07-May-2025

Inogen, Inc. (INGN)

Q1 2025 Earnings Call

CORPORATE PARTICIPANTS

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OTHER PARTICIPANTS

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Mike Matson
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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to Inogen's First Quarter 2025 Earnings Conference Call. At this time, all participants are in a listen-only mode. Following the management's prepared remarks, we will hold a Q&A session. [Operator Instructions] As a reminder, this conference is being recorded today, May 7, 2025.

I would now like to turn the call over to Ryan Peterson, Investor Relations.

Ryan Peterson

Associate Director-Investor Relations, Inogen, Inc.

Thank you, all for participating in today's call. Joining me are President and CEO, Kevin Smith; and CFO, Mike Bourque. Earlier today, Inogen released financial results for the first quarter 2025. The earnings release is available in the Investor Relations section of the company's website, along with a supplemental financial package.

As a reminder, the information presented today will include forward-looking statements, including without limitation, statements about our growth prospects and strategy for 2025 and beyond. Expectations related to our financial results for the second quarter and full-year 2025, progress of our strategic initiatives including innovation, our expectations regarding the market for our products, and our business and supply and demand for our products in both the short term and long term. The forward-looking statements in this call are based on information currently available to us as of today's date, May 7, 2025. These forward-looking statements are only predictions and involve risks and uncertainties that are set forth in more detail in our most recent periodic reports filed with the Securities and Exchange Commission. Actual results may vary, and we disclaim any obligations to update these forward-looking statements, except as may be required by law.

During the call, we will also present certain financial information on a non-GAAP basis. Management believes that non-GAAP financial measures, taken in conjunction with US GAAP financial measures, provide useful information for both management and investors by excluding certain non-cash items and other expenses that are not indicative of Inogen's core operating results. Management uses non-GAAP measures internally to understand, manage, and evaluate our business and make operating decisions. Reconciliations between US GAAP and non-GAAP results are presented in tables within our earnings release.

With that, I will turn the call over to Inogen's President and CEO, Kevin Smith.

Kevin R.M. Smith

President, Chief Executive Officer & Director, Inogen, Inc.

Good afternoon, and thank you for joining our first quarter 2025 conference call. During today's call, I will review our first quarter performance and provide an update on our progress towards our three strategic priorities; driving top line growth, advancing our path to profitability, and expanding our innovation pipeline. I will then turn the line to Mike for a full review of our financials and outlook.

Before I share more on our first quarter results, I would like to briefly address the recently announced tariffs. Considering our business position and current exemptions, we do not anticipate a material impact to our operating plan or financial profile from the announced tariffs. We believe that we are well-positioned to continue executing on our strategic priorities and financial goals despite these developments. However, the situation is dynamic, and we will continue to monitor it closely.

Shifting back to our strong first quarter results, where we delivered over $82 million in revenue, reflecting 5.5% year-over-year growth. Alongside the strong top line performance, we drove another quarter of adjusted EBITDA profitability, reflecting our focus on operational excellence. Our growth was driven by the continued strength of our business-to-business channels. This was offset by expected pressure in our DTC channel, where we have optimized the size of our sales team. We expect more favorable year-over-year comparisons in the back half of 2025, as we lap one year with our newer more efficiently sized team in place.

As previously announced, we finalized our collaboration with Yuwell Medical during the quarter. This collaboration furthers our efforts toward all of our strategic priorities by driving growth, broadening our geographic reach, and improving our product portfolio. As a reminder, Yuwell will distribute Inogen portable oxygen concentrators under the Inogen brand in China, accelerating our entry into the attractive Chinese respiratory market. We will be distributing their stationary oxygen concentrators under the Inogen brand in the United States, expanding our offerings across all of our channels.

Our team is making progress on completing the necessary regulatory hurdles for a full rollout of these products in both the United States and China. In the United States, we expect a limited launch in 2025, as we focus on market development with a more fulsome launch in 2026. While in China, we continue to work through the registration process with Yuwell. We will continue to provide updates on these processes as appropriate. Additionally, Yuwell completed an investment in one of its subsidiaries of approximately $27 million in late February, acquiring a 9.9% ownership stake in Inogen. This investment is reflected in our first quarter financials and is meaningful capital for reinvestment into growth and innovation.

Now, turning to our second strategic objective progressing towards sustained profitability, where we have continued to make considerable advancements. In the first quarter, we once again generated positive adjusted EBITDA as a result of our continued top line strength and focus on managing expenses responsibly. As Mike will expand upon further in his remarks, we still expect to approach adjusted EBITDA breakeven for the full-year 2025 as we continue to invest in innovation, the introduction of Simeox in our Yuwell rollout. We have made significant progress where we will carefully manage our expense profile and drive manufacturing and operational efficiencies going forward.

Finally, I would like to provide an update on our innovation pipeline. We are continuing to make progress with our pursuit of reimbursement and limited commercial release of Simeox. There are no material updates to provide as of now, but we will continue to show pertinent information in the future. In our digital health portfolio, we are advancing several updates to streamline remote monitoring of device usage and status for patients and our partners. We remain committed to developing digital solutions that save time and money. I look forward to sharing updates on those as they are introduced throughout the year. I am proud of our team's strong performance in the first quarter and look forward to delivering progress on growth, profitability, and innovation throughout the rest of 2025.

With that, I'll turn it to Mike to provide an update on our financials. Mike?

Michael J. Bourque

Executive Vice President & Chief Financial Officer, Inogen, Inc.

Thank you, Kevin, and good afternoon, everyone. Unless otherwise noted, all financial comparisons are to the prior-year comparable period. Total revenue for the first quarter of 2025 was $82.3 million, an increase of 5.5% on a reported basis and 7.1% on a constant currency basis compared to the prior year. The increase was primarily driven by higher demand from international and domestic business-to-business customers, partially offset by lower direct-to-consumer and rental revenue. As a reminder, total constant currency growth rates across our channels can be found in our earnings release. For the first quarter, foreign exchange had a negative 160 basis points impact on total revenue and a negative 500 basis points impact on international revenue.

Looking at first quarter revenue on a more detailed basis, domestic business-to-business revenue increased 29.9% to $21.5 million versus $16.5 million in the prior-year period, driven by increased demand from existing customers. International business-to-business revenue increased 22.9% to $32 million, compared to $26 million in the prior-year period, primarily driven by an increase in demand from new and existing customers.

Direct-to-consumer sales decreased 26.8% to $15 million from $20.5 million in the prior period, as we continue to operate with a smaller and more efficient team. As we have discussed in the past, we have made significant changes to our business and operational profile within the DTC channel over the past one to two years in order to improve efficiency in this channel as part of our commitment to driving increased profitability. These changes also allowed us to adapt to the evolving market dynamics. We believe our current team is well-positioned for better performance as we look to the back half of this year and beyond.

Rental revenue decreased 7.5% to $13.8 million from $14.9 million in the prior period, primarily driven by continued lower average billing rates due to the mix shift to private payers. Despite year-over-year declines, rental revenue grew slightly on a sequential basis, which we see as a positive indicator for health of this channel.

Now, I want to discuss first quarter gross margins. Total gross margin was 44.2% in the first quarter of 2025, increasing 15 basis points from the same period in the prior year, primarily driven by lower warranty expense, offset by the impact of customer mix and channel mix. Sales revenue gross margin was 44.4%, an increase of 24 basis points. Rental revenue gross margin was 43.3%, a decline of 33 basis points.

Moving on to operating expense. In the first quarter of 2025, total operating expense decreased to $44 million compared to $15.6 million in the prior period, representing a decrease of 13.1% as we continue to execute on our goal to improve operating margins. As a reminder, our OpEx in Q1 of 2024 included higher than usual costs, such as consulting fees, including the exit of our third-party prescriber channel relationship.

In the first quarter of 2025, we reported a GAAP net loss of $6.2 million, compared to a loss of $14.6 million in the prior period and loss per diluted share of $0.25 in the first quarter of 2025 versus a loss of $0.62 in the prior period. On an adjusted basis, we had a net loss of $2.9 million in the first quarter of 2025, compared to a loss of $10.4 million in the prior-year period and an adjusted loss per diluted share of $0.11 in the first quarter of 2025, compared to a loss of $0.45 in the prior period. Adjusted EBITDA was a positive $36,000 in the first quarter of 2025, compared to a negative $7.6 million in the prior period.

Moving on to our balance sheet. As of March 31, 2025, we had cash, cash equivalents, and restricted cash of $122.5 million with no debt outstanding. As a reminder, we made a $13 million earn-out payment to Physio-Assist in the first quarter of 2025 related to achieving FDA clearance for Simeox.

On that note, I will now discuss our full-year 2025 and second quarter financial outlook. We continue to expect full-year 2025 reported revenue to be in the range of $352 million to $355 million, reflecting a 5% to 6% reported growth relative to the full-year 2024. As previously announced, our gross margin expectations for the full year have not changed. For the full-year 2025, we expect to approach adjusted EBITDA breakeven.

For the second quarter of 2025, we expect reported revenue to be in the range of $89 million to $91 million, reflecting flat to approximately 3% growth relative to the second quarter of 2024. Our second quarter outlook reflects a healthy sequential step-up in total revenue from the first quarter. This follows our expectations for quarterly revenue distribution as we track toward our full-year revenue expectations.

As Kevin shared earlier in his remarks, based on current exemptions from certain medical devices, we do not currently anticipate any significant tariff-related headwinds to gross margin or adjusted EBITDA. However, we will continue to monitor the evolving situation and provide updates as relevant.

And with that, I will pass the call back to Kevin for closing remarks.

Kevin R.M. Smith

President, Chief Executive Officer & Director, Inogen, Inc.

Thank you, Mike. I am proud of our achievements in the first quarter. They are a direct reflection of the dedication and resilience demonstrated by our team. We've driven notable growth while staying focused on operational efficiency and innovation. I'm confident that we'll maintain this momentum throughout the year and look forward to continuing to meet the needs of respiratory patients globally.

With that, I will open it up for questions. Operator?

QUESTION AND ANSWER SECTION

Operator: Thank you. We'll now be conducting a question-and-answer session. [Operator Instructions] Thank you. And our first question is from the line of Mathew Blackman with Stifel. Please proceed with your questions.

Colin Clark
Analyst, Stifel, Nicolaus & Co., Inc. Q

Hey, guys. This is Colin Clark on for Matt. I had a quick one on rentals. You spoke to billing rates being down, but looking at my model net patients have been declining for a few straight quarters now. Can you speak to what's driving that?

Michael J. Bourque
Executive Vice President & Chief Financial Officer, Inogen, Inc. A

Hey, Colin. I'll take that question. This is Mike. Well, we've been discussing in the past in terms of rental as a couple of things that have been challenging. The first one is really, as we look at our total patient service and what percentage of those patients are under Medicare versus private pay, with private pay being a lower monthly reimbursement rate. What we have been seeing for a number of quarters was that, that percentage of private pay was higher – getting higher and higher as a percent of total patient service. So, therefore, we see an impact to not only growth, not only the revenue line, but gross margin because our service costs they don't go down, they stay the same. That was one of the dynamics we've been talking about.

The other one we've been talking about was cap patients. So, patients at the capitated period, that was increasing as well. Again, that was causing an impact to both revenue and gross margin. Now, what we are seeing now in that channel is both of those things leveling off a little bit. We're not ready to say that's an inflection point yet, but we're very encouraged by that. And the other point I would make that's an encouraging one related to the rental business is in Q1 of 2025 we saw the first sequential improvement in rental revenue in a number of quarters.

Colin Clark
Analyst, Stifel, Nicolaus & Co., Inc. Q

Great. And I'm curious about the rentals gross margin outperformance at least versus our estimate and consensus. Was there anything particular behind that? I think we had thought about the billing changes having a little bit more of an impact. Is this tracking as you guys expected?

Michael J. Bourque
Executive Vice President & Chief Financial Officer, Inogen, Inc. A

Yeah. I think it's another positive sign for sure. We've had in the past – we've had some challenges in that area with certain operating costs, cost of goods sold associated with that. We've been doing a number of things to try to improve on those. So, we're seeing, I think, some of the benefit of that.

Colin Clark
Analyst, Stifel, Nicolaus & Co., Inc. Q

All right. Thank you, guys, for taking my questions. I'll hop back in queue.

Operator: Our next questions come from the line of Robbie Marcus with JPMorgan. Please proceed with your questions.

Rohin K. Patel
Analyst, JPMorgan Securities LLC

Q

Hi. This is actually Rohin on for Robbie. Thanks for taking our question. I guess, I just wanted to ask about cadence for the balance of the year. I know that you guided for second quarter slightly below, I think, expectations for maintaining the guide for the year. So, just want to get a sense for how you're thinking about just the progression. And maybe if you could elaborate on some of the specific actions you're taking to stabilize the DTC sales and rental revenues. Maybe just more color on that and how you're' thinking about that moving forward.

Michael J. Bourque
Executive Vice President & Chief Financial Officer, Inogen, Inc.

A

Rohin, I'll take that one as well. This is Mike. I think the best way to explain this – this might be the best way to explain it. So, as we look at our – as we look at the year, first of all, we're pleased with our Q1 results. We look at – when we look at the first half of 2025, we are where we expected to be. We're confident with our full-year guidance. We, as you know, we reaffirmed that guidance. Secondly, we need to keep in mind that last year we had tough year-over-year comps in DTC. That was the case in all four quarters of the year. So, the DTC channel was negatively impacting our year-over-year total company revenue growth for both the first and second half of the year.

Now, when we look at that in 2025, that should only occur in the first half of the year because of that rebasing of that DTC channel we've been talking about. So, again, we've rebased that in 2024, which means our rep count was down significantly. So, as we look at both roughly halfway through 2025 we'll start seeing those comps more in line, probably more likely in about halfway through Q3. So, we'll no longer have that DTC unfavorable comparability on a year-over-year basis impacting our total company growth rate. And as a result, our expectations to see second half growth rates better than first half growth rates. Hopefully, that answered your first question.

Rohin K. Patel
Analyst, JPMorgan Securities LLC

Q

Yeah. Yeah, that was helpful. And I guess, just a follow-up on tariffs. I appreciate the color that you provided on the exemptions, and I assume that that only really applies to products manufactured or coming into the US I should say. So, how are you thinking about the Yuwell partnership beyond in China? And maybe like have you also gotten exemptions for that just with regards to the reciprocal tariffs? Thanks for the questions.

Kevin R.M. Smith
President, Chief Executive Officer & Director, Inogen, Inc.

A

Yes. Yeah, thanks. I'll go ahead and I'll take that. And Rohin, we're still – as we stated there the tariffs are with the exemptions, we are not impacted on bringing product into the United States. I'll also just clarify too when we think about Europe and it's not necessarily asked. But we do have manufacturing, remember in the Czech Republic, a contract manufacturer that manufactures in Europe without having to have components pass through the United States to make their way to check.

So, that gives us coverage in Czech and also opportunity there in international markets, potentially including China as well. But China, we are still a little away from having product there on the market launched in China. So, that gives us – that gives us a little bit of time. But right now we're not – we have options to be able to get product into China, both from the United States as well as from Europe. So, we believe we have some mitigation.

Rohin K. Patel
Analyst, JPMorgan Securities LLC

Q

Thanks.

Operator: Our next questions are from the line of Mike Matson with Needham & Co. Please proceed with your question.

Mike Matson
Analyst, Needham & Co. LLC

Q

Yeah, thanks. So, great to see the really strong growth continuing in B2B both US and OUS. I'm just wondering, I don't know if you have any way to measure this or not, but is that – how much of that is share gains? How much of that is just kind of the overall category growth for POCs? Any thoughts on that?

Kevin R.M. Smith
President, Chief Executive Officer & Director, Inogen, Inc.

A

Yeah. Mike, I'll start with that. It's Kevin. This is – we see that there's a – it's a bit of a mix. We believe that it is – we know that we're gaining – we're gaining new companies, new customers that are coming from B2B from conversations that I've had, that our commercial team has had, as well as surveying. We believe that there continues to be a shift from tanks to POCs, which is not share gain necessarily versus other POCs, other portable concentrators. But it is a share gain versus the tanks.

Now, on other side when you look at share gain versus competitors, other portable concentrators, that's a little bit harder to measure that. But if you look at our unit growth and it's reflective of the impact on the B2B from 23% to 24%, so we had 21% unit growth last year in the POCs. And in the first quarter of 2025, we've had like what about 27% increase in unit volume. So, that you will believe is a strong showing.

Mike Matson
Analyst, Needham & Co. LLC

Q

Okay. Got it. And then, just on the DTC business and I understand the issue of the rep count reduction and other changes you've made there. But I'm wondering if you're – what you're seeing in terms of macro and economic environment on consumer spending – I mean, I don't know if you have a way. I would assume you can measure like the close rate or something of the leads you're generating. Have you seen any kind of drop there or is that getting harder to close sales for your reps in that or is it that steady and really just simply lower reps is the main issue?

Kevin R.M. Smith
President, Chief Executive Officer & Director, Inogen, Inc.

A

Yeah. No, but I appreciate that your question go a little bit deeper there, Mike. When we look at this on quarter-on-quarter basis, we talked about the head count being down and our focus had been on rebaselining that positioning it for profitable growth going forward. Now, one thing that I'll also note here is we're continuing to roll out that patient-first initiative. We're about 75% complete with that rollout, and we'll have that completed in the first half of this year.

And what we've seen so far on a per rep basis year-on-year, we have higher unit volumes per rep, we have higher revenue per rep, we have fewer returns per rep, which is also leading towards customer satisfaction, improving that experience, part of that being through the patient-first rollout. So, we feel that we're in a good position once we start to have that, that equal comparison year-on-year rep count that is – that will show favorability once we approach the back end of the year.

Mike Matson
Analyst, Needham & Co. LLC

Q

Okay. Got it. Thank you.

Operator: Thank you. Our next question is from the line of Margaret Andrew with William Blair. Please proceed with your question.

Margaret Kaczor Andrew
Analyst, William Blair & Co. LLC

Q

Hey, good afternoon, guys. Thanks for taking the question. I wanted to touch on a couple different things. One was just touching on guidance. You guys are talking about a lot of new customers, you've seen the B2B beats globally. So, maybe walk us through was this above the prior guidance range? And maybe as these new customers ramp, why shouldn't we assume some continued traction there, maybe you're not assuming that? I'll maybe stop there and then I'll ask follow-up.

Michael J. Bourque
Executive Vice President & Chief Financial Officer, Inogen, Inc.

A

Yeah. So, I'll start with that one. So, first of all, we don't – when we provide the guidance, as you know, we didn't get into the channel – guidance by channel. But I can answer the question in terms of like how do we – how do we build to that low end to the high end of the guidance range. So, we approach it really. It starts with the base of the AOP that we have a robust process, bottoms-up process. We look at it like you would normally think, right? We have pluses and minuses.

And as we look at weighting those and then determining, okay, at the low end of the range – to get to the low end of the range to the high end of the range, we need to execute on a lot more of these – on these certain upsides. The more those upsides we execute on then the higher the range we go and even potentially be. So, without getting into the specific details about the exact guidance by channel, which typically we don't do, hopefully gives us the general idea of how we build things and how we're looking at it and how we ended up with that.

The other thing I would say is that it just reiterated our guidance philosophy really. I think we've kind of shown this over the course of time to Kevin, I've been here. We want to provide guidance that's realistic and achievable and prudent guidance. So, that's how we approach this year, and we – that's been our approach and that'll continue to be our approach.

Margaret Kaczor Andrew
Analyst, William Blair & Co. LLC

Q

Okay. That's fair enough, and I appreciate that. But on the same token, you guys did beat in the first quarter. So, I'm just trying to get a sense if there are underlying macro issues or something that you are baking into this guidance or maybe not a continuation of some of these customers. Just so, so we can get a sense of while it's conservative, here are the pushes and pulls maybe that we're just – we're trying to be conservative or maybe there is some kind of change versus what we saw in the first quarter.

Kevin R.M. Smith
President, Chief Executive Officer & Director, Inogen, Inc.

A

Yeah. So, Margaret, I might be helpful there. I can just add in a little bit more of it. This is Kevin is when we look at the B2B in particular, we did have last year towards the end of the first quarter, we brought on a larger national B2B customer that was – they started ordering at the end of the first quarter. So, that adds a little bit to the baseline now as we go forward through this year. Wat we do anticipate, although we're not guiding by channel, we do anticipate continued growth year-on-year in the B2B, which would be offsetting that unfavorable comparison from a DTC perspective.

Margaret Kaczor Andrew
Analyst, William Blair & Co. LLC

Q

Okay. That's helpful. Thanks for a little bit extra complex, Kevin. And then, as we look at the OpEx as well, G&A pulled back just on a sequential basis, R&D pulled back on a sequential basis. Again, you guys sort of reiterated the same guidance range you had last time, but I think this was the first positive adjusted EBITDA performance in the first quarter since 2021. So, kudos to the team for achieving that. So, as we think about where those dollars maybe from the beat this quarter ago in the coming quarters, maybe walk us through that as an assumption. Thank you.

Michael J. Bourque
Executive Vice President & Chief Financial Officer, Inogen, Inc.

A

Yeah. I guess to answer your question about OpEx, that's what we're getting at. I think we haven't guided to OpEx, but what we have said is that our expectation is that as a percentage of revenue, we continue – we'd see lower OpEx in 2025 versus 2024. I would add to that, that if we look at OpEx say over the past year plus, when you exclude the impairment and goodwill in 2023, we're down about 2% from 2023 to 2024. But as we looked at the second half of 2024, we're down about 5.5% in OpEx. And as you know – probably know that we're down about 13% in Q1 of this year versus Q1 of last year.

I would just add to that – just one thing to that, Margaret, is that I wouldn't use Q1 OpEx as a proxy to the rest of the year. We have couple of things that we were planning on in Q1 that slipped a little bit into the further quarters. But we are certainly still in line with the expectation of continue to manage our cost structure, continue to watch our expenses, and we will – we still expect to see lower OpEx as a percent of revenue in 2025 as compared to last year.

Margaret Kaczor Andrew
Analyst, William Blair & Co. LLC

Q

All right. Really appreciate it, guys. Congrats.

Kevin R.M. Smith
President, Chief Executive Officer & Director, Inogen, Inc.

A

Thanks, Margaret.

Operator: Thank you. At this time, we've reached the end of our question-and-answer session and that will also conclude today's teleconference. You may now disconnect your lines at this time. We thank you for your participation and have a wonderful day.