

Alphatec and its CEO Generating High Interest Levels; Continued Growth Expected

Companies: ATEC, GMED, JNJ, MDT, NUVA, SPNE, SYK, ZBH

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Research Question:

Can Alphatec's product development program and strategic distributor sales channel initiatives deliver sustained double-digit growth?

Summary of Findings

- Alphatec Holdings Inc.'s (ATEC) product development program and its sales channel changes generated mixed opinions regarding its ability to sustain double-digit growth. However, sentiment regarding Alphatec's CEO, [Patrick Miles](#) was all positive and he is expected to lead the company to success.
- Spine surgeons and a medical device brand manager provided the most non-biased insight into Alphatec growth potential. Two surgeons and the brand manager think significant and sustained growth is possible and two surgeons do not. The, logically, biased Alphatec sales channel expects significant growth and the equally biased competitors do not.
- Sources cited the following Alphatec growth drivers. CEO Patrick Miles, leading Alphatec since Oct. 2017, is considered a highly successful, dynamic, and innovative professional with strong relationships throughout the spine industry and someone who will generate growth. Alphatec's product development program that has produced the new [PTP](#) (prone transpsoas procedure); [SafeOp](#), a new monitoring system; and recently acquired [EOS Imaging](#) system is expected to drive sales. Additionally, Alphatec's revamped sales channel is cited as making progress in building relationships with key opinion leaders, which can single-handedly generate millions in product sales, and is starting to secure hospital and group purchasing organization (GPO) contracts.
- Negative sources indicated that Alphatec's product development program is not innovative, having provided only slightly enhanced products and replications of products already on the market. On the sales front, these sources cite the hospital consolidation trend, the hospital's value analysis team (VAT) preference for larger vendors with broader product offerings, and Alphatec's lack of hospital and GPO contracts as challenges that will curtail significant growth. Finally, the COVID-19 pandemic moratorium on elective surgeries will challenge the entire spine device industry.
- Competition in the spine surgery device market is significant, with more than 100 companies vying for business, but over 70% is dominated by just five companies: [Medtronic PLC](#) (MDT), [DePuy Synthes](#), (Johnson & Johnson [JNJ]), [Stryker Corp.](#) (SYK), [NuVasive Inc.](#) (NUVA), and [Globus Medical Inc.](#) (GMED). One source said these larger companies' sales are flat or declining and stressed that Medtronic was losing the most share. A micro-cap discussed as highly innovative was [SeaSpine Holdings Corp.](#) (SPNE).

Silo Summaries

1) Spine Surgeons

Spine surgeons were split regarding Alphatec's ability to sustain double-digit growth going forward. Two said it is achievable, two said it is not. The two sources that do not expect Alphatec to sustain double-digit growth suggested that its product development is not innovative. The COVID-19-related decline in elective surgeries was also mentioned as a deterrent to growth. The two sources that think significant and sustained growth is attainable cited product innovation, including its new PTP procedure; SafeOp, a new monitoring system; and the recent acquisition of EOS Imaging as examples of the company's innovation and fresh approach to spine surgery. They also highlighted Alphatec's improved image, strong CEO Pat Miles, solid key opinion leader (KOL) relationships, and progress in securing hospital contracts.

2) Industry Specialists

This former sales and business leader in the spinal surgery space who is now managing director of a healthcare brand agency sees significant roadblocks to growth in this market but believes Alphatec is best positioned for innovation and growth. Alphatec's CEO, Pat Miles, is the visionary to drive this growth, in large part due to its new prone transpsoas procedures.

3) Alphatec's Sales Channel

Three Alphatec sales professionals said the company's product development program and new sales initiative would produce significant growth. The company sales rep said the spine surgery market would experience 10% growth in 2021 and Alphatec would outpace that number. One of the independent reps said 25% growth for Alphatec is attainable and could be a conservative number. The other independent rep said that Alphatec was the hottest company right now with the best product offering. Alphatec's CEO, Pat Miles, is highly regarded and credited with being the driving force behind a very aggressive and innovative product development program.

4) Competitors

Only one of four Alphatec competitors think it can achieve its growth forecast of 25%. That source said Alphatec's CEO Pat Miles is well known and, if the company can secure the right key opinion leaders to develop strong relationships, 25% growth is possible. He added that a single high-volume surgeon can generate millions in sales. A major headwind challenging Alphatec's growth is the spine device market itself, which is not expected to achieve double-digit growth due to COVID-19.

Alphatec Holdings Inc.

	Alphatec's Growth	Alphatec's Products	Alphatec's Sales Initiative
Spine Surgeons	➡	➡	➡
Industry Specialist	➡	⬆	⬆
Alphatec's Sales Channel	⬆	⬆	⬆
Competitors	⬆	⬆	⬆

Background

Blueshift Research's initial research found Alphatec transformed by a new leadership team, shedding its past legacy of lacking distinction to one providing innovative spine surgery solutions. The company is now promoting clinical excellence by introducing eight to 10 new products each year (12 new products in 2019) that are compelling surgeon adoption and revitalizing the salesforce and distributor channel. Backing this up are eight consecutive quarters of double-digit growth driven by these new products. In the highly competitive spine surgery device space with more than 100 companies competing for share, sustained growth can be elusive. Alphatec has less than 1% market share.

Alphatec is a medical technology company founded in 1990, having gone through numerous transformations over the years. The company designs, develops, and advances technologies for the surgical treatment of spinal disorders. The company offers the SafeOp Neural Informatix System, LLICO access system, InVictus MIS SingleStep, and numerous other products designed to improve surgical efficiency and outcomes.

In 2017, with the hiring of CEO Patrick Miles, the company began a transformation to revolutionize spine surgery through clinical distinction. The company began by leveraging what it calls an Organic Innovation Machine, which uses in-house capabilities and collaboration with spine surgeons to plan, design, and test new products and surgical techniques. It also addressed its underperforming sales channel by shifting from about 100 legacy distributors to 50 strategic Alphatec distributors focused on surgeons and hospital access.

The transformation of Alphatec appears to be paying dividends. The company's third-quarter performance produced revenue growth of 43% year over year (YY) and represented the eighth consecutive quarter of double-digit growth. Sales were driven by Alphatec's strategic distributor channel, which accounted for 90% of total sales. Alphatec also launched two new products during the quarter and new product revenue was up 70% YY. Full-year guidance for 2021 calls for sales growth of 25%, accounting for the potential of a slow start to the year because of COVID-19.

For Alphatec to maintain its growth momentum, it has to distinguish itself in a highly competitive space with hundreds of competitors. According to a September Orthoworld posting, the top companies in the space include Medtronic (27% share), DePuy Synthes (15%), Stryker (11%), NuVasive (10%), and Globus Medical (8%). The question for Alphatec is whether its Organic Innovation Machine and strategic distributor channel are up to the task of competing against these heavyweights.

Current Research

Blueshift Research assessed whether Alphatec's product development program and strategic distributor sales channel initiatives can deliver sustained double-digit growth. We employed our pattern mining approach to establish five independent silos, comprising 13 primary sources and three secondary sources focused on the spine surgery device industry. Interviews were conducted December 14, 2020–January 1, 2021.

- 1) Spine surgeons (5)
- 2) Industry specialists (1)
- 3) Alphatec's sales channel (3)
- 4) Competitors (4)
- 5) Secondary sources (3)

Next Steps

Blueshift Research will continue to research Alphatec's product development and sales initiatives to assess its impact on the spine device market and determine if it can achieve and sustain double-digit growth.

Silos

1) Spine Surgeons

Spine surgeons were split regarding Alphatec's ability to sustain double-digit growth going forward. Two said it is achievable, two said it is not, and a fifth source only commented on 3D printing as being the new technology for the spine market. The two sources that do not expect Alphatec to sustain double-digit growth suggested that its product development is not innovative but merely incremental variations on existing technology. The COVID-19-related decline in elective surgeries was also mentioned as a deterrent to growth. The two sources that think significant and sustained growth is attainable for Alphatec cited product innovation, including its new PTP procedure; SafeOp, a new monitoring system; and the recent acquisition of EOS Imaging as examples of the company's innovation and fresh approach to spine surgery. They also highlighted Alphatec's improved image, strong CEO Pat Miles, solid key opinion leader (KOL) relationships, and progress in securing hospital contracts. On the competitive front, one source said sales for the larger companies in the spine surgery space—Medtronic, DePuy, [Zimmer Biomet Holdings Inc. \(ZBH\)](#), and Globus—are flat or declining. Another said Globus is the most innovative in the field and another praised Zimmer for its cervical disc replacements. NuVasive was also discussed as a key Alphatec competitor.

Key Silo Findings

Background

- 5 highly accomplished spine surgeons.

Alphatec's Growth Potential

- 2 said Alphatec cannot sustain double-digit growth.
- 2 said Alphatec has the potential to achieve and sustain double-digit growth.
- 1 did not comment.

Alphatec's Products

- 2 said Alphatec's products are not innovative.
- 2 said Alphatec's products are innovative.
- 1 did not comment.

Alphatec's Sales Initiative

- 1 acknowledged that Alphatec's CEO is highly regarded and will be successful, but not at the level projected.
- 1 said surgeon relationships and hospital contracts are key for growth and if Alphatec does not have them growth will be limited.
- 2 said Alphatec's sales initiative has improved its image and is gaining traction with KOLs and securing hospital contracts.
- 1 did not comment.

Competitive Landscape

- 1 said Medtronic, DePuy, Zimmer, and Globus were experiencing declines or flat sales.
- 1 said Zimmer has an innovative cervical disc replacement.
- 1 said Globus is the most innovative company.
- NuVasive was also discussed as a key Alphatec competitor.

Miscellaneous

- Robotics and 3D printing are spine surgery innovations of the future.

Alphatec Holdings Inc.

1) Professor of surgery and spinal specialist with more than 300 peer reviewed articles

This surgeon does not see any way or path for Alphatec to grow by double digits in 2021. The company's CEO is well respected and if anyone could grow Alphatec he would be the one. He has been able to attract great talent but there is nothing innovative or compelling in the company's product line that could get him much more than 1% to 2% growth. Globus as the most innovative company in this space.

Background

- This source is a nationally recognized surgeon with more than 30 years of experience and is the holder of multiple patents for methods and treatments.

Alphatec's Growth Potential

- "Pat Miles, CEO of Alphatec, is very well respected in the industry. He does a great job with his company and has great relationships in the industry with healthcare professionals and other professionals."
- "He is a very likeable guy that has been able to take many accomplished people with him to Alphatec. He owns probably 30% of the company, shared with two other principals."
- "Pat Miles will succeed and will be successful—yes. But if Alphatec has announced a 25% growth in product sales, there is no way they can do it."
- "This year they'll grow 1% to 2%. With his new recruits, he can probably move share points in 2021 but there is nothing compelling, nothing really new that could get him the growth they have announced."

Pat Miles, CEO of Alphatec, is very well respected in the industry. He does a great job with his company and has great relationships in the industry with healthcare professionals and other professionals.

Professor of surgery and spinal specialist with more than 300 peer reviewed articles

Alphatec's Products

- "That you have to innovate to succeed or die is not true. Most companies are really not that interested in investing in real differentiation. They are very hesitant to invest in innovation unless it comes with immediate sales success—I would say \$20 million in immediate sales—which means there must be a guaranteed number of surgeons dedicated to its use from day one. That is what it takes to get the attention of a company. Then they can put their sales team on it to grow it quickly to \$200 million."
- "There is nothing really innovative with Alphatec's product line—nothing compelling or really new to make a big move for Alphatec."

Alphatec's Sales Initiative

- "Manufacturers are all moving to convert their distributor reps to company employees. It's better for the companies, less expensive, and gives them more leverage over their product promotions."

Competitive Landscape

- "Globus is the best; they are the biggest movers in this space. They take the best reps, hire the best because, with the reps come their surgeons and their volume. The surgeons will usually support the reps they know best that they trust and who they have been teaming with for some time."
- "Globus would be the most innovative company. This is a difficult time for innovative products, as so many hospitals are not allowing elective surgeries."

2) Spine surgeon and spinal implant entrepreneur in the South

This experienced spine surgeon emphasizes the requirement to contract with hospitals in order to grow market share. Ambulatory surgical centers (ASC) are becoming increasingly irrelevant as hospitals purchase the referral base and use their own surgeons and facilities for those patients. Alphatec is not offering innovative products but, rather, incremental variations on existing technology, some of which is an improvement and some which actually makes the procedure more difficult. The one significant key opinion leader group with real influence on tools used is the [Norton Leatherman Spine Specialists](#) but, at \$1.3 million per surgeon, Alphatec is unlikely to displace existing vendor relationships nor be willing to risk FDA scrutiny.

Background

- This source is a seasoned spine surgeon with experience across many brands. He is also a spinal implant/device entrepreneur.

Alphatec's Growth Potential

- "Spine surgery device sales is handcuffed by the laziness of hospital administrators. If Alphatec does not have a contract with the hospitals, they will find it difficult to gain traction in the market."
- "Independent sales representatives with good relationships will make sales into ASCs much easier, but those groups are dwindling as hospitals are buying the referral bases and then referring patients to their own physicians operating within their owned facilities."

Alphatec's Products

- "Alphatec has zero innovations. The new product launches are all incremental variations. Some of the changes are improvements on current technology, but some make surgery more complicated."
- "Nothing Alphatec has will fundamentally change the industry."

Alphatec's Sales Initiative

- "The only group of spine surgeons who have a say in the spinal company/device portfolio used is the Leatherman Spine Specialists. But, at \$1.3 million per surgeon, I doubt Alphatec will match that royalty or risk an FDA investigation."
- "Most spinal surgeons are at the mercy of hospital administrators who could not care less about technology. To make progress, Alphatec will need those hospital contracts."

Competitive Landscape

- "[Titan Spine](#) (before [Medtronic acquired](#) them) had a surface technology that they claimed improved fusion rate, but the 3D printing industry will probably overtake that technology."
- "[Whitecloud Technologies](#) has a pedicle screw that provides a pathway for the first minimally invasive posterior cervical facet fusion device."

Spine surgery device sales is handcuffed by the laziness of hospital administrators. If Alphatec does not have a contract with the hospitals, they will find it difficult to gain traction in the market.

Spine surgeon and spinal implant entrepreneur in the South

3) Spine surgeon in the Mountain region

This spine surgeon has used Alphatec a few times and will be using more of its products in future. He was largely unaware of the company two years ago but believes Alphatec has done a good job improving its image by moving away from the physician-owned distributor network. This surgeon has a strong and friendly relationship with his Alphatec sales rep and believes the company can achieve its product innovation and sales goals as long as they are sufficiently funded. He is not intimately knowledgeable about Alphatec's new product introduction plan but assumes it will include new technologies as well as upgrades of older devices. The company's most significant competitors include the usual suspects: NuVasive, Stryker, DePuy, primarily as a result of their size and reach. Surgeries have been significantly slowed by the COVID-19 pandemic and the current "second wave" has significantly impacted spinal surgeries, which are typically weighted toward December when patients have achieved their annual deductible. Alphatec is fairly well established with hospitals/GPOs in the Mountain region and this surgeon sees no significant roadblocks for the company.

Background

- "I have used Alphatec a couple of times. I see myself using more of their products in the future. The rep is a friend of mine."

Alphatec's Growth Potential

- "As long as the company has adequate funding, I believe they can achieve their sales and product development goals."

Alphatec's Products

- "The new Alphatec products are likely to be a combination of new innovations and existing product upgrades/line extensions."

Alphatec's Sales Initiative

- "Alphatec has done a good job improving their image under the new leadership. The switch away from physician-owned distributors was a good decision. A lot of those distributors are considered seedy."
- "The company is definitely working on developing their key opinion leader network. I am personally aware of one well-respected spinal surgeon in Denver who is a strong supporter."

- “I was not aware of Alphatec two years ago but the company has brought on a lot of people who have been around and can effectively raise the company’s visibility and credibility among surgeons.”
- “Alphatec appears to be gaining a good foothold within the hospitals/GPOs in this region. I do not believe they face any significant roadblocks to growth.”

Competitive Landscape

- “The big vendors like NuVasive, Stryker, and DePuy will remain the most significant competition for Alphatec. These companies are well established, the brands are well respected, and each are very financially sound.”
- “Robotics are always a buzzword in this industry. They are not always the best solution but there is always a great deal of interest. In many cases, however, improved endoscopic/minimally invasive technologies augmented by biologics is a better approach.”

Miscellaneous

- “COVID has slowed everything down and the second wave has been even more impactful. December is typically the busiest month for spine surgery as this is the time of year when patients have met their deductibles. But patients are not visiting their doctor at all right now, especially for chronic conditions.”

Alphatec appears to be gaining a good foothold within the hospitals/GPOs in this region. I do not believe they face any significant roadblocks to growth.

Spine surgeon in the Mountain region

4) Orthopedic spine surgeon

This Alphatec consultant said the company is innovative and exciting to work with. He thinks Alphatec may attain \$200 million in product sales and double-digit growth in 2021. Alphatec’s new PTP procedure, SafeOp, a new monitoring system, and the recent acquisition of EOS Imaging were cited as examples of the company’s innovation and fresh approach to spine surgery. Alphatec is also making inroads in contracting with hospitals. Few competitors are innovating and, for the large companies—Medtronic, DePuy, Zimmer, and Globus, sales are flat or they have lost share. Alphatec is considered a market leader because of its innovation, which is allowing the company to attract the top talent from the industry.

Background

- This orthopedic spine surgeon reported that he has been using Alphatec products for “about four years, five years.” He currently consults with Alphatec and with one of its competitors.

Alphatec’s Growth Potential

- “[I chose Alphatec] first of all, [because] it’s a fresh company with a new perspective. A lot of the companies get old or long in the tooth and stale . . . So I think the fresh perspective and new or fresh innovation—that’s kind of why I was pulled toward them.”
- “For instance, PTP is prone transpsoas. That is a lateral interbody fusion that is now innovated and completely changed the way it’s done. And this has helped improve or revolutionize the lateral spine surgery approach. The innovator of that is [Luiz Pimenta](#), who is a surgeon from Brazil, well known in the United States, who helped invent or revolutionize lateral surgery. He now is a major contributor to Alphatec. He is their chief medical officer and he has brought the prone transpsoas approach to Alphatec. So it’s the only one in the market doing this. It’s the fresh, newly innovated approaches that are helping.”
- “There are other products like that, such as SafeOp, which is a new monitoring system. Alphatec has proprietary rights to that. . . . Alphatec just acquired EOS. EOS is a spinal imaging system, which is extremely or very low-dose radiographic imaging that has 3D capability, basically measuring from the top of your head to the bottom of your feet. It makes us understand not just spinal anatomy but the relationship of the pelvis, the knees, the hips, etc.”
- “So Alphatec just purchased EOS and those are the type of innovations that continue to go forward in a fresh perspective to, I think, fuel what’s happening there.”
- “Obviously, the company is moving ahead pretty rapidly. Pat Miles, the CEO, is an always a ‘foot on the gas pedal’ type of guy and I think that’s where it’s coming from, which also, from a surgeon’s perspective, makes it a pleasure to work with that type of company that’s surgeon-oriented and doing all the new innovations.”
- “I’m not the business guy. I can read what’s going on with their company, where their sales are going, and the growth. My guess is, this coming year, there will be \$200 million in product sales, which is another giant jump. I just

see it keep going. After [talking] to the team there as a consultant, I think what you are going to see is you hit \$200 million in sales and I think it's going to keep going."

- "Do I think [25% sales growth in 2021] is attainable? I think double-digit growth is absolutely attainable the way it's going. I saw something somewhere that showed that they were the only spine company of the year that actually had positive growth. I saw that and they were, like, killing it. I think there will be absolutely, easily double digits again, but I can't answer if it's 24% or 18%. I don't know that, okay? But do I think it's double digits? I think this is a long-term run for them, absolutely."
- "What do I see as roadblocks? I think the major roadblock for all companies that all surgeons see is there is a pushback from hospitals and hospital systems to be inclusionary in their products and available products in their hospitals."
- "The big bullies of the market ... I think they bundle products; they try to get preferred contracts out of hospitals. So I think the roadblock for any company is contracting with hospitals and hospital systems."
- "As the spine market follows the ortho market in moving more surgeries to outpatient ASCs, I think that that growth will help Alphatec, because those type of people want quality products at the right pricing and it's not the big bullies, the systems, as much. I think that will help [Alphatec]."

Alphatec's Products

- "The answer is yes, they are innovative. I gave you examples of that and that's why it's exciting to work with them. But there are products in anything in the spinal world that are similar. I don't think they are copycats but a joint replacement from DePuy looks similar to the joint replacement of Zimmer, with some subtleties. So, are they copycats? No, but a knee replacement is a knee replacement. There is not a lot of innovation going on in there anymore, because it's been so refined over the years. You're not re-innovating the syringe anymore, okay?"
- "There's a lot of innovation [from Alphatec's products compared to the competition], not copycats, and the quality is top of the line. I think that's why they are getting their traction."
- Regarding Alphatec's commitment to introducing eight to 10 products annually: "I think you have to compare that to the marketplace. For a company their size, that was incredibly aggressive, and has been very impressive so far."

Alphatec's Sales Initiative

- "I don't have the perfect answer to [whether Alphatec's sales channel is making inroads with hospitals, surgeons, and GPOs]. I'm not a sales person, you know, I'm a surgeon, but certainly their growth indicates that they are. Now, three minutes ago, I just told you their biggest roadblock will be contracting. So some of these hospital systems are becoming more of a closed system but [Alphatec is] making inroads. It's just that the industry is not an open door at every hospital, but they are making inroads."
- "I think [Alphatec's] surgeon growth is huge, actually."
- "Yes [existing surgeons are increasing use of Alphatec products in each procedure and overall]."

Competitive Landscape

- "I think there are very few companies innovating and gaining share. The large companies—Medtronic, DePuy, Zimmer, Globus—are flat or lost ground. In fact, Medtronic, the biggest company, is the one that continues to lose market share. So I think all innovation right now is coming from smaller companies, such as Alphatec, which is the bigger of the smaller companies, obviously. So it's coming from smaller companies and then those companies sometimes are swallowed up by the large companies."
- "I'm interested in cervical disc replacements and Zimmer has that. I'm interested in other innovative products that we can do more with less invasiveness, or anything to that effect, and again that goes back to Alphatec's PTP approach. So I'm interested in those things that we evolve that allow us to keep doing better with less exposure or approach-related morbidity, and things like that. ... A cervical disc replacement is a great example of that."
- "I would say, over the last several years, with the trajectory of the company, that Alphatec is right at the top of the competitive landscape because they positioned themselves to be and, again, that goes back to innovation and new products and approaches that no one else has."
- "Yes [Alphatec is attracting top development, R&D, and sales professionals and high-quality distributors that can drive its growth]. In fact, I would say that is backed by their engineering department, which I now put at the top of the

Obviously, the company is moving ahead pretty rapidly. Pat Miles, the CEO, is an always a 'foot on the gas pedal' type of guy and I think that's where it's coming from, which also, from a surgeon's perspective, makes it a pleasure to work with that type of company that's surgeon-oriented and doing all the new innovations.

Orthopedic spine surgeon

heap. They basically reinvented their entire engineering department, which allowed them to do that. So I think that's what's driving them, as well."

5) Spine surgeon and 3D printer technology entrepreneur in the West

This academic spine surgeon and entrepreneur believes the path to innovation will lie with the use of new technologies (like 3D printing) and specialized contracted services, rather than the traditional, independent efforts of spinal device manufacturers.

Background

- This source is an academic spine surgeon and orthopedic surgery innovator well acquainted with existing technologies and manufacturers.

Alphatec's Growth Potential

- "I expect new spinal device product introductions in 2021/2022 to be higher across the board due to lower barriers to entry."

Alphatec's Products

- "The average cost to take a new device from concept to FDA clearance is \$31 million, with higher-risk products being more expensive. This is a very big challenge to manufacturers and innovation in medicine as a whole."

Alphatec's Sales Initiative

- No comment.

Competitive Landscape

- "The challenges and costs of real innovation can limit the development of uniquely advantageous devices. Use of 3D printing and specialized foundry services can speed the process, e.g., [PrinterPrezz](#) took six devices (two variants of three different systems) from concept to \$510,000 in less than a year."

2) Industry Specialists

This former sales and business leader in the spinal surgery space who is now managing director of a healthcare brand agency sees significant roadblocks to growth in this market but believes Alphatec is best positioned for innovation and growth. Alphatec's CEO, Pat Miles, is the visionary to drive this growth, in large part due to its new prone transposas procedures. Growth in double digits is extremely hard to predict due to the pause in elective surgeries and an environment that discourages changing technologies and products in the hospital. [Spineology Inc.](#) and Stryker are poised to grow. This source perceives a revolution in the distribution of spinal surgery products through more regional and reimagined distributor reps.

Key Silo Findings

Alphatec's Growth Potential

- 1 said Alphatec has growth potential because of the innovation of its CEO. They qualified the growth potential because of COVID-19-related pauses in elective surgeries and the challenge in securing hospital contracts.

Alphatec's Products

- 1 said Alphatec's new PTP position technology will drive share gains.

Alphatec's Sales Initiative

- 1 said the Alphatec sales initiative will be challenged by hospital purchasing departments' unwillingness to change vendors, particularly during the elective surgery moratorium.

Competitive Landscape

- 1 said Spineology is an innovative competitor and Stryker is also highly competitive because it offers a broad and diverse product portfolio.

Alphatec Holdings Inc.

1) Healthcare and medical device brand agency managing director

Alphatec's Growth Potential

- "Alphatec is the company best positioned for growth and innovation. This is due to Pat Miles, CEO. Pat worked at Medtronic and learned the business, then went to NuVasive to grow more, and three years ago took over at Alphatec. He is the visionary in platform technologies—retractors, PTP positioning—who will transform Alphatec into the leader in innovation."
- "Regarding Alphatec's claim to double-digit growth, I can't say. Too hard to predict. There are so many variables at play right now with the pandemic and market changes. If anyone could grow like that, it would be Miles and Alphatec."
- "The roadblocks to growth are pretty substantial. Foremost, there is a pause on elective surgeries now and who knows for how long and whether it is intermittent or lingering. One consequence of the pause is that, when hospitals are forced to pause on spinals, the hospitals are less likely to consider changing technologies. Not the time to throw more change into the equation."
- "Pat Miles is the leader that makes Alphatec the company to watch. His work with two of the largest, most successful companies in this market and the respect he has in the industry—a caring, curious visionary—attract surgeons and industry talent. He will continue to recruit top talent and grow his company."

Alphatec's Products

- "Alphatec is poised to create new market share due to their new [PTP system](#)—prone transposas procedures for single-position surgery."

Alphatec's Sales Initiative

- "Very important to the evolution of surgical supply is the application of higher technology to its distribution. There is a shake-up in big companies. It's more than the change from distributor reps and direct employees. It is a move to more regional sales distribution. This is a topic in the board rooms today. The result will be a reduction in the spend on direct selling reps and deployment of more 1099 reps closer to their customers. A company will have reps carrying many products but non-competitive product across many different companies. The distributor reps of today have many competing products in their catalog but, with better information technology, companies can apply this different sales model to reduce these conflicts, match better with the needs and likes of the surgeon, improve efficiencies, and reduce costs. This will impact the industry."

Competitive Landscape

- "Another innovator is Spineology, endoscopic spine surgery company. They are leaders in microscopic surgery, operating through the smallest incisions. Their [OptiMesh and Duo products](#) are very innovative."
- "Stryker is also well positioned to move ahead in the current environment. Hospitals are looking at more centralized purchasing—getting one or two companies who can satisfy broadly across supply chains and negotiate more bundles with companies. Stryker can deliver, as their product line is broad and diverse."

Miscellaneous

- "Better information technology will help doctors follow the migration of patients. In times of change—the pandemic is one example—doctors will attract and compete for their 'ideal' patient. Today it's about the patients coming to the surgeon and the surgeon getting referrals. In the future, it will be about the doctor attracting the patient and finding more patients that more 'ideally' fit their practice and their goals."

Alphatec is the company best positioned for growth and innovation. This is due to Pat Miles, CEO. Pat worked at Medtronic and learned the business, then went to NuVasive to grow more, and three years ago took over at Alphatec. He is the visionary in platform technologies—retractors, PTP positioning—who will transform Alphatec into the leader in innovation.

Healthcare and medical device brand agency managing director

3) Alphatec's Sales Channel

As one would expect, three Alphatec sales professionals—one a company employee and two independent reps—said the company's product development program and new sales initiative would produce significant growth. The company sales rep said the spine surgery market would experience 10% growth in 2021 and Alphatec would outpace that number. One of the

independent reps said 25% growth for Alphatec is attainable and could be a conservative number. The other independent rep said he could not predict the growth rate, but that Alphatec was the hottest company right now with the best product offering. Alphatec's CEO, Pat Miles, is highly regarded and credited with being the driving force behind a very aggressive and innovative product development program. One source said Pat Miles has Alphatec's product development program positioned at least two years ahead of NuVasive. Alphatec's sales initiative focusing on exclusive sales relationships with distributors is gaining traction and contracts with additional GPOs and hospitals are being secured. Competition considered innovative includes Globus, NuVasive, and Titan Spine, which was purchased by Medtronic in June 2019. Future product innovation includes surgical navigation improvements, such as 360-degree CT scans with advanced goggles and continued improvements in robotics, which is currently dominated by Medtronic and Globus.

Key Silo Findings

Background

- 1 source is an Alphatec direct sales representative.
- 2 sources are independent sales reps that carry Alphatec exclusively.

Alphatec's Growth Potential

- 1 said Alphatec will experience high growth ahead of the anticipated 10% growth rate for the spine device market.
- 1 said 25% growth is attainable and that number is conservative.
- 1 said he could not predict the growth rate, but Alphatec is the hottest company.

Alphatec's Products

- 3 said Alphatec is offering superior products and technology compared to the competition. The company product pipeline has 20 new products and is well ahead of NuVasive.

Alphatec's Sales Initiative

- 3 said Alphatec's sales initiative of recruiting exclusive independent distributors and developing strong surgeon relationships is gaining traction.

Competitive Landscape

- Globus Medical, NuVasive, and Medtronic (with its acquisition of Titan Spine) are considered key competitors.

Miscellaneous

- 3 praised Alphatec's CEO Pat Miles as highly respected in the industry and an innovator that professionals want to work for.

1) Spine sales professional serving the Southwest who joined Alphatec because of the CEO, Pat Miles

Surgeons know and trust Alphatec's new products and line extensions will be high quality because of Pat Miles. While the market shrunk pre-2020, Alphatec grew. In 2020 Alphatec was the only company in the spine market to grow. The market should rebound from 2020 with 10% growth in 2021 and, with their new, innovative product lines and extremely high morale, Alphatec will outpace the market. The new product introductions were delayed in 2020 due to the pandemic and are probably only 50% complete, as the rest of the new products were pushed back to 2021.

Background

- This source is a 16-plus-year spine sales device sales veteran who has worked for three of the leading spine device companies.

Alphatec's Growth Potential

- "Growth is interesting. Pre-2020, we grew 1% to 3% year to year, while the spine market shrunk 12%. Most companies shrunk 12%, except for Globus which declined 6%. In 2021, the market should rebound about 10%, primarily as an adjustment to the pandemic of 2020. In 2019, as the biggest companies shrunk, Alphatec showed the greatest growth in percentage and dollars. In 2020, Alphatec was the only company to grow. Alphatec will outpace the market with high growth in 2021."
- "I'm here with Alphatec because of the CEO, Pat Miles."

Alphatec's Products

- "Our product line is growing quickly but we're still in development. Our surgeons know that Pat Miles will only release the best products so, as we add products, we have their confidence."

- “Alphatec is using the Pat Miles model he started at NuVasive. As soon as a product is launched, he will bring the development team together with the goal to make the new product obsolete in two years—make it so much better that the current product can’t compete with the new one.”
- “Alphatec is only about halfway through introducing its new product lines due to COVID. These have been pushed back to 2021.”
- “Our goal is to continuously improve spine surgery. You will see significant improvement maybe every two years. An example is the new PTP approach to spine surgery. Before this innovation, for a lateral surgery you would have to position the patient for anterior and then posterior surgery. The surgery was arduous, taking five to six or more hours to complete and in-patient hospital stays of two to four days. [With] the new PTP approach of Alphatec, the surgery now takes two hours and the patients are often out of the hospital in 24 hours.”

Alphatec’s Sales Initiative

- “There have been a lot of changes in distribution. DePuy spinal was almost all distributors and now they are employees. Numed Technologies is a good example of a distributor. They were forcibly bought out by the manufacturers so the manufacturers could exert more control over the sales process.”
- “In the past five to 10 years there has been huge growth in the ranks of independent reps who have a truly short target list of surgeons—maybe less than 10—they sell to. Many of these distributors make their own ‘me too’ products and the reps make really good compensation.”
- “Pat Miles’ move is to bring back the dedicated agents who are wholly committed to Alphatec products vs. agents who have large numbers of products across many companies. It may mean slower growth, as the reps are used to being more independent and promoting many companies’ products. It’s a big change for the rep. [It] used to be a direct rep could ‘hire’ an independent rep to carry the direct reps’ products—be a part of his business for a contracted period in a distributor agreement. I would call my boss and execute a distributor agreement.”

Competitive Landscape

- “Innovators in this market are Globus, NuVasive, a niche company Titan that Medtronic has acquired, and Alphatec. Medtronic is not innovative—they acquire companies to remain competitive. Alphatec is the up-and-coming company. As price pressures have increased due to hospital purchasing taking more control—for the past 10 years—most companies have pulled back on investing in innovation. They determined it was not the right time to invest in a better screw or plate but to manage their P&L tighter. When Pat Miles was at NuVasive, he took the other route and focused on new approaches and innovation. I saw what he did at NuVasive and I believe he can do it with Alphatec.”
- “Alphatec is where NuVasive was in 2004. Pat reminds us that we are leaders, with more experience than other companies, and we are not going to make mistakes that were made in the past.”
- “Pat is one of those guys you want to work for and work for again. Much of our leadership is from NuVasive.”
- “An example of the culture at Alphatec: When COVID hit, many companies were laying off and reducing compensation, but Pat made the choice to reduce the number of sets being manufactured and in inventory and reduce spend there and keep the organization and sales force intact. When business opened in the summer, we had some inventory constraints but morale was high and everyone extremely motivated.”
- “Medtronic is quite different. They are all about profits and what have you done for me lately—your last quarter. Alphatec takes a different view.”

Growth is interesting. Pre-2020, we grew 1% to 3% year to year, while the spine market shrunk 12%. Most companies shrunk 12%, except for Globus which declined 6%. In 2021, the market should rebound about 10%, primarily as an adjustment to the pandemic of 2020. In 2019, as the biggest companies shrunk, Alphatec showed the greatest growth in percentage and dollars. In 2020, Alphatec was the only company to grow. Alphatec will outpace the market with high growth in 2021.

Spine sales professional serving the Southwest who joined Alphatec because of the CEO, Pat Miles

2) Distributor of Alphatec products in the Midwest

This sales and distribution professional states that 25% annual growth is absolutely feasible and probably overly conservative for Alphatec. NuVasive was started by three people. They were technologically advanced and motivated but, with success, the culture was lost. The NuVasive CEO shifted to CEO at Alphatec. He cleaned house and all the best of the

NuVasive team went with him. That team knows the business and clearly understands what it takes to succeed. No one in this field has any doubt they will be successful. Alphatec will not wait for the market to tell it its products are obsolete; it will stay ahead of the curve by building better technology in a more holistic fashion. The company will have 20 new products (in alpha stage and commercially launched) within the next year, which is significantly higher than competitors. Everyone in the industry has invested in Alphatec—competitors included. Most of the sales/distributors are investing their commissions in Alphatec stock. Alphatec is focused on exclusive distribution and the sales team is making headway into the hospital systems where Alphatec is not on contract by convincing individual surgeons Alphatec’s technology is the better option. The company is experiencing significantly consistent conversion.

Background

- This source is an independent sales and distribution professional in the spinal device industry currently focused on Alphatec products.

Alphatec’s Growth Potential

- “25% growth is absolutely feasible for Alphatec and probably even conservative.”
- “NuVasive was started by three people, one of which is the CEO of Alphatec. NuVasive became a billion-dollar company but, as they got big, the company lost their unique culture. Pat left and brought all the high performers (sales, engineers, marketing, etc.) with him to Alphatec. This team has already had success in this space. They know how, it’s just a matter of when. And they are on an aggressive path.”
- “Distributors, clients, and even competitors all believe Pat can do it again. Everyone is bought in—quite literally. No one in the field has any doubt about their success.”
- “Alphatec had a poor reputation among investors prior to the Miles leadership. But the culture, team, and strategy have changed entirely. An initial sales dip was entirely expected. But things are on track to succeed.”

25% growth is absolutely feasible for Alphatec and probably even conservative.

Distributor of Alphatec products in the Midwest

Alphatec’s Products

- “Wall Street believes that a company in this space needs a robot. Just the word elevates stock value. But Alphatec is focused on how to make minimally invasive surgery truly better. Alphatec is not trying to be a ‘me too,’ the company is focused on real innovation, including the [recently launched](#) integration of InVictus SingleStep and MIS MOD to the TLIF.”
- “Alphatec is planning for 20 new products (between alpha and commercial launch) within the next year. That is four to five times the innovation rate of competitors.”

Alphatec’s Sales Initiative

- “Alphatec is focused on exclusive distributors. They got rid of their non-exclusives a couple of years ago. The company wants to work with people who are personally invested and wholly dedicated to brand success. Many of us put our commission money directly into company stock. I do not know anyone working with Alphatec who does not own their stock.”
- “Recently, in my region, a GPO was successfully pressured by surgeons to add Alphatec products. This kind of conversion is becoming more common. In the next few years, Alphatec will grow like gangbusters.”
- “Hospitals often have multiple surgical device vendors and all of them have a pretty comprehensive suite of products. Most surgeons prefer to stick with one or two companies. But Alphatec is succeeding in converting surgeons and getting them to pressure their facilities to bring Alphatec on contract. This can be the most difficult part, but the Alphatec team has the right connections and are gaining significant access at larger institutions.”

Competitive Landscape

- “NuVasive and others may try to mimic Alphatec’s innovative product development but they are already a year or two behind.”
- “Alphatec is not waiting for the market to make its products obsolete. The company is staying ahead of the curve.”

3) Midwest independent distributor for Alphatec

Alphatec is the hottest company in this space today due to its new procedure-based products and its executive leadership. Compared to many of the bigger manufacturers, like Stryker, Alphatec is investing more in new product

Alphatec Holdings Inc.

development and getting its products to market faster. Pricing is increasingly tight and companies need to be lean and smart and have the best relationships with their customers. Alphatec is doing this better than its competitors.

Alphatec's Growth Potential

- "Alphatec is the hottest company in the surgical spine space. They are pouring money into product development with a procedure-based approach. Compared to Stryker, where I worked before, they are much faster in product development, innovation, and introduction."
- "It's very hard to estimate the future growth and, essentially, I can only speak to what I see in my territory. What we do know is we have an aging population that is living longer and has need for more orthopedic procedures to improve their quality of life. This is growing the market and it will continue to grow but I can't really predict at what rate of growth."

Alphatec's Products

- "At Alphatec, we have an advantage due to our new products and new approach. We have new stuff that surgeons are interested in."
- "We have a great CEO who is leading us in procedure-based innovation and introducing many new products."
- "Alphatec is a leading innovator due to their procedure-based approach to new products. They are the hottest company."

Alphatec's Sales Initiative

- "Alphatec has the right products—new and unique—to grow sales and gain new business. We also have a sales force with the relationships to access customers and communicate our product advantages."

Competitive Landscape

- "Medtronic is solid. They haven't changed their procedures much but have a reputation for safe approaches and products."
- "Innovations that are coming include navigation devices to make a smaller footprint and less invasive procedure."
- "360-degree CT scans with advanced goggles for the surgeon to get the total image will be big in the future. These scanners will give surgery a real 3D view of the spine and joints."
- "Robotics are in the market today. Medtronic and Globus are leading."
- "New sales are getting harder and harder to obtain. For companies to grow, they must get leaner—reduce cost where they can—and invest in innovation. Pricing pressures are very tough. What we see in the market are two tiers of reps: new, young reps making less in total compensation and older, established distributor reps who have their customer relationships well established and are making much better compensation. There really are not many 'middle-aged' reps."
- "The pressure from VAT committees and institutions awarding 80% contracts is not new—in my area this has been the practice for the past five to 10 years. It is the environment we compete in. In 2020 it was tough to get new business, as we were extremely limited in access to surgeons' offices and hospitals. We could drop off literature, but you really needed something unique in a product to get the doctors' attention and consequently get the doctors' time. Veteran reps had a huge advantage this past year due to their established relationships with their surgeons. That is an advantage we had. I don't know how new reps could really grow their business."

Alphatec is the hottest company in the surgical spine space. They are pouring money into product development with a procedure-based approach. Compared to Stryker, where I worked before, they are much faster in product development, innovation, and introduction.

*Midwest independent distributor for
Alphatec*

4) Competitors

Only one of four Alphatec competitors think it can achieve its growth forecast of 25%. That source said Alphatec's CEO Pat Miles is well known and, if the company can secure the right key opinion leaders to develop strong relationships, 25% growth is possible. He added that a single high-volume surgeon can generate millions in sales. A major headwind challenging Alphatec's growth is the spine device market itself, which is not expected to achieve double-digit growth due to COVID-19. None of the competitors considered Alphatec to be especially innovative. Its recent product introductions are simply product upgrades and copies of devices already on the market. The Alphatec sales initiative will also face significant challenges from the hospital consolidation trend and value analysis team committee scrutiny, which is gaining significant pricing power and favors larger providers with broad product offerings. If Alphatec is not successful in securing hospital contracts it is relegated to fighting for only 10% to 20% of institutions' business, along with all the other vendors that did not win favored status.

Alphatec Holdings Inc.

Sources said the larger, well known, well-funded brands with deep relationships—including Medtronic, Globus, DePuy, Zimmer, and Stryker—will continue to dominate the spine device space. Competitors considered the most innovative include NuVasive, SeaSpine, Stryker, and DePuy, which has a new system scheduled for release in 2021 or 2022. The use of robotics is considered the next significant breakthrough for the spine surgery market; however, it is not on the near-term horizon.

Key Silo Findings

Background

- 3 sources are direct sales professionals working with key Alphatec competitors.
- 1 source is a sales professional with a distributor carrying a line of products from a Alphatec competitor.

Alphatec's Growth Potential

- 3 said Alphatec's growth projection of 25% is not attainable.
- 1 said Alphatec's growth rate can be achieved if it engages influential key opinion leaders that promote its products.

Alphatec's Products

- 4 said Alphatec's products are not innovative, merely product updates and copies of products already on the market added to round out the product offering.

Alphatec's Sales Initiative

- Significant challenges face Alphatec in its sales initiative, including the need to develop strong and influential relationships with surgeons; the hospital consolidation trend, which favors larger vendors with broader product offerings; and the VAT committee pricing power.

Competitive Landscape

- Larger, well known, and well-funded competitors—including Medtronic, Globus, DePuy, Zimmer, and Stryker—are expected to continue to dominate the market.
- Highly innovative competitors include NuVasive, SeaSpine, Stryker, and DePuy .

Miscellaneous

- The use of robotics is expected to be the next breakthrough, but not in the near term.

1) Senior marketing manager in the spinal device industry from the upper Midwest

This spinal device marketer believes Alphatec's sales and product innovation goals are achievable through strategic relationships/KOLs and product line extensions, respectively. Conversion of hospitals/purchasing groups is complex and lengthy, with pricing (including discounts, rebates, etc.) being key. But conversion of a single, high-volume surgeon can result in millions of dollars in sales. The Alphatec team (formerly at NuVasive) understands the industry and has the connections, but the big competitors are more well known, better funded, and have hospital contracts in place.

Background

- This source is an experienced marketing professional who has held positions with two leading Alphatec competitors.

Alphatec's Growth Potential

- "Alphatec's sales goals are achievable—it depends on who they pay (which surgeons they bring on as KOLs). Conversion of the right surgical thought leaders can convert millions of dollars immediately."
- "Pat Miles is well known in the industry. And surgeons are always looking to make money outside of their surgical profession. KOLs are contracted to a company for their expertise, education, product testing, and early adoption. Alphatec will not grow organically as a result of uniquely superior products. Their growth will be based on strategic relationships."
- "A KOL may not be able to convert a whole hospital system, at least initially, but, if they have a busy practice, conversion of that one individual can be very lucrative."

Alphatec's Products

- "Alphatec is probably just rounding out their offering to make the line more comprehensive. My assumption, with 12-plus new products planned to launch in the coming year, [is that] most are upgrades."

Alphatec's sales goals are achievable—it depends on who they pay (which surgeons they bring on as KOLs). Conversion of the right surgical thought leaders can convert millions of dollars immediately.

Senior marketing manager in the spinal device industry from the upper Midwest

Alphatec's Sales Initiative

- “More hospitals are looking to consolidate vendors. This will be a challenge when trying to convert facilities on contract with competitors.”
- “GPO negotiations are complex and multifaceted. It is a challenging process and pricing is a big part of it. Keys include courting the right people with the right relationships and offering the right package (e.g. rebates/discounts, etc.). Nothing special can be done to expedite the process but the Alphatec team has the advantage of knowing the landscape well.”

Competitive Landscape

- “There are a number of competitors working on new spinal surgery innovations. The formula that worked for NuVasive (many new, innovative technologies) will not be the formula that will allow Alphatec to succeed. The innovations are now familiar and competitors have very similar products. Alphatec will succeed through the relationships of the established team from NuVasive (sales, marketing, engineers, purchasing, etc.).”
- “I would say a lot of the bigger organizations are well known and better funded, but do not necessarily invest in new product innovation. Nonetheless, the leaders will always be leaders: the brands are trusted and contracts are in place.”

2) Spinal surgery sales rep with a major manufacturer

Alphatec cannot grow 25% in 2021 and the industry will not experience double-digit growth. The marketplace is under duress because of COVID-19 halting elective surgeries, its impact on household economies, and price erosion due to VAT committees and hospital purchasing departments. This sales professional does not see Alphatec as an innovator or differentiating its products—they are copies that get around patent protection. In major hospitals, companies like Alphatec are relegated to competing for 10% of the business not controlled by purchasing, thus extremely limiting their opportunities.

Background

- This source is a direct sales professional for a major spine device manufacturer for 10-plus years.

Alphatec's Growth Potential

- “There is no way that Alphatec can grow 25% in 2021. There are no companies that will grow double digits in 2021. Industry wide, this kind of growth is impossible.”
- “The market is really under duress. There is significant price erosion. Spinal surgeries are typically elective and, due to COVID-19, elective surgeries will be slowed for the next six to 12 months. Additionally, due to COVID, people are losing their jobs, losing their healthcare insurance, and, considering other priorities, will wait before having spine surgeries.”
- “In the hospitals I cover, elective surgeries are not allowed again. Depending on the location, there are out-patient ambulatory surgical centers where these surgeries can be performed.”
- “25% growth is not going to happen.”

There is no way that Alphatec can grow 25% in 2021. There are no companies that will grow double digits in 2021. Industry wide, this kind of growth is impossible.

Spinal surgery sales rep with a major manufacturer

Alphatec's Products

- “Companies do not ‘live or die’ by innovation. When I look at most companies, they move to where the procedures are. Example: Everyone is doing ‘laterals.’ So a company like Alphatec essentially copies a current product with a few tweaks and turns to not invade into existing companies’ patents and intellectual property. But that does not mean that they are now going to get the sale from the competition. There is little differentiation and little that is going to motivate the surgeon because it is an innovation. It’s not real innovation.”
- “When we get a product, we first go to the surgeons we have the best relationships with who are using our products and show them the advantages and get them interested to try. If they support the product, it now goes to the new product committee. This is comprised of doctors and, growing in power, purchasing. They will push down the price and start a long process that can take six to seven months before clearing the committee and being available to the OR. This could be nine months after the launch.”

Alphatec's Sales Initiative

- “Purchasing departments and VAT committees are highly active today in limiting the number of vendors supplying products in the OR. They put out an RFP by company to provide 90% of the OR supplies. Prior, there might have been nine vendors supplying the range of products. Today, they are awarding only three companies to supply 90% of the products. Doctors are directed that they need to adhere to this type of formulary. They can go off this only 10% of the time and, consequently, the non-awarded companies must scrap for the 10% not in the 90% award. This is where the companies like Alphatec are competing—they are the ankle-biters with extremely limited opportunities or volume. And for them to get into that 10%, they have to still go through the VAT committees and get approval.”
- “It’s getting even tougher for these smaller companies to get into the OR, the scrub room, and the other areas where we get the chance to talk with the surgeons before and after a case. If you are not on the formulary, accepted by the VAT, you aren’t allowed in the OR. Smaller community hospitals may have more relaxed rules and regulations where the ankle-biters can promote.”
- “If Alphatec had more innovative products or a better organization, they would sell more products, not be a 1% player. They just do not have the products the surgeons want and are ‘niche’ players.”

Competitive Landscape

- “The most innovative companies are NuVasive and Globus. They have the breadth of good products.”
- “Many of the spinal surgical sales companies have changed to more or all direct sales employees and are eliminating the distributors. The distributors usually have competing products in their bag and must make decisions about whether to sell the NuVasive or the Globus product—which usually are quite similar. Often the distributor reps’ decision is made by which product pays a higher commission or bonus. The companies have less control over what is promoted in what priority, but they are 1099 reps and not employees. What the companies have done in response to this is sever the relationship with the distributor and make the reps employees—with lower compensation but more control about what they sell. This also gives the manufacturers control over how many reps are calling on targeted doctors, as multiple distributor reps were duplicating the effort on the same doctor with the same product in the past.”
- “DePuy has new leadership and is working to introduce a complex spine system, Cornerstone, in the 2021/2022 timeframes. It features a new screw system in an all spine/complex spine system.”
- “There are more robotic type products on the horizon, but I don’t see anything that is a quantum leap in spine surgery in the near term.”

3) Distributor sales reps for a major company in the Mid-Atlantic

Alphatec is not a visible competitor with an innovative reputation in this sales professional’s territory. What may be innovation to Alphatec may not be innovation to the market and their lack of presence suggests the latter. The major hospital VAT committees are awarding one vendor 80% of all business, leaving the rest of the companies to compete over the remaining 20%. Due to patient reluctance and hospital restrictions from COVID-19, growth is extremely hard to predict. Double-digit market growth is possible in 2021 but there are many headwinds to overcome. Alphatec will not be a leader in growth in 2021 and 25% growth will be very difficult to achieve.

Background

- This source is a distributor sales professional representing a major Alphatec competitor.

Alphatec's Growth Potential

- “Alphatec is not very active in my territory, in big or small hospitals. They are not recruiting competitors or doing much to make them more visible or more effective or successful. Could they grow 25%? This will be very difficult to achieve. In the major hospitals and Level 1 trauma centers, purchasing and VAT committees are awarding one vendor that will be used for 80% of the procedures. That makes just 20% that the other vendors can compete over. If you are not getting the contracts at these institutions, you cannot grow, unless you are starting from nothing. Alphatec is not getting these contracts, is not showing innovation, and is not getting much business. They are not a major player today or in the near future.”
- “The smaller community hospitals are not as active with the VAT committees and the 80/20 award system. To get your product placed in these hospitals, it’s getting one surgeon to request adding your product to their purchasing inventory and getting it approved. Not as stringent as the big centers.”

Alphatec's Products

- “In order to get the VAT and other formulary committees to add your product, you must have new innovative products and must have the right decision-makers on your side—have the politics of the hospital lined up. I haven't seen Alphatec doing this with the political connections or the innovative products.”
- “The best advice I can give you regarding innovation and ensuing success around Alphatec is this: Is it really innovative to the market or is it just innovative to Alphatec? Does their innovation really change how things will be done, for example advance the use of robotics, or is it just a new product to Alphatec that fills out their line?”

Alphatec's Sales Initiative

- “Alphatec does not have an innovative reputation in my area. Their impact is so small, they don't have much of any reputation.”

Competitive Landscape

- “The most innovative manufacturers are Globus, NuVasive. The bigger companies innovate in their own way when they see where they are losing or not meeting their surgeons' needs. They innovate, partner, or acquire. The bigger the company, the more likely they are to just acquire a smaller company with a strategic fit.”
- “Medtronic, DePuy, and Stryker are the most likely to acquire a small company.”
- “Growth is extremely hard to predict due to COVID and resulting elective procedure ‘pauses’ and patients' reluctance to go into hospitals and surgical centers. Once the restrictions are lifted, there will be a pent-up demand but there is a major constraint at that time due to the limits of capacity. There are only so many ORs, surgical suites, and staffing available to catch up with the pent-up demand. The healthcare surgical system can only handle a finite number of procedures.”
- “Double-digit growth is possible but within the constraints [of] capacity and patient confidence to ‘re-enter’ hospitals and ASCs.”
- “We discussed the COVID constraints, drop in elective procedure approval, and patient reluctance. There are also barriers between big and small hospitals. Hospitals continue to aggregate and merge. Hospital systems get larger and their purchasing departments get stronger and set more demands on suppliers.”
- “The same is happening with vendors and manufacturers. If you are small and innovate, you will be acquired. If you do not sell to the big companies, it can be really hard for a small share company to survive.”
- “For the companies outside of the biggest three manufacturers, there is great pressure to innovate, be very sound financially, and execute best in class. You must be particularly good at managing your supply chain.”
- “Robotics are becoming the next innovation. They can reduce radiation exposure from most procedures—reducing exposure to both the surgeon and patient. For most of the current marketplace, that means smart strategic alliances with robotic innovators.”

Double-digit growth is possible but within the constraints [of] capacity and patient confidence to ‘re-enter’ hospitals and ASCs.

Distributor sales reps for a major company in the Mid-Atlantic

4) Independent spinal surgery sales rep promoting a competitive manufacturer's products in the Northwest

This spine sales professional perceives that Alphatec's sales forecast of 25% is not reasonable. Marketplace growth of 10% is overly optimistic. In the Northwest, Alphatec's products have not gained in the market nor has this representative seen any new sales initiatives or changes impacting the company's growth or reputation. The most innovative companies are NuVasive, Stryker, and SeaSpine. COVID-19 is the major roadblock for the foreseeable future.

Background

- This source is a senior spine sales professional with more than 25 years of experience in the field with several major vendors.

Alphatec's Growth Potential

- “Alphatec's forecast of 25% is not at all reasonable. They are small and [their] growth percentage is off a smaller base, but not 25% growth.”
- “Double-digit growth for the spinal surgery market is very optimistic.”

Alphatec's Products

- "Alphatec's products do not sell very well in my area so I do not see them as innovative or picking up in sales. I also have not seen where they are recruiting top or new talent that is impacting the market."

Alphatec's Sales Initiative

- "Alphatec is not used much in my territory. I do not see new sales initiatives, nor new products, aggressive recruiting, or attracting high-quality distributors dedicated to Alphatec products. Not happening here."

Competitive Landscape

- "The most innovative products on the market are NuVasive, Stryker, and SeaSpine."
- "Major players in my area are Globus, NuVasive, Medtronic, Stryker, SeaSpine, Zimmer, and DePuy. There are no others making significant impact nor do I see another in the next one to two years."
- "COVID is obviously the main roadblock for us in 2021. It is obviously what everything is hinging on."

Secondary Sources

These three secondary sources focused on Alphatec's FDA 510 clearance for two devices in December, the anticipated growth of the overall spine device market, and Alphatec being identified as a top five spine device company and its CEO as an industry leader to know.

Dec. 18, 2020 U.S. FDA 510 (K) Clearances

The FDA granted Alphatec two clearances for devices in December.

- DEVICE: IdentiTi Cervical Standalone Interbody System
Alphatec Spine, Inc. 510(k) NO: [K202812](#)(Traditional)
ATTN: Ruby Zheng PHONE NO : 760 4946884
5818 El Camino Real SE DECISION MADE: 18-DEC-20
Carlsbad CA 92008 510(k) SUMMARY AVAILABLE FROM FDA
- DEVICE: Invictus™ OCT Spinal Fixation System
Alphatec Spine, Inc. 510(k) NO: [K203125](#)(Traditional)
ATTN: Ruby Zheng PHONE NO : 760 4946884
5818 El Camino Real SE DECISION MADE: 18-DEC-20
Carlsbad CA 92008 510(k) SUMMARY AVAILABLE FROM FDA

Oct. 27, 2020 Fox40 [article](#)

Industry Research has published the "[Spinal Surgery Devices Market](#)" report which show a compound annual growth rate (CAGR) of 5.30% to \$15,769.46 million in 2024. Growth will be driven by the adoption of minimally invasive procedures, tech advancements, and the increasing incidence of obesity and degenerative spinal conditions.

- "The global spinal surgery devices market was valued at USD 11,553.79 million in 2018, and is estimated to be valued at USD 15,769.46 million in 2024, witnessing a CAGR of 5.30%. The key factors propelling the growth of this market are the increasing adoption rate of minimally invasive spinal surgeries, increasing technological advancements in spinal surgery, and increasing incidences of obesity and degenerative spinal conditions."
- "As per the report of the National Institute of Health, in 2016, more than 1.9 billion adults were overweight, out of which 650 million were obese. It has also been reported that approximately 39% of adults were overweight and 13% were obese, in 2016. These numbers are further expected to increase with changing lifestyles and food consumption methods in the developed countries. Along with a likely increase in spinal problems in obese populations, owing to increase in obesity, the degenerative spinal conditions are also expected to increase."
- "According to the American Association of Neurological Surgeons, more than 65 million Americans suffer from lower back pain, annually, while according to the Chicago Institute of Neurosurgery and Neuroresearch, by the age of fifty, 85% of the population is likely to show evidence of disc degeneration. So, with the growing geriatric population, the number of people suffering from lower back pain and other degenerative spinal conditions is expected to increase during the forecast period."

Alphatec Holdings Inc.

Oct. 12, 2020 Becker's Spine Review [article](#)

Alphatec was listed as a top five spine healthcare company and its CEO, Patrick Miles, was cited as an industry leader to know.

- “Here are the top five companies in the spine and orthopedic space and the people who lead them:
 - Geoffrey Martha, CEO of Dublin, Ireland-based Medtronic
 - Kevin Lobo, chair and CEO of Kalamazoo, Mich.-based Stryker
 - Alex Gorsky, CEO and chair of the board of directors of New Brunswick, N.J.-based Johnson & Johnson
 - Patrick Miles, CEO and chair of Carlsbad, Calif.-based Alphatec Spine
 - Patrick Miles has been chair and CEO of Alphatec since October 2017, according to the company website.
 - Previously, he was the vice chair of NuVasive, Alphatec's website said. In that role, he enhanced the company's strategy for the future of spine surgery and technology development. He also worked at Manassas, Va.-based medical device company ORATEC Innovations and Medtronic Sofamor Danek.
 - Mr. Miles studied at Mercer University in Macon, Ga., according to his LinkedIn.
 - David Demski, president and CEO of Audubon, Pa.-based Globus Medical”

Additional research by James Boland, Pam Conboy, and Karen Lusky.

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