

Alphatec Holdings, Inc.
Form DEFA14A
December 18, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

☐ **Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))

☐ Definitive Proxy Statement

☐ Definitive Additional Materials

☒ Soliciting Material Under Rule 14a-12

ALPHATEC HOLDINGS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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x No fee required.

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1) Title of each class of securities to which the transaction applies:

2) Aggregate number of securities to which the transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

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5) Total fee paid:

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1) Amount previously paid:

2) Form, Schedule or Registration Statement No:

3) Filing party:

4) Date Filed:

NASDAQ: ATEC
December 2009
www.alphatecspine.com
Solutions For The Aging Spine
Acquisition of Scient x Groupe SAS
5818 El Camino Real, Carlsbad, CA 92008
www.alphatecspine.com

TM

Filed by Alphatec Holdings, Inc.

Under the Securities Exchange Act of 1934

Subject Company: Alphatec Holdings, Inc.

Commission File No: 000-52024

Slide 1

Forward Looking Statements

This presentation and our responses to your questions during the question and answer period will contain our estimated or anticipated future results. These forward-looking statements are typically identified by the words "anticipates," "believes," "expects," "intends," "plans," "future," "strategy," or words of similar meaning. These statements

reflect our current analysis of existing trends and information,
and
represent our judgment only as of today. Actual results could differ materially from those anticipated. As a result, you are cautioned not to rely on these forward-looking statements. You should refer to the "Risk Factors" and other information in the reports that we file from time to time with the Securities & Exchange Commission. The Company disclaims any intent or obligation to update any forward-looking statements made here today.

Slide 2

Alphatec Acquisition of with Scient x
Terms of Acquisition Agreement

All stock transaction with a fixed exchange ratio of 24M shares of common
stock for 100% of the outstanding shares of Scient x

Pro Forma Ownership

Alphatec Shareholders

69%

Scient x

Shareholders

31%

Transaction is scheduled to close in 1Q 2010, subject to shareholder approval and other customary closing conditions

Extraordinary transaction costs in the third and fourth quarter will impact previously issued EPS guidance

Transaction expected to be adjusted EBITDA accretive for full year 2010

Key
management:

Dirk
Kuyper

CEO,
Peter
Wulff

CFO,
Oliver
Burckhardt

President of International, Chief Marketing Officer

The transaction was unanimously approved by a Special Committee of independent members of the board. Following such approval by the Special Committee, the entire board unanimously approved the transaction.

Slide 3

Highlights of Acquisition Agreement

Creates global scale and presence to compete across major markets

Complements product portfolio with differentiated products in multiple segments

Expands focus on aging spine market segment

Provides immediate cross selling opportunities with significant revenue and costs synergies

Represents pro-forma combined \$180-\$182M 2009 revenue, 25-30% growth y/y

Pro forma 2010 revenue estimated to reach \$220-\$225M; \$32-\$35M adjusted EBITDA (12 month annualized)

Highlights & Investment Considerations

Slide 4
Alphatec Strategic Imperatives
Scale
Global
Presence
Differentiated
Portfolio

Product

Breadth

Strategic review prioritized the following four key imperatives for sustained growth:

Critical mass: marketplace leverage and augmented shelf space

Maximize production facility investment

Purchasing leverage to drive margins

Maximize profitability and cash flow

Speed to market/revenues for invested technologies

International footprint provides access to growth markets and technologies

Significant cross selling opportunity

Competitive advantage-door opener

Gain market share within each segment

Build out aging spine portfolio

Maximize revenue per procedure

Create barriers to entry

Compete for hospital contracts

Slide 5
Scient x
The Most Compelling Alternative
Scale
Global
Presence
Differentiated

Portfolio

Product

Breadth

Combining Alphatec & Scient x significantly improves each growth driver:

\$180M to \$182M combined global 2009 revenue

Extensive US and OUS distribution networks, 450 sales reps

Manufacturing scale and efficiencies

Enhanced profit and cash flow

Distribution in over 50 countries

Immediate access to markets for key technologies

Leader in scientific education (Inspiration, Argos Spine)

Extensive portfolio of differentiated products

Key technologies in underserved aging spine segments: Dynamic fusion, Osteoporosis, VCF, and stenosis

Disruptive technologies: MIS and stand alone IBF solutions, ceramic cervical disc, and biologics

Extensive product portfolio competitive with market leaders

Increased ability to control the sale/compete for contracts & tenders

Opportunity to maximize revenue per procedure

Scient x

-

Company

Overview

DYNAMIC

SOLUTIONS

COMPANY:

Founded 1988 in France

Acquired by HealthpointCapital in 2007

Headquarters: Guyancourt, France

Manufacturing: Beaurais, France

Sales forecast 2009: est. \$52M

150 global employees

MANAGEMENT:

CEO: Oliver Burckhardt

CFO/COO: Ann Custin

DISTRIBUTION:

Regional offices: USA, LA, AP, EU, MEA

Distribution network in 52 countries

Direct distribution: France, UK, Italy

180 sales representatives worldwide

PRODUCT PORTFOLIO:

Dynamic solutions for fusion and non-fusion

Platforms: cervical TDR & semi rigid rods

Full line of spinal offering

Pioneer in IFD PEEK and dynamic fusion

Slide 6

France:
20% mkt share
#2 mkt position
MEA:
8% mkt share
#3 mkt position
Spain, Italy, UK:

5% mkt share
#5 mkt position

China/Japan:

1% mkt share

Eastern Europe:

2% mkt share

Brazil:

14% mkt share

#6 mkt position

Mexico:

3% mkt share

#6 mkt position

Global distribution network in 52 countries

France: #2 market position

Spain, Italy, UK: #5 market position

180 sales reps worldwide (70% exclusive)

Scient x Broad Global Distribution

Slide 7

Training
&
Education
Science
+
SX
Clinical

Marketing

+

Global training
initiatives

3,000

physicians

trained under

the Inspiration

philosophy

www.inspiration-group.com

Global

alliances with

Key Opinion

Leaders and

leading

institutions

Internal

analysis of

clinical data

Longstanding

collaboration

with OUS SAB

Scient x Tradition of Education & Science

Slide 8

Scient x
-
Innovator
in
Spine
TECORP VBR:
Expandable

Multiple footprints

Clinical implantations

worldwide

ISOBAR SEMI RIGID ROD:

First dynamic fusion device

Multiple configurations

30,000 implantations worldwide

DISCOCERV:

First ceramic-ceramic TDR

3,000 implantations worldwide

PCP CERVICAL CAGE-PLATE:

First PEEK cage plate

Multiple configurations

10,000 implantations worldwide

PLATFORM

TECHNOLOGIES

VBR

DYNAMIC

FUSION

TDR

CAGE PLATE

Slide 9

Not all products are currently approved for sale in
the USA

*Dynamic Fusion: Load Sharing versus Load Bearing

Wolff's Law: Bone Structure Adapts to the Loading Conditions

RIGID FUSION: LOAD BEARING

DYNAMIC FUSION: LOAD SHARING

Dynamic

Fusion

Addresses

Unmet

Needs

and

may

Potentially:

Improve fusion rates

Allow for graft settling

Protect adjacent levels

Standard

of

Care

is

Fusion

Clinical outcome of fusion procedures

need improvement

Adjacent degeneration leads to

significant number of re-operations (cost)

Isobar

Dynamic Fusion Addresses Unmet Fusion Needs

Slide 10

*Dynamic Fusion concept Int 1 market strategy, US strategy pending FDA 522 post-market study

One of the Largest & Most Unique Market Potentials is *Dynamic
Fusion
Continuum of Spine Care
Progression of Degeneration
The Dynamic Fusion Concept is Applicable Across Multiple Fusion Pathologies
Non-Fusion
(Motion preserving)

10% of Market

Dynamic Fusion

(Dynamic motion stabilization)

70% of market

Fusion

(Motion stabilization)

20% of market

Dynamic Fusion: Differentiation within Fusion Market

Slide 11

*Dynamic Fusion concept Int'l market strategy, US strategy pending FDA 522 post-market study

Strengthening of the Aging Spine Strategy

The Fusion of Technology & Science

AGING SPINE

DYNAMIC FUSION

+

Enhances aging spine portfolio

Build aging spine brand by introducing new technologies OUS prior to US

launch

Distribution in more than 50 countries

Capitalize on aging spine investments: OsseoFix, OsseoScrew, HeliFix
Dynamic Fusion concept adapted for aging spine:

Clinical data supporting benefits for aging population

Differentiated products in each major market segment
Build clinical and comparative data for reimbursement:

Come to market in US with clinical data from international markets

Scient x Key Opinion Leaders (KOL s) provide credibility
Slide 12

USA

Over 65 population to double to 70+ million by 2030
Globally

Over
65

population
to
double
to
1
billion
by
2030

1/8 of world population will be over 65 by 2030

Chart: National Institute on Aging, US Dept. of State and National Institutes of Health

Dramatic increase in % of
global population over 65
Scient x distribution in 50+
countries outside USA
effectively increases
opportunity

by
over
14x
Scient x Globalizes Aging Spine Opportunity
Slide 13

Lumbar
Interbody
Cervical
VCF
Biologics
Core Products:

Zodiac

TTL IN

Xenon

Ilico SE MIS
Core Products:

Novel
Interbody
line

TeCorp Line
Core Products:

Osseofix+
Core Products:

Trestle

Solanas
Core Products:

VIP
Allografts

X Bone
Meaningful Differentiation in Multiple Categories
Alphatec Offering
Scient x Offering
Total addressable market: \$8.5 -
\$9 billion worldwide
Differentiated and disruptive technologies across multiple segments
Differentiated
Products:

ISOBAR
Evolution

OSSEOSCREW

HeliFix

HeliFuse

SCS II
Differentiated
Products:

GLIF

Samarys
Cervical

ALIF SA
Differentiated
Products:

OSSEOFIX
Differentiated
Products:

DiscoCerv

PCB
Evolution
Differentiated
Products:

AmnioShield

ProFuse

Equivabone
Combined Company Product Portfolio
Slide 14

Not all products are currently approved for sale in
the USA

Solus
Trestle
Other
Solanas
OsseoFix
Illico
OsseoScrew

GLIF

Asia

Australia

Latin

America

MEA

Europe

Alphatec benefits from:

Distribution in over 50 countries

Surgeon education and training

Global surgeon societies

Not all products are currently approved for sale in
the USA or all of the jurisdictions on this slide

Cross Selling Opportunity: Alphatec Global Access

Slide 15

Helifix/Helifuse

Isobar
USA
Scient x product opportunity:
US distribution
Manufacturing
Alphatec regulatory team
PCB cage

plate

TeCorp

DOS

Dual

dampener

Not all products are currently approved for sale in
the USA

Cross Selling Opportunity: Scient x Product Access

Slide 16

Global
Distribution
Manufacturing
Marketing
SCIENT X
ATEC
COMBINED

R&D

Scale Drives Efficiencies Across all Operating Functions

Scientific &

Clinical

Education

Combined Strength In Core Competencies

Slide 17

*Japan

Slide 18
Scient x
Alphatec
Pro Forma
Revenues (2009E)
Total

-

\$52M

Total

-

\$128-\$130M

Total

-

\$180-\$182M

Gross Margin*

(2009E)

58%

66%

64%

Growth rate

10% (YTD09)

30% (YTD09)

25% (2009E)

Distribution

180 reps

>50 countries OUS

70% exclusive

263 reps

US focus

75% exclusive

443 reps

Global Focus

73% exclusive

2009 Product

Launches

3

12

15

Pro forma Company Snapshot

US

EU

AP

ROW

23%

57%

10%

10%

81%

3%

15%

1%

64%

19%

14%

3%

*excluding purchase accounting adjustments

Slide 19

Consolidate US headquarters

Consolidate SG&A (\$2M + annualized potential)

Purchasing contracts/supply chain management

Elimination of redundancies

Manufacturing of Scient x products

Direct sales in key countries OUS

Cross-sell Alphatec products into global markets

Accelerate aging spine product adoption OUS

Drive Scient x product sales in US

Immediate Cost

Synergies

Longer Term

Cost Synergies

Revenue Synergies

Maximizing Sales and Profitability

Significant Synergies

Slide 20

Alphatec Spine Guidance

2009 Revenues: \$128M-130M

2009 EBITDA:

\$12.5M-14.5M

Fully Diluted Shares: 52.5M

Scient x Guidance

2009 Revenues: \$52M

2009 EBITDA:

\$(2M)

Pro Forma Combined Entity

2009 Revenues: \$180M-\$182M

2010* Revenues:

\$220M-\$225M

2009 EBITDA: \$10.5M-\$12.5M

2010* EBITDA:

\$32M-\$35M

Total Common Shares: 76.5M

* 2010 pro forma 12 month annualized

Financials (dollars in millions)

Complementary Strategic Fit

Positioning: enhances aging spine and adds cervical non fusion

Compete globally in multiple segments

Dynamic fusion is a powerful concept for aging spine

Distribution

-
US
vs.
OUS

Global market presence

Exclusive distribution relationships

Product lines: complements and enhances the line

We will compete with market leaders in all market segments

Management teams: have worked together in the past

No ramp-up time

Competence: manufacturing and R&D vs. marketing and scientific education

No gaps in competence

Joint ownership

No surprises and fair value for the acquisition

Significant cost synergies and earnings leverage

Elimination of redundant US operations

Significant synergies across SG&A and manufacturing

CEO's Perspective: Opportunities Beyond Growth Initiatives

Slide 21

Slide 22

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Highlights

Important
Additional
Information
Will
Be
Filed
with

the
SEC

In connection with the proposed transaction, the Company will file a proxy statement with the SEC. The proxy statement will be mailed to stockholders of Alphatec and will contain important information about Alphatec, Scient x, the transaction and related matters. **SHAREHOLDERS ARE STRONGLY ADVISED TO READ THE PROXY STATEMENT WHEN IT BECOMES AVAILABLE BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION.** Shareholders may obtain a free copy of the proxy statement (when available) and other documents filed by the Company from the SEC's website at <http://www.sec.gov>.

The
proxy
statement
(when
available)
and
such
other
documents
may also be obtained for free from the Company's website at <http://www.alphatecspine.com>
or by directing such request to Alphatec Spine, Inc.,
Investor Relations, 5818 El Camino Real, Carlsbad, CA 92008, telephone: (760) 494-6746.

Alphatec, Scient x and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies in connection with the proposed acquisition. Information regarding Alphatec's directors and executive officers is contained in Alphatec's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and its proxy statement dated May 8, 2009, which are filed with the SEC. As of December 15, 2009, Alphatec's directors and executive officers beneficially owned approximately 41.2% of Alphatec's common stock. A more complete description of the interests of Alphatec's directors and officers in the acquisition will be available in the proxy statement relating to the acquisition.

Use Non-GAAP Financial Measures

Alphatec provides its financial results in accordance with accounting principles generally accepted in the United States (GAAP). The Company also uses forward-looking non-GAAP financial measures in addition to and in conjunction with corresponding GAAP measures to help analyze the performance of its core business, in connection with the preparation of annual budgets, and in measuring performance for some forms of compensation. In particular, Alphatec presents (i) adjusted EBITDA, and (ii) combined pro forma financial

information, which in each case are non-GAAP financial measures.

Non-GAAP financial measures reflect an additional way of viewing aspects of Alphatec's operations that, when viewed with the GAAP results, provide a more complete understanding of Alphatec's results of operations and the factors and trends affecting Alphatec's business. However, non-GAAP financial measures should be considered as a supplement to, and not as a substitute for, or superior to, the corresponding measures calculated in accordance with GAAP. Non-GAAP financial measures used by the Company may differ from the non-GAAP financial measures used by other companies, including Alphatec's competitors.

Alphatec believes the most directly comparable GAAP financial measure to adjusted EBITDA is net income (loss). Adjusted EBITDA is net income (loss) excluding the effects of interest, taxes, depreciation, amortization, stock-based compensation costs, and other non-recurring income or expense items, such as in-process research and development, expenses related to the transaction and acquisition related restructuring expenses that are expected to occur following closing.

Alphatec has not included in this presentation a reconciliation of these forward-looking non-GAAP financial measures to the most directly comparable GAAP financial measures because, due to variability and difficulty in making accurate forecasts and projections or certain information not being ascertainable or accessible, not all of the information necessary for a quantitative reconciliation of the forward-looking non-GAAP financial measures to the most directly comparable GAAP financial measures is available to the Company without unreasonable efforts. The probable significance of providing these forward-looking non-GAAP financial measures without the directly comparable GAAP financial measures is that such GAAP financial measures may be materially different from the corresponding non-GAAP financial measures.

Solutions For The Aging Spine
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TM