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 March 31, 2023

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 001-36189

Tandem Diabetes Care, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-4327508**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
12400 High Bluff Drive San Diego, California	**92130**
(Address of principal executive offices)	**(Zip Code)**

(858) 366-6900

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Exchange on Which Registered
Common Stock, par value $0.001 per share	**TNDM**	**Nasdaq Global Market**

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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 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	☐
		Emerging growth company	☐

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

As of April 28, 2023, there were 64,621,839 shares of the registrant's Common Stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

TANDEM DIABETES CARE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

	March 31, 2023	December 31, 2022
Assets	(Unaudited)	(Note 1)
Current assets:		
Cash and cash equivalents	$ 127,762	$ 172,517
Short-term investments	391,826	444,384
Accounts receivable, net	91,393	114,717
Inventories	131,557	111,117
Prepaid and other current assets	15,381	7,241
Total current assets	757,919	849,976
Property and equipment, net	74,578	68,552
Operating lease right-of-use assets	104,743	110,626
Other long-term assets	16,905	23,631
Total assets	$ 954,145	$ 1,052,785
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 55,231	$ 55,730
Accrued expenses	10,477	9,595
Employee-related liabilities	38,697	38,682
Operating lease liabilities	15,849	13,121
Deferred revenue	20,764	18,837
Other current liabilities	30,139	29,325
Total current liabilities	171,157	165,290
Convertible senior notes, net - long-term	283,679	283,232
Operating lease liabilities - long-term	120,867	123,524
Deferred revenue - long-term	15,886	16,874
Other long-term liabilities	23,803	23,918
Total liabilities	615,392	612,838
Commitments and contingencies (Note 13)	—	—
Stockholders' equity:		
Common stock, $0.001 par value; 200,000 shares authorized, 64,609 and 64,513 shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively.	65	65
Additional paid-in capital	1,191,843	1,170,888
Accumulated other comprehensive loss	(93)	(1,817)
Accumulated deficit	(853,062)	(729,189)
Total stockholders' equity	338,753	439,947
Total liabilities and stockholders' equity	$ 954,145	$ 1,052,785

See accompanying notes to unaudited condensed consolidated financial statements.

TANDEM DIABETES CARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)
(In thousands, except per share data)

	Three Months Ended March 31,	
	2023	**2022**
Sales	$ 169,383	$ 175,907
Cost of sales	86,476	84,814
Gross profit	82,907	91,093
Operating expenses:		
Selling, general and administrative	89,814	73,271
Research and development	42,160	33,160
Acquired in-process research and development expenses	78,750	—
Total operating expenses	210,724	106,431
Operating loss	(127,817)	(15,338)
Other income (expense), net:		
Interest income and other, net	5,865	415
Interest expense	(1,634)	(1,516)
Total other income (expense), net	4,231	(1,101)
Loss before income taxes	(123,586)	(16,439)
Income tax expense (benefit)	287	(1,724)
Net loss	$ (123,873)	$ (14,715)
Other comprehensive income (loss):		
Unrealized gain (loss) on short-term investments	$ 1,749	$ (2,517)
Foreign currency translation gains (losses)	(25)	72
Comprehensive loss	$ (122,149)	$ (17,160)
Net loss per share - basic and diluted	$ (1.92)	$ (0.23)
Weighted average shares used to compute basic and diluted net loss per share	64,549	63,880

See accompanying notes to unaudited condensed consolidated financial statements.

TANDEM DIABETES CARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(In thousands)

Three Months Ended March 31, 2023

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2022	64,513	$ 65	$ 1,170,888	$ (1,817)	$ (729,189)	$ 439,947
Exercise of stock options	45	—	857	—	—	857
Vesting of restricted stock units, net of shares withheld for taxes	51	—	(1,398)	—	—	(1,398)
Stock-based compensation expense	—	—	21,496	—	—	21,496
Unrealized gain on short-term investments	—	—	—	1,749	—	1,749
Foreign currency translation losses	—	—	—	(25)	—	(25)
Net loss	—	—	—	—	(123,873)	(123,873)
Balance at March 31, 2023	64,609	$ 65	$ 1,191,843	$ (93)	$ (853,062)	$ 338,753

Three Months Ended March 31, 2022

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2021	63,833	$ 64	$ 1,068,259	$ (616)	$ (634,595)	$ 433,112
Exercise of stock options	101	—	3,782	—	—	3,782
Vesting of restricted stock units, net of shares withheld for taxes	5	—	(299)	—	—	(299)
Exercise of common stock warrants	2	—	16	—	—	16
Stock-based compensation expense	—	—	17,931	—	—	17,931
Unrealized loss on short-term investments	—	—	—	(2,517)	—	(2,517)
Foreign currency translation gains	—	—	—	72	—	72
Net loss	—	—	—	—	(14,715)	(14,715)
Balance at March 31, 2022	63,941	$ 64	$ 1,089,689	$ (3,061)	$ (649,310)	$ 437,382

See accompanying notes to unaudited condensed consolidated financial statements.

TANDEM DIABETES CARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2023	**2022**
Operating Activities		
Net loss	$ (123,873)	$ (14,715)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	3,396	3,628
Amortization of debt issuance costs	503	438
Provision for expected credit losses	1,386	846
Provision for inventory obsolescence	114	346
Amortization of premium on short-term investments	312	562
Stock-based compensation expense	21,194	18,110
Acquired in-process research and development expenses	78,750	—
Other	(20)	434
Changes in operating assets and liabilities:		
Accounts receivable, net	22,845	15,729
Inventories	(19,916)	(11,963)
Prepaid and other current assets	(5,208)	741
Other long-term assets	(386)	(582)
Accounts payable and accrued expenses	(919)	13,732
Employee-related liabilities	(210)	(13,299)
Deferred revenue	925	1,290
Operating leases and other current liabilities	2,895	(1,106)
Other long-term liabilities	(114)	(391)
Net cash provided by (used in) operating activities	(18,326)	13,800
Investing Activities		
Purchases of short-term investments	(109,115)	(110,719)
Proceeds from maturities and redemptions of short-term investments	163,110	118,559
Purchases of property and equipment	(8,828)	(2,643)
Acquisition, including in-process research and development, net of cash acquired	(69,496)	—
Purchase of strategic investment	(2,000)	—
Net cash provided by (used in) investing activities	(26,329)	5,197
Financing Activities		
Proceeds (payments of tax withholdings) related to issuance of common stock under Company stock plans, net	(541)	3,484
Proceeds from exercise of common stock warrants	—	16
Net cash provided by (used in) financing activities	(541)	3,500
Effect of foreign exchange rate changes on cash	441	3
Net increase (decrease) in cash and cash equivalents	(44,755)	22,500
Cash and cash equivalents at beginning of period	172,517	71,181
Cash and cash equivalents at end of period	$ 127,762	$ 93,681
Supplemental disclosures of cash flow information		
Income taxes paid	$ 369	$ 170
Supplemental schedule of non-cash investing and financing activities		
Operating lease right-of-use assets obtained in exchange for operating lease obligations	$ —	$ 107,478
Purchase of property and equipment included in accounts payable	$ 4,071	$ 1,553
Intangible costs in accounts payable and other long-term liabilities	$ 515	$ 1,029

See accompanying notes to unaudited condensed consolidated financial statements.

TANDEM DIABETES CARE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Basis of Presentation

The Company

Tandem Diabetes Care, Inc. is a medical device company focused on the design, development and commercialization of technology solutions for people living with diabetes. Tandem Diabetes Care, Inc. is incorporated in the state of Delaware. Unless the context requires otherwise, the terms the "Company" or "Tandem" refer to Tandem Diabetes Care, Inc., together with its wholly-owned subsidiaries.

The Company manufactures, sells, and supports insulin pump products that are designed to address the evolving needs and preferences of differentiated segments of the insulin-dependent diabetes market. The Company's manufacturing, sales and support activities principally focus on the t:slim X2 Insulin Delivery System (t:slim X2), the Company's flagship pump platform which has an advanced algorithm for managing insulin delivery, and is designed to display continuous glucose monitoring (CGM) sensor information directly on the pump home screen. The Company's insulin pump products are compatible with other complementary digital health offerings, such as the t:connect mobile app and cloud-based diabetes management application (t:connect), and the Tandem Device Updater, a Mac- and PC-compatible tool which offers and supports remote updates of the Company's insulin pump software from a personal computer. The Company's insulin pump products are generally considered durable medical equipment and have an expected lifespan of at least four years. In addition to insulin pumps, the Company sells disposable products that are used together with the pumps and are replaced every few days, including cartridges for storing and delivering insulin, and infusion sets that connect the insulin pump to a user's body.

Basis of Presentation and Principles of Consolidation

The Company has prepared the accompanying unaudited condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and pursuant to the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments which are of a normal and recurring nature, considered necessary for a fair presentation of the financial information contained herein, have been included.

Interim financial results are not necessarily indicative of results anticipated for the full year or any other period(s). These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 (Annual Report), from which the balance sheet information herein was derived. The condensed consolidated financial statements include the accounts of Tandem Diabetes Care, Inc. and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The functional currency of the Company's foreign subsidiaries is their respective local currency. The Company translates the financial statements of its foreign subsidiaries into U.S. dollars using period-end exchange rates for assets and liabilities and average exchange rates for each period for revenue, costs and expenses. Translation related adjustments are included in other comprehensive income (loss) in the condensed consolidated statements of operations, and in accumulated other comprehensive income (loss) in the stockholders' equity section of the Company's condensed consolidated balance sheets. Foreign exchange gains or losses resulting from balances denominated in a currency other than the functional currency are recognized in interest income and other, net in the Company's condensed consolidated statements of operations.

Reclassifications

The change in fair value of common stock warrants of $34,000 for the three months ended March 31, 2022, which was previously reported separately, is now reported as a component of interest income and other, net on the condensed consolidated statements of operations. These warrants expired in October 2022 and, therefore, there is no comparable amount for 2023. In addition, certain prior year balances on the condensed consolidated statements of cash flows have been reclassified to conform to the current year presentation.

2. Summary of Significant Accounting Policies

There have been no material changes to the Company's significant accounting policies during the three months ended March 31, 2023, as compared to those disclosed in the Company's 2022 Annual Report.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the Company's condensed consolidated financial statements and accompanying notes as of the date of the condensed consolidated financial statements. Some of those judgments can be subjective and complex, and therefore, actual results could differ materially from those estimates under different assumptions or conditions.

Accounts Receivable

The Company grants credit to various customers in the ordinary course of business and is paid directly by customers who use its products, distributors and third-party insurance payors. The Company maintains an allowance for its current estimate of expected credit losses. Provisions for expected credit losses are estimated based on historical experience, assessment of specific customer-related risks, review of outstanding invoices, forecasts about the future, and various other assumptions and estimates that are believed to be reasonable under the circumstances, including changes to credit risks as a result of recessionary concerns, changes in discretionary spending, increased interest rates, and other macroeconomic factors. Uncollectible accounts are written off against the allowance after appropriate collection efforts have been exhausted and when it is deemed that a balance is uncollectible.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and employee-related liabilities are reasonable estimates of their fair values because of the short-term nature of these assets and liabilities. Short-term investments are carried at fair value.

The Company's convertible senior notes are carried at amortized cost on the condensed consolidated balance sheets (see Note 7, "Debt"). The Company measures the fair value of its convertible senior notes for disclosure purposes. The Company estimated the fair value of its convertible senior notes to be $263.1 million and $260.5 million at March 31, 2023 and December 31, 2022, respectively, based on Level 2 quoted market prices as of those dates.

Operating Lease Right-of-Use Assets and Liabilities

Operating lease right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized when the Company takes possession of the leased property (Commencement Date) based on the present value of lease payments over the lease term. For lease agreements entered into or reassessed after the adoption of ASC 842 *Leases*, the Company combines lease and non-lease components. Rent expense on noncancelable leases containing known future scheduled rent increases is recorded on a straight-line basis over the term of the respective leases beginning on the Commencement Date. The difference between rent expense and rent paid is accounted for as a component of operating lease right-of-use assets on the Company's condensed consolidated balance sheets. Landlord improvement allowances and other similar lease incentives are recorded as a reduction of the right-of-use leased assets, and are amortized on a straight-line basis as a reduction to operating lease costs.

Intangible Assets Subject to Amortization

Finite-lived intangible assets are recorded at cost, net of accumulated amortization and, if applicable, impairment charges. Amortization of finite-lived intangible assets is recognized over their estimated useful lives on a straight-line basis. The Company did not recognize any impairment losses during the three months ended March 31, 2023 and 2022.

Strategic Investments

In 2021, the Company made an $8.1 million equity investment in a private company, which represented less than 5% of the outstanding equity of that company as of the date of investment. The investment is carried at cost minus impairment, if any, adjusted for changes in observable prices and is included as a component of other long-term assets on the consolidated balance sheets. The Company monitors this investment to evaluate whether any increase or decline in its value has occurred, based on the implied value of recent company financings, public market prices of comparable companies and general market conditions.

Revenue Recognition

Revenue is generated primarily from sales of insulin pumps, disposable insulin cartridges and infusion sets to individual customers with third-party insurance coverage and through a network of distributors that resell the products to insulin-dependent diabetes customers. The Company recognizes revenue when it transfers control of the promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, net of estimated returns.

Revenue Recognition for Arrangements with Multiple Performance Obligations

The Company considers the individual deliverables in its product offering to be separate performance obligations. The transaction price is determined based on the consideration expected to be received, based either on the stated value in contractual arrangements or the estimated cash to be collected in non-contracted arrangements. The Company allocates the consideration to the individual performance obligations and recognizes the consideration based on when the performance obligation is satisfied, considering whether or not this occurs at a point in time or over time. Generally, insulin pumps, cartridges, infusion sets, and accessories are deemed performance obligations that are satisfied at a point in time when the customer obtains control of the promised good, which typically is upon shipment for our distributor arrangements and upon receipt for sales directly to individual customers. Complementary products, such as t:connect and the Tandem Device Updater, are considered distinct performance obligations that are satisfied over time, as access and support for these products is provided throughout the typical four-year warranty period of the insulin pumps. Accordingly, revenue related to the complementary products is deferred and recognized over a four-year period. Where there is no standalone value for the complementary product, the Company determines its value by applying the expected cost plus a margin approach and then allocates the residual to the insulin pumps.

Revenue Recognition for Tandem Choice Program

In September 2022, the Company launched a new technology access program referred to as Tandem Choice, that provides eligible, in-warranty t:slim X2 customers in the United States with the flexibility to obtain the newest hardware platform when it becomes commercially available. Participating customers have the right to purchase the alternative Tandem pump for a fee, referred to as Choice Right. Tandem Choice expires on December 31, 2024.

For purposes of evaluating Tandem Choice in accordance with ASC 606, the Company has determined that the ability for a customer to upgrade to a new technology represents a material right because the pricing inherent in such option provides the customer with a discount that is incremental to the range of discounts that would otherwise be granted for the related goods and services to comparable customers. The standalone selling price for the Choice Right was estimated based on the adjusted market assessment approach and contemplates the likelihood that the respective option will be exercised. At March 31, 2023 and December 31, 2022, $9.1 million and $6.8 million, respectively, were allocated to the material right provided to customers and recorded in current deferred revenue on the condensed consolidated balance sheet.

Warranty Reserve

The Company generally provides a four-year warranty on its insulin pumps to end-user customers and may replace any pumps that do not function as intended in accordance with the product specifications within the warranty period. Additionally, the Company offers a six-month warranty on disposable insulin cartridges and infusion sets. Estimated warranty costs are recorded at the time of shipment, and the Company reevaluates the estimate of the warranty reserve obligation at each reporting period. Warranty costs are estimated primarily based on the current expected product replacement cost and expected replacement rates utilizing historical experience. Insulin pumps returned to the Company may be refurbished and redeployed. Experience has shown that initial data for any given pump version may be insufficient; therefore, the Company's process relies on long-term historical averages until sufficient data are available. As actual experience becomes available, the Company uses the data to update the historical averages. The Company may make further adjustments to the warranty reserve when deemed appropriate, giving additional consideration to revised future expectations of performance based on enhanced hardware components, or new features and capabilities that may become available through Tandem Device Updater. Warranty expense is recorded as a component of cost of sales in the condensed consolidated statements of operations.

The following table provides a reconciliation of the changes in product warranty liabilities for the three months ended March 31, 2023 and 2022 (in thousands):

	Three Months Ended March 31,	
	2023	2022
Balance at beginning of the period	$ 36,537	$ 30,401
Provision for warranties issued during the period	8,373	7,201
Settlements made during the period	(7,683)	(6,021)
Decreases in warranty estimates	(75)	(1,137)
Balance at end of the period	$ 37,152	$ 30,444

As of March 31, 2023 and December 31, 2022, total product warranty reserves were included in the following condensed consolidated balance sheet accounts (in thousands):

	March 31, 2023	December 31, 2022
Other current liabilities	$ 18,060	$ 17,280
Other long-term liabilities	19,092	19,257
Total warranty reserve	$ 37,152	$ 36,537

Stock-Based Compensation

Stock-based compensation cost is measured at the grant date based on the estimated fair value of the award, and the portion that is ultimately expected to vest is recognized as compensation expense over the requisite service period on a straight-line basis. The Company estimates the fair value of stock options issued under the Company's Amended and Restated 2013 Stock Incentive Plan (2013 Plan) and the fair value of the employees' purchase rights under the Company's 2013 Employee Stock Purchase Plan (ESPP) using the Black-Scholes option-pricing model on the date of grant. The Black-Scholes option-pricing model requires the use of assumptions about a number of variables, including stock price volatility, expected term, dividend yield and risk-free interest rate (see Note 8, "Stockholders' Equity"). The fair value of restricted stock unit (RSU) awards issued under the 2013 Plan that vest solely based on service is estimated based on the fair market value of the underlying stock on the date of grant. The fair value of RSU awards issued under the 2013 Plan that vest based upon the Company's actual performance relative to predefined performance metrics, and the awardee's continuing service through the measurement date, is estimated based on the fair market value of the underlying stock on the date of grant and the probability that the specified performance criteria will be met. At each reporting period, the Company reassesses the probability of the achievement of such performance metrics. Any expense change resulting from an adjustment in the estimated shares to be released is recorded in the period of adjustment.

Net Income (Loss) Per Share

Basic net income (loss) per share is calculated by dividing the net income or loss by the weighted average number of common shares outstanding for the period, without consideration for common stock equivalents. Diluted net income (loss) per share reflects the potential dilution that would occur if securities exercisable for or convertible into common stock were exercised for or converted into common stock. Dilutive common share equivalents are comprised of stock options and unvested RSUs outstanding under the Company's stock plans, potential awards to be granted pursuant to the ESPP, and common stock warrants, each calculated using the treasury stock method; and shares issuable upon conversion of the convertible senior notes calculated using the if-converted method.

For the three months ended March 31, 2023 and 2022, there was no difference in the weighted average number of shares used to calculate basic and diluted net loss per share due to the Company's net loss position for each of the periods presented.

Potentially dilutive securities outstanding and not included in the calculation of diluted net loss per share (because inclusion would be anti-dilutive) are as follows (in thousands, in common stock equivalent shares):

	Three Months Ended March 31,	
	2023	2022
Options to purchase common stock	916	4,424
Unvested restricted stock units	1,618	630
Warrants to purchase common stock	194	211
Awards granted under the ESPP	167	78
Convertible senior notes (if-converted)	2,554	2,554
	5,449	7,897

3. Short-Term Investments

The Company invests in marketable securities primarily consisting of debt instruments of the U.S. Government, U.S. Government-sponsored enterprises, and financial institutions and corporations with strong credit ratings. The following represents a summary of the estimated fair value of short-term investments at March 31, 2023 and December 31, 2022 (in thousands):

At March 31, 2023	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
Available-for-sale securities:				
U.S. Government-sponsored enterprises	$ 145,247	$ 112	$ (337)	$ 145,022
U.S. Treasury securities	130,646	14	(720)	129,940
Commercial paper	103,151	3	(114)	103,040
Corporate debt securities	13,890	—	(66)	13,824
Total	$ 392,934	$ 129	$ (1,237)	$ 391,826

At December 31, 2022	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
Available-for-sale securities:				
U.S. Government-sponsored enterprises	$ 100,602	$ 21	$ (615)	$ 100,008
U.S. Treasury securities	213,105	3	(1,947)	211,161
Commercial paper	112,812	6	(208)	112,610
Corporate debt securities	18,218	—	(104)	18,114
Supranational bonds	2,504	—	(13)	2,491
Total	$ 447,241	$ 30	$ (2,887)	$ 444,384

The contractual maturities of available-for-sale debt securities as of March 31, 2023, were as follows (in thousands):

	Years to Maturity		
At March 31, 2023	Within One Year	One to Two Years	Estimated Fair Value
U.S. Government-sponsored enterprises	$ 97,041	$ 47,981	$ 145,022
U.S. Treasury securities	121,501	8,439	129,940
Commercial paper	103,040	—	103,040
Corporate debt securities	13,824	—	13,824
Total	$ 335,406	$ 56,420	$ 391,826

The Company has classified all marketable securities, regardless of maturity, as short-term investments based upon the Company's ability and intent to use any of those marketable securities to satisfy the Company's liquidity requirements.

The Company reviews the portfolio of available-for-sale debt securities quarterly to determine if any investment is impaired due to changes in credit risk or other potential valuation concerns. Unrealized losses on available-for-sale debt securities at March 31, 2023 were primarily due to the recent increases in market interest rates. The Company does not intend to sell the available-for-sale debt securities that are in an unrealized loss position, and it is not more likely than not that the Company will be required to sell these debt securities before recovery of their amortized cost bases, which may be at maturity. Based on the credit quality of the available-for-sale debt securities in an unrealized loss position, and the Company's estimates of future cash flows to be collected from those securities, the Company believes the unrealized losses are not credit losses. Accordingly, the Company did not record an allowance for credit losses related to its available-for-sale debt securities at March 31, 2023.

4. Composition of Certain Financial Statement Items

Accounts Receivable

Accounts receivable, net consisted of the following at March 31, 2023 and December 31, 2022 (in thousands):

	March 31, 2023	December 31, 2022
Accounts receivable	$ 95,860	$ 119,044
Less: allowance for credit losses	(4,467)	(4,327)
Accounts receivable, net	$ 91,393	$ 114,717

Allowance for Credit Losses

The following table provides a reconciliation of the changes in the allowance for estimated accounts receivable credit losses for the three months ended March 31, 2023 and 2022 (in thousands):

	Three Months Ended March 31,	
	2023	2022
Balance at beginning of the period	$ 4,327	$ 4,249
Provision for expected credit losses	1,386	846
Write-offs and adjustments, net of recoveries	(1,246)	(751)
Balance at end of the period	$ 4,467	$ 4,344

Inventories

Inventories consisted of the following at March 31, 2023 and December 31, 2022 (in thousands):

	March 31, 2023	December 31, 2022
Raw materials	$ 41,444	$ 39,207
Work-in-process	24,493	18,571
Finished goods	65,620	53,339
Total inventories	$ 131,557	$ 111,117

5. Fair Value Measurements

Authoritative guidance on fair value measurements defines fair value, and provides a consistent framework for measuring fair value and for disclosures of each major asset and liability category measured at fair value on either a recurring or a nonrecurring basis. Fair value is intended to reflect an assumed exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the authoritative guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Unobservable inputs in which there is little or no market data and that are significant to the fair value of the assets or liabilities, which require the reporting entity to develop its own valuation techniques that require input assumptions.

The following table presents information about the Company's financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2023 and December 31, 2022, and indicates the fair value hierarchy of the valuation techniques used by the Company to determine such fair value (in thousands):

	Fair Value Measurements at March 31, 2023			
	Total	Level 1	Level 2	Level 3
Assets				
Cash equivalents[(1)]	$ 104,674	$ 104,674	$ —	$ —
U.S. Government-sponsored enterprises	145,022	—	145,022	—
U.S. Treasury securities	129,940	129,940	—	—
Commercial paper	103,040	—	103,040	—
Corporate debt securities	13,824	—	13,824	—
Total assets	$ 496,500	$ 234,614	$ 261,886	$ —

	Fair Value Measurements at December 31, 2022			
	Total	Level 1	Level 2	Level 3
Assets				
Cash equivalents[(1)]	$ 150,742	$ 150,742	$ —	$ —
U.S. Government-sponsored enterprises	100,008	—	100,008	—
U.S. Treasury securities	211,161	211,161	—	—
Commercial paper	112,610	—	112,610	—
Corporate debt securities	18,114	—	18,114	—
Supranational bonds	2,491	—	2,491	—
Total assets	$ 595,126	$ 361,903	$ 233,223	$ —

(1) Generally, cash equivalents include money market funds and investments with a maturity of three months or less from the date of purchase.

The Company's Level 2 financial instruments are valued using market prices on less active markets with observable valuation inputs such as interest rates and yield curves. The Company obtains the fair value of Level 2 financial instruments from quoted market prices, calculated prices or quotes from third-party pricing services. The Company validates these prices through independent valuation testing and review of portfolio valuations provided by the Company's investment managers.

6. Leases

The Company's leases consist of operating leases for general office space, research and development, manufacturing and warehouse facilities, and equipment. These noncancellable operating leases have initial lease terms from two years to thirteen years. Leases with an initial term of 12 months or less (Short-term Lease) are expensed as incurred and are not recorded as right-of-use leased assets on the Company's condensed consolidated balance sheets. The Company is required to recognize operating lease right-of-use assets and liabilities, and begin recording lease expense when the Company takes possession of the leased property (Commencement Date). The Company recognizes lease expense for these leases on a straight-line basis over the lease term. Because the Company's leases do not provide an implicit interest rate, the Company uses its incremental borrowing rate based on the information available at the lease Commencement Date to determine the operating lease right-of-use assets and liabilities based on the present value of future lease payments over the lease term. The Company used the incremental borrowing rate on January 1, 2019 for operating leases that commenced before that date.

Certain leases include an option to renew, with renewal terms that can extend the lease term for additional periods. The exercise of lease renewal options is at the Company's sole discretion. For renewal options that are reasonably certain at the lease Commencement Date of being exercised, the Company includes the renewal option period in the lease term.

Tech Center Lease

In September 2021, the Company entered into a lease agreement for 181,949 square feet of additional general administrative, laboratory, and research and development office space (the Premises) located on High Bluff Drive in San Diego, California (Tech Center Lease). Possession of the Premises is expected to be tendered to the Company by the landlord in two phases, with Phase I consisting of 143,850 rentable square feet, and Phase II consisting of 38,099 rentable square feet. The Company intends to use Phase I of the Tech Center Lease for operations currently occupying 77,458 square feet of leased space, located on Roselle Street in San Diego, California, that is scheduled to expire in May 2023. The Tech Center Lease also includes a first right of offer with respect to an additional 34,569 rentable square feet of general office space should the space become available.

The Phase I Commencement Date occurred in March 2022 when the Company was tendered possession of the Phase I portion of the Premises, and rent payments commenced in September 2022 (Phase I Rent Commencement Date). The Phase II Commencement Date is expected to occur upon the earlier of (i) the date upon which the Company first commences business in the Phase II portion of the Premises, and (ii) May 1, 2025 (Phase II Rent Commencement Date). The Tech Center Lease term expires in April 2035. The Company has two options to extend the term of the lease, with each option providing for an additional period of five years. The Tech Center Lease term was determined assuming the renewal options would not be exercised.

The initial base rent for the Tech Center Lease is approximately $906,000 per month beginning on the Phase I Rent Commencement Date, and the base rent increases by approximately $255,000 per month on the Phase II Rent Commencement Date. The monthly base rent will increase by 3.0% on each annual anniversary of the respective Rent Commencement Date. In addition to the monthly base rent, the Company is required to pay its proportionate share of certain ongoing operating expenses throughout the duration of the lease. No base rent, other than the proportionate share of operating expenses, will be due for the Phase I portion of the Premises for months two through nine following the Phase I Rent Commencement Date, and for the Phase II portion of the Premises for months two through five following the Phase II Rent Commencement Date. The Company recognized operating lease right-of-use assets and corresponding operating lease liabilities of $107.5 million on the condensed consolidated balance sheet on the Phase I Commencement Date in the first quarter of 2022.

Supplemental Lease Disclosure Information

The Company's lease costs recorded in the condensed consolidated statements of operations were as follows (in thousands):

	Three Months Ended March 31,	
	2023	**2022**
Operating lease cost	$ 4,475	$ 3,018
Short-term lease cost	96	34
Total lease cost	$ 4,571	$ 3,052

Maturities of operating lease liabilities at March 31, 2023 were as follows (in thousands):

Years Ending December 31,	
2023 (remaining)	$ 11,280
2024	17,291
2025	17,023
2026	17,068
2027	17,333
Thereafter	103,844
Total undiscounted lease payments	183,839
Less: amount representing interest	(47,123)
Present value of operating lease liabilities	136,716
Less: current portion of operating lease liabilities	(15,849)
Operating lease liabilities - long-term	$ 120,867

The weighted-average remaining lease term and weighted-average discount rate for operating leases were as follows:

	March 31, 2023	**December 31, 2022**
Weighted-average remaining lease term (in years)	10.7	10.8
Weighted-average discount rate used to determine operating lease liabilities	5.4 %	5.3 %

Cash paid for amounts included in the measurement of lease liabilities, representing operating cash flows from operating leases, was $1.8 million and $3.4 million for the three months ended March 31, 2023 and 2022, respectively.

Lease For Which Accounting Has Not Yet Commenced

As of March 31, 2023, the Phase II Commencement Date for the Tech Center Lease had not yet occurred. Accordingly, the condensed consolidated balance sheet at March 31, 2023 does not include operating lease right-of-use assets and operating lease liabilities, and the condensed consolidated statements of operations for the three months ended March 31, 2023 and 2022 do not include any lease costs, related to Phase II of the Tech Center Lease. In addition, the above disclosures of the Company's lease costs, maturities of operating lease liabilities, weighted-average remaining lease term, and weighted-average discount rate, do not include any amounts related to Phase II of the Tech Center Lease.

The Company currently estimates that Phase II Commencement Date will occur in the first quarter of 2025, at which time the Phase II operating lease right-of-use assets and liabilities will be recorded. Future minimum payments for monthly base rent due under Phase II of the Tech Center Lease, are currently estimated to total $34.7 million from 2025 through 2035, subject to a number of factors, including the actual Phase II Commencement Date. Because the incremental borrowing rate will not be available until the Phase II Commencement Date, we are not yet able to determine the Phase II operating lease right-of-use assets and liabilities.

7. Debt

Convertible Senior Notes

In May 2020, the Company entered into a purchase agreement with certain counterparties for the sale of an aggregate of $287.5 million principal amount of 1.50% Convertible Senior Notes due 2025 (Notes) in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The proceeds from the issuance of the Notes were $244.6 million, net of debt issuance costs and cash used to pay the cost of the capped call transactions (Capped Call Transactions) discussed below.

The Notes are the Company's senior unsecured obligations. Interest is payable in cash semi-annually in arrears beginning on November 1, 2020 at a rate of 1.50% per year. The Notes mature on May 1, 2025 unless repurchased, redeemed, or converted in accordance with their terms prior to the maturity date.

The Notes are convertible into cash, shares of the Company's common stock, or a combination of cash and shares of the Company's common stock, at the Company's election, at an initial conversion rate of 8.8836 shares of common stock per $1,000 principal amount of the Notes, which is equivalent to an initial conversion price of $112.57 (Conversion Price) per share of the Company's common stock. The conversion rate is subject to customary adjustments for certain events as described in the Indenture governing the Notes. The Company expects to settle conversions through a combination settlement, which involves payment in cash equal to the principal portion and delivery of shares of common stock for the excess of the conversion value over the principal portion.

The Company may not redeem the Notes before May 6, 2023. The Company has the option to redeem for cash all or any portion of the Notes on or after May 6, 2023 if the last reported sale price of the Company's common stock has been at least 130% of the Conversion Price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading day period, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest. No sinking fund is provided for the Notes.

Holders of the Notes may convert all or a portion of their Notes at their option before November 1, 2024, in multiples of $1,000 principal amounts, only under the following circumstances:

- if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the applicable conversion price of the Notes on each such trading day;

- during the five business day period after any five consecutive trading day period in which the trading price per $1,000 principal amount of the Notes for each day of that five consecutive trading day period was less than 98% of the product of the last reported sale price of the Company's common stock and the applicable conversion rate of the Notes on such trading day;

- if the Company calls any or all of the Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or

- on the occurrence of specified corporate events.

On or after November 1, 2024, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their Notes at any time, regardless of the foregoing circumstances.

Holders of the Notes who convert in connection with a make-whole fundamental change or in connection with a redemption are entitled to an increase in the conversion rate. Additionally, in the event of a fundamental change, holders of the Notes may require us to repurchase all or a portion of the Notes at a price equal to 100% of the principal amount of the Notes, plus any accrued and unpaid interest.

The net carrying amount of the Notes on the condensed consolidated balance sheets consisted of the following (in thousands):

	March 31, 2023	December 31, 2022
Principal amount	$ 287,500	$ 287,500
Unamortized debt issuance costs	(3,821)	(4,268)
Net carrying amount	$ 283,679	$ 283,232

The Notes will have a dilutive effect to the extent the average market price per share of common stock for a given reporting period exceeds the conversion price of $112.57. As of March 31, 2023 and December 31, 2022, the if-converted value of the Notes did not exceed the principal amount.

As of March 31, 2023, the unamortized debt issuance costs of $3.8 million associated with the Notes will be amortized to interest expense, at an effective interest rate of 2.2% over the remaining period of approximately 2.1 years.

The following table details interest expense related to the Notes recognized for the three months ended March 31, 2023 and 2022 (in thousands):

	Three Months Ended March 31,	
	2023	2022
Contractual interest expense	$ 1,078	$ 1,078
Amortization of debt issuance costs	447	438
Total interest expense	$ 1,525	$ 1,516

Capped Call Transactions

In connection with the issuance of the Notes, the Company entered into Capped Call Transactions in May 2020 with certain counterparties at a net cost of $34.1 million. The Capped Call Transactions are intended to reduce potential dilution to holders of the Company's common stock beyond the conversion price of $112.57, up to a conversion price of $173.18 on any conversion of the Notes, or to offset any cash payments the Company is required to make in excess of the principal amount of such converted Notes, as the case may be, with such reduction or offset subject to a cap. The cap price of the Capped Call Transactions is initially $173.18 per share of the Company's common stock, representing a premium of 100% above the last reported sale price of $86.59 per share of the Company's common stock on May 12, 2020, and is subject to certain adjustments under the terms of the Capped Call Transactions. Conditions that cause adjustments to the initial strike price of the Capped Call Transactions mirror conditions that result in corresponding adjustments for the Notes.

For accounting purposes, the Capped Call Transactions are separate transactions, and not part of the terms of the Notes, while they are integrated for federal tax purposes. As these transactions met certain criteria under the applicable accounting guidance, the Capped Call Transactions were recorded in stockholders' equity and were not accounted for as derivatives. The cost of the Capped Call Transactions was recorded as a reduction of the Company's additional paid-in capital in the Company's condensed consolidated balance sheet and will not be remeasured.

Line of Credit

On May 18, 2022, the Company entered into a three-year Revolving Line of Credit Agreement that provides the Company with a maximum principal borrowing amount of $100.0 million (Line of Credit), reduced by any letters of credit issued and outstanding under a $15.0 million letter of credit sub-limit. The Line of Credit allows the Company to request advances thereunder, and to use the proceeds of such advances for general corporate purposes, including working capital and capital expenditures. The Line of Credit matures on the earlier of (i) May 18, 2025 or (ii) the Springing Maturity Date, unless renewed at maturity upon approval by the Company's board of directors and the lender. The Springing Maturity Date is any date during the 91 days prior to the May 1, 2025 maturity date of the Company's Convertible Senior Notes, that the Company does not satisfy a predefined liquidity threshold. During the term of the Line of Credit, the Company is required to maintain compliance with two financial maintenance covenants: a minimum consolidated interest coverage ratio and a maximum consolidated net leverage ratio. The Company was in compliance with the minimum consolidated interest coverage ratio covenant as of March 31, 2023. On April 28, 2023, the bank waived the testing of the maximum consolidated net leverage ratio for the period ended March 31, 2023. The Company believes without the waiver it would have been non-compliant with the maximum consolidated net leverage ratio covenant for the trailing twelve month measurement period ended March 31, 2023. The Line of Credit is secured by a first priority security interest in substantially all of the assets of the Company and its subsidiaries.

Advances drawn under the Line of Credit bear interest at an annual rate of (1) the SOFR Rate (as defined in the Line of Credit); plus (2) an applicable credit spread adjustment ranging from 0.10% to 0.25%; plus (3) an applicable margin ranging from 1.25% to 2.00%, and each advance will be payable on the Maturity Date with the interest on outstanding advances payable quarterly. The Credit Agreement also includes a commitment fee ranging from 0.20% to 0.35% per annum on the average daily unused amount of the Line of Credit, payable quarterly. The Company may, at its option, prepay any borrowings under the Line of Credit, in whole or in part at any time before the maturity date, without premium or penalty.

As of March 31, 2023, the Company's outstanding borrowings and available balance under the Line of Credit were as follows (in millions):

Maximum principal borrowing amount	$	100.0
Less:		
Outstanding borrowings		—
Outstanding letters of credit		4.9
Total available balance	$	95.1

8. Stockholders' Equity

Shares Reserved for Future Issuance

The following shares of the Company's common stock were reserved for future issuance at March 31, 2023 (in thousands):

Shares reserved for issuance upon conversion of Convertible Senior Notes	2,554
Shares underlying outstanding warrants	194
Shares underlying outstanding stock options	4,354
Shares underlying unvested restricted stock units	1,798
Shares authorized for issuance pursuant to awards granted under the ESPP	953
Shares authorized for future equity award grants	147
Total	10,000

Common Stock Warrants

Warrants outstanding to purchase shares of the Company's common stock as of March 31, 2023 were as follows:

Issue Date	Exercise Price Per Share	Warrants Outstanding	Expiration Date of Warrants Outstanding
March 2017	$23.50	193,788	March 2027

Each warrant allows the holder to purchase one share of common stock at the per share exercise price of the warrant.

Stock Plans

The Company's Amended and Restated 2013 Stock Incentive Plan (2013 Plan) was approved by the Company's board of directors (Board) in October 2013. Under the 2013 Plan, the Company may grant stock options, stock appreciation rights, restricted stock and restricted stock units to individuals who are then employees, officers, directors or consultants of the Company.

The ESPP was approved by the Board in October 2013. The ESPP enables eligible employees to purchase shares of the Company's common stock using their after-tax payroll deductions, subject to certain conditions. Generally, offerings under the ESPP consist of a two-year offering period with four six-month purchase periods which begin in May and November of each year. There were no shares of common stock purchased under the ESPP during the three months ended March 31, 2023 and 2022.

Stock-Based Compensation

Stock Options

Stock options have an exercise price equal to the closing price of the Company's common stock on the applicable grant date, and have a maximum term of ten years. Stock options granted before the second quarter of 2022 generally vest over a four-year period as to 25% of the underlying shares on the first anniversary of the grant date, with the balance of the options vesting monthly over the following three years. Stock options granted during the second quarter of 2022 and thereafter vest over a three-year period as to 33% of the underlying shares on the first anniversary of the grant date, with the balance of the options vesting monthly over the following two years. There were no common stock options granted during the three months ended March 31, 2023 and 2022.

Restricted Stock Units

Restricted stock units (RSUs) have a grant value equal to the closing price of the Company's common stock on the award date. RSUs granted before March 2022 generally vest over a four-year period based on continued service to the Company as to 25% of the underlying shares on the first anniversary of the award, with the balance of the RSUs vesting quarterly over the following three years. RSUs granted in March 2022 and thereafter vest over a three-year period based on continued service to the Company as to 33% of the underlying shares on the first anniversary of the award, with the balance of the RSUs vesting quarterly over the following two years.

The total number of RSUs granted and the respective weighted average grant date fair value were as follows:

	Three Months Ended March 31,	
	2023	**2022**
RSUs granted	154,146	187,076
Weighted average grant date fair value (per share)	$ 42.81	$ 109.97

The following table summarizes the allocation of stock-based compensation expense included in the condensed consolidated statements of operations for all stock-based compensation arrangements (in thousands):

	Three Months Ended March 31,	
	2023	**2022**
Cost of sales	$ 1,594	$ 1,846
Selling, general and administrative	14,112	11,854
Research and development	5,488	4,410
Total stock-based compensation expense	$ 21,194	$ 18,110

The total stock-based compensation expense capitalized as part of the cost of the Company's inventories was $1.4 million at March 31, 2023, and $1.1 million at December 31, 2022.

9. Employee Benefits

Employee 401(k) Plan

The Company has a defined contribution 401(k) plan for employees in the United States who are at least 18 years of age. Employees are eligible to participate in the plan beginning on the first day of the calendar month following their date of hire. Unless they affirmatively elect otherwise, employees are automatically enrolled in the plan following 30 days from date of rehire or entry date. Under the terms of the plan, employees may make voluntary contributions as a percent of compensation, and, starting in 2022, the Company matches a discretionary percentage of employee contributions.

10. Income Taxes

For the three months ended March 31, 2023, the Company recognized income tax expense of $0.3 million on a pre-tax loss of $123.6 million. Income tax expense for the three months ended March 31, 2023 was primarily attributable to state and foreign income tax expense as a result of current taxable income in certain jurisdictions.

For the three months ended March 31, 2022, the Company recognized an income tax benefit of $1.7 million on a pre-tax loss of $16.4 million. The income tax benefit for the three months ended March 31, 2022, was primarily attributable to the Company's pre-tax loss position, offset by state and foreign income tax expense as a result of current taxable income in certain jurisdictions.

The Company calculated the provision for income taxes for the three months ended March 31, 2023 using a discrete effective tax rate method as the annual effective tax rate method would not provide a reliable estimate. For the three months ended March 31, 2022, the Company calculated the benefit for income taxes by applying an estimate of the annual effective tax rate for the full year to ordinary income (loss) adjusted by the tax impact of discrete items.

The Company continues to maintain a full valuation allowance against its net deferred tax assets as of March 31, 2023, based on the current assessment that it is not more likely than not these future benefits will be realized before expiration.

11. Business Segment and Geographic Information

Segment Reporting

Operating segments are identified as components of an enterprise about which discrete financial information is available for evaluation by the chief operating decision-maker (CODM) in making decisions regarding resource allocation and assessing performance. The Company is organized based on its current product portfolio, which consists primarily of insulin pumps, disposable insulin cartridges and infusion sets for the storage and delivery of insulin. The Company views its operations and manages its business as one segment and a single reporting unit because key operating decisions and resource allocations are made by the CODM using consolidated financial data.

Disaggregation of Revenue

The Company primarily sells its products through national and regional distributors in the United States on a non-exclusive basis, and through distribution partners outside the United States. In the United States and Canada, the Company also uses a direct sales force. The Company disaggregates its revenue by geography and by major sales channel as management believes these categories best depict how the nature, amount and timing of revenues and cash flows are affected by economic factors.

Revenues by Geographic Region and Customer Sales Channel

During the three months ended March 31, 2023, and 2022, no individual country outside the United States generated revenue that represented more than 10% of total revenue. The table below sets forth revenues for the Company's two primary geographical markets, based on the geographic location to which its products are shipped (in thousands):

	Three Months Ended March 31,	
	2023	**2022**
United States	$ 131,242	$ 131,283
Outside the United States	38,141	44,624
Total Sales	$ 169,383	$ 175,907

Sales to distributors accounted for 65% and 65% of the Company's total United States sales for the three months ended March 31, 2023 and 2022, respectively. Sales to distributors accounted for 94% and 96% of the Company's total sales outside the United States for the three months ended March 31, 2023 and 2022, respectively.

12. Acquisitions

AMF Medical Acquisition

On December 10, 2022, the Company, entered into a Share Purchase Agreement (Purchase Agreement) with AMF Medical SA, a corporation organized and existing under the laws of Switzerland (AMF Medical), and its shareholders to acquire all of the registered shares of AMF Medical (Transaction). AMF Medical is the developer of the Sigi™ Patch Pump, which is designed to be an ergonomic, rechargeable patch pump that reduces the burden of managing diabetes through its use of pre-filled insulin cartridges. The Sigi Patch Pump is under development and not commercially available.

On January 19, 2023, the Company completed the acquisition of AMF Medical, pursuant to the terms of the Purchase Agreement. The total aggregate consideration for the Transaction includes a previous strategic investment of Swiss Francs (CHF) 8.0 million made in the third quarter of 2022, a cash payment of CHF 62.4 million paid at the closing of the Transaction, and additional contingent earnout payments of up to CHF 129.6 million. The contingent earnout payments become payable upon the achievement of certain milestones, and are comprised of a payment of up to CHF 38.4 million upon the successful completion of key development milestones over the next two years, and a payment of up to CHF 91.2 million upon obtaining regulatory clearance from the United States Food and Drug Administration of an automated controller enabled (ACE) pump. The contingent consideration will be recognized as each contingency is resolved and the respective consideration is paid or becomes payable. At March 31, 2023, the contingencies related to the earnout milestones were not yet resolved and, therefore, the related amounts were not included in the fair value of the asset acquired and were not recognized as a liability on the condensed consolidated balance sheet at March 31, 2023. The Company funded the initial closing payment using existing cash balances. As of December 31, 2022, the previous strategic investment was included as a component of other long-term assets on the condensed consolidated balance sheet.

The transaction was accounted for as an asset acquisition as substantially all the value of the gross assets were concentrated in a single asset. The Company recorded a $78.8 million charge representing the value of acquired in-process research and development assets with no alternative future use, and acquisition related expenses, on its condensed consolidated statements of operations in acquired in-process research and development expenses. The Company's results of operations for the three months ended March 31, 2023 included the operating results of AMF Medical since the date of acquisition.

Capillary Biomedical Acquisition

On July 21, 2022, the Company acquired Capillary Biomedical, Inc. (Capillary Biomedical) an infusion set developer, for total cash consideration of $24.7 million, and the assumption of $4.7 million of long-term debt. The debt becomes due and payable upon the first sale or license of the commercialized product, and is included as a component of other long-term liabilities on the condensed consolidated balance sheets at March 31, 2023 and December 31, 2022. Capillary Biomedical's extended-wear infusion set technology is currently in development and is not yet commercially available. The Company funded the purchase price using existing cash balances.

The transaction was accounted for as an asset acquisition as substantially all the value of the gross assets was concentrated in a single asset. The Company recorded a $31.0 million charge representing the value of acquired in-process research and development assets with no alternative future use, and acquisition related expenses, on its condensed consolidated statements of operations in acquired in-process research and development expenses. The Company's results of operations for the three months ended March 31, 2023 included the operating results of Capillary Biomedical.

13. Commitments and Contingencies

Legal and Regulatory Matters

In May 2020, the Company was named as a defendant in three California state court class action lawsuits arising from a phishing incident that occurred in January 2020. Collectively, these lawsuits sought statutory, compensatory, actual, and punitive damages; equitable relief, including restitution; pre- and post-judgment interest; injunctive relief; and attorney fees, costs, and expenses from us. On July 24, 2020, these three lawsuits were consolidated into a single case in the Superior Court of the State of California in the County of San Bernardino entitled Joseph Deluna et al. v. Tandem Diabetes Care, Inc. The consolidated case alleged violations of the Confidentiality of Medical Information Act (CMIA), CCPA, California's Unfair Competition Law (UCL), and breach of contract. The Company filed a demurrer on all claims, which was heard by the Court on October 20, 2020, and the demurrer to the CCPA claim was sustained. The plaintiffs filed a motion for class certification on January 7, 2022 and we filed a motion for summary adjudication on the CMIA claim on April 7, 2022. On February 8, 2023, the Court granted plaintiffs' request to dismiss their remaining two claims with prejudice, and dismissed the motion for class certification, thereby terminating the case in the Superior Court. On March 7, 2023, the plaintiffs filed a notice of appeal of the Court's order granting the Company's motion for summary adjudication. Although the Company intends to vigorously defend against this claim, there is no guarantee that the Company will prevail. Accordingly, the Company is unable to determine the ultimate outcome of this lawsuit or determine the amount or range of potential losses associated with the lawsuit.

From time to time, the Company is involved in various other legal proceedings, regulatory matters, and other disputes or claims arising from or related to claims incident to the normal course of the Company's business activities, including actions with respect to intellectual property, data privacy, employment, regulatory, product liability and contractual matters. Although the results of such legal proceedings and claims cannot be predicted with certainty, as of March 31, 2023 the Company believes it is not currently a party to any legal proceedings, regulatory matters, or other disputes or claims for which a material loss was considered probable or for which the amount (or range) of loss was reasonably estimable. However, regardless of the merit of the claims raised or the outcome, legal proceedings may have an adverse impact on the Company as a result of defense and settlement costs, diversion of management time and resources, and other factors.

Letters of Credit

In connection with one of the Company's operating leases (see Note 6, "Leases"), the Company has a $4.9 million unsecured irrevocable standby letter of credit arrangement with a bank (see Note 7, "Debt"), under which the landlord of the building is the beneficiary. The Company is required to maintain the standby letter of credit throughout the term of the lease, which expires in April 2035.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis together with our financial statements and related notes in Part I, Item 1 of this Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 (Quarterly Report).

This Quarterly Report contains forward-looking statements within the meaning of the federal securities laws, which statements are subject to considerable risks and uncertainties. These forward-looking statements are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. All statements included or incorporated by reference in this Quarterly Report, other than statements of historical fact, are forward-looking statements. You can identify forward-looking statements by the use of words such as "may," "will," "could," "anticipate," "expect," "intend," "believe," "continue" or the negative of such terms, or other comparable terminology. Forward-looking statements also include the assumptions underlying or relating to such statements. In particular, forward-looking statements contained in this Quarterly Report may relate to, among other things, our future or assumed financial condition, results of operations, liquidity, trends impacting our financial results, business forecasts and plans, research and product development plans, manufacturing plans, strategic plans and objectives, capital needs and financing plans, product launches, geographic expansion, distribution plans, production capacity, clinical trials, regulatory approvals, competitive position and the impact of changes in the competitive environment, the impact of the COVID-19 global pandemic on our business, supply chain, and the businesses of our contract manufacturers and suppliers, integration of acquisitions and partner technologies, and the application of accounting guidance. We caution you that the foregoing list may not include all of the forward-looking statements made in this Quarterly Report.

Our forward-looking statements are based on our management's current assumptions and expectations about future events and trends, which affect or may affect our business, strategy, operations or financial performance. Although we believe that these forward-looking statements are based upon reasonable assumptions, they are subject to numerous known and unknown risks and uncertainties and are made in light of information currently available to us. Our actual financial condition and results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth below in the section entitled "Risk Factors" in Part II, Item 1A, of our Annual Report on Form 10-K for the year ended December 31, 2022 (Annual Report), which is incorporated herein by reference, as well as in the other public filings we make with the Securities and Exchange Commission. You should read this Quarterly Report with the understanding that our actual future financial condition and results may be materially different from and worse than what we expect.

Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Forward-looking statements speak only as of the date they were made and, except to the extent required by law or the rules of the Nasdaq Global Market, we undertake no obligation to update or review any forward-looking statement because of new information, future events or other factors.

We qualify all of our forward-looking statements by these cautionary statements.

Overview

We are a medical device company focused on the design, development and commercialization of technology solutions for people living with diabetes. Diabetes management can vary greatly from person-to-person, creating multiple market segments based on clinical needs and personal preferences. Our goal is to lead in insulin therapy management across multiple of these market segments by providing a robust ecosystem and a portfolio of delivery devices, software, and data insight solutions to people living with diabetes, as well as their caregivers and healthcare providers.

Since our initial commercial launch, we have rapidly innovated and brought more products to market than our competitors. Today, the t:slim X2 Insulin Delivery System is our flagship technology solution. In the four-year period ended March 31, 2023, we shipped approximately 430,000 t:slim X2 insulin pumps, which is representative of our in-warranty global installed customer base, assuming the typical four-year reimbursement cycle. Approximately 300,000 of these pumps were shipped to customers in the United States and 130,000 were shipped to customers outside the United States. Our products are currently available in approximately 25 countries outside the United States.

Our manufacturing, sales and support activities principally focus on our flagship pump platform, the t:slim X2 and our complementary product offerings. Our simple-to-use t:slim X2 is based on our proprietary technology platform and is the smallest durable insulin pump available in the United States. The majority of our customers use the t:slim X2 with continuous glucose monitoring (CGM) integration. This allows the t:slim X2 to receive CGM sensor readings, which can then be used in our automated insulin dosing (AID) algorithms, including our Control-IQ technology. Control-IQ is an advanced hybrid-closed loop feature designed to help increase a user's time in their targeted glycemic range. Multiple studies have demonstrated that use of Control-IQ technology provides people across all demographics with improved clinical outcomes that are both immediate and sustained. It was the first system cleared by the U.S. Food and Drug Administration (FDA) to deliver automatic correction boluses in addition to adjusting insulin to help prevent high and low blood sugar.

The t:slim X2 is unique in that it is the only pump on which remote software updates have been made commercially available in the United States. Now available in the countries we serve worldwide, our Tandem Device Updater (TDU) has allowed approximately 200,000 people to update their t:slim X2 software from a personal computer. This offering is a competitive advantage that allows us to bring our customers clinical and lifestyle enhancements, such as new developments in our AID technology, CGM integrations and mobile app features. In July 2022, we launched a new pump software update through TDU to allow all t:slim X2 pump users in the United States to bolus insulin using our smartphone app that is available on compatible iOS and Android devices.

Our insulin pump products are generally considered durable medical equipment and have an expected lifespan of at least four years. In addition to insulin pumps, we sell disposable products that are used together with our pumps and are replaced every few days, including cartridges for storing and delivering insulin, and infusion sets that connect the insulin pump to a user's body. In the United States, we also offer t:connect, our data management web application that provides users, their caregivers and their healthcare providers with a fast, easy and visual way to display diabetes therapy management data from our pumps, integrated CGMs and supported blood glucose meters.

COVID-19 Global Pandemic Impact and Considerations

Information about the COVID-19 global pandemic impact and considerations is set forth under the caption *"Risk Factors"* in Part II, Item 1A of the Annual Report and is incorporated herein by reference.

Products Under Development

Our products under development support our strategy of developing insulin delivery systems as part of a therapy management portfolio that is designed to improve patient experience and outcomes. Our product development efforts fall into three pillars of innovation: delivery devices, device software including algorithms, and data and insights.

Delivery Devices

We are developing a family of delivery device solutions to meet the varying needs of people living with type 1 and type 2 diabetes by providing choice within our portfolio. Preferences in the size, shape, and mode of operation that comprise an insulin pump's hardware often impact a person's pump purchasing decision and overall user experience.

Mobi

The Tandem Mobi is approximately half the size of our t:slim X2 pump, and is designed for people who seek even greater discretion and flexibility with the use of their insulin pump. Its features include full pump-control from our mobile application, a 200-unit cartridge, an on-pump bolus button, inductive charging, and an AID algorithm.

t:slim X3

Advancing our flagship t:slim platform, the t:slim X3 is being designed to provide a modernized user interface and even greater usability for our planned feature updates. It is also being designed to include enhanced technology, such as greater processing power and capacity to support our advanced algorithms, as well as increased battery life, improved durability, and wireless software update capabilities.

Mobi: Tubeless

This offering is being developed to provide an alternative tubeless infusion site option for Mobi pump users. It will allow a Mobi pump to be worn completely on the user's body with no tubing. A goal of this design is to allow people living with diabetes to customize the way they wear their pump with each cartridge change, switching between tubed and tubeless wear configurations, to best suit their personal preferences and lifestyle.

Sigi

This ergonomic, rechargeable Sigi™ Patch Pump is being designed to reduce the burden of managing diabetes through its use of pre-filled insulin cartridges and compatibility with AID technology. This product replaces our early-stage disposable tubeless solution that was previously under development.

Extended Wear Infusion Sets

Infusion sets provide additional choice and flexibility to people living with diabetes. Our goals for infusion set innovations focus on solutions that extend wear time and enhance user experience, while reducing occlusions, body burden and waste. In support of this effort, we are currently developing a unique extended wear infusion set technology.

Device Software

Our device software is used to control our pumps either directly through the pump's interface or through our mobile application. It also includes our AID technology and the software used to support remote pump updatability.

Control-IQ Advancements

We are continuing to drive innovation in our algorithms, emphasizing automation, personalization and simplification to continue to improve therapeutic outcomes and provide a positive patient experience. We recently completed clinical studies to support expanding the indications of our Control-IQ technology to include children with type 1 diabetes ages 2 to 5 years old. Additionally, we are initiating a pivotal study to support expanding indications to include people living with type 2 diabetes. We are also researching the use of different insulins with our Control-IQ technology.

Mobile Control

We are working to expand our mobile control capability. In the future, our t:connect mobile app is planned to include additional pump control features, such as full operation of our Mobi pump.

Integration

Building a robust ecosystem and portfolio around our flagship insulin pumps requires product development efforts to integrate, add, and enhance complementary system components.

Dexcom CGM: We have agreements with Dexcom to extend our current collaboration to include integration with their G7 CGM technology. Following integrated product development work, this will be the fourth generation of Dexcom CGM that we intend to integrate with our devices.

Abbott CGM: We have an agreement with Abbott Laboratories (Abbott), to develop and commercialize integrated diabetes solutions that combine Abbott's FreeStyle Libre CGM technology with our insulin delivery systems. Following the completion of our integrated product development work, we intend to launch in the United States, and expand to additional geographies after obtaining regulatory clearances or approvals, where required.

Data and Insights

Our goal is to innovate across our digital health platforms by using the vast amount of data that we collect, in combination with technology such as artificial intelligence or machine learning, to provide information and insights to people living with diabetes, their caregivers and healthcare providers and insurance payors. Our key objectives include making these insights easy to understand, making the data available in real time, and providing the information in a flexible format through mobile or web apps. In addition, we are working to integrate health-related information from third-party sources and to use our data to support current and future products under development.

Tandem Source

Expanding the capabilities of our t:connect data management application, which is available for customers in the United States, Tandem Source is our second-generation web-based data management application that is being designed to be deployed globally. This application enhances clinical data visualization, and provides added interface customization for users to personalize how they engage with their data and for healthcare providers to better manage their care.

Settings Automation

Our automation research and development activities center around opportunities for enhanced user and healthcare provider experience and improved clinical outcomes. In support of this effort, we are working to automate our pump settings adjustments to further enhance ease of use and expand adoption of our insulin pump products.

Pump Shipments

From inception in 2012 through June 2018, we derived nearly all of our sales from the shipment of insulin pumps and associated supplies to customers in the United States. Starting in the third quarter of 2018, we began selling our t:slim X2 insulin pump in select geographies outside the United States and our technology solutions are now available in approximately 25 countries worldwide. We consider the number of insulin pump units shipped to be an important metric for managing our business.

Insulin pumps in the markets we serve worldwide are generally subject to a four-year reimbursement cycle, imposed by the third-party insurance carrier, government plan or healthcare system that serves as the primary payor. In the past four years, we have shipped approximately 430,000 insulin pumps worldwide, which is representative of our global in-warranty installed customer base. Our ending estimated worldwide installed base increased approximately 22% year over year.

At the end of the typical four-year reimbursement cycle, customers may be eligible for the purchase of a new insulin pump, subject to the rules and requirements of their primary insurance payor. While warranties generally expire four years from the original pump shipment date, those customers that renew typically purchase a subsequent pump up to one year from the date of warranty expiration. While the majority of our insulin pump sales from initial commercialization through the current period have been generated by sales to new customers, the opportunity to make subsequent sales of renewal insulin pumps to existing customers increases each period as an escalating number of customer warranties expire. With programs dedicated to customer retention efforts, we expect such renewal purchases to represent an increasing portion of our pump shipments over time.

Approximately 300,000 pumps were shipped to customers in the United States in the past four years, which aligns with the standard four-year warranty period. Pump shipments to customers in the United States by fiscal quarter for the current year and each of the previous five years, which aligns more closely with our typical renewal cycle, were as follows:

	United States Pump Unit Shipments for Each of the Three Months Ended in Respective Years				
	March 31	June 30	September 30	December 31	Total
2018	4,444	5,447	7,379	12,935	30,205
2019	9,669	12,799	13,814	17,453	53,735
2020	13,158	14,735	18,380	24,552	70,825
2021	16,644	20,665	20,296	25,712	83,317
2022	18,658	20,818	20,394	23,684	83,554
2023	17,003	N/A	N/A	N/A	17,003

Since commencing sales outside the United States in the third quarter of 2018, we shipped approximately 130,000 pumps and our products are now available in approximately 25 countries. The ordering patterns of our distributors outside the United States for pumps and supplies has historically been highly variable from period to period due to a number of factors including summer vacations, the timing of product launches into new geographies and variability in the ordering patterns of our distributor partners. We are only beginning to complete a full four-year reimbursement cycle in certain of our markets outside of the United States. Pump shipments to customers outside the United States by fiscal quarter for the current year and each of the prior five years were as follows:

	Outside the United States Pump Unit Shipments for Each of the Three Months Ended in Respective Years				
	March 31	June 30	September 30	December 31	Total
2018	N/A	N/A	1,055	3,233	4,288
2019	5,063	8,459	4,025	2,149	19,696
2020	4,220	3,952	3,641	8,133	19,946
2021	8,708	13,152	11,262	11,873	44,995
2022	9,437	11,296	12,113	11,939	44,785
2023	6,052	N/A	N/A	N/A	6,052

Trends and Uncertainties Impacting Financial Results

Our financial condition and operating results have historically fluctuated on a quarterly or annual basis. We expect these periodic fluctuations will continue to be impacted by a number of trends and uncertainties, including the following:

Regulatory Approvals and Actions

- Sales of new products are subject to local government regulations. The requirements and timelines to receive regulatory clearance can vary substantially from country to country and delays may impact our ability to expand our worldwide customer base and bring products to market in a competitive timeframe. These delays, or failure to receive regulatory approval could adversely impact our revenue and results of operations.

- Any adverse event involving any products that we distribute could result in future corrective actions, such as recalls or customer notifications, or regulatory agency action, which could include inspection, mandatory recall or other enforcement action. Any action by regulatory bodies against us, and any regulatory challenges we encounter could have a negative impact on our product sales and harm our reputation.

Product - Launches and Reimbursement

- We expect our business to be impacted by the introduction of new diabetes devices and treatments by us or our competitors. The success of our products is variable and we believe it correlates to market acceptance, anticipated product launches and commercial availability. We anticipate that our recently announced Tandem Choice program, and its related financial and accounting impact, my continue to materially impact our business until the conclusion of the program.

- Our revenue and results of operations may be impacted by the failure to secure or retain adequate coverage or reimbursement for our current and future products from third-party payors.

Foreign Markets

- We have expanded our business and launched new products in select geographies outside the United States. The ordering patterns of our distributors outside the United States is highly variable from period to period. The commencement of utilizing a European distribution center beginning in the third quarter of 2022 also led to downward adjustments of inventory levels from our distributors in late 2022 and early 2023.

Seasonality

- Seasonality in the United States is associated with annual insurance deductibles and coinsurance requirements of the medical insurance plans used by our customers and the customers of our distributors. In the United States, we typically experience a higher volume of pump shipments in the third and fourth quarters due to the nature of the reimbursement environment. Other factors that may impact sales across the year include the timing of winter, summer and other seasonal holidays, particularly in our markets outside the United States.

Macroeconomic Factors

- Global economic and market uncertainty, such as recessionary concerns, inflation, changes in discretionary spending and increased interest rates have impacted our customers' purchasing decisions and the buying patterns of our distributors.

- The rising rate of inflation and the lingering effects of COVID-19 have continued to disrupt our relationship with suppliers, third-party manufacturers, healthcare providers, distributors and our existing or potential customers. We are experiencing higher costs as we navigate these global macroeconomic challenges.

Components of Results of Operations

Sales

We offer products for people with insulin-dependent diabetes in approximately 25 countries. The t:slim X2 insulin pump is our flagship pump platform. Our other products include disposable insulin cartridges and infusion sets, as well as our complementary t:connect, TDU and mobile application products. Our primary customers are the end customers who use our products, non-exclusive distribution partners whose level of service varies based on geography, the healthcare professionals who prescribe our products and the healthcare systems or payors who provide insurance coverage and access to our products. Our sales may fluctuate from period to period, particularly due to seasonality in the United States associated with the timing of insurance deductible resets, which generally reflect in a significant decline in pump shipments from any fourth quarter to the following first quarter. Therefore, the lowest percentage of sales is reported in the first quarter of each calendar year and the highest percentage in the fourth quarter.

In September 2022, we began offering the Tandem Choice program to eligible t:slim X2 customers to provide a pathway to ownership of its newest hardware platform for a fee when available. Tandem Choice expires on December 31, 2024. The accounting treatment for Tandem Choice is complex. Initially, the program requires the deferral of some portion of sales for shipments of eligible pumps, which began in the third quarter of 2022. No election is made by the customer at the time of the initial sale, nor does the right offered to the customer impact the economics associated with how or when the initial pump sale is reimbursed. If a customer elects to participate in Tandem Choice at a future date beginning with the launch of our next generation hardware platform, we will recognize the existing deferral, incremental fees received and the associated costs of providing the new hardware at the time of fulfillment. Any remaining deferrals will be recognized at program expiration. At this time, we are not able to estimate the financial impact for the duration of Tandem Choice.

Cost of Sales

Cost of sales includes raw materials, labor costs, manufacturing overhead expenses, product training costs, royalties, freight, reserves for expected warranty costs, costs of supporting our digital health platforms, scrap and charges for excess and obsolete inventories. Manufacturing overhead expenses include expenses relating to quality assurance, manufacturing engineering, material procurement, inventory control, facilities, equipment, information technology and operations supervision and management. When taking into consideration the differences in reimbursement levels and cost structure, pumps have, and are expected to continue to have, a higher gross profit and gross margin percentage than our pump-related supplies. Therefore, the percentage of pump sales relative to total sales could have a significant impact on our overall gross margin percentage.

Selling, General and Administrative

Our selling, general and administrative (SG&A) expenses primarily consist of salary, cash-based incentive compensation, fringe benefits and non-cash stock-based compensation for our sales, marketing and administrative functions, which also includes our clinical, customer support, technical services, insurance verification and regulatory affairs personnel. We have approximately 110 sales territories in the United States, which are generally maintained by sales representatives and field clinical specialists, and supported by managed care liaisons, additional sales management and other customer support personnel. Other significant SG&A expenses typically include those incurred for commercialization activities associated with new product launches, travel, trade shows, outside legal fees, independent auditor fees, outside consultant fees, insurance premiums, facilities costs and information technology costs.

Research and Development

Our research and development (R&D) activities primarily consist of engineering and research programs associated with our hardware, software and digital health products under development, as well as activities associated with our core technologies and processes. R&D expenses are primarily related to employee compensation, including salary, cash-based incentive compensation, fringe benefits and non-cash stock-based compensation. We also incur R&D expenses for supplies, development prototypes, outside design and testing services, depreciation, allocated facilities and information services, clinical trial costs, payments under our licensing, development and commercialization agreements and other indirect costs.

Acquired In-process Research and Development (IPR&D) Expenses

Acquired IPR&D reflects costs of external research and development projects acquired directly in a transaction other than a business combination, that do not have an alternative future use.

Other Income and Expense

Other income and expense primarily consists of interest earned on our cash equivalents and short-term investments, foreign currency transaction gains and losses, and interest expense which includes the amortization of debt issuance costs related to our 1.50% Convertible Senior Notes due May 2025.

Income Tax Expense (Benefit)

Because the Company maintains a full valuation allowance against its net deferred tax assets, income tax expense is expected to primarily consist of current federal, state and foreign cash tax expense as a result of taxable income anticipated or incurred in those jurisdictions.

Results of Operations

(in thousands, except percentages)	Three Months Ended March 31, 2023	2022
Sales:		
United States	$ 131,242	$ 131,283
Outside the United States	38,141	44,624
Total sales	169,383	175,907
Cost of sales	86,476	84,814
Gross profit	82,907	91,093
Gross margin	49 %	52 %
Operating expenses:		
Selling, general and administrative	89,814	73,271
Research and development	42,160	33,160
Acquired in-process research and development	78,750	—
Total operating expenses	210,724	106,431
Operating loss	(127,817)	(15,338)
Other income (expense), net:		
Interest income and other, net	5,865	415
Interest expense	(1,634)	(1,516)
Total other income (expense), net	4,231	(1,101)
Loss before income taxes	(123,586)	(16,439)
Income tax expense (benefit)	287	(1,724)
Net loss	$ (123,873)	$ (14,715)

Comparison of the Three Months Ended March 31, 2023 and 2022

Sales

For the three months ended March 31, 2023, sales were $169.4 million, which included $38.1 million of sales outside the United States. For the three months ended March 31, 2023, we deferred $2.0 million of pump sales as the result of Tandem Choice, which launched in the third quarter of 2022. Sales were $175.9 million for the same period in 2022, which included $44.6 million of sales outside the United States.

Sales by product in the United States were as follows (in thousands):

	Three Months Ended March 31, 2023	2022	% Change
Pump	$ 66,457	$ 73,497	(10)%
Supplies and other	66,808	57,786	16%
Deferral for Tandem Choice program	(2,023)	—	—%
Total Sales in the United States	$ 131,242	$ 131,283	—%

Pump sales in the United States were $66.5 million for the first quarter of 2023, compared to $73.5 million in the first quarter of 2022 as pump shipments decreased 9% compared to the same period in 2022. We continued to face challenging marketplace dynamics and economic conditions, with inflation and the threat of recession impacting pump purchasing decisions. Sales of pump-related supplies increased 15% primarily due to an 18% increase year over year in our ending estimated installed base of customers in the United States. Sales to distributors accounted for 65% and 65% of our total sales in the United States for the three months ended March 31, 2023 and 2022, respectively. Sales in the United States for the three months ended March 31, 2023 were reduced by a deferral of $2.0 million as the result of our Tandem Choice program which launched in the third quarter of 2022. No comparable program existed in the first quarter of 2022.

Sales by product outside the United States were as follows (in thousands):

	Three Months Ended March 31,		
	2023	2022	% Change
Pump	$ 18,247	$ 22,332	(18)%
Supplies and other	19,894	22,292	(11)%
Total Sales Outside the United States	$ 38,141	$ 44,624	(15)%

Pump sales outside the United States were $18.2 million for the first quarter of 2023, compared to $22.3 million in the first quarter of 2022. We commenced operations of a centralized European distribution center in late 2022, which resulted in significant disruption to distributor ordering patterns in the first quarter of 2023 as affected distributors reduced their inventory levels to accommodate for the reduced transit time. As a result, pump shipments decreased 36% compared to the same period in the prior year and supply orders declined as well. We expect that this transition will continue to impact sales of pumps and supplies in Europe through the second quarter of 2023. The decrease in pump sales was offset by a 27% increase in average selling prices due primarily to geographical mix. Sales of pump-related supplies benefited from a 33% increase in our ending estimated installed base of customers outside the United States. Sales to distributors accounted for 94% and 96% of our total sales outside the United States for the three-month periods ended March 31, 2023 and 2022, respectively.

Cost of Sales and Gross Profit

Our cost of sales for the three months ended March 31, 2023 was $86.5 million, resulting in gross profit of $82.9 million, compared to cost of sales of $84.8 million and gross profit of $91.1 million for the same period in 2022. The gross margin for the three months ended March 31, 2023 and 2022 was 49% and 52%, respectively.

Gross profit for the three months ended March 31, 2023 was most meaningfully impacted by the decrease in sales associated with the European distribution center transition. Furthermore, gross profit was reduced by $2.0 million from the impact of Tandem Choice, resulting in a gross margin reduction of 1 percentage point. The impact on gross margin from our Tandem Choice program will fluctuate through the expiration of the program based on the timing of availability of a new hardware platform and the number of eligible customers who ultimately elect to participate.

Gross margin benefited from improvement in average selling prices and reduced manufacturing costs, offset by certain high-cost raw materials, unfavorable product mix and fluctuations in other non-manufacturing costs associated with lower sales. More specifically, the higher cost of raw materials stemmed from supply chain challenges in the pandemic, where certain pump materials were sourced from alternative suppliers to reduce the risk of component shortages. Consistent with recent quarters, these higher supply and freight costs resulted in a one percentage point reduction to gross margin. The remaining high-cost inventory is anticipated to be consumed by mid-2023.

Operating Expenses

Our operating expenses for the three months ended March 31, 2023 were $210.7 million, compared to $106.4 million for the three months ended March 31, 2022. The increase was mainly driven by $78.8 million of in-process research and development expenses in connection with our recent acquisition of AMF Medical, for which there was no comparable expense in the first quarter of 2022. Incremental personnel and discretionary spending attributable to our recent acquisitions was $4.0 million. Additionally, we incurred certain non-recurring employee severance costs of $2.7 million in the first quarter of 2023, with no comparable expense in 2022.

Selling, General and Administrative Expenses. SG&A expenses increased 23% to $89.8 million for the three months ended March 31, 2023, from $73.3 million for the same period in 2022. Employee-related expenses for our SG&A functions comprise the majority of SG&A expenses. The increase compared to 2022 was primarily the result of an $8.6 million increase in salaries, incentive compensation, non-cash stock-based compensation, and other employee benefits due primarily to an increase in personnel to provide continued support services for our growing installed customer base. SG&A expenses for the first quarter of 2023 also included a non-recurring charge of $2.1 million recorded in connection with certain severance costs. We also experienced a $5.8 million increase in facilities and other non-employee discretionary spending, primarily attributable to outside consulting, outside services and travel.

Research and Development Expenses. R&D expenses increased 27% to $42.2 million for the three months ended March 31, 2023, from $33.2 million for the same period in 2022. The increase in R&D expenses was primarily the result of a $7.1 million increase in salaries, incentive compensation, non-cash stock-based compensation, severance, and other employee benefits due to an increase in personnel to support our product development efforts. We also experienced a $1.9 million increase in other non-employee discretionary spending, including clinical trial expenses and equipment costs.

Acquired In-Process Research and Development Expenses. Acquired IPR&D expenses of $78.8 million for the three months ended March 31, 2023 represented the value of assets acquired, and acquisition related expenses, in connection with our acquisition of AMF Medical (see Note 12, "Acquisitions").

Other Income (Expense), Net

Total other income (expense), net for the three months ended March 31, 2023 was $4.2 million income, compared to $1.1 million expense in the same period in 2022. Other income, net for the three months ended March 31, 2023 primarily consisted of $4.2 million of interest income earned on our cash equivalents and short-term investments, and $1.6 million in foreign currency transaction gains, partially offset by $1.6 million of interest expense which included the amortization of debt issuance costs related to our Convertible Senior Notes. Other expense, net for the three months ended March 31, 2022 primarily consisted of $1.5 million of interest expense which included the amortization of debt issuance costs related to our Notes.

Income Tax Expense (Benefit)

We recognized income tax expense of $0.3 million on a pre-tax loss of $123.6 million for the three months ended March 31, 2023, compared to an income tax benefit of $1.7 million on pre-tax loss of $16.4 million for the three months ended March 31, 2022. Income tax expense for the three months ended March 31, 2023 was primarily attributable to state and foreign income tax expense as a result of current taxable income in certain jurisdictions. The income tax benefit for the three months ended March 31, 2022 was primarily attributable to the Company's pre-tax loss position, offset by state and foreign income tax expense as a result of current taxable income in certain jurisdictions.

Liquidity and Capital Resources

At March 31, 2023, we had $519.6 million in cash and cash equivalents and short-term investments. In addition, we had a total available balance of $95.1 million at March 31, 2023 under our Revolving Line of Credit (Line of Credit), which expires in May 2025 (see Note 7, "Debt"). We believe that our cash and cash equivalents, short-term investments, borrowing availability under the Line of Credit, and future cash flows from operations will be sufficient to fund our ongoing core business activities.

Historically, our principal sources of cash have included cash collected from product sales, private and public offerings of equity securities, exercises of employee stock awards, and debt financing.

Our historical cash outflows have primarily been associated with cash used for operating activities such as research and development activities, sales, marketing and commercialization of our products worldwide, expansion of clinical and customer support organizations, the acquisition of intellectual property, equity investments and acquired assets, capital expenditures and debt service costs.

The following table shows a summary of our cash flows for the three months ended March 31, 2023 and 2022 (in thousands):

	Three Months Ended March 31,	
	2023	2022
Net cash provided by (used in):		
Operating activities	$ (18,326)	$ 13,800
Investing activities	(26,329)	5,197
Financing activities	(541)	3,500
Effect of foreign exchange rate changes on cash	441	3
Net increase (decrease) in cash and cash equivalents	$ (44,755)	$ 22,500

Operating Activities. Net cash used in operating activities was $18.3 million for the three months ended March 31, 2023, compared to $13.8 million cash provided by operating activities in the same period in 2022. The reduction in net cash provided by operating activities for 2023 compared to 2022 was primarily a result of the increase in net loss, which included $78.8 million of acquired in-process research and development expenses in 2023, as well as working capital changes. Working capital changes during the three months of 2023 primarily consisted of increases in inventories and prepaid and other current assets, offset by a decrease in accounts receivable. Accounts receivable decreased to $91.4 million at March 31, 2023, from $114.7 million at December 31, 2022. Inventories increased to $131.6 million at March 31, 2023 from $111.1 million at December 31, 2022.

Investing Activities. Net cash used in investing activities was $26.3 million for the three months ended March 31, 2023, which was primarily related to $109.1 million of purchases of short-term investments, $69.5 million for the acquisition of AMF Medical, including transaction costs (see Note 12, “Acquisitions”), and $8.8 million in purchases of property and equipment, offset by $163.1 million in proceeds from maturities and redemptions of short-term investments. Net cash provided by investing activities was $5.2 million for the three months ended March 31, 2022, which was primarily related to $118.6 million in proceeds from maturities and redemptions of short-term investments, offset by $110.7 million of purchases of short-term investments, and $2.6 million in purchases of property and equipment.

Financing Activities. Net cash used in financing activities was $0.5 million for the three months ended March 31, 2023, which primarily consisted of payments for tax withholdings related to the issuance of common stock under our stock plans. Net cash provided by financing activities was $3.5 million for the three months ended March 31, 2022, which primarily consisted of proceeds from the issuance of common stock under our stock plans.

Our liquidity position and capital requirements are subject to fluctuation based on a number of factors. In particular, our cash inflows and outflows are principally impacted by the following:

- our ability to generate sales, the timing of those sales, the mix of products sold and the collection of receivables from period to period;
- the timing of any additional financings, and the net proceeds raised from such financings;
- the timing and amount of proceeds from the issuance of equity awards pursuant to employee stock plans;
- fluctuations in gross margins and operating margins; and
- fluctuations in working capital, including changes in accounts receivable, inventories, accounts payable, employee-related liabilities, and operating lease liabilities.

Both our primary short-term and long-term capital needs are expected to include expenditures related to:

- support of our commercialization efforts related to our current and future products;
- expansion of our customer support resources for our growing installed customer base;
- research and product development efforts, including clinical trial costs;
- acquisitions, leasing or licensing of equipment, technology, intellectual property and other assets;
- additional facilities leases and related tenant improvements;
- investments for the development, improvement and acquisition of manufacturing, testing and packaging equipment to support business growth and increase capacity;
- payments under licensing, development and commercialization agreements; and
- acquisition and subsequent integration of businesses, products and technologies.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based on our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of these condensed consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in our condensed consolidated financial statements and accompanying notes as of the date of the financial statements. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about our financial condition and results of operations that are not readily apparent from other sources. Some of those judgments can be subjective and complex, and therefore, actual results could differ materially from those estimates under different assumptions or conditions.

There have been no material changes to our critical accounting policies and estimates from the information provided in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies Involving Management Estimates and Assumptions," included in our Annual Report on Form 10-K for the year ended December 31, 2022.

Off-Balance Sheet Arrangements

As of March 31, 2023, we are a party to certain standby letter of credit arrangements in support of our operating lease obligations. For a description of the arrangements we consider significant, see Note 13 "Commitments and Contingencies" to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Credit and Interest Rate Risks

We invest our excess cash in marketable securities consisting primarily of U.S. Treasury securities, U.S. Government-sponsored enterprise securities, commercial paper and corporate debt securities. Some of the financial instruments in which we invest subject us to market risk, in that a change in prevailing interest rates may cause the principal amount of the instrument to fluctuate. Other financial instruments in which we invest subject us to credit risk, in that the value of the instrument may fluctuate based on the issuer's ability to pay. Credit rating agencies have, from time to time, issued downgrades or revised outlooks to negative for certain issuers of the debt securities held in our short-term investments portfolio. We review our portfolio of available-for-sale debt securities quarterly to determine if any investment is impaired due to changes in credit risk or other potential valuation concerns. Unrealized losses on available-for-sale debt securities at March 31, 2023 were primarily due to the recent increase in market interest rates. Based on the credit quality of the available-for-sale debt securities in an unrealized loss position, and our current estimates of future cash flows to be collected from those securities, we believe the unrealized losses were not credit losses (see Note 3, "Short-Term Investments").

The primary objectives of our investment activities are to maintain liquidity and preserve principal while maximizing the income we receive from our financial instruments without significantly increasing risk. We have established guidelines regarding approved investments and maturities of investments, which are primarily designed to maintain liquidity and preserve principal.

Because of the short-term maturities of our financial instruments, we do not believe that an increase or decrease in market interest rates would have any significant impact on the realized value of our investment portfolio. If a 10% change in interest rates were to have occurred on March 31, 2023, it would not have had a material effect on the fair value of our investment portfolio as of that date.

In May 2020, we issued $287.5 million principal amount of Convertible Senior Notes, which bear interest at a fixed rate of 1.50% per year. Accordingly, we are not subject to interest rate risk as a result of the Convertible Senior Notes (see Note 7, "Debt").

Foreign Currency Exchange Rate Risk

Our operations are primarily located in the United States. In addition, we have a sales and marketing office in Canada, a distribution center in the Netherlands and, beginning in 2023, a research and development facility in Switzerland associated with the acquisition of AMF Medical. Our sales to customers in the United States are made in U.S. dollars. Sales from our distribution center in the Netherlands are made to independent distributors under agreements denominated in Euros. In addition, a portion of our sales in Canada are denominated in Canadian dollars. Accordingly, we believe our exposure to foreign currency rate fluctuations is primarily related to our operations in Canada and Europe, and acquisition related contingent earnout payments, where fluctuations in the rate of exchange between the U.S. dollar and the local currency could adversely affect our financial results (see Note 12, "Acquisitions"). As we expand and further develop our operations in markets outside the United States, particularly in Europe, we will be exposed to additional foreign currency exchange rate risk. In addition, from time to time, we may have foreign currency exchange risk related to existing assets and liabilities, other committed transactions and forecasted future cash flows. In certain circumstances, we may seek to manage such foreign currency exchange risk by using derivative instruments such as foreign currency exchange forward contracts to hedge our risk. However, we may choose not to hedge some exposures for a variety of reasons, including prohibitive economic costs.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed in the reports we file with the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As of March 31, 2023, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of March 31, 2023.

Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives as specified above. Management does not expect, however, that our disclosure controls and procedures will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended March 31, 2023 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Except as set forth above under the caption "Commitments and Contingencies - Legal and Regulatory Matters" in Part I, Notes to Unaudited Condensed Consolidated Financial Statements, Subsection 13 of this Quarterly Report, as of March 31, 2023, we do not believe we are currently a party to any legal proceedings, regulatory matters, or other disputes or claims which, if determined adversely to us, would, individually or taken together, have a material adverse effect on our business, financial condition, operating results, liquidity or future prospects. However, regardless of the merits of the claims raised or the outcome, legal proceedings, regulatory matters, and other disputes and claims may have an adverse impact on the Company as a result of defense and settlement costs, diversion of management time and resources, and other factors.

Item 1A. Risk Factors.

We are not aware of any material changes to the risk factors set forth under the caption "Risk Factors" in Part II, Item 1A of the Annual Report, which are incorporated herein by reference. The risks described in the Annual Report are not the only ones we face. Additional risks that we currently do not know about or that we currently believe to be immaterial may also impair our business, financial condition, operating results, liquidity, and future prospects.

Item 6. Exhibits.

Exhibit Number	Exhibit Description	Incorporated by Reference			Exhibit Number	Provided Herewith
		Form	File No.	Date of First Filing		
10.1	Tandem Diabetes Care, Inc. 2023 Senior Management Cash Bonus Plan					X
31.1	Certification of John F. Sheridan, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Leigh A. Vosseller, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certification of John F. Sheridan, Chief Executive Officer, pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2*	Certification of Leigh A. Vosseller, Chief Financial Officer, pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	Inline XBRL Instance Document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					X
104	Cover Page Interactive Data File (embedded within the Inline XBRL Document contained in Exhibit 101).					X

* This certification is not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Tandem Diabetes Care, Inc.

Dated: May 3, 2023

By: /s/ John F. Sheridan

John F. Sheridan
President and Chief Executive Officer
(on behalf of the registrant and as the registrant's
Principal Executive Officer)

Dated: May 3, 2023

By: /s/ Leigh A. Vosseller

Leigh A. Vosseller
Executive Vice President, Chief Financial Officer and Treasurer
(on behalf of the registrant and as the registrant's
Principal Financial and Accounting Officer)

Tandem Diabetes Care, Inc.
2023 Sr. Management Cash Bonus Plan

The Tandem Diabetes Care, Inc. 2023 Sr. Management Cash Bonus Plan (the "***Bonus Plan***") has been designed to align plan participants with the business goals and strategies of Tandem Diabetes Care, Inc. ("***Tandem***" or the "***Company***") and to further the objectives of the Company's executive compensation program. This Bonus Plan is an important part of the Company's commitment to recognizing key employees who contribute to the achievement of important Company performance goals. Specifically, the objectives of the Bonus Plan are as follows:

- Attract, retain and motivate executives, with the background and experience required for the Company's future growth and success;
- Align the interests of plan participants with those of the Company's stockholders by tying a meaningful portion of their compensation opportunity to the achievement of predetermined performance objectives that are important to our growth and success, which can increase or decrease to reflect achievement with respect to the objective;
- Together with base salary, long-term equity incentives and other components of compensation, create a total compensation package with an appropriate balance of cash versus non-cash, and guaranteed versus at risk compensation opportunities that is competitive with other medical device and technology companies' similar in size, growth and stage.

Performance Period

The Bonus Plan is primarily intended to reward plan participants for their individual contributions to the Company's achievement with respect to Company performance objectives for the 2023 fiscal year. However, the Company's Board of Directors or the Compensation Committee of the Board of Directors (the "***Compensation Committee***") also has the discretion to consider individual or Company performance after December 31, 2023 and until the date of any actual bonus determination under the Bonus Plan in measuring performance and determining the amount of an award, if any, under the Bonus Plan.

Eligibility

Employees of the Company eligible for an award under this Bonus Plan will be limited to individuals serving as a Vice President or more senior management role within the Company, as determined by the Board of Directors or the Compensation Committee. If, following January 1, 2023, an individual is promoted or hired and becomes an eligible participant under the Bonus Plan at any time during the 2023 calendar year, then the individual will be eligible to participate under the Bonus Plan on a pro-rata basis, calculated in the reasonable discretion of the Compensation Committee, unless otherwise specifically provided by the Board of Directors or the Compensation Committee.

Bonus Opportunity

A target cash incentive amount (a "***Target Bonus Amount***") for each eligible plan participant will be set as a percentage of the participant's base salary and calculated based on 2023 salaries paid. Cash incentives may be earned under the Bonus Plan based on the achievement of a financial performance objective, a product development milestone, and a customer-related objective. The financial performance objective represents 80% of the overall Target Bonus Amount. The product development milestone and customer satisfaction-related objective will each represent 10% of the overall Target Bonus Amount, which together with the financial performance objective, represent 100% of the overall Target Bonus Amount.

Financial Performance Objective

The portion of the cash bonuses that relates to the Company financial performance objectives may be earned based on the Company's actual non-GAAP revenue for fiscal year 2023 as compared to a pre-established 2023 non-GAAP revenue target (the "***Revenue Target***"). Subject to the foregoing, the Company financial performance objective portion of the cash bonuses may be earned under the 2023 Cash Bonus Plan as follows:

- A minimum percentage growth rate over the Company's actual 2022 revenue, which places the Company's revenue for 2023 at 90% of the Revenue Target (the ***"Minimum Revenue Target"***), must be achieved for 50% bonus to be earned under the financial performance objectives portion of the 2023 Cash Bonus Plan.

- If the Company's actual revenues are between the Minimum Revenue Target and the Revenue Target, the goal achievement for the financial performance objectives will be calculated proportionately on a straight-line basis from 50% to 100%.

- If the Company's actual revenues meet or exceed the Revenue Target, up to 200% of the bonus may be earned upon achievement of 110% or greater of the Revenue Target (the "***Outperformance Revenue Target***"). The outperformance goal achievement will be calculated proportionately on a straight-line basis from 100% at the Revenue Target up to 200% at the Outperformance Revenue Target. In the event of this achievement, the Company must also achieve at least a minimum adjusted Earnings before Interest, Taxes, Depreciation and Amortization (and further excluding non-cash stock based compensation expense, and other unique or non-recurring transactions that may occur, and any accrual for the payment under the 2023 Cash Bonus Plan) ("***EBITDA***") margin percentage (the "***Minimum Operating Percentage Target***").

Product Development Milestone

The portion of the cash bonuses that relates to the Company product development milestone generally requires the Company to launch new products. An individual product development milestone must be achieved within a required time period for the applicable portion of the 2023 Cash Bonus Plan to be achieved. Number of new product launches serve as both a minimum threshold for achieving 50% payout and an outperformance threshold for achieving up to 200% payout under this portion of the 2023 Cash Bonus Plan. Overall goal achievement is subject to the Compensation Committee's final discretion, and determination of the Company's product development milestone will be based on the level of achievement by the Company during fiscal year 2023.

Customer Satisfaction-Related Objective

The portion of the cash bonuses that relates to the Company customer satisfaction-related objective generally requires the Company to achieve a minimum annual metric related to customer support and services. Defined metrics serve as both a minimum threshold for achieving 50% payout and an outperformance threshold for achieving up to 200% payout under this portion of the 2023 Cash Bonus Plan. Overall goal achievement is subject to the Compensation Committee's final discretion, and determination of the Company's customer satisfaction-related objective will be based on the level of achievement by the Company during fiscal year 2023.

Award Determination

Bonus payments under the Bonus Plan, if any, will be made at the discretion of the Board or the Committee. The financial performance component, product development component, and customer-related component of the Bonus Plan may be earned independent of one another. If the Company does not achieve any portion of any of the components of the Bonus Plan, no payouts will be made unless the Board of Directors or the Compensation Committee, in their sole discretion, determines that there are other factors that merit consideration in the determination of bonus awards, which may be determined on an individual basis. All determinations and decisions made by the Board of Directors or the Compensation Committee pursuant to the provisions of the Bonus Plan shall be final, conclusive and binding on all persons, and shall be given the maximum deference permitted by law.

Payout and Administration

Bonus calculations will based on 2023 salaries paid. Payment of bonuses will be made as soon as practical after the end of the plan year, but not later than March 15, 2024. Participants must be actively employed at the time of payout to be eligible for any bonus payment. The Board of Directors or the Compensation Committee may approve payments to any eligible plan participant. The Board of Directors or the Compensation Committee can modify the Bonus Plan, including timing and form of payments, at any time in their sole discretion. Amounts payable under the Bonus Plan are intended to comply with the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations and thus be exempt from the provisions of Section 409A of the Internal Revenue Code of 1986, as amended. The Board of Directors and the Compensation Committee intend to administer the Bonus Plan in a manner consistent with this rule. Any amounts paid hereunder shall be subject to recoupment in accordance with The Dodd-Frank Wall Street Reform and Consumer Protection Act and any implementing regulations thereunder, any clawback policy adopted by the Company or as is otherwise required by applicable law.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John F. Sheridan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Tandem Diabetes Care, Inc

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Tandem Diabetes Care, Inc.

By: /s/ John F. Sheridan
John F. Sheridan
President, Chief Executive Officer and Director

Dated: May 3, 2023

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Leigh A. Vosseller, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Tandem Diabetes Care, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Tandem Diabetes Care, Inc.
By: /s/ Leigh A. Vosseller
Leigh A. Vosseller
Executive Vice President, Chief Financial Officer and Treasurer

Dated: May 3, 2023

Exhibit 32.1

CERTIFICATION
Pursuant to U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Tandem Diabetes Care, Inc. (the "Company") for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John F. Sheridan, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented.

Date: May 3, 2023

/s/ John F. Sheridan
John F. Sheridan
President, Chief Executive Officer and Director

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION
Pursuant to U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Tandem Diabetes Care, Inc. (the "Company") for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Leigh A. Vosseller, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented.

Date: May 3, 2023

/s/ Leigh A. Vosseller
Leigh A. Vosseller
Executive Vice President, Chief Financial Officer and Treasurer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.