

SOLTA MEDICAL INC
Form 10-Q
November 01, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2012

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-33123

SOLTA MEDICAL, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

68-0373593
(I.R.S. Employer
Identification No.)

25881 Industrial Boulevard, Hayward, California 94545
(Address of principal executive offices) (Zip Code)

(510) 782-2286
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a small reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated Filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 31, 2012, 68,553,374 shares of the registrant's common stock were outstanding.

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Solta Medical , Thermage , ThermoCool , NXT , Thermage CPT , Fraxel , Fraxel re:store , Fraxel re:pair , Isolaz , CLARO , Clear Liposonix are trademarks or registered trademarks of Solta Medical Inc. or its subsidiaries in the United States and other Countries. Other trademarks, trade names and service marks appearing in this document are the property of their respective owners.

Table of Contents**PART 1. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS (unaudited)****Solta Medical, Inc.****CONDENSED CONSOLIDATED BALANCE SHEETS***(in thousands of dollars, except share and per share data)***(Unaudited)**

	September 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 38,547	\$ 17,417
Accounts receivable	16,665	13,282
Inventories	16,446	16,524
Prepaid expenses and other current assets	7,856	8,626
Total current assets	79,514	55,849
Property and equipment, net	6,353	6,818
Purchased intangible assets, net	44,158	49,352
Goodwill	96,620	96,620
Other assets	684	659
Total assets	\$ 227,329	\$ 209,298
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Accounts payable	\$ 6,134	\$ 5,767
Accrued liabilities	15,829	16,126
Current portion of contingent consideration liability	22,300	
Current portion of deferred revenue	3,965	4,521
Short-term borrowings	7,054	7,441
Customer deposits	849	610
Total current liabilities	56,131	34,465
Deferred revenue, net of current portion	557	824
Term loan, net of current portion	20,698	16,959
Non-current tax liabilities	3,010	2,975
Contingent consideration liability	38,100	27,800
Other liabilities	107	92
Total liabilities	118,603	83,115
Contingencies (Note 7)		
Stockholders equity:		
Preferred stock, \$0.001 par value: 10,000,000 shares authorized, none issued and outstanding		
Common stock, \$0.001 par value: 100,000,000 shares authorized, 68,543,122 and 61,130,740 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively.	69	61

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Additional paid-in capital	219,063	198,565
Accumulated deficit	(110,406)	(72,443)
Total stockholders' equity	108,726	126,183
Total liabilities and stockholders' equity	\$ 227,329	\$ 209,298

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

Table of Contents**Solta Medical, Inc.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS***(in thousands of dollars, except share and per share data)***(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net revenue	\$ 35,028	\$ 27,411	\$ 104,744	\$ 82,816
Cost of revenue	13,813	9,519	39,738	28,300
Gross margin	21,215	17,892	65,006	54,516
Operating expenses				
Sales and marketing	12,403	10,784	40,022	34,517
Research and development	4,849	3,665	15,167	10,878
General and administrative	4,557	4,669	13,832	12,003
Remeasurement of contingent consideration liability	1,900	(394)	32,600	(878)
Total operating expenses	23,709	18,724	101,621	56,520
Loss from operations	(2,494)	(832)	(36,615)	(2,004)
Interest income	3	19	8	52
Interest expense	(377)	(16)	(1,078)	(90)
Other income and expense, net	46	(306)	(101)	(188)
Loss before income taxes	(2,822)	(1,135)	(37,786)	(2,230)
Income tax provision	56	10	177	146
Net loss	\$ (2,878)	\$ (1,145)	\$ (37,963)	\$ (2,376)
Net loss per share:				
Basic and diluted	\$ (0.04)	\$ (0.02)	\$ (0.60)	\$ (0.04)
Weighted average shares outstanding used in calculating net loss per common share:				
Basic and diluted	65,947,361	60,785,015	63,017,220	60,443,429

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

Table of Contents**Solta Medical, Inc.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS***(in thousands of dollars)***(Unaudited)**

	Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities		
Net loss	\$ (37,963)	\$ (2,376)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,012	5,582
Loss on disposal of property, plant and equipment	33	61
Stock-based compensation	3,553	2,281
Contingent consideration fair value adjustment	32,600	(878)
Tax expense from stock options exercises	2	
Loan warrant discount amortization	104	
Provision for doubtful accounts	520	(57)
Write-down of excess and obsolete inventory	591	(43)
Change in assets and liabilities:		
Accounts receivable	(3,903)	(2,502)
Inventories	(845)	(4,519)
Prepaid expenses and other current assets	770	(124)
Other assets	(25)	(188)
Accounts payable	450	(755)
Accrued and other liabilities	(189)	(602)
Deferred revenue	(823)	1,139
Customer deposits	239	125
Deferred rent	(77)	(14)
Net cash provided by (used in) operating activities	3,049	(2,870)
Cash flows from investing activities		
Acquisition of property and equipment	(2,115)	(1,168)
Net cash used in investing activities	(2,115)	(1,168)
Cash flows from financing activities		
Repayment of loan agreements		