

**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 2, 2017**

**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.

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**Item 2.02 Results of Operations and Financial Condition.**

On May 2nd, 2017, 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, 2017. 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 2, 2017

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**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/ Asher Bearman

Name: Asher Bearman

Title: Chief Administrative  
Officer

Date: May 2, 2017



## Trupanion Reports First Quarter 2017 Results

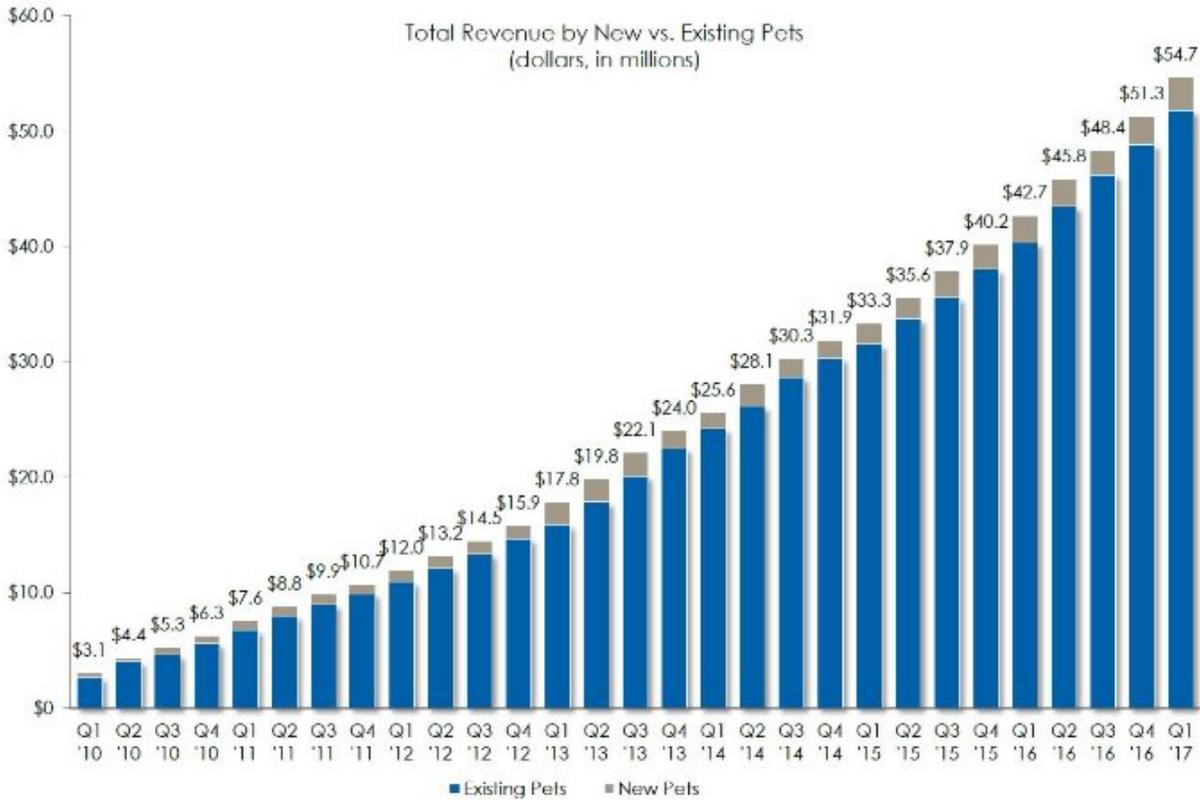
SEATTLE, WA. May 2, 2017 -- [Trupanion](#), Inc. (Nasdaq: TRUP), a leading provider of medical insurance for cats and dogs, today announced financial results for the first quarter ended March 31, 2017.

“It was a solid first quarter financially, with 28% revenue year-over-year growth and continued scale in our fixed expenses,” said Darryl Rawlings, CEO of Trupanion. “It also was our fourth consecutive quarter of positive operating cash flow. Operationally, we built momentum in the quarter, particularly around the key initiatives aimed at deepening the competitive moats around our business.”

### First Quarter 2017 Financial and Business Highlights

- Total revenue was \$54.7 million, an increase of 28% compared to the first quarter of 2016.
  - Total enrolled pets (including pets from our other business segment) was 364,259 at March 31, 2017, up 19% over the prior year period.
  - Subscription business revenue was \$50.2 million, an increase of 28% compared to the first quarter of 2016.
  - Subscription enrolled pets was 334,909 at March 31, 2017, up 17% over the prior year period.
  - Net loss was \$(1.5) million, compared to a net loss of \$(2.6) million in the first quarter of 2016.
  - Adjusted EBITDA was \$0.5 million, compared to a loss of \$(1.1) million in the first quarter of 2016.
  - Generated operating cash flow of \$1.9 million and free cash flow of \$1.4 million, compared to negative operating cash flow of \$(1.3) million and negative free cash flow of \$(2.0) million in the first quarter of 2016.
  - As of March 31, 2017, there were 29.8 million shares outstanding and 33.4 million shares outstanding on a fully diluted basis.
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## Revenue by Quarter



## Conference Call

Trupanion's management will host a conference call today to review its first quarter 2017 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: 13658405.

## About Trupanion

Trupanion is a leading provider of medical insurance for cats and dogs throughout the United States and Canada. For almost two decades, Trupanion has given pet owners peace of mind 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 the Nasdaq Stock Exchange 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](http://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 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 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; 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; the ability to protect and enforce Trupanion's intellectual property rights; third-party claims including litigation and regulatory actions; and the ability to recognize benefits from investments in new solutions and enhancements to Trupanion's technology platform and website.

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, 2016 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](http://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, including, without limitation, free cash flow, acquisition cost, net acquisition cost, cost of goods, variable expenses, fixed expenses, non-GAAP subscription gross profit, non-GAAP gross profit, and adjusted EBITDA. Adjusted EBITDA is a non-GAAP financial measure that Trupanion defines as net loss excluding stock-based compensation expense, depreciation and amortization expense, interest income, interest expense, income tax expense (benefit), and loss (income) from equity method investment.

Trupanion's 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. Further, stock-based compensation expense and other items used in the calculation of various metrics have been and will continue to be for the foreseeable future significant recurring expenses in Trupanion's business. 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](#).

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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 allows for more meaningful comparisons between its operating results from period to period. Trupanion calculates non-GAAP gross profit by subtracting cost of goods and variable expenses from revenue. Cost of goods and variable expenses used in this calculation are non-GAAP measures which exclude stock-based compensation expense. Fixed expenses is a non-GAAP measure which excludes stock-based compensation expense and depreciation and amortization expense. Trupanion excludes sign-up fee revenue from 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 acquisition cost, net acquisition cost and the related financial measures it derives from them, as well as adjusted EBITDA, 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.

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**Trupanion, Inc.**  
**Consolidated Statements of Operations**  
(in thousands, except for share and per share data)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
	<i>(unaudited)</i>	
Revenue:		
Subscription business	\$ 50,229	\$ 39,143
Other business	4,500	3,556
Total revenue	<u>54,729</u>	<u>42,699</u>
Cost of revenue:		
Subscription business <sup>(1)</sup>	41,246	32,203
Other business	4,328	3,192
Total cost of revenue <sup>(2)</sup>	<u>45,574</u>	<u>35,395</u>
Gross profit:		
Subscription business	8,983	6,940
Other business	172	364
Total gross profit	<u>9,155</u>	<u>7,304</u>
Operating expenses:		
Sales and marketing <sup>(1)</sup>	4,089	3,840
Technology and development <sup>(1)</sup>	2,403	2,287
General and administrative <sup>(1)</sup>	4,012	3,722
Total operating expenses	<u>10,504</u>	<u>9,849</u>
Operating loss	(1,349)	(2,545)
Interest expense	137	30
Other income, net	(28)	(17)
Loss before income taxes	(1,458)	(2,558)
Income tax expense	24	14
Net loss	<u>\$ (1,482)</u>	<u>\$ (2,572)</u>
Net loss per share:		
Basic and diluted	<u>\$ (0.05)</u>	<u>\$ (0.09)</u>
Weighted-average shares used to compute net loss per share:		
Basic and diluted	<u>29,254,681</u>	<u>27,999,248</u>

<sup>(1)</sup> Includes stock-based compensation expense as follows:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
Cost of revenue	\$ 113	\$ 66
Sales and marketing	187	82
Technology and development	50	55
General and administrative	431	493
Total stock-based compensation expense	<u>\$ 781</u>	<u>\$ 696</u>

<sup>(2)</sup> The breakout of cost of revenue between claims and other cost of revenue is as follows:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
Claims expense	\$ 39,187	\$ 30,604
Other cost of revenue	6,387	4,791
Total cost of revenue	<u>\$ 45,574</u>	<u>\$ 35,395</u>

**Trupanion, Inc.**  
**Consolidated Balance Sheets**  
(in thousands, except for share data)

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
	<i>(unaudited)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 21,937	\$ 23,637
Short-term investments	30,793	29,570
Accounts and other receivables	13,513	10,118
Prepaid expenses and other assets	2,243	2,062
Total current assets	<u>68,486</u>	<u>65,387</u>
Restricted cash	600	600
Long-term investments, at fair value	2,656	2,579
Equity method investment	265	271
Property and equipment, net	7,990	8,464
Intangible assets, net	4,946	4,910
Other long-term assets	2,790	134
Total assets	<u>\$ 87,733</u>	<u>\$ 82,345</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 2,020	\$ 2,006
Accrued liabilities	3,791	4,322
Claims reserve	10,621	9,521
Deferred revenue	17,690	13,463
Other payables	1,278	1,094
Total current liabilities	<u>35,400</u>	<u>30,406</u>
Long-term debt	4,788	4,767
Deferred tax liabilities	1,623	1,623
Other liabilities	837	834
Total liabilities	<u>42,648</u>	<u>37,630</u>
Stockholders' equity:		
Common stock, \$0.00001 par value per share, 100,000,000 shares authorized at March 31, 2017 and December 31, 2016, 30,414,926 and 29,757,626 shares issued and outstanding at March 31, 2017; 30,156,247 and 29,498,947 shares issued and outstanding at December 31, 2016	-	-
Preferred stock: \$0.00001 par value per share, 10,000,000 shares authorized at March 31, 2017 and December 31, 2016, and 0 shares issued and outstanding at March 31, 2017 and December 31, 2016	-	-
Additional paid-in capital	131,421	129,574
Accumulated other comprehensive loss	(372)	(377)
Accumulated deficit	(82,763)	(81,281)
Treasury stock, at cost: 657,300 shares at March 31, 2017 and December 31, 2016	(3,201)	(3,201)
Total stockholders' equity	<u>45,085</u>	<u>44,715</u>
Total liabilities and stockholders' equity	<u>\$ 87,733</u>	<u>\$ 82,345</u>

Trupanion, Inc.  
Consolidated Statements of Cash Flows  
(in thousands)

	Three Months Ended	
	March 31,	
	2017	2016
	<i>(unaudited)</i>	
<b>Operating activities</b>		
Net loss	\$ (1,482)	\$ (2,572)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Depreciation and amortization	1,036	785
Stock-based compensation expense	781	696
Other, net	97	9
Changes in operating assets and liabilities:		
Accounts and other receivables	(3,372)	(234)
Prepaid expenses and other assets	(219)	153
Accounts payable	64	(200)
Accrued liabilities	(598)	(1,267)
Claims reserve	1,093	521
Deferred revenue	4,218	676
Other payables	239	135
Net cash provided by (used in) operating activities	<u>1,857</u>	<u>(1,298)</u>
<b>Investing activities</b>		
Purchases of investment securities	(5,172)	(3,959)
Maturities of investment securities	3,871	3,700
Purchases of property and equipment	(462)	(653)
Other investments	(2,710)	(34)
Net cash used in investing activities	<u>(4,473)</u>	<u>(946)</u>
<b>Financing activities</b>		
Proceeds from stock option exercises	1,037	486
(Repayment of) proceeds from debt financing and debt financing fees	(40)	987
Payments on capital lease obligations	(102)	-
Net cash provided by financing activities	<u>895</u>	<u>1,473</u>
Effect of foreign exchange rates on cash, net	21	341
Net change in cash, cash equivalents, and restricted cash	(1,700)	(430)
Cash, cash equivalents, and restricted cash at beginning of period	24,237	17,956
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 22,537</u>	<u>\$ 17,526</u>

The following table sets forth our key financial and operating metrics:

	Three Months Ended							
	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	Jun. 30, 2015
Total pets enrolled (at period end)	364,259	343,649	334,070	320,896	307,298	291,818	276,988	259,948
Total subscription pets enrolled (at period end)	334,909	323,233	312,282	299,856	287,123	272,636	258,546	241,808
Monthly average revenue per pet	\$ 50.50	\$ 49.17	\$ 48.37	\$ 47.39	\$ 46.12	\$ 45.48	\$ 45.15	\$ 45.10
Lifetime value of a pet (LVP)	\$ 637	\$ 631	\$ 624	\$ 622	\$ 603	\$ 591	\$ 591	\$ 570
Average pet acquisition cost (PAC)	\$ 128	\$ 133	\$ 120	\$ 118	\$ 123	\$ 132	\$ 129	\$ 133
Average monthly retention	98.58%	98.60%	98.61%	98.64%	98.65%	98.64%	98.66%	98.67%
Adjusted EBITDA (in thousands)	\$ 452	\$ 302	\$ 304	\$ 522	\$ (1,066)	\$ (1,588)	\$ (3,211)	\$ (3,165)

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

	Three Months Ended	
	March 31,	
	2017	2016
Net cash provided by (used in) operating activities	\$ 1,857	\$ (1,298)
Purchases of property and equipment	(462)	(653)
Free cash flow	\$ 1,395	\$ (1,951)

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

	Three Months Ended	
	March 31,	
	2017	2016
Claims expense	\$ 39,187	\$ 30,604
Stock-based compensation expense	(70)	(58)
<b>Cost of goods</b>	<b>\$ 39,117</b>	<b>\$ 30,546</b>
<i>% of revenue</i>	71.5%	71.5%
Other cost of revenue	\$ 6,387	\$ 4,791
Stock-based compensation expense	(43)	(8)
<b>Variable expenses</b>	<b>\$ 6,344</b>	<b>\$ 4,783</b>
<i>% of revenue</i>	11.6%	11.2%
Subscription business gross profit	\$ 8,983	\$ 6,940
Stock-based compensation expense	113	66
<b>Non-GAAP subscription business gross profit</b>	<b>\$ 9,096</b>	<b>\$ 7,006</b>
<i>% of subscription revenue</i>	18.1%	17.9%
Gross profit	\$ 9,155	\$ 7,304
Stock-based compensation expense	113	66
<b>Non-GAAP gross profit</b>	<b>\$ 9,268</b>	<b>\$ 7,370</b>
<i>% of revenue</i>	16.9%	17.3%
General and administrative expense	\$ 4,012	\$ 3,722
Technology and development expense	2,403	2,287
Depreciation and amortization expense	(1,036)	(785)
Stock-based compensation expense	(481)	(548)
<b>Fixed expenses</b>	<b>\$ 4,898</b>	<b>\$ 4,676</b>
<i>% of revenue</i>	8.9%	11.0%
Sales and marketing expense	\$ 4,089	\$ 3,840
Stock-based compensation expense	(187)	(82)
<b>Acquisition cost</b>	<b>\$ 3,902</b>	<b>\$ 3,758</b>
<i>% of revenue</i>	7.1%	8.8%

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, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	Jun. 30, 2015
Sales and marketing expenses	\$ 4,089	\$ 3,951	\$ 3,892	\$ 3,564	\$ 3,840	\$ 3,919	\$ 4,128	\$ 3,533
Excluding:								
Stock-based compensation expense	(187)	(113)	(172)	(165)	(82)	(104)	(102)	(110)
Acquisition cost	3,902	3,838	3,720	3,399	3,758	3,815	4,026	3,423
Net of:								
Sign-up fee revenue	(544)	(526)	(525)	(495)	(527)	(506)	(542)	(451)
Other business segment sales and marketing expense	(48)	(62)	(63)	(55)	(38)	(8)	(16)	(30)
Net acquisition cost	\$ 3,310	\$ 3,250	\$ 3,132	\$ 2,849	\$ 3,193	\$ 3,301	\$ 3,468	\$ 2,942

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

	Three Months Ended							
	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	Jun. 30, 2015
Net loss	\$ (1,482)	\$ (1,723)	\$ (1,637)	\$ (964)	\$ (2,572)	\$ (3,001)	\$ (4,643)	\$ (4,625)
Excluding:								
Stock-based compensation expense	781	731	776	743	696	653	749	897
Depreciation and amortization expense	1,036	1,229	1,093	739	785	741	672	563
Interest income	(51)	(41)	(29)	(26)	(23)	(19)	(19)	(18)
Interest expense	137	81	66	41	30	26	14	40
Income tax expense (benefit)	24	7	13	4	14	12	16	(22)
Loss (income) from equity method investment	7	18	22	(15)	4	-	-	-
Adjusted EBITDA	\$ 452	\$ 302	\$ 304	\$ 522	\$ (1,066)	\$ (1,588)	\$ (3,211)	\$ (3,165)

## **Contacts :**

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