

Orgenesis Inc.
Form 10-Q
July 17, 2018

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the Quarterly Period Ended May 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: 000-54329

ORGENESIS INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or
organization)

98-0583166

(I.R.S. Employer Identification No.)

20271 Goldenrod Lane

Germantown, MD 20876

(Address of principal executive offices) (zip code)

(480) 659-6404

(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

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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.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Emerging Growth Company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with 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 [X].

As of July 16, 2018, there were 14,569,359 shares of registrant s common stock outstanding.

ORGENESIS INC.
FORM 10-Q
FOR THE THREE AND SIX MONTHS ENDED MAY 31, 2018 AND 2017

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PART I UNAUDITED FINANCIAL INFORMATION**ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

ORGENESIS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(U.S. Dollars in Thousands)
(Unaudited)

| | May 31, 2018 | November 30, 2017 |
|--|------------------|----------------------|
| Assets | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 4,502 | \$ 3,519 |
| Restricted Cash | 383 | - |
| Accounts receivable, net | 1,298 | 1,336 |
| Prepaid expenses and other receivables | 3,408 | 841 |
| Receivables from related party | 1,377 | 691 |
| Call option derivative | 792 | - |
| Grants receivable | 749 | 183 |
| Inventory | 1,229 | 725 |
| Total current assets | 13,738 | 7,295 |
| NON-CURRENT ASSETS: | | |
| Call option derivative | - | 339 |
| Investments in associates, net | 1,136 | 1,321 |
| Property and equipment, net | 7,517 | 5,104 |
| Intangible assets, net | 14,011 | 15,051 |
| Goodwill | 10,549 | 10,684 |
| Other assets | 82 | 78 |
| Total non-current assets | 33,295 | 32,577 |
| TOTAL ASSETS | \$ 47,033 | \$ 39,872 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

ORGENESIS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (Cont d)
(U.S. Dollars in Thousands)
(Unaudited)

| | May 31, 2018 | November 30, 2017 |
|---|-------------------------|------------------------------|
| Liabilities and equity | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 2,388 | \$ 3,914 |
| Accrued expenses and other payables | 1,104 | 1,435 |
| Employees and related payables | 2,303 | 2,961 |
| Related parties | 126 | 116 |
| Advance payments on account of grant | 1,415 | 1,719 |
| Short-term loans and current maturities of long term loans | 376 | 378 |
| Other | 107 | - |
| Deferred income | 4,596 | 3,611 |
| Current maturities of convertible loans | 557 | 2,780 |
| TOTAL CURRENT LIABILITIES | 12,972 | 16,914 |
| LONG-TERM LIABILITIES: | | |
| Loans payable | \$ 1,902 | \$ 2,118 |
| Convertible loans | - | 2,415 |
| Retirement benefits obligation | 5 | 6 |
| Deferred taxes | 32 | 690 |
| Other | 199 | - |
| TOTAL LONG-TERM LIABILITIES | 2,138 | 5,229 |
| TOTAL LIABILITIES | 15,110 | 22,143 |
| COMMITMENTS | | |
| REDEEMABLE NON-CONTROLLING INTEREST | 6,122 | 3,606 |
| EQUITY: | | |
| Common stock of \$0.0001 par value, 145,833,334 shares authorized, 13,300,676 shares issued and outstanding as of May 31, 2018 | | |
| | 1 | 1 |
| Additional paid-in capital | 76,831 | 55,334 |
| Receipts on account of shares to be allotted | 238 | 1,483 |
| Accumulated other comprehensive income | 1,076 | 1,425 |
| Accumulated deficit | (52,345) | (44,120) |
| TOTAL EQUITY | 25,801 | 14,123 |
| TOTAL LIABILITIES AND EQUITY | \$ 47,033 | \$ 39,872 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

ORGENESIS INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(U.S. Dollars in thousands, except share and loss per share amounts)
(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|-----------------|------------------|-----------------|
| | May 31, 2018 | May 31, 2017 | May 31, 2018 | May 31, 2017 |
| REVENUES | \$ 3,987 | \$ 2,298 | \$ 6,623 | \$ 4,150 |
| COST OF REVENUES | 2,195 | 1,128 | 3,839 | 3,033 |
| GROSS PROFIT | 1,792 | 1,170 | 2,784 | 1,117 |
| RESEARCH AND DEVELOPMENT EXPENSES, net | 788 | 665 | 1,554 | 1,406 |
| AMORTIZATION OF INTANGIBLE ASSETS | 445 | 397 | 881 | 777 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 3,323 | 2,432 | 6,667 | 4,703 |
| OTHER INCOME | - | - | 316 | - |
| OPERATING LOSS | 2,764 | 2,324 | 6,002 | 5,770 |
| FINANCIAL (INCOME) EXPENSES, net | (587) | 503 | 2,094 | 2,578 |
| SHARE IN NET LOSSES OF ASSOCIATED COMPANY | 576 | 107 | 530 | 196 |
| LOSS BEFORE INCOME TAXES | 2,753 | 2,934 | 8,626 | 8,544 |
| TAX (INCOME) EXPENSES | (277) | (444) | (673) | 71 |
| NET LOSS | \$ 2,476 | \$ 2,490 | \$ 7,953 | \$ 8,616 |
| NET INCOME ATTRIBUTABLE TO REDEEMABLE NON-CONTROLLING INTERESTS | 138 | - | 272 | - |
| NET LOSS ATTRIBUTABLE TO THE COMPANY | \$ 2,614 | \$ 2,489 | \$ 8,225 | \$ 8,616 |
| LOSS PER SHARE: | | | | |
| Basic | \$ 0.20 | \$ 0.26 | \$ 0.69 | \$ 0.93 |
| Diluted | \$ 0.20 | \$ 0.26 | \$ 0.69 | \$ 0.93 |
| WEIGHTED AVERAGE NUMBER OF SHARES USED IN COMPUTATION OF BASIC AND DILUTED (LOSS) PER SHARE: | | | | |
| Basic | 13,140,119 | 9,568,413 | 11,971,389 | 9,221,039 |
| Diluted | 13,140,119 | 9,568,413 | 11,971,389 | 9,221,039 |
| OTHER COMPREHENSIVE LOSS: | | | | |
| Net Loss | \$ 2,614 | \$ 2,489 | \$ 8,225 | \$ 8,616 |
| Translation adjustments | 1,056 | (1,084) | 349 | (988) |
| TOTAL COMPREHENSIVE LOSS | \$ 3,670 | \$ 1,405 | \$ 8,574 | \$ 7,628 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

ORGENESIS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(U.S. Dollars in thousands, except share amounts)
(Unaudited)

| | Common Stock | | | Receipts on Account of Share to be Allotted | Ac Con |
|--|------------------|--------------|----------------------------------|--|-----------|
| | Number of Shares | Par Value | Additional Paid-in Capital | | |
| Balance at December 1, 2016 | 9,508,068 | \$ 1 | \$ 45,454 | \$ - | |
| Changes during the six months ended May 31, 2017: | | | | | |
| Stock-based compensation to employees and directors | | | 771 | | |
| Stock-based compensation to service providers | 79,167 | | 2,066 | | |
| Issuances of shares from investments and conversion of convertible loans | 328,388 | | 2,214 | 595 | |
| Comprehensive loss for the period | | | | | |
| Beneficial conversion feature of convertible loans and Warrants issued | | | 2,241 | | |
| Balance at May 31, 2017 | 9,915,623 | \$ 1 | \$ 52,746 | \$ 595 | |
| Balance at December 1, 2017 | 9,872,659 | 1 | 55,334 | 1,483 | |
| Changes during the six months ended May 31, 2018: | | | | | |
| Stock-based compensation to employees and directors | | | 801 | | |
| Stock-based compensation to service providers | | | 1,026 | | |
| Issuance of shares and warrant due to conversion of convertible loans | 1,341,134 | * | 7,330 | | |
| Issuance of shares and receipts on account of shares and warrants to be allotted | 1,958,806 | * | 11,218 | (1,245) | |
| Beneficial conversion feature of convertible loans and Warrants issued | | | 323 | | |
| Issuance of Shares due to exercise of warrants | 128,077 | * | 799 | | |
| Comprehensive loss for the period | | | | | |
| Balance at May 31, 2018 | 13,300,676 | \$ 1 | \$ 76,831 | \$ 238 | |

*represent an amount lower than \$ 1 thousand

The accompanying notes are an integral part of these condensed consolidated financial statements.

ORGENESIS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(U.S. Dollars in thousands)
(Unaudited)

| | Six Months Ended | |
|--|-------------------------|-------------------------|
| | May 31, 2018 | May 31, 2017 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (7,953) | \$ (8,616) |
| Adjustments required to reconcile net loss to net cash used in operating activities: | | |
| Stock-based compensation | 1,827 | 2,707 |
| Share in losses of associated company | 530 | 196 |
| Depreciation and amortization expenses | 1,282 | 1,207 |
| Change in fair value of embedded derivatives | (490) | 131 |
| Change in fair value of convertible bonds | - | (110) |
| Interest expenses accrued on loans and convertible loans (including amortization of beneficial conversion feature) | 2,522 | 589 |
| Changes in operating assets and liabilities: | | |
| Increase in accounts receivable | (19) | |