INSULET CORP
Form 10-K/A
February 28, 2019
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K/A
(Amendment No. 1)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018
¨ 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 001-33462
INSULET CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware	04-3523891
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
100 Nagog Park Acton, Massachusetts	01720
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code:
(978) 600-7000
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.001 Par Value Per Share	The NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act:
None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x
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 x 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 x No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x
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. (Check one):
Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o
(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 x

The aggregate market value of the common stock held by non-affiliates of the registrant computed by reference to the last reported sale price of the Common Stock as reported on The NASDAQ Global Market on June 30, 2018 was approximately $5.0 billion.

The number of shares outstanding of each of the registrant's classes of common stock as of February 20, 2019:

Title of Class	Shares Outstanding
Common Stock, $0.001 Par Value Per Share	59,278,993

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Explanatory Note

This Amendment No. 1 (this “Amendment”) amends the Annual Report on Form 10-K of Insulet Corporation (the "Company") for the year ended December 31, 2018, filed with the Securities and Exchange Commission on February 26, 2019 (the “Original Filing”). The sole purpose of this Amendment is to amend Part II, Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations), to correct the final sentence of the second paragraph (the “Corrected Sentence”) under the heading “Liquidity and Capital Resources,” which relates to the Company’s expected capital expenditures for 2019 as compared to 2018. The Corrected Sentence clarifies that the Company currently expects capital expenditures in 2019 to be relatively consistent with 2018.

For ease of reference, the entire text of Part II, Item 7 is included in this Amendment, though the Corrected Sentence is the sole change to the disclosure contained in the Original Filing.

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PART II

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Level Overview

We are primarily engaged in the development, manufacturing and sale of our proprietary Omnipod System, an innovative, discreet and easy-to-use continuous insulin delivery system for people with insulin-dependent diabetes. There are two primary types of insulin therapy practiced today: MDI therapy using syringes or insulin pens; and pump therapy using insulin pumps. Insulin pumps are used to perform continuous subcutaneous insulin infusion, or insulin pump therapy, and typically use a programmable device and an infusion set to administer insulin into the person's body. Insulin pump therapy has been shown to provide people with insulin-dependent diabetes with numerous advantages relative to MDI therapy. We estimate that approximately one-third of the Type 1 diabetes population in the United States and less than one fifth of the Type 1 diabetes population outside of the United States use insulin pump therapy. An even smaller portion of the Type 2 diabetes population in the United States who are insulin-dependent use insulin pump therapy. The Omnipod System features a small, lightweight, self-adhesive disposable tubeless Omnipod device which is worn on the body for approximately three days at a time and its wireless companion, the handheld PDM. The Omnipod System, which features two discreet, easy-to-use devices, communicates wirelessly, provides for virtually pain-free automated cannula insertion and eliminates the need for traditional MDI therapy or the use of traditional pump and tubing. We believe that the Omnipod System's unique proprietary design and features allow people with insulin-dependent diabetes to manage their diabetes with unprecedented freedom, comfort, convenience, and ease.

We began commercial sale of the Omnipod in the United States in 2005. We sell the Omnipod through direct sales to customers or through our distribution partners. The Omnipod is currently available in multiple countries in Europe, as well as Canada and Israel. On July 1, 2018 we assumed all commercial activities (including, among other things, distribution, sales, marketing, training and support) for our Omnipod System across Europe following the expiration of our prior distribution agreement with our former European Distributor on June 30, 2018.

In addition to the diabetes market space, we have partnered with pharmaceutical and biotechnology companies to tailor the Omnipod System technology platform for the delivery of subcutaneous drugs across other therapeutic areas. The majority of our drug delivery revenue currently consists of sales of pods used in Amgen's Neulasta Onpro kit, an innovative delivery system for Amgen's white blood cell booster to help reduce the risk of infection during intense chemotherapy.

We have substantially completed the construction of a highly-automated manufacturing facility in Acton, Massachusetts, with planned production out of the facility beginning in the first half of 2019. The facility also serves as our global headquarters. We expect that, following start up related activities, the new facility will allow us to lower our manufacturing costs, increase supply redundancy, add capacity closer to our largest customer base and support growth. From the purchase of this facility in late 2016 through December 31, 2018, capital expenditures for the construction of the Acton facility and related equipment purchases have been approximately $193 million. In 2019, we expect to invest additional capital in this facility to support our growth funded by our existing cash and investments.

In January 2018, we announced that the Centers for Medicare & Medicaid Services ("CMS") has issued guidance clarifying that Medicare Part D Plan Sponsors may provide coverage for products such as the Omnipod System under the Medicare Part D (prescription drug) program. We have been securing coverage with Medicare Part D carriers to ensure beneficiaries living with diabetes have access to the Omnipod System. Securing Medicare Part D coverage also provides us with a direct pathway to increased Medicaid coverage at the state level, as many state-run Medicaid programs follow CMS prescription drug guidance to determine coverage. This allows access for lower-income individuals and families on Medicaid for whom Omnipod currently is not a covered option. In April 2018, we also significantly increased our market access when we secured in-network coverage of Omnipod with United Healthcare, the largest commercial payer in the United States.

In June 2018, the FDA provided clearance for the commercial distribution of our DASH ™ System, which is our next-generation digital mobile Omnipod platform, featuring a secured Bluetooth enabled Pod and PDM with a touch screen color user interface supported by smartphone connectivity. We commenced a U.S. limited commercial release

of Omnipod DASH ™ in the third quarter of 2018 prior to a U.S. full market launch in the first half of 2019.

2018 Revenue Results:

- Total revenue of $563.8 million
- U.S. Omnipod revenue of $323.5 million, a 19% increase year over year
- International Omnipod revenue of $172.0 million, a 43% increase year over year
- Drug Delivery revenue of $68.3 million, a 5% decrease year over year

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Our long-term financial objective is to sustain profitable growth. We expect our efforts in 2019 to focus primarily on commissioning our U.S. manufacturing facility, commencing a U.S. full market release of Omnipod DASH, continuing our product development efforts, and continuing to work with Medicare, Medicaid and commercial payors and intermediaries to expand access. Achieving these objectives is expected to require additional investments in certain initiatives and personnel, as well as enhancements to our supply chain operation capacity, efficiency and effectiveness.

Components of Financial Operations

Revenue. We derive the majority of our revenue from global sales of the Omnipod System. We also sell devices based on the Omnipod System technology to global pharmaceutical and biotechnology companies for the delivery of their drugs across therapeutic areas.

Cost of revenue. Cost of revenue consists primarily of raw material, labor, warranty, inventory scrap and excess and obsolescence adjustments, and overhead costs such as freight-in and depreciation and the cost of products we acquire from third party suppliers.

Research and development. Research and development expenses consist primarily of personnel costs, license fees and outside service expenses within our product development, regulatory and clinical functions and well as innovations related to our global supply chain and manufacturing process. Research and development expenses also include engineering and operational costs, such as training and start up activities, associated with our newly constructed U.S. manufacturing facility. We generally expense research and development costs as incurred.

Sales and marketing. Sales and marketing expenses consist primarily of personnel costs within our sales, marketing, reimbursement support and customer care functions, as well as sales commissions paid to our sales representatives, costs associated with promotional activities and participation in industry trade shows. Commission costs that are direct and incremental to obtaining a new customer are capitalized and amortized to sales and marketing expense over the expected period of benefit.

General and administrative. General and administrative expenses consist primarily of salaries and other related costs for personnel serving the executive, finance, legal, information technology and human resource functions, as well as legal fees, accounting fees, insurance costs, bad debt expenses, shipping, handling and facilities-related costs including depreciation of office facility-related property and equipment.

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Results of Operations

This section discusses our consolidated results of operations for 2018 compared to 2017, as well as 2017 compared to 2016, and should be read in conjunction with the consolidated financial statements and accompanying notes included under Item 8 of this Form 10-K.

TABLE 1: RESULTS OF OPERATIONS

	Years Ended December 31,				Years Ended December 31,			
			Change				Change	
(In Thousands)	2018	2017	$	%	2017	2016	$	%
Revenue								
U.S. Omnipod	$323,528	$271,597	$51,931	19 %	$271,597	$229,785	$41,812	18 %
International Omnipod	172,020	119,953	52,067	43 %	119,953	71,889	48,064	67 %
Drug Delivery	68,275	72,218	(3,943)	(5)%	72,218	65,315	6,903	11 %
Total Revenue	563,823	463,768	100,055	22 %	463,768	366,989	96,779	26 %
Cost of revenue	193,655	186,599	7,056	4 %	186,599	155,903	30,696	20 %
Gross profit	370,168	277,169	92,999	34 %	277,169	211,086	66,083	31 %
Gross margin	65.7 %	59.8 %			59.8 %	57.5 %		
Operating expenses:								
Research and development	88,606	74,452	14,154	19 %	74,452	55,710	18,742	34 %
Sales and marketing	142,321	121,617	20,704	17 %	121,617	94,483	27,134	29 %
General and administrative	111,818	88,487	23,331	26 %	88,487	71,597	16,890	24 %
Total operating expenses	342,745	284,556	58,189	20 %	284,556	221,790	62,766	28 %
Operating income (loss)	27,423	(7,387)	34,810	471 %	(7,387)	(10,704)	3,317	31 %
Interest expense and other, net	(22,197)	(19,187)	(3,010)	16 %	(19,187)	(16,114)	(3,073)	19 %
Income (loss) from continuing operations before income taxes	5,226	(26,574)	31,800	120 %	(26,574)	(26,818)	(244)	(1)%
Income tax expense	1,934	257	1,677	653 %	257	392	(135)	(34)%
Net income (loss) from continuing operations	3,292	(26,831)	33,477	125 %	(26,831)	(27,210)	(379)	(1)%
Loss from discontinued operations, net of tax	—	—	—		—	(1,669)	1,669	
Net income (loss)	$3,292	$(26,831)	$30,123	112 %	$(26,831)	$(28,879)	$2,048	7 %

Comparison of the Years Ended December 31, 2018 and December 31, 2017

Revenue

Our total revenue increased to $563.8 million, up $100.1 million, or 22%, in 2018 compared to 2017, primarily due to continued growth in our International and U.S. Omnipod revenue. Our International Omnipod revenue increased to $172.0 million, up $52.1 million, or 43%, primarily due to both higher volumes and pricing as a result of our commencement of direct sales of our Omnipod System across Europe following the expiration of our prior distribution agreement with our former European Distributor on June 30, 2018. Our U.S. Omnipod revenue increased to $323.5 million, up $51.9 million, or 19%, as we continue to expand access to and awareness of the Omnipod System. Our drug delivery revenue declined to $68.3 million, down $3.9 million, or 5%, primarily reflecting a lower number of shipments during the year, partially offset by the favorable impact of adoption of new accounting rules that require a portion of our drug delivery revenue to be recognized as the product is produced rather than at time of shipment (as further described in Note 2 to the consolidated financial statements).

For 2019, we expect strong revenue growth driven by continued Omnipod expansion globally, partially offset by lower drug delivery revenue. Internationally, we expect higher revenues primarily due to increasing sales and the full year effect of more favorable pricing as a result of our mid-2018 transition to direct commercial operations in Europe. In the U.S., we expect higher revenues primarily due to increasing sales as a result of expanded payor coverage and greater awareness and availability for the Omnipod.

Cost of Revenue

Cost of revenue increased to $193.7 million, up $7.1 million, or 4%, in 2018 compared to 2017, primarily due to an increase in sales volumes, partially offset by improvements in supply chain operations in 2018.

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Gross Margin

Gross margin increased to 65.7%, up approximately 590 basis points, in 2018 compared to 2017. The increase in gross margin was due primarily to (i) favorable pricing following expiration of our former distributor agreement in Europe and (ii) lower product cost as a result of continued improvements in manufacturing and supply chain operations. For 2019, we expect full-year gross margins to be relatively consistent with 2018, as the benefits of continued improvements in manufacturing and supply chain operations and the full year effect of our mid-2018 assumption of direct commercial operations in Europe is expected to be offset by start-up costs and inefficiencies as we ramp up our new U.S. manufacturing operations.

Research and Development

Research and development expenses increased to $88.6 million, up $14.2 million, or 19%, in 2018 as compared to 2017. The increase in research and development expenses was primarily due to an increase in expenses related to our development projects, including Omnipod DASH, and our Omnipod Horizon automated insulin delivery system. Research and development expenses also increased due to engineering and operational costs, such as training and start up activities, associated with our newly constructed U.S. manufacturing facility, with planned production beginning in the first half of 2019. For 2019, we expect overall research and development spending to increase as compared to 2018 primarily due to the development efforts on our ongoing projects.

Sales and Marketing

Sales and marketing expenses increased to $142.3 million, up $20.7 million, or 17%, in 2018 as compared to 2017. The increase in sales and marketing expenses was primarily due to investments to support our assumption in mid-2018 of direct commercial operations in Europe as well as the expansion of our U.S. sales force and customer support personnel. These increases were partially offset by the capitalization of commission costs related to new customer contracts (as further described in Note 8 to the consolidated financial statements). We expect sales and marketing expenses in 2019 to increase as compared to 2018 due to additional expansion of our U.S. sales force and customer support personnel to support our continued growth and the full year effect of our mid-2018 assumption of direct commercial operations in Europe.

General and Administrative

General and administrative expenses increased to $111.8 million, up $23.3 million, or 26% in 2018 as compared to 2017. General and administrative expenses in the current year include $12.6 million of severance-related charges associated with the retirement of our former CEO, of which $8.2 million related to stock-based compensation for the acceleration of share-based awards and the remainder represented cash severance benefits. General and administrative expenses also increased due to our commencement of direct commercial operations in Europe. For 2019, we expect overall general and administrative expenses to increase as compared to 2018 as we continue to grow the business and make investments in our operating structure to support continued growth as well as the full-year effect of our establishment of direct commercial operations in Europe in 2018.

Interest Expense and Other, Net

Interest expense and other, net, increased to $22.2 million, up $3.0 million, or 16%, for 2018, compared to 2017. Interest expense and other, net, includes $9.8 million of cash interest expense and $29.3 million of non-cash interest expense associated with our convertible debt, partially offset by $10.2 million of interest capitalized as part of the cost of our U.S. manufacturing facility and by $6.7 million of interest income on our investment portfolio. The increase in interest expense and other, net, in the current period as compared to 2017 was primarily due to the full year effect of interest expense associated with our 1.375% Notes, which were issued in November 2017, partially offset by an increase in capitalized interest expense and higher interest income on our investment portfolio in the current period. We expect that our interest expense and other, net, will be relatively consistent in 2019 compared to the prior year.

Income Tax Expense

Income tax expense increased to $1.9 million, up $1.7 million for 2018 compared to 2017. The increase in income tax expense was primarily due to growth in our international operations where we do not have net operating loss carryforwards. For more information on our income tax expense, please refer to Note 17 to the consolidated financial statements.

Comparison of the Years Ended December 31, 2017 and December 31, 2016

Revenue

Our total revenue increased to $463.8 million, up $96.8 million, or 26% in 2017 as compared to 2016, due to strong growth in our International Omnipod revenue and our U.S. Omnipod revenue. Our International Omnipod revenue increased to $120.0 million, up $48.1 million, or 67%, primarily due to growth in distributor sales from continued adoption in existing and newer markets within Europe. Our U.S. Omnipod revenue increased to $271.6 million, up $41.8 million, or 18%, as we continue to expand awareness of the Omnipod System. Our drug delivery revenue increased to $72.2 million, up $6.9 million, or 11%, due to growth in demand for our primary drug delivery device on greater market adoption of Amgen's Neulasta Onpro kit.

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Cost of Revenue

Cost of revenue increased to $186.6 million, up $30.7 million, or 20%, in 2017 as compared to 2016, primarily due to an increase in sales volumes, partially offset by improvements in supply chain operations in 2017.

Gross Margin

Gross margin increased to 59.8%, up approximately 230 basis points, in 2017 as compared to 2016. The increase in gross margin was primarily due to improvements in supply chain operations, partially offset by the unfavorable mix impact of higher distributor sales in Europe.

Research and Development

Research and development expenses increased to $74.5 million, up $18.7 million, or 34%, in 2017 as compared to 2016. The increase was primarily due to an increase in expenses related to our development projects.

Sales and Marketing

Sales and marketing expenses increased to $121.6 million, up $27.1 million, or 29% in 2017 as compared to 2016. The increase was primarily due increased personnel-related expenses associated with the expansion of our customer support, market access and sales force personnel, investments to support our assumption of direct commercial support for Omnipod in Europe in mid-2018, and increased advertising expenses associated with direct to patient marketing activities.

General and Administrative

General and administrative expenses increased to $88.5 million, up $16.9 million, or 24% in 2017 as compared to 2016. The increase was primarily attributable to increased personnel-related costs and fees related to external consultants and professional service providers to support the growth in our business.

Interest Expense and Other, Net

Interest expense and other, net, increased to $19.2 million, up $3.1 million, or 19%, in 2017 as compared to 2016. The increase in interest expense and other, net, was primarily due to a net increase in our outstanding long-term debt, partially offset by lower losses on the extinguishment of debt in 2017. Non-cash interest expense increased $7.9 million and cash interest expense increased $1.8 million in 2017 as compared to 2016. These increases were partially offset by a $1.9 million reduction in losses on the extinguishment of debt in 2017, higher capitalization of interest, and higher interest income.

Income Tax Expense

Income tax expense was not material to our results of operations in the years 2017 or 2016 as we had generated net operating losses and have fully reserved our net operating loss carryforwards. For more information on our income tax expense, refer to Note 17 to the consolidated financial statements.

Liquidity and Capital Resources

As of December 31, 2018, we had $113.9 million in cash and cash equivalents and $315.8 million of investments in marketable securities. We believe that our current liquidity will be sufficient to meet our projected operating, investing and debt service requirements for at least the next twelve months.

To lower our manufacturing costs, increase supply redundancy, add capacity closer to our largest customer base and support growth, we have been constructing a highly-automated manufacturing facility in Acton, Massachusetts, which serves as our corporate headquarters. The facility was substantially complete in December 2018, with planned production out of the facility beginning in the first half of 2019. Our capital expenditures have increased above historic levels to fund the construction of this facility and related equipment purchases. As of December 31, 2018, cumulative investments related to the Acton facility were approximately $193 million. We expect capital expenditures in 2019 to be relatively consistent with 2018 as we continue to expand capacity in our U.S. operations in support of our growth and profitability objectives.

In connection with our assumption on July 1, 2018 of all commercial activities of our Omnipod System across Europe following the expiration of our distribution agreement with our European Distributor on June 30, 2018, we are required to pay to the former European Distributor a per-unit fee for Omnipod sales by us between July 1, 2018 and June 30, 2019 to certain customers of the former European Distributor. We are recognizing a liability and an associated intangible asset for this fee as qualifying sales occur. The actual total fee could vary significantly

depending on the number of customers who count for purposes of calculating the fee under the terms of the distribution agreement, and the methodology applicable for determining this number under the agreement is subject to an active arbitration proceeding between the parties in Switzerland. We estimate that the final aggregate fee for the applicable twelve-month period could be in the range of approximately $10 million to $55 million.

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Convertible Senior Notes

To finance our operations and global expansion, we have periodically issued and sold Convertible Senior Notes, which are convertible into our common stock. As of December 31, 2018, the following Notes were outstanding:

Issuance Date	Coupon	Principal Outstanding (in thousands)	Due Date	Initial Conversion Rate per Share of Common Stock	Conversion Price per Share of Common Stock
September 2016	1.250%	344,992	September 15, 2021	17.1332	$58.37
November 2017	1.375%	402,500	November 15, 2024	10.7315	$93.18
Total		$ 747,492			

We called our 2% Notes in March 2018 and settled the outstanding notes in May 2018. Additional information regarding our debt issuances is provided in Note 13 to the consolidated financial statements included under Item 8 of this Form 10-K.

Summary of Cash Flows	Years Ended December 31,		
(In thousands)	2018	2017	2016
Cash provided by (used in):			
Operating activities	$35,899	$41,207	$15,911
Investing activities	(184,504)	(210,797)	(178,010)
Financing activities	(8,665)	304,547	176,567
Effect of exchange rate changes on cash	(1,401)	446	34
Net (decrease) increase in cash and cash equivalents	$(158,671)	$135,403	$14,502

Included in our summary of cash flows for the years ended December 31, 2016 are the results of our discontinued operations. Additional information regarding our discontinued operations is provided in Note 19 to the consolidated financial statements included under Item 8 of this Form 10-K.

Operating Activities

Our net cash provided by operating activities for the year ended December 31, 2018 was $35.9 million compared to net cash provided by operating activities of $41.2 million in 2017, a decrease of $5.3 million year over year. The decrease in cash provided by operating activities in the current year is primarily due to investments in working capital, including increases in inventory levels to ensure we can meet the growing global demand for our products and in anticipation of the start-up of our U.S. manufacturing facility in the first half of 2019. These increases in working capital were partially offset by increases in our operating income due to growth in our business.

Our net cash provided by operating activities was $41.2 million for the year ended December 31, 2017 compared to net cash provided by operating activities of $15.9 million in the same period in 2016. The increase was primarily due to a decline in working capital in 2017 as compared to increases in working capital in 2016 primarily associated with inventory.

Investing Activities

Net cash used in investing activities for the year ended December 31, 2018 was $184.5 million compared to $210.8 million in 2017, a decrease of $26.3 million. The decrease in investing activities in the current year is primarily due to lower net purchases of marketable securities, partially offset by an increase in capital expenditures in the current period, which were $162.4 million in 2018 compared to $77.2 million in 2017, primarily associated with the construction of our manufacturing and corporate headquarters facility in Acton, Massachusetts.

Net cash used in investing activities in 2017 increased $32.8 million as compared to 2016 due to higher capital expenditures, partially offset by fewer net investments in marketable securities.

Financing Activities

Net cash used in financing activities for the year ended December 31, 2018 was $8.7 million compared to cash provided by financing activities of $304.5 million in 2017, a decrease of $313.2 million. The decrease was primarily attributable to net proceeds in 2017 from the issuance of our 1.375% Notes, offset by repayments to retire previously outstanding debt. No such financing took place in 2018.

Net cash provided by financing activities in the year ended December 31, 2017 was $304.5 million compared to $176.6 million in net cash provided by financing activities in 2016, an increase of $127.9 million. The increase was primarily attributable to

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net proceeds of $391.6 million from the issuance of our 1.375% Notes in 2017 as compared to net proceeds of $333.7 million from the issuance in 2016 of our 1.25% Notes, and lower repayments to retire outstanding debt in the 2017 as compared to 2016.

Commitments and Contingencies

Our lease commitments related to facility operating leases are shown in the table below.

The following table summarizes our principal obligations as of December 31, 2018:

(In millions)

Contractual Obligations [3]	Total	2019	2020	2021	2022	2023	Later
Operating lease obligations	$12.5	$3.3	$2.9	$2.9	$2.6	$0.3	$0.5
Debt obligations: principal [1]	747.5	—	—	345.0	—	—	402.5
Debt obligations: cash interest [1]	44.0	9.8	9.8	8.6	5.5	5.5	4.8
Purchase obligations[2]	185.2	162.8	22.4	—	—	—	—
Total contractual obligations	$989.2	$175.9	$35.1	$356.5	$8.1	$5.8	$407.8

[1] Debt obligations include principal and cash interest.

[2] Our purchase obligations include commitments with certain of our suppliers, primarily for the purchase of Omnipod System components along with other commitments to purchase goods or services in the normal course of business. We make such commitments through a combination of purchase orders, supplier contracts, and open orders based on projected demand information. Purchase obligations also include approximately $80 million of commitments related to our Acton, Massachusetts manufacturing facility.

[3] The contractual obligations table excludes fees that we are required to pay to our former European distributor following the expiration of our global distribution agreement on June 30, 2018. The actual amount of the fee is uncertain and is dependent on a number of factors.

Legal Proceedings

The significant estimates and judgments related with establishing litigation reserves are discussed under "Legal Proceedings" in Note 14 of the consolidated financial statements included under Item 8 of this Form 10-K.

Off-Balance Sheet Arrangements

As of December 31, 2018, we did not have any off-balance sheet financing arrangements.

Critical Accounting Policies and Estimates

Our financial statements are based on the selection and application of generally accepted accounting principles, which require us to make estimates and assumptions about future events that affect the amounts reported in our financial statements and the accompanying notes. Future events and their effects cannot be determined with certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results could differ from those estimates, and any such differences may be material to our financial statements.

Based on the sensitivity of reported financial statement amounts to the underlying estimates and assumptions, the relatively more significant accounting policies applied by us have been identified by management as those associated with the following:

•Revenue recognition
•Fair value measurements
•Accounts receivable and allowance for doubtful accounts
•Inventories
•Product warranty costs
•Convertible debt
•Commitments and contingencies
•Stock-based compensation

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Additional information on our critical accounting estimates and significant accounting policies, including references to applicable footnotes, is provided in Note 2 to the consolidated financial statements included under Item 8 of this Form 10-K.

Recent Accounting Pronouncements

Information with respect to recent accounting developments is provided in Note 2 to the consolidated financial statements included under Item 8 of this Form 10-K.

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PART IV
Item 15. Exhibits, Financial Statement Schedules

The following documents are filed as part of this Amendment:

Exhibit Number	Description
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INSULET CORPORATION

(Registrant)

February 27, 2019 /s/ Shacey Petrovic
Shacey Petrovic
Chief Executive Officer
(Principal Executive Officer)

February 27, 2019 /s/ Michael L. Levitz
Michael L. Levitz
Chief Financial Officer
(Principal Financial and Accounting Officer)