

SOLTA MEDICAL INC  
Form 10-Q  
May 06, 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 March 31, 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 April 30, 2010, 59,368,168 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)**

	<b>March 31, 2010</b>	<b>December 31, 2009</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 30,293	\$ 14,744
Accounts receivable	11,805	12,381
Inventories	16,482	14,117
Prepaid expenses and other current assets	4,259	4,748
<b>Total current assets</b>	<b>62,839</b>	<b>45,990</b>
Property and equipment, net	5,369	5,613
Purchased intangible assets, net	39,390	36,799
Goodwill	48,710	47,289
Other assets	289	458
<b>Total assets</b>	<b>\$ 156,597</b>	<b>\$ 136,149</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Liabilities:		
Accounts payable	\$ 5,534	\$ 6,065
Accrued liabilities	12,666	10,968
Current portion of deferred revenue	4,528	4,534
Short-term borrowings	9,457	9,432
Customer deposits	482	529
<b>Total current liabilities</b>	<b>32,667</b>	<b>31,528</b>
Deferred revenue, net of current portion	757	612
Term loan, net of current portion	1,254	1,626
Non-current tax liabilities	1,872	1,862
Other liabilities	237	284
<b>Total liabilities</b>	<b>36,787</b>	<b>35,912</b>
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, 59,352,116 and 48,077,028 shares at March 31, 2010 and December 31, 2009, respectively.		
	59	48

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Additional paid-in capital	190,778	169,283
Accumulated deficit	(71,027)	(69,094)
Total stockholders' equity	119,810	100,237
Total liabilities and stockholders' equity	\$ 156,597	\$ 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)**

	<b>Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
Net revenue	\$ 25,935	\$ 25,245
Cost of revenue	9,142	11,507
Gross margin	16,793	13,738
Operating expenses		
Sales and marketing	9,888	10,475
Research and development	4,119	3,916
General and administrative	4,512	4,318
Total operating expenses	18,519	18,709
Loss from operations	(1,726)	(4,971)
Interest and other income	7	261
Interest and other expenses	(150)	(47)
Loss before income taxes	(1,869)	(4,757)
Provision for income taxes	64	18
Net loss	\$ (1,933)	\$ (4,775)
Net loss per share basic and diluted:		
Net loss per share basic and diluted	\$ (0.03)	\$ (0.10)
Weighted average shares outstanding used in calculating net loss per common share:		
Basic and diluted	57,007,696	47,758,823

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)**

	<b>Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities</b>		
Net loss	\$ (1,933)	\$ (4,775)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,766	1,776
Amortization of premium on marketable investments		50
Realized loss on marketable securities		(114)
Loss on disposal of property, plant and equipment	1	11
Stock-based compensation	702	789
Tax expense from stock option exercises	4	
Provision for doubtful accounts	92	(91)
Provision for excess and obsolete inventory	111	(129)
Change in assets and liabilities:		
Accounts receivable	1,275	(7,644)
Inventories	(858)	4,911
Prepaid expenses and other current assets	574	240
Other assets	204	30
Accounts payable	(978)	(2,023)
Accrued and other liabilities	(623)	1,490
Accrued restructuring	(7)	(2,178)
Deferred revenue	(163)	255
Customer deposits	(47)	75
Deferred rent	(20)	(7)
Net cash provided by (used in) operating activities	100	(7,334)
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(334)	(720)
Payments for acquisition, net of cash acquired	(232)	(288)
Proceeds from sale of marketable investments		9,790
Net cash provided by (used in) investing activities	(566)	8,782
<b>Cash flows from financing activities</b>		
Repayment of equipment leases	(27)	(1)
Repayment of loan agreement and short-term margin account borrowings	(8,348)	(6,779)
Cash settlement of vested restricted stock units	(140)	
Proceeds from exercise of stock options	343	
Proceeds from loan agreement borrowings	8,000	6,750
Proceeds from equity financing	17,230	
Payment of equity financing issuance costs	(1,043)	
Net cash provided by (used in) by financing activities	16,015	(30)

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Net increase in cash and cash equivalents	15,549	1,418
Cash and cash equivalents at beginning of period	14,744	7,556
Cash and cash equivalents at end of period	\$ 30,293	\$ 8,974

**Supplemental disclosure of cash flow information**

Cash paid for interest	\$ 60	\$ 45
Cash paid for taxes	1	76

**Supplemental disclosure of non-cash investing and financing activities**

Issuance of common stock for acquisition	4,750	
Issuance of warrants in connection with equity financing	5,251	
Accounts payable and accrued liabilities related to property, plant and equipment purchases	84	104
Accrued equity financing issuance costs	341	
Contingent consideration accrued in connection with Aesthera acquisition	280	
Issuance of common stock for vested restricted stock units	341	

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



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**Solta Medical, Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*(in thousands of dollars, except share and per share amounts)*

**(Unaudited)**

**NOTE 1 THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Solta Medical, Inc. (the Company) develops, manufactures, and markets aesthetic energy devices to address aging skin. The Company was incorporated in California on January 11, 1996 as Thermage, Inc. and reincorporated in Delaware on September 10, 2001. The Company commercially launched its first products in October 2002. Following the acquisition of Reliant Technologies, Inc. on December 23, 2008, the Company changed its name to Solta Medical, Inc.

***Basis of Presentation***

The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to state fairly the Company's financial position as of the date of the interim balance sheet and results of operations and cash flows for the interim periods. The results for the three months ended March 31, 2010 are not necessarily indicative of the results to be expected for the year ending December&nbsp;