

K2M GROUP HOLDINGS, INC.

FORM 8-K (Current report filing)

Filed 10/10/17 for the Period Ending 10/09/17

Address	600 HOPE PARKWAY SE LEESBURG, VA, 20175
Telephone	703-777-3155
CIK	0001499807
Symbol	KTWO
SIC Code	3841 - Surgical and Medical Instruments and Apparatus
Industry	Medical Equipment, Supplies & Distribution
Sector	Healthcare
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934
Date of Report (Date of earliest event reported) October 9, 2017



K2M GROUP HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State of Incorporation)

001-36443
(Commission File No.)

27-2977810
(IRS Employer Identification No.)

600 Hope Parkway, SE
Leesburg, Virginia 20175
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **(703) 777-3155**

Not Applicable
(Former Name or Former Address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition

On October 9, 2017, K2M Group Holdings, Inc. (the “Company”) issued a press release announcing certain preliminary financial results for the three months and nine months ending September 30, 2017. A copy of the press release is being furnished as Exhibit 99.1 attached hereto and is incorporated by reference herein.

As permitted by General Instruction B.2 of Form 8-K, information that is furnished shall not be deemed “filed” for any purpose, including for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section. The information and exhibits in this Current Report on Form 8-K shall not be deemed incorporated by reference into any filing under the the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act except as shall be expressly set forth by specific reference in such filing.

This release includes the non-GAAP financial measure of revenue in constant currency. We present this non-GAAP measure because we believe this measure is an useful indicator of our operating performance. Our management uses this non-GAAP measure principally as a measure of our operating performance and believes that this measure is useful to investors because it is frequently used by analysts, investors and other interested parties to evaluate companies in our industry. We also believe that this measure is useful to our management and investors as a measure of comparative operating performance from period to period.

Constant currency information compares results between periods as if exchange rates had remained constant period-to-period. We calculate constant currency by converting the prior-year results using current-year foreign currency exchange rates.

Safe Harbor Disclosure

Certain statements made in this Form 8-K may constitute "forward-looking statements" within the meaning of the federal securities laws. Forward-looking statements are based on management's expectations, estimates, projections, and assumptions. These statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Therefore, actual future results and trends may differ materially from what is forecast in forward-looking statements due to a variety of factors. Additional information regarding these factors is contained in the sections entitled "Risk Factors" and "Management Discussion and Analysis of Financial Condition and Results of Operations" included in our most recent Annual Report on Form 10-K for the year-ended December 31, 2016 filed with the SEC and our Quarterly Report filed with the SEC on August 2, 2017, as such factors may be updated from time to time in our periodic filings with the SEC which are accessible on the SEC's website at www.sec.gov.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit No.	Description
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99.1	Press Release issued by K2M GROUP HOLDINGS, INC. dated October 9, 2017
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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf of the undersigned hereunto duly authorized.

K2M GROUP HOLDINGS, INC.

Date: October 9, 2017

By: /s/ GREGORY S. COLE

Name: GREGORY S. COLE

Title: *Chief Financial Officer*

EXHIBIT INDEX

[99.1 Press Release issued by K2M GROUP HOLDINGS, INC. dated October 9, 2017](#)

K2M Group Holdings, Inc. Reports Preliminary Third Quarter Revenue Results and Updates Full Year 2017 Revenue Outlook

Leesburg, VA, October 9, 2017 - K2M Group Holdings, Inc. (Nasdaq: KTWO) (the "Company" or "K2M"), a global leader of complex spine and minimally invasive solutions focused on achieving three-dimensional Total Body Balance™, today announced preliminary revenue results for the third quarter ended September 30, 2017.

Third Quarter Preliminary Revenue Summary:

- Total Q3 revenue is expected to be approximately \$62.7 million, up approximately 6% year-over-year on both a GAAP and constant currency basis
 - Domestic Q3 revenue is expected to be approximately \$48.5 million, up approximately 5% year-over-year, comprised of:
 - U.S. Complex Spine growth of approximately 3% year-over-year
 - U.S. Minimally Invasive Surgery (MIS) growth of approximately 14% year-over-year
 - U.S. Degenerative growth of approximately 5% year-over-year
 - International Q3 revenue of approximately \$14.2 million, up approximately 6% year-over-year, or 7% on a constant currency basis

“Our preliminary revenue results for the third quarter of 2017 reflect expected total revenue growth of approximately 6% year-over-year on both a GAAP and constant currency basis,” said President and Chief Executive Officer, Eric Major. “Our preliminary third quarter revenue performance was driven by slower than planned acceleration of new distribution in the U.S., disruption of account activity and canceled procedures related to the hurricanes in Texas, Florida and, to a lesser extent, Puerto Rico, in early September. Third quarter deformity trends were strong in July and August and we experienced strong headwinds in September. U.S. sales growth in our degenerative procedure category continued to be fueled by our new product introductions including our industry-leading 3D-printed portfolio, offset partially by modestly weaker procedure volumes as compared to last year.”

Major continued, “We have updated our fiscal year 2017 revenue guidance to reflect the softer sales performance in the third quarter and a full quarter impact of new distribution in the U.S. during first nine month of the year. The updated fiscal year revenue guidance range also reflects an estimated \$2.0 million impact in related disruptions from the hurricanes - the majority of which was sustained in the third quarter. We remain confident in our ability to drive above-market growth in the U.S., fueled by our focus on introducing new and innovative spinal implant solutions to help surgeons care for patients around the world who suffer from debilitating spinal pathologies.”

2017 Outlook

The Company is updating its fiscal year 2017 revenue guidance. The Company now expects:

- Total revenue on an as reported basis in the range of \$255.0 million to \$257.0 million, representing growth of 8% to 9% year-over-year, compared to total revenue of \$236.6 million in fiscal year 2016.
 - Total revenue on a constant currency basis is expected to increase 8% to 9% year-over-year in 2017.
 - The Company now expects growth in its U.S. business of approximately 8% to 9% year-over-year in 2017.
 - The Company now expects growth in its International business of approximately 9% on a constant currency basis in 2017.

The financial estimates presented above are preliminary and remain subject to change based on management's final review of the Company's third quarter financial results. The Company intends to report complete third quarter of fiscal 2017 financial

results on November 1, 2017. Details regarding the timing of the release of those results, as well as details of a conference call and publicly available webcast, will be announced in a subsequent press release.

About K2M Group Holdings, Inc.

K2M Group Holdings, Inc. is a global medical device company focused on designing, developing and commercializing innovative complex spine and minimally invasive spine technologies and techniques used by spine surgeons to treat some of the most difficult and challenging spinal pathologies. K2M has leveraged these core competencies to bring to market an increasing number of products for patients suffering from degenerative spinal conditions. These technologies and techniques, in combination with a robust product pipeline, enable the Company in the global spinal surgery market. Additional information is available online at www.K2M.com.

Forward-Looking Statements

This press release contains forward-looking statements that reflect current views with respect to, among other things, operations and financial performance. Forward-looking statements include all statements that are not historical facts such as our statements about our expected financial results and guidance and our expectations for future business prospects, drivers and growth. In some cases, you can identify these forward-looking statements by the use of words such as, "outlook," "guidance," "believes," "expects," "potential," "continues," "may," "will," "should," "could," "seeks," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties including, among other things: our ability to achieve or sustain profitability in the future; our ability to demonstrate to spine surgeons the merits of our products; pricing pressures and our ability to compete effectively generally; collaboration and consolidation in hospital purchasing; inadequate coverage and reimbursement for our products from third-party payors; lack of long-term clinical data supporting the safety and efficacy of our products; dependence on a limited number of third-party suppliers; our ability to maintain and expand our network of direct sales employees, independent sales agencies and international distributors and their level of sales or distribution activity with respect to our products; proliferation of physician-owned distributorships in the industry; decline in the sale of certain key products; loss of key personnel; our ability to enhance our product offerings through research and development; our ability to manage expected growth; our ability to successfully acquire or invest in new or complementary businesses, products or technologies; our ability to educate surgeons on the safe and appropriate use of our products; costs associated with high levels of inventory; impairment of our goodwill and intangible assets; disruptions in our main facility or information technology systems; our ability to ship a sufficient number of our products to meet demand; our ability to strengthen our brand; fluctuations in insurance cost and availability; our ability to comply with extensive governmental regulation within the United States and foreign jurisdictions; our ability to maintain or obtain regulatory approvals and clearances within the United States and foreign jurisdictions; voluntary corrective actions by us or our distribution or other business partners or agency enforcement actions; recalls or serious safety issues with our products; enforcement actions by regulatory agencies for improper marketing or promotion; misuse or off-label use of our products; delays or failures in clinical trials and results of clinical trials; legal restrictions on our procurement, use, processing, manufacturing or distribution of allograft bone tissue; negative publicity concerning methods of tissue recovery and screening of donor tissue; costs and liabilities relating to environmental laws and regulations; our failure or the failure of our agents to comply with fraud and abuse laws; U.S. legislative or Food and Drug Administration regulatory reforms; adverse effects of medical device tax provisions; potential tax changes in jurisdictions in which we conduct business; our ability to generate significant sales; potential fluctuations in sales volumes and our results of operations over the course of the year; uncertainty in future capital needs and availability of capital to meet our needs; our level of indebtedness and the availability of borrowings under our credit facility; restrictive covenants and the impact of other provisions in the indenture governing our convertible senior notes and our credit facility; continuing worldwide economic instability; our ability to protect our intellectual property rights; patent litigation and product liability lawsuits; damages relating to trade secrets or non-competition or non-solicitation agreements; risks associated with operating internationally; fluctuations in foreign currency exchange rates; our ability to comply with the Foreign Corrupt Practices Act and similar laws; our ability to implement and maintain effective internal control over financial reporting; potential volatility in our stock due; our lack of current plans to pay cash dividends; our ability to take advantage of certain reduced disclosure requirements and exemptions as a result of being an emerging growth company; increased costs and additional regulations and requirements as a result of no longer qualifying as an emerging growth company as of December 31, 2017; potential dilution by the future issuances of additional common stock in connection with our incentive plans, acquisitions or otherwise; anti-takeover provisions in our organizational documents and our ability to issue preferred stock without shareholder approval; potential limits on our ability to use our net operating loss carryforwards; and other risks and uncertainties, including those described under the section entitled "Risk Factors" in our most recent Annual Report on Form 10-K filed with the SEC and our Quarterly Report filed with the SEC on August 2, 2017, as such factors may be updated from time to time in our periodic filings with the SEC, which are accessible on the SEC's website at www.sec.gov. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. These factors should

not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this release and our filings with the SEC.

We operate in a very competitive and challenging environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this release. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this press release relate only to events as of the date on which the statements are made. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Unless specifically stated otherwise, our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, investments or other strategic transactions we may make.

Investor Contact:

Westwicke Partners on behalf of K2M Group Holdings, Inc.

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