

Alphatec Holdings, Inc.
Form 10-Q
July 31, 2014

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, 2014

OR

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

For the transition period from _____ to _____

Commission File Number: 000-52024

ALPHATEC HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization) 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)	20-2463898 (I.R.S. Employer Identification No.)
--	---

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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
-------------------------	--------------------------	-------------------	-------------------------------------

Edgar Filing: Alphatec Holdings, Inc. - Form 10-Q

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 July 30, 2014, there were 97,961,858 shares of the registrant's common stock outstanding.

ALPHATEC HOLDINGS, INC.
QUARTERLY REPORT ON FORM 10-Q
June 30, 2014
Table of Contents

	Page
<u>PART I – FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements (Unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets as of June 30, 2014 and December 31, 2013</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2014 and 2013</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive Loss for the three and six months ended June 30, 2014 and 2013</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2014 and 2013</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>8</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>22</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>33</u>
Item 4. <u>Controls and Procedures</u>	<u>33</u>
<u>PART II – OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	<u>35</u>
Item 1A. <u>Risk Factors</u>	<u>36</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>37</u>
Item 6. <u>Exhibits</u>	<u>38</u>
<u>SIGNATURES</u>	<u>39</u>

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, 2014	December 31, 2013
Assets		
Current assets:		
Cash	\$18,983	\$21,345
Restricted cash	2,001	—
Accounts receivable, net	44,662	41,395
Inventories, net	42,447	41,939
Prepaid expenses and other current assets	7,886	7,694
Deferred income tax assets	1,389	1,372
Total current assets	117,368	113,745
Property and equipment, net	27,390	28,030
Goodwill	182,301	183,004
Intangibles, net	35,412	39,064
Other assets	2,239	1,787
Total assets	\$364,710	\$365,630
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$13,965	\$10,790
Accrued expenses	36,904	62,996
Deferred revenue	1,838	1,009
Common stock warrant liabilities	11,173	—
Current portion of long-term debt	5,909	4,924
Total current liabilities	69,789	79,719
Long-term debt, less current portion	70,909	49,978
Other long-term liabilities	34,360	38,784
Deferred income tax liabilities	2,199	1,870
Redeemable preferred stock, \$0.0001 par value; 20,000 authorized at June 30, 2014 and December 31, 2013; 3,319 shares issued and outstanding at both June 30, 2014 and December 31, 2013	23,603	23,603
Stockholders' equity:		
Common stock, \$0.0001 par value; 200,000 authorized at June 30, 2014 and December 31, 2013; 97,961 and 97,599 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively	10	10
Treasury stock, 19 shares	(97) (97
Additional paid-in capital	411,032	403,568
Shareholder note receivable	(5,000) —
Accumulated other comprehensive income	3,155	3,877
Accumulated deficit	(245,250) (235,682
Total stockholders' equity	163,850	171,676
Total liabilities and stockholders' equity	\$364,710	\$365,630

See accompanying notes to unaudited condensed consolidated financial statements.

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,	
	2014	2013	2014	2013
Revenues	\$53,167	\$51,020	\$102,340	\$101,463
Cost of revenues	16,600	18,501	32,033	35,771
Amortization of acquired intangible assets	447	426	893	857
Gross profit	36,120	32,093	69,414	64,835
Operating expenses:				
Research and development	4,534	3,666	8,715	7,348
Sales and marketing	19,837	19,160	37,896	37,655
General and administrative	9,241	11,445	23,463	22,575
Amortization of acquired intangible assets	757	721	1,515	1,514
Restructuring expense	(90) —	686	—
Total operating expenses	34,279	34,992		