

Alphatec Holdings, Inc.
Form 10-Q
August 07, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2013

OR

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

For the transition period from _____ to _____

Commission file number: 000-52024

ALPHATEC HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

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

5818 El Camino Real
Carlsbad, CA 92008

(Address of principal executive offices, including zip code)

(760) 431-9286

(Registrant's telephone number, including area code)

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 smaller reporting company. See the definitions 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 small 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 August 5, 2013, there were 97,098,085 shares of the registrant's common stock outstanding.

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

June 30, 2013

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

	June 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,948	\$ 22,241
Accounts receivable, net	41,031	41,012
Inventories, net	50,614	49,855
Prepaid expenses and other current assets	5,619	5,953
Deferred income tax assets	2,835	2,991
Total current assets	113,047	122,052
Property and equipment, net	30,471	30,403
Goodwill	177,832	180,838
Intangibles, net	43,611	46,856
Other assets	1,710	1,978
Total assets	\$ 366,671	\$ 382,127
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 18,329	\$ 15,237
Accrued expenses	29,597	38,490
Deferred revenue	1,176	1,361
Current portion of long-term debt	709	1,700
Total current liabilities	49,811	56,788
Long-term debt, less current portion	41,118	39,967
Other long-term liabilities	11,988	13,485
Deferred income tax liabilities	2,269	2,468
Redeemable preferred stock, \$0.0001 par value; 20,000 authorized at June 30, 2013 and December 31, 2012; 3,319 shares issued and outstanding at both June 30, 2013 and December 31, 2012	23,603	23,603
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.0001 par value; 200,000 authorized at June 30, 2013 and December 31, 2012; 97,098 and 96,703 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively	10	10
Treasury stock, 19 shares	(97)	(97)
Additional paid-in capital	401,389	399,246
Accumulated other comprehensive (loss) income	(2,655)	112
Accumulated deficit	(160,765)	(153,455)

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Total stockholders' equity	237,882	245,816
Total liabilities and stockholders' equity	\$ 366,671	\$ 382,127

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Revenues	\$ 51,020	\$ 48,235	\$ 101,463	\$ 96,696
Cost of revenues	18,501	17,666	35,771	33,929
Amortization of acquired intangible assets	426	373	857	752
Gross profit	32,093	30,196	64,835	62,015
Operating expenses:				
Research and development	3,666	3,777	7,348	7,787
Sales and marketing	19,160	19,529	37,655	38,065
General and administrative	11,445	10,132	22,575	18,957
Amortization of acquired intangible assets	721	509	1,514	1,083
Total operating expenses	34,992	33,947	69,092	65,892
Operating loss	(2,899)	(3,751)	(4,257)	(3,877)
Other income (expense):				
Interest income		36	2	75
Interest expense	(927)	(3,578)	(1,622)	(4,286)
Other income (expense), net	(400)	(9)	(1,050)	(268)
Total other income (expense)	(1,327)	(3,551)	(2,670)	(4,479)
Loss from continuing operations before taxes	(4,226)	(7,302)	(6,927)	(8,356)
Income tax provision (benefit)	435	(928)	383	(721)
Net loss	\$ (4,661)	\$ (6,374)	\$ (7,310)	\$ (7,635)
Net loss per common share:				
Basic and diluted net loss per share	\$ (0.05)	\$ (0.07)	\$ (0.08)	\$ (0.09)
Weighted-average shares used in computing net loss per share:				
Basic and diluted	95,926	89,218	95,876	89,078

See accompanying notes to unaudited condensed consolidated financial statements.

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ALPHATEC HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(UNAUDITED)

(in thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Net loss	\$ (4,661)	\$ (6,374)	\$ (7,310)	\$ (7,635)
Foreign currency translation adjustments	1,718	(8,566)	(2,767)	(4,320)
Comprehensive loss	\$ (2,943)	\$ (14,940)	\$ (10,077)	\$ (11,955)

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2013	2012
Operating activities:		
Net loss	\$ (7,310)	\$ (7,635)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	12,589	11,623
Stock-based compensation	1,979	1,210
Interest expense related to amortization of debt discount and debt issuance costs	209	771
Provision for doubtful accounts	184	928
Provision for excess and obsolete inventory	3,101	2,810
Deferred income tax benefit	(156)	(2,006)
Other noncash items	1,065	1,098
Changes in operating assets and liabilities:		
Accounts receivable	(1,310)	1,635
Inventories	(5,079)	(3,927)
Prepaid expenses and other current assets	547	1,146
Other assets	102	551
Accounts payable	2,170	(3,349)
Accrued expenses and other	(5,430)	(1,164)
Deferred revenues	(179)	(117)
Net cash provided by operating activities	2,482	3,574
Investing activities:		
Purchases of property and equipment	(7,681)	