

Orgenesis Inc.  
Form 10-Q  
October 14, 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 August 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 October 13, 2016, there were 114,096,461 shares of registrant s common stock outstanding.**

**ORGENESIS INC.**  
**FORM 10-Q**  
**FOR THE THREE AND NINE MONTHS ENDED AUGUST 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)**

	August 31, 2016	November 30, 2015
<b>Assets</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 270	\$ 4,168
Accounts receivable	1,842	1,173
Prepaid expenses and other receivables	1,371	1,118
Grants receivable	1,418	1,446
Inventory	391	301
Total current assets	5,292	8,206
<b>NON CURRENT ASSETS:</b>		
Property and equipment, net	4,915	4,296
Restricted cash	5	5
Intangible assets, net	16,220	16,653
Goodwill	10,049	9,535
Other assets	74	53
Total non current assets	31,263	30,542
<b>TOTAL ASSETS</b>	<b>36,555</b>	<b>38,748</b>

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

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

	August 31, 2016	November 30, 2015
<b>Liabilities and equity (net of capital deficiency)</b>		
<b>CURRENT LIABILITIES:</b>		
Short-term bank credit	17	
Accounts payable	4,288	3,475
Accrued expenses	1,067	816
Employee and related payables	1,888	1,348
Related parties	42	42
Advance payments on account of grant	260	307
Short-term loans and current maturities of long term loans	1,096	2,829
Deferred income	1,686	1,216
Current maturities of convertible loans	2,513	3,022
Convertible bonds	1,875	1,888
Price protection derivative	192	1,533
<b>TOTAL CURRENT LIABILITIES</b>	<b>14,924</b>	<b>16,476</b>
<b>LONG-TERM LIABILITIES:</b>		
Loans payable	2,424	2,540
Convertible loans	962	
Warrants	2,219	1,382
Retirement benefits obligation	5	5
Deferred taxes	2,186	3,327
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>7,796</b>	<b>7,254</b>
<b>TOTAL LIABILITIES</b>	<b>22,720</b>	<b>23,730</b>
<b>COMMITMENTS</b>		
<b>REDEEMABLE COMMON STOCK</b>		<b>21,458</b>
<b>EQUITY (CAPITAL DEFICIENCY):</b>		
Common stock	11	6
Additional paid-in capital	40,128	14,229
Receipts on account of shares to be allotted	887	1,251
Accumulated other comprehensive loss	(239)	(1,286)
Accumulated deficit	(26,952)	(20,640)
<b>TOTAL EQUITY (CAPITAL DEFICIENCY)</b>	<b>13,835</b>	<b>(6,440)</b>
<b>TOTAL LIABILITIES AND EQUITY (NET OF CAPITAL DEFICIENCY) \$</b>	<b>36,555</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		Nine months Ended	
	August 31, 2016	August 31, 2015	August 31, 2016	August 31, 2015
<b>REVENUES</b>	\$ 1,849	\$ 937	\$ 4,501	\$ 1,757
<b>COST OF REVENUES</b>	1,829	1,326	5,273	2,299
<b>GROSS PROFIT (LOSS)</b>	20	(389)	(772)	(542)
<b>RESEARCH AND DEVELOPMENT EXPENSES, net</b>	775	295	1,663	760
<b>AMORTIZATION OF INTANGIBLE ASSETS</b>	408	408	1,217	801
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>	1,279	953	4,618	2,811
<b>OPERATING LOSS</b>	2,442	2,045	8,270	4,914
<b>FINANCIAL EXPENSES (INCOME), net</b>	574	(336)	(645)	(1,303)
<b>LOSS BEFORE INCOME TAXES</b>	3,016	1,709	7,625	3,611
<b>INCOME TAX BENEFIT</b>	(372)	(93)	(1,313)	(108)
<b>NET LOSS</b>	\$ 2,644	\$ 1,616	\$ 6,312	3,503
<b>LOSS PER SHARE:</b>				
Basic	\$ 0.02	\$ 0.03	\$ 0.06	\$ 0.06
Diluted	\$ 0.02	\$ 0.04	\$ 0.06	\$ 0.09
<b>WEIGHTED AVERAGE NUMBER OF SHARES USED IN COMPUTATION OF BASIC AND DILUTED LOSS PER SHARE:</b>				
Basic	111,188,616	55,835,950	108,784,862	55,785,950
Diluted	111,188,616	56,434,465	108,784,862	57,219,626
<b>OTHER COMPREHENSIVE LOSS:</b>				
Net loss	\$ 2,644	\$ 1,616	\$ 6,312	\$ 3,503
Translation adjustments	36	(444)	(1,047)	116
<b>TOTAL COMPREHENSIVE LOSS</b>	\$ 2,680	\$ 1,172	\$ 5,265	\$ 3,619

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**

	Number	Par Value	Additional Paid in Capital	Receipts on Account of Share to be Allotted	Accumulated Other Comprehensive Loss	Accumulated Deficit
<b>Balance at December 1, 2014</b>	55,970,565	\$ 6	\$ 13,152	\$ 60	\$(18)	\$(16)
<b>Changes during the nine months ended August 31, 2015:</b>						
Stock based compensation to employees and directors			593			
Stock based compensation to service providers			45			
Shares cancellation (250,000)						
Issuances of shares from investments	115,385		60	(60)		
Comprehensive loss for the period					(116)	(3)
<b>Balance at August 31, 2015</b>	55,835,950	\$ 6	\$ 13,850	\$	\$(134)	\$(19)
<b>Balance at December 1, 2015</b>	55,835,950	\$ 6	\$ 14,229	\$ 1,251	\$(1,286)	\$(20)
<b>Changes during the nine months ended August 31, 2016:</b>						
Stock based compensation to employees and directors			990			
Stock based compensation to service providers			1,148			
Warrants and shares to be issued due to extinguishment of a convertible loan			114			
Beneficial conversion feature of convertible loans			245			
Issuances of shares from investments, conversion of convertible loans and shares granted to consultants	12,844,455	1	1,948	(1,251)		
Reclassification of redeemable common stock	42,401,724	4	21,454			
Receipts on account of shares to be allotted				887		
Comprehensive loss for the period				1,047		(6)
<b>Balance at August 31, 2016</b>	111,082,129	\$ 11	\$ 40,128	\$ 887	\$(239)	\$(26)

**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>Nine months Ended August 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (6,312)	\$ (3,503)
Adjustments required to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	2,085	638
Loss from extinguishment of a convertible loan	229	-
Depreciation and amortization expenses	1,987	1,297
Change in fair value of warrants and embedded derivatives	(1,172)	(1,192)
Change in fair value of convertible bonds	(115)	(705)
Interest expenses accrued on loans and convertible loans (including amortization of beneficial conversion feature)	494	342
Changes in operating assets and liabilities:		
Increase in accounts receivable	(603)	(341)