

SOLTA MEDICAL INC
Form 10-Q
August 04, 2010
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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 June 30, 2010

.. **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 July 31, 2010, 59,518,888 shares of the registrant's common stock were outstanding.

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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)**

	June 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 36,978	\$ 14,744
Accounts receivable	10,971	12,381
Inventories	13,448	14,117
Prepaid expenses and other current assets	3,925	4,748
Total current assets	65,322	45,990
Property and equipment, net	5,973	5,613
Purchased intangible assets, net	38,180	36,799
Goodwill	48,710	47,289
Other assets	267	458
Total assets	\$ 158,452	\$ 136,149
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Accounts payable	\$ 6,596	\$ 6,065
Accrued liabilities	12,191	10,968
Current portion of deferred revenue	3,788	4,534
Short-term borrowings	9,480	9,432
Customer deposits	514	529
Total current liabilities	32,569	31,528
Deferred revenue, net of current portion	662	612
Term loan, net of current portion	874	1,626
Non-current tax liabilities	1,901	1,862
Other liabilities	217	284
Total liabilities	36,223	35,912
Contingencies (Note 8)		
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, 59,514,034 and 48,077,028 shares at June 30, 2010 and December 31, 2009, respectively.		
	60	48

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Additional paid-in capital	191,687	169,283
Accumulated deficit	(69,518)	(69,094)
Total stockholders' equity	122,229	100,237
Total liabilities and stockholders' equity	\$ 158,452	\$ 136,149

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 June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net revenue	\$ 30,080	\$ 27,417	\$ 56,015	\$ 52,662
Cost of revenue	11,358	10,777	20,500	22,284
Gross margin	18,722	16,640	35,515	30,378
Operating expenses				
Sales and marketing	11,429	9,038	21,317	19,513
Research and development	4,276	3,949	8,395	7,865
General and administrative	3,228	3,452	7,712	7,770
Litigation settlement gain	(2,241)		(2,213)	
Total operating expenses	16,692	16,439	35,211	35,148
Income (loss) from operations	2,030	201	304	(4,770)
Interest and other income	15	41	22	302
Interest and other expenses	(289)	(104)	(439)	(151)
Income (loss) before income taxes	1,756	138	(113)	(4,619)
Provision for income taxes	247	53	311	71
Net income (loss)	\$ 1,509	\$ 85	\$ (424)	\$ (4,690)
Net income (loss) per share:				
Basic	\$ 0.03	\$ 0.00	\$ (0.01)	\$ (0.10)
Diluted	\$ 0.02	\$ 0.00	\$ (0.01)	\$ (0.10)
Weighted average shares outstanding used in calculating net income (loss) per common share:				
Basic	59,437,038	47,806,228	58,229,078	47,782,656
Diluted	61,530,085	47,920,161	58,229,078	47,782,656

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)**

	Six Months Ended June 30,	
	2010	2009
Cash flows from operating activities		
Net loss	\$ (424)	\$ (4,690)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,717	3,495
Amortization of premium on marketable investments		89
Realized gain on marketable investments		(67)
Loss on disposal of property, plant and equipment	3	12
Stock-based compensation	1,320	1,653
Tax expense from stock option exercises	10	
Provision for doubtful accounts	190	104
Provision for excess and obsolete inventory	413	113
Change in assets and liabilities:		
Accounts receivable	2,010	(8,322)
Inventories	1,330	6,514
Prepaid expenses and other current assets	908	27
Other assets	226	(19)
Accounts payable	(50)	(2,550)
Accrued and other liabilities	(882)	(1,448)
Deferred revenue	(998)	477
Customer deposits	(15)	58
Net cash provided by (used in) operating activities	7,758	(4,554)
Cash flows from investing activities		
Acquisition of property and equipment	(895)	(990)
Payments for acquisition, net of cash acquired	(232)	(883)
Sales and maturities of marketable investments		13,490
Net cash provided by (used in) investing activities	(1,127)	11,617
Cash flows from financing activities		
Repayment of equipment leases	(27)	(3)
Repayment of loan agreement and short-term margin account borrowings	(16,706)	(13,072)
Cash settlement of vested restricted stock units	(140)	
Proceeds		