

SOLTA MEDICAL INC
Form 10-Q
August 03, 2011
Table of Contents

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, 2011

.. **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)

Edgar Filing: SOLTA MEDICAL INC - Form 10-Q

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 29, 2011, 60,762,273 shares of the registrant's common stock were outstanding.

Table of Contents

SOLTA MEDICAL, INC.

INDEX

PART I	<u>FINANCIAL INFORMATION</u>	Page 3
ITEM 1	<u>FINANCIAL STATEMENTS (unaudited)</u>	3
	<u>Condensed Consolidated Balance Sheets as of June 30, 2011 and December 31, 2010</u>	3
	<u>Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2011 and 2010</u>	4
	<u>Condensed Consolidated Statements of Cash Flows for the three and six months ended June 30, 2011 and 2010</u>	5
	<u>Notes to Condensed Consolidated Financial Statements</u>	6
ITEM 2	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	16
ITEM 3	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	22
ITEM 4	<u>CONTROLS AND PROCEDURES</u>	22
PART II	<u>OTHER INFORMATION</u>	23
ITEM 1.	<u>LEGAL PROCEEDINGS</u>	23
ITEM 1A.	<u>RISK FACTORS</u>	23
ITEM 2	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	36
ITEM 3	<u>DEFAULTS UPON SENIOR SECURITIES</u>	36
ITEM 4	<u>REMOVED AND RESERVED</u>	36
ITEM 5	<u>OTHER INFORMATION</u>	36
ITEM 6.	<u>EXHIBITS</u>	37
	<u>SIGNATURES</u>	38

Thermage , ThermaCool , NXT , Reliant , Fraxel and Isolaz are registered trademarks in the United States and several other countries. All 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)**

	June 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 37,108	\$ 36,898
Accounts receivable	13,219	12,426
Inventories	13,541	10,549
Prepaid expenses and other current assets	6,241	5,906
Total current assets	70,109	65,779
Property and equipment, net	5,349	6,227
Purchased intangible assets, net	34,624	36,809
Goodwill	49,481	49,481
Other assets	578	249
Total assets	\$ 160,141	\$ 158,545
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Accounts payable	\$ 7,379	\$ 6,358
Accrued liabilities	10,666	12,030
Current portion of deferred revenue	4,440	3,428
Short-term borrowings	8,874	9,528
Customer deposits	666	441
Total current liabilities	32,025	31,785
Deferred revenue, net of current portion	811	969
Term loan, net of current portion		98
Non-current tax liabilities	3,399	3,372
Other liabilities	137	177
Total liabilities	36,372	36,401

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:

Edgar Filing: SOLTA MEDICAL INC - Form 10-Q

100,000,000 shares authorized, 60,743,211 and 59,728,410 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively.	61	60
Additional paid-in capital	196,053	193,198
Accumulated deficit	(72,345)	(71,114)
Total stockholders' equity	123,769	122,144
Total liabilities and stockholders' equity	\$ 160,141	\$ 158,545

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,	
	2011	2010	2011	2010
Net revenue	\$ 28,954	\$ 30,080	\$ 55,405	\$ 56,015
Cost of revenue	10,391	11,358	18,781	20,500
Gross margin	18,563	18,722	36,624	35,515
Operating expenses				
Sales and marketing	11,915	11,429	23,733	21,317
Research and development	3,648	4,276	7,213	8,395
General and administrative	3,124	3,228	6,850	7,712
Litigation settlement gain		(2,241)		(2,213)
Total operating expenses	18,687	16,692	37,796	35,211
Income (loss) from operations	(124)	2,030	(1,172)	304
Interest income	19	11	33	18
Interest expense	(21)	(57)	(74)	(118)
Other income and expense, net	(9)	(228)	118	(317)
Income (loss) before income taxes	(135)	1,756	(1,095)	(113)
Provision for income taxes	71	247	136	311
Net income (loss)	\$ (206)	\$ 1,509	\$ (1,231)	\$ (424)
Net income (loss) per share:				
Basic	\$ (0.00)	\$ 0.03	\$ (0.02)	\$ (0.01)
Diluted	\$ (0.00)	\$ 0.02	\$ (0.02)	\$ (0.01)
Weighted average shares outstanding used in calculating net income (loss) per common share:				
Basic	60,634,849	59,437,038	60,269,804	58,229,078
Diluted	60,634,849	61,530,085	60,269,804	58,229,078

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,	
	2011	2010
Cash flows from operating activities		
Net loss	\$ (1,231)	\$ (424)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	3,730	3,717
Loss on disposal of property, plant and equipment	41	3
Stock-based compensation	1,481	1,320
Tax expense from stock option exercises	9	10
Provision for doubtful accounts	(74)	190
Provision for excess and obsolete inventory	70	413
Change in assets and liabilities:		
Accounts receivable	(719)	2,010
Inventories	(3,072)	1,330
Prepaid expenses and other current assets	(336)	908
Other assets	(179)	226
Accounts payable	955	(50)
Accrued and other liabilities	(1,374)	(842)
Deferred revenue	704	(998)
Customer deposits	225	(15)
Deferred rent	(14)	(40)
Net cash provided by operating activities	216	7,758
Cash flows from investing activities		
Acquisition of property and equipment	(620)	(895)
Payments for acquisition, net of cash acquired		