

Orgenesis Inc.  
Form 10-Q  
July 15, 2016

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**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, 2016**

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, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting 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)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No .

As of July 14, 2016, there were 110,732,129 shares of registrant's common stock outstanding.

**ORGENESIS INC.**  
**FORM 10-Q**  
**FOR THE THREE AND SIX MONTHS ENDED MAY 31, 2016**

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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)**

Assets	May 31, 2016	November 30, 2015
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 474	\$ 4,168
Accounts receivable	1,712	1,173
Prepaid expenses and other receivables	1,117	1,118
Grants receivable	1,431	1,446
Inventory	413	301
Total current assets	5,147	8,206
<b>NON CURRENT ASSETS:</b>		
Property and equipment, net	4,787	4,296
Restricted cash	5	5
Intangible assets, net	16,683	16,653
Goodwill	10,059	9,535
Other assets	65	53
Total non current assets	31,599	30,542
<b>TOTAL ASSETS</b>	<b>36,746</b>	<b>38,748</b>
<b>Liabilities and equity (net of capital deficiency)</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	4,209	3,475
Accrued expenses	975	816
Employee and related payables	1,947	1,348
Related parties	42	42
Advance payments on account of grant	136	307
Short-term loans and current maturities of long term loans	1,249	2,829
Deferred income	1,617	1,216
Convertible loans	2,199	3,022
Convertible bonds	1,859	1,888
Price protection derivative	175	1,533
<b>TOTAL CURRENT LIABILITIES</b>	<b>14,408</b>	<b>16,476</b>
<b>LONG-TERM LIABILITIES:</b>		
Loans payable	2,514	2,540
Warrants	1,730	1,382
Retirement benefits obligation	5	5
Deferred taxes	2,562	3,327
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>6,811</b>	<b>7,254</b>
<b>TOTAL LIABILITIES</b>	<b>21,219</b>	<b>23,730</b>
<b>COMMITMENTS</b>		
<b>REDEEMABLE COMMON STOCK</b>		<b>21,458</b>
<b>EQUITY (CAPITAL DEFICIENCY):</b>		

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Common stock	11	6
Additional paid-in capital	39,402	14,229
Receipts on account of shares to be allotted	623	1,251
Accumulated other comprehensive loss	(202)	(1,286)
Accumulated deficit	(24,307)	(20,640)
<b>TOTAL EQUITY (CAPITAL DEFICIENCY)</b>	<b>15,527</b>	<b>(6,440)</b>
<b>TOTAL LIABILITIES AND EQUITY (NET OF CAPITAL DEFICIENCY)</b>	<b>\$ 36,746</b>	<b>\$ 38,748</b>

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, 2016	May 31, 2015	May 31, 2016	May 31, 2015
<b>REVENUES</b>	\$ 1,132	\$ 820	\$ 2,652	\$ 820
<b>COST OF REVENUES</b>	1,964	973	3,444	973
<b>GROSS PROFIT (LOSS)</b>	(832)	(153)	(792)	(153)
<b>RESEARCH AND DEVELOPMENT EXPENSES, net</b>	486	290	887	465
<b>AMORTIZATION OF INTANGIBLE ASSETS</b>	482	393	810	393
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>	2,173	1,200	3,339	1,858
<b>OPERATING LOSS</b>	3,973	2,036	5,828	2,869
<b>FINANCIAL EXPENSES (INCOME), net</b>	553	(924)	(1,219)	(967)
<b>LOSS BEFORE INCOME TAXES</b>	4,526	1,112	4,609	1,902
<b>INCOME TAX BENEFIT</b>	(634)	(15)	(942)	(15)
<b>NET LOSS</b>	\$ 3,892	\$ 1,097	\$ 3,667	\$ 1,887
<b>LOSS PER SHARE:</b>				
Basic	\$ 0.04	\$ 0.02	\$ 0.03	\$ 0.03
Diluted	\$ 0.04	\$ 0.03	\$ 0.04	\$ 0.05
<b>WEIGHTED AVERAGE NUMBER OF SHARES USED IN COMPUTATION OF BASIC AND DILUTED LOSS PER SHARE:</b>				
Basic	107,583,871	55,785,407	106,693,858	55,760,675
Diluted	107,583,871	62,795,145	106,693,858	60,159,549
<b>OTHER COMPREHENSIVE LOSS:</b>				
Net loss	\$ 3,892	\$ 1,097	\$ 3,667	\$ 1,887
Translation adjustments	(580)	458	(1,084)	560
<b>TOTAL COMPREHENSIVE LOSS</b>	\$ 3,312	\$ 1,555	\$ 2,583	\$ 2,447

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

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

	Common Stock		Additional Paid-in Capital	Receipts on Account of Share to be Allotted	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Number	Par Value					
<b>Balance at December 1, 2014</b>	55,970,565	\$ 6	\$ 13,152	\$ 60	\$(18)	\$(16,179)	\$(2,979)
<b>Changes during the six months ended May 31, 2015:</b>							
Stock-based compensation to employees and directors			321				321
Stock-based compensation to service providers			57				57
Comprehensive loss for the period					(560)	(1,887)	(2,447)
<b>Balance at May 31, 2015</b>	55,970,565	\$ 6	\$ 13,530	\$ 60	\$(578)	\$(18,066)	\$(5,048)
<b>Balance at December 1, 2015</b>	55,835,950	\$ 6	\$ 14,229	\$ 1,251	\$(1,286)	\$(20,640)	\$(6,440)
<b>Changes during the six months ended May 31, 2016:</b>							
Stock-based compensation to employees and directors			865				865
Stock-based compensation to service providers			792				792
Warrants and shares to be issued due to extinguishment			114				114

of a convertible  
loan

Issuances of shares from investments and conversion of convertible loans	10,502,132	1	1,948	(1,251)			698
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Reclassification of redeemable common stock

Reclassification of redeemable common stock	42,401,724	4	21,454				21,458
Receipts on account of shares to be allotted				623			623

Comprehensive loss for the period

Comprehensive loss for the period					1,084	(3,667)	(2,583)
<b>Balance at May 31, 2016</b>	108,739,806 \$	11 \$	39,402 \$	623 \$	(202)' \$	(24,307)' \$	15,527

**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)**

	<b>Six Months Ended</b>	
	<b>May 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (3,667)	\$ (1,887)
Adjustments required to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	1,657	378
Loss from extinguishment of a convertible loan	229	-
Depreciation and amortization expenses	1,335	625
Change in fair value of warrants and embedded derivatives	(1,721)	(951)
Change in fair value of convertible bonds	(132)	(379)
Interest expense accrued on loans and convertible loans	56	224
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	(471)	210
Increase in inventory	(94)	(33)
Increase in other assets	(9)	-
Decrease (increase) in prepaid expenses and other accounts receivable	34	(789)
Increase in accounts payable	587	311
Increase in accrued expenses	150	101
Increase in employee and related payables	579	91
Increase in deferred income	332	601
Increase (decrease) in advance payments and receivables on account of grant	(87)	496
Decrease in deferred taxes	(944)	(15)
Net cash used in operating activities	(2,166)	(1,017)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(708)	(244)
Restricted cash	-	(5)
Acquisition of MaSTherCell, net of cash acquired	-	305
Net cash provided by (used in) investing activities	(708)	56
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Short-term line of credit	-	(14)
Proceeds from issuance of warrants into shares and warrants	975	-
Proceeds from issuance of loans payable	-	317
Repayment of short and long-term debt	(1,828)	(67)
Net cash provided by (used in) financing activities	(853)	236
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,727)</b>	<b>(725)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>33</b>	<b>(404)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>4,168</b>	<b>1,314</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 474</b>	<b>\$ 185</b>
<b>SUPPLEMENTAL NON-CASH FINANCING ACTIVITIES</b>		