

Alphatec Holdings, Inc.
Form 10-Q
August 04, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 000-52024

ALPHATEC HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-2463898
(I.R.S. Employer
Identification No.)

5818 El Camino Real

Carlsbad, CA 92008

(Address of principal executive offices, including zip code)

(760) 431-9286

(Registrant's telephone number, including area code)

N/A

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(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Small reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes No

As of August 3, 2009, there were 52,311,204 shares of the registrant's common stock outstanding.

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ALPHATEC HOLDINGS, INC.
QUARTERLY REPORT ON FORM 10-Q

June 30, 2009

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****ALPHATEC HOLDINGS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(UNAUDITED)****(In thousands, except for par value data)**

	June 30, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 19,731	\$ 18,315
Accounts receivable, net	23,824	18,759
Inventories, net	27,749	24,170
Prepaid expenses and other current assets	4,038	3,847
Deferred income tax assets	413	418
Total current assets	75,755	65,509
Property and equipment, net	28,862	23,093
Goodwill	60,087	60,124
Intangibles, net	2,705	4,280
Other assets	1,706	2,542
Total assets	\$ 169,115	\$ 155,548
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 13,809	\$ 10,504
Accrued expenses	22,167	16,739
Deferred revenue	2,865	1,858
Current portion of long-term debt	4,439	2,109
Total current liabilities	43,280	31,210
Long-term debt, less current portion	26,577	26,488
Other long-term liabilities	1,747	1,889
Deferred income tax liabilities	964	887
Redeemable preferred stock, \$0.0001 par value; 20,000 authorized at June 30, 2009 and December 31, 2008; 3,319 and 3,320 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively	23,605	23,605
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.0001 par value; 200,000 authorized at June 30, 2009 and December 31, 2008; 51,760 and 47,411 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively	5	5
Additional paid-in capital	170,671	158,140
Accumulated other comprehensive income	1,123	1,495
Accumulated deficit	(98,857)	(88,171)
Total stockholders' equity	72,942	71,469

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Total liabilities and stockholders' equity	\$ 169,115	\$ 155,548
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See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**ALPHATEC HOLDINGS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(UNAUDITED)****(in thousands, except per share amounts)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenues	\$ 32,263	\$ 23,853	\$ 62,873	\$ 47,050
Cost of revenues	11,412	8,016	22,242	15,903
Gross profit	20,851	15,837	40,631	31,147
Operating expenses:				
Research and development	3,436	3,354	6,303	6,558
In-process research and development	4,493		5,783	1,300
Sales and marketing	12,810	10,062	25,594	20,165
General and administrative	5,563	5,740	11,526	11,304
Litigation settlement				11,000
Total operating expenses	26,302	19,156	49,206	50,327
Operating loss	(5,451)	(3,319)	(8,575)	(19,180)
Other income (expense):				
Interest income	16	104	50	305
Interest expense	(918)	(269)	(1,834)	(447)
Other income (expense), net	166	(38)	(95)	113
Total other income (expense)	(736)	(203)	(1,879)	(29)
Loss before taxes	(6,187)	(3,522)	(10,454)	(19,209)
Income tax provision	116	69	232	161
Net loss	\$ (6,303)	\$ (3,591)	\$ (10,686)	\$ (19,370)
Net loss per common share:				
Basic and diluted	\$ (0.13)	\$ (0.08)	\$ (0.23)	\$ (0.42)
Weighted-average shares used in computing net loss per share:				
Basic and diluted	47,157	46,274	46,832	46,138

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**ALPHATEC HOLDINGS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)****(in thousands)**

	Six Months Ended June 30,	
	2009	2008
Operating activities:		
Net loss	\$ (10,686)	\$ (19,370)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,498	3,673
Stock-based compensation	1,465	1,440
Interest expense related to amortization of debt discount and debt issuance costs	297	
In-process research and development paid in stock	3,013	650
Provision for (recoveries from) doubtful accounts	(25)	106
Provision for excess and obsolete inventory	506	1,295
Gain on sale of property and equipment	(20)	
Deferred income taxes	82	330
Changes in operating assets and liabilities:		
Accounts receivable	(5,268)	(2,139)
Inventories	(4,212)	(2,059)
Prepaid expenses and other current assets	49	(306)
Other assets	425	(826)
Accounts payable	287	804
Accrued expenses and other	3,648	942
Deferred revenues	1,007	1,385
Net cash used in operating activities	(3,934)	(14,075)
Investing activities:		
Proceeds from sale of Noas investment	383	
Purchase of intangible assets		(389)
Purchases of property and equipment (including instruments)	(6,648)	(7,184)
Sale of certificate of deposit		2,000
Net cash used in investing activities	(6,265)	(5,573)
Financing activities:		
Net proceeds from issuance of common stock	9,884	
Borrowings under lines of credit	3,868	8,500
Repayments under lines of credit	(755)	(1,869)
Principal payments on capital lease obligations	(197)	(263)
Proceeds from issuance of notes payable		1,815
Principal payments on notes payable	(893)	(1,151)
Other		22
Net cash provided by financing activities	11,907	7,054
Effect of exchange rate changes on cash and cash equivalents	(292)	(178)
Net increase (decrease) in cash and cash equivalents	1,416	(12,772)
Cash and cash equivalents at beginning of period	18,315	25,843

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Cash and cash equivalents at end of period	\$ 19,731	\$ 13,071
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See accompanying notes to unaudited condensed consolidated financial statements.

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ALPHATEC HOLDINGS, INC.
STATEMENTS OF CASH FLOWS (continued)
(UNAUDITED)
(in thousands)

	Six Months Ended June 30,	
	2009	2008
Supplemental cash flow information:		
Cash paid for interest	\$ 1,182	\$ 363
Cash paid for income taxes	\$ 153	\$ 368
Purchases of property and equipment (including instruments) in accounts payable	\$ 3,135	\$
Financing of insurance premium by insurance provider	\$ 301	\$

See accompanying notes to unaudited condensed consolidated financial statements.

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ALPHATEC HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. The Company and Basis of Presentation

The Company

Alphatec Holdings, Inc. (Alphatec, Alphatec Holdings or the Company), through its wholly-owned subsidiary, Alphatec Spine, Inc. (Alphatec Spine) is engaged in the development, manufacturing and sale of medical devices for use in spinal surgeries with a focus on providing solutions for produ