaid expenses and other current assets	12,774	14,735
Total current assets	387,938	382,234
Property and equipment, net	31,995	30,899
Intangible assets, net	28,241	23,778
Goodwill	8,414	8,178
Long-term investments	3,286	3,872
Deferred taxes	28,865	26,690
Other non-current assets	968	1,016
Total assets	\$ 489,707	\$ 476,667
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 7,403	\$ 6,757
Accrued liabilities	42,850	44,825
Total current liabilities	50,253	51,582
Deferred rent	7,345	6,199
Other non-current liabilities	17,188	18,478
Total liabilities	74,786	76,259
Stockholders' equity:		
Common stock	34	33
Additional paid-in capital	404,299	396,810
Accumulated other comprehensive income	2,637	1,569
Retained earnings	7,951	1,996
Total stockholders' equity	414,921	400,408
Total liabilities and stockholders' equity	\$ 489,707	\$ 476,667

Penumbra, Inc.
Condensed Consolidated Statements of Operations
(unaudited)
(in thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2018	2017
Revenue	\$ 102,701	\$ 73,213
Cost of revenue	36,144	25,504
Gross profit	66,557	47,709
Operating expenses:		
Research and development	8,013	7,034
Sales, general and administrative	54,499	42,721
Total operating expenses	62,512	49,755
Income (loss) from operations	4,045	(2,046)
Interest income, net	749	644
Other expense, net	(290)	(349)
Income (loss) before income taxes and equity in losses of unconsolidated investees	4,504	(1,751)
(Benefit from) Provision for income taxes	(1,938)	1,355
Income (loss) before equity in losses of unconsolidated investees	6,442	(3,106)
Equity in losses of unconsolidated investees	(951)	—
Net income (loss)	\$ 5,491	\$ (3,106)
Net income (loss) per share:		
Basic	\$ 0.16	\$ (0.10)
Diluted	\$ 0.15	\$ (0.10)
Weighted average shares used to compute net income (loss) per share:		
Basic	33,846,142	31,611,841
Diluted	35,917,051	31,611,841

Penumbra, Inc.
Reconciliation of Revenue Growth by Geographic Regions to Constant Currency Revenue Growth ¹
(unaudited)
(in thousands)

	Three Months Ended March 31,		Reported Change		FX Impact	Constant Currency Change	
	2018	2017	\$	%	\$	\$	%
United States	\$ 65,801	\$ 48,487	\$ 17,314	35.7%	\$ —	\$ 17,314	35.7%
International	36,900	24,726	12,174	49.2%	(3,003)	9,171	37.1%
Total	\$ 102,701	\$ 73,213	\$ 29,488	40.3%	\$ (3,003)	\$ 26,485	36.2%

Penumbra, Inc.
Reconciliation of Revenue Growth by Product Categories to Constant Currency Revenue Growth ¹
(unaudited)
(in thousands)

	Three Months Ended March 31,		Reported Change		FX Impact	Constant Currency Change	
	2018	2017	\$	%	\$	\$	%
Neuro	\$ 71,433	\$ 50,249	\$ 21,184	42.2%	\$ (2,442)	\$ 18,742	37.3%
Peripheral Vascular	31,268	22,964	8,304	36.2%	(561)	7,743	33.7%
Total	\$ 102,701	\$ 73,213	\$ 29,488	40.3%	\$ (3,003)	\$ 26,485	36.2%

¹ See “Non-GAAP Financial Measures” above for important information about our use of this non-GAAP measure and further information about our calculation of constant currency results.

Penumbra, Inc.
Reconciliation of GAAP Net Income (Loss) to Adjusted Net Income (Loss) ¹
(unaudited)
(in thousands)

	Three Months Ended March 31,	
	2018	2017
GAAP net income (loss)	\$ 5,491	\$ (3,106)
GAAP net income (loss) includes the effect of the following items:		
Effect of the transition tax under the Tax Reform Act ²	88	—
Excess tax benefits related to stock compensation awards ³	(3,364)	(9,510)
Valuation allowance on excess tax benefit related to stock compensation awards ³	—	9,510
Adjusted net income (loss)	\$ 2,215	\$ (3,106)

¹ See “Non-GAAP Financial Measures” above for important information about our use of non-GAAP measures and further information about our adjusted net income (loss).

² On December 22, 2017, the Tax Reform Act was enacted into law. This new tax law, among other changes, reduces the Company's U.S. federal statutory corporate income tax rate from 34% to 21% effective January 1, 2018. During the three months ended March 31, 2018, the Company recorded a provisional tax charge for the one-time transition tax on the undistributed earnings of its foreign subsidiaries.

³ In accordance with Accounting Standards Update No. 2016-09, Improvements to Employee Share-Based Payment Accounting, all excess tax benefits related to share-based compensation be recognized as an income tax benefit, instead of in stockholders' equity. For the three months ended March 31, 2017, the Company determined that it was not more-likely-than-not that sufficient taxable income would be generated to realize all of the domestic deferred tax assets as of March 31, 2017. Accordingly, the Company recorded a partial valuation allowance against its domestic deferred tax assets generated during the three month period that are primarily driven by the significant excess stock compensation tax benefit.

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Source: Penumbra, Inc.