

GLOBUS MEDICAL INC
Form S-1/A
July 16, 2012
Table of Contents

As filed with the Securities and Exchange Commission on July 16, 2012

Registration No. 333-180426

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 3
to
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Globus Medical, Inc.

(Exact name of registrant as specified in its charter)

Edgar Filing: GLOBUS MEDICAL INC - Form S-1/A

Delaware
(State or other jurisdiction of
incorporation or organization)

3841
(Primary Standard Industrial
Classification Code Number)
Valley Forge Business Center

04-3744954
(I.R.S. Employer
Identification Number)

2560 General Armistead Avenue

Audubon, PA 19403

(610) 930-1800

(Address, including zip code and telephone number, including area code, of registrant's principal executive offices)

Anthony L. Williams

Vice President and Corporate Counsel

Globus Medical, Inc.

Valley Forge Business Center

2560 General Armistead Avenue

Audubon, PA 19403

(610) 930-1800

(Name, address, including zip code and telephone number, including area code, of agent for service)

Copies to:

Stephen T. Burdumy

Donald R. Reynolds

Marc D. Jaffe

Robert C. Juelke

Wyrick Robbins Yates & Ponton LLP

Latham & Watkins LLP

Drinker Biddle & Reath LLP

4101 Lake Boone Trail, Suite 300

885 Third Avenue, Suite 1000

One Logan Square, Suite 2000

Raleigh, NC 27607

New York, NY 10022-4834

Philadelphia, PA 19103-6996

(919) 781-4000

(212) 906-1200

(215) 988-2700

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion

Preliminary Prospectus dated July 16, 2012

PROSPECTUS

11,764,705 Shares

Class A Common Stock

This is the initial public offering of Globus Medical, Inc. We are selling 2,941,176 shares of our Class A common stock and the selling stockholders are selling 8,823,529 shares of our Class A common stock. We will not receive any proceeds from the sale of shares of our Class A common stock to be offered by the selling stockholders.

We expect the public offering price to be between \$16.00 and \$18.00 per share. Currently, no public market exists for the shares. We have applied to list our Class A common stock on the New York Stock Exchange under the symbol GMED.

Following this offering, we will have two classes of common stock outstanding: Class A common stock and Class B common stock. The rights of the holders of our Class A common stock and our Class B common stock are identical, except with respect to voting and conversion. Each share of our Class A common stock is entitled to one vote per share and is not convertible into any other shares of our capital stock. Each share of our Class B common stock is entitled to ten votes per share and is convertible into one share of our Class A common stock at any time. Our Class B common stock also will automatically convert into shares of our Class A common stock upon certain transfers. Please read Description of Capital Stock Common Stock.

We are an emerging growth company under the federal securities laws and will be subject to reduced public company reporting requirements. Investing in our Class A common stock involves risks that are described in the Risk Factors section beginning on page 14 of this prospectus.

	Per Share	Total
Public offering price	\$	\$
Underwriting discounts	\$	\$
Proceeds, before expenses, to Globus Medical, Inc.	\$	\$

Edgar Filing: GLOBUS MEDICAL INC - Form S-1/A

Proceeds, before expenses, to the selling stockholders \$ \$
The underwriters may also purchase up to an additional 1,764,706 shares of our Class A common stock from the selling stockholders, at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Delivery of the shares of Class A common stock will be made on or about , 2012.

BofA Merrill Lynch

Goldman, Sachs & Co.

Piper Jaffray

Leerink Swann

Canaccord Genuity

William Blair

Oppenheimer & Co.

The date of this prospectus is , 2012.

Table of Contents**TABLE OF CONTENTS**

	Page
<u>PROSPECTUS SUMMARY</u>	1
<u>RISK FACTORS</u>	14
<u>CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS</u>	51
<u>USE OF PROCEEDS</u>	53
<u>DIVIDEND POLICY</u>	54
<u>CAPITALIZATION</u>	55
<u>DILUTION</u>	58
<u>SELECTED CONSOLIDATED FINANCIAL DATA</u>	60
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	63
<u>BUSINESS</u>	83
<u>MANAGEMENT</u>	109
<u>EXECUTIVE COMPENSATION</u>	117
<u>CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS</u>	125
<u>DESCRIPTION OF CAPITAL STOCK</u>	129
<u>PRINCIPAL AND SELLING STOCKHOLDERS</u>	134
<u>SHARES ELIGIBLE FOR FUTURE SALE</u>	138
<u>CERTAIN U.S. FEDERAL TAX CONSIDERATIONS APPLICABLE TO NON-U.S. HOLDERS</u>	140
<u>UNDERWRITING</u>	144
<u>LEGAL MATTERS</u>	151
<u>EXPERTS</u>	151
<u>WHERE YOU CAN FIND ADDITIONAL INFORMATION</u>	151
<u>INDEX TO CONSOLIDATED FINANCIAL STATEMENTS</u>	F-1

You should rely only on the information contained in this document and any free writing prospectus we provide to you. We have not authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

We intend to effectuate a 3.25-to-1 stock split of our outstanding common stock immediately prior to the closing of this offering. As of the date of this preliminary prospectus, we have not yet effectuated this reverse stock split.

MARKET AND INDUSTRY DATA

This prospectus contains industry, market, and competitive position data that are based on industry publications and studies conducted by third parties. The industry publications and third-party studies generally state that the information that they contain has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. While we believe that each of these publications and third-party studies is reliable, we have not independently verified the market and industry data obtained from these third-party sources.

Table of Contents

TRADEMARKS

The Globus Medical trademark portfolio contains 74 registered trademarks and 41 pending trademarks. The Globus Medical trademark portfolio includes domestic and foreign trademarks with associated logos and tag lines. The following list includes all registered marks and pending marks. All other trademarks or trade names referred to in this prospectus are the property of their respective owners.

The following are registered trademarks:

GLOBUS MEDICAL; GLOBUS MEDICAL Logo; MAINTAIN; PRESERVE; SECURE; SUSTAIN; PROTEX; ASSURE; ACCUFLEX; XPAND (US); PIVOT; GATEWAY; RETAIN; REVERE; LAMINEX; NUBONE; INDEPENDENCE; CITADEL; MICROFUSE; PATRIOT; COLONIAL; CONSTITUTION; CONTINENTAL; NIKO; TRIUMPH; RENEGADE (EU); RELIEVE; TRANSITION; ADDITION; H-LINK ; CORRIDOR; SIGNATURE; REVOLVE; ELLIPSE; THINKSPINE Logo; VIP; XTEND; ELLIPTICCLICK; TRUSS; COALITION; ZYFUSE; TRANSCONTINENTAL; RESCUE; RETRIEVE; INTERCONTINENTAL; CONDUCT; LIFE MOVES US; CALIBER; SP-FIX; SKIN TO SKIN; REVLOK; FACET SOLUTIONS; FACET SOLUTIONS, INC. Logo; AFRS; ACADIA; ALGEA THERAPIES (EU); ALGEA (Design EU and Switzerland); ACCUMETER; Globus Medical Etched Logo BEACON; SOFTSTOP.

The following are pending trademarks:

XPAND (Foreign); PREEMINENCE IN SPINE; ORBIT; RENEGADE (US); FORTIFY; LATIS; REVOLVER; THINKSPINE; ZYLIF; ZLIF; DROP & LOCK; KINEX; LIFE MOVES US; CONTAIN; UNIFY; AFFIRM; COMPOSE; ALGEA; ALGEA THERAPIES (US); ALGEA (Design US); SI-LOK; FORGE; CANOPY; GLOBUS MEDICAL (New Logo); CHIMERA; INTERVENTIONS FOR LIFE; RISE; OPTIC LOCKING TECHNOLOGY; SP-FIX ARC; PLYMOUTH; XEMPLIFI; BERETTA; INTRALIF; MARVEL; SP-FLEX; CREO; IN-LOK.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights certain information appearing elsewhere in this prospectus. As this is a summary, it does not contain all of the information that you should consider in making an investment decision. You should read the entire prospectus carefully, including the information under Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included in this prospectus, before investing. Unless otherwise stated in this prospectus, references to Globus, we, us or our company refer to Globus Medical, Inc. and its subsidiaries.

We refer to Adjusted EBITDA in this prospectus summary and elsewhere in this prospectus. For the definition of Adjusted EBITDA, an explanation of why we present it and a description of the limitations of this non-GAAP measure, as well as a reconciliation to net income, see Summary Consolidated Financial Data.

Our Business

We are a medical device company focused exclusively on the design, development and commercialization of products that promote healing in patients with spine disorders. We are an engineering-driven company with a history of rapidly developing and commercializing products that assist surgeons in effectively treating their patients, respond to evolving surgeon needs and address new treatment options. Since our inception in 2003, we have launched over 100 products and offer a comprehensive portfolio of innovative and differentiated products addressing a broad array of spinal pathologies, anatomies and surgical approaches. We were formed in 2003 and have grown our sales to \$331.5 million in 2011. We have been able to achieve our success while maintaining strong profit margins. For the year ended December 31, 2011, we had \$118.6 million of Adjusted EBITDA, representing an Adjusted EBITDA margin of 36%, and \$60.8 million of net income. For the three months ended March 31, 2012, we had sales of \$94.7 million as compared to \$78.3 million for the three months ended March 31, 2011, an increase of \$16.4 million or 21%. For the three months ended March 31, 2012, we had \$34.0 million of Adjusted EBITDA, representing an Adjusted EBITDA margin of 36%, and \$17.6 million of net income. We had positive Adjusted EBITDA and Adjusted EBITDA margins in excess of 35% for each of the years ended December 31, 2009, 2010 and 2011.

All of our products fall into one of two categories: innovative fusion or disruptive technologies. Our innovative fusion products address a broad range of spinal fusion surgical procedures. Spinal fusion is a surgical procedure to correct problems with the individual vertebrae, the interlocking bones making up the spine, by preventing movement of the affected bones. We believe our innovative fusion products demonstrate features and characteristics that provide advantages for surgeons and contribute to better outcomes for patients as compared to traditional fusion products.

We define disruptive technologies as those that represent a significant shift in the treatment of spine disorders by allowing for novel surgical procedures, improvements to existing surgical procedures, the treatment of spine disorders by new physician specialties, and surgical intervention earlier in the continuum of care. Our current portfolio of approved and pipeline products includes a variety of disruptive technology products, which we believe offer material improvements to fusion procedures, such as minimally invasive surgical, or MIS, techniques, as well as new treatment alternatives including motion preservation technologies, such as dynamic stabilization, total disc replacement and interspinous process spacer products, and advanced biomaterials technologies, as well as interventional pain management solutions, including treatments for vertebral compression fractures.

We expect the market for disruptive technologies to grow faster than the traditional fusion market and expand the overall addressable population of patients seeking surgical treatment for spine disorders. For the three months ended March 31, 2012, for example, total sales of our innovative fusion products and our disruptive

Table of Contents

technologies products were \$61.5 million and \$33.2 million, respectively, representing increases of 9% and 51%, respectively, over the three months ended March 31, 2011. For the year ended December 31, 2011, total sales of our innovative fusion products and our disruptive technologies products were \$224.4 million and \$107.1 million, respectively, representing year-over-year growth rates of 4% and 47%, respectively.

We have a product development engine that we believe is unique and highly efficient. It employs an integrated team approach to product development that involves collaboration among surgeons, our engineers, our dedicated researchers, our highly-skilled machinists, and our clinical and regulatory personnel. We believe that utilizing these integrated teams, as well as our extensive in-house facilities, enables us to design, test and obtain regulatory approvals of our products at a faster rate than our competitors. We emphasize the importance of developing new products that are improvements to existing technologies and offerings, which we believe drives demand for our products. We have introduced 44 products since 2009, which accounted for 46% of our sales for the year ended December 31, 2011. Two examples of recent product development successes are COALITION, which was launched in April 2009 and represented 11% of our sales for the year ended December 31, 2011, and for the three months ended March 31, 2012, and CALIBER, which was launched in January 2011 and represented 10% of our sales for the three months ended March 31, 2012. Other than the REVERE 5.5 Titanium Degen System, which represented 21% of our sales for the year ended December 31, 2011, and the three months ended March 31, 2012, no product represented a greater percentage of our sales in the three months ended March 31, 2012 than COALITION and CALIBER.

Our product development engine allows us to develop products that we believe demonstrate features and characteristics that provide advantages for surgeons and contribute to better outcomes for patients. We believe the use of our products reduces costs as a result of lower morbidity rates, shorter patient recovery times and shorter hospital stays.

We market and sell our products through our exclusive global sales force. As of March 31, 2012, our U.S. sales force consisted of 336 sales representatives employed by us or our 19 exclusive independent distributors. As of March 31, 2012, our international operations consisted of 87 employees and eight exclusive independent distributors, which together had sales in 17 countries during 2011. We expect to continue to expand our domestic and international sales and marketing infrastructure. We intend to add a total of 24 additional direct and distributor sales representatives in the United States and aim to have a sales presence in eight additional countries by the end of 2012. As of March 31, 2012, we had also hired a newly-formed, separate sales force consisting of 32 sales representatives to market and sell our current and planned interventional pain management products, which we market under the trade name Algea Therapies. We intend to recruit additional sales representatives strategically to grow that business. We believe the planned expansion of our U.S. and international sales forces provides us with significant opportunities for future growth as we continue to penetrate existing geographic markets and enter new ones.

Market Opportunity

According to iData Research, Inc. the \$10.0 billion worldwide spine market consists of the \$5.9 billion spinal fusion market and the \$4.1 billion disruptive technologies market. We believe the worldwide market for spine surgery will continue to grow as a result of the following market influences:

Favorable patient demographics. The number of people over the age of 65 is large and growing. Improvements in healthcare have led to increasing life expectancies worldwide and the opportunity to lead more active lifestyles at advanced ages. These trends are expected to generate increased demand for spine surgeries.

Table of Contents

Improving technologies leading to increased use of fusion procedures. Due to the longevity of its practice and acceptable clinical outcomes, fusion has become a standard treatment option for patients presenting more advanced stages of spine disease. We expect that the development of improved fusion products will continue to contribute to spinal fusion as a leading treatment for advanced stages of spine disease.

Disruptive technologies driving earlier interventions and creating an expanded patient base. Disruptive technologies are gaining increasing acceptance among patients and surgeons because they allow for novel surgical procedures, improvements to existing surgical procedures, the treatment of spine disorders by new physician specialties, and surgical intervention earlier in the continuum of care, all of which can result in better outcomes for patients. We believe surgeons and patients who would otherwise choose more conservative nonsurgical treatment plans with sub-optimal results may elect a surgical option utilizing disruptive technologies to treat spine disorders. As a result, disruptive technologies are expected to drive accelerated growth and increase the size of the addressable patient population for spine surgery.

Continued market penetration internationally. While the United States comprises approximately 5% of the worldwide population, according to iData Research, Inc., approximately 53% of spine surgeries occur in the United States. We believe that improvements to the standard of care, including the introduction of new products and the expansion of international sales forces, will increase demand for spine products outside of the United States.

Our Competitive Strengths

We are focused exclusively on the spine market and our senior leadership team has over 200 years of collective experience in the spine and medical device industries. We believe that this focus and experience, combined with the following principal competitive strengths, will allow us to grow our sales faster than our competitors and the overall spine industry:

Comprehensive and broad portfolio of innovative fusion products. We have a comprehensive portfolio of innovative fusion products that addresses a broad array of spinal pathologies, anatomies and surgical approaches. We believe our innovative fusion products demonstrate features and characteristics that provide advantages for surgeons and contribute to better outcomes for patients as compared to traditional fusion products.

Well-positioned disruptive technology products. We expect the market for disruptive technologies to grow faster than the traditional fusion market. We currently have a comprehensive and broad portfolio of MIS, motion preservation and advanced biomaterials products, with several other products in various stages of development. We believe our current portfolio and pipeline of disruptive technology products provide improved patient outcomes, reduce overall costs and position us to capitalize on the growth in this market.

Integrated product development engine. Our integrated teams of surgeons, engineers, dedicated researchers, highly-skilled machinists, and clinical and regulatory personnel work together to conceptualize, evaluate, and develop potential new products through an iterative process that allows for rapid product development. We believe that our process results in a unique and highly efficient approach to product development that significantly reduces the time required to advance a potential product from concept to commercialization, and allows us to react quickly to evolving surgeon and patient needs, address new treatment options, and introduce several new products annually.

Table of Contents

Exclusive U.S. sales force with broad geographic scope. As of March 31, 2012, our U.S. sales force consisted of 336 sales representatives employed by us or our 19 exclusive independent distributors, not counting our separate Algea Therapies sales force. Our direct and distributor sales representatives are highly trained in the clinical benefits of our products and frequently consult with surgeons and surgical staff inside the operating room regarding the use of our products. We believe the size, expertise and exclusive nature of our sales force enable us to maximize our market penetration and continue to expand our geographic presence.

Demonstrated track record of profitability with established scale. We have made investments in our infrastructure that have allowed us to develop and commercialize over 100 new products since our inception, while maintaining strong profit margins typically associated with our larger competitors. For the year ended December 31, 2011, we generated sales of \$331.5 million, Adjusted EBITDA of \$118.6 million and net income of \$60.8 million, and for the three months ended March 31, 2012, we generated sales of \$94.7 million, Adjusted EBITDA of \$34.0 million and net income of \$17.6 million. Our disciplined approach has contributed to Adjusted EBITDA margins in excess of 35% for each of the years ended December 31, 2009, 2010 and 2011.

Our Products and Clinical Development Programs

We currently offer a comprehensive and broad portfolio of over 100 innovative fusion and disruptive technology products. Our innovative fusion products are used in cervical, thoracolumbar, sacral, and interbody/corpectomy fusion procedures to treat degenerative, deformity, tumor, and trauma conditions. Our disruptive technology products include MIS, motion preservation and advanced biomaterials technologies. We continue to develop and test novel spine products, and as of the date of this prospectus, we had over 30 potential new products in various stages of development. We are currently conducting clinical trials for several new disruptive technologies under FDA-approved investigational device exemptions, or IDEs, including the SECURE-C Cervical Artificial Disc, the ACADIA Facet Replacement System, and the TRIUMPH Lumbar Disc. We expect to launch approximately five to ten new products in each of the next three years.

Our Strategy

Our goal is to become the leader in providing innovative solutions across the continuum of care in the spine market. To achieve this goal, we are employing the following business strategies:

Leverage our product development engine. We plan to continue to develop innovative fusion products and disruptive technology products in the areas of MIS, motion preservation, and advanced biomaterials technologies using what we believe to be a unique and highly efficient product development engine. We believe our team-oriented approach, active surgeon input and demonstrated product development and commercialization capabilities position us to maintain a rapid rate of new product launches.

Increase the size, scope and productivity of our exclusive U.S. sales force. We have made, and intend to continue to make, significant investments in our exclusive U.S. sales force to maximize our market penetration and expand our geographic presence. We intend to add a total of 24 additional direct and distributor sales representatives in the United States by the end of 2012. We also intend to continue recruiting additional sales representatives strategically to grow our Algea Therapies sales force. We will continue to provide our sales representatives with specialized development programs designed to improve their productivity.

Table of Contents

Continue to expand into international markets. We expect to continue to increase our international presence through the commercialization of additional products and through the expansion of our direct and distributor sales force. As of December 31, 2011, we had an existing direct or distributor sales presence in 17 countries outside of the United States and aim to have a sales presence in eight additional countries by the end of 2012.

Pursue strategic acquisitions and alliances. We intend to selectively pursue acquisitions and alliances in the future that will provide us with new or complementary technologies, personnel with significant relevant experience, or increased market penetration. We are currently evaluating a number of possible acquisitions or strategic relationships and believe that our resources and experience make us an attractive acquiror or partner.

Risks Affecting Us

We are subject to numerous risks, including risks that may prevent us from achieving our business objectives or may adversely affect our business, financial condition, results of operations, cash flows and prospects. Please read the section entitled **Risk Factors** beginning on page 14 for a discussion of some of the factors you should carefully consider before deciding to invest in our Class A common stock. In particular, our business depends substantially on spine surgeons recognizing our products as a superior choice for patients, and on third-party payors offering reimbursement to healthcare providers for our products. We rely on the expertise of our sales force and may not be able to maintain or expand it. Our competitors and potential competitors include much larger companies with more resources and commercialization experience than we have. Our products have not been subject to long-term clinical studies as to their safety and effectiveness, and so our products may prove to be less safe or effective than initially thought. Our products are heavily regulated, and changes in legal or regulatory requirements, including healthcare reform, could affect us, our products and their use. Our ability to grow our business may be limited by a number of factors, including intellectual property held by others.

Corporate Information

We were incorporated in Delaware in 2003. Our principal executive offices are located at Valley Forge Business Center, 2560 General Armistead Avenue, Audubon, Pennsylvania 19403. The telephone number of our principal executive office is (610) 930-1800. Our website is www.globusmedical.com. The information on our website is not incorporated by reference into this prospectus, and you should not consider information contained on our website to be a part of this prospectus or in deciding whether to purchase our Class A common stock.

Implications of Being an Emerging Growth Company

As a company with less than \$1.0 billion in revenue during our last fiscal year, we qualify as an emerging growth company as defined in the Jumpstart our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies. As an emerging growth company,

we may present only two years of audited financial statements and only two years of related Management's Discussion & Analysis of Financial Condition and Results of Operations, or MD&A;

we are exempt from requirement to obtain an attestation and report from our auditors on the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002;

we are permitted to provide less extensive disclosure about our executive compensation arrangements;

Table of Contents

we are not required to give our stockholders non-binding advisory votes on executive compensation or golden parachute arrangements; and

we have elected to use an extended transition period for complying with new or revised accounting standards.

We may take advantage of these provisions for up to five years or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company if we have more than \$1.0 billion in annual revenues, have more than \$700 million in market value of our common stock held by non-affiliates, or issue more than \$1.0 billion of non-convertible debt over a three-year period. We may choose to take advantage of some but not all of these reduced burdens.

Table of Contents**The Offering**

Issuer	Globus Medical, Inc.
Class A common stock offered by us	2,941,176 shares
Class A common stock offered by the selling stockholders	8,823,529 shares (10,588,235 shares in the event the underwriters exercise their option to purchase additional shares in full to cover overallocments, if any)
Class A common stock to be outstanding immediately after this offering	64,522,640 shares
Class B common stock to be outstanding immediately after this offering	26,723,677 shares
Total Class A and Class B common stock to be outstanding immediately after this offering	91,246,317 shares
Voting rights	<p>Following this offering, we will have outstanding two classes of common stock: Class A common stock and Class B common stock. The rights of the holders of our Class A and Class B common stock are identical, except with respect to voting and conversion. The holders of our Class B common stock are entitled to ten votes per share and the holders of our Class A common stock are entitled to one vote per share. The shares of our Class B common stock outstanding after this offering will represent approximately 29% of the total number of shares of our Class A and Class B common stock outstanding after this offering and 81% of the combined voting power of our Class A and Class B common stock outstanding after this offering. The holders of our Class A and Class B common stock will vote together as a single class on all matters submitted to a vote of our stockholders, unless otherwise required by law. Following this offering, David C. Paul, our Chief Executive Officer and Chairman, will control 81% of the voting power of our outstanding capital stock. Each share of our Class B common stock is convertible into one share of our Class A common stock at any time and will convert automatically upon certain transfers. Immediately upon the closing of this offering, any holders of Class B common stock who own less than 10% of the aggregate number of all outstanding shares of our common stock will have such shares automatically converted to Class A common stock, and any time following this offering, any holders of Class B common stock who own less than 5% of the aggregate number of outstanding shares of our common stock will have such shares automatically converted to Class A common stock. See Description of Capital Stock.</p>

Table of Contents

Use of proceeds

The principal purposes of this offering are to create a public market for our Class A common stock and thereby enable future access to the public equity markets by us and our employees, obtain additional capital, and facilitate an orderly distribution of shares for the selling stockholders. We estimate that our net proceeds from the sale of 2,941,176 shares of our Class A common stock in this offering will be approximately \$35.1 million, assuming an initial offering price of \$17.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses. We intend to use the net proceeds received by us from this offering for working capital and general corporate purposes, including further expansion of our sales and marketing efforts and continued investments in research and development; however we do not have any specific uses of the net proceeds planned.

We will not receive any proceeds from the sale of any shares of our Class A common stock by the selling stockholders. See Use of Proceeds.

Risk factors

Investing in our Class A common stock involves risks. See Risk Factors beginning on page 14 of this prospectus for a discussion of factors you should carefully consider before deciding to invest in our Class A common stock.

Proposed New York Stock Exchange Symbol

GMED

The number of shares of our Class A and Class B common stock to be outstanding after this offering is based upon an aggregate of 88,305,141 shares of Class A and Class B common stock outstanding as of March 31, 2012, and excludes:

6,582,804 shares of common stock issuable upon exercise of outstanding options to purchase shares of common stock as of March 31, 2012, at a weighted average exercise price of \$5.46 per share; and

33,189,649 shares of common stock reserved for future issuance under our stock option plans as of March 31, 2012.

Except as otherwise indicated, the information in this prospectus gives effect to the 3.25-to-1 stock split of our outstanding common stock to be effected immediately prior to the closing of this offering and assumes:

the filing and effectiveness of our amended and restated certificate of incorporation immediately prior to the closing of this offering;

the automatic conversion upon the closing of this offering of all shares of our Series E preferred stock to 15,597,300 shares of our Class B common stock (which does not give effect to any additional shares of Class B common stock issuable upon conversion of our Series E preferred stock if the public offering price in this offering falls below the minimum of \$14.10 per share, as described elsewhere in this prospectus; see Certain Relationships and Related-Party Transactions Amended and Restated Certificate of Incorporation);

Table of Contents

the subsequent automatic conversion upon the closing of this offering of 50,140,849 shares of our Class B common stock (which reflects all such shares of Class B common stock held by those who own less than 10% of the aggregate number of all outstanding shares of our common stock) to 50,140,849 shares of our Class A common stock;

the automatic conversion upon the closing of this offering of all shares of our Class C common stock to 63,408 shares of our Class A common stock;

the automatic conversion of 3,693,264 shares of Class B common stock to 3,693,264 shares of Class A common stock upon their sale by the selling stockholders in this offering; and

no exercise of the underwriters' overallotment option to purchase up to an additional _____ shares of our Class A common stock from the selling stockholders.

We intend to effectuate a 3.25-to-1 stock split of our outstanding common stock immediately prior to the closing of this offering. Although the number of outstanding shares of our Series E preferred stock will not change in the event of this reverse stock split, the rate at which shares of our Series E preferred stock convert into shares of Class B common stock will decrease proportionally to the reverse stock split ratio. The reverse stock split will not affect the number of shares of capital stock we are authorized to issue. As a result of the reverse stock split, the number of unreserved and issuable shares of authorized common stock will increase. As of the date of this prospectus, we have not yet effectuated this reverse stock split.

Table of Contents**Summary Consolidated Financial Data**

The following table sets forth our summary consolidated financial data for the periods indicated. We derived the summary consolidated financial data presented below as of December 31, 2010 and 2011 and for the years ended December 31, 2009, 2010 and 2011 from our audited consolidated financial statements included elsewhere in this prospectus. We derived the summary consolidated financial data presented below as of March 31, 2012 and for the three months ended March 31, 2011 and 2012 from our unaudited consolidated financial statements included elsewhere in this prospectus.

Our historical results are not necessarily indicative of future operating results and our interim results are not necessarily indicative of results for a full year. The following summary consolidated financial data should be read in conjunction with, and is qualified in its entirety by reference to, Selected Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	Year Ended December 31,			Three Months Ended March 31,	
	2009	2010	2011	2011 (unaudited)	2012 (unaudited)
	(amounts in thousands, except per share data)				
Statement of Operations Data:					
Sales	\$ 254,344	\$ 288,195	\$ 331,478	\$ 78,279	\$ 94,717
Cost of goods sold	41,607	53,825	68,796	14,899	18,391
Gross profit	212,737	234,370	262,682	63,380	76,326
Operating expenses:					
Research and development	20,521	21,309	23,464	6,040	6,736
Selling, general and administrative	108,422	122,589	140,386	34,014	41,225
Provision for litigation settlements	1,889	2,787	1,470	14	307
Total operating expenses	\$ 130,832	\$ 146,685	\$ 165,320	40,068	48,268
Operating income	81,905	87,685	97,362	23,312	28,058
Other income (expense), net	(127)	54	(413)	4	225
Income before income taxes	81,778	87,739	96,949	23,316	28,283
Income tax provision	29,745	33,281	36,165	8,885	10,707
Net income	52,033	54,458	60,784	14,431	17,576
Less: Net income attributable to noncontrolling interest (1)	3,300				
Net income attributable to Globus Medical, Inc.	\$ 48,733	\$ 54,458	\$ 60,784	\$ 14,431	\$ 17,576
Net income per common share (2):					
Basic	\$ 0.56	\$ 0.61	\$ 0.69	\$ 0.16	\$ 0.20
Diluted	\$ 0.54	\$ 0.59	\$ 0.67	\$ 0.16	\$ 0.19
Weighted average number of common shares (2):					
Basic	72,600	73,328	72,515	72,670	72,624
Diluted	75,447	75,755	74,823	75,584	75,280
Unaudited pro forma net income (3):			\$ 61,074		\$ 17,872

Edgar Filing: GLOBUS MEDICAL INC - Form S-1/A

Unaudited pro forma net income per common share (3):

Basic	\$ 0.69	\$ 0.20
Diluted	\$ 0.67	\$ 0.20

Unaudited pro forma weighted average number of common shares (3):

Basic	88,112	88,221
Diluted	91,072	91,364

Table of Contents

	Year Ended December 31,			Three Months Ended	
	2009	2010	2011	March 31, 2011	March 31, 2012
	(amounts in thousands, except per share data)				
Other Financial Data:					
Depreciation and amortization	\$ 13,502	\$ 15,196	\$ 16,949	\$ 3,821	\$ 4,381
Adjusted EBITDA (4)	100,807	109,847	118,608	27,934	33,971

	As of December 31, 2011		As of March 31, 2012	
	Actual	Actual	Proforma	Pro Forma as Adjusted(5)
	(amounts in thousands)			
Balance Sheet Data:				
Cash and cash equivalents	\$ 142,668	\$ 159,098	\$ 159,098	\$ 194,169
Working capital	229,504	246,657	246,657	281,728
Total assets	329,390	354,809	354,809	389,880
Debt, net of current portion				
Business acquisition liabilities, including current portion (6)	10,289	9,994	9,518	9,518
Stockholders' equity	\$ 282,476	\$ 301,517	\$ 301,813	\$ 336,884

- (1) Through December 29, 2009, we consolidated a variable interest entity, or VIE, that manufactures products for us. This resulted in net income attributable to noncontrolling interest or a reduction of net income attributable to us of \$3.3 million. Effective December 29, 2009, a third-party investor contributed capital to the VIE, which resulted in us being no longer considered the primary beneficiary. As a result, we deconsolidated the entity as of December 29, 2009.
- (2) We compute net income per common share using the two-class method. Participating securities include all shares of our Series E preferred stock. In the event dividends are paid on any share of our common stock, we must pay an additional dividend on all outstanding shares of our Series E preferred stock in a per share amount equal (on an as-if-converted to common stock basis) to the amount paid or set aside for each share of common stock. In addition, the holders of our Series E preferred stock are entitled to receive cash dividends when and if declared by our board of directors at the rate of 8% of the original issue price per year on each outstanding share of our Series E preferred stock. Such dividends are payable only when and if declared by our board of directors and are noncumulative and do not accrue. As such, the shares of our Series E preferred stock are considered participating securities and must be included in the computation of net income per common share.
- (3) The pro forma basic and diluted net income per share data and the pro forma as adjusted balance sheet data are unaudited and assume the automatic conversion of all shares of our Series E preferred stock to 15,597,300 shares of our Class B common stock (which does not give effect to any additional shares of Class B common stock issuable upon conversion of our Series E preferred stock, as described elsewhere in this prospectus; see *Certain Relationships and Related-Party Transactions* Amended and Restated Certificate of Incorporation), the subsequent automatic conversion of 50,140,849 shares of our Class B common stock (which reflects all such shares of Class B common stock held by those who own less than 10% of the aggregate number of all outstanding shares of our common stock) to 50,140,849 shares of our Class A common stock and the automatic conversion of all shares of our Class C common stock to 63,408 shares of our Class A common stock, all to occur upon the closing of this offering. The pro forma basic and diluted net income and net income per common share, as well as the pro forma balance sheet data, also reflect the cancellation of a put right related to a recent acquisition (the *Put Right*) upon the closing of this offering. The value of the Put Right as of March 31, 2012 of \$296,000, net of tax, has been removed from liabilities in the pro forma balance sheet and has been reflected as an increase to net income to derive pro forma net income. For further information about the Put Right, see Note 11 to our consolidated financial statements included elsewhere in this prospectus.

Table of Contents

- (4) Adjusted EBITDA represents net income before interest (income)/expense, net and other non operating expenses, provision for income taxes, depreciation and amortization, stock-based compensation, changes in the fair value of contingent consideration in connection with business acquisitions and provision for litigation settlements. We present Adjusted EBITDA because we believe it is a useful indicator of our operating performance. Our management uses Adjusted EBITDA principally as a measure of our operating performance and believes that Adjusted EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in their evaluation of the operating performance of companies in industries similar to ours. We also believe Adjusted EBITDA is useful to our management and investors as a measure of comparative operating performance from period to period and among companies as it is reflective of changes in pricing decisions, cost controls and other factors that affect operating performance, and it removes the effect of our capital structure (primarily interest expense), asset base (primarily depreciation and amortization) and items outside the control of our management (primarily income taxes and interest income and expense). Our management also uses Adjusted EBITDA for planning purposes, including the preparation of our annual operating budget and financial projections.

Adjusted EBITDA should not be considered in isolation or as a substitute for a measure of our liquidity or operating performance prepared in accordance with U.S. generally accepted accounting principles, or GAAP, and is not indicative of net income (loss) from operations as determined under GAAP. Adjusted EBITDA and other non-GAAP financial measures have limitations that should be considered before using these measures to evaluate our liquidity or financial performance. Adjusted EBITDA does not include certain expenses that may be necessary to review our operating results and liquidity requirements. Our definition and calculation of Adjusted EBITDA may differ from that of other companies.

The following is a reconciliation of Adjusted EBITDA to net income for the periods presented:

	Year Ended December 31,			Three Months Ended March 31,	
	2009	2010	2011	2011	2012
	(amounts in thousands)				
Net income	\$ 52,033	\$ 54,458	\$ 60,784	\$ 14,431	\$ 17,576
Interest (income)/expense, net	127	100	33	(18)	(9)
Provision for income taxes	29,745	33,281	36,165	8,885	10,707
Depreciation and amortization	13,502	15,196	16,949	3,821	4,381
EBITDA	\$ 95,407	\$ 103,035	\$ 113,931	\$ 27,119	\$ 32,655
Stock-based compensation expense	3,511	4,025	3,286	801	1,111
Provision for litigation settlements (a)	1,889	2,787	1,470	14	307
Change in fair value of contingent consideration (b)			(79)		(102)
Adjusted EBITDA	\$ 100,807	\$ 109,847	\$ 118,608	\$ 27,934	\$ 33,971

- (a) We record a provision for litigation settlements when a loss is known or considered probable and the amount can be reasonably estimated. For 2009, our provision for litigation settlements related primarily to a patent infringement matter with a competitor. For 2010, our provision for litigation settlements related primarily to a settlement of disputes with a competitor related to post-employment restrictive covenants, and for 2011, our provision for litigation settlements related primarily to a \$1.0 million provision for a U.S. Food and Drug Administration, or FDA, action that was recently settled and paid in 2012. For the three months ended March 31, 2012, our provision for litigation settlements related to an accrual for a probable settlement of a contract dispute.

Table of Contents

- (b) The change in fair value of contingent consideration relates to the change in the fair value of the additional payment we are obligated to make upon the achievement of certain milestones in connection with the acquisitions completed in 2011.

- (5) The pro forma as adjusted balance sheet data is unaudited and reflects the pro forma balance sheet data as adjusted to assume the automatic conversion of 3,693,264 shares of Class B common stock to 3,693,264 shares of our Class A common stock upon their sale by the selling stockholders in this offering and the issuance by us of 2,941,176 shares of Class A common stock in this offering as if this offering occurred on March 31, 2012. See Capitalization.

- (6) In connection with acquisitions completed in 2011, we have certain contingent consideration obligations payable to the sellers in these transactions upon the achievement of certain regulatory and territory sales milestones. The aggregate undiscounted amounts potentially payable not included in the table above total \$7.2 million as of December 31, 2011 and March 31, 2012.

Table of Contents

RISK FACTORS

An investment in our Class A common stock involves a high degree of risk. You should carefully read and consider the risks described below before deciding to invest in our Class A common stock. If any of the following risks actually occur, our business, results of operations, financial condition or cash flows could be materially harmed. In any such case, the trading price of our Class A common stock could decline, and you could lose all or part of your investment. When determining whether to buy our Class A common stock in this offering, you should also read carefully the other information in this prospectus, including our financial statements and related notes.

Risks Related to Our Business and Our Industry

To be commercially successful, we must convince spine surgeons that our innovative fusion products are an attractive alternative to our competitors' products and that our disruptive technologies are an attractive alternative to existing surgical treatments of spine disorders.

Spine surgeons play a significant role in determining the course of treatment and, ultimately, the type of product that will be used to treat a patient, so we rely on effectively marketing to them. In order for us to sell our innovative fusion products, we must convince spine surgeons that they are attractive alternatives to competing products for use in spine fusion procedures. Acceptance of our innovative fusion products depends on educating spine surgeons as to the distinctive characteristics, perceived benefits, safety and cost-effectiveness of our innovative fusion products as compared to our competitors' products and on training spine surgeons in the proper application of our innovative fusion products. If we are not successful in convincing spine surgeons of the merit of our innovative fusion products or educating them on the use of our products, they may not use our products and we will be unable to increase our sales and sustain growth or profitability. For example, REVERE 5.5 Titanium Degen System represented 21% of our sales and COALITION represented an additional 11% of our sales for the year ended December 31, 2011 and for the three months ended March 31, 2012. In addition, CALIBER represented 10% of our sales for the three months ended March 31, 2012. Sales of those products represented a significant portion of our overall sales. As a result, continued market acceptance of those products is critical to our continued success. If the volume of sales of these products declines, our business, financial position and results of operations could be materially and adversely affected.

Furthermore, we believe spine surgeons will not widely adopt our disruptive technology products unless they determine, based on experience, clinical data and published peer-reviewed journal articles, that minimally invasive surgical, or MIS, techniques and our motion preservation and advanced biomaterials technologies provide benefits or are an attractive alternative to conventional treatments of spine disorders and incorporate improved technologies that permit novel surgical procedures. Surgeons may be hesitant to change their medical treatment practices for the following reasons, among others:

lack of experience with MIS or our motion preservation or advanced biomaterials technologies;

lack or perceived lack of evidence supporting additional patient benefits;

perceived liability risks generally associated with the use of new products and procedures;

limited or lack of availability of coverage and reimbursement within healthcare payment systems;

costs associated with the purchase of new products and equipment; and

the time commitment that may be required for training.

Table of Contents

We have also recently implemented plans to begin selling our existing and planned interventional pain management products, including our existing AFFIRM kyphoplasty product. We have no experience selling these types of products and selling to certain physician specialists who use them. If we are unable to market these products to physicians successfully, we will not achieve expected sales, and our financial condition and results of operation may be adversely affected.

In addition, we believe recommendations and support of our products by influential spine surgeons are essential for market acceptance and adoption. If we do not receive support from such surgeons or long-term data does not show the benefits of using our products, surgeons may not use our products. In such circumstances, we may not achieve expected sales and may be unable to maintain profitability.

Pricing pressure from our competitors and changes in third-party coverage and reimbursement may impact our ability to sell our products at prices necessary to support our current business strategies.

The spine market has attracted numerous new companies and technologies, and encouraged more established companies to intensify competitive pricing pressure. As a result of this increased competition, we believe there will be increased pricing pressure in the future. Because the hospital and other healthcare provider customers that purchase our products typically bill various third-party payors to cover all or a portion of the costs and fees associated with the procedures in which our products are used, including the cost of the purchase of our products, changes in the amount such payors are willing to reimburse our customers for procedures using our products could create pricing pressure for us. If competitive forces drive down the prices we are able to charge for our products, our profit margins will shrink, which will adversely affect our ability to invest in and grow our business.

Additionally, even if our customers are currently able to obtain coverage and reimbursement for procedures using our products, adverse changes in payors' coverage and reimbursement policies that affect our products would harm our ability to market and sell our products. For example, between January and October 2011, certain insurers, such as Cigna, Blue Cross Blue Shield of North Carolina and First Coast (the administrator of Medicare in Florida) changed their coverage policies such that they will no longer cover and reimburse for vertebral fusions in the lumbar spine to treat multilevel degenerative disc disease or initial primary laminectomy/discectomy for nerve root decompression or spinal stenosis without documented spondylolisthesis. Although these coverage policy changes have not had a material impact on our business, patients covered by these insurers, or other insurers who make similar coverage decisions in the future, may be unwilling or unable to afford to have lumbar fusion surgeries to treat these conditions, which could materially harm or limit our ability to sell our products designed for lumbar fusion procedures. Our business would be negatively impacted if the trend by third-party payors continues to reduce coverage of and/or reimbursement for procedures using our products.

Moreover, we are unable to predict what changes will be made to the reimbursement methodologies used by third-party payors in the future. We cannot be certain that under current and future payment systems, in which healthcare providers may be reimbursed a set amount based on the type of procedure performed, such as those utilized by Medicare and in many privately managed care systems, the cost of our products will be justified and incorporated into the overall cost of the procedure.

As we expand into international markets, we will face similar risks relating to adverse changes in coverage and reimbursement procedures and policies in those markets. Reimbursement and healthcare payment systems vary significantly among international markets. Our inability to obtain international coverage and reimbursement approval, or any adverse changes in coverage and the reimbursement policies of foreign third-party payors, could negatively affect our ability to sell our products.

Table of Contents

If our hospital and other healthcare provider customers are unable to obtain adequate coverage and reimbursement for their purchases of our products, it is unlikely that our products will gain widespread acceptance.

Maintaining and growing sales of our products depends on the availability of adequate coverage and reimbursement from third-party payors, including government programs such as Medicare and Medicaid, private insurance plans and managed care programs. Hospitals and other healthcare providers that purchase medical devices such as the ones that we manufacture for treatment of their patients generally rely on third-party payors to pay for all or part of the costs and fees associated with the procedures performed with these devices, including the cost to purchase the product. Our customers' access to adequate coverage and reimbursement for the procedures performed with our products by government and private insurance plans is central to the acceptance of our current and future products. We may be unable to sell our products on a profitable basis if third-party payors deny coverage or reduce their current levels of payment, or if our costs of production increase faster than increases in reimbursement levels. Many private payors use coverage decisions and payment amounts determined by the Centers for Medicare and Medicaid Services, or CMS, which administers the Medicare program, as guidelines in setting their coverage and reimbursement policies. Future action by CMS or other government agencies may diminish payments to physicians, outpatient centers and/or hospitals. Those private payors that do not follow the Medicare guidelines may adopt different coverage and reimbursement policies for procedures performed with our products. For some governmental programs, such as Medicaid, coverage and reimbursement differ from state to state, and some state Medicaid programs may not pay an adequate amount for the procedures performed with our products, if any payment is made at all. As the portion of the U.S. population over the age of 65 and eligible for Medicare continues to grow, we may be more vulnerable to coverage and reimbursement limitations imposed by CMS. Furthermore, the healthcare industry in the United States has experienced a trend toward cost containment as government and private insurers seek to control healthcare costs by imposing lower payment rates and negotiating reduced contract rates with service providers. Therefore, we cannot be certain that the procedures performed with our products will be reimbursed at a cost-effective level.

To the extent we sell our products internationally, market acceptance may depend, in part, upon the availability of coverage and reimbursement within prevailing healthcare payment systems. Reimbursement and healthcare payment systems in international markets vary significantly by country, and include both government-sponsored healthcare and private insurance. We may not obtain international coverage and reimbursement approvals in a timely manner, if at all. Our failure to receive such approvals would negatively impact market acceptance of our products in the international markets in which those approvals are sought.

If we are unable to maintain and expand our network of direct sales representatives and independent distributors, we may not be able to generate anticipated sales.

Because we were formed in 2003, we have limited experience marketing and selling our products. As of March 31, 2012, our U.S. sales force consisted of 336 sales representatives employed by us or our 19 exclusive independent distributors. As of March 31, 2012, our international operations consisted of 87 employees and eight exclusive independent distributors, which together had sales in 17 countries in 2011. As of March 31, 2012, we had also hired an additional 32 sales representatives to market and sell our current and planned interventional pain management products, including our existing AFFIRM kyphoplasty product, which we market under the trade name Algea Therapies. Our operating results are directly dependent upon the sales and marketing efforts of not only our employees, but also our independent distributors. We expect our direct sales representatives and independent distributors to develop long-lasting relationships with the surgeons they serve. If our direct sales representatives or independent distributors fail to adequately promote, market and sell our products, our sales could significantly decrease.

We face significant challenges and risks in managing our geographically dispersed distribution network and retaining the individuals who make up that network. If any of our direct sales representatives were to leave us, or if any of our independent distributors were to cease to do business with us, our sales could be adversely

Table of Contents

affected. Some of our independent distributors account for a significant portion of our sales volume, and if any such independent distributor were to cease to distribute our products, our sales could be adversely affected. In such a situation, we may need to seek alternative independent distributors or increase our reliance on our direct sales representatives, which may not prevent our sales from being adversely affected. If a direct sales representative or independent distributor were to depart and be retained by one of our competitors, we may be unable to prevent them from helping competitors solicit business from our existing customers, which could further adversely affect our sales. Because of the intense competition for their services, we may be unable to recruit or retain additional qualified independent distributors or to hire additional direct sales representatives to work with us. We may not be able to enter into agreements with them on favorable or commercially reasonable terms, if at all. Failure to hire or retain qualified direct sales representatives or independent distributors would prevent us from expanding our business and generating sales.

As we launch new products and increase our marketing efforts with respect to existing products, we will need to expand the reach of our marketing and sales networks. Our future success will depend largely on our ability to continue to hire, train, retain and motivate skilled direct sales representatives and independent distributors with significant technical knowledge in various areas, such as spinal care practices, spine injuries and disease and spinal health. New hires require training and take time to achieve full productivity. If we fail to train new hires adequately, or if we experience high turnover in our sales force in the future, we cannot be certain that new hires will become as productive as may be necessary to maintain or increase our sales.

If we are unable to expand our sales and marketing capabilities domestically and internationally, we may not be able to effectively commercialize our products, which would adversely affect our business, results of operations and financial condition.

We operate in a very competitive business environment and if we are unable to compete successfully against our existing or potential competitors, our sales and operating results may be negatively affected and we may not grow.

Our currently marketed products are, and any future products we commercialize will be, subject to intense competition. Many of our current and potential competitors are major medical device companies that have substantially greater financial, technical and marketing resources than we do, and they may succeed in developing products that would render our products obsolete or noncompetitive. In addition, many of these competitors have significantly longer operating history and more established reputations than we do. The spine industry is intensely competitive, subject to rapid change and highly sensitive to the introduction of new products or other market activities of industry participants. Our ability to compete successfully will depend on our ability to develop proprietary products that reach the market in a timely manner, receive adequate coverage and reimbursement from third-party payors, and are safer, less invasive and more effective than alternatives available for similar purposes. Because of the size of the potential market, we anticipate that companies will dedicate significant resources to developing competing products.

We believe that our significant competitors are Medtronic, DePuy (a division of Johnson & Johnson), Synthes (which is being acquired by Johnson & Johnson), Stryker and NuVasive, which together represent a significant portion of the spine market. We also compete with smaller spine market participants such as Alphatec Spine, Orthofix International, and Zimmer. At any time, these or other industry participants may develop alternative treatments, products or procedures for the treatment of spine disorders that compete directly or indirectly with our products. They may also develop and patent processes or products earlier than we can or obtain regulatory clearance or approvals for competing products more rapidly than we can, which could impair our ability to develop and commercialize similar processes or products. If alternative treatments are, or are perceived to be, superior to our spine surgery products, sales of our products could be negatively affected and our results of operations could suffer.

Table of Contents

Many of our larger competitors are either publicly traded or divisions or subsidiaries of publicly traded companies. These competitors enjoy several competitive advantages over us, including:

greater financial, human and other resources for product research and development, sales and marketing and litigation;

significantly greater name recognition;

established relationships with spine surgeons, hospitals and other healthcare providers;

large and established sales and marketing and distribution networks;

products supported by long-term clinical data;

greater experience in obtaining and maintaining regulatory clearances or approvals for products and product enhancements;

more expansive portfolios of intellectual property rights; and

greater ability to cross-sell their products or to incentivize hospitals or surgeons to use their products.

The spine industry is becoming increasingly crowded with new participants. Many of these new competitors specialize in a specific product or focus on a particular market segment, making it more difficult for us to increase our overall market position. The frequent introduction by competitors of products that are or claim to be superior to our products or that are alternatives to our existing or planned products may also create market confusion that may make it difficult to differentiate the benefits of our products over competing products. In addition, the entry of multiple new products and competitors may lead some of our competitors to employ pricing strategies that could adversely affect the pricing of our products and pricing in the spine market generally.

As a result, without the timely introduction of new products and enhancements, our products may become obsolete over time. If we are unable to develop innovative new products, maintain competitive pricing and offer products that spine surgeons perceive to be as reliable as those of our competitors, our sales or margins could decrease, thereby harming our business.

We are dependent on a limited number of third-party suppliers for most of our products and components, and the loss of any of these suppliers, or their inability to provide us with an adequate supply of materials, could harm our business.

We rely on third-party suppliers to supply substantially all of our products. For us to be successful, our suppliers must be able to provide us with products and components in substantial quantities, in compliance with regulatory requirements, in accordance with agreed upon specifications, at acceptable costs and on a timely basis. Our anticipated growth could strain the ability of our suppliers to deliver an increasingly large supply of products, materials and components. Suppliers often experience difficulties in scaling up production, including problems with production yields and quality control and assurance, especially with products such as allograft, which is processed human tissue. Our supplier agreements set forth terms, such as quality and delivery requirements, by which we would purchase products from the supplier if the supplier were to accept a purchase order from us. Under our supplier agreements, however, we generally have no obligation to buy any given quantity of products, and our suppliers have no obligation to manufacture for us or sell to us any given quantity of products. As a result, we may face difficulties in obtaining acceptance for our purchase orders, which could impair our ability to purchase adequate quantities of our products. If we are unable to obtain sufficient quantities of high quality components to meet demand on a timely basis, we could lose customers, our reputation may be harmed and our business could suffer.

Table of Contents

We generally use a small number of suppliers for each of our products. Our dependence on such a limited number of suppliers exposes us to risks, including limited control over pricing, availability, quality and delivery schedules. If any one or more of our suppliers cease to provide us with sufficient quantities of manufactured products in a timely manner or on terms acceptable to us, or cease to manufacture components of acceptable quality, we would have to seek alternative sources of supply. Because of the nature of our internal quality control requirements, regulatory requirements and the custom and proprietary nature of the parts, we cannot quickly engage additional or replacement suppliers for many of our critical components. Failure of any of our third-party suppliers to deliver products at the level our business requires would limit our ability to meet our sales commitments to our customers and could have a material adverse effect on our business. We may also have difficulty obtaining similar components from other suppliers that are acceptable to the U.S. Food and Drug Administration, or FDA, the competent authorities or notified bodies of the Member States of the European Economic Area, or EEA (which is composed of the 27 Member States of the European Union, or EU, plus Norway, Iceland, and Liechtenstein), or other foreign regulatory authorities, and the failure of our suppliers to comply with strictly enforced regulatory requirements could expose us to regulatory action including warning letters, product recalls, termination of distribution, product seizures or civil penalties. We could incur delays while we locate and engage qualified alternative suppliers, and we may be unable to engage alternative suppliers on favorable terms or at all. Any such disruption or increased expenses could harm our commercialization efforts and adversely affect our ability to generate sales.

If we do not successfully implement our business strategy, our business and results of operations will be adversely affected.

Our business strategy was formed based on assumptions about the spine market that might prove wrong. We believe that various demographics and industry-specific trends, including the aging of the general population, increasingly active lifestyles, improving fusion technologies and increasing acceptance of disruptive technologies leading to earlier interventions, will help drive growth in the spine market and our business, but these demographics and trends are uncertain. Actual demand for our products could differ materially from projected demand if our assumptions regarding these factors prove to be incorrect or do not materialize, or if alternative treatments to those offered by our products gain widespread acceptance.

We may not be able to successfully implement our business strategy. To implement our business strategy we need to, among other things, develop and introduce new spine surgery products, find new applications for and improve our existing products, obtain regulatory clearance or approval for new products and applications and educate spine surgeons about the clinical and cost benefits of our products, all of which we believe could increase acceptance of our products by spine surgeons. Our strategy of focusing exclusively on the spine market may limit our ability to grow. In addition, we are seeking to increase our sales and, in order to do so, will need to commercialize additional products and expand our direct and distributor sales forces in existing and new territories, all of which could result in our becoming subject to additional or different foreign and domestic regulatory requirements, with which we may not be able to comply. Moreover, even if we successfully implement our business strategy, our operating results may not improve or may decline. We may decide to alter or discontinue aspects of our business strategy and may adopt different strategies due to business or competitive factors not currently foreseen, such as new medical technologies that would make our products obsolete. Any failure to implement our business strategy may adversely affect our business, results of operations and financial condition.

The proliferation of physician-owned distributorships could result in increased pricing pressure on our products or harm our ability to sell our products to physicians who own or are affiliated with those distributorships.

Physician-owned distributorships, or PODs, are medical device distributors that are owned, directly or indirectly, by physicians. These physicians derive a proportion of their revenue from selling or arranging for the sale of medical devices for use in procedures they perform on their own patients at hospitals that agree to purchase from or through the POD, or that otherwise furnish ordering physicians with income that is based directly or indirectly on those orders of medical devices.

Table of Contents

We do not sell or distribute any of our products through PODs. The number of PODs in the spine industry may continue to grow as economic pressures increase throughout the industry, hospitals, insurers and physicians search for ways to reduce costs, and, in the case of the physicians, search for ways to increase their incomes. These companies and the physicians who own, or partially own, them have significant market knowledge and access to the surgeons who use our products and the hospitals that purchase our products and growth in this area may reduce our ability to compete effectively for business from surgeons who own such distributorships.

We have a limited operating history and may face difficulties encountered by early stage companies in new and rapidly evolving markets.

We were formed in 2003. Accordingly, we have a limited operating history upon which to base an evaluation of our business and prospects. In assessing our prospects, you must consider the risks and difficulties frequently encountered by early stage companies in new and rapidly evolving markets, particularly companies engaged in the development and sales of medical devices. These risks include our ability to:

manage rapidly changing and expanding operations;

establish and increase awareness of our brand and strengthen customer loyalty;

grow our direct sales force and increase the number of our independent distributors to expand sales of our products in the United States and in targeted international markets;

implement and successfully execute our business and marketing strategy;

respond effectively to competitive pressures and developments;

continue to develop and enhance our products and product candidates;

obtain regulatory clearance or approval to commercialize new products and enhance our existing products;

expand our presence and commence operations in international markets;

perform clinical research and trials on our existing products and current and future product candidates; and

attract, retain and motivate qualified personnel.

We can also be negatively affected by general economic conditions. Because of our limited operating history, we may not have insight into trends that could emerge and negatively affect our business. As a result of these or other risks, our business strategy might not be successful.

Our business could suffer if we lose the services of key members of our senior management, key advisors or personnel.

We are dependent upon the continued services of key members of our senior management and a limited number of key advisors and personnel. In particular, we are highly dependent on the skills and leadership of our Chief Executive Officer, David C. Paul. The loss of any one of these individuals could disrupt our operations or our strategic plans. Additionally, our future success will depend on, among other things, our ability to continue to hire and retain the necessary qualified scientific, technical and managerial personnel, for whom we compete with numerous other companies, academic institutions and organizations. The loss of members of our management

Table of Contents

team, key advisors or personnel, or our inability to attract or retain other qualified personnel or advisors, could have a material adverse effect on our business, results of operations and financial condition. Though members of our sales force generally enter into noncompetition agreements that restrict their ability to compete with us, most of the members of our executive management team are not subject to such agreements. Accordingly, the adverse effect resulting from the loss of certain executives could be compounded by our inability to prevent them from competing with us.

The safety and efficacy of our products is not yet supported by long-term clinical data, which could limit sales, and our products might therefore prove to be less safe and effective than initially thought.

The products we currently market in the United States have either received pre-market clearance under Section 510(k) of the U.S. Federal Food, Drug, and Cosmetic Act, or FDCA, or are exempt from pre-market review. The FDA's 510(k) clearance process requires us to show that our proposed product is substantially equivalent to another 510(k)-cleared product. This process is shorter and typically requires the submission of less supporting documentation than other FDA approval processes and does not always require long-term clinical studies. Additionally, to date, we have not been required to complete long-term clinical studies in connection with the sale of our products outside the United States. As a result, we currently lack the breadth of published long-term clinical data supporting the safety and efficacy of our products and the benefits they offer that might have been generated in connection with other approval processes. For these reasons, spine surgeons may be slow to adopt our products, we may not have comparative data that our competitors have or are generating, and we may be subject to greater regulatory and product liability risks. Further, future patient studies or clinical experience may indicate that treatment with our products does not improve patient outcomes. Such results would slow the adoption of our products by spine surgeons, significantly reduce our ability to achieve expected sales, and could prevent us from sustaining our profitability. Moreover, if future results and experience indicate that our products cause unexpected or serious complications or other unforeseen negative effects, we could be subject to mandatory product recalls, suspension or withdrawal of FDA clearance or approval, significant legal liability or harm to our business reputation.

If we do not enhance our product offerings through our research and development efforts, we may be unable to effectively compete.

In order to increase our market share in the spine market, we must enhance and broaden our product offerings in response to changing customer demands and competitive pressures and technologies. We might not be able to successfully develop, obtain regulatory approval or clearance for or market new products, and our future products might not be accepted by the surgeons or the third-party payors who reimburse for many of the procedures performed with our products. The success of any new product offering or enhancement to an existing product will depend on numerous factors, including our ability to:

properly identify and anticipate surgeon and patient needs;

develop and introduce new products or product enhancements in a timely manner;

adequately protect our intellectual property and avoid infringing upon the intellectual property rights of third parties;

demonstrate the safety and efficacy of new products; and

obtain the necessary regulatory clearances or approvals for new products or product enhancements.

If we do not develop and obtain regulatory clearance or approval for new products or product enhancements in time to meet market demand, or if there is insufficient demand for these products or enhancements, our results of operations will suffer. Our research and development efforts may require a

Table of Contents

substantial investment of time and resources before we are adequately able to determine the commercial viability of a new product, technology, material or other innovation. In addition, even if we are able to successfully develop enhancements or new generations of our products, these enhancements or new generations of products may not produce sales in excess of the costs of development and they may be quickly rendered obsolete by changing customer preferences or the introduction by our competitors of products embodying new technologies or features.

If we fail to properly manage our anticipated growth, our business could suffer.

Our rapid growth has placed, and will continue to place, a significant strain on our management and on our operational and financial resources and systems. Failure to manage our growth effectively could cause us to over-invest or under-invest in infrastructure, and result in losses or weaknesses in our infrastructure, which could materially adversely affect us. Additionally, our anticipated growth will increase the demands placed on our suppliers, resulting in an increased need for us to carefully monitor for quality assurance. Any failure by us to manage our growth effectively could have an adverse effect on our ability to achieve our development and commercialization goals.

Our results of operations could suffer if we are unable to manage our planned international expansion effectively.

Expansion into international markets is an element of our business strategy and involves risk. The sale and shipment of our products across international borders, as well as the purchase of components and products from international sources, subject us to extensive U.S. and foreign governmental trade, import and export and customs regulations and laws. Compliance with these regulations and laws is costly and exposes us to penalties for non-compliance. Other laws and regulations that can significantly affect us include various anti-bribery laws, including the U.S. Foreign Corrupt Practices Act, or FCPA, and anti-boycott laws. Any failure to comply with applicable legal and regulatory obligations in the United States or abroad could adversely affect us in a variety of ways that include, but are not limited to, significant criminal, civil and administrative penalties, including imprisonment of individuals, fines and penalties, denial of export privileges, seizure of shipments and restrictions on certain business activities. Also, the failure to comply with applicable legal and regulatory obligations could result in the disruption of our distribution and sales activities.

In addition, many of the countries in which we sell our products are, to some degree, subject to political, economic or social instability. Our international operations expose us and our independent distributors to risks inherent in operating in foreign jurisdictions, including:

exposure to different legal and regulatory standards;

lack of stringent protection of intellectual property;

obstacles to obtaining domestic and foreign export, import and other governmental approvals, permits and licenses and compliance with foreign laws;

potentially adverse tax consequences and the complexities of foreign value-added tax systems;

adverse changes in tariffs and trade restrictions;

limitations on the repatriation of earnings;

difficulties in staffing and managing foreign operations;

transportation delays and difficulties of managing international distribution channels;

Table of Contents

longer collection periods and difficulties in collecting receivables from foreign entities;

increased financing costs; and

political, social and economic instability and increased security concerns.

These risks may limit or disrupt our expansion, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization or expropriation without fair compensation.

Our goal of succeeding as an international company depends, in part, on our ability to develop and implement policies and strategies that are effective in anticipating and managing these and other risks in the countries in which we do business. Failure to manage these and other risks may have a material adverse effect on our operations in any particular country and on our business as a whole.

We may seek to grow our business through acquisitions of or investments in new or complementary businesses, products or technologies, and the failure to manage acquisitions or investments, or the failure to integrate them with our existing business, could have a material adverse effect on us.

From time to time we expect to consider opportunities to acquire or make investments in other technologies, products and businesses that may enhance our capabilities, complement our current products or expand the breadth of our markets or customer base. Potential and completed acquisitions and strategic investments involve numerous risks, including:

problems assimilating the purchased technologies, products or business operations;

issues maintaining uniform standards, procedures, controls and policies;

unanticipated costs associated with acquisitions;

diversion of management's attention from our core business;

adverse effects on existing business relationships with suppliers and customers;

risks associated with entering new markets in which we have limited or no experience;

potential loss of key employees of acquired businesses; and

increased legal and accounting compliance costs.

We have no current commitments with respect to any acquisition or investment. We do not know if we will be able to identify acquisitions we deem suitable, whether we will be able to successfully complete any such acquisitions on favorable terms or at all, or whether we will be able to successfully integrate any acquired business, product or technology into our business or retain any key personnel, suppliers or distributors. Our ability to successfully grow through acquisitions depends upon our ability to identify, negotiate, complete and integrate suitable target businesses and to obtain any necessary financing. These efforts could be expensive and time-consuming, and may disrupt our ongoing business and prevent management from focusing on our operations. If we are unable to integrate any acquired businesses, products or technologies effectively, our business, results of operations and financial condition will be materially adversely affected.

Table of Contents

We are required to maintain high levels of inventory, which could consume a significant amount of our resources and reduce our cash flows.

As a result of the need to maintain substantial levels of inventory, we are subject to the risk of inventory obsolescence. Many of our products come in sets, which feature components in a variety of sizes so that the implant or device may be customized to the patient's needs. In order to market our products effectively, we often must maintain and provide surgeons and hospitals with consigned implant sets, back-up products and products of different sizes. For each surgery, fewer than all of the components of the set are used, and therefore certain portions of the set may become obsolete before they can be used. In the event that a substantial portion of our inventory becomes obsolete, it could have a material adverse effect on our earnings and cash flows due to the resulting costs associated with the inventory impairment charges and costs required to replace such inventory.

If we experience significant disruptions in our information technology systems, our business, results of operations and financial condition could be adversely affected.

The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to effectively manage:

sales and marketing, accounting and financial functions;

inventory management;

engineering and product development tasks; and

our research and development data.

Our information technology systems are vulnerable to damage or interruption from:

earthquakes, fires, floods and other natural disasters;

terrorist attacks and attacks by computer viruses or hackers;

power losses; and

computer systems, or Internet, telecommunications or data network failures.

The failure of our information technology systems to perform as we anticipate or our failure to effectively implement new systems could disrupt our entire operation and could result in decreased sales, increased overhead costs, excess inventory and product shortages, all of which could have a material adverse effect on our reputation, business, results of operations and financial condition.

Consolidation in the healthcare industry could lead to demands for price concessions or to the exclusion of some suppliers from certain of our markets, which could have an adverse effect on our business, results of operations or financial condition.

Because healthcare costs have risen significantly over the past decade, numerous initiatives and reforms initiated by legislators, regulators and third-party payors to curb these costs have resulted in a consolidation trend in the healthcare industry to aggregate purchasing power. As the healthcare industry consolidates, competition to provide products and services to industry participants has become and will continue to become

more intense. This in turn has resulted and will likely continue to result in greater pricing pressures and the exclusion of certain suppliers from important market segments as group purchasing organizations, independent delivery networks and large single accounts continue to use their market power to consolidate purchasing decisions for hospitals. We

Table of Contents

expect that market demand, government regulation, third-party coverage and reimbursement policies and societal pressures will continue to change the worldwide healthcare industry, resulting in further business consolidations and alliances among our customers, which may reduce competition, exert further downward pressure on the prices of our products and may adversely impact our business, results of operations or financial condition.

Our sales volumes and our operating results may fluctuate over the course of the year.

Our business is generally not seasonal in nature. However, our sales may be influenced by summer vacation and winter holiday periods, during which we have experienced fewer spine surgeries taking place. We have experienced and continue to experience meaningful variability in our sales and gross profit among quarters, as well as within each quarter, as a result of a number of factors, including, among other things:

the number of products sold in the quarter;

the demand for, and pricing of, our products and the products of our competitors;

the timing of or failure to obtain regulatory clearances or approvals for products;

costs, benefits and timing of new product introductions;

increased competition;

the availability and cost of components and materials;

the number of selling days in the quarter;

fluctuation and foreign currency exchange rates; and

impairment and other special charges.

We may not be able to strengthen our brand.

We believe that establishing and strengthening our brand is critical to achieving widespread acceptance of our products, particularly because of the rapidly developing nature of the market for our products. Promoting and positioning our brand will depend largely on the success of our marketing efforts and our ability to provide surgeons with a reliable product for successful treatment of spine diseases and disorders.

Historically, our efforts to build our brand have involved significant expense, and it is likely that our future marketing efforts will require us to incur significant additional expenses. These brand promotion activities may not yield increased sales and, even if they do, any sales increases may not offset the expenses we incur to promote our brand. If we fail to successfully promote and maintain our brand, or if we incur substantial expenses in an unsuccessful attempt to promote and maintain our brand, our products may not be accepted by spine surgeons, which would cause our sales to decrease and would adversely affect our business, results of operations and financial condition.

Fluctuations in insurance cost and availability could adversely affect our profitability or our risk management profile.

We hold a number of insurance policies, including product liability insurance, directors and officers liability insurance, property insurance and workers compensation insurance. If the costs of maintaining adequate insurance coverage increase significantly in the future, our operating

results could be materially adversely affected. Likewise, if any of our current insurance coverage should become unavailable to us or become economically impractical, we would be required to operate our business without indemnity from commercial insurance providers. If we operate our business without insurance, we could be responsible for paying claims or judgments against us that would have otherwise been covered by insurance, which could adversely affect our results of operations or financial condition.

Table of Contents

Risks Related to our Legal and Regulatory Environment

Our medical device products and operations are subject to extensive governmental regulation both in the United States and abroad, and our failure to comply with applicable requirements could cause our business to suffer.

The medical device industry is regulated extensively by governmental authorities, principally the FDA and corresponding state and foreign regulatory agencies. The FDA and other U.S. and foreign governmental agencies regulate, among other things, with respect to medical devices:

design, development and manufacturing;

testing, labeling, content and language of instructions for use and storage;

clinical trials;

product safety;

marketing, sales and distribution;

pre-market clearance and approval;

record keeping procedures;

advertising and promotion;

recalls and field safety corrective actions;

post-market surveillance, including reporting of deaths or serious injuries and malfunctions that, if they were to recur, could lead to death or serious injury;

post-market approval studies; and

product import and export.

The regulations to which we are subject are complex and have tended to become more stringent over time. Regulatory changes could result in restrictions on our ability to carry on or expand our operations, higher than anticipated costs or lower than anticipated sales.

Before we can market or sell a new regulated product or a significant modification to an existing product in the United States, we must obtain either clearance under Section 510(k) of the FDCA or approval of a pre-market approval, or PMA, application from the FDA, unless an exemption from pre-market review applies. In the 510(k) clearance process, the FDA must determine that a proposed device is substantially equivalent to a device legally on the market, known as a predicate device, with respect to intended use, technology and safety and effectiveness,

Edgar Filing: GLOBUS MEDICAL INC - Form S-1/A

in order to clear the proposed device for marketing. Clinical data is sometimes required to support substantial equivalence. The PMA pathway requires an applicant to demonstrate the safety and effectiveness of the device based, in part, on extensive data, including, but not limited to, technical, preclinical, clinical trial, manufacturing and labeling data. The PMA process is typically required for devices that are deemed to pose the greatest risk, such as life-sustaining, life-supporting or implantable devices. Products that are approved through a PMA application generally need FDA approval before they can be modified. Similarly, some modifications made to products cleared through a 510(k) may require a new 510(k). Both the 510(k) and PMA processes can be expensive and lengthy and require the payment of significant fees, unless exempt. The FDA s

Table of Contents

510(k) clearance process usually takes from three to 12 months, but may last longer. The process of obtaining a PMA is much more costly and uncertain than the 510(k) clearance process and generally takes from one to three years, or even longer, from the time the application is submitted to the FDA until an approval is obtained. The process of obtaining regulatory clearances or approvals to market a medical device can be costly and time-consuming, and we may not be able to obtain these clearances or approvals on a timely basis, if at all.

In the United States, our currently commercialized products have either received pre-market clearance under Section 510(k) of the FDCA or are exempt from pre-market review. If the FDA requires us to go through a lengthier, more rigorous examination for future products or modifications to existing products than we had expected, our product introductions or modifications could be delayed or canceled, which could cause our sales to decline. In addition, the FDA may determine that future products will require the more costly, lengthy and uncertain PMA process. Although we do not currently market any devices under PMA, the FDA may demand that we obtain a PMA prior to marketing certain of our future products. In addition, if the FDA disagrees with our determination that a product we currently market is subject to an exemption from pre-market review, the FDA may require us to submit a 510(k) or PMA in order to continue marketing the product. Further, even with respect to those future products where a PMA is not required, we cannot assure you that we will be able to obtain the 510(k) clearances with respect to those products.

The FDA can delay, limit or deny clearance or approval of a device for many reasons, including:

we may not be able to demonstrate to the FDA's satisfaction that our products are safe and effective for their intended users;

the data from our pre-clinical studies and clinical trials may be insufficient to support clearance or approval, where required; and

the manufacturing process or facilities we use may not meet applicable requirements.

In addition, the FDA may change its clearance and approval policies, adopt additional regulations or revise existing regulations, or take other actions which may prevent or delay approval or clearance of our products under development or impact our ability to modify our currently approved or cleared products on a timely basis. For example, FDA recently initiated a review of the pre-market clearance process in response to internal and external concerns regarding the 510(k) program. In January 2011, the FDA announced twenty-five action items designed to make the process more rigorous and transparent. Some of these proposals, if enacted, could impose additional regulatory requirements upon us which could delay our ability to obtain new 510(k) clearances, increase the costs of compliance, or restrict our ability to maintain our current clearances.

Any delay in, or failure to receive or maintain, clearance or approval for our products under development could prevent us from generating revenue from these products or achieving profitability. Additionally, the FDA and other regulatory authorities have broad enforcement powers. Regulatory enforcement or inquiries, or other increased scrutiny on us, could dissuade some surgeons from using our products and adversely affect our reputation and the perceived safety and efficacy of our products.

In addition, even after we have obtained the proper regulatory approval to market a product, the FDA has the power to require us to conduct postmarketing studies. For example, the FDA issued a 522 Order in October 2009 requiring companies that market dynamic stabilization systems, such as our TRANSITION system, to conduct postmarketing studies on those systems. These studies can be very expensive and time-consuming to conduct. Failure to comply with those studies in a timely manner could result in the revocation of the 510(k) clearance for the product that is subject to such a 522 Order and the recall or withdrawal of the product, which could prevent us from generating sales from that product in the United States.

In the EEA, our medical devices must comply with the essential requirements of the EU Medical Devices Directive (Council Directive 93/42/EEC). Compliance with these requirements is a prerequisite to be

Table of Contents

able to affix the CE conformity mark to our medical devices, without which they cannot be marketed or sold in the EEA. To demonstrate compliance with the essential requirements we must undergo a conformity assessment procedure, which varies according to the type of medical device and its classification. Except for low risk medical devices (Class I), where the manufacturer can issue an EC Declaration of Conformity based on a self-assessment of the conformity of its products with the essential requirements of the Medical Devices Directive, a conformity assessment procedure requires the intervention of an organization accredited by a Member State of the EEA to conduct conformity assessments, or a Notified Body. The Notified Body would typically audit and examine the quality system for the manufacture, design and final inspection of our devices before issuing a certification demonstrating compliance with the essential requirements.

Additionally, as part of the conformity assessment process, medical device manufacturers must carry out a clinical evaluation of their medical devices to verify that they comply with the relevant essential requirements of the Medical Device Directive covering safety and performance. This verification will generally comprise an assessment of whether a medical device's performance is in accordance with its intended use, that the known and foreseeable risks linked to the use of the device under normal conditions are minimized and acceptable when weighed against the benefits of its intended performance, and that any claims are supported by suitable evidence. This assessment must be based on clinical data, which can be obtained from (i) clinical studies conducted on the devices being assessed; (ii) scientific literature from similar devices whose equivalence with the assessed device can be demonstrated; or (iii) both clinical studies and scientific literature. With respect to implantable devices or devices classified as Class III in the EU, the manufacturer must conduct clinical studies to obtain the required clinical data, unless the relying on existing clinical data from similar devices can be justified. As part of the conformity assessment process, depending on the type of devices, the Notified Body will review the manufacturer's clinical evaluation process, assess the clinical evaluation data of a representative sample of the devices' subcategory or generic group (for Class IIa and IIb devices), or assess all the clinical evaluation data, verify the manufacturer's assessment of that data, and assess the validity of the clinical evaluation report and the conclusions drawn by the manufacturer (for implantable and Class III devices). The conduct of clinical studies to obtain clinical data that might be required as part of the described clinical evaluation process can be expensive and time-consuming.

Failure to comply with applicable regulations could jeopardize our ability to sell our products and result in enforcement actions such as:

warning letters;

fines;

injunctions;

civil penalties;

termination of distribution;

recalls or seizures of products;

delays in the introduction of products into the market;

total or partial suspension of production;

refusal of the FDA or other regulator to grant future clearances or approvals;

withdrawals or suspensions of current clearances or approvals, resulting in prohibitions on sales of our products; and/or

in the most serious cases, criminal penalties.

Table of Contents

Any of these sanctions could result in higher than anticipated costs or lower than anticipated sales and have a material adverse effect on our reputation, business, results of operations and financial condition. For example, we recently executed a settlement agreement with the FDA in which we and our CEO, David C. Paul, agreed to pay a total of \$1.0 million in exchange for the FDA's release of claims related solely to the FDA's determination that we failed to obtain the 510(k) clearance required for the sale of our NuBone product, which we ceased selling in the United States in December 2010.

Modifications to our products may require new 510(k) clearances or pre-market approvals, or may require us to cease marketing or recall the modified products until clearances are obtained.

Any modification to a 510(k)-cleared device that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, design, or manufacture, requires a new 510(k) clearance or, possibly, approval of a PMA. The FDA requires every manufacturer to make this determination in the first instance, but the FDA may review any manufacturer's decision. The FDA may not agree with our decisions regarding whether new clearances or approvals are necessary. We have modified some of our 510(k) cleared products, and have determined based on our review of the applicable FDA guidance that in certain instances new 510(k) clearances or pre-market approvals are not required. If the FDA disagrees with our determination and requires us to submit new 510(k) notifications or PMAs for modifications to our previously cleared products for which we have concluded that new clearances or approvals are unnecessary, we may be required to cease marketing or to recall the modified product until we obtain clearance or approval, and we may be subject to significant regulatory fines or penalties.

Furthermore, the FDA's ongoing review of the 510(k) program may make it more difficult for us to make modifications to our previously cleared products, either by imposing more strict requirements on when a new 510(k) for a modification to a previously cleared product must be submitted, or applying more onerous review criteria to such submissions. In July and December 2011, respectively, the FDA issued draft guidance documents addressing when to submit a new 510(k) due to modifications to 510(k)-cleared products and the criteria for evaluating substantial equivalence. The practical import of these new guidance documents on 510(k)s for new and modified products remains unclear, and we cannot assure you that they will not result in a more rigorous pre-market clearance process.

In the EEA, we must inform the Notified Body that carried out the conformity assessment of the medical devices we market or sell in the EEA of any planned substantial changes to our quality system or changes to our devices which could affect compliance with the essential requirements or the devices' intended use. The Notified Body will then assess the changes and verify whether they affect the products conformity. If the assessment is favorable the Notified Body will issue a new certificate or an addendum to the existing certificates attesting compliance with the essential requirements.

We may fail to obtain or maintain foreign regulatory approvals to market our products in other countries.

We currently market our products internationally and intend to expand our international marketing. International jurisdictions require separate regulatory approvals and compliance with numerous and varying regulatory requirements. For example, we intend to continue to seek regulatory clearance to market our primary products in the EU/EEA, Brazil, Canada and other key markets. The approval procedures vary among countries and may involve requirements for additional testing, and the time required to obtain approval may differ from country to country and from that required to obtain FDA clearance or approval.

Clearance or approval by the FDA does not ensure approval or certification by regulatory authorities in other countries or jurisdictions, and approval or certification by one foreign regulatory authority does not ensure approval or certification by regulatory authorities in other foreign countries or by the FDA. The foreign regulatory approval or certification process may include all of the risks associated with obtaining FDA clearance or approval. We may not obtain foreign regulatory approvals on a timely basis, if at all. We may not be able to file for regulatory approvals or certifications and may not receive necessary approvals to commercialize our

Table of Contents

products in any market. If we fail to receive necessary approvals or certifications to commercialize our products in foreign jurisdictions on a timely basis, or at all, our business, results of operations and financial condition could be adversely affected.

We are subject to risks associated with our non-U.S. operations.

The FCPA and similar worldwide anti-bribery laws in non-U.S. jurisdictions generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. The FCPA also imposes accounting standards and requirements on publicly traded U.S. corporations and their foreign affiliates, which are intended to prevent the diversion of corporate funds to the payment of bribes and other improper payments, and to prevent the establishment of off books slush funds from which such improper payments can be made. Because of the predominance of government-sponsored healthcare systems around the world, many of our customer relationships outside of the United States are with governmental entities and are therefore subject to such anti-bribery laws. Our internal control policies and procedures may not always protect us from reckless or criminal acts committed by our employees or agents. Violations of these laws, or allegations of such violations, could disrupt our operations, involve significant management distraction and result in a material adverse effect on our business, results of operations and financial condition. We also could suffer severe penalties, including criminal and civil penalties, disgorgement and other remedial measures, including further changes or enhancements to our procedures, policies and controls, as well as potential personnel changes and disciplinary actions.

Furthermore, we are subject to the export controls and economic embargo rules and regulations of the United States, including, but not limited to, the Export Administration Regulations and trade sanctions against embargoed countries, which are administered by the Office of Foreign Assets Control within the Department of the Treasury, as well as the laws and regulations administered by the Department of Commerce. These regulations limit our ability to market, sell, distribute or otherwise transfer our products or technology to prohibited countries or persons. A determination that we have failed to comply, whether knowingly or inadvertently, may result in substantial penalties, including fines and enforcement actions and civil and/or criminal sanctions, the disgorgement of profits and the imposition of a court-appointed monitor, as well as the denial of export privileges, and may have an adverse effect on our reputation.

These and other factors may have a material adverse effect on our international operations or on our business, results of operations and financial condition generally.

If we or our suppliers fail to comply with the FDA's good manufacturing practice regulations, this could impair our ability to market our products in a cost-effective and timely manner.

We and our third-party suppliers are required to comply with the FDA's Quality System Regulation, or QSR, which covers the methods and documentation of the design, testing, production, control, quality assurance, labeling, packaging, sterilization, storage and shipping of our products. In addition, suppliers and processors of allograft must comply with the FDA's current Good Tissue Practice regulations, or GTPs, which govern the methods used in and the facilities and controls used for the manufacture of human cell tissue and cellular and tissue-based products, record-keeping and the establishment of a quality program.

The FDA audits compliance with the QSR and GTPs through periodic announced and unannounced inspections of manufacturing and other facilities. The FDA may impose inspections or audits at any time. If we or our suppliers have significant non-compliance issues or if any corrective action plan that we or our suppliers propose in response to observed deficiencies is not sufficient, the FDA could take enforcement action, including any of the following sanctions:

untitled letters, warning letters, fines, injunctions, consent decrees and civil penalties;

customer notifications or repair, replacement, refunds, recall, detention or seizure of our products;

Table of Contents

operating restrictions or partial suspension or total shutdown of production;

refusing or delaying our requests for 510(k) clearance or pre-market approval of new products or modified products;

withdrawing 510(k) clearances or pre-market approvals that have already been granted;

refusal to grant export approval for our products; or

criminal prosecution.

Any of these sanctions could have a material adverse effect on our reputation, business, results of operations and financial condition.

Outside the United States, our products and operations are also often required to comply with standards set by industrial standards bodies, such as the International Organization for Standardization, or ISO. Foreign regulatory bodies may evaluate our products or the testing that our products undergo against these standards. The specific standards, types of evaluation and scope of review differ among foreign regulatory bodies. We intend to comply with the standards enforced by such foreign regulatory bodies as needed to commercialize our products. If we fail to adequately comply with any of these standards, a foreign regulatory body may take adverse actions similar to those within the power of the FDA. Any such action may harm our reputation and business, and could have an adverse effect on our business, results of operations and financial condition.

A recall of our products, either voluntarily or at the direction of the FDA or another governmental authority, or the discovery of serious safety issues with our products, could have a significant adverse impact on us.

The FDA and similar foreign governmental authorities have the authority to require the recall of commercialized products in the event of material deficiencies or defects in design or manufacture or in the event that a product poses an unacceptable risk to health. Manufacturers may, under their own initiative, recall a product if any material deficiency in a device is found. A government-mandated or voluntary recall by us or one of our distributors could occur as a result of an unacceptable risk to health, component failures, manufacturing errors, design or labeling defects or other deficiencies and issues. Recalls of any of our products would divert managerial and financial resources and have an adverse effect on our reputation, results of operations and financial condition, which could impair our ability to produce our products in a cost-effective and timely manner in order to meet our customers' demands. We may also be required to bear other costs or take other actions that may have a negative impact on our future sales and our ability to generate profits.

Further, under the FDA's medical device reporting, or MDR, regulations, we are required to report to the FDA any incident in which our product may have caused or contributed to a death or serious injury or in which our product malfunctioned and, if the malfunction were to recur, would likely cause or contribute to death or serious injury. Repeated product malfunctions may result in a voluntary or involuntary product recall, which could divert managerial and financial resources, impair our ability to manufacture our products in a cost-effective and timely manner and have an adverse effect on our reputation, results of operations and financial condition.

In the EEA we must comply with the EU Medical Device Vigilance System. Under this system, incidents must be reported to the relevant authorities of the Member States of the EEA, and manufacturers are required to take Field Safety Corrective Actions, or FSCAs, to reduce a risk of death or serious deterioration in the state of health associated with the use of a medical device that is already placed on the market. An incident is defined as any malfunction or deterioration in the characteristics and/or performance of a device, as well as any inadequacy in the labeling or the instructions for use which, directly or indirectly, might lead to or might have led to the death of a patient or user or of other persons or to a serious deterioration in their state of health. An FSCA may include the recall, modification, exchange, destruction or retrofitting of the device. FSCAs must be communicated by the manufacturer or its legal representative to its customers and/or to the end users of the device through Field Safety Notices.

Table of Contents

Any adverse event involving our products, whether in the United States or abroad, could result in future voluntary corrective actions, such as recalls or customer notifications, or agency action, such as inspection, mandatory recall or other enforcement action. Any corrective action, whether voluntary or involuntary, as well as defending ourselves in a lawsuit, will require the dedication of our time and capital, distract management from operating our business and may harm our reputation and financial results.

We may be subject to enforcement action if we engage in the off-label promotion of our products.

Our promotional materials and training methods must comply with FDA and other applicable laws and regulations, including the prohibition of the promotion of off-label use. Physicians may use our products off-label, as the FDA does not restrict or regulate a physician's choice of treatment within the practice of medicine. However, if the FDA determines that our promotional materials or training constitutes promotion of an off-label use, it could request that we modify our training or promotional materials or subject us to regulatory or enforcement actions, including the issuance of an untitled letter, a warning letter, injunction, seizure, civil fine and criminal penalties. It is also possible that other federal, state or foreign enforcement authorities might take action if they consider our promotional or training materials to constitute promotion of an unapproved use, which could result in significant fines or penalties under other statutory authorities, such as laws prohibiting false claims for reimbursement. In that event, our reputation could be damaged and adoption of the products would be impaired. Although our policy is to refrain from statements that could be considered off-label promotion of our products, the FDA or another regulatory agency could disagree and conclude that we have engaged in off-label promotion. In addition, the off-label use of our products may increase the risk of injury to patients, and, in turn, the risk of product liability claims. Product liability claims are expensive to defend and could divert our management's attention, result in substantial damage awards against us and harm our reputation.

Governmental regulation and limited sources and suppliers could restrict our procurement and use of tissue.

In the United States, the procurement and transplantation of allograft bone tissue is subject to federal law pursuant to the National Organ Transplant Act, or NOTA, a criminal statute which prohibits the purchase and sale of human organs used in human transplantation, including bone and related tissue, for valuable consideration. NOTA permits reasonable payments associated with the removal, transportation, processing, preservation, quality control, implantation and storage of human bone tissue. We provide services in all of these areas in the United States, with the exception of removal and implantation, and receive payments for all such services. We make payments to certain of our clients and tissue banks for their services related to recovering allograft bone tissue on our behalf. If NOTA is interpreted or enforced in a manner that prevents us from receiving payment for services we render or that prevents us from paying tissue banks or certain of our clients for the services they render for us, our business could be materially adversely affected.

We depend on a limited number of sources of human tissue for use in some of our advanced biomaterials products and a limited number of entities to process the human tissue for use in those advanced biomaterials products, and any failure to obtain tissue from these sources or to have the tissue processed by these entities for us in a timely manner will interfere with our ability to effectively meet demand for our advanced biomaterials products incorporating human tissue. One third-party supplier currently supplies all of our needs for allograft implants and products, although we expect to engage other suppliers in the future. The processing of human tissue into our advanced biomaterials products is very labor-intensive and it is therefore difficult to maintain a steady supply stream. In addition, due to seasonal changes in mortality rates, some scarce tissues used in our advanced biomaterials products are at times in particularly short supply. We cannot be certain that our current supply of allograft implants and supplies from that supplier, plus any additional source that we identify in the future, will be sufficient to meet our needs. Our dependence on a single or small number of third-party suppliers and the challenges we may face in obtaining adequate supplies of human tissue involve several risks, including limited control over pricing, availability, quality and delivery schedules. In addition, any supply interruption in a limited or sole-sourced human tissue component, could materially harm our and our third-party suppliers' ability to manufacture our advanced biomaterials products until a new source of supply, if any, could

Table of Contents

be found. We may be unable to find a sufficient alternative supply channel in a reasonable time period or on commercially reasonable terms, if at all, which would have a material adverse effect on our business, results of operations and financial condition.

Negative publicity concerning methods of tissue recovery and screening of donor tissue in our industry could reduce demand for our advanced biomaterials products and impact the supply of available donor tissue.

Media reports or other negative publicity concerning both alleged improper methods of tissue recovery from donors and disease transmission from donated tissue could limit widespread acceptance of some of our advanced biomaterials products. Unfavorable reports of improper or illegal tissue recovery practices, both in the United States and internationally, as well as incidents of improperly processed tissue leading to the transmission of disease, may broadly affect the rate of future tissue donation and market acceptance of technologies incorporating human tissue. In addition, such negative publicity could cause the families of potential donors to become reluctant to agree to donate tissue to for-profit tissue processors. For example, the media has reported examples of alleged illegal harvesting of body parts from cadavers and resulting recalls conducted by certain companies selling human tissue based products affected by the alleged illegal harvesting. These reports and others could have a negative effect on our tissue regeneration business.

We are subject to environmental laws and regulations that can impose significant costs and expose us to potential financial liabilities.

The manufacture of certain of our products, including our allograft implants and products, and the handling of materials used in the product testing process, including in our cadaveric laboratory, involve the controlled use of biological, hazardous and/or radioactive materials and wastes. Our business and facilities and those of our suppliers are subject to foreign, federal, state and local laws and regulations relating to the protection of human health and the environment, including those governing the use, manufacture, storage, handling and disposal of, and exposure to, such materials and wastes. In addition, under some environmental laws and regulations, we could be held responsible for costs relating to any contamination at our past or present facilities and at third-party waste disposal sites even if such contamination was not caused by us. A failure to comply with current or future environmental laws and regulations could result in severe fines or penalties. Any such expenses or liability could have a significant negative impact on our business, results of operations and financial condition.

We or our suppliers may be the subject of claims for non-compliance with FDA regulations in connection with the processing, manufacturing or distribution of our proposed allograft or other advanced biomaterials implants and products.

Allegations may be made against us or against donor recovery groups or tissue banks, including those with which we have a contractual supplier relationship, claiming that the acquisition or processing of tissue for allograft implants and products or other advanced biomaterials products does not comply with applicable FDA regulations or other relevant statutes and regulations. Allegations like these could cause regulators or other authorities to take investigative or other action against us or our suppliers, or could cause negative publicity for us or our industry generally. These actions or any negative publicity could cause us to incur substantial costs, divert the attention of our management from our business and harm our reputation.

We and our distributor sales representatives must comply with U.S. federal and state fraud and abuse laws, including anti-kickback laws and other U.S. federal and state anti-referral laws.

There are numerous U.S. federal and state laws pertaining to healthcare fraud and abuse, including anti-kickback laws and physician self-referral laws. Our relationships with surgeons, hospitals and our independent distributors are subject to scrutiny under these laws. Violations of these laws are punishable by criminal and civil sanctions, including, in some instances, imprisonment and exclusion from participation in federal and state healthcare programs, including the Medicare, Medicaid and Veterans Administration health programs. Because of the far-reaching nature of these laws, we may be required to alter or discontinue one or more of our business practices to be in compliance with these laws.

Table of Contents

Healthcare fraud and abuse regulations are complex, and even minor irregularities can potentially give rise to claims that a statute or prohibition has been violated. The laws that may affect our ability to operate include:

the federal healthcare programs Anti-Kickback Law, which prohibits, among other things, persons from knowingly and willfully soliciting, receiving, offering or paying remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual for, or the purchase, order or recommendation of, any good or service for which payment may be made under federal healthcare programs such as the Medicare and Medicaid programs;

federal false claims laws which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payors that are false or fraudulent;

the federal Health Insurance Portability and Accountability Act of 1996, which created federal criminal laws that prohibit executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;

the Federal Trade Commission Act and similar laws regulating advertisement and consumer protections;

the federal Foreign Corrupt Practices Act of 1997, which prohibits corrupt payments, gifts or transfers of value to foreign officials; and

foreign and U.S. state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payor, including commercial insurers.

Further, the recently enacted Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, or, collectively, the PPACA, among other things, amends the intent requirement of the federal anti-kickback and criminal healthcare fraud statutes. A person or entity can now be found guilty under the PPACA without actual knowledge of the statute or specific intent to violate it. In addition, the PPACA provides that the government may assert that a claim including items or services resulting from a violation of the federal anti-kickback statute constitutes a false or fraudulent claim for purposes of the false claims statutes. Possible sanctions for violation of these anti-kickback laws include monetary fines, civil and criminal penalties, exclusion from Medicare and Medicaid programs and forfeiture of amounts collected in violation of such prohibitions. Any violations of these laws, or any action against us for violation of these laws, even if we successfully defend against it, could result in a material adverse effect on our reputation, business, results of operations and financial condition.

We have entered into consulting agreements and royalty agreements with surgeons, including some who make referrals to us. In addition, some of our referring surgeons own our stock, which they either purchased in an arm's length transaction on terms identical to those offered to non-referral sources or received from us as fair market value consideration for consulting services performed. While these transactions were structured with the intention of complying with all applicable laws, including the federal ban on physician self-referrals, commonly known as the Stark Law, state anti-referral laws and other applicable anti-kickback laws, to the extent applicable, it is possible that regulatory agencies may view these transactions as prohibited arrangements that must be restructured, or discontinued, or for which we could be subject to other significant penalties. Regulators also could prohibit us from accepting payment for referrals from these surgeons. We would be materially and adversely affected if regulatory agencies interpret our financial relationships with spine surgeons who order our products to be in violation of applicable laws and we were unable to comply with applicable laws. This could subject us to monetary penalties for non-compliance, the cost of which could be substantial, or we may be unable to accept referrals from such surgeons.

Table of Contents

To enforce compliance with the federal laws, the U.S. Department of Justice, or DOJ, has recently increased its scrutiny of interactions between healthcare companies and healthcare providers, which has led to a number of investigations, prosecutions, convictions and settlements in the healthcare industry. Dealing with investigations can be time- and resource-consuming and can divert management's attention from the business. Additionally, if a healthcare company settles an investigation with the DOJ or other law enforcement agencies, we may be forced to agree to additional onerous compliance and reporting requirements as part of a consent decree or corporate integrity agreement. Any such investigation or settlement could increase our costs or otherwise have an adverse effect on our business.

In certain cases, federal and state authorities pursue actions for false claims on the basis that manufacturers and distributors are promoting unapproved, or off-label uses of their products. Pursuant to FDA regulations, we can only market our products for cleared or approved uses. Although surgeons are permitted to use medical devices for indications other than those cleared or approved by the FDA, we are prohibited from promoting products for off-label uses. We market our products and provide promotional materials and training programs to surgeons regarding the use of our products. If it is determined that our marketing, promotional materials or training programs constitute promotion of unapproved uses, we could be subject to significant fines in addition to regulatory enforcement actions, including the issuance of a warning letter, injunction, seizure and criminal penalty.

Beginning in 2013, the PPACA also imposes new reporting and disclosure requirements on device manufacturers for payments to healthcare providers and ownership of their stock by healthcare providers. Failure to submit required information may result in civil monetary penalties of up to an aggregate of \$150,000 per year (or up to an aggregate of \$1 million per year for knowing failures), for all payments, transfers of value or ownership or investment interests not reported in an annual submission. On December 14, 2011, CMS released its proposed rule implementing these provisions, providing further clarification to ambiguous or unclear statutory language and providing instructions for manufacturers to comply with such requirements. In addition, CMS estimates that approximately 1,000 device and medical supply companies will be required to comply with the disclosure requirements and that the average cost per entity will be approximately \$170,000 in the first year. CMS closed its comment period on February 17, 2012.

In addition, there has been a recent trend of increased federal and state regulation of payments made to physicians for marketing. Some states, such as California, Massachusetts and Vermont, mandate implementation of commercial compliance programs, along with the tracking and reporting of gifts, compensation and other remuneration to physicians. The shifting commercial compliance environment and the need to build and maintain robust and expandable systems to comply with different compliance and/or reporting requirements in multiple jurisdictions increase the possibility that a healthcare company may run afoul of one or more of the requirements.

The scope and enforcement of these laws is uncertain and subject to rapid change in the current environment of healthcare reform, especially in light of the lack of applicable precedent and regulations. Federal or state regulatory authorities might challenge our current or future activities under these laws. Any such challenge could have a material adverse effect on our reputation, business, results of operations and financial condition. Any state or federal regulatory review of us, regardless of the outcome, would be costly and time-consuming. Additionally, we cannot predict the impact of any changes in these laws, whether or not retroactive.

Legislative or regulatory healthcare reforms may make it more difficult and costly for us to obtain regulatory clearance or approval of our products and to produce, market and distribute our products after clearance or approval is obtained.

Recent political, economic and regulatory influences are subjecting the healthcare industry to fundamental changes. The sales of our products depend in part on the availability of coverage and reimbursement from third-party payors such as government health administration authorities, private health insurers, health maintenance organizations and other healthcare-related organizations. Both the Federal and state governments in

Table of Contents

the United States and foreign governments continue to propose and pass new legislation and regulations designed to contain or reduce the cost of healthcare. Such legislation and regulations may result in decreased reimbursement for medical devices, which may further exacerbate industry-wide pressure to reduce the prices charged for medical devices. This could harm our ability to market our products and generate sales.

In addition, FDA regulations and guidance are often revised or reinterpreted by the FDA in ways that may significantly affect our business and our products. Any new regulations or revisions or reinterpretations of existing regulations may impose additional costs or lengthen review times of our products. Delays in receipt of or failure to receive regulatory clearances or approvals for our new products would have a material adverse effect on our business, results of operations and financial condition. In addition, the FDA is currently evaluating the 510(k) process and may make substantial changes to industry requirements, including which devices are eligible for 510(k) clearance, the ability to rescind previously granted 510(k) clearances and additional requirements that may significantly impact the process.

Federal and state governments in the United States have recently enacted legislation to overhaul the nation's healthcare system. While the goal of healthcare reform is to expand coverage to more individuals, it also involves increased government price controls, additional regulatory mandates and other measures designed to constrain medical costs. The PPACA substantially changes the way healthcare is financed by both governmental and private insurers, encourages improvements in the quality of healthcare items and services and significantly impacts the medical device industries. Among other things, the PPACA:

establishes a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in and conduct comparative clinical effectiveness research;

implements payment system reforms including a national pilot program on payment bundling to encourage hospitals, physicians and other providers to improve the coordination, quality and efficiency of certain healthcare services through bundled payment models, beginning on or before January 1, 2013; and

creates an independent payment advisory board that will submit recommendations to reduce Medicare spending if projected Medicare spending exceeds a specified growth rate.

A number of state governors have strenuously opposed certain of the PPACA's provisions, and initiated lawsuits challenging its constitutionality. These challenges are pending final adjudication in several jurisdictions, including the United States Supreme Court. Congress has also proposed a number of legislative initiatives, including possible repeal of the PPACA. At this time, it remains unclear whether there will be any changes made to the PPACA, whether to certain provisions or its entirety.

In addition, other legislative changes have been proposed and adopted since the PPACA was enacted. Most recently, on August 2, 2011, the President signed into law the Budget Control Act of 2011, which, among other things, creates the Joint Select Committee on Deficit Reduction to recommend to Congress proposals in spending reductions. The Joint Select Committee did not achieve a targeted deficit reduction of at least \$1.2 trillion for the years 2013 through 2021, triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, starting in 2013. The uncertainties regarding the ultimate features of the PPACA and other healthcare reform initiatives and their enactment and implementation may have an adverse effect on our customers' purchasing decisions regarding our products. In the coming years, additional changes could be made to governmental healthcare programs that could significantly impact the success of our products. Cost control initiatives could decrease the price that we receive for our products. At this time, we cannot predict which, if any, additional healthcare reform proposals will be adopted, when they may be adopted or what impact they, or the PPACA, may have on our business and operations, and any such impact may be adverse on our operating results and financial condition.

Table of Contents

Our financial performance may be adversely affected by medical device tax provisions in the healthcare reform laws.

The PPACA imposes, among other things, an annual excise tax of 2.3% on any entity that manufactures or imports medical devices offered for sale in the United States beginning in 2013. Under these provisions, the Congressional Research Service predicts that the total cost to the medical device industry may be up to \$20 billion over the next decade. We expect to be subject to this excise tax in the future on our sales of certain medical devices we manufacture, produce or import. We anticipate that all of our sales of medical devices in the United States will be subject to this 2.3% excise tax. The financial impact of this tax on our business is unclear and there can be no assurance that our business will not be materially adversely affected by it.

Risks Related to our Financial Results and Need for Financing

We will need to generate significant sales to remain profitable.

We intend to increase our operating expenses substantially as we add sales representatives and distributors to increase our geographic sales coverage, submit additional investigational device exemption applications to the FDA, increase our marketing capabilities, conduct clinical trials and increase our general and administrative functions to support our growing operations. We will need to generate significant sales to maintain profitability and we might not be able to do so. Even if we do generate significant sales, we might not be able to sustain or increase profitability on a quarterly or annual basis in the future. If our sales grow more slowly than we anticipate or if our operating expenses exceed our expectations, our financial performance will likely be adversely affected.

Our quarterly operating results may fluctuate significantly.

Our operating results are difficult to predict and may be subject to quarterly fluctuations. Our sales and results of operations will be affected by numerous factors, including:

our ability to drive increased sales of our products;

our ability to establish and maintain an effective and dedicated sales force;

pricing pressure applicable to our products, including adverse third-party coverage and reimbursement outcomes;

results of clinical research and trials on our existing products and products in development;

the mix of our products sold because profit margins differ amongst our products;

timing of new product offerings, acquisitions, licenses or other significant events by us or our competitors;

the ability of our suppliers to timely provide us with an adequate supply of materials and components;

the evolving product offerings of our competitors;

regulatory approvals and legislative changes affecting the products we may offer or those of our competitors;

interruption in the manufacturing or distribution of our products;

Table of Contents

the effect of competing technological, industry and market developments;

changes in our ability to obtain regulatory clearance or approval for our products; and

our ability to expand the geographic reach of our sales and marketing efforts.

Many of the products we may seek to develop and introduce in the future will require FDA approval or clearance before commercialization in the United States, and commercialization of such products outside of the United States would likely require additional regulatory approvals and import licenses. As a result, it will be difficult for us to forecast demand for these products with any degree of certainty. In addition, we will be increasing our operating expenses as we expand our commercial capabilities. Accordingly, we may experience significant, unanticipated quarterly losses. If our quarterly or annual operating results fall below the expectations of investors or securities analysts, the price of our Class A common stock could decline substantially. Furthermore, any quarterly or annual fluctuations in our operating results may, in turn, cause the price of our Class A common stock to fluctuate substantially. We believe that quarterly comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of our future performance.

Our future capital needs are uncertain and we may need to raise additional funds in the future, and such funds may not be available on acceptable terms or at all.

We believe that our current cash and cash equivalents, including the proceeds from this offering together with the cash to be generated from expected product sales, will be sufficient to meet our projected operating requirements for the next twelve months. However, continued expansion of our business will be expensive and we may seek additional funds from public and private stock offerings, borrowings under our existing or future credit facilities or other sources. Our capital requirements will depend on many factors, including:

the revenues generated by sales of our products;

the costs associated with expanding our sales and marketing efforts;

the expenses we incur in manufacturing and selling our products;

the costs of developing and commercializing new products or technologies;

the cost of obtaining and maintaining regulatory approval or clearance of our products and products in development;

the number and timing of acquisitions and other strategic transactions;

the costs associated with our planned international expansion;

the costs associated with increased capital expenditures, including fixed asset purchases of instrument sets which we loan to hospitals to support surgeries; and

unanticipated general and administrative expenses.

Edgar Filing: GLOBUS MEDICAL INC - Form S-1/A

As a result of these factors, we may seek to raise additional capital, and such capital may not be available on favorable terms, or at all. Furthermore, if we issue equity or debt securities to raise additional capital, our existing stockholders may experience dilution, and the new equity or debt securities may have rights, preferences and privileges senior to those of our existing stockholders. In addition, if we raise additional capital through collaboration, licensing or other similar arrangements, it may be necessary to relinquish valuable rights

Table of Contents

to our products, potential products or proprietary technologies, or grant licenses on terms that are not favorable to us. If we cannot raise capital on acceptable terms, we may not be able to develop or enhance our products, execute our business plan, take advantage of future opportunities, or respond to competitive pressures, changes in our supplier relationships, or unanticipated customer requirements. Any of these events could adversely affect our ability to achieve our development and commercialization goals, which could have a material adverse effect on our business, results of operations and financial condition.

Prolonged negative economic conditions in domestic and global markets may adversely affect us, our suppliers, counterparties and consumers, which could harm our financial position.

As has been widely reported, global credit and financial markets have been experiencing extreme disruptions over the past several years, including severely diminished liquidity and availability of credit, declines in consumer confidence, declines in economic growth, increases in unemployment rates and uncertainty about economic stability. Credit and financial markets and confidence in economic conditions might deteriorate further. Our general business strategy may be adversely affected by the recent economic downturn and volatile business environment and continued unpredictable and unstable market conditions. In addition, there is a risk that one or more of our current service providers, suppliers and other partners may not continue to operate, which could directly affect our ability to attain our operating goals on schedule and on budget. Any lender that is obligated to provide funding to us under any now existing or future credit agreement with us may not be able to provide funding in a timely manner, or at all, when we require it. The cost of, or lack of, available credit or equity financing could impact our ability to develop sufficient liquidity to maintain or grow our company, which in turn may adversely affect our business, results of operations or financial condition. We also manage cash and cash equivalents and short-term investments through various institutions. There may be a risk of loss on investments based on the volatility of the underlying instruments that will prevent us from recovering the full principal of our investments. These negative changes in domestic and global economic conditions or additional disruptions of either or both of the financial and credit markets may also affect third-party payors and may have a material adverse effect on our stock price, business, results of operations, financial condition and liquidity.

Our existing revolving credit facility contains restrictive covenants that may limit our operating flexibility.

Our existing revolving credit facility contains certain restrictive covenants that limit our ability to transfer or dispose of assets, merge with other companies or consummate certain changes of control, acquire other companies, pay dividends, incur additional indebtedness and liens, experience changes in management and enter into new businesses. We therefore may not be able to engage in any of the foregoing transactions unless we obtain the consent of the lender or terminate the revolving credit facility. There is no guarantee that we will be able to generate sufficient cash flow or sales to meet the financial covenants or pay the principal and interest on any such debt. Furthermore, there is no guarantee that future working capital, borrowings or equity financing will be available to repay or refinance any such debt.

Risks Related to our Intellectual Property and Potential Litigation

Our ability to protect our intellectual property and proprietary technology is uncertain.

We rely primarily on patent, copyright, trademark and trade secret laws, as well as confidentiality and non-disclosure agreements and other methods, to protect our proprietary technologies and know-how. As of April 30, 2012, we owned 98 issued U.S. patents and had applications pending for 247 U.S. patents, and we owned 40 issued foreign patents and had applications pending for 95 foreign patents. One of our issued patents expires in March 2015 and the rest of our issued patents expire between November 2019 and June 2030. We also have 39 pending U.S. trademark applications and two pending foreign trademark applications, as well as 74 trademark registrations, including 59 U.S. trademark registrations and 15 foreign trademark registrations.

We have applied for patent protection relating to certain existing and proposed products and processes. While we generally apply for patents in those countries where we intend to make, have made, use or sell patented

Table of Contents

products, we may not accurately predict all of the countries where patent protection will ultimately be desirable. If we fail to timely file a patent application in any such country, we may be precluded from doing so at a later date. Furthermore, we cannot assure you that any of our patent applications will be approved. The rights granted to us under our patents, including prospective rights sought in our pending patent applications, may not be meaningful or provide us with any commercial advantage and they could be opposed, contested or circumvented by our competitors or be declared invalid or unenforceable in judicial or administrative proceedings. The failure of our patents to adequately protect our technology might make it easier for our competitors to offer the same or similar products or technologies. Competitors may be able to design around our patents or develop products that provide outcomes which are comparable to ours without infringing on our intellectual property rights. We have entered into confidentiality agreements and intellectual property assignment agreements with our officers, employees, consultants and advisors regarding our intellectual property and proprietary technology. In the event of unauthorized use or disclosure or other breaches of such agreements, we may not be provided with meaningful protection for our trade secrets or other proprietary information. Due to differences between foreign and U.S. patent laws, our patented intellectual property rights may not receive the same degree of protection in foreign countries as they would in the United States. Even if patents are granted outside the United States, effective enforcement in those countries may not be available. Since most of our issued patents and pending patent applications are for the United States only, we lack a corresponding scope of patent protection in other countries. In countries where we do not have significant patent protection, we may not be able to stop a competitor from marketing products in such countries that are the same as or similar to our products.

We rely on our trademarks, trade names and brand names to distinguish our products from the products of our competitors, and have registered or applied to register many of these trademarks. We cannot assure you that our trademark applications will be approved. Third parties may also oppose our trademark applications, or otherwise challenge our use of the trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our products, which could result in loss of brand recognition, and could require us to devote resources to advertising and marketing new brands. Further, we cannot assure you that competitors will not infringe upon our trademarks, or that we will have adequate resources to enforce our trademarks.

If a competitor infringes upon one of our patents, trademarks or other intellectual property rights, enforcing those patents, trademarks and other rights may be difficult and time consuming. Even if successful, litigation to defend our patents and trademarks against challenges or to enforce our intellectual property rights could be expensive and time consuming and could divert management's attention from managing our business. Moreover, we may not have sufficient resources or desire to defend our patents or trademarks against challenges or to enforce our intellectual property rights.

We are subject to various litigation claims and legal proceedings, including litigation initiated by NuVasive, Synthes, N-Spine, L5 and Sabatino Bianco.

We, as well as certain of our officers and independent distributors, are subject to a number of legal proceedings, including those initiated by NuVasive, Synthes, N-Spine (subsequently acquired by Synthes), L5, and Sabatino Bianco, which are described in more detail under Business Legal Proceedings. These lawsuits may result in significant legal fees and expenses and could divert management's time and other resources. If the claims contained in these lawsuits are successfully asserted against us, we could be liable for damages and be required to alter or cease certain of our business practices or product lines. Any of these outcomes could cause our business, financial performance and cash position to be negatively impacted. There is no guarantee of a successful result in any of these lawsuits, either in defending these claims or in pursuing counterclaims.

The medical device industry is characterized by patent litigation and we could become subject to litigation that could be costly, result in the diversion of management's time and efforts, require us to pay damages, and/or prevent us from marketing our existing or future products.

Our commercial success will depend in part on not infringing the patents or violating the other proprietary rights of third parties. Significant litigation regarding patent rights exists in our industry. Our

Table of Contents

competitors in both the United States and abroad, many of which have substantially greater resources and have made substantial investments in competing technologies, may have applied for or obtained or may in the future apply for and obtain, patents that will prevent, limit or otherwise interfere with our ability to make and sell our products. We have not conducted an independent review of patents issued to third parties. The large number of patents, the rapid rate of new patent issuances, the complexities of the technology involved and uncertainty of litigation increase the risk of business assets and management's attention being diverted to patent litigation. We have received in the past, and expect to receive in the future, particularly as a public company, communications from various industry participants alleging our infringement of their patents, trade secrets or other intellectual property rights and/or offering licenses to such intellectual property. We are currently subject to lawsuits, and have received other written allegations, claiming that we have infringed certain patents of our competitors, including N-Spine (subsequently acquired by Synthes), Synthes and NuVasive. A summary of the N-Spine, Synthes, and NuVasive cases is provided under Business Legal Proceedings. Any lawsuits resulting from such allegations could subject us to significant liability for damages and invalidate our proprietary rights. Any potential intellectual property litigation also could force us to do one or more of the following:

stop selling products or using technology that contains the allegedly infringing intellectual property;

lose the opportunity to license our technology to others or to collect royalty payments based upon successful protection and assertion of our intellectual property rights against others;

incur significant legal expenses;

pay substantial damages to the party whose intellectual property rights we may be found to be infringing;

redesign those products that contain the allegedly infringing intellectual property, which could be costly and disruptive; or

attempt to obtain a license to the relevant intellectual property from third parties, which may not be available on reasonable terms or at all.

Any litigation or claim against us, even those without merit, may cause us to incur substantial costs, and could place a significant strain on our financial resources, divert the attention of management from our core business, and harm our reputation. Further, as the number of participants in the spine industry grows, the possibility of intellectual property infringement claims against us increases. If we are found to infringe the intellectual property rights of third parties, we could be required to pay substantial damages (including treble, or triple, damages if an infringement is found to be willful) and/or royalties and could be prevented from selling our products unless we obtain a license or are able to redesign our products to avoid infringement. Any such license may not be available on reasonable terms, if at all, and there can be no assurance that we would be able to redesign our products in a way that would not infringe the intellectual property rights of others. If we fail to obtain any required licenses or make any necessary changes to our products or technologies, we may have to withdraw existing products from the market or may be unable to commercialize one or more of our products, all of which could have a material adverse effect on our business, results of operations and financial condition.

In addition, we generally indemnify our customers and distributors with respect to infringement by our products of the proprietary rights of third parties. Third parties may assert infringement claims against our customers or distributors. These claims may require us to initiate or defend protracted and costly litigation on behalf of our customers or distributors, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages on behalf of our customers or distributors or may be required to obtain licenses for the products they use. If we cannot obtain all necessary licenses on commercially reasonable terms, our customers may be forced to stop using our products.

Table of Contents

We may be subject to damages resulting from claims that we, our employees or our independent distributors have wrongfully used or disclosed alleged trade secrets of our competitors or are in breach of non-competition or non-solicitation agreements with our competitors.

Many of our employees were previously employed at other medical device companies, including our competitors or potential competitors, in some cases until recently. Many of our independent distributors sell, or in the past have sold, products of our competitors. We may be subject to claims that we, our employees, or our independent distributors have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of these former employers or competitors. In addition, we have been and may in the future be subject to claims that we caused an employee to breach the terms of his or her non-competition or non-solicitation agreement. Litigation may be necessary to defend against these claims. For example, as discussed elsewhere in this prospectus, we are currently involved in a lawsuit brought by NuVasive with respect to our employment of former employees of NuVasive. Even if we are successful in defending against these claims, litigation could result in substantial costs and could be a distraction to management. If our defense to those claims fails, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. There can be no assurance that this type of litigation will not continue, and any future litigation or the threat thereof may adversely affect our ability to hire additional direct sales representatives. A loss of key personnel or their work product could hamper or prevent our ability to commercialize product candidates, which could have an adverse effect on our business, results of operations and financial condition.

Because allograft implants used in our advanced biomaterials program may entail a risk of communicable diseases to human recipients, we may be the subject of product liability claims regarding our allograft implants.

The development of allograft implants and technologies for human tissue repair and treatment may entail particular risk of transmitting diseases to human recipients. Any such transmission could result in the assertion of substantial product liability claims against us. In addition, successful product liability claims made against one of our competitors could cause claims to be made against us or expose us to a perception that we are vulnerable to similar claims. Claims against us arising out of our advanced biomaterials program, regardless of their merit or potential outcome, may also hurt our reputation and ability to sell our products.

We may incur product liability losses, and insurance coverage may be inadequate or unavailable to cover these losses.

Our business exposes us to potential product liability claims that are inherent in the testing, design, manufacture and sale of medical devices for spine surgery procedures. Spine surgery involves significant risk of serious complications, including bleeding, nerve injury, paralysis and even death. In addition, if longer-term patient results and experience indicates that our products or any component of a product cause tissue damage, motor impairment or other adverse effects, we could be subject to significant liability. Furthermore, if spine surgeons are not sufficiently trained in the use of our products, they may misuse or ineffectively use our products, which may result in unsatisfactory patient outcomes or patient injury. We could become the subject of product liability lawsuits alleging that component failures, manufacturing flaws, design defects or inadequate disclosure of product-related risks or product-related information resulted in an unsafe condition or injury to patients. Product liability lawsuits and claims, safety alerts or product recalls, regardless of their ultimate outcome, could have a material adverse effect on our business and reputation, our ability to attract and retain customers and our results of operations or financial condition.

Although we maintain third-party product liability insurance coverage, it is possible that claims against us may exceed the coverage limits of our insurance policies or cause us to record a self-insured loss. Even if any product liability loss is covered by an insurance policy, these policies typically have substantial retentions or deductibles that we are responsible for. Product liability claims in excess of applicable insurance coverage could have a material adverse effect on our business, results of operations and financial condition.

Table of Contents

In addition, any product liability claim brought against us, with or without merit, could result in an increase of our product liability insurance rates. Insurance coverage varies in cost and can be difficult to obtain, and we cannot guarantee that we will be able to obtain insurance coverage in the future on terms acceptable to us or at all.

Risks Related to the Ownership of our Class A Common Stock

Because of their significant stock ownership, our chief executive officer, our other executive officers, and our directors and principal stockholders will be able to exert control over us and our significant corporate decisions.

Based on an aggregate of 88,305,141 shares of our Class A and Class B common stock outstanding as of March 31, 2012, after giving effect to the automatic conversions of our Series E preferred stock to shares of our Class B common stock, the subsequent automatic conversion of shares of our Class B common stock to shares of our Class A common stock and the subsequent automatic conversion of all shares of our Class C common stock to shares of our Class A common stock as discussed elsewhere in this prospectus, as of March 31, 2012, our executive officers and directors, and holders of more than 5% of our outstanding Class A common stock on an as-converted basis, and their affiliates beneficially owned, in the aggregate, approximately 89.1% of the voting power of our outstanding capital stock. Upon completion of this offering, our executive officers and directors, and holders of more than 5% of our outstanding Class A common stock on an as-converted basis, and their affiliates will still hold a significant portion of our voting power. In particular, as of March 31, 2012, David C. Paul, our CEO, controlled, on an as-converted basis, 34.5% of our Class A and Class B common stock, representing 84.0% of the voting power of our outstanding capital stock as of that date.

Upon the closing of this offering, the shares owned by David C. Paul will represent 81% of the voting power of our outstanding capital stock. As a result, these persons, acting together, or even David C. Paul, acting alone, will have the ability to significantly influence or determine the outcome of all matters submitted to our stockholders for approval, including the election and removal of directors and any merger, consolidation, or sale of all or substantially all of our assets. Furthermore, upon the closing of this offering, we will have 192,547,170 shares of Class B common stock available for issuance. This amount will exceed 5% of our outstanding common stock after completion of this offering, meaning our board of directors could issue Class B common stock without necessarily triggering the automatic conversion of that Class B common stock to Class A common stock that, pursuant to our charter, after the closing of this offering, will occur when any holder's shares of Class B common stock represents less than 5% of the aggregate number of all outstanding shares of our common stock, thereby further concentrating the voting power of our capital stock in a limited number of stockholders.

The interests of our executive officers, directors and principal stockholders might not coincide with the interests of the other holders of our capital stock. This concentration of ownership may harm the value of our Class A common stock by, among other things:

delaying, deferring or preventing a change in control of our company;

impeding a merger, consolidation, takeover or other business combination involving our company; or

causing us to enter into transactions or agreements that are not in the best interests of all stockholders.

Following the offering, we will be a controlled company within the meaning of the New York Stock Exchange Rules, and we intend to take advantage of exemptions from certain corporate governance requirements.

Following this offering, David C. Paul, alone, and our management, directors and significant stockholders, collectively, will beneficially own a majority of the voting power of our outstanding common stock. Under the New York Stock Exchange Rules, a company of which more than 50% of the voting power is

Table of Contents

held by an individual, group or another company is a controlled company and may elect not to comply with certain corporate governance requirements, including the requirement that a majority of our directors to be independent, as defined in the New York Stock Exchange Rules, and the requirement that our compensation and nominating and corporate governance committees consist entirely of independent directors. Following this offering, we intend to rely on the controlled company exemption under the New York Stock Exchange Rules. As a result, a majority of the members of our board of directors may not be independent directors and our nominating and corporate governance and compensation committees will not consist entirely of independent directors. Accordingly, while we remain a controlled company and during any transition period following a time when we are no longer a controlled company, you will not have the same protections afforded to stockholders of companies that are subject to all of the New York Stock Exchange's corporate governance requirements.

Our board of directors is authorized to issue and designate shares of our preferred stock in additional series without stockholder approval.

Our amended and restated certificate of incorporation authorizes our board of directors, without the approval of our stockholders, to issue 35 million shares of our preferred stock, subject to limitations prescribed by applicable law, rules and regulations and the provisions of our amended and restated certificate of incorporation, as shares of preferred stock in series, and to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof. The powers, preferences and rights of these additional series of preferred stock may be senior to or on parity with our Class A common stock, which may reduce its value.

Anti-takeover provisions in our organizational documents and Delaware law may discourage or prevent a change of control, even if an acquisition would be beneficial to our stockholders, which could depress the price of our Class A common stock and prevent attempts by our stockholders to replace or remove our current management.

Our amended and restated certificate of incorporation and amended and restated bylaws contain other provisions that could delay or prevent a change of control of our company or changes in our board of directors that our stockholders might consider favorable.

In addition, following this offering, we will be subject to the provisions of Section 203 of the Delaware General Corporation Law, or DGCL, regulating corporate takeovers and which has an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging takeover attempts that might result in a premium over the market price for shares of our Class A common stock. In general, those provisions prohibit a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder, unless:

the transaction is approved by the board of directors before the date the interested stockholder attained that status;

upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or

on or after such date, the business combination is approved by the board of directors and authorized at a meeting of stockholders, and not by written consent, by at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder. In general, Section 203 defines a business combination to include the following:

any merger or consolidation involving the corporation and the interested stockholder;

Table of Contents

any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;

subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;

any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or

the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by any such entity or person.

A Delaware corporation may opt out of this provision by express provision in its original certificate of incorporation or by amendment to its certificate of incorporation or bylaws approved by its stockholders. However, we have not opted out of, and do not currently intend to opt out of, this provision.

These and other provisions in our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law could make it more difficult for stockholders or potential acquirers to obtain control of our board of directors or initiate actions that are opposed by our then-current board of directors, including delay or impede a merger, tender offer, or proxy contest involving our company. The existence of these provisions could negatively affect the price of our Class A common stock and limit opportunities for you to realize value in a corporate transaction.

We do not intend to pay cash dividends.

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings for use in the operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future. In addition, we have a revolving credit facility that, if we borrow under it, may preclude us from paying any dividends. Accordingly, you may have to sell some or all of your shares of our Class A common stock in order to generate cash flow from your investment. You may not receive a gain on your investment when you sell shares and you may lose the entire amount of the investment.

Our management team may invest or spend the proceeds of this offering in ways with which you may not agree or in ways which may not yield a return.

Our management will have considerable discretion in the application of the net proceeds that we receive from this offering. We expect to use the majority of the net proceeds received by us from this offering for working capital and general corporate purposes, including further expansion of our sales and marketing efforts and continued investments in research and development; however we do not have any specific uses of the net proceeds planned. Such net proceeds may be used for corporate purposes that do not favorably affect our operating results. In addition, until we use the net proceeds, they may be placed in investments that do not produce income or that lose value.

There is no existing market for our Class A common stock, and we do not know if one will develop to provide you with adequate liquidity.

Prior to this offering, there has been no public market for our Class A common stock. We cannot predict the extent to which investor interest in our company will lead to the development of an active trading market on the New York Stock Exchange or otherwise or how liquid that market might become. If an active trading market

Table of Contents

does not develop, you may have difficulty selling any shares of our Class A common stock that you purchase, and the value of such shares might be materially impaired. The initial public offering price for our Class A common stock will be determined by negotiations between us and the representatives of the underwriters and may not be indicative of prices that will prevail in the open market following this offering. Consequently, you may not be able to sell shares of our Class A common stock at prices equal to or greater than the price you paid in this offering.

If securities or industry analysts do not publish research or publish unfavorable or inaccurate research about our business, our stock price and trading volume could decline.

The trading market for our Class A common stock will be influenced by the research and reports that industry or securities analysts publish about us, our business or our industry. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause the price or trading volume of our Class A common stock to decline. Moreover, if one or more of the analysts who cover our company downgrade our Class A common stock or release a negative report, or if our operating results do not meet analyst expectations, the price of our Class A common stock could decline.

We are an emerging growth company and we cannot be certain if the reduced disclosure requirements and relief from certain other significant obligations that are applicable to emerging growth companies will make our Class A common stock less attractive to investors.

We are an emerging growth company, as defined in the Jumpstart our Business Startups Act of 2012, or JOBS Act, and we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, less extensive disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements to hold a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved and an extended transition period for complying with new or revised accounting standards. We cannot predict if investors will find our Class A common stock less attractive because we will rely on these exemptions. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may be more volatile.

The requirements of being a public company will increase our costs and may strain our resources and distract our management.

We have historically operated our business as a private company. As a public company, we will face increased legal, accounting, administrative and other costs and expenses that we have not incurred as a private company, particularly, after we are no longer an emerging growth company. After the consummation of this offering, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, which requires that we file annual, quarterly and current reports with respect to our business and financial condition, and the rules and regulations implemented by the Securities and Exchange Commission, or SEC, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Act, the Public Company Accounting Oversight Board and the New York Stock Exchange, each of which imposes additional reporting and other obligations on public companies. As a public company, we will be required to:

prepare and distribute periodic public reports and other stockholder communications in compliance with federal securities laws and the New York Stock Exchange Rules;

expand the roles and duties of our board of directors and committees thereof;

institute more comprehensive financial reporting and disclosure compliance functions;

Table of Contents

involve and retain to a greater degree outside counsel and accountants in the activities listed above;

enhance our investor relations function;

establish new internal policies, including those relating to trading in our securities and disclosure controls and procedures; and

comply with the Sarbanes-Oxley Act of 2002, in particular Section 404 and Section 302.

We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly, although we are currently unable to estimate these costs with any degree of certainty. A number of these requirements will require us to carry out activities we have not done previously and complying with such requirements may divert management's attention from other business concerns, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be adversely affected.

However, for as long as we remain an emerging growth company as defined in the JOBS Act, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, less extensive disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements to hold a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved and an extended transition period for complying with new or revised accounting standards. We may take advantage of these reporting exemptions until we are no longer an emerging growth company. We may remain an emerging growth company for up to five years. See [Summary Implications of Being an Emerging Growth Company](#).

These increased costs will require us to divert a significant amount of money that we could otherwise use to expand our business and achieve our strategic objectives. We also expect that it will be difficult and expensive to maintain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our Class A common stock, fines, sanctions and other regulatory action and potentially civil litigation.

Table of Contents

Pursuant to the recently enacted JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 for so long as we are an emerging growth company and we may take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards.

We will be required to disclose changes made in our internal control over financial reporting on a quarterly basis and management will be required to assess the effectiveness of our controls annually. Under the recently enacted JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 until we are no longer an emerging growth company. We could be an emerging growth company for up to five years. See Summary Implications of Being an Emerging Growth Company.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We are electing to delay such adoption of new or revised accounting standards, and as a result, we may not comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. As a result of our election, our financial statements may not be comparable to the financial statements of other public companies. We may take advantage of these reporting exemptions until we are no longer an emerging growth company.

Our internal control over financial reporting does not currently meet the standards required by Section 404 of the Sarbanes-Oxley Act of 2002, and failure to achieve and maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.

As a privately held company, we have not been required to maintain internal control over financial reporting in a manner that meets the standards of publicly traded companies required by Section 404(a) of the Sarbanes-Oxley Act of 2002, or Section 404(a). We anticipate being required to meet these standards in the course of preparing our consolidated financial statements as of and for the year ended December 31, 2013, and our management will be required to report on the effectiveness of our internal control over financial reporting for such year. Additionally, once we are no longer an emerging growth company, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting on an annual basis. The rules governing the standards that must be met for our management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. We are currently in the process of reviewing, documenting and testing our internal control over financial reporting, but we are not currently in compliance with, and we cannot be certain when we will be able to implement the requirements of Section 404(a). We may encounter problems or delays in implementing any changes necessary to make a favorable assessment of our internal control over financial reporting. In addition, we may encounter problems or delays in completing the implementation of any requested improvements and receiving a favorable attestation in connection with the attestation provided by our independent registered public accounting firm. If we cannot favorably assess the effectiveness of our internal control over financial reporting, or if our independent registered public accounting firm is unable to provide an unqualified attestation report on our internal controls, investors could lose confidence in our financial information and the price of our Class A common stock could decline.

Table of Contents

The price of our Class A common stock might fluctuate significantly, and you could lose all or part of your investment.

Volatility in the market price of our Class A common stock may prevent you from being able to sell your shares of our Class A common stock at or above the price you paid for such shares. The trading price of our Class A common stock may be volatile and subject to wide price fluctuations in response to various factors, including:

actual or anticipated fluctuations in our quarterly financial and operating results;

the overall performance of the equity markets;

introduction of new services or announcements of significant contracts, acquisitions or capital commitments by us or our competitors;

legislative, political or regulatory developments;

issuance of new or changed securities analysts' reports or recommendations;

additions or departures of key personnel;

threatened or actual litigation and government investigations;

investor perceptions of us and the medical device industry, changes in accounting standards, policies, guidance, interpretations or principles;

sale of shares of our Class A common stock by us or members of our management;

general economic conditions;

changes in interest rates; and

availability of capital.

These and other factors might cause the market price of our Class A common stock to fluctuate substantially, which might limit or prevent investors from readily selling their shares of our Class A common stock and may otherwise negatively affect the liquidity of our Class A common stock. In addition, in recent years, the stock market has experienced significant price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies across many industries. The changes frequently appear to occur without regard to the operating performance of the affected companies. Accordingly, the price of our Class A common stock could fluctuate based upon factors that have little or nothing to do with our company, and these fluctuations could materially reduce our share price. Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company's securities. This litigation, if instituted against us, could result in substantial costs, divert our management's attention and resources, and harm our business, operating results and financial condition.

Future sales, or the perception of future sales, of shares of our Class A common stock could depress the market price of our Class A common stock.

Future sales, or the perception of future sales, of a substantial number of shares of our Class A common stock in the public market after this offering could have a material adverse effect on the prevailing market price of our Class A common stock.

Table of Contents

Upon completion of this offering, based on the number of shares of our Class A and Class B common stock outstanding as of March 31, 2012, our outstanding capital stock will consist of 64,522,640 shares of our Class A common stock and 26,723,677 shares of our Class B common stock, assuming the automatic conversion of all outstanding shares of our Series E preferred stock into 15,597,300 shares of our Class B common stock, the subsequent automatic conversion of 50,140,849 shares of our Class B common stock into 50,140,849 shares of our Class A common stock (which reflects all such shares of Class B common stock held by those who own less than 10% of the aggregate number of all of our shares of common stock), and the automatic conversion of all shares of our Class C common stock into 63,408 shares of our Class A common stock, all to occur upon the closing of this offering, as well as the automatic conversion of 3,693,264 shares of Class B common stock into 3,693,264 shares of Class A common stock upon their sale by the selling stockholders and the issuance by us of 2,941,176 shares of Class A common stock in this offering. All shares of our Class A common stock sold in this offering will be freely tradable without restriction under the Securities Act, except for any shares that are held or acquired by our affiliates, as that term is defined in the Securities Act.

In connection with this offering, we, each of our executive officers, directors and certain stockholders will have entered into lock-up agreements that prevent the sale of shares of our Class A common stock or securities convertible into or exchangeable for, or that represent the right to receive, shares of our Class A common stock for 180 days after the date of this prospectus, except with the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co. All of the shares of our Class A common stock outstanding as of the date of this prospectus may be sold in the public market by existing stockholders 180 days after the date of this prospectus, subject to applicable limitations imposed under federal securities laws. See *Shares Eligible for Future Sale* for a more detailed description of the restrictions on selling shares of our Class A common stock after this offering.

Following the completion of this offering, stockholders holding approximately 14,676,879 shares of our common stock, including shares issued upon conversion of our preferred stock, will have the right, subject to various conditions and limitations, to include their shares in registration statements relating to our securities. In addition, these holders are entitled to piggyback registration rights with respect to the registration under the Securities Act of shares of our common stock. Shares of Class A common stock sold under such registration statements can be freely sold in the public market. In the event such registration rights are exercised and a large number of shares of Class A common stock are sold in the public market, such sales could reduce the trading price of our Class A common stock. See *Description of Capital Stock Registration Rights* for a more detailed description of these registration rights.

In the future, we may also issue our securities if we need to raise additional capital. The number of new shares of our Class A common stock issued in connection with raising additional capital could constitute a material portion of the then-outstanding shares of our Class A common stock.

The purchase price of our Class A common stock might not reflect its value, and you may experience dilution as a result of this offering and future equity issuances.

Based on the initial public offering price of \$17.00 per share (the midpoint of the price range shown on the cover page of this prospectus), investors purchasing in this offering will experience an immediate dilution in the net tangible book value per share of our Class A common stock of \$13.50 from such offering price. Investors purchasing in this offering will contribute approximately 27% of the total amount invested by stockholders since our inception (gross of estimated expenses of this offering), but will only own approximately 13% of the shares of our Class A common stock outstanding on an as-converted basis. Additionally, the exercise of outstanding options or warrants and future equity issuances, including future public offerings or future private placements of equity securities and any additional shares of our Class A common stock issued in connection with acquisitions, will result in further dilution to investors.

Table of Contents

CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This prospectus contains estimates and forward-looking statements, principally in Prospectus Summary, Risk Factors, Use of Proceeds, Dividend Policy, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Business. Our estimates and forward-looking statements are mainly based on our current expectations and estimates of future events and trends, which affect or may affect our businesses and operations. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to numerous risks and uncertainties and are made in light of information currently available to us. Many important factors, in addition to the factors described in this prospectus, may adversely affect our results as indicated in forward-looking statements. You should read this prospectus and the documents that we have filed as exhibits to the registration statement of which this prospectus is a part completely and with the understanding that our actual future results may be materially different and worse from what we expect.

All statements other than statements of historical fact are forward-looking statements. The words believe, may, might, could, will, aim, continue, anticipate, intend, expect, plan and similar words are intended to identify estimates and forward-looking statements.

Our estimates and forward-looking statements may be influenced by the following factors, including:

our expectations regarding our sales, expenses, effective tax rates and other results of operations;

our strategies for growth and sources of new sales;

maintaining and expanding our customer base and our relationships with our distribution network;

our current and future products and plans to promote them;

anticipated trends and challenges in our business and in the markets in which we operate;

our ability to retain and hire necessary employees and to staff our operations appropriately;

our ability to find future acquisition opportunities on favorable terms or at all and to manage any acquisitions;

our ability to compete in our industry and with innovation by our competitors;

our ability to stay abreast of new or modified laws and regulations that currently apply or become applicable to our business;

estimates and estimate methodologies used in preparing our consolidated financial statements; and

the future trading prices of our Class A common stock and the impact of securities analysts' reports on these prices.

Other sections of this prospectus include additional factors that could adversely impact our business and financial performance. 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. We qualify all of

our forward-looking statements by these cautionary statements.

Table of Contents

Estimates and forward-looking statements speak only as of the date they were made, and, except to the extent required by law, we undertake no obligation to update or to review any estimate and/or forward-looking statement because of new information, future events or other factors. Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. As a result of the risks and uncertainties described above, the estimates and forward-looking statements discussed in this prospectus might not occur and our future results and our performance may differ materially from those expressed in these forward-looking statements due to, but not limited to, the factors mentioned above. Because of these uncertainties, you should not place undue reliance on these forward-looking statements when making an investment decision.

Table of Contents

USE OF PROCEEDS

We estimate that our net proceeds from the sale of 2,941,176 shares of our Class A common stock in this offering will be approximately \$35.1 million assuming an initial public offering price of \$17.00 per share, which is the midpoint of the range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

A \$1.00 increase (decrease) in the assumed public offering price of \$17.00 per share of our Class A common stock would increase (decrease) our expected net proceeds by approximately \$2.2 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of this offering are to create a public market for our Class A common stock and thereby enable future access to the public equity markets by us and our employees, obtain additional capital, and facilitate an orderly distribution of shares for the selling stockholders. We intend to use the net proceeds received by us from this offering for working capital and general corporate purposes, including further expansion of our sales and marketing efforts and continued investments in research and development. We do not have any specific uses of the net proceeds planned, nor have we determined the amounts that we will actually spend on those uses. As a result, management will retain broad discretion over the allocation of the net proceeds from this offering, and investors will be relying on the judgment of our management regarding the application of the net proceeds. Pending use of the net proceeds of this offering, we intend to invest the net proceeds in interest-bearing, investment-grade securities.

We will not receive any proceeds from the sale of any shares of our Class A common stock by the selling stockholders.

Table of Contents

DIVIDEND POLICY

We have never declared or paid any cash dividends on our Class A common stock. At the present time, we have no plans to declare or pay any dividends in the near future and intend to retain all of our future earnings, if any, generated by our operations for the development and growth of our business. The decision to pay dividends is at the discretion of our board of directors and depends upon our results of operations, financial condition, capital requirements and other factors that our board of directors deems relevant. In addition, the terms of our revolving credit facility impose restrictions on our ability to pay dividends. See Management's Discussion and Analysis of Financial Condition and Results of Operations Indebtedness.

Table of Contents

CAPITALIZATION

The following table sets forth our consolidated capitalization as of March 31, 2012 (giving effect to the 3.25-to-1 stock split of our outstanding common stock to be effected immediately prior to the closing of this offering) on (1) an actual basis, (2) a pro forma basis to give effect to the following:

the automatic conversion of all shares of our Series E preferred stock to 15,597,300 shares of our Class B common stock (which does not give effect to any additional shares of Class B common stock issuable upon conversion of our Series E preferred stock, as described below);

the subsequent automatic conversion of 50,140,849 shares of Class B common stock (which reflects all such shares of Class B common stock held by those who own less than 10% of the aggregate number of all outstanding shares of our common stock) to 50,140,849 shares of our Class A common stock;

the automatic conversion of all shares of Class C common stock to 63,408 shares of our Class A common stock;

the cancellation of the Put Right upon the closing of this offering;

the effectiveness of our amended and restated certificate of incorporation prior to the closing of this offering; and
(3) on a pro forma as adjusted basis to give effect to:

the automatic conversion of 3,693,264 shares of Class B common stock to 3,693,264 shares of Class A common stock upon their sale by the selling stockholders in this offering; and

the sale of 2,941,176 shares of Class A common stock by us at an offering price of \$17.00 per share, (which represents the midpoint of the initial public offering price range indicated on the cover page of this prospectus).

You should read this table in conjunction with Use of Proceeds, Selected Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	As of March 31, 2012	
Actual	Pro Forma (unaudited)	Pro Forma as Adjusted
	(dollar amounts in thousands, except par value)	

Debt, net of current portion

Preferred stock, par value \$0.001; no shares authorized, issued and outstanding actual; 35,000,000 shares authorized, no shares issued and outstanding pro forma and pro forma as adjusted

Table of Contents

	As of March 31, 2012		
	Actual	Pro Forma (unaudited)	Pro Forma as Adjusted
	(dollar amounts in thousands, except par value)		
Series E preferred stock, par value \$0.001; 50,691,245 shares authorized, issued and outstanding actual; 50,691,245 shares authorized and no shares issued and outstanding pro forma and pro forma as adjusted	51		
Class A common stock, par value \$0.001; 360,000,000 shares authorized, 7,683,943 shares issued and outstanding actual; 500,000,000 shares authorized, 57,888,200 shares issued and outstanding pro forma; and 500,000,000 shares authorized, 64,522,640 shares issued and outstanding pro forma as adjusted	8	58	65
Class B common stock, par value \$0.001; 309,178,636 shares authorized, 64,960,490 shares issued and outstanding actual; 275,000,000 shares authorized, 30,416,941 shares issued and outstanding pro forma; and 275,000,000 shares authorized, 26,723,677 shares issued and outstanding pro forma as adjusted	65	30	27
Class C common stock, par value \$0.001; 10,000,000 shares authorized and 63,408 shares issued and outstanding actual; 10,000,000 shares authorized and no shares issued and outstanding pro forma and pro forma as adjusted			
Additional paid-in capital	107,872	107,908	142,975
Accumulated other comprehensive loss	(901)	(901)	(901)
Retained earnings	194,422	194,718	194,718
Total stockholders' equity	301,517	301,813	336,884
Total capitalization	\$ 301,517	\$ 301,813	\$ 336,884

Each \$1.00 increase or decrease in the assumed initial public offering price of \$17.00 per share would increase or decrease, as applicable, our pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization by approximately \$2.2 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same. A 100,000 share increase or decrease in the number of shares of Class A common stock that we sell in this offering would increase or decrease, as applicable, our pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization by approximately \$1.6 million.

The number of shares of our common stock to be outstanding after this offering is based on an aggregate of 88,305,141 shares of our Class A and Class B common stock outstanding as of March 31, 2012, after giving effect to the automatic conversion of our Series E preferred stock to 15,597,300 shares of our Class B common stock, the subsequent automatic conversion of 50,140,849 shares of our Class B common stock (which reflects all such shares of Class B common stock held by those who own less than 10% of the aggregate number of all outstanding shares of our common stock) to 50,140,849 shares of our Class A common stock and the automatic conversion of all shares of our Class C common stock to 63,408 shares of our Class A common stock, all to occur upon the closing of this offering, as well as the automatic conversion of 3,693,264 shares of Class B common

Table of Contents

stock to 3,693,264 shares of Class A common stock upon their sale by the selling stockholders and the issuance by us of 2,941,176 shares of Class A common stock in this offering. The number of shares of our Class B common stock actually issued upon the conversion of our outstanding shares of Series E preferred stock depends in part on the actual initial offering price of our Class A common stock in this offering. The terms of our Series E preferred stock provide that the ratio at which each share of Series E preferred stock automatically converts into shares of our Class B common stock in connection with an initial public offering will increase if the initial offering price per share of common stock is below a specified minimum dollar amount, which would result in additional shares of Class B common stock issued upon conversion. In the event the actual initial public offering price is lower than \$14.10 per share, the shares of Series E preferred stock will convert into a larger number of shares of Class B common stock; if the initial public offering price is equal to the midpoint of the range set forth on the cover page of this prospectus, the Series E preferred stock would convert into 15,597,300 shares of common stock.

The table set forth above is based on the number of shares of our common stock outstanding as of March 31, 2012. This table excludes:

6,582,804 shares of common stock issuable upon exercise of outstanding options to purchase shares of Class A common stock as of March 31, 2012, at a weighted average exercise price of \$5.46 per share; and

33,189,649 shares of common stock reserved for future issuance under our equity plans as of March 31, 2012.

Table of Contents**DILUTION**

If you buy our Class A common stock in this offering, your interest will be diluted immediately to the extent of the difference between the initial public offering price per share of our Class A common stock and the pro forma as adjusted net tangible book value per share of our Class A and Class B common stock after this offering. We calculate net tangible book value per share by dividing the net tangible book value (tangible assets less total liabilities) by the number of outstanding shares of our Class A and Class B common stock, after giving effect to the automatic conversion of all shares of our Series E preferred stock to 15,597,300 shares of our Class B common stock, the subsequent automatic conversion of 50,140,849 shares of our Class B common stock (which reflects all such shares of Class B common stock held by those who own less than 10% of the aggregate number of all outstanding shares of our common stock) to 50,140,849 shares of our Class A common stock and the automatic conversion of all shares of our Class C common stock to 63,408 shares of our Class A common stock, all to occur upon the closing of this offering.

Our net tangible book value as of March 31, 2012 was \$284 million, or \$3.22 per share of common stock, based on 88,305,141 shares of our Class A and Class B common stock outstanding.

After giving effect to our sale of 2,941,176 shares of our Class A common stock in this offering at an assumed initial public offering price of \$17.00 per share (which represents the midpoint of the estimated price range shown on the cover page of this prospectus), less the estimated underwriting discounts and commissions and the estimated offering expenses payable by us, our net tangible book value as March 31, 2012, would be \$319 million, or \$3.50 per share. This represents an immediate increase in the net tangible book value of \$0.28 per share to existing stockholders and an immediate dilution of \$13.50 per share to new investors purchasing shares in this offering. The following table illustrates this per share dilution:

Assumed initial public offering price	\$ 17.00
Net tangible book value per share as of March 31, 2012	\$ 3.22
Increase per share attributable to this offering	\$ 0.28
Net tangible book value per share after this offering	\$ 3.50
Dilution per share to new investors in this offering	\$ 13.50

The following table shows, as of March 31, 2012, the difference between the number of shares of our Class A common stock purchased from us, the total consideration paid to us and the average price paid per share by existing stockholders and by new investors purchasing shares of our Class A common stock in this offering:

(in thousands, except percentages and per share data)	Shares Purchased		Total Consideration		Average Price
	Number	Percentage	Amount	Percentage	per Share
Existing Stockholders (1)	57,888	95%	\$ 132,000	73%	\$ 0.44
New Investors	2,941	5%	50,000	27%	17.00
Total	60,829	100%	\$ 182,000	100%	\$ 2.99

(1) Includes shares purchased by the selling stockholders.

Sales by us in this offering will reduce the percentage of shares held by existing stockholders to 87% and will increase the number of shares held by new investors to 11,764,705, or 13%.

Each \$1.00 increase (decrease) in the assumed public offering price per share of our Class A common stock would increase (decrease) the net tangible book value by \$0.02 per share (assuming no exercise of the underwriters' option to purchase additional shares) and the dilution to investors in this offering by \$0.98 per share, assuming the number of shares offered by us, as set forth on the cover page of this prospectus,

remains the same.

Table of Contents

Assuming no exercise of the underwriters' overallotment option, sales by selling stockholders in this offering will reduce the number of shares of common stock held by existing stockholders to 79,481,612, or 87% of the total number of shares of our Class A and Class B common stock outstanding after this offering, and will increase the number of shares of our common stock held by new investors to 11,764,605, or 13% of the total number of shares of our Class A and Class B common stock outstanding after this offering. Assuming the underwriters' overallotment option is exercised in full, sales by selling stockholders in this offering will reduce the percentage of shares held by existing stockholders to 85% and will increase the number of shares held by new investors to 13,529,411, or 15%.

The above discussion is based on an aggregate of 88,305,141 shares of our Class A and Class B common stock outstanding as of March 31, 2012, after giving effect to the automatic conversion of all shares of our Series E preferred stock to 15,597,300 shares of our Class B common stock (which does not give effect to any additional shares of Class B common stock issuable upon conversion of Series E preferred stock as described elsewhere in this prospectus; see "Certain Relationships and Related-Party Transactions - Amended and Restated Certificate of Incorporation"), the subsequent automatic conversion of 50,140,849 shares of our Class B common stock (which reflects all such shares of Class B common stock held by those who own less than 10% of the aggregate number of all outstanding shares of our common stock) to 50,140,849 shares of our Class A common stock and the automatic conversion of all shares of our Class C common stock to 63,408 shares of our Class A common stock, all to occur upon the closing of this offering, as well as the automatic conversion of 3,693,264 shares of Class B common stock to 3,693,264 shares of Class A common stock upon their sale by the selling stockholders and the issuance by us of 2,941,176 shares of Class A common stock in this offering, and excludes:

6,582,804 shares of common stock issuable upon exercise of outstanding options to purchase shares of common stock as of March 31, 2012, at a weighted average exercise price of \$5.46 per share; and

33,189,649 shares of common stock reserved for future issuance under our equity plans as of March 31, 2012.

To the extent that outstanding options are exercised, you will experience further dilution. If all of our outstanding options were exercised, our net tangible book value as of March 31, 2012 would have been \$295.4 million, or \$3.11 per share, and the net tangible book value after this offering would have been \$330.5 million, or \$3.38 per share, causing dilution to new investors of \$13.62 per share.

The number of shares of our Class B common stock actually issued upon such conversion of our outstanding shares of Series E preferred stock depends in part on the actual initial offering price of our Class A common stock in this offering. The terms of our Series E preferred stock provide that the ratio at which each share of Series E preferred stock automatically converts into shares of our Class B common stock in connection with an initial public offering will increase if the initial offering price per share of common stock is below a specified minimum dollar amount, which would result in additional shares of Class B common stock being issued upon conversion. In the event the actual initial public offering price is lower than \$14.10 per share, the shares of Series E preferred stock will convert into a larger number of shares of common stock; if the initial public offering price is equal to the midpoint of the range set forth on the cover page of this prospectus, the Series E preferred stock would convert into 15,597,300 shares of common stock. To the extent that additional shares of Class B common stock are issued upon conversion of our Series E preferred stock, additional shares of Class A common stock will be issued upon conversion of our Class B common stock and you will experience further dilution.

Table of Contents**SELECTED CONSOLIDATED FINANCIAL DATA**

The following table sets forth our selected historical consolidated financial data for the periods indicated. We derived the selected historical consolidated financial data presented below as of December 31, 2010 and 2011 and for the years ended December 31, 2009, 2010 and 2011 from our audited consolidated financial statements included elsewhere in this prospectus. We derived the selected historical consolidated financial data presented below as of December 31, 2007, 2008 and 2009 and for the years ended December 31, 2007 and 2008 from our audited consolidated financial statements which are not included in this prospectus. We derived the selected historical consolidated financial data as of March 31, 2012 and for the three months ended March 31, 2011 and 2012 from our unaudited consolidated financial statements included elsewhere in this prospectus.

Our historical results are not necessarily indicative of future operating results and our interim results are not necessarily indicative of results for a full year. The following selected historical consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, Prospectus Summary Summary Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	2007	Year Ended December 31,			2011	Three Months Ended March 31,	
		2008	2009	2010		2011	2012
						(unaudited)	
	(amounts in thousands, except per share data)						
Statement of Operations Data:							
Sales	\$ 122,639	\$ 176,778	\$ 254,344	\$ 288,195	\$ 331,478	\$ 78,279	\$ 94,717
Cost of goods sold							
	27,215	33,794	41,607	53,825	68,796	14,899	18,391
Gross profit							
	95,424	142,984	212,737	234,370	262,682	63,380	76,326
Operating expenses:							
Research and development	14,084	15,340	20,521	21,309	23,464	6,040	6,736
Selling, general and administrative	63,501	85,477	108,422	122,589	140,386	34,014	41,225
Provision for litigation settlements	13,300	6,000	1,889	2,787	1,470	14	307
Compensation in connection with redemption of common stock	8,593						
Total operating expenses							
	\$ 99,478	\$ 106,817	\$ 130,832	\$ 146,685	\$ 165,320	\$ 40,068	\$ 48,268
Operating income (loss)	(4,054)	36,167	81,905	87,685	97,362	23,312	28,058
Other income (expense), net	(800)	274	(127)	54	(413)	4	225
Net income (loss) before income taxes	(4,854)	36,441	81,778	87,739	96,949	23,316	28,283
Income tax provision	1,842	15,289	29,745	33,281	36,165	8,885	10,707
Net income (loss)	(6,696)	21,152	52,033	54,458	60,784	14,431	17,576
Less: Net income attributable to noncontrolling interest (1)	542	2,157	3,300				

Edgar Filing: GLOBUS MEDICAL INC - Form S-1/A

Net income (loss) attributable to Globus Medical, Inc.	\$ (7,238)	\$ 18,995	\$ 48,733	\$ 54,458	\$ 60,784	\$ 14,431	\$ 17,576
Net income (loss) per common share (2):							
Basic	\$ (0.12)	\$ 0.22	\$ 0.56	\$ 0.61	\$ 0.69	\$ 0.16	\$ 0.20
Diluted	\$ (0.12)	\$ 0.22	\$ 0.54	\$ 0.59	\$ 0.67	\$ 0.16	\$ 0.19
Weighted average number of common shares (2):							
Basic	62,860	72,035	72,600	73,328	72,515	72,670	72,624
Diluted	62,860	75,096	75,447	75,755	74,823	75,584	75,280

Table of Contents

	2007	Year Ended December 31,				2011	March 31, 2012
		2008	2009	2010	(amounts in thousands, except per share data)		
Unaudited pro forma net income (3):					\$ 61,074	\$ 17,872	
Unaudited pro forma net income per common share (3):							
Basic					\$ 0.69	\$ 0.20	
Diluted					\$ 0.67	\$ 0.20	
Unaudited pro forma weighted average number of common shares (3):							
Basic					88,112	88,221	
Diluted					91,072	91,364	

	2007	As of December 31,				2011	As of March 31, 2012 (unaudited)
		2008	2009	2010	(amounts in thousands)		
Balance Sheet Data:							
Cash and cash equivalents	\$ 47,691	\$ 46,652	\$ 50,950	\$ 111,701	\$ 142,668	\$ 159,098	
Working capital	65,994	82,688	122,127	187,245	229,504	246,657	
Total assets	126,735	152,311	196,772	266,575	329,390	354,809	
Debt, net of current portion	11,946	6,398	5,234				
Business acquisition liabilities, including current portion (4)					10,289	9,994	
Stockholders equity	\$ 93,620	\$ 120,331	\$ 167,745	\$ 228,195	\$ 282,476	\$ 301,517	

- (1) Through December 29, 2009, we consolidated a VIE that manufactures certain products for us. This resulted in net income attributable to noncontrolling interest or a reduction of net income attributable to us of \$542, \$2,157 and \$3,300 in 2007, 2008 and 2009, respectively. Effective December 29, 2009, a third-party investor contributed capital to the VIE, which resulted in us being no longer considered the primary beneficiary. As a result, we deconsolidated the entity as of December 29, 2009.
- (2) We compute net income per common share using the two-class method. Participating securities include all shares of our Series E preferred stock. In the event dividends are paid on any share of common stock, we must pay an additional dividend on all outstanding shares of our Series E preferred stock in a per share amount equal (on an as-if-converted to common stock basis) to the amount paid or set aside for each share of common stock. In addition, the holders of our Series E preferred stock are entitled to receive cash dividends when and if declared by our board of directors at the rate of 8% of the original issue price of the Series E preferred stock per year on each outstanding share of Series E preferred stock. Such dividends are payable only when and if declared by our board of directors and are noncumulative and do not accrue. As such, the shares of our Series E preferred stock are considered participating securities and must be included in the computation of net income per common share.
- (3) The pro forma basic and diluted net income per share data are unaudited and assume the automatic conversion of all shares of our Series E preferred stock to 15,597,300 shares of our Class B common stock (which does not give effect to any additional shares of Class B common stock issuable upon conversion of our Series E preferred stock, as described elsewhere in this prospectus; see Certain Relationships and Related-Party Transactions Amended and Restated Certificate of Incorporation), the subsequent automatic conversion of 50,140,849 shares of our Class B common stock (which reflects all such shares of Class B common stock held by those who own less than 10% of the aggregate number of all outstanding shares of our common stock) to 50,140,849 shares of our Class A common stock and the automatic

Table of Contents

conversion of all shares of our Class C common stock to 63,408 shares of our Class A common stock, all to occur upon the closing of this offering. The pro forma basic and diluted net income and net income per common share, as well as the pro forma balance sheet data, also reflect the cancellation of a Put Right upon the closing of this offering. The value of the Put Right as of March 31, 2012 of \$296,000, net of tax, has been removed from liabilities in the pro forma balance sheet and has been reflected as an increase to net income to derive pro forma net income. For further information on the Put Right, see Note 11 to our consolidated financial statements included elsewhere in this prospectus.

- (4) In connection with acquisitions completed in 2011, we have certain contingent consideration obligations payable to the sellers in these transactions upon the achievement of certain regulatory and territory sales milestones. The aggregate undiscounted amounts potentially payable not included in the table above total \$7.2 million as of December 31, 2011 and March 31, 2012.

Table of Contents

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and related notes included elsewhere in this prospectus. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. You should review the Risk Factors section of this prospectus for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements described in the following discussion and analysis. Many of the amounts and percentages in this discussion and analysis have been rounded for convenience of presentation.

Overview

We are a medical device company focused exclusively on the design, development and commercialization of products that promote healing in patients with spine disorders. We are an engineering-driven company with a history of rapidly developing and commercializing products that assist surgeons in effectively treating their patients, respond to evolving surgeon needs and address new treatment options. Since our inception in 2003, we have launched over 100 products and offer a comprehensive product portfolio of innovative and differentiated products addressing a broad array of spinal pathologies, anatomies and surgical approaches.

We sell implants and related disposables to our customers, primarily hospitals, for use by surgeons to treat spine disorders. All of our products fall into one of two categories: innovative fusion or disruptive technologies. Spinal fusion is a surgical procedure to correct problems with the individual vertebrae, the interlocking bones making up the spine, by preventing movement of the affected bones. Our innovative fusion products are used in cervical, thoracolumbar, sacral, and interbody/corpectomy fusion procedures to treat degenerative, deformity, tumor, and trauma conditions.

We define disruptive technologies as those that represent a significant shift in the treatment of spine disorders by allowing for novel surgical procedures, improvements to existing surgical procedures, the treatment of spine disorders by new physician specialties, and surgical intervention earlier in the continuum of care. Our current portfolio of approved and pipeline products includes a variety of disruptive technology products, which we believe offer material improvements to fusion procedures, such as minimally invasive surgical, or MIS, techniques, as well as new treatment alternatives including motion preservation technologies, such as dynamic stabilization, total disc replacement and interspinous process spacer products, and advanced biomaterials technologies, as well as interventional pain management solutions, including treatments for vertebral compression fractures.

To date, the primary market for our products has been the United States, where we sell our products through a combination of direct sales representatives employed by us and distributor sales representatives employed by our exclusive independent distributors. As of March 31, 2012, our U.S. sales force consisted of 336 sales representatives employed by us or our 19 exclusive independent distributors, who distribute our products on our behalf for a commission that is generally based on a percentage of sales. We believe there is significant opportunity to strengthen our position in the U.S. market by increasing the size of our U.S. sales force and we intend to add a total of 24 additional direct and distributor sales representatives by the end of 2012. As of March 31, 2012, we had also hired an additional 32 sales representatives to market and sell our current and planned interventional pain management products, including our existing AFFIRM kyphoplasty product, which we market under the trade name Algea Therapies. We also believe there is a significant opportunity to strengthen our position by increasing the size of this separate sales force and intend to recruit additional sales representatives strategically to grow that business.

During the year ended December 31, 2011, we had international sales in 17 countries, which accounted for approximately 6% of our total sales. As of March 31, 2012, our international operations consisted of 87 employees and eight exclusive independent distributors. These international distributors purchase our products

Table of Contents

directly from us and independently sell them. We believe there are significant opportunities for us to increase our presence in both existing and new international markets through the expansion of our direct and distributor sales forces and the commercialization of additional products.

Components of our Results of Operations

We manage our business globally within one reportable segment, which is consistent with how our management reviews our business, makes investment and resource allocation decisions and assesses operating performance. Geographic segmentation of operating income and identifiable assets is not applicable because our sales outside the United States are predominantly export sales and we do not have significant operating assets outside the United States.

Sales

We sell implants and related disposables, primarily to hospitals, for use by spine surgeons to treat spine disorders. We generally consign our surgical sets, which contain our implants, disposables, surgical instruments and cases to our sales representatives, and the sets are maintained with the sales representatives or at our hospital customers that purchase the implants and related disposables used in the surgeries. We recognize revenue when we are notified that consigned implants and related disposables have been implanted or used or, for sets that are sold directly and not consigned, when title to the goods and risk of loss are transferred to customers with no remaining performance obligations which affect the customer's final acceptance of the sale. We expect to expand our U.S. and international sales forces, which will provide us with significant opportunity to continue to increase our penetration in existing markets and to enter new international markets. We also expect to increase sales by commercializing new products, but expect the increase of sales from new products to be partially offset by decreased sales of earlier-generation products.

We classify our products into two categories: innovative fusion products and disruptive technology products. Disruptive technologies are those that represent a significant shift in the treatment of spine disorders, by allowing for novel surgical procedures, improvements to existing surgical procedures, the treatment of spine disorders by new physician specialties, and surgical intervention earlier in the continuum of care. As a result, we anticipate disruptive technology products to continue to drive our sales growth in the future.

Cost of Goods Sold

Our products are generally manufactured by third-party suppliers. Substantially all of our suppliers manufacture our products in the United States. Our cost of goods sold consists primarily of costs of products purchased from our third-party suppliers, excess and obsolete inventory charges, depreciation of surgical instruments and cases, royalties, shipping, inspection and related costs incurred in making our products available for sale or use. In the future, we expect our cost of goods sold to increase in absolute terms due primarily to increased sales volume and as a result of a 2.3% excise tax on the sale of medical devices in the United States that is anticipated to come into effect in 2013. However, we expect the overall impact of the excise tax to be partially offset by increased leverage of our cost of goods sold and selling, general and administrative expenses.

Research and Development Expenses

Our research and development expenses primarily consist of engineering, product development, clinical and regulatory expenses, consulting services, outside prototyping services, outside research activities, materials, depreciation, and other costs associated with development of our products. Research and development expenses also include related personnel and consultants' compensation and stock-based compensation expense. We expense research and development costs as they are incurred.

We expect to incur additional research and development costs as we continue to develop new products. These costs will increase in absolute terms as we continue to expand our product pipeline and add personnel.

Table of Contents

Selling, General and Administrative Expenses

Selling, general and administrative expenses primarily consist of salaries, benefits and other related costs, including stock-based compensation for personnel employed in sales, marketing, finance, legal, compliance, administrative, information technology, medical education and training, quality and human resource departments. Our selling, general and administrative expenses also include commissions, generally based on a percentage of sales, to direct sales representatives and distributors. We expect our selling, general and administrative expenses will increase in absolute terms with the continued expansion of our sales force and commercialization of our current and pipeline products. We plan to hire more personnel to support the growth of our business. Additionally, we expect to incur increased expenses associated with us becoming a public company.

Provision for Litigation Settlements

We record a provision for litigation settlements when a loss is known or considered probable and the amount can be reasonably estimated.

Income Tax Provision

We are taxed at the rates applicable within each jurisdiction. The composite income tax rate, tax provisions, deferred tax assets and deferred tax liabilities will vary according to the jurisdiction in which profits arise. Tax laws are complex and subject to different interpretations by management and the respective governmental taxing authorities, and require us to exercise judgment in determining our income tax provision, our deferred tax assets and liabilities and the valuation allowance recorded against our net deferred tax assets. Deferred tax assets and liabilities are determined using the enacted tax rates in effect for the years in which those tax assets are expected to be realized. A valuation allowance is established when it is more likely than not that the future realization of all or some of the deferred tax assets will not be achieved.

Net Income Attributable to Noncontrolling Interest

Through December 29, 2009, we consolidated a variable interest entity, or VIE, that manufactures certain products for us. We and the VIE have common ownership, but we never had an equity interest in this entity. As a result, we allocated the full amount of net income attributable to our interest in the VIE to a noncontrolling interest in our consolidated statements of operations. Effective December 29, 2009, a third-party investor contributed capital to the VIE, which resulted in us being no longer considered the primary beneficiary of the VIE. As a result, we deconsolidated the entity as of December 29, 2009. The operating results of the entity through December 29, 2009 are consolidated in our consolidated statement of operations. We recognized no gain or loss upon deconsolidation because we owned no equity interest in the VIE. The VIE continues to manufacture products for us and is considered a related party due to, among other things, common ownership. For more information, see Certain Relationships and Related-Party Transactions Suppliers and Note 13 to our consolidated financial statements included elsewhere in this prospectus.

Table of Contents**Results of Operations**

The following table sets forth, for the periods indicated, our results of operations.

	Year Ended December 31,			Three Months Ended March 31,	
	2009	2010	2011	2011	2012
	(amounts in thousands)				
Statement of Operations Data:					
Sales	\$ 254,344	\$ 288,195	\$ 331,478	\$ 78,279	\$ 94,717
Cost of goods sold	41,607	53,825	68,796	14,899	18,391
Gross profit	212,737	234,370	262,682	63,380	76,326
Operating expenses:					
Research and development	20,521	21,309	23,464	6,040	6,736
Selling, general and administrative	108,422	122,589	140,386	34,014	41,225
Provision for litigation settlements	1,889	2,787	1,470	14	307
Total operating expenses	130,832	146,685	165,320	40,068	48,268
Operating income	81,905	87,685	97,362	23,312	28,058
Other income (expense), net	(127)	54	(413)	4	225
Net income before income taxes	81,778	87,739	96,949	23,316	28,283
Income tax provision	29,745	33,281	36,165	8,885	10,707
Net income	52,033	54,458	60,784	14,431	17,576
Less: Net income attributable to noncontrolling interest	3,300				
Net income attributable to Globus Medical, Inc.	\$ 48,733	\$ 54,458	\$ 60,784	\$ 14,431	\$ 17,576

*Three Months Ended March 31, 2012 Compared to the Three Months Ended March 31, 2011**Sales*

The following table sets forth, for the periods indicated, our sales by product category and geography expressed as dollar amounts and the changes in sales between the specified periods expressed in dollar amounts and as percentages:

	Three Months Ended March 31,		Change 2011/2012	
	2011	2012	\$	% Change
	(unaudited)			
	(dollar amounts in thousands)			
Innovative Fusion	\$ 56,215	\$ 61,488	\$ 5,273	9%
Disruptive Technology	22,063	33,229	11,165	51%
Total sales	\$ 78,279	\$ 94,717	\$ 16,438	21%

	Three Months Ended March 31,		Change 2011/2012
	2011	2012	\$

Edgar Filing: GLOBUS MEDICAL INC - Form S-1/A

		(unaudited) (dollar amounts in thousands)		% Change
United States	\$ 75,000	\$ 87,991	\$ 12,991	17%
International	3,279	6,726	3,447	105%
Total sales	\$ 78,279	\$ 94,717	\$ 16,438	21%

Table of Contents

Total sales were \$94.7 million in the three months ended March 31, 2012 as compared to \$78.3 million in the three months ended March 31, 2011, an increase of \$16.4 million or 21%. The increase in total sales was primarily attributable to an \$11.2 million or 51% increase in sales of our disruptive technology products, led by new products launched in 2011, including CALIBER (an expandable lumbar fusion device), CALIBER-L (an expandable lateral lumbar interbody fusion device), SP-FIX (a spinous process fixation device), and INTERCONTINENTAL (a next-generation system in minimally invasive lateral fixation). Innovative fusion sales increased \$5.3 million or 9% primarily due to strong sales of REVERE (pedicle screw and rod system) and COALITION (an integrated plate and spacer system for the cervical spine) which includes the growth of innovative fusion sales in international markets, partially offset by a decrease in sales of products that have been replaced by next-generation products.

Sales in the United States were \$88.0 million in the three months ended March 31, 2012, an increase of \$13.0 million or 17% over the same period in 2011. Sales growth in the United States was primarily due to increased sales of our disruptive technology products and increased market penetration in existing territories. We believe there is significant opportunity to strengthen our position in existing markets and in new sales territories by increasing the size of our U.S. sales force.

International sales were \$6.7 million in the three months ended March 31, 2012, an increase of \$3.4 million or 105% over the same period in 2011. The increase was attributable to both increased market penetration in existing territories and the addition of new sales territories, as we increased our international presence by selling in ten countries in the three months ended March 31, 2012 where we had no sales in the three months ended March 31, 2011. We believe there is significant opportunity for us to expand our international presence through increased market penetration in existing territories, expansion into new territories, expansion of our direct and distributor sales force and the commercialization of additional products.

Cost of Goods Sold

Cost of goods sold was \$18.4 million in the three months ended March 31, 2012 as compared to \$14.9 million in the three months ended March 31, 2011, an increase of \$3.5 million or 23%. The increase was partially due to \$2.2 million caused by increased sales volume, while the remaining \$1.3 million increase was primarily attributable to an increase of \$0.5 million in depreciation of surgical instruments and cases, as well as an \$0.8 million increase in inventory reserves and other costs.

Research and Development Expenses

Research and development expenses were \$6.7 million in the three months ended March 31, 2012 as compared to \$6.0 million in the three months ended March 31, 2011, an increase of \$0.7 million or 12%. The increase was primarily due to an increase of \$0.7 million in employee compensation including taxes, benefits and stock compensation and an increase of \$0.3 million in supplies and outside services, partially offset by a decrease of \$0.4 million in clinical trial costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were \$41.2 million in the three months ended March 31, 2012 as compared to \$34.0 million in the three months ended March 31, 2011, an increase of \$7.2 million or 21%. The increase was primarily due to an increase of \$4.1 million in compensation costs in the United States to support increased sales volume and company growth, including hiring of additional sales representatives, inclusive of our Algea Therapies sales representatives, and general administrative personnel, an increase of \$1.6 million to support international sales growth and expansion into new international territories, an increase of \$0.8 million in sales and marketing expenses including travel and entertainment, training and other costs, and an increase of \$0.7 million in legal and consulting fees, outside services and other related support costs.

Table of Contents*Provision for Litigation Settlements*

Provision for litigation settlements was \$0.3 million in the three months ended March 31, 2012. The increase of \$0.3 million was due to an accrual for a probable settlement of a contract dispute.

Other Income (Expense)

Other income of \$0.2 million in the three months ended March 31, 2012 was primarily attributable to a gain due to the effect of changes in foreign exchange rates on payables and receivables held in currencies other than their functional (local) currency.

Income Tax Provision

The income tax provision was \$10.7 million in the three months ended March 31, 2012 as compared to \$8.9 million in the three months ended March 31, 2011, an increase of \$1.8 million or 21%. The increase was primarily due to a \$5.0 million increase in taxable income as a result of increased sales. Our effective tax rate calculated as a percentage of income before income taxes was 37.9% for the three months ended March 31, 2012 and 38.1% for the three months ended March 31, 2011.

*Year Ended December 31, 2011 Compared to the Year Ended December 31, 2010**Sales*

The following table sets forth, for the periods indicated, our sales by product category and geography expressed as dollar amounts and the changes in sales between the specified periods expressed in dollar amounts and as percentages:

	Year Ended December 31,		Change 2010/2011	
	2010	2011	\$	% Change
	(dollar amounts in thousands)			
Innovative Fusion	\$ 215,565	\$ 224,356	\$ 8,791	4%
Disruptive Technology	72,630	107,122	34,492	47%
Total sales	\$ 288,195	\$ 331,478	\$ 43,283	15%

	Year Ended December 31,		Change 2010/2011	
	2010	2011	\$	% Change
	(dollar amounts in thousands)			
United States	\$ 277,974	\$ 311,024	\$ 33,050	12%
International	10,221	20,454	10,233	100%
Total sales	\$ 288,195	\$ 331,478	\$ 43,283	15%

Total sales were \$331.5 million in 2011 as compared to \$288.2 million in 2010, an increase of \$43.3 million or 15%. The increase in total sales was primarily attributable to a \$34.5 million or 47% increase in sales of our disruptive technology products, led by new products launched in 2011, including CALIBER (an expandable lumbar fusion device), SP-FIX (a spinous process fixation device), and INTERCONTINENTAL (a next-generation system in minimally invasive lateral fixation), as well as strong sales of REVOLVE (a second generation MIS system). Innovative fusion sales increased \$8.8 million or 4% primarily due to strong sales of COALITION (an integrated plate and spacer system for the cervical spine) launched in April 2009 and growth of innovative fusion sales in international markets, partially offset by a decrease in sales of products that have been replaced by next-generation products.

Sales in the United States were \$311.0 million in 2011, an increase of \$33.1 million or 12% over 2010. Sales growth in the United States was primarily due to increased sales of our disruptive technology products, increased market penetration in existing territories, and an increase in the size of our U.S. sales force. In 2011,

Table of Contents

we added over 35 direct and distributor sales representatives to our U.S. sales force. We believe there is significant opportunity to strengthen our position in existing markets and in new sales territories by increasing the size of our U.S. sales force.

International sales were \$20.5 million in 2011, an increase of \$10.2 million or 100% over 2010. The increase was primarily attributable to the addition of new sales territories, as we increased our international presence by selling in nine new countries in 2011. We believe there is significant opportunity for us to expand our international presence through increased market penetration in existing territories, expansion into new territories, expansion of our direct and distributor sales force and the commercialization of additional products.

Cost of Goods Sold

Cost of goods sold was \$68.8 million in 2011 as compared to \$53.8 million in 2010, an increase of \$15.0 million or 28%. The increase was partially due to \$6.5 million caused by increased sales volume, while the remaining \$8.5 million increase was primarily attributable to an increase in inventory reserves and scrap of \$5.7 million as inventory balances grew to support product launches and increased sales volume. Of this amount \$4.4 million was related to a provision for excess and obsolete inventories and \$1.3 million was due to inventory scrap. Additionally, increases in depreciation of surgical instruments and cases, shipping expenses and other operating costs were partially offset by a decrease in biomanufacturing production costs due to the discontinuance of a former product, NuBone, in the fourth quarter of 2010.

Research and Development Expenses

Research and development expenses were \$23.5 million in 2011 as compared to \$21.3 million in 2010, an increase of \$2.2 million or 10%. The increase was primarily due to an increase of \$1.3 million in clinical trial expenses to support ongoing clinical trials for the SECURE-C Cervical Artificial Disc device, the ACADIA Facet Replacement System, and the TRIUMPH Lumbar Disc device and an increase of \$1.0 million in employee compensation, outside prototyping services, outside research activities and supplies.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were \$140.4 million in 2011 as compared to \$122.6 million in 2010, an increase of \$17.8 million or 15%. The increase was primarily due to an increase of \$9.7 million in compensation costs in the United States to support increased sales volume and company growth, including hiring of additional sales representatives and general administrative personnel, an increase of \$6.3 million to support international sales growth and expansion into new international territories, and a \$2.5 million increase in medical education, medical training and related support costs.

Provision for Litigation Settlements

Provision for litigation settlements was \$1.5 million in 2011 as compared to \$2.8 million in 2010, a decrease of \$1.3 million. In 2011, we accrued a \$1.0 million provision for a U.S. Food and Drug Administration action that was paid in 2012. In 2010, we settled certain disputes between us and a competitor related to post-employment restrictive covenants for \$2.6 million.

Other Income (Expense)

Other income (expense) was \$(0.4) million in 2011 and \$0.1 million in 2010, a decrease of \$0.5 million. The decrease was primarily attributable to a loss due to the effect of changes in foreign exchange rates on payables and receivables held in currencies other than their functional (local) currency.

Income Tax Provision

The income tax provision was \$36.2 million in 2011 as compared to \$33.3 million in 2010, an increase of \$2.9 million or 9%. The increase was primarily due to a \$9.2 million increase in taxable income. Our effective tax rate calculated as a percentage of income before income taxes was 37.3% in 2011 and 37.9% in 2010.

Table of Contents

Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

Sales

The following table sets forth, for the periods indicated, our sales by product category and geography expressed as dollar amounts and the changes in sales between the specified periods expressed as dollar amounts and as percentages:

	Year Ended December 31,		Change 2009/2010	
	2009	2010	\$	% Change
	(dollar amounts in thousands)			
Innovative Fusion	\$ 199,747	\$ 215,565	\$ 15,818	8%
Disruptive Technology	54,597	72,630	18,033	33%
Total sales	\$ 254,344	\$ 288,195	\$ 33,851	13%

	Year Ended December 31,		Change 2009/2010	
	2009	2010	\$	% Change
	(dollar amounts in thousands)			
United States	\$ 248,866	\$ 277,974	\$ 29,108	12%
International	5,478	10,221	4,743	87%
Total sales	\$ 254,344	\$ 288,195	\$ 33,851	13%

Total sales were \$288.2 million in 2010 as compared to \$254.3 million in 2009, an increase of \$33.9 million or 13%. Sales of our disruptive technology products increased \$18.0 million or 33% primarily due to three new products launched in 2009, which resulted in \$14.4 million of incremental sales in 2010 over the prior year. These products were REVOLVE (a second generation MIS system launched in April 2009), TRANSCONTINENTAL (a comprehensive spacer system with extensive instrumentation for the Lateral Lumbar Interbody Fusion procedure launched in January 2009), and TRANSITION (a semi-rigid, posterior fixation solution launched in March 2009). Three of the new products we launched in 2010 (ZYFUSE, CONDUCT MATRIX, and MARS 3V) resulted in \$3.9 million of incremental sales over 2009.

Innovative fusion sales increased \$15.8 million or 8% primarily due to strong sales of COALITION (an integrated plate and spacer system for the cervical spine launched in April 2009), ELLIPSE (a posterior occipital cervical thoracic system launched in September 2009), INDEPENDENCE (an integrated plate and spacer system for the lumbar spine launched in December 2008) and XTEND (an anterior cervical plate launched in December 2009). The increase was also attributable to growth of innovative fusion sales in international markets, partially offset by a decrease in sales of products that have been replaced by next-generation products.

Sales in the United States were \$278.0 million in 2010, an increase of \$29.1 million or 12% over 2009. The increase in sales in the United States was primarily due to the increase in the size of our U.S. sales force and sales growth from new product launches in 2009. In 2010, we added over 25 direct and distributor sales representatives to our U.S. sales force.

International sales were \$10.2 million in 2010, an increase of \$4.7 million or 87% over 2009. The increase was primarily attributable to increased market penetration in new and existing markets. As of December 31, 2010, we were selling in 17 countries via a network of direct and distributor sales representatives.

Cost of Goods Sold

Cost of goods sold was \$53.8 million in 2010 as compared to \$41.6 million in 2009, an increase of \$12.2 million or 29%. The increase was partially due to \$4.8 million caused by increased sales volume. The remaining \$7.4 million increase was attributable to an increase in inventory reserves and write-offs of \$2.0 million as our inventory balances grew to support increased sales volume, a \$2.1 million increase in shipping

Table of Contents

expenses and higher property taxes, a \$1.4 million increase in depreciation primarily related to surgical instruments and cases based upon a larger asset base, and a \$1.9 million increase in other production costs.

Research and Development Expenses

Research and development expenses were \$21.3 million in 2010 as compared to \$20.5 million in 2009, an increase of \$0.8 million or 4%. The net change was primarily due to a \$1.7 million increase in cash compensation costs and stock-based compensation primarily due to increased headcount, partially offset by a \$0.5 million decrease in clinical trial costs primarily due to a decrease of clinical trial costs associated with our SECURE-C clinical trial that completed enrollment in 2008.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were \$122.6 million in 2010 as compared to \$108.4 million in 2009, an increase of \$14.2 million or 13%. The increase was primarily due to an increase of \$6.8 million in compensation costs and sales commissions in the United States to support increased sales volume and company growth, including hiring additional sales representatives and general and administrative personnel, a \$2.9 million increase in outside legal, consulting, accounting and other professional fees, a \$1.6 million increase in sales and marketing expenses to support international sales growth, and a \$1.2 million increase in costs associated with attendance at industry meetings, sales training and travel expenses.

Provision for Litigation Settlements

Provision for litigation settlements was \$2.8 million in 2010 as compared to \$1.9 million in 2009, an increase of \$0.9 million or 48%. In 2010, we settled certain disputes between us and a competitor related to post-employment restrictive covenants for \$2.6 million. The 2009 provision for litigation settlements was primarily related to a patent infringement litigation matter with a competitor.

Other Income (Expense)

Other income (expense) was \$0.1 million in 2010 as compared to \$(0.1) million in 2009, an increase of \$0.2 million. The increase was primarily attributable to a gain due to the effect of changes in foreign exchange rates and a \$0.1 million decrease in interest expense mainly due to changes in the fair value of the interest rate swap on our mortgage loan.

Income Tax Provision

The income tax provision was \$33.3 million in 2010 and \$29.7 million in 2009, an increase of \$3.6 million or 12%. The increase was primarily due to a \$6.0 million increase in taxable income from 2009 to 2010 and an increase in our effective tax rate from 36.4% in 2009 to 37.9% in 2010. The increase in the effective tax rate was primarily due to tax credits taken in 2009 related to the years 2005 through 2008 in connection with U.S. research and experimentation tax credits.

Net Income Attributable to Noncontrolling Interest

Net income attributable to noncontrolling interest was \$3.3 million in 2009, which represents the net income of a VIE that manufactures certain products for us. Effective December 29, 2009, a third-party investor contributed capital to the VIE, triggering a reconsideration event which resulted in us no longer being considered the primary beneficiary. As a result, the entity was deconsolidated as of December 29, 2009.

Liquidity and Capital Resources

As of March 31, 2012, we had \$159.1 million in cash and cash equivalents and \$246.7 million of working capital.

Table of Contents

In addition to our existing cash balance, our principal sources of liquidity are cash flow from operating activities and our revolving credit facility, which was fully available as of March 31, 2012. We believe these sources, along with the proceeds from this offering, will provide sufficient liquidity for us to meet our liquidity requirements for at least the next 12 months. Our principal liquidity requirements are to meet our working capital, research and development, including clinical trials, and capital expenditure needs, principally for our surgical sets required to maintain and expand our business. We expect to continue to make investments in the surgical sets as we launch new products, increase the sizes of our U.S. and Algea Therapies sales forces, and expand into international markets. We may, however, require additional liquidity as we continue to execute our business strategy. Our liquidity may be negatively impacted as a result of a decline in sales of our products, including declines due to changes in our customers' ability to obtain third-party coverage and reimbursement for procedures that use our products, increased pricing pressures resulting from intensifying competition, and cost increases and slower product development cycles resulting from a changing regulatory environment. We anticipate that to the extent that we require additional liquidity, it will be funded through borrowings under our revolving credit facility, the incurrence of other indebtedness, additional equity financings or a combination of these potential sources of liquidity.

Cash Flows

The following table summarizes, for the periods indicated, cash flows from operating, investing and financing activities:

	Year Ended December 31,			For The Three Months Ended March		\$ Change		
	2009	2010	2011	31, 2011 (Unaudited)	31, 2012 (Unaudited)	2009/2010	2010/2011	2011/2012
	(amounts in thousands)							
Net cash provided by operating activities	\$ 32,079	\$ 71,288	\$ 76,410	\$ 22,562	\$ 22,851	\$ 39,209	\$ 5,122	\$ 289
Net cash used in investing activities	(27,695)	(12,003)	(29,987)	(13,451)	(6,313)	15,692	(17,984)	7,138
Net cash provided by (used in) financing activities	1,494	1,768	(14,734)	(9,918)	(188)	274	(16,502)	9,730
Effect of foreign exchange rate changes on cash	50	(2)	(722)	(43)	80	(52)	(720)	123
Increase in cash and cash equivalents	\$ 5,928	\$ 61,051	\$ 30,967	\$ (850)	\$ 16,430	\$ 55,123	\$ (30,084)	\$ 17,280

Cash Provided by Operating Activities

Net cash provided by operating activities was \$22.9 million in the first three months of 2012 as compared to \$22.6 million in the first three months of 2011, an increase of \$0.3 million. The increase in net cash provided by operating activities was primarily attributable to a \$3.1 million increase in net income and a \$2.5 million increase in the change in income taxes payable, partially offset by a \$4.4 million increase in the change in accounts receivable.

Net cash provided by operating activities was \$76.4 million in 2011 as compared to \$71.3 million in 2010, an increase of \$5.1 million. The increase in net cash provided by operating activities was primarily attributable to a \$6.3 million increase in net income and a \$5.4 million increase in non-cash charges including depreciation of surgical instruments and cases, amortization, provision for excess and obsolete inventory and stock-based compensation. The increase was partially offset by a \$5.1 million increase in net purchases of implants to support our continued sales growth and the launch of new products.

Net cash provided by operating activities was \$71.3 million in 2010 as compared to \$32.1 million in 2009, an increase of \$39.2 million primarily attributable to an \$8.3 million decrease in purchases of implants due

Table of Contents

to fewer new product launches in 2010 compared to 2009, a \$3.3 million increase in non-cash charges including depreciation of surgical instruments and cases, amortization, provision for excess and obsolete inventory and stock-based compensation, a \$2.4 million increase in net income and favorable cash impacts due to an \$8.4 million change in prepaid expenses and other assets, accounts payable and accrued expenses and other liabilities, a \$5.4 million increase in accounts receivables, a \$7.0 million change in income tax payables/receivables, net, and a \$4.7 million change in deferred income tax expense (benefit).

Cash Used in Investing Activities

Net cash used in investing activities was \$6.3 million in the first three months of 2012 as compared to \$13.5 million in the first three months of 2011, a decrease of \$7.2 million. The decrease in net cash used in investing activities was attributable to \$7.5 million of cash payments in connection with acquisitions in 2011.

Net cash used in investing activities was \$30.0 million in 2011 as compared to \$12.0 million in 2010, an increase of \$18.0 million. The increase in net cash used in investing activities was primarily attributable to a \$10.2 million increase in purchases of instruments and cases to support our increase in volume of sales and the launch of new products and \$7.5 million of cash payments in connection with acquisitions.

Net cash used in investing activities was \$12.0 million in 2010 as compared to \$27.7 million in 2009, a decrease of \$15.7 million primarily attributable to a \$13.7 million decrease in purchases of instruments and cases due to fewer new product launches in 2010 compared to 2009 and a \$3.4 million decrease related to the deconsolidation of a noncontrolling interest in 2009.

Cash Provided by (Used in) Financing Activities

Net cash (used in) financing activities was \$(0.2) million in the first three months of 2012 as compared to \$(9.9) million in the first three months of 2011, a decrease of \$9.7 million primarily attributable to \$10.0 million paid to repurchase common stock in 2011.

Net cash provided by (used in) financing activities was \$(14.7) million in 2011 as compared to \$1.8 million in 2010, a decrease of \$16.5 million primarily attributable to \$10.0 million paid to repurchase common stock from existing shareholders and \$5.3 million paid to fully repay our mortgage loan.

Net cash provided by financing activities was \$1.8 million in 2010 as compared to \$1.5 million in 2009.

Indebtedness

In May 2011, we entered into a revolving credit facility with Wells Fargo Bank, or Wells Fargo, that provides for a \$50.0 million revolving credit facility. We amended the credit agreement governing the revolving credit facility in March 2012 to extend the term of the revolving credit facility through May 2014. We have the ability to increase the availability under the revolving credit facility to \$75.0 million with the approval of Wells Fargo. The revolving credit facility also includes up to a \$25.0 million sub-limit for letters of credit. Cash advances bear interest at our option either at a fluctuating rate per annum equal to the daily LIBOR in effect for a one-month period plus 0.75% or a fixed rate for a one or three month period equal to LIBOR plus 0.75%.

The agreement governing our revolving credit facility contains various restrictive covenants, including maintaining maximum consolidated leverage. The restrictive covenants also include limitations on our ability to repurchase shares, to pay cash dividends or to enter into a sale transaction. As of March 31, 2012, we were in compliance with all covenants under our revolving credit facility and there were no outstanding borrowings under our revolving credit facility. As of March 31, 2012, we had \$50.0 million of availability under our revolving credit facility. The revolving credit facility is subject to a fee of 0.10% of the unused portion. We may terminate the revolving credit facility at any time upon ten days' notice without premium or penalty.

Table of Contents**Contractual Obligations and Commitments**

The following table summarizes our outstanding contractual obligations as of December 31, 2011. There were no material changes in our remaining contractual obligations since that time.

	Total	Payments Due by Period			
		Less than 1 Year	1-3 years	3-5 years	More than 5 years
		(amounts in thousands)			
Operating Leases	\$ 1,045	\$ 316	\$ 547	\$ 114	\$ 68
Purchase Obligations(1)	1,731	1,553	178		
Business Acquisition Liabilities(2)	5,600	1,200	2,400	2,000	
Total	\$ 8,376	\$ 3,069	\$ 3,125	\$ 2,114	\$ 68

- (1) Reflects minimum annual volume commitments to purchase inventory under certain of our supplier contracts.
- (2) In connection with acquisitions completed in 2011, we have certain contingent consideration obligations payable to the sellers in these transactions upon the achievement of certain regulatory and territory sales milestones. The aggregate undiscounted amounts potentially payable not included in the table above total \$7.2 million.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Seasonality and Backlog

Our business is generally not seasonal in nature. However, our sales may be influenced by summer vacation and winter holiday periods during which we have experienced fewer spine surgeries taking place. Our sales generally consist of products that are in stock with us or maintained at hospitals or with our sales representatives. Accordingly, we do not have a backlog of sales orders.

Related-Party Transactions

For a description of our related-party transactions, see [Certain Relationships and Related-Party Transactions](#).

Critical Accounting Policies and Estimates

The preparation of the consolidated financial statements requires us to make assumptions, estimates and judgments that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported amounts of sales and expenses during the reporting periods. Certain of our more critical accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. On an ongoing basis, we evaluate our judgments, including those related to inventories, recoverability of long-lived assets and the fair value of our common stock. We use historical experience and other assumptions as the basis for our judgments and making these estimates. Because future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Any changes in those estimates will be reflected in our consolidated financial statements as they occur. As an emerging growth company, we have elected to delay the adoption of new or revised accounting standards until those standards would otherwise apply to private companies. As a result, our financial statements may not be comparable to those of other public companies. While our significant accounting policies are more fully described in Note 1 to our consolidated financial statements included elsewhere in this prospectus, we believe that the following accounting policies and estimates are most critical to a full understanding and evaluation of our reported financial results. The critical accounting policies addressed

Table of Contents

below reflect our most significant judgments and estimates used in the preparation of our consolidated financial statements. We have reviewed these critical accounting policies with the audit committee of our board of directors.

Revenue Recognition. We recognize revenue when persuasive evidence of an arrangement exists, product delivery has occurred, pricing is fixed or determinable, and collection is reasonably assured. We generate a significant portion of our revenue from consigned inventory maintained at hospitals or with sales representatives. For these products, we recognize revenue at the time we are notified the product has been used or implanted. For all other transactions, we recognize revenue when title to the goods and risk of loss transfer to customers, provided there are no remaining performance obligations that will affect the customer's final acceptance of the sale. Our policy is to classify shipping and handling costs billed to customers as sales and the related expenses as cost of goods sold. In general, our customers do not have any rights of return or exchange.

Accounts Receivable and Allowance for Doubtful Accounts. The majority of our accounts receivable is composed of amounts due from hospitals. Accounts receivable is carried at cost less an allowance for doubtful accounts. On a regular basis, we evaluate accounts receivable and estimate an allowance for doubtful accounts, as needed, based on various factors such as customers' current credit conditions, length of time past due, and the general economy as a whole. Receivables are written off against the allowance when they are deemed uncollectible.

Excess and Obsolete Inventory. We state inventories at the lower of cost or market. We determine cost on a first-in, first-out basis. The majority of our inventory is finished goods, because we primarily utilize third-party suppliers to source our products. We periodically evaluate the carrying value of our inventories in relation to the estimated forecast of product demand, which takes into consideration the estimated life cycle of product releases. When quantities on hand exceed estimated sales forecasts, we record a reserve for excess inventories, which results in a corresponding charge to cost of goods sold. Charges incurred for excess and obsolete inventory were \$5.0 million, \$6.1 million and \$10.5 million for the years ended 2009, 2010 and 2011, respectively and \$1.6 million and \$1.9 million for the three months ended March 31, 2011 and 2012, respectively.

The need to maintain substantial levels of inventory impacts the risk of inventory obsolescence. Many of our products come in sets which feature components in a variety of sizes so that the implant or device may be customized to the patient's needs. In order to market our products effectively, we often must maintain and provide surgeons and hospitals with consignment implant sets, back-up products and products of different sizes. For each surgery, fewer than all of the components of the set are used, and therefore certain portions of the set may become obsolete before they can be used. One of our primary business goals is to focus on continual product innovation. Though we believe this provides us with a competitive advantage, it also creates the risk that our products will become obsolete prior to sale or prior to the end of their anticipated useful lives. When we introduce new products or next-generation products, we may be required to take charges for excess and obsolete inventory that have a significant impact on the value of our inventory or on our operating results.

Goodwill and Intangible Assets. Goodwill represents the excess purchase price over the fair value of the net tangible and identifiable intangible assets acquired by us. We acquired goodwill in connection with the acquisitions completed in 2011. Goodwill is tested for impairment at a minimum on an annual basis. Goodwill is tested for impairment at the reporting unit level by comparing the reporting unit's carrying amount, to the fair value of the reporting unit. The fair values are estimated using an income and discounted cash flow approach. We completed our annual goodwill and intangible assets impairment test in the fourth quarter of 2011 and determined that there was no impairment.

Intangible assets consist of purchased in-process research and development, or IPR&D, patents, customer relationships and non-compete agreements. Intangible assets with finite useful lives are amortized over the period of estimated benefit using the straight-line method and estimated useful lives ranging from one to ten years. Intangible assets are tested for impairment annually or whenever events or circumstances indicate that a

Table of Contents

carrying amount of an asset (asset group) may not be recoverable. If impairment is indicated, we measure the amount of the impairment loss as the amount by which the carrying amount exceeds the fair value of the asset. Fair value is generally determined using a discounted future cash flow analysis.

IPR&D has an indefinite life and is not amortized until completion and development of the project at which time the IPR&D becomes an amortizable asset. If the related project is not completed in a timely manner, we may have an impairment related to the IPR&D, calculated as the excess of the asset's carrying value over its fair value.

Long-Lived Assets. We periodically evaluate the recoverability of the carrying amount of long-lived assets, which include property and equipment, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. We assess impairment when the undiscounted future cash flows from the use and eventual disposition of an asset are less than its carrying value. If impairment is indicated, we measure the amount of the impairment loss as the amount by which the carrying amount exceeds the fair value of the asset. We base our fair value methodology on quoted market prices, if available. If quoted market prices are not available, we estimate fair value based on prices of similar assets or other valuation techniques including present value techniques.

Income Taxes. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. We measure deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the year in which such items are expected to be received or settled. We recognize the effect on deferred tax assets and liabilities of a change in tax rates in the period that includes the enactment date. We establish a valuation allowance to offset any deferred tax assets if, based upon available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

While we believe that our tax positions are fully supportable, there is a risk that certain positions could be challenged successfully. In these instances, we look to establish reserves. If we determine that a tax position is more likely than not of being sustained upon audit, based solely on the technical merits of the position, we recognize the benefit. We measure the benefit by determining the amount that has likelihood greater than 50% of being realized upon settlement. We presume that all tax positions will be examined by a taxing authority with full knowledge of all relevant information. We regularly monitor our tax positions, tax assets and tax liabilities. We reevaluate the technical merits of our tax positions and recognize an uncertain tax benefit or reverse a previously recorded tax benefit when (i) a tax audit is completed, (ii) applicable tax law, including a tax case or legislative guidance, changes or (iii) the statute of limitations expires. Significant judgment is required in accounting for tax reserves.

Legal Proceedings. We are involved in a number of legal actions involving both product liability and intellectual property disputes. The outcomes of these legal actions are not within our complete control and may not be known for prolonged periods of time. In some actions, the claimants seek damages as well as other relief, including injunctions barring the sale of products that are the subject of the lawsuit, that could require significant expenditures or result in lost sales. In accordance with authoritative guidance, we record a liability in our consolidated financial statements for these actions when a loss is known or considered probable and the amount can be reasonably estimated. If the reasonable estimate of a known or probable loss is a range, and no amount within the range is a better estimate than any other; the minimum amount of the range is accrued. If a loss is possible, but not known or probable, and can be reasonably estimated, the estimated loss or range of loss is disclosed in the notes to the consolidated financial statements. In most cases, significant judgment is required to estimate the amount and timing of a loss to be recorded. While it is not possible to predict the outcome for these matters, we believe it is possible that costs associated with them could have a material adverse impact on our consolidated earnings, financial position or cash flows.

Stock-Based Compensation Expense. We measure the cost for employee and non-employee awards at the grant date based on the fair value of the award. For employee awards, we amortize the expense, which is the

Table of Contents

fair value of the portion of the award that is ultimately expected to vest, over the requisite service periods (generally the vesting period of the equity award). We record the awards issued to non-employees at their fair value as determined in accordance with authoritative guidance, and we periodically revalue the awards as they vest, recognizing the expense over the requisite service period. We estimate the fair value of stock options using a Black-Scholes option-pricing model. Our determination of the fair value is affected by our stock price and a number of assumptions, including expected volatility, expected term, risk-free interest rate and expected dividends.

As we are a non-public entity, historic volatility is not available for our common stock. As a result, we estimate volatility based on a peer group of public companies that we believe collectively provides a reasonable basis for estimating volatility. We intend to continue to consistently use the same group of publicly traded peer companies to determine volatility in the future until sufficient information regarding volatility of the price of our shares of Class A common stock becomes available or the selected companies are no longer suitable for this purpose.

We do not have sufficient information available that is indicative of future exercise and post-vesting behavior to estimate the expected term. As a result, we use the simplified method of estimating the expected term, under which the expected term is presumed to be the mid-point between the vesting date and the contractual end of the term. We base the risk-free interest rate on observed interest rates of U.S. Treasury securities equivalent to the expected terms of the stock options. We estimate our pre-vesting forfeiture rate based on our historical experience. Our dividend yield assumption is based on the history and expectation of no dividend payouts.

We estimated the weighted-average fair value of the options granted during the years ended December 31, 2009, 2010, 2011 and the three months ended March 31, 2011 and 2012 to be \$2.86, \$5.69, \$5.14, \$5.59, and \$4.68 per share, respectively. The fair value of the options was estimated on the grant date using a Black-Scholes option-pricing model, which requires the input of subjective assumptions, including the expected stock price volatility, the calculation of expected term and fair value of the underlying common stock on the date of grant, among other inputs. The following table summarizes our assumptions used in the Black-Scholes model:

	Year Ended December 31,						Three Months Ended		
	2009	2009	2010	2010	2011	2011	2011	2012	2012
Risk-free interest rate	2.15%	3.15%	1.52%	2.64%	1.46%	2.65%	2.65%	.96%	1.30%
Expected term (in years)	7 years		6 years		6 years		6 years	6 years	
Expected volatility	48.0%	55.0%	46.5%	53.5%	46.5%	47.0%	47.0%	47.0%	
Expected dividend yield									

To the extent that further evidence regarding these variables is available and provides estimates that we believe are more indicative of actual trends, we may refine or change our approach to deriving these input estimates. Any such changes could materially affect the stock-based compensation expense we record in the future.

We incurred stock-based compensation expense of \$3.5 million, \$4.0 million, \$3.3 million, \$0.8 million and \$1.1 million during the years ended December 31, 2009, 2010, 2011 and the three months ended March 31, 2011 and 2012, respectively. We expect to continue to grant stock options in the future, and to the extent that we do, our actual stock-based compensation expense recognized will likely increase.

Significant Factors Used in Determining Fair Value of Our Common Stock

In 2009, 2010 and 2011, our board of directors, with the assistance of management, used the market approach and the income approach in order to estimate the fair value of common stock underlying our option grants during those periods. Prior to this offering, there has been no public market for our common stock. Our board of directors has determined the fair value of our common stock by utilizing, among other things, independent third-party valuation studies conducted in connection with an equity financing in 2007 and

Table of Contents

biannually as of April 30 and October 31 since 2008. The findings of these valuations were based on our business and general economic, market and other conditions that could be reasonably evaluated at that time. The analyses of the valuation studies included a review of our company, including our financial results and capital structure, as well as an independent third-party review of the conditions of the industry in which we operate and the markets that we serve. The methodologies and assumptions used were consistent with those set forth in the American Institute of Certified Public Accountants, or the AICPA, in the AICPA Technical Practice Guide, *Valuations of Privately-Held Company Equity Securities Issued as Compensation*.

The following table summarizes by grant date, the number of shares of our common stock subject to options granted in 2009, 2010 and 2011 and through the date of this prospectus, as well as the associated per share exercise price.

Grant Date	Options Granted	Exercise Price	Fair Value Per Share of Common Stock (1)
February 5, 2009	295,538	4.29	4.29
April 15, 2009	146,153	4.29	4.29
August 6, 2009	621,061	4.88	4.88
October 30, 2009	152,923	6.50	6.50
February 14, 2010	170,153	8.13	8.13
June 16, 2010	467,815	11.86	11.86
July 29, 2010	131,384	11.86	11.86
October 28, 2010	300,615	11.86	11.86
February 11, 2011	177,846	11.28	11.28
April 20, 2011	206,307	11.28	11.28
July 28, 2011	234,355	10.66	10.66
October 27, 2011	566,815	10.66	10.66
February 2, 2012	364,230	10.34	12.06
March 28, 2012	46,153	10.34	14.10
April 26, 2012	204,615	(2)	(2)

- (1) The fair value per share of common stock as determined by our board of directors as of the date of the grant, taking into account various factors and including the results of independent third party valuations of common stock as discussed below.
- (2) The exercise price and fair value per share of common stock will equal the public offering price of this offering. If this offering is not consummated during 2012, the exercise price and fair value per share of common stock will be \$14.10 per share.

In the valuation studies, industry standard valuation methodologies were used to value our common stock, as described below. In estimating our equity value, a probability weighting of the market approach and the income approach was used to first arrive at a total equity value.

For the market approach, we utilized the guideline company method by analyzing a population of comparable companies and selected those companies that we considered to be the most comparable to us in terms of product offerings, sales, margins and growth. We then used these guideline companies to develop relevant market multiples and ratios, which are then applied to our corresponding financial metrics to estimate our equity value. Under the market approach, we also utilized the comparable transaction methodology using multiples of earnings and cash flow determined through an analysis of transactions involving controlling interests in companies with operations similar to our principal business operations. For the income approach, we performed discounted cash flow analyses which utilized projected cash flows which were then discounted to the present using a range of 14% to 15% in order to arrive at our current equity value.

In 2009, 2010, 2011 and into 2012, our board of directors, with the assistance of management, used the market approach and income approach to estimate the fair value per share of common stock underlying our option grants during those periods. In allocating the total equity value between preferred and common stock, we

Table of Contents

considered the liquidation preferences of the preferred stockholders. The preferred stock had a liquidation value of \$110.0 million as of March 31, 2012. Additionally, each valuation during this period utilizes the option-pricing method for allocating the total equity value between preferred and common stock.

The significant input assumptions used in our valuation models were based on subjective future expectations combined with management's judgment, including:

Assumptions utilized in the income approach were:

our expected revenue, operating performance and cash flows for the current and future years, determined as of the valuation date based on our estimates;

a discount rate, which is applied to discretely forecasted future cash flows in order to calculate the present value of those cash flows;

a terminal value multiple, which is applied to our last year of discretely forecasted cash flows to calculate the residual value of our future cash flows; and

lack of marketability factor of 10% to 20%.

Assumptions utilized in the market approach using guideline companies were:

our expected sales, operating performance and cash flows for the current and future years, determined as of the valuation date based on our estimates;

multiples of market value to trailing and expected future revenues and EBITDA, determined as of the valuation date, based on a group of comparable public companies we identified; and

a lack of marketability factor of 10% to 20%.

Assumptions utilized in the market approach using comparable transactions:

selection of guideline transactions involving target companies with similar operations, characteristics, and business risks.

Options Granted from August 2009 through February 2010

Our board of directors valued our common stock at \$4.88 per share for our options granted on August 6, 2009, based on an April 30, 2009 third-party valuation report. Our board of directors valued our common stock at \$6.50 per share for our options granted on October 30, 2009, which reflected the board of directors' and management's judgment that the value had increased from the April 2009 valuation as evident from the sale of 0.4 million shares of our stock, at a price of \$6.50 per share in two separate transactions among third-party buyers and sellers subsequent to April 30, 2009. Additionally, our board of directors valued our common stock at \$8.13 per share for our options granted on February 14, 2010. This valuation was based on an October 31, 2009 third-party valuation report that valued our common stock at \$7.60 per share and also

Edgar Filing: GLOBUS MEDICAL INC - Form S-1/A

reflected the board of directors and management's judgment that the value had increased from the October 2009 valuation report as evident from the sale of 1.4 million shares of common stock, at a purchase price of \$8.13 per share, in a series of transactions among third-party buyers and sellers subsequent to October 31, 2009. Each of the April 2009 and October 2009 valuation reports utilized a combination of the income approach, the market approach using guideline companies, and the market approach using comparable transactions and both valuations weighted each of the three methodologies as one-third of the total equity value. The income approach was favorably affected by our growing profitability, as well as our historic and projected growth rates. In the market approach using guideline companies, the multiples considered the market value of invested capital value of the Company as a multiple of revenue and EBITDA. Consistent with the income approach indications, the value conclusions arrived through application of the market approach resulted in appreciating equity values for the Company through October 31, 2009. Similar to the other two methods, the market approach using comparable transactions also resulted in increased valuations for the two valuation periods in 2009.

Table of Contents*Options Granted from June 2010 through October 2010*

Our board of directors valued our common stock at \$11.86 per share for our options granted from June 16, 2010 through October 28, 2010, based on an April 30, 2010 third-party valuation report. The April 2010 valuation utilized the same three approaches as in prior periods. As part of this valuation our board, at the suggestion of the third-party valuation firm, determined due to changes in the market conditions of the medical device industry and due to the growth in size and maturity of our Company, it was appropriate to adjust the weighting of the three valuation methodologies. Accordingly, the income approach was adjusted to a 50% weighting, the market approach was adjusted to a 40% weighting and the market approach using a group of comparable transactions was weighted at 10%. The market approach using comparable transactions was assigned less weight as it does not have the ability to apply future multiples to projected revenue or EBITDA indications. The appreciating equity values were attributable to the Company's growing profitability, as well as our historic and projected growth rates, increases in the guideline publicly-traded company market values and increases in comparable transaction values. At the time of the April 2010 valuation, the Company was projecting growth rates in excess of 20% and a terminal growth rate of 20%.

Options Granted from February 2011 through April 2011

Our board of directors valued our common stock at \$11.28 per share for our options granted on February 11, 2011 and April 20, 2011, based on an October 31, 2010 third-party valuation report. The October 2010 valuation report weighted the three variables consistently with the April 2010 report: the income approach was weighted 50%, the market approach using guideline companies was weighted 40% and the market approach using comparable transactions was weighted 10%. The income approach reflected a decline in the Company's equity value due to our slowing growth and a decline in the growth of comparable companies. The Company's growth rates used in its projections at this time were slightly lower than those used in the April 2010 valuation. The market approach for guideline companies yielded a similar decline in our equity value due to a decline in guideline companies' pricing multiples. The market approach transaction method also reflected a decline in our equity value due to a decline in the multiples for transactions that closed during the valuation period. The result of the combination of the three variables, each with declining trends, reflected an overall reduction in the value of our common stock from \$11.86 to \$11.28.

Options Granted from July 2011 through March 2012

Our board of directors valued our common stock at \$10.66 per share for our options granted on July 28, 2011 and October 27, 2011, based on an April 30, 2011 third-party valuation report. Our board of directors valued our common stock at \$10.34 per share for our options granted on February 2, 2012 and March 28, 2012, based on an October 31, 2011 third-party valuation report. The April 2011 and October 2011 valuation reports weighted the three variables consistently with the April 2010 report: the income approach was weighted 50%, the market approach using guideline companies was weighted 40% and the market approach using comparable transactions was weighted 10%. The market approach using guideline companies remained fairly consistent with the October 2010 valuation. In the April 2011 valuation report, the income approach reflected a slight decline as a result of the Company's actual results and projections primarily driven by market conditions. As of the date of the valuation, the Company's growth rates used in its projections decreased to below 20% as compared to prior valuations. The market approaches continued to reflect a decline in the multiples for transactions closing during the valuation periods. The results were declines in value from \$11.28 in the October 2010 valuation report to \$10.66 in the April 2011 valuation report.

In the October 2011 valuation report, the market approach using guideline companies continued to decline given the continued market conditions. However, the market approach using comparable transactions and the income approach began to show signs of stabilization offsetting the decline from the guideline company method. The growth rates used in the Company's projections at this time remained relatively consistent with the April 2011 valuation. At this time, our board of directors reduced the lack of marketability discount to 10% as compared to 12.5% in the April 2011 valuation report. These changes resulted in a decline in the stock price to \$10.34. Subsequent to the February 2012 and March 2012 stock option grants, the Company reassessed the

Table of Contents

fair value of its common stock on those dates of grant, by updating the assumptions and facts considered in the October 2011 valuation report to take into account its actual results, market conditions, comparable company results, and the timing of the Company's anticipated initial public offering. On July 2, 2012, the Company determined that the fair value as of the February 2, 2012 grant was \$12.06 and that the fair value as of the March 28, 2012 grant was \$14.10, in each case rather than \$10.34 as originally determined. The impact on net income for the three-month period ended March 31, 2012 was not material.

Options Granted in April 2012

Our board of directors authorized the grant of stock options on April 26, 2012 and determined that the value of our common stock on that date would be equivalent to the public offering price of this offering if the offering is completed in 2012.

The midpoint of the price range for the initial offering price reflected on the cover page of this prospectus is \$17.00 per share as compared to \$14.10 per share as of March 28, 2012, the last date we granted stock options at a value not tied to the public offering price in this offering. We note that, as is typical in initial public offerings, the preliminary range was not derived using a formal determination of fair value, but was determined based upon discussions between us and the underwriters. Among the factors considered in setting the preliminary range were prevailing market conditions, which included an increase in the market trading prices of comparable companies, and estimates of our business potential. In addition to this difference in purpose and methodology, we believe that the difference in value reflected between the midpoint of the preliminary range and management's determination of the value of our common stock on March 28, 2012 was primarily because history has shown that it is reasonable to expect that the completion of an initial public offering will increase the value of stock as a result of the significant increase in the liquidity and ability to trade/sell such securities. However, it is not possible to measure such increase in value with precision or certainty.

Based on the \$17.00 midpoint of the estimated price range shown on the cover page of this prospectus, the intrinsic value of the options granted on March 28, 2012, the last date we granted stock options at a value not tied to the public offering price in this offering, was approximately \$0.3 million. Also based on the \$17.00 midpoint of the estimated price range shown on the cover page of this prospectus, the intrinsic value of outstanding options as of March 31, 2012 was \$76.0 million, of which \$62.9 million related to vested options and \$13.1 million related to unvested options.

The assumptions around fair value that we have made represent our management's best estimate, but they are highly subjective and inherently uncertain. If management had made different assumptions, our calculation of the options' fair value and the resulting stock-based compensation expense could differ, perhaps materially, from the amounts recognized in our financial statements.

Recent Issued Accounting Pronouncements

Effective January 1, 2012, we adopted Financial Accounting Standards Board (FASB) authoritative guidance that amends previous guidance for the presentation of comprehensive income. The new standard eliminates the option to present other comprehensive income in the statement of changes in equity. Under the revised guidance, an entity has the option to present the components of net income and other comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive financial statements. We are providing two separate but consecutive financial statements. The new standard was required to be applied retroactively. Other than the change in presentation, the adoption of the new standard did not have an impact on our financial position or results of operations.

Effective January 1, 2012, we adopted FASB authoritative guidance that amends previous guidance for fair value measurement and disclosure requirements. The revised guidance changes certain fair value measurement principles, clarifies the application of existing fair value measurements and expands the disclosure requirements, particularly for Level 3 fair value measurements. Adoption of the amendments did not have a material impact on our financial position or results of operations.

Table of Contents

Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We are electing to delay such adoption of new or revised accounting standards, and as a result, we may not comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. As a result of this election, our financial statements may not be comparable to the financial statements of other public companies. We may take advantage of these reporting exemptions until we are no longer an emerging growth company.

Quantitative and Qualitative Disclosure About Market Risk

We are exposed to various market risks, which may result in potential losses arising from adverse changes in market rates, such as interest rates and foreign exchange rates. We do not enter into derivatives or other financial instruments for trading or speculative purposes and do not believe we are exposed to material market risk with respect to our cash and cash equivalents.

Interest Rate Risk

We are exposed to interest rate risk in connection with any future borrowings under our revolving credit facility, which bears interest at a floating rate based on LIBOR plus an applicable borrowing margin. For variable rate debt, interest rate changes generally do not affect the fair value of the debt instrument, but do impact future earnings and cash flows, assuming other factors are held constant. In the ordinary course of business, we may enter into contractual arrangements to reduce our exposure to interest rate risks.

Foreign Exchange Risk Management

We operate in countries other than the United States, and, therefore, we are exposed to foreign currency risks. We bill most direct sales outside of the United States in local currencies. We expect that the percentage of our sales denominated in foreign currencies will increase in the foreseeable future as we continue to expand into international markets. When sales or expenses are not denominated in U.S. dollars, a fluctuation in exchange rates could affect our net income. We believe that the risk of a significant impact on our operating income from foreign currency fluctuations is minimal. We do not currently hedge our exposure to foreign currency exchange rate fluctuations; however, we may choose to hedge our exposure in the future.

Controls and Procedures

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. We are currently in the process of reviewing, documenting and testing our internal control over financial reporting.

We have not performed an evaluation of our internal control over financial reporting, such as required by Section 404 of the Sarbanes-Oxley Act, nor have we engaged an independent registered accounting firm to perform an audit of our internal control over financial reporting as of any balance sheet date or for any period reported in our financial statements. Presently, we are not an accelerated filer, as such term is defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended, and therefore, our management is not presently required to perform an annual assessment of the effectiveness of our internal control over financial reporting. This requirement will first apply to our Annual Report on Form 10-K for the year ending December 31, 2013. Our independent public registered accounting firm will first be required to attest to the effectiveness of our internal control over financial reporting for our Annual Report on Form 10-K for the first year we are no longer an emerging growth company .

Table of Contents**BUSINESS****Overview**

We are a medical device company focused exclusively on the design, development and commercialization of products that promote healing in patients with spine disorders. We are an engineering-driven company with a history of rapidly developing and commercializing products that assist surgeons in effectively treating their patients, respond to evolving surgeon needs and address new treatment options. Since our inception in 2003, we have launched over 100 products and offer a comprehensive portfolio of innovative and differentiated products addressing a broad array of spinal pathologies, anatomies and surgical approaches. We were formed in 2003 and have grown our sales to \$331.5 million in 2011. We have been able to achieve our success while maintaining strong profit margins. For the year ended December 31, 2011, we had \$118.6 million of Adjusted EBITDA, representing an Adjusted EBITDA margin of 36%, and \$60.8 million of net income. For the three months ended March 31, 2012, we had sales of \$94.7 million as compared to \$78.3 million in the three months ended March 31, 2011, an increase of \$16.4 million or 21%. For the three months ended March 31, 2012, we had \$34.0 million of Adjusted EBITDA, representing an Adjusted EBITDA margin of 36%, and \$17.6 million of net income. We had positive Adjusted EBITDA and Adjusted EBITDA margins in excess of 35% for each of the years ended December 31, 2009, 2010 and 2011.

All of our products fall into one of two categories: innovative fusion or disruptive technologies. Our innovative fusion products address a broad range of spinal fusion surgical procedures. Spinal fusion is a surgical procedure to correct problems with the individual vertebrae, the interlocking bones making up the spine, by preventing movement of the affected bones. We believe our innovative fusion products demonstrate features and characteristics that provide advantages for surgeons and contribute to better outcomes for patients as compared to traditional fusion products. These advantages have enabled us to grow our sales at a faster rate than the broader spine industry. We define disruptive technologies as those that represent a significant shift in the treatment of spine disorders by allowing for novel surgical procedures, improvements to existing surgical procedures, the treatment of spine disorders by new physician specialties, and surgical intervention earlier in the continuum of care. We expect the increased use of disruptive technologies to improve patient outcomes and reduce costs given the expected lower morbidity rates, shorter patient recovery times and shorter hospital stays associated with these procedures. Our current portfolio of approved and pipeline products includes a variety of disruptive technology products, which we believe offer material improvements to fusion procedures, such as minimally invasive surgical, or MIS, techniques, as well as new treatment alternatives including motion preservation technologies, such as dynamic stabilization, total disc replacement and interspinous process spacer products and advanced biomaterials technologies, as well as interventional pain management solutions, including treatments for vertebral compression fractures. For the year ended December 31, 2011, our sales were \$224.4 million from innovative fusion products and \$107.1 million from disruptive technology products, representing year-over-year growth rates of 4% and 47%, respectively. For the three months ended March 31, 2012, our sales were \$61.5 million from innovative fusion products and \$33.2 million from disruptive technology products, representing a 9% and a 51%, respectively, increase over the same period in 2011.

According to iData Research, Inc., the \$10.0 billion worldwide spine market consists of the \$5.9 billion spinal fusion market and \$4.1 billion disruptive technologies market. We expect the market for disruptive technologies to grow faster than the traditional fusion market and expand the overall addressable population of patients seeking surgical treatment for spine disorders. We believe we are well positioned to capitalize on this higher-growth segment of the spine market given our multiple existing commercialized products and several products in various stages of development. In addition, we believe we are well positioned to increase sales of our innovative fusion products at a rate faster than the broader spine industry because of the advantages our products offer compared to traditional fusion products.

We believe our product development engine is unique and highly efficient. It employs an integrated team approach to product development that involves collaboration among surgeons, our engineers, our dedicated researchers, our highly-skilled machinists, and our clinical and regulatory personnel. We believe that utilizing

Table of Contents

these integrated teams, as well as our extensive in-house facilities, enables us to design, test and obtain regulatory approvals of our products at a faster rate than our competitors. We emphasize the importance of developing new products that are improvements to existing technologies and offerings, which we believe drives the demand for our products. We have introduced 44 products since 2009, which accounted for 46% of our sales for the year ended December 31, 2011.

Our product development engine allows us to develop products that we believe demonstrate features and characteristics that provide advantages for surgeons and contribute to better outcomes for patients. We believe the use of our products reduces costs as a result of lower morbidity rates, shorter patient recovery times and shorter hospital stays.

We market and sell our products through our exclusive global sales force. As of March 31, 2012, our U.S. sales force consisted of 336 sales representatives employed by us or our 19 exclusive independent distributors. We expect to continue to increase the number of our direct and distributor sales representatives in the United States and intend to add a total of 24 additional direct and distributor sales representatives by the end of 2012. As of March 31, 2012, our international operations consisted of 87 employees and eight exclusive independent distributors, which together had sales in 17 countries during 2011. We aim to have a sales presence in eight additional countries by the end of 2012. As of March 31, 2012, we had also hired a newly-formed, separate sales force consisting of 32 sales representatives to market and sell our current and planned interventional pain management products, including our existing AFFIRM kyphoplasty product, which we market under the trade name Algea Therapies. We intend to recruit additional sales representatives strategically to grow that business. We believe the planned expansion of our U.S. and international sales forces provides us with significant opportunities for future growth as we continue to penetrate existing geographic markets and enter new ones.

Industry Overview

Overview of Spine Anatomy

The spine consists of interlocking bones, called vertebrae, stacked on top of one another. Vertebrae are separated from each other by intervertebral discs, which act as shock absorbers, and are connected to each other by facet joints, which provide flexibility. Supportive soft tissues including ligaments, tendons and muscles are attached to two laminae, which provide stability to the vertebral segment. The spinal cord runs through the center of the spine, or spinal canal, carrying nerves that exit through openings between the vertebrae, referred to as foramen, and deliver sensation and control to the entire body.

Table of Contents

The spine is comprised of five regions, of which there are three primary regions: the cervical, thoracic and lumbar regions. The cervical region consists of the first seven vertebrae (C1-C7) extending from the base of the skull to the shoulders and facilitates movement of the head and neck. The thoracic region consists of the 12 vertebrae in the middle of the back (T1-T12) and each vertebra is connected to two ribs that protect the body's vital organs. The lumbar region consists of five vertebrae in the lower back (L1-L5) and is the primary load-bearing region of the spine. The final two regions of the spine, the sacrum (S1-S5) and coccyx, consist of naturally fused vertebrae connected to the hip bones to provide support and protect organs in the pelvic area. With regard to anatomical terms of surgical location, anterior refers to access from the front, posterior refers to access from the back and lateral refers to access from the side.

Overview of Spine Disorders

Spine disorders are a leading driver of healthcare costs worldwide, as evidenced by the 1.8 million spinal fusion procedures performed worldwide in 2011. Spine disorders range in severity from mild pain and loss of feeling to extreme pain and paralysis. These disorders are primarily caused by degenerative disc disease, stenosis, deformity, osteoporosis, tumors and trauma.

Degenerative disc disease, or DDD, describes the most common type of spine disorder which primarily results from repetitive stresses experienced during the normal aging process. Disc degeneration occurs as the inner cores of intervertebral discs lose elasticity and shrink. Over time, these changes can cause the discs to lose their normal height and shock-absorbing characteristics, which leads to back pain and reduced flexibility. Herniated discs are a common form of degenerative disc disease and occur when the intervertebral disc material

Table of Contents

protrudes from the annulus. Symptomatic cervical disc disease, or SCDD, is a gradual deterioration of the spongy discs in the neck leading to problems related to nerve function that can cause pain and limit movement.

Spinal stenosis is a condition attributed to the narrowing of the space around the nerves in the lumbar spine. The resulting compression can lead to back and leg pain. This condition is often caused by the degenerative process in the spine and facet joints. Lumbar stenosis is a condition whereby either the spinal canal or vertebral foramen becomes narrowed in the lower back. If the narrowing is substantial, it causes compression of the nerves and the painful symptoms of lumbar spinal stenosis.

Spine deformity is a term used to describe any variation in the natural curvature of the spine. Natural curves help the upper body maintain proper balance and alignment over the pelvis. Common forms of deformity include scoliosis, which is a lateral or side-to-side curvature of the spine, extreme lordosis, which is an abnormal convex curvature of the lumbar spine, and extreme kyphosis, which is an abnormal concave curvature leading to a rounded back.

Vertebral compression fractures, or VCFs, are fractures of the vertebrae that result in the collapse of the vertebral body. These fractures, which can be very painful to the patient, are often the result of osteoporosis, which causes the vertebrae to weaken and become brittle, or spine tumors, but can also result from trauma.

Spine tumors are relatively rare. Benign tumors are typically removed surgically while malignant tumors are more difficult to treat and often originate in other areas of the body such as the lungs, thyroid or kidneys.

Treatments for Spine Disorders

Treatment alternatives for spine disorders range from non-operative conservative therapies to surgical interventions. Conservative therapies include bed rest, medication and physical therapy. When conservative therapies fail to provide adequate quality of life improvements, surgical interventions may be used to address pain. Surgical treatments for spine disorders can be instrumented, which include the use of implants, or non-instrumented, which forego the use of any such implants. The most common surgical interventions include non-instrumented treatments such as discectomy, which is the removal of all or part of a damaged disc, and laminectomy, which is the removal of all or part of a lamina. Non-instrumented treatments have typically been used to treat patients earlier in the continuum of care than instrumented treatments. The most common instrumented treatment is spinal fusion, where two or more adjacent vertebrae are fused together with implants to restore disc height and provide stability. As disruptive technologies continue to gain acceptance, we expect that they will allow surgeons to use instrumented treatments earlier in the continuum of care as a preferred alternative to non-instrumented surgical intervention or conservative therapies.

According to iData Research, Inc., in 2011, there were approximately 881,100 spinal fusion procedures in the United States and an estimated 1.8 million worldwide, representing a \$5.9 billion worldwide market. Fusions are typically performed on the cervical or lumbar regions of the spine, and implants may include devices such as plates, pedicle screw and rod systems and interbody spacers.

Disruptive technologies are designed to provide better patient outcomes in certain situations through the use of MIS techniques, by allowing the patient to retain some motion in the affected area, or by using biomaterials or interventional pain management solutions, such as treatments for vertebral compression fractures to speed healing time or improve patient outcomes. Disruptive technologies may enable treatment with implants earlier in the continuum of care by addressing the shortcomings of traditional surgical interventions, which often include soft tissue disruption, long operating times, extended hospital stays and lengthy patient recovery times. Additionally, disruptive technologies may help a patient avoid progression of spinal disc disease sometimes caused by traditional surgical options such as spinal fusion. As a result, we expect the market for disruptive technologies to grow faster than the market for traditional fusion and expand the addressable patient population for spine surgery.

Table of Contents

The chart below illustrates key components of the 2011 worldwide spine market.

Source: *iData Research, Inc.*

(1) United States only.

Growth Drivers

We believe the spine market will continue to experience growth as a result of the following market influences:

Favorable patient demographics. The number of people over the age of 65 is large and growing. Improvements in healthcare have led to increasing life expectancies worldwide and the opportunity to lead more active lifestyles at advanced ages. These trends are expected to generate increased demand for spine surgeries.

Improving technologies leading to increased use of fusion procedures. Due to the longevity of its practice and acceptable clinical outcomes, fusion has become a standard treatment option for patients presenting more advanced stages of spine disease. We expect that the development of improved fusion products will continue to contribute to spinal fusion as a leading treatment for advanced stages of spine disease.

Disruptive technologies driving earlier interventions and creating an expanded patient base. Disruptive technologies are gaining increasing acceptance among patients and surgeons because they allow for novel surgical procedures, improvements to existing surgical procedures, the treatment of spine disorders by new physician specialties, and surgical intervention earlier in the continuum of care, all of which can result in better outcomes for patients. We believe surgeons and patients who would otherwise choose more conservative nonsurgical treatment plans with sub-optimal results may elect a surgical option utilizing disruptive technologies to treat spine disorders. As a result, disruptive technologies are expected to drive accelerated growth and increase the size of the addressable patient population for spine surgery.

Continued market penetration internationally. While the United States comprises approximately 5% of the worldwide population, according to iData Research, Inc., approximately 53% of spine surgeries occur in the United States.

Table of Contents

We believe that improvements to the standard of care, including the introduction of new products and the expansion of international sales forces, will increase demand for spine products outside of the United States.

Our Competitive Strengths

We are focused exclusively on the spine market and our senior leadership team has over 200 years of collective experience in the spine and medical device industries. We believe that this focus and experience, combined with the following principal competitive strengths, will allow us to grow our sales faster than our competitors and the overall spine industry:

Comprehensive and broad portfolio of innovative fusion products. We have a comprehensive portfolio of innovative fusion products that addresses a broad array of spinal pathologies, anatomies and surgical approaches. We believe our innovative fusion products demonstrate features and characteristics that provide advantages for surgeons and contribute to better outcomes for patients as compared to traditional fusion products. Our differentiated product portfolio allows us to offer a wide variety of treatment options and effectively market our entire product portfolio to surgeons who may initially be familiar with only a subset of our products. In addition, because surgeons and hospitals typically prefer to deal with a limited number of vendors, our portfolio of products enables us to compete effectively.

Well-positioned disruptive technology products. We expect the market for disruptive technologies to grow faster than the traditional fusion market. We currently have a comprehensive and broad portfolio of MIS, motion preservation and advanced biomaterials products, with four additional products addressing motion preservation in clinical trials and other pipeline products in various stages of development. We believe our current portfolio and pipeline of disruptive technology products provide improved patient outcomes, reduce overall costs and position us to capitalize on the growth in this market.

Integrated product development engine. We believe that we have a unique and highly efficient approach to product development that significantly reduces the time required to advance a potential product from concept to commercialization. We have historically utilized our product development engine to bring substantially all of our products to market and have not relied upon acquisitions to grow our business. Our integrated teams of surgeons, engineers, dedicated researchers, highly-skilled machinists, and clinical and regulatory personnel work together to conceptualize, evaluate, and develop potential new products through an iterative process that allows for rapid product development. In addition, our regulatory and clinical affairs teams have a proven ability to work effectively with regulatory agencies worldwide to obtain approvals to market our products. The combination of our research, development, clinical and regulatory expertise allows us to react quickly to evolving surgeon and patient needs, address new treatment options, and introduce several new products annually.

Exclusive U.S. sales force with broad geographic scope. We have made, and intend to continue to make, significant investments in our exclusive U.S. sales force. As of March 31, 2012, this sales force consisted of 336 sales representatives employed by us or our 19 exclusive independent distributors, not counting our separate Algea Therapies sales force. Our direct and distributor sales representatives are highly trained in the clinical benefits of our products and frequently consult with surgeons and surgical staff inside the operating room regarding the use of our products. We believe the size, expertise and exclusive nature of our sales force enable us to maximize our market penetration and continue to expand our geographic presence.

Table of Contents

Demonstrated track record of profitability with established scale. We have made investments in our infrastructure that have allowed us to accelerate development and commercialization of our products, and maintain strong profit margins typically associated with our larger competitors. We have launched over 100 products and experienced significant growth in sales since our founding in 2003, while remaining focused on generating operating cash flow and net income. We were formed in 2003 and have grown our sales to \$331.5 million in 2011. Our disciplined approach has contributed to Adjusted EBITDA of \$118.6 million and net income of \$60.8 million for the year ended December 31, 2011 and Adjusted EBITDA of \$34.0 million and net income of \$17.6 million for the three months ended March 31, 2012. We have had positive Adjusted EBITDA and Adjusted EBITDA margins in excess of 35% for each of the years ended December 31, 2009, 2010, and 2011.

Our Strategy

Our goal is to become the leader in providing innovative solutions across the continuum of care in the spine market. To achieve this goal, we are employing the following business strategies:

Leverage our product development engine. We plan to continue to develop innovative fusion products and disruptive technology products in the areas of MIS, motion preservation, and advanced biomaterials technologies using what we believe to be a unique and highly efficient product development engine. We believe our team-oriented approach, active surgeon input and demonstrated product development and commercialization capabilities position us to maintain a rapid rate of new product launches. As of the date of this prospectus, we had over 30 potential new products in various stages of development and we expect to launch approximately five to ten new products in each of the next three years.

Increase the size, scope and productivity of our exclusive U.S. sales force. We believe there is significant opportunity to further penetrate existing markets and to enter new markets by increasing the size and geographic scope of our U.S. sales force. We expect to continue to increase the number of our direct and distributor sales representatives in the United States and intend to add a total of 24 additional direct and distributor sales representatives by the end of 2012. We also intend to continue recruiting additional sales representatives strategically to grow our Algea Therapies sales force. In addition to focusing our recruitment efforts on individuals with previous spine industry experience and demonstrated sales success, we will continue to provide our sales representatives with specialized development programs designed to improve their productivity.

Continue to expand into international markets. We have historically focused our commercialization efforts primarily on the U.S. market. However, according to iData Research, Inc., approximately 47% of spine procedures are performed outside the United States. We believe there is significant opportunity for us to expand our international presence. We began selling our products in international markets in 2005 and sales generated from outside the United States exceeded \$20 million for the year ended December 31, 2011, a more than 100% increase from 2010. We expect to continue to increase our international presence through the commercialization of additional products and through the expansion of our direct and distributor sales force. As of December 31, 2011, we had an existing direct or distributor sales presence in 17 countries outside of the United States and aim to have a sales presence in eight additional countries by the end of 2012.

Table of Contents

Pursue strategic acquisitions and alliances. We intend to selectively pursue acquisitions and alliances in the future that will provide us with new or complementary technologies, personnel with significant relevant experience, or increased market penetration. We are currently evaluating a number of possible acquisitions or strategic relationships and believe that our resources and experience make us an attractive acquiror or partner.

Products

We currently offer over 100 innovative fusion and disruptive technology products. We have highlighted a selection of these products below. REVERE 5.5 Titanium Degen System generated 27%, 23%, 21%, and 21% of our consolidated sales during each of 2009, 2010, 2011 and the three months ended March 31, 2012, respectively. COALITION generated 11% of our consolidated sales during 2011 and the three months ended March 31, 2012. CALIBER generated 10% of our consolidated sales during the three months ended March 31, 2012. No other class of products contributed 10% or more of our consolidated sales during 2009, 2010, 2011 or the first three months of 2012.

Innovative Fusion

Our products address the entire spine with innovative fusion products for use in cervical, thoracolumbar, sacral, and interbody/corpectomy fusion procedures to treat degenerative, deformity, tumor, and trauma conditions. We believe that our innovative fusion products demonstrate features and characteristics that enable us to provide advantages over traditional fusion that help improve surgical techniques and may contribute to better outcomes for patients. Our comprehensive REVERE pedicle screw and rod system incorporates a convenient non-threaded locking cap design that eases building of thoracolumbar fixation constructs to readily adapt to the patient's anatomy and condition, for a range of clinical applications. Certain other of our products, such as our XPAND and FORTIFY corpectomy devices that incorporate smooth expansion capability, have a range of size options for optimal fit, and are manufactured from radiolucent polyetheretherketone, or PEEK, to allow for postoperative radiographic visualization. Certain of our other products, such as COALITION and INDEPENDENCE stand-alone interbody fusion devices, simplify the surgical technique by reducing steps and hardware while providing confident stabilization. The depth of our innovative fusion portfolio encompasses treatment modalities from the occiput to the sacrum, with novel designs and features that provide key improvements to the standards of care. We also build on proven technologies to continuously upgrade our offerings, including multiple cervical plating systems, both top-loading and posted screw systems, and a range of interbody implant and approach options.

A selection of our innovative fusion products is presented in the tables below:

Cervical

Selected Product	Description	Region	Launch
XTEND	Anterior cervical plate system that allows for an extension plate for revision surgery	United States International	2009
ELLIPSE	Posterior occipital cervical thoracic stabilization system with a non-threaded locking mechanism	United States International	2009
VIP	Anterior cervical plate system with one screw per level for minimal tissue disruption	United States International	2008
PROVIDENCE	Anterior cervical plate system with visible, audible and tactile screw locking	United States International	2007
ASSURE	Low profile anterior cervical plate system with simple one step screw locking	United States International	2004

Table of Contents*Thoracolumbar*

Selected Product	Description	Region	Launch
SI-LOK	Sacroiliac joint fixation system	United States	2011
BEACON Posted Screw	Posted pedicle screw system with medial lateral connection capability	United States International	2008
REVERE Degen	Comprehensive pedicle screw and rod system with non-threaded locking mechanism and specialized sacroiliac implants	United States International	2006

Pending CE marking.
Interbody/Corpectomy

Selected Product	Description	Region	Launch
FORTIFY	PEEK and titanium self-locking expandable corpectomy device with modular endplates	United States	2012
COALITION	Anterior cervical stand-alone fusion device with anatomic profile	United States International	2009
COLONIAL	PEEK anterior cervical interbody fusion device	United States International	2008
INDEPENDENCE	Anterior lumbar stand-alone fusion device with anatomic profile	United States International	2008
XPAND	PEEK and titanium expandable corpectomy spacer with multiple footprint options	United States International	2005
SUSTAIN	PEEK and titanium spacers for partial or complete vertebrectomy	United States International	2003

Deformity, Tumor, and Trauma

Selected Product	Description	Region	Launch
Corrective Osteotomy Set	Instruments for performing pedicle subtraction osteotomies and vertebral body resections	United States International	2011
TRUSS	Lateral compressible thoracolumbar plate system	United States International	2009
REVERE Deformity	Comprehensive pedicle screw, hook, and rod deformity system with non-threaded locking mechanism and specialty correction instruments	United States International	2007