

Symmetry Medical Inc.  
Form S-1/A  
November 17, 2004  
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As filed with the Securities and Exchange Commission on November 17, 2004.

Registration No. 333-116038

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**AMENDMENT NO. 5**

**TO**

**FORM S-1**

**REGISTRATION STATEMENT**

*UNDER*

*THE SECURITIES ACT OF 1933*

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**SYMMETRY MEDICAL INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**3842**  
(Primary Standard Industrial  
Classification Code Number)

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**35-1996126**  
(I.R.S. Employer  
Identification No.)

**220 West Market Street**

**Warsaw, Indiana 46580**

**Telephone: (574) 268-2252**

**Telecopy: (574) 267-4551**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

---

**Brian Moore**

**President and Chief Executive Officer**

**Symmetry Medical Inc.**

**220 West Market Street**

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Warsaw, Indiana 46580

Telephone: (574) 268-2252

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(Name, address, including zip code, and telephone number, including area code, of agent for service)

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**Approximate date of commencement of proposed sale of the securities to the public:** As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. "

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	No. of Shares to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price (1) (2)	Amount of Registration Fee
Common Stock, par value \$0.0001 per share	9,200,000	\$ 15.00	\$ 138,000,000	\$ 17,485(3)

(1) Includes 1,200,000 shares that the underwriters have the option to purchase to cover over-allotments, if any.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(a) under the Securities Act.

(3) Previously paid by the Registrant.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the

Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED NOVEMBER 17, 2004

Prospectus

**8,000,000 Shares**

**Common Stock**

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Symmetry Medical Inc. is offering 8,000,000 shares of common stock. This is our initial public offering, and no public market currently exists for our shares. We anticipate that the initial public offering price will be between \$13.00 and \$15.00 per share. After the offering, the market price for our shares may be outside this range.

Our common stock has been approved for listing, subject to official notice of issuance, on the New York Stock Exchange under the symbol SMA.

**Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page 9.**

	<u>Per Share</u>	<u>Total</u>
Offering price	\$	\$
Discount and commissions to underwriters	\$	\$
Offering proceeds to Symmetry Medical, before expenses	\$	\$

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

We have granted the underwriters the right to purchase up to 1,200,000 additional shares of common stock to cover any over-allotments. The underwriters can exercise this right at any time within 30 days after the offering. The underwriters expect to deliver the shares of common stock to investors on or about , 2004.

**Banc of America Securities LLC**

**Credit Suisse First Boston**

**Piper Jaffray**

**Wachovia Securities**

, 2004

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus is accurate as of the date on the front of this prospectus only. Our business, financial condition, results of operations and prospects may have changed since that date.

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**Financial Information**

We operate on a 52- or 53- week year ending on the Saturday closest to December 31. Our fiscal years 1999, 2000, 2001, 2002 and 2003 ended on January 1, 2000, December 30, 2000, December 29, 2001, December 28, 2002 and January 3, 2004, respectively. Our fiscal years in 2000, 2001 and 2002 contained 52 weeks and our 1999 and 2003 fiscal years contained 53 weeks. Fiscal years are identified in this prospectus according to the calendar year that they most accurately represent. For example, the fiscal year ended January 3, 2004 is referred to herein as fiscal 2003 or fiscal year 2003. The first quarter of fiscal 2003 ended on March 29, 2003, and contained 13 weeks and the first quarter of fiscal 2004 ended on April 3, 2004 and contained 13 weeks. The second quarter of fiscal 2003 ended on June 28, 2003, and contained 13 weeks and the second quarter of fiscal 2004 ended on July 3, 2004 and contained 13 weeks. The third quarter of fiscal 2003 ended on October 4, 2003, and contained 14 weeks and the third quarter of fiscal 2004 ended on October 2, 2004 and contained 13 weeks.





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**SUMMARY**

*This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, including the section entitled "Risk Factors" and the consolidated financial statements and accompanying notes included elsewhere in this prospectus, before making an investment decision. Unless the context requires otherwise, as used in this prospectus (i) the terms "Symmetry," "Symmetry Medical," "we," "us" and "our" refer to Symmetry Medical Inc., a Delaware corporation, and all of its consolidated subsidiaries and (ii) the term "Mettis" refers to Mettis (UK) Limited, a United Kingdom corporation, and its consolidated subsidiaries, which we acquired on June 11, 2003. Unless the context otherwise requires, all pro forma data presented gives effect to the Mettis acquisition as if it occurred at the beginning of fiscal year 2003. Our statement of operations data for fiscal year 2003 only includes the results of Mettis since its acquisition date.*

**Our Business**

We are the world's largest independent provider of implants and related instruments and cases to orthopedic device manufacturers. We also design, develop and produce these products for companies in other segments of the medical device market, including the dental, osteobiologic and endoscopy sectors, and we provide limited specialized products and services to non-healthcare markets, such as the aerospace market. Through our "Total Solutions" approach, we offer our customers a broad range of products, as well as comprehensive services and production capabilities to help them bring their implant systems to market quickly and efficiently. We believe that our Total Solutions approach will provide us with a competitive advantage in the market place.

We market our Total Solutions approach through our experienced sales force that operates in the United States, Europe and Japan. During fiscal year 2003, we generated pro forma revenues of \$158.4 million, serving approximately 500 customers, including 72 new customers added during the year. Our broad customer base includes every major orthopedic device company, such as Biomet Inc., DePuy Inc. (a subsidiary of Johnson & Johnson), Kyocera Corporation, Medtronic Sofamor Danek, Smith & Nephew plc, Stryker Corporation, Synthes, Inc. (formerly Synthes-Stratec, Inc.) and Zimmer Holdings, Inc. We typically serve several product teams and facilities within each of our largest customers, and during the nine months ended October 2, 2004 and fiscal 2003, no single customer represented more than 22.6% of our revenue.

We offer a broad range of products in the following categories:

implants, including forged, cast and machined products for the global orthopedic device market, which represented 36.3% and 27.3% of our revenue in the nine months ended October 2, 2004 and fiscal 2003, respectively;

instruments used in the placement and removal of orthopedic implants and in other surgical procedures, which represented 33.0% and 37.4% of our revenue in the nine months ended October 2, 2004 and fiscal 2003, respectively;

cases, including plastic, metal and hybrid cases used to organize, secure and transport medical devices for orthopedic and other surgical procedures, which represented 23.3% and 29.6% of our revenue in the nine months ended October 2, 2004 and fiscal 2003, respectively; and

other specialized products and services for non-healthcare markets, primarily the aerospace market, which represented 7.4% and 5.7% of our revenue in the nine months ended October 2, 2004 and fiscal 2003, respectively.

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We believe that we are well positioned to grow our business as a result of the expected expansion of the overall orthopedic device market. In addition, we believe that our Total Solutions approach provides us with significant opportunities to increase our sales by expanding the types of products and services we provide to our existing customers and by adding new customers in other medical device market segments.

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**Market Opportunity**

The global medical device market was estimated to be approximately \$207 billion in 2003. The orthopedic device segment of the medical device market was estimated to be approximately \$16 billion in 2003, and is expected to grow approximately 12% annually to greater than \$25 billion by 2007.

Orthopedic devices principally consist of reconstructive implants used to replace or repair knees, hips, shoulders and other joints, as well as other orthopedic devices to repair bone fractures and the spine. There were approximately 1.5 million reconstructive orthopedic implant procedures performed globally in 2003, an increase of 13% over the previous year. We expect continued growth in the orthopedic device market to be driven by a number of trends including:

growing elderly population;

aging, affluent and active baby boomers ;

improving technologies that expand the market, including minimally invasive surgery;

successful clinical outcomes increasing patient confidence;

increasing patient awareness through orthopedic device companies' direct marketing programs;

increasing volume of procedures to replace older implants (or revision procedures); and

developing international markets.

**Our Total Solutions Approach**

We believe that we have created a distinctive competitive position in the orthopedic device market based upon our Total Solutions approach. Our acquisition of Mettis in June 2003 expanded our products and services, enabling us to offer an integrated outsourcing solution. Our Total Solutions approach presents our customers with a broad range of products, as well as comprehensive design, engineering and project management services and state of the art production capabilities to help them bring their implant systems to market quickly and efficiently. We believe that our Total Solutions approach will be an increasing competitive advantage in the future. Our Total Solutions offering is based on:

*Comprehensive services.* We can support our customers' new product offerings from product concept through market introduction and thereafter, by providing seamless design, engineering, prototyping and manufacturing services.

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*Single source for complete systems.* We assist customers in developing new implants, and we design and produce instruments for implant-specific surgical procedures. We also provide customized cases that provide a secure, clearly labeled and well organized arrangement of instruments and devices.

*Proprietary Symmetry instruments and cases.* Our established lines of proprietary products allow our customers to complete their proprietary implant systems and bring them to market sooner.

*Precision manufacturing expertise.* Our extensive expertise and know-how enable us to produce large volumes of specialized products to our customers precise standards, which we believe makes us a supplier of choice to the largest orthopedic companies. Our core production competencies include net shaped forging, precision casting, thermo forming, precision sheet metal working and machining/finishing.

*Quality and regulatory compliance.* Our quality systems are based upon and in compliance with ISO requirements and, where applicable, United States Food and Drug Administration, or FDA, regulations. We believe our level of quality and regulatory compliance systems meet our customers expectations.

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*Global reach.* Our manufacturing capabilities in the United States and Europe allow us to offer single-source products and services to our multinational customers, and the geographic breadth of our experienced sales force effectively brings our Total Solutions approach to customers globally.

We believe that our Total Solutions approach offers a number of benefits to our customers, including:

*Shorter time to market.* Our design, engineering and prototyping skills, as well as our ability to transition seamlessly from product development to production of implants, instruments and cases, enable our customers to reduce time to market for their new products.

*Reduced total product acquisition costs.* Our comprehensive services, including design, engineering, prototyping, project management, production and inventory control, allow our customers to reduce their procurement costs and inventory levels, resulting in lower product acquisition costs.

*Increased focus on marketing and research and development efforts.* Our extensive production capabilities and comprehensive services offer a one-stop outsourcing solution and allow our customers to focus their resources on their design, development and marketing efforts.

*Rationalized and reliable supply chain.* Our scale, scope of products and services and Total Solutions approach allow large orthopedic companies to reduce the number of their independent suppliers and streamline their operations.

*Enhanced product consistency on a global basis.* Our extensive production platform, Total Solutions approach and international presence allow us to meet global demand for orthopedic devices, which is expected to increase.

## **Our Strategy**

Our goal is to increase our share of the orthopedic device market and to leverage our strengths to expand in other medical device market segments. The key elements of our business strategy are to:

*Develop strategic relationships with our customers through access to key decision makers.* Our scale, scope of products and services and Total Solutions approach position us as an important partner to our customers. This position gives us access to key decision makers, with whom we intend to continue to build strategic relationships.

*Capitalize on our Total Solutions approach.* We believe that our Total Solutions approach shortens product development cycles, reduces design and manufacturing costs and simplifies purchasing and logistics, and we intend to aggressively market these benefits to our customers.

*Increase sales to existing customers by cross selling products and services.* Our cases are currently sold in nearly every segment of the medical device market. We believe that our diverse customer base offers us a natural entry point to new orthopedic and non-orthopedic customers for our implants and instruments.

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*Leverage manufacturing skills.* We intend to leverage our investments in sophisticated equipment and manufacturing know-how to expand our existing customer relationships and to obtain new customers.

*Increase new product development.* Our Design and Development Center provides expertise and coordination for our design, engineering and prototyping services. We intend to use the dedicated expertise of our Design and Development Center to generate additional development projects with our customers and to expand our line of innovative and independently developed instruments and cases.

*Collaborate with emerging companies.* We believe that new and innovative medical device companies are creating a meaningful market presence and that our Total Solutions approach positions us to help these companies, many of which may have limited resources.

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### **History**

We were established in 1976 as a supplier of instruments to orthopedic device manufacturers. During the 1990 s, we made several acquisitions, which expanded our customer base, enhanced our instrument product offerings and extended our product line to include cases designed for various medical devices and their related instruments. In October 2000, investment funds affiliated with Olympus Partners acquired control of our company through a recapitalization. In this transaction, the Olympus funds invested a total of \$40.5 million in cash to acquire securities representing approximately 94% of our then outstanding voting stock. At that time, all of our stockholders entered into a stockholders agreement that provided for, among other things, customary tag-along, drag-along, preemptive and registration rights. On June 11, 2003, we acquired Mettis, a leading manufacturer of forged, cast and machined implants for the global orthopedic device market. This acquisition significantly expanded our product offerings and increased our European presence, allowing us to develop and manufacture a broad range of implants, instruments and cases for orthopedic device manufacturers on a global basis. In connection with the Mettis acquisition, the Olympus funds collectively invested an additional \$63.0 million in equity and loaned us \$8.0 million through the purchase of senior subordinated notes and stock purchase warrants. See Certain Relationships and Related Transactions.

### **Olympus Partners**

Olympus Partners is a private asset management firm headquartered in Stamford, Connecticut, with assets under management of approximately \$1.7 billion. Through its affiliated entity, OGP III, LLC, Olympus Partners is the general partner of Olympus Growth Fund III, L.P., a \$505 million private equity fund dedicated to leveraged buyouts, recapitalizations and growth capital investments in middle-market companies throughout the United States and Western Europe. Since 1989, Olympus Partners has invested in more than 50 portfolio companies. Olympus Co-Investment Growth Fund III, L.P. and Olympus Executive Fund, L.P., funds affiliated with Olympus Partners, are also investors in our company both directly and indirectly through Olympus/Symmetry Holdings LLC, an affiliate of Olympus Partners that directly holds common stock and preferred stock of our company. For ease of reference, we sometimes refer to Olympus Growth Fund III, L.P., Olympus Co-Investment Growth Fund III, L.P., Olympus Executive Fund, L.P. and Olympus/Symmetry Holdings LLC in this prospectus as the Olympus funds. Prior to this offering, the Olympus funds beneficially owned an aggregate of approximately 82.1% of our common stock. See Principal Stockholders.

### **Risks Affecting Us**

Our business is subject to numerous risks, as discussed more fully in the section entitled Risk Factors immediately following this prospectus summary. We depend on a limited number of customers, and if we lost a significant customer we could lose a material portion of our revenue. In addition, we operate in an industry that presents potential regulatory and product liability risks.

### **Corporate and Other Information**

Our principal executive offices are located at 220 West Market Street, Warsaw, Indiana 46580, and our telephone number is (574) 268-2252. Our website is located at [www.symmetrymedical.com](http://www.symmetrymedical.com). The information contained in, or that can be accessed through, our website is not part of this prospectus.

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Symmetry Medical Inc.<sup>®</sup> and PolyVac<sup>®</sup>, among others, are registered trademarks of Symmetry Medical Inc. We have trademark rights in these marks in the United States and other countries. We have an application for trademark registration pending with respect to Total Solutions. This prospectus also refers to brand names, trademarks, service marks, and trade names of other companies and organizations, and these brand names, trademarks, service marks, and trade names are the property of their respective holders.



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**Market, Ranking and Other Data**

The data included in this prospectus regarding markets and ranking, including the size of certain markets and our position within these markets, are based on independent industry publications, security analyst research reports or other published industry sources and estimates based on our management's knowledge and experience in the markets in which we operate. Our management's estimates have been based on information obtained from our customers, distributors, suppliers, trade and business organizations and other contacts in the markets in which we operate. We believe these estimates to be accurate as of the date of this prospectus. However, this information may prove to be inaccurate because of the method by which some of the data were obtained or because this information cannot always be verified with complete certainty due to the limits on availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in a survey of market size. Except as noted below, none of these publications, reports or other published industry sources were commissioned by us or prepared at our request and we have not sought or obtained the consent from any of these sources to include such market data in this prospectus.

Our belief that we are the world's largest independent developer of implants and related instruments and cases to orthopedic device manufacturers is supported by a report prepared in August 2004 by Knowledge Enterprises, Inc. at our request. Knowledge Enterprises is a strategic services firm focused on the global orthopedic market and has consented to our use of this report. This report identifies the key orthopedic suppliers and the total estimated 2003 orthopedic sales for such suppliers.

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**The Offering**

Common stock offered by Symmetry 8,000,000 shares

Common stock outstanding after this offering 32,792,318 shares

Use of proceeds We intend to use approximately \$36.4 million of the net proceeds from this offering to repay all of our existing subordinated indebtedness, of which \$8.0 million is held by the Olympus funds, and approximately \$45.0 million to repay a portion of our existing senior indebtedness. We also intend to use approximately \$16.2 million of the net proceeds to repurchase a portion of our outstanding preferred stock and preferred stock warrants, approximately 93% of which are held by our affiliates. In the aggregate, we expect that our affiliates will receive approximately \$23.0 million of the net proceeds from this offering, including \$0.1 million that will be paid to some of our directors and senior officers. See Use of Proceeds and Certain Relationships and Related Transactions.

Proposed NYSE symbol SMA

The number of shares of our common stock to be outstanding immediately after this offering excludes:

872,195 shares of our common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of \$0.01 per share;

830,955 shares of our common stock issuable upon the exercise of outstanding stock options at a weighted average exercise price of \$3.03 per share; and

2,293,526 shares of our common stock reserved for future issuance under our stock option and stock purchase plans.

Except as otherwise indicated, all of the information presented in this prospectus assumes the following:

the repurchase of 13,005 shares of our outstanding preferred stock and warrants to purchase 452 shares of our preferred stock, approximately 93% of which are held by our affiliates, including 11,000 shares and warrants held by the Olympus funds, in connection with this offering;

the conversion of the 88,583 shares of our outstanding preferred stock and warrants to purchase 3,078 shares of our preferred stock not repurchased into 9,002,832 shares of our common stock and warrants to purchase 286,818 shares of our common stock prior to the completion of the offering;

the effectiveness of a 7.241-for-1 stock split of our common stock, which will occur prior to the offering;

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an initial public offering price of \$14.00 per share, the mid-point of the range set forth on the cover page of this prospectus;

the effectiveness of our restated certificate of incorporation and restated by-laws, which will become effective prior to the completion of the offering; and

no exercise of the underwriters' over-allotment option.

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The following tables summarize our consolidated financial data for the periods presented. We have derived the summary consolidated financial data as of and for fiscal years 2001, 2002 and 2003 from our audited consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements as of and for fiscal years 2002 and 2003 have been audited by Ernst & Young LLP, and our consolidated financial statements as of and for fiscal year 2001 have been audited by Arthur Andersen LLP. For more information, see Experts. The financial data as of October 2, 2004 and for the nine months ended October 4, 2003 and October 2, 2004, are derived from our unaudited consolidated financial statements, which in the opinion of management, contain all adjustments necessary for a fair presentation of the consolidated financial data. Operating results for these periods are not necessarily indicative of the results of operations for a full year.

The summary pro forma as adjusted consolidated statement of operations data for the fiscal year 2003 and nine months ended October 4, 2003 give effect to the Mettis acquisition, the sale of 8,000,000 shares of our common stock and the application of the net proceeds therefrom as described under Use of Proceeds, the conversion of all of our remaining shares of preferred stock into common stock and the refinancing of our remaining senior indebtedness under a new senior credit facility as if such transactions occurred on December 29, 2002. The summary pro forma as adjusted consolidated statements of operations data for the nine months ended October 2, 2004 give effect to the same transactions, other than the Mettis acquisition, which is already reflected in such financial data.

You should read the following information together with the information under Selected Consolidated Financial Data, Unaudited Pro Forma Consolidated Statement of Operations, Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the related notes included elsewhere in this prospectus.

	(unaudited)							
	Fiscal Year				Nine Months Ended			
	2001	2002	2003(1)	Pro Forma As Adjusted 2003	October 4, 2003	Pro Forma As Adjusted October 4, 2003	October 2, 2004	Pro Forma As Adjusted October 2, 2004
(dollars in thousands, except share and per share data)								
<b>Consolidated Statement</b>								
<b>of Operations Data:</b>								
Revenue	\$ 66,495	\$ 65,395	\$ 122,029	\$ 158,355	\$ 84,736	\$ 121,062	\$ 153,053	\$ 153,053
Cost of revenue	48,205	47,859	86,124	112,389	59,011	85,276	108,363	108,363
Gross profit	18,290	17,536	35,905	45,966	25,725	35,786	44,690	44,690
Selling, general and administrative expenses	10,494	9,440	17,115	23,508	11,893	18,286	16,975	16,975
Operating income	7,796	8,096	18,790	22,458	13,832	17,500	27,715	27,715
Interest expense	5,070	4,968	10,172	5,102	6,607	4,116	10,852	4,244
Loss on debt extinguishment(2)			1,436	1,436	1,436	1,436		
Interest rate swap valuation(3)	847	979	(1,358)	(1,272)	(857)	(771)	(809)	(809)
Other expense (income)	290	(42)	(374)	(411)	(171)	(208)	(230)	(230)
	1,589	2,191	8,914	17,603	6,817	12,927	17,902	24,510

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Income (loss) before income taxes and cumulative effect of accounting change								
Income tax expense	1,400	841	3,009	5,949	2,302	4,371	6,108	8,361
Net income (loss) before cumulative effect of accounting change	189	1,350	5,905	11,654	4,515	8,556	11,794	16,149
Cumulative effect of accounting change(4)	(293)	(1,146)						
Net income (loss)	(104)	204	5,905	11,654	4,515	8,556	11,794	16,149

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	Fiscal Year				(unaudited) Nine Months Ended			
			Pro Forma As Adjusted				Pro Forma As Adjusted	
	2001	2002	2003(1)	2003	October 4, 2003	October 4, 2003	October 2, 2004	October 2, 2004
Preferred stock dividends	(3,185)	(4,410)	(7,028)		(4,757)		(7,069)	
Net income (loss) applicable to common shareholders	\$ (3,289)	\$ (4,206)	\$ (1,123)	\$ 11,654	\$ (242)	\$ 8,556	\$ 4,725	\$ 16,149
Net income (loss) per share:								
Basic	\$ (0.48)	\$ (0.61)	\$ (0.10)	\$ 0.36	\$ (0.02)	\$ 0.26	\$ 0.30	\$ 0.49
Diluted	(0.48)	(0.61)	(0.10)	0.34	(0.02)	0.25	0.28	0.47
Weighted average common shares and equivalent shares outstanding:								
Basic	6,854,736	6,905,800	11,797,842	32,792,318	9,699,423	32,792,318	15,789,486	32,792,318
Diluted	6,854,736	6,905,800	11,797,842	34,093,599	9,699,423	34,093,599	16,616,212	34,093,599

**As of October 2, 2004**

	Actual	As Adjusted (5)
	(dollars in thousands) (unaudited)	
<b>Consolidated Balance Sheet Data:</b>		
Cash and cash equivalents	\$ 1,980	\$ 1,980
Working capital	37,425	41,150
Total assets	287,252	283,902
Long-term debt and capital lease obligations less current portion	128,740	57,009
Total shareholders' equity	112,330	184,434

- (1) Includes the results of Mettis since its acquisition on June 11, 2003.
- (2) In fiscal 2003, we refinanced substantially all of our existing indebtedness as part of the financing of the acquisition of Mettis, resulting in a loss on debt extinguishment of \$1,436.
- (3) We enter into interest rate swap agreements to offset against changes in interest rates on our variable rate long-term debt. In accordance with Statement of Financial Accounting Standards (SFAS) No. 133, as amended, *Accounting for Derivative Instruments and Hedging Activities*, these agreements do not qualify for hedge accounting and accordingly, changes in the fair market value of these agreements are recorded each period in earnings.
- (4) For fiscal 2001, reflects the cumulative effect of change in accounting principles resulting in the adoption of SFAS No. 133. For fiscal 2002, reflects a write-off of goodwill in connection with the adoption of SFAS No. 142, *Goodwill and Other Intangible Assets*. Upon completion of the adoption of SFAS No. 142, we determined that the fair market value of the goodwill was lower than book value for one reporting unit, which resulted in an impairment charge.
- (5) The As Adjusted column in the consolidated balance sheet data as of October 2, 2004 gives effect to the sale of 8,000,000 shares of our common stock and the application of the net proceeds therefrom as described under "Use of Proceeds," the conversion of our outstanding shares of preferred stock not repurchased into 9,002,832 shares of our common stock and the refinancing of our remaining senior indebtedness under a new senior credit facility.

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**RISK FACTORS**

*An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information in this prospectus, before making a decision to invest in our common stock. If any of the following risks actually occur, our business, financial condition, results of operations and our future growth prospects could suffer. Under these circumstances, the trading price of our common stock could decline, and you may lose all or part of your investment in our common stock.*

**Risks Related to Our Business**

*We depend heavily on sales to our significant customers, and our business could be adversely affected if any of them reduced or terminated its purchases from us.*

A limited number of large orthopedic device manufacturers, all of whom are our customers, control the predominate share of the orthopedic device market. We depend heavily on sales to these large companies. Sales to our ten largest customers represented approximately 77.7% and 68.3% of our revenue in the nine months ended October 2, 2004 and fiscal 2003, respectively. Our four largest customers accounted for approximately 22.6%, 15.2%, 14.7% and 10.3% of our revenue in the nine months ended October 2, 2004 and our three largest customers accounted for approximately 19.5%, 14.7% and 10.5% of our revenue in fiscal 2003.

We expect that we will continue to depend on a limited number of large companies for a significant portion of our revenue. In addition, our customer base could become more concentrated if, among other things, there is further consolidation among orthopedic device manufacturers. If a significant customer reduces or delays orders from us, terminates its relationship with us or fails to pay its obligations to us, our revenues could decrease significantly.

*If we are unable to continue to improve our products and to develop new products, we may experience a decrease in demand for our products or our products could become obsolete, and our business would suffer.*

We sell our products to customers in markets that are characterized by technological change, product innovation and evolving industry standards. We are continually engaged in product development and improvement programs, both in collaboration with our customers and independently. Our customers may engage in additional in-house development and manufacturing, and we may be unable to compete effectively with our independent competitors, unless we can continue to develop and assist our customers in developing innovative products. Our competitors' product development capabilities could become more effective than ours, and their new products may get to market before our products, may be more effective or less expensive than our products or render our products obsolete. If one or more of these events were to occur, our business, financial condition and results of operation could be adversely affected. See **Business Competition** for more information about our principal competitors.

*We face competition from our customers' in-house capabilities, established independent suppliers and potential new market entrants, and if we lose customers it could have an adverse effect on our revenue and operating results.*

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Our customers have varying degrees of development and manufacturing capabilities and one or more of them may seek to expand their in-house capabilities in the future. Many of our customers are larger and have greater financial and other resources than we do and can commit significant resources to product development and manufacturing. Most of our independent competitors are smaller companies, many of which have close customer relationships and either a low cost structure or highly specialized design or production capabilities. Our independent competitors may consolidate and some of our current and future competitors, either alone or in conjunction with their respective parent corporate groups, may have financial resources and research and development, sales and marketing and manufacturing capabilities or brand recognition that are greater than ours. In addition, the innovative nature of our markets may attract new entrants to the field. Our products may not be able to compete successfully with the products of other companies, which could result in the loss of customers and, as a result, decreased revenue and operating results.



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*If product liability lawsuits are brought against us or our customers our business may be harmed.*

The manufacture and sale of our healthcare and other products, including our aerospace products, expose us to potential product liability claims and product recalls, including those which may arise from misuse or malfunction of, or design or manufacturing flaws in, our products, or use of our products with components or systems not manufactured by us. Future product liability claims or product recalls, regardless of their ultimate outcome, could require us to spend significant time or money in litigation or otherwise require us to pay significant damages, which could adversely affect our earnings and financial condition.

We carry product liability insurance which is limited in scope and amount and may not be adequate to protect us against product liability claims that arise in the future. We may be unable to maintain this insurance at reasonable costs and on reasonable terms, if at all.

*Our business strategy is based on certain assumptions about the orthopedic device market and the acceptance by our customers of our Total Solutions offering, which, if incorrect, may adversely affect our growth and profitability.*

We believe that the aging of the general population and increasingly active lifestyles and other trends in the industry will increase the need for orthopedic implant products, which we expect to increase demand for our products. Our expectations regarding demand for our products could materially differ from actual demand if our assumptions regarding these trends and continued acceptance of our products by orthopedic device manufacturers and the end-user market prove to be incorrect.

Prior to our acquisition of Mettis we provided instruments and cases. The acquisition of Mettis, on June 11, 2003, enabled us to offer our customers complete implant systems implants, instruments and cases. Our revenue to date have been derived primarily from the sale of implants, instruments and cases separately, or instruments and cases together, and we have derived relatively little revenue from sales of our Total Solutions offering. We cannot assure you that we will realize the expected benefits of our Total Solutions offering. Customers may not embrace our Total Solutions approach for a number of reasons, including a desire to maintain relationships with multiple outside suppliers or to rely on their in-house capabilities to develop and produce significant elements of their implant systems. In addition, we may not effectively implement our Total Solutions approach, including by not effectively managing our marketing, design, development or manufacturing activities across multiple product lines. Finally, if our competitors successfully replicate our products and services, then our Total Solutions approach may not provide us with a competitive advantage in the market. If we do not realize the expected benefits of our Total Solutions approach, we may not achieve our growth and profit goals.

*Our operating results are subject to significant potential fluctuation and you should not rely on historical results as an indication of our future results.*

Our operating results have fluctuated in the past and may vary significantly from quarter to quarter or year to year in the future due to a combination of factors, many of which are beyond our control. These factors include:

the timing of significant orders and shipments, including the effects of changes in inventory management practices by our customers;

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the number, timing and significance of new products and product introductions and enhancements by us, our customers and our competitors;

changes in pricing policies by us and our competitors;

changes in treatment practices;

restrictions and delays caused by regulatory review of our customers' products;

recalls of our customers' products;

availability and cost of raw materials; and

general economic factors.

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Our recent acquisition of Mettis may make it more difficult for us to evaluate and predict our future operating performance because our historical results of operations as a combined entity are limited and our audited financial statements only reflect the operations of Mettis since we acquired it in June 2003. Consequently, our historical results of operations may not give you an accurate indication of how we, together with the former Mettis operations, will perform in the future.

Our quarterly revenue and operating results may vary significantly in the future and period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indications of our future performance. We cannot assure you that our revenue will increase or be sustained in future periods or that we will be profitable in any future period. Any shortfalls in revenue or earnings from levels expected by securities or industry analysts could have an immediate and significant adverse effect on the trading price of our common stock in any given period.

***If we do not retain key individuals and retain and attract skilled manufacturing workers, we may not be able to operate successfully, and we may not be able to meet our strategic objectives.***

Our success depends in part upon the retention of key managerial, sales and technical personnel, particularly skilled manufacturing workers. We compete for such personnel with other companies and other organizations, many of which are larger and have greater name recognition and financial and other resources than we do. There can be no assurance that we will be successful in retaining our current personnel or in hiring or retaining qualified personnel in the future. The loss of key personnel or the inability to hire or retain qualified personnel in the future could have a material adverse effect on our ability to operate successfully.

We compete with numerous precision manufacturing companies to attract and retain qualified and highly skilled manufacturing employees. Our Warsaw, Indiana facilities, in particular, face significant competition, including from certain of our customers and other companies located in or near Warsaw that are larger and have greater financial and other resources than we do, for skilled production employees. If we are not able to retain and attract skilled manufacturing employees, we may be unable to support our anticipated growth, which could adversely affect our profitability.

***A significant shift in technologies or methods used in the treatment of damaged or diseased bone and tissue could make our products obsolete or less attractive.***

The development of new technologies could reduce demand for our products. For example, pharmaceutical advances could result in non-surgical treatments gaining more widespread acceptance as a viable alternative to orthopedic implants. The emergence of new biological tissue-based or synthetic materials to regenerate damaged or diseased bone and to repair damaged tissue could increasingly minimize or delay the need for implant surgery and provide other biological alternatives to orthopedic implants. New surgical procedures could diminish demand for our instruments. A significant shift in technologies or methods used in the treatment of damaged or diseased bone and tissue could adversely affect demand for our products.

***We depend on various third party suppliers, and in some cases a single third party supplier, for key components and raw materials used in our manufacturing processes and the loss of these sources could harm our business.***

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We use a number of raw materials, including titanium, cobalt chrome, stainless steel and nickel alloys, and various other components in our products. Although we generally believe these materials are readily available from multiple sources, from time to time we rely on a limited number of suppliers and in some cases on a single source vendor. For example, we obtain patented Radel R plastic, which is designed to withstand intense heat produced during frequent sterilizations, for use in our instrument handles and plastic cases from a single supplier. Any supply interruption in a limited or sole-sourced component or raw material could materially harm our ability

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to manufacture our products until a new source of supply, if any, could be found. We may be unable to find a sufficient alternative supply channel in a reasonable time period or on commercially reasonable terms if at all. This could interrupt our business or reduce the quality of our products.

*If we are unable to manage changes in our business and our anticipated growth, our business could be harmed.*

Our acquisition of Mettis on June 11, 2003 significantly increased the size and scope of our operations. Our business has continued to grow at a fast pace since the acquisition, and we believe we will continue to grow at a significant rate. Rapid growth of our business may place a strain on our managerial, operational and financial resources and systems. We are still in the process of completing our integration of Mettis' business, and we cannot assure you that we will be successful in our integration efforts. We are also currently implementing new management information systems to assist us in consolidating our enterprise-wide operating and financial performance information. To execute our anticipated growth successfully, we must attract and retain qualified personnel and manage and train them effectively. Any failure by us to implement our new management information systems, to integrate Mettis successfully, to develop our management, expand our work force or otherwise manage our growth effectively could have an adverse effect on our ability to achieve our business strategy. Our growth may be impaired if we are unable to meet the demands of our customers, which could result in our customers turning to alternative suppliers.

*We require a significant amount of cash to service our indebtedness, which reduces the cash available to finance our organic growth and strategic acquisitions, alliances and collaborations.*

We have a significant amount of indebtedness. As of October 2, 2004, on an as adjusted basis giving effect to this offering and the application of proceeds herefrom, our total indebtedness, including current maturities, would have been \$62.7 million, and we would have been able to borrow an additional \$24.9 million under our new senior credit facility that we will enter into in connection with this offering. As of October 2, 2004, on an as adjusted basis, our required debt service obligations under the new senior credit facility would have been \$3.5 million, \$5.2 million, \$7.0 million, \$8.8 million and \$25.6 million during the following five fiscal years, respectively.

Our indebtedness could:

make us more vulnerable to unfavorable economic conditions;

make it more difficult to obtain additional financing in the future for working capital, capital expenditures or other general corporate purposes;

require us to dedicate or reserve a large portion of our cash flow from operations for making payments on our indebtedness, which would prevent us from using it for other purposes;

make us susceptible to fluctuations in market interest rates that affect the cost of our borrowings to the extent that our variable rate debt is not covered by interest rate derivative agreements; and

make it more difficult to pursue strategic acquisitions, alliances and collaborations.

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Our ability to service our indebtedness will depend on our future performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors. Some of these factors are beyond our control. We believe that, based upon current levels of operations, we will be able to meet our debt service obligations when due. Significant assumptions underlie this belief including, among other things, that we will continue to be successful in implementing our business strategy and that there will be no material adverse developments in our business, liquidity or capital requirements. If we cannot generate sufficient cash flow from operations to service our indebtedness and to meet our other obligations and commitments, we might be required to refinance our debt or to dispose of assets to obtain funds for such purpose. We cannot assure you that refinancings or asset dispositions could be effected on a timely basis or on satisfactory terms, if at all, or would be permitted by the terms of our debt instruments.

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***Our new senior credit facility will contain restrictions that limit our ability to pay dividends, incur additional debt, make acquisitions and make other investments.***

In connection with this offering, we will enter into a new senior credit facility. The new senior credit facility will contain covenants that restrict our ability to make distributions to stockholders or other payments unless we satisfy certain financial tests and comply with various financial ratios. If we do not satisfy these tests or comply with these ratios, our creditors could declare a default under our debt instruments, and our indebtedness could be declared immediately due and payable. Our ability to comply with the provisions of our new senior credit facility may be affected by changes in economic or business conditions beyond our control.

Our new senior credit facility will also contain covenants that limit our ability to incur indebtedness, acquire other businesses, make capital expenditures and impose various other restrictions. These covenants could affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities as they arise. We may be unable to comply with the forgoing financial ratios or covenants and, if we fail to do so, we may be unable to obtain waivers from our lenders. See Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

***Our future capital needs are uncertain and we may need to raise additional funds in the future.***

Our future capital needs are uncertain and we may need to raise additional funds in the future through debt or equity offerings. Our future capital requirements will depend on many factors, including:

revenue generated by sales of our products;

expenses incurred in manufacturing and selling our products;

costs of developing new products or technologies;

costs associated with capital expenditures;

costs associated with our expansion;

costs associated with regulatory compliance, including maintaining compliance with the quality system regulations imposed by the FDA; and

the number and timing of acquisitions and other strategic transactions.

As a result of these factors, we may need to raise additional funds, and these funds may not be available on favorable terms, or at all. Furthermore, if we issue equity or convertible debt securities to raise additional funds, our existing stockholders may experience dilution, and the new equity or convertible debt securities may have rights, preferences and privileges senior to those of our existing stockholders. If we

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cannot raise funds on acceptable terms, we may not be able to develop or enhance our products, execute our business strategy, take advantage of future opportunities, or respond to competitive pressures or unanticipated customer requirements.

*We may not realize all of the sales expected from new product development programs.*

We incur substantial expenses in developing and testing new products and related devices. The realization of additional revenue from new product development efforts is inherently subject to a number of important risks and uncertainties, including, directly or indirectly, end-user acceptance of the product, reimbursement approval of third-party payors such as Medicaid, Medicare and private insurers and, in some cases, FDA or comparable foreign regulatory approval of the product. In addition, our customers typically have no contractual requirement to purchase from us the products that we develop for their medical devices, and they could seek to have another supplier or in-house facilities manufacture products that we have developed for their medical devices. We also incur costs and make capital expenditures for new product development and production based upon certain estimates of production volumes for our existing and anticipated products. If the actual demand for our products is less than planned, our revenue and net income may decline.



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*Our earnings could decline if we write off goodwill or intangible assets created as a result of our various acquisitions.*

As a result of our various acquisitions we have accumulated a substantial amount of goodwill, amounting to \$125.5 million as of October 2, 2004, or approximately 43.7% of our total assets as of such date. Goodwill and certain intangible assets are not amortized but rather are tested for impairment by us annually or more frequently if an event occurs or circumstances develop that would likely result in impairment. Examples of such events or circumstances include, but are not limited to, a significant adverse change in legal or business climate, an adverse regulatory action or unanticipated competition. We completed annual impairment tests as of October 1, 2003 and 2002 and concluded at those dates that no impairment of goodwill or intangible assets existed. During 2002, in connection with the adoption of SFAS No. 142, *Goodwill and Other Intangible Assets*, we recognized impairment of approximately \$1.1 million, which is reflected as a cumulative effect of an accounting change in our statement of operations. In the future, we could recognize impairment of our goodwill or other intangible assets and that impairment could result in a charge to our results of operation and have an adverse effect on our financial condition.

*We had net losses in fiscal years 2000 and 2001, and we may not be profitable in the future.*

We experienced net losses of \$5.9 million and \$0.1 million in fiscal years 2000 and 2001, respectively. These net losses resulted primarily from interest expense on funds borrowed in connection with our 2000 recapitalization and other expenses related to the recapitalization. There can be no assurance that we will be profitable in the future.

We anticipate incurring a pre-tax charge of approximately \$9.3 million on the early extinguishment of debt in the quarter this offering is completed. As a result of this charge, it is likely we will report a net loss in that quarter.

*If we are unable to protect our intellectual property and property rights, or are subject to intellectual property claims by third parties, our business could be harmed.*

We rely on a combination of patents, trade secrets, copyrights, know-how, trademarks, license agreements and contractual provisions to establish and protect our proprietary rights to our technologies and products. We cannot guarantee that the steps we have taken or will take to protect our intellectual property rights will be adequate or that they will deter infringement, misappropriation or violation of our intellectual property. Litigation may be necessary to enforce our intellectual property rights and to determine the validity and scope of our proprietary rights. Any litigation could result in substantial expenses and may not adequately protect our intellectual property rights. In addition, the laws of some of the countries in which our products are or may be sold may not protect our products and intellectual property to the same extent as U.S. laws, or at all. We may be unable to protect our rights in trade secrets and unpatented proprietary technology in these countries. If our trade secrets become known, we may lose our competitive advantages.

We seek to protect our trade secrets, know-how and other unpatented proprietary technology, in part, with confidentiality agreements with our employees, independent distributors and customers. We cannot assure you, however, that:

these agreements will not be breached;

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we will have adequate remedies for any breach; or

trade secrets, know-how and other unpatented proprietary technology will not otherwise become known to or independently developed by our competitors.

We hold licenses with third parties that are necessary to utilize certain technologies used in the design and manufacturing of some of our products. The loss of such licenses would prevent us from manufacturing, marketing and selling these products, which could harm our business.

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In addition, third parties may claim that we are infringing, misappropriating or violating their intellectual property rights. We could be found to infringe those intellectual property rights, which could affect our ability to manufacture any affected product. In addition, any protracted litigation to defend or prosecute our intellectual property rights could drain our financial resources, divert the time and effort of our management and cause customers to delay or limit their purchases of the affected product until resolution of the litigation.

Any litigation or claims against us, whether or not successful, could result in substantial costs and harm our reputation. In addition, intellectual property litigation or claims could force us to do one or more of the following:

cease selling or using any of our products that incorporate the challenged intellectual property, which could adversely affect our revenue;

obtain a license from the holder of the intellectual property right alleged to have been infringed, which license may not be available on reasonable terms, if at all; and

redesign or, in the case of trademark claims, rename our products to avoid infringing the intellectual property rights of third parties, which may not be possible and could be costly and time-consuming if it is possible to do so.

***Efforts to acquire other companies or product lines may divert our managerial resources away from our business operations, and if we complete an acquisition, we may incur or assume additional liabilities or experience integration problems.***

We may seek to acquire businesses or product lines for various reasons, including to provide new product manufacturing and service capabilities, add new customers, increase penetration with existing customers or expand into new geographic markets. Our ability to successfully grow through acquisitions depends upon our ability to identify, negotiate, complete and integrate suitable acquisitions and to obtain any necessary financings. These efforts could divert the attention of our management and key personnel from our business operations. If we complete acquisitions, we may also experience:

difficulties in integrating any acquired companies, personnel and products into our existing business;

delays in realizing the benefits of the acquired company or products;

diversion of our management's time and attention from other business concerns;

limited or no direct prior experience in new markets or countries we may enter;

higher costs of integration than we anticipated;

difficulties in retaining key employees of the acquired business who are necessary to manage these businesses;

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difficulties in maintaining uniform standards, controls, procedures and policies throughout our acquired companies; or

adverse customer reaction to the business combination.

In addition, an acquisition could materially impair our operating results by causing us to incur debt or requiring us to amortize acquisition expenses and acquired assets.

***We are subject to certain risks associated with our foreign operations.***

We have significant international operations, specifically in the United Kingdom and France. Certain risks are inherent in international operations, including:

difficulties in enforcing agreements and collecting receivables through certain foreign legal systems;

foreign customers who may have longer payment cycles than customers in the United States;

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tax rates in certain foreign countries that may exceed those in the United States and foreign earnings that may be subject to withholding requirements or the imposition of tariffs, exchange controls or other restrictions including transfer pricing restrictions when products produced in one country are sold to an affiliated entity in another country;

general economic and political conditions in countries where we operate or where end-users of orthopedic devices reside may have an adverse effect on our operations;

difficulties associated with managing a large organization spread throughout various countries;

difficulties in enforcing intellectual property rights; and

required compliance with a variety of foreign laws and regulations.

If we continue to expand our business globally, our success will depend, in part, on our ability to anticipate and effectively manage these and other risks. We cannot assure you that these and other factors will not have a material adverse effect on our international operations or our business as a whole.

***Currency exchange rate fluctuations could have an adverse effect on our revenue and financial results.***

We generate a significant portion of our revenue and incur a significant portion of our expenses in currencies other than U.S. dollars. To the extent that we are unable to match revenue received in foreign currencies with costs incurred in the same currency, exchange rate fluctuations in any such currency could have an adverse effect on our financial results.

***We may be adversely affected as a result of the long lead times required for sales of certain new products.***

We often compete for business at the beginning of the development of new medical devices or upon customer redesign of existing medical devices. Our customers generally must obtain clearance or approval from the FDA before commercially distributing their products. Unless exempt, a new medical device must be approved for commercial distribution in the United States by the FDA through the 510(k) pre-market Notification Process or, in some cases, through the more burdensome pre-market approval, or PMA, process. It generally takes three to six months from the date of submission to the FDA to obtain 510(k) clearance and one to three years from the date of submission to the FDA to obtain approval through the PMA process, but in each case may take significantly longer. This results in long lead times for some of our customers' new products, which may make it difficult in the short term for us to obtain sales of new products to replace any unexpected decline in sales of existing products.

***We may be adversely impacted by work stoppages and other labor matters.***

Currently, none of our employees are unionized. However, from time to time some of our employees have attempted to unionize at two of our facilities. In addition, some of our orthopedic device customers have unionized work forces. While we have not experienced any adverse effects

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from work stoppages or slow-downs at our customers' facilities, work stoppages or slow-downs experienced by us, our suppliers or our customers or their suppliers could result in slow-downs or closures of facilities where our products are made or used. We cannot assure you that we will not encounter strikes, further unionization efforts or other types of conflicts with labor unions or our employees, which could have an adverse effect on our financial results.

*If a natural or man-made disaster strikes one or more of our manufacturing facilities, we may be unable to manufacture certain products for a substantial amount of time and our revenue could decline.*

We have ten manufacturing facilities, which are located in the United States, the United Kingdom and France. These facilities and the manufacturing equipment and personnel know-how that we use to produce our products would be difficult to replace and could require substantial lead-time to repair or replace. Our facilities

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may be affected by natural or man-made disasters. In the event that one of our facilities was affected by a disaster, we would be forced to attempt to shift production to our other manufacturing facilities or rely on third-party manufacturers, and our other facilities or a third-party manufacturer may not have the capability to effectively supply the affected products. Although we have insurance for damage to our property and the interruption of our business, this insurance may not be sufficient in scope or amount to cover all of our potential losses and may not continue to be available to us on acceptable terms, or at all.

***Our former independent public accountant, Arthur Andersen LLP, has ceased operations, and you may be unable to exercise effective remedies against it in any legal action.***

Our former independent public accountant, Arthur Andersen LLP, provided us with auditing services for fiscal year 2001, including issuing an audit report with respect to our audited consolidated financial statements as of and for fiscal 2001 included elsewhere in this prospectus. On June 15, 2002, a jury in Houston, Texas found Arthur Andersen LLP guilty of a federal obstruction of justice charge arising from the federal government's investigation of Enron Corp. On August 31, 2002, Arthur Andersen LLP ceased practicing before the United States Securities and Exchange Commission, or SEC.

Arthur Andersen LLP has not reissued its audit report with respect to the audited consolidated financial statements included in this prospectus covered by such report. Furthermore, Arthur Andersen LLP has not consented to the inclusion or incorporation by reference of its audit report in the registration statement of which this prospectus forms a part or in any other filings we may make with the SEC. As a result, you may not have an effective remedy against Arthur Andersen LLP in connection with a material misstatement or omission with respect to our audited consolidated financial statements that are included elsewhere in this prospectus, the registration statement of which this prospectus forms a part or any other filing we may make with the SEC, including any claim under Sections 11 and 12 of the Securities Act of 1933, as amended, or the Securities Act. In addition, even if you were able to assert such a claim, as a result of its conviction and other lawsuits, Arthur Andersen LLP may fail or otherwise have insufficient assets to satisfy claims made by investors or by us that might arise under federal securities laws or otherwise relating to any alleged material misstatement or omission with respect to our audited consolidated financial statements. In addition, in connection with any future capital markets transaction in which we are required to include financial statements that were audited by Arthur Andersen LLP, as a result of the foregoing investors may elect not to participate in any such offering or, in the alternate, may require us to obtain a new audit with respect to previously audited financial statements. Consequently, our financing costs may increase or we may miss attractive capital market opportunities.

## **Risks Related to Our Industry**

***Orthopedic device manufacturers have significant leverage over their independent suppliers and consolidation could increase their leverage, which could result in the loss of customers or force us to reduce our prices.***

We compete with many distributors and manufacturers to develop and supply implants, surgical instruments and cases to a limited number of large orthopedic device manufacturers. As a result, orthopedic device manufacturers have historically had significant leverage over their independent suppliers. For example, independent suppliers like us are subject to continuing pressure from the major orthopedic device manufacturers to reduce the cost of products and services while maintaining quality levels. In recent years, the medical device industry has experienced substantial consolidation. If the medical device industry, and the orthopedic device industry in particular, continues to consolidate, competition to provide products and services to orthopedic device manufacturers may become more intense. Orthopedic device manufacturers may seek to use their market power to negotiate price or other concessions for our products. If we are forced to reduce prices or if we lose customers because of competition, our revenue and results of operations would suffer.





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***Our business is indirectly subject to healthcare industry cost containment measures that could result in reduced sales of or prices for our products.***

Acceptance of our customers' products by hospitals, outpatient centers and physicians depend on, among other things, reimbursement approval of third-party payors such as Medicaid, Medicare and private insurers. The continuing efforts of government, insurance companies and other payors of healthcare costs to contain or reduce those costs could lead to lower reimbursement rates or non-reimbursement for medical devices that use our products. If that were to occur, medical device manufacturers might insist that we lower prices on products related to the affected medical device or they might significantly reduce or eliminate their purchases from us of these related products, which could affect our profitability.

***We and our customers are subject to substantial government regulation that is subject to change and could force us to make modifications to how we develop, manufacture and price our products.***

The medical device industry is regulated extensively by governmental authorities, principally the FDA and corresponding state and foreign regulatory agencies. Some of our manufacturing processes are required to comply with quality systems regulations, including current good manufacturing practice requirements that cover the methods and documentation of the design, testing, production, control, quality assurance, labeling, packaging and shipping of our products. Further, some of our facilities, records and manufacturing processes are subject to periodic unscheduled inspections by the FDA or other agencies. Failure to comply with applicable medical device regulatory requirements could result in, among other things, warning letters, fines, injunctions, civil penalties, repairs, replacements, refunds, recalls or seizures of products, total or partial suspensions of production, refusal of the FDA or other regulatory agencies to grant future pre-market clearances or approvals, withdrawals or suspensions of current clearances or approvals and criminal prosecution.

In addition, orthopedic implants and other medical devices produced by our customers are subject to intensive regulation and potential pre-approval requirements by the FDA and similar international agencies that govern a wide variety of product activities from design and development to labeling, manufacturing, promotion, sales and distribution. Compliance with these regulations may be time consuming, burdensome and expensive for our customers and, indirectly, for us to the extent that our customers' compliance depends on our operations. These regulations could negatively affect our customers' abilities to sell their products, which in turn would adversely affect our ability to sell our products. This may result in higher than anticipated costs or lower than anticipated revenue.

The regulations that we and our customers are subject to are complex, change frequently and have tended to become more stringent over time. Federal and state legislatures have periodically considered programs to reform or amend the U.S. healthcare system at both the federal and state levels. In addition, these regulations may contain proposals to increase governmental involvement in healthcare, lower reimbursement rates or otherwise change the environment in which healthcare industry participants operate. Foreign governmental authorities that regulate the manufacture and sale of medical devices have become increasingly stringent and, to the extent we sell our products in foreign countries, we may be subject to rigorous regulation in the future. Regulatory changes could result in restrictions on our ability to carry on or expand our operations, higher than anticipated costs or lower than anticipated revenue.

***If our customers fail to obtain, or experience significant delays in obtaining, FDA clearances or approvals to commercially distribute our future products our ability to sell our products could suffer.***

Some of our medical devices are subject to rigorous regulatory pre-approval by the FDA and other federal, state and foreign governmental authorities. Our customers are typically responsible for obtaining the applicable regulatory approval for the commercial distribution of our

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products. The process of obtaining this approval, particularly from the FDA, can be costly and time consuming, and there can be no assurance that our customers will obtain the required approvals on a timely basis, if at all. The FDA, for example, assigns medical devices to one of three classes which determines, among other things, the type and degree of FDA approval required to

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commercially distribute the device in the United States. We produce Class I, II and III devices. Class I devices are deemed to present little risk to patients and are generally exempt from FDA approval requirements. Class II devices can generally be commercially distributed only after the device has received 510(k) clearance. The FDA will clear marketing of a medical device through the 510(k) process if certain design, testing and validation requirements are met and it is demonstrated that the device is substantially equivalent to a device that was legally marketed prior to May 28, 1976, or to another commercially available device subsequently cleared through the 510(k) Pre-Market Notification process. This process generally takes three to six months, but may take substantially longer. Before a Class III device can be commercially distributed in the United States, a pre-market approval, or PMA, must be obtained from the FDA. The PMA process can be expensive and uncertain, requires detailed and comprehensive scientific and other data and generally takes between one and three years, but may take significantly longer. The commercial distribution of any products we develop that require regulatory clearance may be delayed. In addition, because we cannot assure you that any new products or any product enhancements we develop for commercial distribution in the United States will be exempt from the FDA market clearance requirements or subject to the shorter 510(k) clearance process, the regulatory approval process for our products or product enhancements may take significantly longer than anticipated by us or our customers.

*We may be adversely affected by the impact of environmental and safety regulations.*

We are subject to foreign, federal, state, local and foreign laws and regulations governing the protection of the environment and occupational health and safety, including laws regulating air emissions, wastewater discharges, and the management and disposal of hazardous materials and wastes; and the health and safety of our employees. We are also required to obtain permits from governmental authorities for certain operations. If we violate or fail to comply with these laws, regulations or permits, we could incur fines, penalties or other sanctions, which could have a material adverse effect on us. Environmental laws tend to become more stringent over time, and we could incur material expenses in the future relating to compliance with future environmental laws. In addition, we could be held responsible for costs and damages arising from any contamination at our past or present facilities or at third-party waste disposal sites. Such costs could be material. We cannot completely eliminate the risk of contamination or injury resulting from hazardous materials, and we may incur material liability as a result of any contamination or injury.

### **Risks Relating to this Offering**

*The price of our common stock may be volatile and you may not be able to sell your shares at or above the initial offering price.*

Prior to this offering, there has been no public market for our common stock. An active and liquid trading market for our common stock may not develop or be sustained following this offering. We will establish the initial public offering price through negotiations with the representatives of the underwriters. You should not view the price they and we establish as any indication of the price that will prevail in the trading market. The market price for our common stock may decline below the initial public offering price and our stock price is likely to be volatile. You may not be able to sell your shares at or above the initial public offering price.

There has been significant volatility in the market price and trading volume of securities of companies operating in the medical device industry, which has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock. Price declines in our common stock could result from general market and economic conditions and a variety of other factors, including:

actual or anticipated fluctuations in our operating results;

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our announcements or our competitors' announcements regarding new products, significant contracts, acquisitions or strategic investments;

loss of any of our key management or technical personnel;

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conditions affecting orthopedic device manufacturers or the medical device industry generally;

clinical trial results with respect to our customers' medical devices;

changes in our growth rates or our competitors' growth rates;

developments regarding our patents or proprietary rights, or those of our competitors;

FDA and international actions with respect to the government regulation of medical devices and third-party reimbursement practices;

public concern as to the safety of our products;

changes in health care policy in the United States and internationally;

conditions in the financial markets in general or changes in general economic conditions;

our inability to raise additional capital;

changes in stock market analyst recommendations regarding our common stock, other comparable companies or the medical device industry generally, or lack of analyst coverage of our common stock;

sales of our common stock by our executive officers, directors and five percent stockholders or sales of substantial amounts of common stock; and

changes in accounting principles.

In the past, following periods of volatility in the market price of a particular company's securities, litigation has often been brought against that company. If litigation of this type is brought against us, it could be extremely expensive and divert management's attention and the company's resources.

***If you purchase our common stock in this offering, you will incur immediate and substantial dilution in the book value of your shares.***

If you purchase shares in this offering, the value of your shares based on our actual book value will immediately be less than the offering price you paid. This reduction in the value of your equity is known as dilution. This dilution occurs in large part because our earlier investors paid substantially less than the initial public offering price when they purchased their shares. Investors purchasing common stock in this offering will incur immediate dilution of \$12.73 in net tangible book value per share of common stock, based on an assumed initial public offering price of \$14.00 per share, the mid point of the range on the cover of this prospectus. Investors will incur additional dilution upon the exercise of outstanding stock options and outstanding warrants. In addition, if we raise funds by issuing additional securities, the newly issued shares will

further dilute your percentage ownership of our company.

***Requirements associated with being a public company will require significant company resources and management attention.***

Prior to this offering, we have not been subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or the other rules and regulations of the SEC or any securities exchange relating to public companies. We are working with our independent legal, accounting and financial advisors to identify those areas in which changes should be made to our financial and management control systems to manage our growth and our obligations as a public company. These areas include corporate governance, corporate control, internal audit, disclosure controls and procedures and financial reporting and accounting systems. We have made, and will continue to make, changes in these and other areas. However, we cannot assure you that these and other measures we may take will be sufficient to allow us to satisfy our obligations as a public company on a timely basis.

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Following this offering, at the end of our 2005 fiscal year, we will be required to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act, which requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent auditors addressing these assessments. We may identify deficiencies which we may not be able to remediate in time to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404. In addition, if we fail to achieve and maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Moreover, effective internal controls, particularly those related to revenue recognition, are necessary for us to produce reliable financial reports and are important to helping prevent financial fraud. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our stock could drop significantly.

In addition, compliance with the various reporting and other requirements applicable to public companies will create additional costs for us and will require the time and attention of management. We cannot predict or estimate the amount of the additional costs we may incur, the timing of such costs or the degree of impact that our management's attention to these matters will have on our business.

In addition, being a public company could make it more difficult or more costly for us to obtain certain types of insurance, including directors and officers' liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

*Our voting stock is controlled by one principal stockholder whose interests may conflict with those of our other stockholders.*

Upon completion of this offering, the Olympus funds will own in excess of 50% of our outstanding shares of voting stock. As a result of this ownership, the Olympus funds will be able to direct our affairs and to approve any matter requiring the approval of our stockholders. Such matters include the election of directors, the adoption of amendments to our certificate of incorporation and by-laws and approval of mergers or sales of substantially all our assets. This concentration of ownership may also have the effect of delaying or preventing a change in control of our company or discouraging others from making tender offers for our shares, which could prevent stockholders from receiving a premium for their shares. The Olympus funds may cause corporate actions to be taken even if the interests of the Olympus funds conflict with the interests of our other stockholders. See Principal Stockholders.

*We are a controlled company within the meaning of the New York Stock Exchange rules and as a result will qualify for, and intend to rely on, exemptions from certain corporate governance requirements.*

Because the Olympus funds will own in excess of 50% of our outstanding shares of voting stock after the completion of this offering, we will be deemed a controlled company under the rules of the New York Stock Exchange, or the NYSE. As a result, we will qualify for, and intend to rely upon, the controlled company exception to the board of directors and committee requirements under the rules of the NYSE. Pursuant to this exception, we will be exempt from the rules that would otherwise require that our board of directors be comprised of a majority of independent directors, and that our compensation committee and nominating and corporate governance committee be comprised solely of independent directors (as defined under the rules of the NYSE), so long as the Olympus funds continue to own more than 50% of our outstanding shares of voting stock. Upon completion of this offering, our board of directors will be comprised of seven persons, three of which will be representatives of the Olympus funds and a fourth will be our current chief executive officer and, therefore, will not be independent. Furthermore, our compensation and nominating and corporate governance





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committees will not consist of a majority of independent directors. Accordingly, our stockholders will not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements. See Management Board and Committee Composition.

***A significant portion of our total outstanding shares are restricted from immediate resale but may be sold into the market in the near future. If there are substantial sales of our common stock or the perception that these sales could occur, the price of our common stock could decline.***

Sales of substantial amounts of our common stock in the public market after this offering, or the perception that these sales could occur, could adversely affect the price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. Upon completion of this offering, we will have outstanding 32.8 million shares of common stock, assuming no exercise of the underwriters over-allotment option. Of these shares, the 8.0 million shares of common stock sold in this offering will be freely tradable, without restriction, in the public market. After the lockup agreements pertaining to this offering expire 180 days from the date of this prospectus, an additional 24.8 million shares will be eligible for sale in the public market, subject to applicable manner of sale and other limitations under Rule 144 under the Securities Act. Following the expiration of the lock up period, parties to our stockholders agreement holding more than 50% of the shares subject to that agreement will be entitled, subject to certain exceptions, to demand registration rights with respect to the registration of shares under the Securities Act. If this right is exercised, holders of all shares subject to the stockholders agreement will be entitled to participate in such registration. By exercising their registration rights, and selling a large number of shares, these holders could cause the price of our common stock to decline. An estimated 24.8 million shares of common stock will be subject to our stockholders agreement upon completion of the offering. See Shares Eligible for Future Sale, Principal Stockholders and Underwriting.

***Our certificate of incorporation, our by-laws and Delaware law contain provisions that could discourage another company from acquiring us and may prevent attempts by our stockholders to replace or remove our current management.***

Provisions of the Delaware General Corporation Law, our certificate of incorporation and our by-laws may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace or remove our board of directors. These provisions include:

providing for a classified board of directors with staggered terms;

requiring supermajority stockholder voting to effect certain amendments to our certificate of incorporation and by-laws;

eliminating the ability of stockholders to call special meetings of stockholders;

prohibiting stockholder action by written consent;

establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

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limitations on the ability of stockholders to amend, alter or repeal the by-laws; and

the authority of the board of directors to issue, without stockholder approval, up to shares of preferred stock with such terms as the board of directors may determine and an additional shares of our common stock.

We will also be afforded the protections of Section 203 of the Delaware General Corporation Law, which would prevent us from engaging in a business combination with a person who becomes a 15.0% or greater stockholder for a period of three years from the date such person acquired such status unless certain board or stockholder approvals were obtained. See Description of Capital Stock.

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**CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to us. These statements may be found throughout this prospectus, particularly under the headings Summary, Risk Factors, Dividend Policy, Management's Discussion and Analysis of Financial Condition and Results of Operations and Business, among others. Forward-looking statements typically are identified by the use of terms such as may, will, should, expect, anticipate, believe, could, estimate, intend, words, although some forward-looking statements are expressed differently. You should consider statements that contain these words carefully because they describe our expectations, plans, strategies and goals and beliefs concerning future business conditions, our results of operations, financial position, and our business outlook or state other forward-looking information based on currently available information. The factors listed above under the heading Risk Factors and in the other sections of this prospectus provide examples of risks, uncertainties and events that could cause our actual results to differ materially from the expectations expressed in our forward-looking statements. These factors include, among other things, the following:

changes in general economic conditions in the United States and Europe;

our ability to retain existing customers and attract new customers;

the competitive nature of the orthopedic device market;

the pursuit of strategic acquisitions or encountering unforeseen difficulties in integrating acquisitions;

the degree to which we are leveraged and our significant debt service obligations;

the impact of work stoppages and other labor matters;

general economic or business conditions affecting the orthopedic device market being less favorable than expected;

our ability to anticipate changes in technology and regulatory standards and to successfully develop and introduce new and enhanced products on a timely basis;

the unpredictability of intellectual property protection and maintenance and other intellectual property issues;

any future changes in management or loss of key personnel;

unforeseen problems associated with international sales and operations, including gains and losses from foreign currency exchange; and

implementation of or changes in laws, regulations or policies that could negatively affect the orthopedic device market.

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The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. Except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, even if new information becomes available in the future. We note that the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995 does not apply to statements made in connection with an initial public offering.

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**USE OF PROCEEDS**

We estimate that our net proceeds from the sale of 8,000,000 shares of common stock in this offering, after deducting underwriting discounts and commissions and estimated offering costs payable by us, will be approximately \$97.7 million, assuming an initial public offering price of \$14.00 per share, the midpoint of the range set forth on the cover of this prospectus. We intend to use approximately \$36.4 million of the net proceeds from this offering to repay all of our existing subordinated indebtedness, \$45.0 million to repay a portion of our existing senior indebtedness and \$16.2 million to repurchase a portion of our outstanding shares of our preferred stock and preferred stock warrants. We are repurchasing these shares of preferred stock and preferred stock warrants in order to eliminate the liquidation preference and other rights of such shares and warrants and to provide additional liquidity to the holders of such shares and warrants. Our estimated offering costs include \$2.0 million that we will pay Olympus Advisory Partners, Inc. as compensation for financial advisory services rendered by Olympus Advisory Partners to us in connection with the offering. We intend to use the net proceeds from the underwriters' over-allotment option, to the extent exercised, to further reduce our borrowings under the new senior credit facility.

As of October 2, 2004, the existing indebtedness to be repaid from a portion of the net proceeds from this offering and the preferred stock and preferred stock warrants to be repurchased from a portion of the net proceeds consisted of the following:

approximately \$36.4 million of our subordinated indebtedness, which bears interest at a rate of 12.0% per annum and has a final maturity of June 11, 2011;

approximately \$45.0 million under our term loans, which bear interest at a variable rate (5.5% weighted average interest rate at October 2, 2004) and have a final maturity of March 31, 2008 and March 31, 2009; and

approximately \$16.2 million in aggregate liquidation value, including accrued but unpaid dividends which accrue at a rate of 8% per annum on the sum of the liquidation value plus all accumulated and unpaid dividends, of convertible preferred stock outstanding or issuable upon the exercise of preferred stock warrants.

As of October 2, 2004, the Olympus funds held subordinated indebtedness with an aggregate principal balance of \$8.0 million.

As of October 2, 2004, the number, aggregate liquidation value, including accrued but unpaid dividends, and holders of shares of our preferred stock outstanding or issuable upon the exercise of preferred stock warrants that we will repurchase with a portion of the net proceeds of this offering were as follows:

approximately 11,000 shares of preferred stock outstanding or issuable upon the exercise of preferred stock warrants with an aggregate liquidation value, including accrued but unpaid dividends, of \$13.5 million held by the Olympus funds;

approximately 696 shares of preferred stock outstanding or issuable upon the exercise of preferred stock warrants with an aggregate liquidation value, including accrued but unpaid dividends, of \$0.8 million held by Windjammer Mezzanine & Equity Fund II, L.P.;

approximately 1,334 shares of preferred stock with an aggregate liquidation value, including accrued but unpaid dividends, of \$1.5 million held by Mettis Group Limited;

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approximately 79 shares of preferred stock with an aggregate liquidation value, including accrued but unpaid dividends, of \$0.1 million held by certain of our senior officers and directors; and

approximately 1,047 shares of preferred stock outstanding or issuable upon the exercise of preferred stock warrants with an aggregate liquidation value, including accrued but unpaid dividends, of \$1.1 million held by persons who are not affiliates of Symmetry.

In the aggregate, we expect that Olympus and its affiliates will receive approximately \$21.5 million of the net proceeds from this offering. See Certain Relationships and Related Transactions. All of our outstanding preferred stock and preferred stock warrants not repurchased will be converted into shares of our common stock or warrants to purchase our common stock prior to the completion of this offering.

**Table of Contents****CAPITALIZATION**

The following table sets forth our consolidated capitalization as of October 2, 2004 on an actual basis and on a pro forma as adjusted basis giving effect to:

the sale of 8,000,000 shares of common stock pursuant to this offering and the application of proceeds therefrom as described in Use of Proceeds ;

the conversion of our outstanding shares of preferred stock not repurchased into an aggregate of 9,002,832 shares of our common stock; and

the refinancing of our remaining senior indebtedness under a new senior credit facility.

You should read the following table in conjunction with the Selected Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus.

	<b>As of October 2, 2004</b>	
	<b>Actual</b>	<b>Pro Forma As Adjusted</b>
	(dollars in thousands, except share and per share data)	
<b>Long-term debt (including current maturities):</b>		
Existing senior credit facility:		
Revolving credit facility	\$ 2,302	\$
Term loan facility	92,025	
New senior credit facility(1):		
Revolving credit facility		15,062
Term loan facility		35,000
Senior subordinated notes(2)	31,186	
Capital lease obligations	12,681	12,681
Other long-term debt	4	4
<b>Total long-term debt</b>	<b>138,198</b>	<b>62,747</b>
<b>Shareholders' equity:</b>		
Class A convertible preferred stock, \$.01 par value per share; 1,086,150 shares authorized, actual; 735,866 shares issued and outstanding, actual; no shares issued and outstanding, pro forma as adjusted(2)	122,863	
Preferred stock, \$.01 par value per share; no shares authorized, no shares issued and outstanding, actual; 5,000,000 shares authorized, no shares issued and outstanding, pro forma as adjusted		
Common stock, \$.0001 par value per share; 72,410,000 shares authorized, actual; 75,000,000 shares authorized, pro forma as adjusted; 15,969,135 shares issued and outstanding, actual; 32,764,802 shares issued and outstanding, as adjusted	2	3
Additional paid-in capital	31,651	235,942
Unearned compensation	(14)	(14)

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Retained earnings (deficit)(3)	(47,171)	(56,496)
Accumulated other comprehensive income	4,999	4,999
	<hr/>	<hr/>
Total shareholders' equity	112,330	184,434
	<hr/>	<hr/>
Total capitalization	\$ 250,528	\$ 247,181
	<hr/>	<hr/>

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- (1) Our new senior credit facility will provide for a \$35 million term loan and a revolving credit facility that will provide for borrowings up to \$40 million. We intend to use the net proceeds from the underwriters' over-allotment option, to the extent exercised, to further reduce our borrowings under the new senior credit facility.
  - (2) See "Certain Relationships and Related Transactions - Repurchase of Preferred Stock, Subordinated Debt and Preferred Stock Warrants" for a description of the net proceeds being used to repay subordinated indebtedness and repurchase of shares of preferred stock or preferred stock warrants held by our directors, executive officers and principal stockholders.
  - (3) A charge of approximately \$9.3 million will be incurred upon the early extinguishment of debt. This charge includes \$5.2 million of unamortized discount recorded upon the issuance of the subordinated notes and \$4.1 million of deferred debt issuance costs.



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The number of shares of common stock to be outstanding after this offering is based on shares outstanding as of October 2, 2004. This number excludes, as of October 2, 2004 on an as adjusted basis:

872,195 shares of our common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of \$0.01 per share;

830,955 shares of our common issuable upon the exercise of outstanding options at a weighted average exercise price of \$3.03 per share; and

2,293,526 shares of our common stock reserved for future issuance under our stock option and stock purchase plans.

**Table of Contents****DILUTION**

Our pro forma net tangible book value (deficit) as of October 2, 2004 was \$(30.4) million, or \$(1.23) per share of common stock. Pro forma net tangible book value per share represents, prior to the sale of the 8,000,000 shares of common stock offered in this offering, the amount of our total tangible assets less the amount of our total liabilities, divided by the pro forma number of shares of common stock outstanding at October 2, 2004 after giving effect to the conversion of our outstanding shares of preferred stock not repurchased in connection with this offering into 9,002,832 shares of our common stock. Dilution in pro forma net tangible book value per share represents the difference between the amount per share paid by investors in this offering and the pro forma net tangible book value per share of our common stock immediately after this offering.

After giving effect to our sale of the 8,000,000 shares of common stock offered in this offering, based upon an assumed initial public offering price of \$14.00 per share, the midpoint of the range set forth on the cover page of this prospectus, our pro forma as adjusted net tangible book value as of October 2, 2004 would have been approximately \$41.7 million, or \$1.27 per share of common stock. This represents an immediate increase in pro forma net tangible book value to our existing stockholders of \$2.50 per share and an immediate dilution to new investors in this offering of \$12.73 per share. The following table illustrates this per share dilution in pro forma net tangible book value to new investors:

Assumed initial public offering price per share	\$ 14.00
Pro forma net tangible book value (deficit) per share as of October 2, 2004 after giving effect to conversion of our outstanding shares of preferred stock not repurchased	(1.23)
Increase per share attributable to new investors	2.50
Pro forma as adjusted net tangible book value per share after this offering	1.27
Dilution per share to new investors	\$ 12.73

The following table summarizes, as of October 2, 2004 on an as adjusted basis, the differences between our existing stockholders and investors in this offering with respect to the total number of shares of common stock purchased from us, the aggregate cash consideration paid to us, the average price per share paid by existing stockholders and the average price per share paid by new investors purchasing shares of common stock in this offering before deducting estimated underwriting discounts and commissions and our estimated offering expenses. The calculation below is based on an offering price of \$14.00 per share, the midpoint of the range set forth on the cover page of this prospectus, before deducting estimated underwriting and offering expenses payable by us:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	24,792,318	76%	\$ 138,285,000	55%	\$ 5.58
New public investors	8,000,000	24	112,000,000	45	14.00
<b>Total</b>	<b>32,792,318</b>	<b>100%</b>	<b>\$ 250,285,000</b>	<b>100%</b>	

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The foregoing discussion and tables assume no exercise of the following warrants and options outstanding as of October 2, 2004 on an as adjusted basis:

872,195 shares of our common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of \$0.01 per share;

830,955 shares of our common issuable upon the exercise of outstanding options at a weighted average exercise price of \$3.03 per share; and

2,293,526 shares of our common stock reserved for future issuance under our stock option and stock purchase plans.

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To the extent that all outstanding options and warrants are exercised, your investment will be further diluted by an additional \$.06 per share. In that event, the total number of shares of common stock purchased from us by our existing stockholders would be 26,495,468 the aggregate cash consideration paid to us by our existing stockholders would be \$140,811,516 and the average price per share paid by existing stockholders would be \$5.31 per share. In addition, you will incur additional dilution if we grant more options or warrants in the future with exercise prices below the initial public offering price.

If the underwriters exercise their over-allotment option in full, our existing stockholders would own approximately 73% and our new investors would own approximately 27% of the total number of shares of our common stock outstanding after this offering.

**DIVIDEND POLICY**

We have not in the past paid, and do not expect for the foreseeable future, to pay dividends on our common stock. Instead, we anticipate that all of our earnings in the foreseeable future will be used in the operation and growth of our business. We expect that the payment of dividends by us to holders of our common stock will be prohibited by our new senior credit facility. Any future determination to pay dividends will be at the discretion of our board of directors and will depend upon, among other factors, our results of operations, financial condition, capital requirements and contractual restrictions.

**Table of Contents****SELECTED CONSOLIDATED FINANCIAL DATA****Symmetry Medical Inc.**

The following table sets forth our selected consolidated financial data as of and for the periods indicated. We derived the consolidated statement of operations data for fiscal years 2001, 2002 and 2003 and the consolidated balance sheet data as of the last day of fiscal years 2002 and 2003 from our audited consolidated financial statements for such periods and dates, which appear elsewhere in this prospectus. Our consolidated financial statements as of and for fiscal years 2002 and 2003 have been audited by Ernst & Young LLP, and our consolidated financial statements as of and for fiscal year 2001 have been audited by Arthur Andersen LLP. For more information, see Experts. We derived the consolidated statement of operations data for fiscal years 1999 and 2000 and the consolidated balance sheet data as of the last day of fiscal years 1999, 2000 and 2001 from our audited consolidated financial statements for such periods and dates, which are not included in this prospectus. The financial information for the nine months ended October 4, 2003, and as of and for the nine months ended October 2, 2004, was derived from our unaudited consolidated financial statements for such periods and dates, which appear elsewhere in this prospectus, and in the opinion of management, contains all adjustments necessary for a fair presentation of the consolidated financial data. Our historical results are not necessarily indicative of the operating results that may be expected in the future. You should read the following information together with the information under Management's Discussion and Analysis of Financial Condition and Results of Operations, our consolidated financial statements and the related notes included elsewhere in this prospectus.

	Fiscal Year					(unaudited) Nine Months Ended	
	1999	2000	2001	2002	2003(1)	October 4, 2003	October 2, 2004
	_____	_____	_____	_____	_____	_____	_____
(dollars in thousands, except share and per share data)							
<b>Consolidated Statements</b>							
<b>of Operations Data:</b>							
Revenue	\$ 47,912	\$ 61,203	\$ 66,495	\$ 65,395	\$ 122,029	\$ 84,736	\$ 153,053
Cost of revenue	34,036	43,005	48,205	47,859	86,124	59,011	108,363
Gross profit	13,876	18,198	18,290	17,536	35,905	25,725	44,690
Selling, general and administrative expenses	8,328	9,862	10,494	9,440	17,115	11,893	16,975
Operating income	5,548	8,336	7,796	8,096	18,790	13,832	27,715
Interest expense, net	2,134	2,835	5,070	4,968	10,172	6,607	10,852
Loss on debt extinguishment					1,436(2)	1,436(2)	
Interest rate swap valuation(3)			847	979	(1,358)	(857)	(809)
Expenses related to recapitalization		14,179					
Other expense (income)	(173)	28	290	(42)	(374)	(171)	(230)
Income (loss) before income taxes and cumulative effect of change in accounting	3,587	(8,706)	1,589	2,191	8,914	6,817	17,902
Provision (benefit) for income taxes	1,978	(2,775)	1,400	841	3,009	2,302	6,108
Net income (loss) before cumulative effect of accounting change	1,609	(5,931)	189	1,350	5,905	4,515	11,794
			(293)	(1,146)			

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Cumulative effect of change in  
accounting(4)

Net income (loss)	1,609	(5,931)	(104)	204	5,905	4,515	11,794
Preferred stock dividends		(683)	(3,185)	(4,410)	(7,028)	(4,757)	(7,069)
Net income (loss) applicable to common shareholders	\$ 1,609	\$ (6,614)	\$ (3,289)	\$ (4,206)	\$ (1,123)	\$ (242)	\$ 4,725

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	Fiscal Year					(unaudited) Nine Months Ended	
	1999	2000	2001	2002	2003(1)	October 4, 2003	October 2, 2004
(dollars in thousands, except share and per share data)							
<b>Basic per share:</b>							
Net income (loss) applicable to common shareholders before cumulative effect of accounting change	\$ 0.48	\$ (1.59)	\$ (0.44)	\$ (0.44)	\$ (0.10)	\$ (0.02)	\$ 0.30
Cumulative effect of accounting change, net of tax			(0.04)	(0.17)			
Net income (loss)	\$ 0.48	\$ (1.59)	\$ (0.48)	\$ (0.61)	\$ (0.10)	\$ (0.02)	\$ 0.30
<b>Diluted per share:</b>							
Net income (loss) applicable to common shareholders before cumulative effect of accounting change	\$ 0.44	\$ (1.59)	\$ (0.44)	\$ (0.44)	\$ (0.10)	\$ (0.02)	\$ 0.28
Cumulative effect of accounting change, net of tax			(0.04)	(0.17)			
Net income (loss)	\$ 0.44	\$ (1.59)	\$ (0.48)	\$ (0.61)	\$ (0.10)	\$ (0.02)	\$ 0.28
<b>Weighted average common shares outstanding:</b>							
Basic	3,326,816	4,157,787	6,854,736	6,905,800	11,797,842	9,699,423	15,789,486
Diluted	3,688,866	4,157,787	6,854,736	6,905,800	11,797,842	9,699,423	16,616,212
<b>Consolidated Balance Sheet Data (at end of period):</b>							
Cash and cash equivalents	\$ 279	\$ 642	\$ 835	\$ 781	\$ 2,348	N/A	\$ 1,980
Working capital	1,044	5,006	10,533	9,587	36,064	N/A	37,425
Total assets	55,120	62,091	59,714	63,554	266,597	N/A	287,252
Long-term debt and capital lease obligations less current portion	19,509	46,244	48,641	47,234	129,696	N/A	128,740
Redeemable preferred stock	5,428			3,530		N/A	
Total stockholders' equity (deficit)	16,465	(1,630)	(1,629)	(1,121)	100,390	N/A	112,330
<b>Other Financial Data:</b>							
Depreciation and amortization	\$ 3,789	\$ 4,311	\$ 4,151	\$ 2,744	\$ 6,662	\$ 4,532	\$ 8,167

(1) Includes the results of Mettis since its acquisition on June 11, 2003.

(2) In fiscal 2003, we refinanced substantially all of our existing indebtedness as part of the financing of the acquisition of Mettis, resulting in a loss on debt extinguishment of \$1,436.

(3) We enter into interest rate swap agreements to offset against changes in interest rates on our variable rate long-term debt. In accordance with SFAS No. 133, as amended, *Accounting For Derivative Instruments and Hedging Activities*, these agreements do not qualify for hedge accounting and accordingly, changes in the fair market value of such agreements are recorded each period in earnings.

(4) For fiscal 2001, reflects the cumulative effect of change in accounting principles resulting in the adoption of SFAS No. 133. For fiscal 2002, reflects a write-off of goodwill in connection with the adoption of SFAS No. 142, *Goodwill and Other Intangible Assets*. Upon completion of the adoption of SFAS

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No. 142, we determined that the fair market value of the goodwill was lower than book value for one reporting unit, which resulted in an impairment charge.



**Table of Contents****Mettis (UK) Limited**

The following table sets forth selected consolidated financial data of Mettis as of and for the periods indicated. We derived the consolidated statements of operations data for the fiscal years ended March 31, 2001, 2002 and 2003 and the consolidated balance sheet data as of March 31, 2002 and 2003 from Mettis' audited consolidated and combined financial statements for such periods and dates, which appear elsewhere in this prospectus. Mettis' consolidated and combined financial statements as of March 31, 2002 and 2003 and for the fiscal years ended March 31, 2001, 2002 and 2003 have been audited by PricewaterhouseCoopers LLP. You should read the following together with Mettis' consolidated financial statements and the related notes included elsewhere in this prospectus.

	<b>Fiscal Year Ended March 31,</b>		
	<b>2001</b>	<b>2002</b>	<b>2003</b>
	(dollars in thousands)		
<b>Consolidated Statements of Operations Data:</b>			
Revenue	\$ 64,978	\$ 71,556	\$ 84,466
Cost of revenue	44,175	50,723	60,307
Gross profit	20,803	20,833	24,159
Research and development	12	8	186
Sales and marketing	1,856	2,166	2,394
General and administrative expenses	4,262	4,649	6,131
Amortization of goodwill	6,488	6,372	
Operating income	8,185	7,638	15,448
Interest expense	(14,093)	(14,125)	(15,239)
Interest income	1,746	762	720
Other income (expense)	(2)	2	165
Net income (loss) before income taxes and change in accounting principle	(4,164)	(5,723)	1,094
Provision for income taxes	2,597	1,754	1,504
Income (loss) before change in accounting principle	(6,761)	(7,477)	(410)
Net effect of change in accounting principle		(2,039)	
Net income (loss)	\$ (6,761)	\$ (9,516)	\$ (410)
<b>Consolidated Balance Sheet Data (at end of period):</b>			
Cash and cash equivalents	N/A	\$ 1,125	\$ 2,496
Working capital	N/A	9,570	12,328
Total assets	N/A	124,365	134,494
Long-term obligations less current portion	N/A	130,430	138,315
Total Shareholder's net investment	N/A	(27,236)	(28,546)
<b>Other Financial Data:</b>			
Depreciation and amortization	\$9,488	\$ 10,284	\$ 4,684

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**UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS**

We derived the following unaudited pro forma consolidated statements of operations by applying pro forma adjustments to our historical consolidated financial statements included elsewhere in this prospectus. The unaudited pro forma consolidated statements of operations for fiscal year 2003 and the nine months ended October 4, 2003 give effect to the acquisition of Mettis, the sale of 8,000,000 shares of common stock pursuant to this offering and the application of proceeds therefrom as described in Use of Proceeds, the conversion of our outstanding shares of preferred stock not repurchased into an aggregate of 9,002,832 shares of our common stock and the refinancing of our remaining senior indebtedness under a new senior credit facility, as if such transactions had been completed at the beginning of the earliest period presented. We completed the Mettis acquisition on June 11, 2003. The unaudited pro forma consolidated statement of operations for the nine months ended October 2, 2004, give effect to the same transactions other than the Mettis acquisition, which is already reflected in our consolidated statement of operations for such period. We describe the assumptions underlying the pro forma adjustments in the accompanying notes, which should be read in conjunction with these unaudited pro forma consolidated statements of operations.

The following unaudited pro forma consolidated statements do not give effect to an anticipated pre-tax charge of approximately \$9.3 million related to the early extinguishment of debt. This anticipated charge includes \$4.1 million from the write-off of unamortized debt issuance costs and \$5.2 million from the write-off of the unamortized amount of the discount recorded upon the issuance of our senior subordinated notes.

The unaudited pro forma consolidated statements of operations should not be considered indicative of actual results that would have been achieved had the acquisition of Mettis been consummated at the beginning of the periods indicated and do not purport to indicate consolidated results of operations as of any future period. The unaudited pro forma consolidated statements of operations should be read in conjunction with the information contained in Selected Historical Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements of Symmetry and Mettis appearing elsewhere in this prospectus.

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## SYMMETRY MEDICAL INC.

## UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands, except per share data)

Nine Months Ended October 4, 2003

	Symmetry Medical Inc.	Mettis (UK) Limited(a)  January 1 to March 31, 2003	Mettis (UK) Limited(a)  April 1 to June 11, 2003	Acquisition Adjustments	Pro Forma Combined	Offering Adjustments	Pro Forma As Adjusted
<b>Consolidated Statements of Operations:</b>							
Revenue	\$ 84,736	\$ 22,401	\$ 13,925	\$	121,062	\$	\$ 121,062
Cost of revenue	59,011	15,976	9,841	448(b)	85,276		85,276
Gross profit	25,725	6,425	4,084	(448)	35,786		35,786
Selling, general and administrative expenses	11,893	2,883	3,237	273(c)	18,286		18,286
Operating income	13,832	3,542	847	(721)	17,500		17,500
Other (income) expense:							
Interest expense	6,607	3,423	2,855	(2,613)(d)	10,272	(6,156)(f)	4,116
Loss on debt extinguishment	1,436				1,436		1,436
Interest rate swap valuation	(857)	86			(771)		(771)
Other expense (income)	(171)	(37)			(208)		(208)
Income before income taxes	6,817	70	(2,008)	1,892	6,771	6,156	12,927
Income tax expense	2,302	95	(682)	575(e)	2,290	2,081(e)	4,371
Net income (loss)	4,515	(25)	(1,326)	1,317	4,481	4,075	8,556
Preferred stock dividends	(4,757)				(4,757)	4,757(g)	
Net income (loss) applicable to common shareholders	\$ (242)	\$ (25)	\$ (1,326)	\$ 1,317	(276)	\$ 8,832	\$ 8,556
Net income (loss) per share:							
Basic	\$ (0.02)				(0.03)		\$ 0.26
Diluted	\$ (0.02)				(0.03)		\$ 0.25



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## SYMMETRY MEDICAL INC.

## UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands, except per share data)

Fiscal Year 2003

	Symmetry Medical Inc.	Mettis (UK) Limited(a) January 1 to March 31, 2003	Mettis (UK) Limited April 1 to June 11, 2003	Acquisition Adjustments	Pro Forma Combined	Offering Adjustments	Pro Forma As Adjusted
<b>Consolidated Statements of Operations:</b>							
Revenue	\$ 122,029	\$ 22,401	\$ 13,925	\$	\$ 158,355	\$	\$ 158,355
Cost of revenue	86,124	15,976	9,841	448(b)	112,389		112,389
Gross profit	35,905	6,425	4,084	(448)	45,966		45,966
Selling, general and administrative expenses	17,115	2,883	3,237	273(c)	23,508		23,508
Operating income	18,790	3,542	847	(721)	22,458		22,458
Other (income) expense:							
Interest expense	10,172	3,423	2,855	(2,613)(d)	13,837	(8,735)(f)	5,102
Loss on debt extinguishment	1,436				1,436		1,436
Interest rate swap valuation	(1,358)	86			(1,272)		(1,272)
Other expense (income)	(374)	(37)			(411)		(411)
Income (loss) before income taxes	8,914	70	(2,008)	1,892	8,868	8,735	17,603
Income tax expense (benefit)	3,009	95	(682)	575(e)	2,997	2,952(e)	5,949
Net income (loss)	5,905	(25)	(1,326)	1,317	5,871	5,783	11,654
Preferred stock dividends	(7,028)				(7,028)	7,028(g)	
Net income (loss) applicable to common shareholders	\$ (1,123)	\$ (25)	\$ (1,326)	\$ 1,317	\$ (1,157)	\$ 12,811	\$ 11,654
Net income (loss) per share:							
Basic	\$ (0.10)				\$ (0.10)		\$ 0.36
Diluted	\$ (0.10)				\$ (0.10)		\$ 0.34



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## SYMMETRY MEDICAL INC.

## UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands, except per share data)

	Nine Months Ended		
	October 2, 2004		
	Symmetry Medical Inc.	Offering Adjustments	Pro Forma As Adjusted
<b>Consolidated Statement to Operations:</b>			
Revenue	\$ 153,053	\$	\$ 153,053
Cost of revenue	108,363		108,363
Gross profit	44,690		44,690
Selling, general and administrative expenses	16,975		16,975
Operating income	27,715		27,715
Other (income) expense:			
Interest expense	10,852	(6,608)(f)	4,244
Loss on debt extinguishment			
Interest rate swap valuation	(809)		(809)
Other expense (income)	(230)		(230)
Income (loss) before income taxes	17,902	6,608	24,510
Income tax expense	6,108	2,253(e)	8,361
Net income (loss)	11,794	4,355	16,149
Preferred stock dividends	(7,069)	7,069(g)	
Net income (loss) applicable to common shareholders	\$ 4,725	\$ 11,424	\$ 16,149
Net income (loss) per share:			
Basic	\$ 0.30		\$ 0.49
Diluted	\$ 0.28		\$ 0.47

**Table of Contents****SYMMETRY MEDICAL INC.****NOTES TO UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS**

The unaudited pro forma consolidated statements of operations give effect to the following adjustments:

- (a) Mettis fiscal year ended on March 31 of each year. The unaudited pro forma consolidated statement of operations for the nine months ended October 4, 2003 and the unaudited consolidated pro forma statements of operations for fiscal 2003 includes the results of operations for Mettis for the period from January 1, 2003 to March 31, 2003 and April 1, 2003 to June 11, 2003, the date of its acquisition.
- (b) Reflects the adjustment to cost of revenue to reflect the write-up of inventory and property, plant and equipment of Mettis related to the application of purchase accounting in connection with the Mettis acquisition.
- (c) Reflects the adjustment to historical selling, general and administrative expenses to reflect amortization expense related to the finite life intangible assets recorded in connection with the Mettis acquisition.
- (d) Reflects the net change in interest expense as a result of the new financing arrangements entered into to fund the Mettis acquisition including the incurrence of \$98.0 million of term loan indebtedness under our senior credit facility with a variable interest rate based upon LIBOR plus 400 to 450 basis points, as defined, the issuance of \$36 million of senior subordinated notes at a fixed interest rate of 12%, offset by the removal of historical interest expense related to Mettis and our prior senior credit facility and subordinated notes.

The individual components of the net change in interest expense are as follows:

	<b>Nine Months Ended October 4, 2003</b>	<b>Fiscal Year 2003</b>
	<u>                    </u>	<u>                    </u>
Interest expense as reported for Symmetry Medical Inc. and Mettis (UK) Limited	\$ 12,885	\$ 16,450
Removal of Mettis (UK) Limited historical interest expense	(6,278)	(6,278)
Removal of prior senior credit facility and subordinated note interest	(794)	(794)
Pro forma interest expense associated with the issuance of \$98.0 million of term debt (reduced for monthly principal payments) for the period from January 1 to June 11, 2003 at an assumed rate of 5.44%.	2,366	2,366
Pro forma interest expense associated with the issuance of \$36.0 million of senior subordinated notes for the period from January 1 to June 11, 2003 at a rate of 12% (including amortization of discount of \$0.1 million and \$0.2 million, respectively).	2,093	2,093
	<u>                    </u>	<u>                    </u>
Net adjustment	(2,613)	(2,613)
	<u>                    </u>	<u>                    </u>
Pro forma combined interest expense	\$ 10,272	\$ 13,837
	<u>                    </u>	<u>                    </u>



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- (e) Reflects the income tax adjustment required to reflect the pro forma income tax provision at an effective tax rate of 33.8% for the nine months ended October 4, 2003 and the fiscal year 2003 and 34.1% for the nine months ended October 2, 2004.
  
- (f) The adjustment reflects the removal of interest expenses, including amortization of deferred debt issuance costs and discounts, associated with the \$36.0 million of senior subordinated notes and borrowings under the existing senior credit facility as these borrowings will be repaid from the net proceeds of the offering and borrowings under a \$35.0 million term loan under our new senior credit facility. This reduction of expense is offset by the inclusion of interest expense, including amortization of deferred debt issuance costs, related

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to the new \$35 million term loan. For fiscal year 2003, the net of these adjustments results in \$5.1 million of pro forma as adjusted interest expense, which consists of \$2.8 million of historical interest expense on capital leases, interest rate swaps and the revolving line of credit combined with the addition of interest expense on the new term loan and incremental borrowings on the revolving line of credit of \$2.3 million at an assumed annual interest rate of 4.29%.

The individual components of the net change in interest expense are as follows:

	Nine Months Ended	Fiscal Year	Nine Months Ended
	October 4, 2003	2003	October 2, 2004
Pro forma combined interest expense	\$ 10,272	\$ 13,837	\$ 10,852
Removal of prior senior credit facility and subordinated note interest	(7,891)	(11,030)	(8,202)
Pro forma interest expense associated with the new term loan and incremental borrowings on the revolving line of credit	1,735	2,295	1,594
Net adjustment	(6,156)	(8,735)	(6,608)
Pro forma as adjusted interest expense	\$ 4,116	\$ 5,102	\$ 4,244

- (g) Reflects the elimination of dividends associated with our Class A preferred stock. All of our existing Class A preferred stock will be repurchased or converted into shares of common stock in connection with this offering. Each share of preferred stock that is not repurchased will be converted into that number of shares of our new common stock determined by dividing its liquidation value of \$1,000 per share plus all accumulated and unpaid dividends through the conversion date by 85% of the initial public offering price. We intend to use approximately \$16.2 million of the net proceeds from this offering to repurchase a portion of our outstanding Class A preferred stock and preferred stock warrants. The per share purchase price for each share of Class A preferred stock or preferred stock warrant will be equal to the liquidation value of the preferred stock of \$1,000 per share plus all accumulated and unpaid dividends through the repurchase date minus, in the case of the preferred stock warrants, the exercise price thereof of \$.01 per share. Based on the foregoing, we expect that we will repurchase approximately 12.8% of the outstanding Class A preferred stock and preferred stock warrants on a combined basis. As of October 2, 2004, as adjusted to reflect the repurchase of 35 shares of our preferred stock from an employee who retired, there were outstanding 101,588 shares of Class A preferred stock and warrants to purchase 3,530 shares of Class A preferred stock. Based on an initial public offering price of \$14.00 per share, the mid-point of the range set forth on the cover page of this prospectus, and an estimated closing date of December 13, 2004, we expect that the Class A preferred stock and preferred stock warrants not repurchased will be converted into an aggregate of 9,002,832 shares of common stock and warrants to purchase 286,818 shares of common stock. The actual number of shares of common stock to be issued as a result of this conversion is subject to change based on the actual initial offering price.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*You should read the following discussion in conjunction with the Selected Consolidated Financial Data section and the Unaudited Pro Forma Consolidated Statements of Operations section of this prospectus and the consolidated financial statements of each of Symmetry and Mettis, and the notes to those statements, included elsewhere in this prospectus. The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements in this discussion are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in the Risk Factors and Cautionary Notice Regarding Forward Looking Statements sections of this prospectus. Our actual results may differ materially from those contained in or implied by any forward-looking statements.*

**Overview**

We are the world's largest independent provider of implants and related instruments and cases to orthopedic device manufacturers. We also design, develop and produce these products for companies in other segments of the medical device market, including dental, osteobiologic and endoscopy sectors, and provide limited specialized products and services to non-healthcare markets.

We acquired Mettis on June 11, 2003 for aggregate consideration of approximately \$164 million. Mettis is a leading manufacturer of forged, cast and machined implants for global orthopedic device manufacturers. This acquisition added implants to our product offerings and increased our European presence. We now offer a comprehensive line of implants, surgical instruments and cases for orthopedic device manufacturers on a global basis. In fiscal 2003 on a pro forma basis for the Mettis acquisition, we had revenue of \$158.4 million, operating income of \$22.5 million and net income of \$5.9 million.

Our acquisition of Mettis enabled us to offer our customers Total Solutions for complete implant systems—implants, instruments and cases. While our revenue to date have been derived primarily from the sale of implants, instruments and cases separately, or instruments and cases together, our ability to provide Total Solutions for complete implant systems has already proven to be attractive to our customers and we expect this capability will provide us with growth opportunities. In addition, we expect that our Total Solutions capability will increase the relative percentage of value added products that we supply to our customers.

Our revenue from the sale of implants, instruments, cases and other products and services represented 36.3%, 33.0%, 23.3% and 7.4%, respectively, of our revenue in the nine months ended October 2, 2004 and 27.3%, 37.4%, 29.6% and 5.7%, respectively, of our revenue in fiscal 2003.

During fiscal 2003, we sold our products and services to approximately 500 customers, including 72 new customers. Our four largest customers accounted for approximately 22.6%, 15.2%, 14.7% and 10.3% of our revenue in the nine months ended October 2, 2004 and our three largest customers accounted for 19.5%, 14.7% and 10.5% of our revenue in fiscal 2003. Our ten largest customers collectively accounted for approximately 77.7% and 68.3% of our revenue in the nine months ended October 2, 2004 and fiscal 2003, respectively. Within each of our largest customers, we typically serve several product teams and facilities, which diminishes our reliance on any single purchasing decision. Approximately 67.6%, 12.5% and 19.9% of our revenue in the nine months ended October 2, 2004 and approximately 73.2%, 16.1% and 10.7% of our revenue in fiscal 2003 was from sales to customers in the United States, United Kingdom and other foreign countries, respectively.

We have well-established relationships with our major customers and these relationships to a significant extent involve the sale of products that we have developed or modified specifically for our customers' particular product lines. In connection with the launch of a new implant system, our customers typically provide a customized implant-specific instrument set in cases to end users (hospitals, outpatient centers and physicians) for use with the new implant system. As a result, our sales of instruments and cases in any particular period are significantly impacted by the amount of new product launch activity by our customers.

As a result of the Mettis acquisition, we have significant operations in the United Kingdom. Consequently, a significant portion of our operating results are generated in currencies other than the U.S. dollar, principally the

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pound sterling and euro. Our operating results are therefore impacted by exchange rate fluctuations to the extent we are unable to match revenue received in such currencies with costs incurred in such currencies. We intend to manage our exposure to exchange rate fluctuations through the use of foreign currency exchange contracts.

Historically, we have had a significant amount of variable rate long-term indebtedness. We have managed our exposure to changes in interest rates by entering into interest rate swap agreements. These agreements do not qualify for hedge accounting under the applicable accounting guidelines and, as a result, we are required to record changes to the fair market value of these agreements in our statement of operations for each period. We recorded interest rate swap valuation expense (income) of \$(0.8) million, (\$1.4) million, \$1.0 million and \$0.8 million for the nine months ended October 2, 2004, fiscal 2003, fiscal 2002 and fiscal 2001, respectively. For additional information regarding our interest rate swap agreements, see Quantitative and Qualitative Disclosures about Market Risks Interest Rate Risk.

Our management reviews and analyzes several trends and key performance indicators in order to manage our business. To assist us in evaluating our capacity, we monitor long-term trends in the orthopedic industry, which currently includes the growing elderly population, general aging of the population, affluent and active baby boomers, improving technologies that expand the market, including minimally invasive surgeries, and other factors. Further, we consider the information obtained from discussions with our customers on the upcoming demand for our products, including new product launches. We use this information to determine an appropriate level of capital expenditures to meet the anticipated demand for our products. To this end, we recently finished construction and began operations at our new UK facility and we are expanding our facility located in Avilla, Indiana.

On an ongoing basis, our management considers several variables associated with the ongoing operations of the business, including scheduled production, utilization of machinery and equipment, monitoring purchasing activity and inventory levels and associated costs, headcount, overhead costs, and selling and general and administrative expenses. Although we are currently focused on increasing the size, level and effectiveness of our sales force and marketing expenses, we do not expect these investments to negatively impact our ongoing operating margins or liquidity.

Our revenues are affected by changes in the number and size of orders and the timing of delivery dates. Our revenues have fluctuated in the past and may vary in the future due to the effects of changes in inventory management practices and new product introductions by our customers.

## **Results of Operations**

The table below sets forth certain operating data expressed as a percentage of revenue for the periods indicated. Fiscal 2003 operating data in the table below includes the results of Mettis since its acquisition on June 11, 2003. The pro forma operating data shown in the table below for the nine months ended October 4, 2003 gives effect to the Mettis acquisition as if it had been consummated on December 29, 2002, the first day of such period. We have included this pro forma operating data for the nine months ended October 4, 2003 to better facilitate a comparison to our operating results for the nine months ended October 2, 2004, which include the results of operations for Mettis for the entire period. See

Unaudited Pro Forma Consolidated Statements of Operations for further information regarding the calculation of this pro forma financial information. Interest expense for the periods presented is primarily attributable to indebtedness incurred in connection with our October 2000 recapitalization and our June 2003 acquisition of Mettis. Our historical results are not necessarily indicative of the operating results that may be expected in the future.

We use the term Symmetry in this section to refer to Symmetry's business on a stand alone basis without giving effect to the Mettis acquisition, in order to distinguish changes in Symmetry's business on a stand alone basis without giving effect to the Mettis acquisition from changes in our

business attributable to the Mettis acquisition.

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	Fiscal Year			Nine Months Ended			Three Months Ended	
	2001	2002	2003	Pro Forma			October 4, 2003	October 2, 2004
				October 4, 2003	October 4, 2003	October 2, 2004		
<b>Statement of Operations Data:</b>								
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenue	72.5	73.2	70.6	69.6	70.4	70.8	71.1	70.4
Gross profit	27.5	26.8	29.4	30.4	29.6	29.2	28.9	29.6
Selling, general and administrative expenses	15.8	14.4	14.0	14.1	15.1	11.1	13.3	10.4
Operating income	11.7	12.4	15.4	16.3	14.5	18.1	15.6	19.2
Interest expense	7.6	7.6	8.3	7.8	8.5	7.1	9.3	6.8
Loss on debt extinguishment			1.2	1.7	1.2			
Interest rate swap valuation expense (income)	1.3	1.5	(1.1)	(1.0)	(0.6)	(0.5)	(1.6)	
Other expense (income)	0.4	(0.1)	(0.3)	(0.2)	(0.2)	(0.2)	0.2	
Income before income taxes and cumulative effect of change in accounting principle	2.4	3.4	7.3	8.0	5.6	11.7	7.7	12.4
Provision for income taxes	2.1	1.3	2.5	2.7	1.9	4.0	2.6	4.2
Net income before cumulative effect of change in accounting principle	0.3	2.1	4.8	5.3	3.7	7.7	5.1	8.2
Cumulative effect of change in accounting principle	(0.4)	(1.8)						
Net income (loss)	(0.1%)	0.3%	4.8%	5.3%	3.7%	7.7%	5.1%	8.2%

**Quarter Ended October 2, 2004 Compared to Quarter Ended October 4, 2003**

*Revenue.* Revenue increased \$13.5 million, or 33.3%, to \$54.1 million in the quarter ended October 2, 2004 from \$40.6 million in the quarter ended October 4, 2003. Revenue for each of our principal product categories in these periods were as follows:

	2003	2004
<b>Product Category</b>	<b>(in millions)</b>	
Implants	\$ 15.3	\$ 19.8
Instruments	13.3	18.4
Cases	9.1	12.1
Non-healthcare and other	2.9	3.8
<b>Total</b>	<b>\$ 40.6</b>	<b>\$ 54.1</b>

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This \$13.5 million increase in revenue primarily resulted from increases of \$4.5 million of implant sales, \$5.1 million of instrument sales, and \$3.0 million of case sales in the quarter ended October 2, 2004 driven by increased demand from customers due primarily to their launches of new implant systems.

*Gross Profit.* Gross profit increased \$4.3 million, or 36.8%, to \$16.0 million in the quarter ended October 2, 2004 from \$11.7 million in the quarter ended October 4, 2003. This increase was primarily due to higher sales and comparable gross profit percentages. As a percentage of revenue, gross profit increased to 29.6% of revenues in the quarter ended October 2, 2004 from 28.9% of revenue in the quarter ended October 4, 2003. This increase reflects improved absorption of fixed costs due to higher volumes.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses increased \$0.2 million, or 4.2%, to \$5.6 million in the quarter ended October 2, 2004 from \$5.4 million in the quarter ended October 4, 2003. Approximately \$0.3 million of this increase was due to increases in selling expenses by



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Symmetry consistent with the overall increase in its revenue. As a percentage of revenue, selling, general and administrative expenses declined to 10.4% of revenues in the quarter ended October 2, 2004 from 13.3% of revenue in the quarter ended October 4, 2003. The decline in these expenses as a percentage of revenue is reflective of our distributing these costs over an increased revenue base.

*Interest Expense.* Interest expense decreased \$0.1 million, or 2.4%, to \$3.7 million in the quarter ended October 2, 2004 from \$3.8 million in the quarter ended October 4, 2003. This decrease primarily reflects lower average borrowings during the quarter ended October 2, 2004 as compared to the quarter ended October 4, 2003.

*Provision for Income Taxes.* Our effective tax rate was 34.0% in the quarter ended October 2, 2004 as compared to 33.8% in the quarter ended October 4, 2003. Provision for income taxes increased by \$1.2 million, or 115.2%, to \$2.3 million in the quarter ended October 2, 2004 from \$1.1 million in the quarter ended October 4, 2003. The increase in provision for income taxes in the third quarter of 2004 is primarily due to our higher pre-tax earnings in that period.

***Nine Months Ended October 2, 2004 Compared to Nine Months Ended October 4, 2003***

*Revenue.* Revenue increased \$68.3 million, or 80.6%, to \$153.1 million in the nine months ended October 2, 2004 from \$84.7 million in the nine months ended October 4, 2003. Revenue for each of our principal product categories in these periods was as follows: