Spectranetics Fourth Quarter Revenue Increases 11% to $32.5 Million

The Associated Press

COLORADO SPRINGS, Colo.--(BUSINESS WIRE)--Feb 16, 2012-- The Spectranetics Corporation (NASDAQ: SPNC) today reported financial results for the quarter and full year ended December 31, 2011.

Highlights of the fourth quarter of 2011 include (all compared with the prior year fourth quarter): -- Revenue of $32.5 million represents 11% growth -- Vascular Intervention revenue grew 13% -- Lead Management revenue increased 12% -- International revenue grew 19%; 18% growth on a constant currency basis1 "This quarter's performance reflects our focus on accelerating revenue growth through sales execution and driving operational excellence. Our expectation of continued growth allows for incremental investments while maintaining profitability. We are making targeted investments in our product portfolio, physician training, clinical evidence, and peripheral artery disease awareness. These actions are directly in line with our stated goal of growing faster than the markets in which we compete and serve," said Chief Executive Officer Scott Drake.

Operational highlights in the fourth quarter of 2011 include: -- Entry into a distribution agreement and limited US launch for the TAPAS(TM) device; CE mark expected Q1 2012 -- First human use of next generation laser sheath (GlideLight(TM)) in Europe; FDA review in process -- Gross margin expanded to 72.9%, an improvement of 240 basis points -- Mitigated significant legal exposure and expense, including the recently announced Medtronic settlement and expense cap agreements with former employees of the company -- FDA and BSI audits both resulted in zero non-conformances -- Positive interim results from the PATENT study "Operational rigor led to these achievements. Our company is in a stronger position to pursue our vision," said Mr. Drake.

Reported net loss for the fourth quarter of 2011 was $2.0 million or $0.06 per share, compared to net income of $0.5 million, or $0.02 per diluted share, for the fourth quarter of 2010. Non-GAAP adjusted net income for the fourth quarter of 2011 was $1.3 million, or $0.04 per diluted share, compared with non-GAAP adjusted net income for the fourth quarter of 2010 of $1.4 million, or $0.04 per diluted share.

The non-GAAP adjusted net income for both periods excludes special items described in "Reconciliation of Non-GAAP Financial Measures" later in this release.

Full Year 2011 Financial Results Revenue for 2011 rose 8% (7% on a constant currency basis) to $127.3 million, from $117.9 million in 2010. Vascular Intervention revenue increased 3% to $62.3 million, Lead Management revenue increased 13% to $46.5 million, and laser system, service and other revenue increased 12% to $18.5 million.

On a geographic basis, revenue in the United States was $105.9 million, an increase of 5% from 2010. International revenue totaled $21.4 million, an increase of 26% (21% on a constant currency basis) from 2010.

The net loss in 2011 was $1.5 million, or $0.04 per share, compared with a net loss of $13.1 million, or $0.39 per share, in 2010.

Non-GAAP adjusted net income was $2.7 million, or $0.08 per diluted share, compared with non-GAAP adjusted net income of $2.4 million, or $0.07 per diluted share, in 2010. The non-GAAP adjusted net income for both periods excludes special items further described in "Reconciliation of Non-GAAP Financial Measures" later in this release.

Cash, cash equivalents and investment securities totaled $39.5 million as of December 31, 2011, compared with $33.7 million as of December 31, 2010.

2012 Outlook We project 2012 revenue to be in the range of $133.5 - $136.5 million, an increase of 5% - 7% from 2011, or 6% - 8% on a constant currency basis. Our revenue outlook excludes the impact of any new product revenue, namely the recently announced TAPAS drug delivery and diagnostic device and GlideLight. We currently anticipate commercial launch of these products in mid-2012.

Net income is projected to be in the range of $1.5 - $3 million, or $0.04 - $0.08 per diluted share. We expect to continue making investments targeted at future growth.

Conference Call Management will host an investment-community conference call today beginning at 9:00 a.m. Mountain time, 11:00 a.m. Eastern time, to discuss these results and answer questions. Individuals interested in listening to the conference call should dial (888) 803-8271 for domestic callers, or (706) 634-2467 for international callers. The live conference call will also be available via the Internet on the investor relations section of www.spectranetics.com [1].

A 48-hour telephone replay will be available beginning approximately one hour after the conclusion of the call by dialing (855) 859-2056 for domestic callers, or (404) 537-3406 for international callers, and entering reservation code 46357500. The webcast will be available on our website for 14 days following the completion of the call.

About Spectranetics Spectranetics develops, manufactures, markets and distributes single-use medical devices used in minimally invasive procedures within the cardiovascular system. The Company's products are sold in more than 40 countries and are used to treat arterial blockages in the heart and legs, as well as the removal of pacemaker and defibrillator leads.

The Company's Vascular Intervention (VI) products include a range of peripheral and cardiac laser catheters for ablation of occluded arteries above and below the knee and within coronary arteries. The Company also markets aspiration and thrombectomy catheters for the removal of thrombus and support catheters to

facilitate crossing of coronary and peripheral arterial blockages.

The Lead Management (LM) product line includes excimer laser sheaths and cardiac lead management accessories for the removal of pacemaker and defibrillator cardiac leads.

For more information, visit www.spectranetics.com [1].

Safe Harbor Statement This news release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements regarding our expectation of continued growth, growth rates and 2012 outlook including projected revenue and net income. Such statements are based on current assumptions that involve risks and uncertainties that could cause actual outcomes and results to differ materially. These risks and uncertainties may include greater than anticipated indemnification obligations or other adverse results in connection with any ongoing legal proceeding, or any legal proceeding in which we may become involved, adverse impact to our business of the recently enacted healthcare reform bill and related legislation, continued or worsening adverse conditions in the general domestic and global economic markets and continued volatility and disruption of the credit markets, which, among other things, affects the ability of hospitals and other health care systems to obtain credit and may impede our access to capital, market acceptance of excimer laser atherectomy technology and our lead removal products, increasing price and product competition, increased pressure on expense levels resulting from expanded sales, marketing, product development and clinical activities, uncertain success of our strategic direction, dependence on new product development, intellectual property claims of third parties, availability of inventory from suppliers, adverse outcome of FDA inspections, the receipt of FDA approval to market new products or applications and the timeliness of any approvals, market acceptance of new products or applications, product defects, ability to manufacture sufficient volumes to fulfill customer demand, availability of vendor-sourced components at reasonable prices, unexpected delays or costs associated with our relocation and consolidation of our manufacturing operations, unexpected delays or costs associated with any planned improvements to our manufacturing processes, and price volatility due to the initiation or cessation of coverage, or changes in ratings, by securities analysts. For a further list and description of such risks and uncertainties that could cause our actual results, performance or achievements to be materially different from any anticipated results, performance or achievements, please see our previously filed SEC reports. We disclaim any intention or obligation to update or revise any financial or other projections or other forward-looking statements, whether as a result of new information, future events or otherwise.

Use of Non-GAAP Financial Measures To supplement our condensed consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP), we use certain non-GAAP financial measures in this release.

Reconciliations of the non-GAAP financial measures used in this release to the most directly comparable U.S. GAAP measures for the respective periods, and an explanation of our use of these non-GAAP measures, can be found in "Reconciliation of Non-GAAP Financial Measures" immediately following the financial tables. Non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation or as a substitute for our financial results prepared in accordance with GAAP.

1 Constant currency is a non-GAAP financial measure. See "Reconciliation of Non-GAAP Financial Measures" later in this release.

THE SPECTRANETICS CORPORATION Condensed Consolidated Statements of Operations (000's, except per share data and percentages) (unaudited) Three Months Ended December 31, Twelve Months Ended December 31, 2011 20102011 2010 Revenue$32,524$29,305$127,287$117,917 Cost of products sold8,800 8,638 35,723 34,031 Gross profit23,72420,66791,56483,886 Gross margin %73%71%72%71% Operating expenses: Selling, general and administrative17,79515,22970,50266,665 Research, development and other technology4,0664,01617,72914,900 Federal investigation legal and accrued indemnification costs2,000(22)2,0006,798 License agreement termination charge1,821-1,821- Litigation charge--596- Asset impairment charge---939 Employee termination costs- 966 - 1,630 Total operating expenses25,682 20,189 92,648 90,932 Operating income (loss)(1,958)478(1,084)(7,046) Litigation-related interest expense--(230)- Other income (expense), net(64) 55 69 215 Total other income (expense)(64) 55 (161) 215 Income (loss) before taxes(2,022)533(1,245)(6,831) Income tax benefit (expense)7 (20) (231) (6,232) Net income (loss)$(2,015) $513 $(1,476) $(13,063) Income (loss) per common and common equivalent share: Basic$ (0.06) $ 0.02 $ (0.04) $ (0.39) Diluted$ (0.06) $ 0.02 $ (0.04) $ (0.39) Weighted average shares outstanding: Basic33,72033,11633,45833,091 Diluted33,72034,01133,45833,091 This article has been truncated. You can see the rest of this article by visiting http://www.businesswire.com/news/home/20120216005457/en [2].

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