



Dexcom Reports Second Quarter 2022 Financial Results

July 28, 2022

SAN DIEGO--(BUSINESS WIRE)--Jul. 28, 2022-- [DexCom, Inc.](#) (Nasdaq: DXCM) today reported its financial results as of and for the quarter ended June 30, 2022.

Second Quarter 2022 Financial Highlights:

- Revenue grew 17% versus the same quarter of the prior year to \$696.2 million on a reported basis and 16% on an organic¹ basis.
- U.S. revenue growth of 11% and international revenue growth of 39% on a reported basis. International revenue growth was 34% on an organic¹ basis.
- GAAP operating income of \$77.0 million or 11.1% of revenue, a decrease of 590 basis points compared to the second quarter of 2021. Non-GAAP operating income* of \$101.9 million or 14.6% of revenue, a decrease of 250 basis points compared with the same quarter of the prior year.

Strategic Highlights:

- Advanced CGM portfolio strategy, including the launches of Dexcom ONE in the UK and Spain.
- Showcased the present and future potential of CGM technology with a robust research presence at the Advanced Technologies and Treatments for Diabetes (ATTD) and American Diabetes Association (ADA) conferences.
- Received CE Mark for an updated sensor algorithm, making the latest G7 sensor technology available to international markets.
- Subsequent to the end of the quarter, launched the Dexcom G6 mobile app in Spanish, providing more choice to users and eliminating a potential language barrier to optimal care.

"In the second quarter, Dexcom advanced a number of key initiatives, including the expansion of our CGM portfolio strategy in international markets," said Kevin Sayer, Dexcom's chairman, president and CEO. "We are excited for the rest of this year, particularly as we implement a broader launch of G7 in the coming weeks."

2022 Annual Guidance

The company is updating fiscal year 2022 revenue guidance, and reiterating guidance for Non-GAAP Gross Profit Margin, Non-GAAP Operating Margin, and Adjusted EBITDA Margin at the following levels:

- Revenue of approximately \$2.86 - 2.91 billion (17-19% growth)
- Non-GAAP Gross Profit Margin of approximately 65%
- Non-GAAP Operating Margin of approximately 16%
- Adjusted EBITDA Margin of approximately 25%

Second Quarter 2022 Financial Results

Revenue: In the second quarter of 2022, worldwide revenue grew 17% to \$696.2 million, up from \$595.1 million in the second quarter of 2021. Volume growth in conjunction with strong new customer additions continues to be the primary driver of revenue growth as awareness of real-time CGM increases.

Gross Profit: Gross profit totaled \$449.5 million or 64.6% of revenue for the second quarter of 2022, compared to \$417.1 million or 70.1% of revenue in the second quarter of 2021.

Operating Income: GAAP operating income for the second quarter of 2022 was \$77.0 million, compared to GAAP operating income of \$101.0 million for the second quarter of 2021.

Non-GAAP operating income* for the second quarter of 2022 was \$101.9 million, compared to non-GAAP operating income of \$101.5 million for the second quarter of 2021.

Net Income and Net Income per Share: GAAP net income was \$50.9 million, or \$0.12 per diluted share, for the second quarter of 2022, compared to GAAP net income of \$78.4 million, or \$0.19 per diluted share, for the same quarter of 2021.

Non-GAAP net income* was \$69.5 million, or \$0.17 per diluted share, for the second quarter of 2022, compared to non-GAAP net income of \$75.1 million, or \$0.19 per diluted share, for the same quarter of 2021. The second quarter 2022 non-GAAP amount excludes \$13.8 million of business transition and related costs, \$9.2 million of intellectual property litigation costs, \$1.9 million of amortization of intangible assets, and \$6.3 million of tax adjustments primarily related to excess tax benefits from stock compensation vesting.

Cash and Liquidity: As of June 30, 2022, Dexcom held \$2.75 billion in cash, cash equivalents and marketable securities and our revolving credit facility remains undrawn. The cash balance represents significant financial and strategic flexibility as Dexcom continues to expand production capacity

and explore new market opportunities.

¹ Excludes non-CGM revenue acquired in conjunction with Dexcom's acquisition of its distributor in Australia and New Zealand, as well as the impact of foreign exchange.

* See Table E below for a reconciliation of these GAAP and non-GAAP financial measures.

Conference Call

Management will hold a conference call today starting at 4:30 p.m. (Eastern Time). The conference call will be concurrently webcast. The link to the webcast will be available on the Dexcom Investor Relations website at investors.dexcom.com by navigating to "Events and Presentations," and will be archived for future reference. To listen to the conference call, please dial (866) 374-5140 (US/Canada) or (404) 400-0571 (International) and use the confirmation number "24372094#" approximately five minutes prior to the start time.

Statement Regarding Use of Non-GAAP Financial Measures

This press release and the accompanying tables include non-GAAP financial measures. For a description of these non-GAAP financial measures, including the reasons management uses each measure, and reconciliations of these non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with Generally Accepted Accounting Principles (GAAP), please see the section of the accompanying tables titled "About Non-GAAP Financial Measures" as well as the related Table E.

About DexCom, Inc.

DexCom, Inc. empowers people to take control of diabetes through innovative continuous glucose monitoring (CGM) systems. Headquartered in San Diego, California, Dexcom has emerged as a leader of diabetes care technology. By listening to the needs of users, caregivers, and providers, Dexcom simplifies and improves diabetes management around the world.

Cautionary Statement Regarding Forward-Looking Statements

This press release contains forward-looking statements that are not purely historical regarding Dexcom's or its management's intentions, beliefs, expectations and strategies for the future, including statements with respect to the impacts of the COVID-19 pandemic on Dexcom, timing or acceptance of regulatory approvals and commercial launch of G7 and our outlook for the full year 2022. All forward-looking statements and reasons why results might differ included in this press release are made as of the date of this release, based on information currently available to Dexcom, deal with future events, are subject to various risks and uncertainties, and actual results could differ materially from those anticipated in those forward-looking statements. The risks and uncertainties that may cause actual results to differ materially from Dexcom's current expectations are more fully described in Dexcom's Quarterly Report on Form 10-Q for the period ended June 30, 2022, as filed with the Securities and Exchange Commission on July 28, 2022. Except as required by law, Dexcom assumes no obligation to update any such forward-looking statement after the date of this report or to conform these forward-looking statements to actual results.

DexCom, Inc.

Table A

Consolidated Balance Sheets

(In millions, except par value data)

(Unaudited)

	June 30, 2022	December 31, 2021
Assets		(As Adjusted)*
Current assets:		
Cash and cash equivalents	\$ 735.4	\$ 1,052.6

Short-term marketable securities	2,019.4	1,678.6
Accounts receivable, net	560.8	514.3
Inventory	339.5	357.3
Prepaid and other current assets	153.6	81.6
Total current assets	3,808.7	3,684.4
Property and equipment, net	942.9	801.8
Operating lease right-of-use assets	77.9	88.1
Goodwill	25.6	26.5
Intangibles, net	28.0	31.5
Deferred tax assets	309.5	290.5
Other assets	24.8	10.5
Total assets	\$ 5,217.4	\$ 4,933.3
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 688.3	\$ 573.0
Accrued payroll and related expenses	94.8	125.2
Short-term operating lease liabilities	21.2	20.5
Deferred revenue	2.7	2.1
Total current liabilities	807.0	720.8
Long-term senior convertible notes	1,967.3	1,981.8
Long-term operating lease liabilities	87.7	98.6
Other long-term liabilities	99.5	90.0
Total liabilities	2,961.5	2,891.2
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 5.0 million shares authorized; no shares issued and outstanding at June 30, 2022 and December 31, 2021	—	—

Common stock, \$0.001 par value, 800.0 million shares authorized; 392.9 million and 392.6 million shares issued and outstanding, respectively, at June 30, 2022; and 391.4 million and 388.0 million shares issued and outstanding, respectively, at December 31, 2021	0.4	0.4
Additional paid-in capital	2,028.9	2,108.7
Accumulated other comprehensive income (loss)	(23.0)	0.5
Retained earnings	286.9	138.7
Treasury stock, at cost; 0.3 million shares at June 30, 2022 and 3.4 million shares at December 31, 2021	(37.3)	(206.2)
Total stockholders' equity	2,255.9	2,042.1
Total liabilities and stockholders' equity	\$ 5,217.4	\$ 4,933.3

* We adjusted our 2021 amounts to reflect the simplified convertible instruments accounting guidance (ASU 2020-06), which we adopted on a full retrospective basis. All periods presented have also been adjusted to reflect the four-for-one stock split.

DexCom, Inc.

Table B

Consolidated Statements of Operations

(In millions, except per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(As Adjusted)*		(As Adjusted)*	
Revenue	\$ 696.2	\$ 595.1	\$ 1,325.0	\$ 1,100.1
Cost of sales	246.7	178.0	477.4	339.1
Gross profit	449.5	417.1	847.6	761.0
Operating expenses:				
Research and development	121.7	129.1	257.6	238.5
Amortization of intangible assets	1.9	0.5	3.9	1.0
Selling, general and administrative	248.9	186.5	467.8	374.6
Total operating expenses	372.5	316.1	729.3	614.1

Operating income	77.0	101.0	118.3	146.9
Interest expense	(4.7)	(4.8)	(9.3)	(9.5)
Income from equity investments	—	—	0.2	—
Interest and other income, net	3.0	0.9	2.2	1.0
Income before income taxes	75.3	97.1	111.4	138.4
Income tax expense (benefit)	24.4	18.7	(36.8)	3.5
Net income	\$ 50.9	\$ 78.4	\$ 148.2	\$ 134.9
Basic net income per share	\$ 0.13	\$ 0.20	\$ 0.38	\$ 0.35
Shares used to compute basic net income per share	392.5	386.9	390.7	386.1
Diluted net income per share	\$ 0.12	\$ 0.19	\$ 0.36	\$ 0.33
Shares used to compute diluted net income per share	421.4	427.1	429.1	426.8

* We adjusted our 2021 amounts to reflect the simplified convertible instruments accounting guidance (ASU 2020-06), which we adopted on a full retrospective basis. All periods presented have also been adjusted to reflect the four-for-one stock split.

DexCom, Inc.

Table C

Revenue by Geography

(Dollars in millions)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
U.S. revenue	\$ 511.0	\$ 461.5	\$ 962.2	\$ 842.7
Year over year growth	11 %	26 %	14 %	28 %
% of total revenue	73 %	78 %	73 %	77 %

International revenue	\$ 185.2	\$ 133.6	\$ 362.8	\$ 257.4
Year over year growth	39 %	58 %	41 %	30 %
% of total revenue	27 %	22 %	27 %	23 %

Total revenue ⁽¹⁾ \$ 696.2 \$ 595.1 \$ 1,325.0 \$ 1,100.1

Year over year growth 17 % 32 % 20 % 28 %

(1) The sum of the revenue components may not equal total revenue due to rounding.

DexCom, Inc.

Table D

Revenue by Component

(Dollars in millions)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Sensor and other revenue ^{(1) (2)}	\$ 597.7	\$ 494.5	\$ 1,140.9	\$ 918.8
Year over year growth	21 %	36 %	24 %	33 %
% of total revenue	86 %	83 %	86 %	84 %
Hardware revenue ⁽¹⁾⁽³⁾	\$ 98.5	\$ 100.6	\$ 184.1	\$ 181.3
Year over year growth	(2)%	15 %	2 %	8 %
% of total revenue	14 %	17 %	14 %	16 %
Total revenue ⁽⁴⁾	\$ 696.2	\$ 595.1	\$ 1,325.0	\$ 1,100.1
Year over year growth	17 %	32 %	20 %	28 %

(1) Includes allocated subscription revenue.

(2) Includes services, freight, accessories, Non-CGM acquired revenue, etc.

(3) Includes transmitter and receiver revenue.

(4) The sum of the revenue components may not equal total revenue due to rounding.

DexCom, Inc.

Table E

Itemized Reconciliation Between GAAP and Non-GAAP Financial Measures

(In millions, except per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(As Adjusted)*		(As Adjusted)*	
GAAP operating income	\$ 77.0	\$ 101.0	\$ 118.3	\$ 146.9
Amortization of intangible assets	1.9	0.5	3.9	1.0
Business transition and related costs ⁽¹⁾	13.8	—	13.8	—
Intellectual property litigation costs ⁽²⁾	9.2	—	16.2	—
Non-GAAP operating income	\$ 101.9	\$ 101.5	\$ 152.2	\$ 147.9
GAAP net income	\$ 50.9	\$ 78.4	\$ 148.2	\$ 134.9
Business transition and related costs ⁽¹⁾	13.8	—	13.8	—
Depreciation and amortization	43.6	23.5	80.4	44.4
Intellectual property litigation costs ⁽²⁾	9.2	—	16.2	—
Income from equity investments ⁽³⁾	—	—	(0.2)	—
Share-based compensation	32.6	31.6	61.7	59.6
Interest expense and interest income	1.0	4.4	4.6	8.6

Income tax (benefit) expense	24.4	18.7	(36.8)	3.5
Adjusted EBITDA	\$ 175.5	\$ 156.6	\$ 287.9	\$ 251.0
GAAP net income	\$ 50.9	\$ 78.4	\$ 148.2	\$ 134.9
Amortization of intangible assets	1.9	0.5	3.9	1.0
Business transition and related costs ⁽¹⁾	13.8	—	13.8	—
Intellectual property litigation costs ⁽²⁾	9.2	—	16.2	—
Income from equity investments ⁽³⁾	—	—	(0.2)	—
Adjustments related to taxes ⁽⁴⁾	(6.3)	(3.8)	(80.1)	(28.3)
Non-GAAP net income	\$ 69.5	\$ 75.1	\$ 101.8	\$ 107.6
GAAP net income	\$ 50.9	\$ 78.4	\$ 148.2	\$ 134.9
Interest expense on senior convertible notes, net of tax	1.6	2.9	5.5	5.8
GAAP net income used for diluted EPS, if-converted	\$ 52.5	\$ 81.3	\$ 153.7	\$ 140.7
Non-GAAP net income	\$ 69.5	\$ 75.1	\$ 101.8	\$ 107.6
Interest expense on senior convertible notes, net of tax	1.2	1.2	—	—
Non-GAAP net income used for diluted EPS, if-converted	\$ 70.7	\$ 76.3	\$ 101.8	\$ 107.6
GAAP diluted net income per share ⁽⁵⁾	\$ 0.12	\$ 0.19	\$ 0.36	\$ 0.33
Amortization of intangible assets	—	—	0.01	—
Business transition and related costs ⁽¹⁾	0.03	—	0.03	—
Intellectual property litigation costs ⁽²⁾	0.02	—	0.04	—
Income from equity investments ⁽³⁾	—	—	—	—
Adjustments related to taxes ⁽⁴⁾	(0.02)	(0.01)	(0.20)	(0.07)
Impact of adjustment to GAAP diluted shares ⁽⁶⁾	—	—	0.01	0.01

Non-GAAP diluted net income per share ^{(5) (7)}	\$ 0.17	\$ 0.19	\$ 0.25	\$ 0.27
GAAP diluted weighted-average shares outstanding	421.4	427.1	429.1	426.8
Non-GAAP diluted weighted-average shares outstanding	410.5	406.4	402.2	398.1

DexCom, Inc.

Table E (Continued)

Itemized Reconciliation Between GAAP and Non-GAAP Financial Measures

(In millions, except per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(As Adjusted)*		(As Adjusted)*	
Reconciliation of non-GAAP diluted weighted-average shares outstanding:				
GAAP diluted weighted-average shares outstanding	421.4	427.1	429.1	426.8
Adjustment for dilutive impact of senior convertible notes due 2023 ⁽⁸⁾	(18.9)	(20.7)	(18.9)	(20.7)
Adjustment for dilutive impact of senior convertible notes due 2025 ⁽⁹⁾	8.0	—	(8.0)	(8.0)
Non-GAAP diluted weighted-average shares outstanding	410.5	406.4	402.2	398.1

We adjusted our 2021 amounts to reflect the simplified convertible instruments accounting guidance (ASU 2020-06), which we adopted on a full * retrospective basis. The adoption eliminates the non-cash interest expense related to the conversion features of the convertible notes beginning in the first quarter of 2020. All periods presented have also been adjusted to reflect the four-for-one stock split.

(1) Business transition and related costs are primarily related to consulting and expenses related to vacating a portion of the San Diego office space, including accelerated depreciation of tenant improvements.

(2) Represents costs related to a patent infringement lawsuit.

(3) Represents a gain from the sale of an equity investment.

For the three months ended June 30, 2022, the tax adjustments were primarily related to the tax effect of non-GAAP adjustments for business transition and related costs and intellectual property litigation costs. For the six months ended June 30, 2022, the tax adjustments were primarily (4) related to excess tax benefits recognized from share-based compensation for employees and the Verily regulatory milestone payment. For the three and six months ended June 30, 2021, tax adjustments were primarily related to the excess tax benefits from share-based compensation for employees.

- (5) When our senior convertible notes are dilutive on a GAAP or non-GAAP basis, net income used for calculating GAAP and non-GAAP diluted net income per share includes an interest expense add back, net of tax, under the if-converted method.
- (6) The adjustment for the six months ended June 30, 2022 and June 30, 2021 is for the transition from GAAP diluted net loss per share to non-GAAP diluted net income per share due to our 2023 and 2025 senior convertible notes.
- (7) The sum of the non-GAAP diluted net income per share components may not equal the totals due to rounding.
- (8) Our 2023 senior convertible notes are dilutive on a GAAP basis and anti-dilutive on a non-GAAP basis for the three and six months ended June 30, 2022 and 2021. Our 2023 senior convertible notes are also hedged through an anti-dilutive bond hedge arrangement.
- Our 2025 senior convertible notes are anti-dilutive on a GAAP basis and dilutive on a non-GAAP basis for the three months ended June 30, 2022.
- (9) Our 2025 senior convertible notes are dilutive on a GAAP and non-GAAP basis for the three months ended June 30, 2021. Our 2025 senior convertible notes are dilutive on a GAAP basis and anti-dilutive on a non-GAAP basis for the six months ended June 30, 2022 and 2021.

ABOUT NON-GAAP FINANCIAL MEASURES

The accompanying press release dated July 28, 2022 contains non-GAAP financial measures. These non-GAAP financial measures include non-GAAP gross profit, non-GAAP operating income (loss), non-GAAP net income (loss), and non-GAAP net income (loss) per share as well as adjusted EBITDA.

We use these non-GAAP financial measures for financial and operational decision making and as a means to evaluate period-to-period comparisons. We believe that they provide useful information about operating results, enhance the overall understanding of our operating performance and future prospects, and allow for greater transparency with respect to key metrics used by senior management in our financial and operational decision making. Our non-GAAP financial measures exclude amounts that we do not consider part of ongoing operating results when planning and forecasting and when assessing the performance of the organization and our senior management. We compute non-GAAP financial measures using the same consistent method from quarter to quarter and year to year. We may consider whether other significant items that arise in the future should be excluded from our non-GAAP financial measures.

We report non-GAAP financial measures in addition to, and not as a substitute for, or superior to, measures of financial performance prepared in accordance with Generally Accepted Accounting Principles (GAAP). These non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles, differ from GAAP measures with the same names, and may differ from non-GAAP financial measures with the same or similar names that are used by other companies. We believe that non-GAAP financial measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP financial measures. We encourage investors to carefully consider our results under GAAP, as well as our supplemental non-GAAP information and the reconciliations between these presentations, to more fully understand our business.

Management believes that presentation of operating results that excludes these items provides useful supplemental information to investors and facilitates the analysis of our core operating results and comparison of operating results across reporting periods. Management also believes that this supplemental non-GAAP information is therefore useful to investors in analyzing and assessing our past and future operating performance.

Table E reconciles the non-GAAP financial measures in the press release to the most directly comparable financial measures prepared in accordance with Generally Accepted Accounting Principles (GAAP).

We exclude the following items from non-GAAP financial measures for non-GAAP gross profit, non-GAAP operating income (loss), non-GAAP net income (loss), and non-GAAP net income (loss) per share:

- Amortization of acquired intangible assets
- Business transition and related costs associated with acquisition, integration and business transition activities, including severance, relocation, consulting, leasehold exit costs, third party merger and acquisition costs, and other costs directly associated with such activities
- COVID-19 costs associated with the COVID-19 outbreak related to taking the necessary precautions for essential personnel to operate safely both in person as well as remotely. Costs incurred include items like incremental payroll costs, consulting support, IT infrastructure and facilities related costs
- Income or loss from equity investments
- Intellectual property litigation costs
- Litigation settlement costs
- Loss on extinguishment of debt associated with our senior convertible notes
- Adjustments related to taxes for the excluded items above, as well as excess benefits or tax deficiencies from stock-based compensation, and the quarterly impact of other discrete items

Adjusted EBITDA excludes non-cash operating charges for share-based compensation, depreciation and amortization as well as non-operating items such as interest income, interest expense, loss on extinguishment of debt, income and loss from equity investments, and income tax expense or benefit. For the reasons explained above, adjusted EBITDA also excludes business transition and related costs, COVID-19 costs, litigation settlement costs, and intellectual property litigation costs.

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