

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): May 1, 2018

TRUPANION, INC.

(Exact name of registrant as specified in its charter)

Delaware

**(State or other jurisdiction of
incorporation)**

001-36537

**(Commission
File Number)**

83-0480694

**(IRS Employer
Identification No.)**

6100 4th Avenue S, Suite 200

Seattle, Washington 98108

(Address of principal executive offices, including zip code)

(855) 727 - 9079

(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- 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 1st, 2018, Trupanion, Inc. (the "Company") issued a press release and will hold a conference call regarding the Company's financial results for the first quarter ended March 31, 2018. A copy of the Company's press release is attached hereto as Exhibit 99.1.

The information furnished with this report, including Exhibit 99.1, 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 Exchange Act or under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
Exhibit 99.1	Press release issued by Trupanion, Inc. dated May 1, 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.

TRUPANION, INC.

By: /s/ Tricia Plouf

Name: Tricia Plouf

Title: Chief Financial Officer

Date: May 1, 2018



Trupanion Reports First Quarter 2018 Results

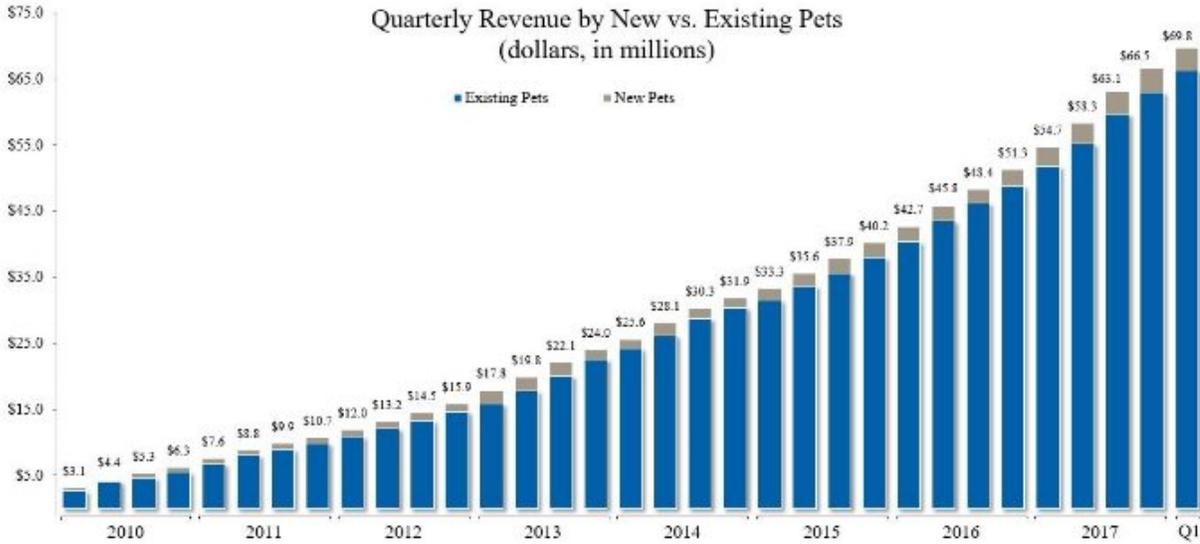
SEATTLE, WA. May 1, 2018 -- [Trupanion](#), Inc. (Nasdaq: TRUP), a leading provider of medical insurance for cats and dogs, today announced financial results for the first quarter ended March 31, 2018.

“We had a solid start to the year, with strong revenue growth in both our subscription and other businesses,” said Darryl Rawlings, CEO of Trupanion. “We also continue to move the ball forward on our key strategic initiatives, including accelerating the deployment of Trupanion Express.”

First Quarter 2018 Financial and Business Highlights

- Total revenue was \$69.8 million, an increase of 27% compared to the first quarter of 2017.
 - Total enrolled pets (including pets from our other business segment) was 446,533 at March 31, 2018, an increase of 23% over March 31, 2017.
 - Subscription business revenue was \$61.5 million, an increase of 22% compared to the first quarter of 2017.
 - Subscription enrolled pets was 385,640 at March 31, 2018, an increase of 15% over March 31, 2017.
 - Net loss was \$(1.5) million, or \$(0.05) per basic and diluted share, flat with the first quarter of 2017.
 - Adjusted EBITDA was \$0.4 million, compared to adjusted EBITDA of \$0.5 million in the first quarter of 2017.
 - Operating cash flow was \$2.1 million and free cash flow was \$1.1 million, compared to operating cash flow of \$1.9 million and free cash flow of \$1.4 million in the first quarter of 2017.
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Revenue by Quarter



Conference Call

Trupanion's management will host a conference call today to review its first quarter 2018 results. The call is scheduled to begin shortly after 1:30 p.m. PT/ 4:30 p.m. ET. A live webcast will be accessible through the Investor Relations section of Trupanion's website at <http://investors.trupanion.com> and will be archived online for 3 months upon completion of the conference call. Participants can access the conference call by dialing 1-877-407-0784 (United States) or 1-201-689-8560 (International). A telephonic replay of the call will also be available, one hour after the completion of the call, by dialing 1-844-512-2921 (United States) or 1-412-317-6671 (International) and entering the replay pin number: 13678512.

About Trupanion

Trupanion is a leader in medical insurance for cats and dogs throughout the United States and Canada. For almost two decades, Trupanion has helped provide peace of mind to pet owners so they can focus on their pet's recovery, not financial stress. Trupanion is committed to providing pet owners with the highest value in pet medical insurance. Trupanion is listed on NASDAQ under the symbol "TRUP". The company was founded in 2000 and is headquartered in Seattle, WA. Trupanion policies are issued, in the United States, by its wholly-owned insurance entity American Pet Insurance Company and, in Canada, by Omega General Insurance Company. For more information please visit Trupanion.com.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 relating to, among other things, expectations, plans, prospects and financial results for Trupanion, including, but not limited to, its expectations regarding its ability to execute its business plans. These forward-looking statements are based upon the current expectations and beliefs of Trupanion's management as of the date of this press release, and are subject to certain risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. All forward-looking statements made in this press release are based on information available to Trupanion as of the date hereof, and Trupanion has no obligation to update these forward-looking statements.

In particular, the following factors, among others, could cause results to differ materially from those expressed or implied by such forward-looking statements: the ability to achieve or maintain profitability and/or appropriate levels of cash flow in future periods; the ability to keep growing our membership base and revenue; the accuracy of assumptions used in determining appropriate member acquisition expenditures; the severity and frequency of claims; the ability to maintain high retention rates; the accuracy of assumptions used in pricing medical plan subscriptions and the ability to accurately estimate the impact of new products or offerings on claims frequency; actual claims expense exceeding estimates; regulatory and other constraints on the ability to institute, or the decision to otherwise delay, pricing modifications in response to changes in actual or estimated claims expense; the effectiveness and statutory or regulatory compliance of our Territory Partner model and of our Territory Partners, veterinarians and other third parties in recommending medical plan subscriptions to potential members; the ability to retain existing Territory Partners and increase the number of Territory Partners and active hospitals; compliance by us and those referring us members with laws and regulations that apply to our business, including the sale of a pet medical plan; the ability to maintain the security of our data; fluctuations in the Canadian currency exchange rate; the ability to protect our proprietary and member information; the ability to maintain our culture and team; the ability to maintain the requisite amount of risk-based capital; our ability to implement and maintain effective controls, including over financial reporting; the ability to protect and enforce Trupanion's intellectual property rights; the ability to continue key contractual relationships with third parties; third-party claims including litigation and regulatory actions; the ability to recognize benefits from investments in new solutions and enhancements to Trupanion's technology platform and website; and our ability to retain key personnel.

For a detailed discussion of these and other cautionary statements, please refer to the risk factors discussed in filings with the Securities and Exchange Commission (SEC), including but not limited to, Trupanion's Annual Report on Form 10-K for the year ended December 31, 2017 and any subsequently filed reports on Forms 10-Q and 8-K. All documents are available through the SEC's Electronic Data Gathering Analysis and Retrieval system at www.sec.gov or the Investor Relations section of Trupanion's website at <http://investors.trupanion.com>.

Non-GAAP Financial Measures

Trupanion's stated results may include certain non-GAAP financial measures. These non-GAAP financial measures may not provide information that is directly comparable to that provided by other companies in its industry as other companies in its industry may calculate or use non-GAAP financial measures differently. In addition, there are limitations in using non-GAAP financial measures because the non-GAAP financial measures are not prepared in accordance with GAAP, may be different from non-GAAP financial measures used by other companies and exclude expenses that may have a material impact on Trupanion's reported financial results. The presentation and utilization of non-GAAP financial measures is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with GAAP. Trupanion urges its investors to review the reconciliation of its non-GAAP financial measures to the most directly comparable GAAP financial measures in its consolidated financial statements, and not to rely on any single financial or operating measure to evaluate its business. These reconciliations are included below and on [Trupanion's Investor Relations website](#).

Because of varying available valuation methodologies, subjective assumptions and the variety of equity instruments that can impact a company's non-cash expenses, Trupanion believes that providing various non-GAAP financial measures that exclude stock-based compensation expense and depreciation and amortization expense allows for more meaningful comparisons between its operating results from period to period. Trupanion offsets sales and marketing expense with sign-up fee revenue in the calculation of net acquisition cost because it collects sign-up fee revenue from new members at the time of enrollment and considers it to be an offset to a portion of Trupanion's sales and marketing expenses. Trupanion believes this allows it to calculate and present financial measures in a consistent manner across periods. Trupanion's management believes that the non-GAAP financial measures and the related financial measures derived from them are important tools for financial and operational decision-making and for evaluating operating results over different periods of time.

TRUPANION, INC.
Consolidated Statements of Operations
(in thousands, except per share data)

	Three Months Ended	
	March 31,	
	2018	2017
	<i>(unaudited)</i>	
Revenue:		
Subscription business	\$ 61,517	\$ 50,229
Other business	8,243	4,500
Total revenue	<u>69,760</u>	<u>54,729</u>
Cost of revenue:		
Subscription business ⁽¹⁾	51,014	41,246
Other business	7,682	4,328
Total cost of revenue ⁽²⁾	<u>58,696</u>	<u>45,574</u>
Gross profit:		
Subscription business	10,503	8,983
Other business	561	172
Total gross profit	<u>11,064</u>	<u>9,155</u>
Operating expenses:		
Technology and development ⁽¹⁾	2,164	2,403
General and administrative ⁽¹⁾	4,458	4,012
Sales and marketing ⁽¹⁾	5,938	4,089
Total operating expenses	<u>12,560</u>	<u>10,504</u>
Operating loss	(1,496)	(1,349)
Interest expense	219	137
Other (income) expense, net	(140)	(28)
Loss before income taxes	(1,575)	(1,458)
Income tax (benefit) expense	(95)	24
Net loss	<u>\$ (1,480)</u>	<u>\$ (1,482)</u>
Net loss per share:		
Basic and diluted	<u>\$ (0.05)</u>	<u>\$ (0.05)</u>
Weighted-average common shares outstanding:		
Basic and diluted	<u>30,246,585</u>	<u>29,254,681</u>

⁽¹⁾ Includes stock-based compensation expense as follows:

	Three Months Ended	
	March 31,	
	2018	2017
Cost of revenue	\$ 197	\$ 113
Technology and development	49	50
General and administrative	449	431
Sales and marketing	273	187
Total stock-based compensation expense	<u>\$ 968</u>	<u>\$ 781</u>

⁽²⁾ The breakout of cost of revenue between veterinary invoice expense and other cost of revenue is as follows:

	Three Months Ended	
	March 31,	
	2018	2017
Veterinary invoice expense	\$ 50,113	\$ 39,187
Other cost of revenue	8,583	6,387
Total cost of revenue	<u>\$ 58,696</u>	<u>\$ 45,574</u>

TRUPANION, INC.
Consolidated Balance Sheets
(in thousands, except per share data)

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
	<i>(unaudited)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 30,786	\$ 25,706
Short-term investments	39,360	37,590
Accounts and other receivables	24,317	20,367
Prepaid expenses and other assets	3,046	2,895
Total current assets	<u>97,509</u>	<u>86,558</u>
Restricted cash	600	600
Long-term investments, at fair value	3,238	3,237
Property and equipment, net	8,275	7,868
Intangible assets, net	5,000	4,972
Other long term assets	2,596	2,624
Total assets	<u>\$ 117,218</u>	<u>\$ 105,859</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 3,343	\$ 2,716
Accrued liabilities and other current liabilities	8,347	7,660
Reserve for veterinary invoices	13,450	12,756
Deferred revenue	26,757	22,734
Total current liabilities	<u>51,897</u>	<u>45,866</u>
Long-term debt	14,851	9,324
Deferred tax liabilities	1,002	1,002
Other liabilities	1,221	1,233
Total liabilities	<u>68,971</u>	<u>57,425</u>
Stockholders' equity:		
Common stock, \$0.00001 par value, 100,000,000 shares authorized; 31,181,627 and 30,430,915 shares issued and outstanding at March 31, 2018; 30,778,796 and 30,121,496 shares issued and outstanding at December 31, 2017	-	-
Preferred stock: \$0.00001 par value, 10,000,000 shares authorized; no shares issued and outstanding	-	-
Additional paid-in capital	139,009	134,511
Accumulated other comprehensive loss	(297)	(92)
Accumulated deficit	(84,264)	(82,784)
Treasury stock, at cost: 755,985 shares at March 31, 2018 and 657,300 shares at December 31, 2017	(6,201)	(3,201)
Total stockholders' equity	<u>48,247</u>	<u>48,434</u>
Total liabilities and stockholders' equity	<u>\$ 117,218</u>	<u>\$ 105,859</u>

TRUPANION, INC.
Consolidated Statements of Cash Flows
(in thousands)

	Three Months Ended	
	March 31,	
	2018	2017
	<i>(unaudited)</i>	
Operating activities		
Net loss	\$ (1,480)	\$ (1,482)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	927	1,036
Stock-based compensation expense	968	781
Other, net	23	97
Changes in operating assets and liabilities:		
Accounts and other receivables	(3,926)	(3,372)
Prepaid expenses and other assets	(129)	(219)
Accounts payable, accrued liabilities, and other liabilities	910	(295)
Reserve for veterinary invoices	743	1,093
Deferred revenue	4,041	4,218
Net cash provided by operating activities	<u>2,077</u>	<u>1,857</u>
Investing activities		
Purchases of investment securities	(7,140)	(5,172)
Maturities of investment securities	5,300	3,871
Purchases of property and equipment	(992)	(462)
Other investments	-	(2,710)
Net cash used in investing activities	<u>(2,832)</u>	<u>(4,473)</u>
Financing activities		
Proceeds from exercise of stock options	481	1,037
Proceeds from debt financing, net of financing fees	5,500	-
Other financing	(216)	(142)
Net cash provided by financing activities	<u>5,765</u>	<u>895</u>
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash, net	70	21
Net change in cash, cash equivalents, and restricted cash	5,080	(1,700)
Cash, cash equivalents, and restricted cash at beginning of period	26,306	24,237
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 31,386</u>	<u>\$ 22,537</u>

The following table sets forth our key operating metrics:

	Three Months Ended							
	Mar. 31, 2018	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016
Total subscription pets enrolled (at period end)	385,640	371,683	359,102	346,409	334,909	323,233	312,282	299,856
Total pets enrolled (at period end)	446,533	423,194	404,069	383,293	364,259	343,649	334,070	320,896
Monthly average revenue per pet	\$ 53.62	\$ 53.17	\$ 52.95	\$ 51.47	\$ 50.50	\$ 49.17	\$ 48.37	\$ 47.39
Lifetime value of a pet (LVP)	\$ 727	\$ 727	\$ 701	\$ 654	\$ 637	\$ 631	\$ 624	\$ 622
Average pet acquisition cost (PAC)	\$ 165	\$ 184	\$ 151	\$ 143	\$ 128	\$ 133	\$ 120	\$ 118
Average monthly retention	98.63%	98.63%	98.61%	98.57%	98.58%	98.60%	98.61%	98.64%

The following table reflects the reconciliation of cash provided by operating activities to free cash flow (in thousands):

	Three Months Ended March 31,	
	2018	2017
Net cash provided by operating activities	\$ 2,077	\$ 1,857
Purchases of property and equipment	(992)	(462)
Free cash flow	\$ 1,085	\$ 1,395

The following table reflects the reconciliation of GAAP measures to non-GAAP measures (in thousands, except percentages):

	Three Months Ended	
	March 31,	
	2018	2017
Veterinary invoice expense	\$ 50,113	\$ 39,187
Stock-based compensation expense	(120)	(70)
Cost of goods	\$ 49,993	\$ 39,117
<i>% of revenue</i>	<i>71.7%</i>	<i>71.5%</i>
Other cost of revenue	\$ 8,583	\$ 6,387
Stock-based compensation expense	(77)	(43)
Variable expenses	\$ 8,506	\$ 6,344
<i>% of revenue</i>	<i>12.2%</i>	<i>11.6%</i>
Subscription gross profit	\$ 10,503	\$ 8,983
Stock-based compensation expense	197	113
Non-GAAP subscription gross profit	\$ 10,700	\$ 9,096
<i>% of subscription revenue</i>	<i>17.4%</i>	<i>18.1%</i>
Gross profit	\$ 11,064	\$ 9,155
Stock-based compensation expense	197	113
Non-GAAP gross profit	\$ 11,261	\$ 9,268
<i>% of revenue</i>	<i>16.1%</i>	<i>16.9%</i>
Technology and development expense	\$ 2,164	\$ 2,403
General and administrative expense	4,458	4,012
Depreciation and amortization expense	(927)	(1,036)
Stock-based compensation expense	(498)	(481)
Fixed expenses	\$ 5,197	\$ 4,898
<i>% of revenue</i>	<i>7.4%</i>	<i>8.9%</i>
Sales and marketing expense	\$ 5,938	\$ 4,089
Stock-based compensation expense	(273)	(187)
Acquisition cost	\$ 5,665	\$ 3,902
<i>% of revenue</i>	<i>8.1%</i>	<i>7.1%</i>

The following table reflects the reconciliation of acquisition cost and net acquisition cost to sales and marketing expense (in thousands):

	Three Months Ended							
	Mar. 31, 2018	Dec. 31, 2017	Sept. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016
Sales and marketing expenses	\$ 5,938	\$ 5,781	\$ 4,862	\$ 4,372	\$ 4,089	\$ 3,951	\$ 3,892	\$ 3,564
Excluding:								
Stock-based compensation expense	(273)	(172)	(165)	(198)	(187)	(113)	(172)	(165)
Acquisition cost	5,665	5,609	4,697	4,174	3,902	3,838	3,720	3,399
Net of:								
Sign-up fee revenue	(616)	(550)	(558)	(517)	(544)	(526)	(525)	(495)
Other business segment sales and marketing	(87)	(56)	(51)	(63)	(48)	(62)	(63)	(55)
Net acquisition cost	\$ 4,962	\$ 5,003	\$ 4,088	\$ 3,594	\$ 3,310	\$ 3,250	\$ 3,132	\$ 2,849

The following table reflects the reconciliation of adjusted EBITDA to net loss (in thousands):

	Three Months Ended							
	Mar. 31, 2018	Dec. 31, 2017	Sept. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016
Net loss	\$ (1,480)	\$ (838)	\$ 406	\$ 411	\$ (1,482)	\$ (1,723)	\$(1,637)	\$ (964)
Excluding:								
Stock-based compensation expense	968	855	895	888	781	731	776	743
Depreciation and amortization expense	927	1,024	1,095	1,077	1,036	1,229	1,093	739
Interest income	(132)	(3)	(97)	(76)	(51)	(41)	(29)	(26)
Interest expense	219	163	124	109	137	81	66	41
Income tax (benefit) expense	(95)	(482)	26	4	24	7	13	4
(Gain) loss from equity method investment	-	-	-	(1,036)	7	18	22	(15)
Adjusted EBITDA	\$ 407	\$ 719	\$ 2,449	\$ 1,377	\$ 452	\$ 302	\$ 304	\$ 522

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