

BIOTELEMETRY, INC.
Form 10-Q
October 31, 2018

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 000-55039

BioTelemetry, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware

46-2568498

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1000 Cedar Hollow Road #102

Malvern, Pennsylvania 19355

(Address of principal executive offices) (Zip Code)

(610) 729-7000

(Registrant's Telephone Number, including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

| | | | | |
|---|--|---|--|--|
| Large accelerated filer <input checked="" type="checkbox"/> | Accelerated filer <input type="checkbox"/> | Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company) | Smaller reporting company <input type="checkbox"/> | Emerging growth company <input type="checkbox"/> |
|---|--|---|--|--|

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

As of October 15, 2018, 33,302,796 shares of the registrant's common stock, \$0.001 par value per share, were outstanding.

BIOTELEMETRY, INC.
 QUARTERLY REPORT ON FORM 10-Q
 FOR THE PERIOD ENDED SEPTEMBER 30, 2018

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Unless the context otherwise indicates or requires, the terms “we,” “our,” “us,” “BioTelemetry” and the “Company,” as used in this Quarterly Report on Form 10-Q, refer to BioTelemetry, Inc. and its directly and indirectly owned subsidiaries as a combined entity, except where otherwise stated or where it is clear that the terms mean only BioTelemetry, Inc. exclusive of its subsidiaries. We do not use the ® or ™ symbol in each instance in which one of our registered or common law trademarks appears in this Quarterly Report on Form 10-Q, but this should not be construed as any indication that we will not assert our rights thereto to the fullest extent permissible under applicable law.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document includes certain forward-looking statements within the meaning of the “Safe Harbor” provisions of the Private Securities Litigation Reform Act of 1995 regarding, among other things, our growth prospects, the prospects for our products and our confidence in our future. These statements may be identified by words such as “expect,” “anticipate,” “estimate,” “intend,” “plan,” “believe,” “promises” and other words and terms of similar meaning. Examples of forward-looking statements include statements we make regarding our ability to increase demand for our products and services, to leverage our Mobile Cardiac Outpatient Telemetry platform to expand into new markets, to grow our market share, our expectations regarding revenue trends in our segments and the achievement of cost efficiencies through process improvements. Such forward-looking statements are based on current expectations and involve inherent risks and uncertainties, including important factors that could delay, divert or change any of these expectations, and could cause actual outcomes and results to differ materially from current expectations. These factors include, among other things:

- our ability to identify acquisition candidates, acquire them on attractive terms and integrate their operations into our business;
- our ability to educate physicians and continue to obtain prescriptions for our products and services;
- changes to insurance coverage and reimbursement levels by Medicare and commercial payors for our products and services;
- our ability to attract and retain talented executive management and sales personnel;
- the commercialization of new competitive products;
- our ability to obtain and maintain required regulatory approvals for our products, services and manufacturing facilities;
- changes in governmental regulations and legislation;
- our ability to obtain and maintain adequate protection of our intellectual property;
- acceptance of our new products and services;
- adverse regulatory action;
- interruptions or delays in the telecommunications systems that we use;
- our ability to successfully resolve outstanding legal proceedings; and
- the other factors that are described in “Part I; Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2017.

We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events, or otherwise, except as may be required by law.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

BIOTELEMETRY, INC.

CONSOLIDATED BALANCE SHEETS

| (in thousands, except share and par value amounts) | (Unaudited) September 30, 2018 | December 31, 2017 |
|---|--------------------------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 63,118 | \$ 36,022 |
| Healthcare accounts receivable, net of allowance for doubtful accounts of \$22,943 and \$15,556, at September 30, 2018 and December 31, 2017, respectively | 36,414 | 25,190 |
| Other accounts receivable, net of allowance for doubtful accounts of \$2,136 and \$1,425, at September 30, 2018 and December 31, 2017, respectively | 14,609 | 13,296 |
| Inventory | 8,786 | 5,332 |
| Prepaid expenses and other current assets | 11,065 | 10,268 |
| Total current assets | 133,992 | 90,108 |
| Property and equipment, net of accumulated depreciation of \$66,639 and \$71,902, at September 30, 2018 and December 31, 2017, respectively | 47,770 | 49,194 |
| Intangible assets | 130,334 | 141,707 |
| Goodwill | 238,339 | 223,105 |
| Deferred tax assets | 21,830 | 17,681 |
| Other assets | 1,941 | 2,767 |
| Total assets | \$ 574,206 | \$ 524,562 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 15,502 | \$ 14,529 |
| Accrued liabilities | 24,104 | 26,055 |
| Current portion of capital lease obligations | 2,290 | 4,023 |
| Current portion of long-term debt | 4,356 | 2,050 |
| Deferred revenue | 3,833 | 4,298 |
| Total current liabilities | 50,085 | 50,955 |
| Long-term portion of capital lease obligations | 214 | 1,486 |
| Long-term debt | 194,395 | 197,306 |
| Other long-term liabilities | 33,997 | 25,112 |
| Total liabilities | 278,691 | 274,859 |
| Stockholders' equity: | | |
| Common stock—\$.001 par value as of September 30, 2018 and December 31, 2017; 200,000,000 shares authorized as of September 30, 2018 and December 31, 2017; 33,212,058 and 32,460,668 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively | 33 | 32 |
| Paid-in capital | 422,041 | 409,517 |
| Accumulated other comprehensive loss | (308 |) (114) |
| Accumulated deficit | (126,251 |) (158,678) |
| Total BioTelemetry, Inc.'s stockholders' equity | 295,515 | 250,757 |
| Noncontrolling interest | — | (1,054) |
| Total equity | 295,515 | 249,703 |
| Total liabilities and equity | \$ 574,206 | \$ 524,562 |

See accompanying Notes to Consolidated Financial Statements.

BIOTELEMETRY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| (in thousands, except per share data) | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 |
| Revenues | \$100,013 | \$ 81,023 | \$295,869 | \$ 195,033 |
| Cost of revenues | 37,276 | 31,954 | 109,329 | 77,088 |
| Gross profit | 62,737 | 49,069 | 186,540 | 117,945 |
| Operating expenses: | | | | |
| General and administrative | 26,325 | 25,320 | 81,785 | 55,603 |
| Sales and marketing | 10,120 | 9,719 | 32,535 | 25,051 |
| Bad debt expense | 5,157 | 3,768 | 16,911 | 8,975 |
| Research and development | 2,429 | 3,277 | 8,451 | 8,225 |
| Other charges | 1,330 | 8,152 | 11,623 | 14,542 |
| Total operating expenses | 45,361 | 50,236 | 151,305 | 112,396 |
| Income/(loss) from operations | 17,376 | (1,167) |) 35,235 | 5,549 |
| Other expense: | | | | |
| Interest expense | (2,408) |) (1,841) |) (6,982) |) (2,622) |
| Loss on extinguishment of debt | — | (543) |) — | (543) |
| Loss on equity method investment | (54) |) (106) |) (238) |) (302) |
| Other non-operating income/(expense), net | (194) |) 658 | 543 | (2,755) |
| Total other expense | (2,656) |) (1,832) |) (6,677) |) (6,222) |
| Income/(loss) before income taxes | 14,720 | (2,999) |) 28,558 | (673) |
| Benefit from income taxes | 1,281 | 435 | 2,923 | 31 |
| Net income/(loss) | 16,001 | (2,564) |) 31,481 | (642) |
| Net loss attributable to noncontrolling interest | — | (279) |) (946) |) (279) |
| Net income/(loss) attributable to BioTelemetry, Inc. | \$16,001 | \$ (2,285) |) \$32,427 | \$ (363) |
| Net income/(loss) per common share attributable to BioTelemetry, Inc.: | | | | |
| Basic | \$0.48 | \$ (0.07) |) \$1.00 | \$ (0.01) |
| Diluted | \$0.45 | \$ (0.07) |) \$0.91 | \$ (0.01) |
| Weighted average number of common shares outstanding: | | | | |
| Basic | 33,003 | 31,897 | 32,488 | 29,682 |
| Dilutive stock options and restricted stock units | 2,915 | — | 3,078 | — |
| Diluted | 35,918 | 31,897 | 35,566 | 29,682 |

See accompanying Notes to Consolidated Financial Statements.

BIOTELEMETRY, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

(Unaudited)

| (in thousands) | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 |
| Net income/(loss) attributable to BioTelemetry, Inc. | \$16,001 | \$ (2,285) | \$32,427 | \$ (363) |
| Other comprehensive income/(loss): | | | | |
| Foreign currency translation gain/(loss) | (27) | 16 | (194) | 35 |
| Comprehensive income/(loss) attributable to BioTelemetry, Inc. | \$15,974 | \$ (2,269) | \$32,233 | \$ (328) |

See accompanying Notes to Consolidated Financial Statements.

BIOTELEMETRY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| (in thousands) | Nine Months Ended | |
|--|-----------------------|-----------------------|
| | September 30, 2018 | September 30, 2017 |
| OPERATING ACTIVITIES | | |
| Net income/(loss) | \$31,481 | \$ (642) |
| Adjustments to reconcile net income/(loss) to net cash provided by operating activities: | | |
| Bad debt expense | 16,911 | 8,975 |
| Depreciation | 17,338 | 11,233 |
| Amortization of intangibles | 12,893 | 5,326 |
| Stock-based compensation | 6,278 | 5,685 |
| Write off of derivative premium | — | 1,322 |
| Accretion of discount on debt | 932 | 369 |
| Loss on extinguishment of debt | — | 543 |
| Gain on legal settlement | — | (1,333) |
| Tax benefit | (4,149) | (563) |
| Other non-cash items | (421) | (1,766) |
| Changes in operating assets and liabilities: | | |
| Healthcare and other accounts receivable | (28,826) | (9,413) |
| Inventory | (3,454) | (89) |
| Prepaid expenses and other assets | 1,932 | 365 |
| Accounts payable | 1,105 | (8,724) |
| Accrued and other liabilities | (7,733) | (627) |
| Net cash provided by operating activities | 44,287 | 10,661 |
| INVESTING ACTIVITIES | | |
| Acquisition of business, net of cash acquired | — | (166,244) |
| Purchases of property and equipment and investment in internally developed software | (17,498) | (11,940) |
| Purchase of derivative instrument | — | (1,322) |
| Investment in equity method investee | — | (490) |
| Net cash used in investing activities | (17,498) | (179,996) |
| FINANCING ACTIVITIES | | |
| Proceeds related to the exercising of stock options and employee stock purchase plan | 10,818 | 5,705 |
| Tax payments related to the vesting of shares | (2,890) | (1,881) |
| Issuance of long-term debt | — | 205,000 |
| Repayments of revolving loans | — | (3,000) |
| Payment of debt issuance costs | — | (6,319) |
| Principal payments on long-term debt | (1,538) | (25,851) |
| Principal payments on capital lease obligations | (3,005) | (1,164) |
| Acquisition of noncontrolling interests | (2,885) | — |
| Net cash provided by financing activities | 500 | 172,490 |
| Effect of exchange rate changes on cash | (193) | 35 |
| Net increase in cash and cash equivalents | 27,096 | 3,190 |
| Cash and cash equivalents - beginning of period | 36,022 | 23,052 |
| Cash and cash equivalents - end of period | \$63,118 | \$ 26,242 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Non-cash purchases of property and equipment | \$1,056 | \$ 498 |
| Non-cash fair value of common stock returned in legal settlement | — | 2,753 |

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| | | |
|--|---------|----------|
| Non-cash fair value of equity issued for acquisition of business | 3,972 | 117,440 |
| Cash paid for interest | 5,830 | 2,353 |
| Cash paid for taxes | \$1,120 | \$ 1,355 |
| See accompanying Notes to Consolidated Financial Statements. | | |

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BIOTELEMETRY, INC.
CONSOLIDATED STATEMENT OF EQUITY
(Unaudited)

| (in thousands, except shares) | BioTelemetry, Inc. Equity | | | Accumulated | | Noncontrolling Interest | Total Equity |
|---|---------------------------|------------------------------|--------------------------------|------------------------|-------------|----------------------------|-----------------|
| | Common Stock Shares | Paid-in Amount Capital | Other Comprehensive Loss | Accumulated Deficit | | | |
| Balance at December 31, 2017 | 32,460,668 | \$ 32 \$409,517 | \$ (114) | \$ (158,678) | \$ (1,054) | \$249,703 | |
| Share issuances related to stock compensation plans | 777,781 | 1 11,136 | — | — | — | 11,137 | |
| Stock-based compensation | — | — 6,278 | — | — | — | 6,278 | |
| Shares withheld to cover taxes on vesting of share based awards | (85,177) | — (2,890) | — | — | — | (2,890) | |
| Acquisition of noncontrolling interests | 58,786 | — (2,000) | — | — | 2,000 | — | |
| Currency translation adjustment | — | — — | (194) | — | — | (194) | |
| Net income/(loss) | — | — — | — | 32,427 | (946) | 31,481 | |
| Balance at September 30, 2018 | 33,212,058 | \$ 33 \$422,041 | \$ (308) | \$ (126,251) | \$ — | \$295,515 | |

See accompanying Notes to Consolidated Financial Statements.

BIOTELEMETRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Summary of Significant Accounting Policies

a) Principles of Consolidation & Reclassifications

The accompanying unaudited consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information, the instructions to Form 10-Q, and Rule 10-01 of Regulation S-X and include the accounts of BioTelemetry, Inc. and its controlled subsidiaries ("BioTelemetry," the "Company," "we," "our" or "us"). In the opinion of management, all adjustments (which are of a normal and recurring nature) considered necessary to present fairly the financial position as of September 30, 2018, the results of operations for the interim three and nine month periods ended September 30, 2018 and 2017, and cash flows for the interim nine month periods ended September 30, 2018 and 2017 have been included. All intercompany transactions and balances have been eliminated in consolidation. The results of operations for any interim period are not indicative of the results of the full year. Certain information and footnote disclosures normally included in financial statements presented in accordance with U.S. GAAP, but which are not required for interim reporting purposes, have been omitted. The accompanying unaudited consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Certain reclassifications have been made to prior period statements to conform to the current period presentation. These consist of:

- combining the non-cash operating items of equity method investment loss, the change in fair value of acquisition-related contingent consideration and lease income/(expense) into other non-cash items, a component of our net cash provided by operating activities on our consolidated statements of cash flows,
- reclassifying trade payable invoices received but not yet processed in our purchasing system from accrued liabilities to accounts payable in the consolidated balance sheets,
- reclassifying amounts among the various categories within the accrued expense disclosure,
- disaggregating the components of other expense in the consolidated statements of operations,
- reclassifying research and development costs from the Corporate and Other category to the Healthcare segment in our segment information disclosures, and
- aggregating the Technology operating segment into the Corporate and Other category.

The reclassifications had no impact on previously reported consolidated results of operations, cash flows or accumulated deficit.

b) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

c) Fair Value of Financial Instruments

Fair value is defined as the exit price, the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels, as defined below. Observable inputs are inputs a market participant would use in valuing an asset or liability based on market data obtained from sources independent of us. Unobservable inputs are inputs that reflect our own assumptions about the factors a market participant would use in valuing an asset or liability developed using the best information available in the circumstances. The classification of an asset's or liability's level within the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Level 1 - Quoted prices in active markets for an identical asset or liability.

Level 2 Inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, - for substantially the full term of the asset or liability.

Level 3 Inputs that are unobservable for the asset or liability, based on our own assumptions about the assumptions a - market participant would use in pricing the asset or liability.

Our financial instruments consist primarily of cash and cash equivalents, Healthcare accounts receivable, other accounts receivable, accounts payable, contingent consideration, short-term debt and long-term debt. With the exception of contingent consideration and long-term debt, the carrying value of these financial instruments approximates their fair value because of their short-term nature (classified as Level 1).

Our long-term debt (classified as Level 2) is measured using market prices for similar instruments, inputs such as the borrowing rates currently available, benchmark yields, actual trade data, broker/dealer quotes and other similar data obtained from quoted market prices or independent pricing vendors.

The fair value of contingent consideration (classified as Level 3) is measured on a recurring basis using unobservable inputs such as projected payment dates, probabilities of meeting specified milestones and other such variables resulting in payment amounts which are discounted back to present value using a probability-weighted discounted cash flow model. Adjustments to contingent consideration are recorded in other charges in the consolidated statements of operations.

In addition to the recurring fair value measurements, the fair value of certain assets acquired and liabilities assumed in connection with a business combination are recorded at fair value, primarily using a discounted cash flow model (classified as Level 3). This valuation technique requires us to make certain assumptions, including, but not limited to, future operating performance and cash flows, royalty rate and other such variables which are discounted to present value using a discount rate that reflects the risk factors associated with future cash flow, the characteristics of the assets acquired and liabilities assumed and the experience of the acquired business. Non-financial assets such as goodwill, intangible assets, and property and equipment are subsequently measured at fair value when there is an indicator of impairment and recorded at fair value only when an impairment is recognized. We assess the impairment of goodwill and indefinite lived assets annually or whenever events or changes in circumstances indicate that the carrying amount of an intangible asset may not be recoverable.

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

d) Accounts Receivable and Allowance for Doubtful Accounts

Healthcare accounts receivable is recorded at the time Healthcare segment revenue is recognized and is presented on the consolidated balance sheet net of an allowance for doubtful accounts. The percentages and amounts used to record bad debt expense and the allowance for doubtful accounts are supported by various methods and analyses, including current and historical cash collections and the aging of receivables by payor. Because of continuing changes in the health care industry and third-party reimbursement, it is possible that our estimates of collectability could change, which could have a material impact on our operations and cash flows.

Other accounts receivable is related to the Research segment and Corporate and Other category and is recorded at the time revenue is recognized, when products are shipped or services are performed. We estimate an allowance for doubtful accounts on a specific account basis, and consider several factors in our analysis including customer specific information and the aging of the account.

We write off receivables when the likelihood for collection is remote and when we believe collection efforts have been fully exhausted and we do not intend to devote additional resources in attempting to collect. We perform write-offs on a monthly basis.

e) Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash, cash equivalents, Healthcare accounts receivable and other accounts receivable. We maintain our cash and cash equivalents with high quality financial institutions to mitigate this risk. We perform ongoing credit evaluations of our customers and generally do not require collateral. We record an allowance for doubtful accounts in accordance with the procedures described above. Past-due amounts are written off against the allowance for doubtful accounts when collections are believed to be unlikely and all collection efforts have ceased.

At September 30, 2018 and December 31, 2017, one payor, Medicare, accounted for 16% and 21%, respectively, of our gross accounts receivable.

f) Noncontrolling Interest

The consolidated financial statements reflect the application of Accounting Standards Codification (“ASC”) 810 - Consolidations, which establishes accounting and reporting standards that require: (i) the ownership interest in subsidiaries held by parties other than the parent to be clearly identified and presented in the consolidated balance sheet within stockholders’ equity, but separate from the parent’s equity; (ii) the amount of consolidated net income/(loss) attributable to the parent and the noncontrolling interest to be clearly identified and presented in the consolidated statements of operations; and (iii) changes in a parent’s ownership interest while the parent retains its controlling financial interest in its subsidiary to be accounted for consistently.

g) Stock-Based Compensation

ASC 718, Compensation—Stock Compensation (“ASC 718”), addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for: (i) equity instruments of the enterprise or (ii) liabilities that are based on the fair value of the enterprise’s equity instruments or that may be settled by the issuance of such equity instruments. ASC 718 requires that an entity measure the cost of equity-based service awards issued to employees, such as stock options and

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

restricted stock units (“RSUs”), based on the grant-date fair value of the award and recognize the cost of such awards over the requisite service period (generally, the vesting period of the award). ASC 718 requires that an entity measure the cost of liability-based service awards based on current fair value that is remeasured subsequently at each reporting date through the settlement date. The compensation expense associated with performance stock units (“PSUs”) is recognized ratably over the period between when the performance conditions are deemed probable of achievement and when the awards are vested. Performance stock options (“PSOs”) are valued and stock-based compensation expense is recorded once the performance conditions of the outstanding PSOs have achieved probability. Prior to July 1, 2018, we accounted for equity awards issued to non-employees in accordance with ASC 505-50, Equity-Based Payments to Non-Employees; see “(k) Recent Accounting Pronouncements” for further details related to our adoption of ASU 2018-07, Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting, during the three months ended September 30, 2018 and our current accounting for equity awards issued to non-employees.

We have historically recorded stock-based compensation expense based on the number of stock options or RSUs we expect to vest using our historical forfeiture experience and we periodically update those forfeiture rates to apply to new grants. While we early adopted Accounting Standards Update (“ASU”) 2016-09, Improvements to Employee Share-Based Payment Accounting during the year ended December 31, 2016, we have elected to continue to estimate forfeitures under the true-up provision of ASC 718. We record additional expense if the actual forfeiture rate is lower than estimated, and record a recovery of prior expense if the actual forfeiture rate is higher than estimated.

We estimate the fair value of our stock options using the Black-Scholes option valuation model. The Black-Scholes option valuation model requires the use of certain subjective assumptions. The most significant of these assumptions are the estimates of the expected volatility of the market price of our stock and the expected term of the award. We base our estimates of expected volatility on the historical average of our stock price. The expected term represents the period of time that share-based awards granted are expected to be outstanding. Other assumptions used in the Black-Scholes option valuation model include the risk-free interest rate and expected dividend yield. The risk-free interest rate for periods pertaining to the expected term of each option is based on the U.S. Treasury yield of a similar duration in effect at the time of grant. We have never paid, and do not expect to pay, dividends in the foreseeable future.

We estimate the fair value of our PSUs using a Monte Carlo simulation. This model uses assumptions, including the risk-free interest rate, expected volatility of our stock price and those of the performance group, dividends of the performance group members and expected life of the awards. As noted above, we continue to estimate forfeitures under the true-up provision of ASC 718. If it becomes probable that the PSU performance targets will be met, compensation expense will be recorded for these awards ratably over the requisite service period. The PSUs are forfeited to the extent the performance criteria are not met.

h) Income Taxes

We account for income taxes under the liability method, as described in ASC 740 - Income Taxes (“ASC 740”). Deferred income taxes are recognized for the tax consequences of temporary differences between the tax and financial statement reporting bases of assets and liabilities. When we determine that we will not be able to realize our deferred tax assets, we adjust the carrying value of the deferred tax asset through the valuation allowance.

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

We record uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (i) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (ii) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

On December 22, 2017, the Tax Cuts and Jobs Act (the "TCJA") was enacted in the U.S. The TCJA represents sweeping changes in U.S. tax law. Under ASC 740, the effects of changes in tax rates and tax laws on deferred tax balances are recognized in the period in which the new legislation is enacted. The total effect of tax law changes on deferred tax balances is recorded as a component of income tax expense.

In response to the TCJA, the Staff of the U.S. Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 118 ("SAB 118") to provide guidance to registrants in applying ASC 740 in connection with the TCJA. SAB 118 provides that, in the period of enactment, the income tax effects of the TCJA may be reported as a provisional amount based on a reasonable estimate (to the extent a reasonable estimate can be determined), which would be subject to adjustment during a measurement period. The measurement period begins in the reporting period of the TCJA's enactment and ends when a registrant has obtained, prepared, and analyzed the information that was needed in order to complete the accounting requirements under ASC 740. SAB 118 also describes supplemental disclosures that should accompany the provisional amounts. As of December 31, 2017, we applied the guidance in SAB 118 to account for the financial accounting impacts of the TCJA and have provided the applicable supplemental disclosures in "Note 13. Income Taxes."

i) Net Income/(Loss) Per Share

We compute net income/(loss) per share in accordance with ASC 260 - Earnings Per Share. Basic net income/(loss) per share is computed by dividing net income/(loss) by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed by giving effect to all potential dilutive common stock equivalents, including stock options, RSUs, PSOs and PSUs, using the treasury stock method.

Certain stock options, which are priced higher than the market price of our shares as of September 30, 2018 would be anti-dilutive and therefore have been excluded from the weighted average shares used in computing diluted net income per share. These options could become dilutive in future periods. Similarly, certain recently granted RSUs are also excluded using the treasury stock method as their impact would be anti-dilutive. The dilutive effect of weighted average shares outstanding excludes approximately 0.1 million and 0.5 million shares for the three and nine month periods ended September 30, 2018, respectively, as their effect would have been anti-dilutive on our net income per share.

j) Segment Information

ASC 280 - Segment Reporting, establishes standards for reporting information regarding operating segments in annual financial statements. Operating segments are identified as components of an enterprise for which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision-making group, in making decisions on how to allocate resources and assess performance.

We report our business under two segments: Healthcare and Research. The Healthcare segment is focused on remote cardiac monitoring to identify cardiac arrhythmias or heart rhythm disorders. We offer

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

cardiologists, electrophysiologists, neurologists and primary care physicians a full spectrum of solutions, which provides them with a single source of cardiac monitoring services. The Research segment is engaged in centralized core laboratory services providing cardiac monitoring, imaging services, scientific consulting and data management services for drug and medical device trials. During the first quarter of 2018, as part of the LifeWatch integration, our forward-looking integration and rebranding plans, considering the full year 2018 financial forecasts of the results of the integrated company, and re-evaluating the significance and materiality of our segments, we aggregated the Technology operating segment into the Corporate and Other category. Included in the Corporate and Other category is the manufacturing, testing and marketing of cardiovascular and blood glucose monitoring devices to medical companies, clinics and hospitals and corporate overhead and other items not allocated to any of our reportable segments.

k) Recent Accounting Pronouncements

Accounting Pronouncements Recently Adopted

In June 2018, the Financial Accounting Standards Board (“FASB”) issued ASU 2018-07, Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting. This update expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor’s own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under ASC 606 - Revenue from Contracts with Customers (“ASC 606”). The amendments in ASU 2018-07 are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted. We adopted this standard on July 1, 2018, effective January 1, 2018, and this standard did not have a material impact on our financial position, results of operations or disclosures.

In March 2018, the FASB issued ASU 2018-05, Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118, to add various SEC paragraphs pursuant to the issuance of SAB 118 to ASC 740. SAB 118 was issued by the SEC in December 2017 to provide immediate guidance for accounting implications of U.S. tax reform under the TCJA. We have evaluated the potential impacts of SAB 118 and have applied this guidance to our consolidated financial statements and related disclosures as of January 1, 2018.

In May 2017, the FASB released ASU 2017-09, Scope of Modification Accounting, which clarifies the changes to terms or conditions of a share-based payment award that requires application of modification accounting under Topic 718. A change to an award should be accounted for as a modification unless the fair value of the modified award is the same as the original award, the vesting conditions do not change and the classification as an equity or liability instrument does not change. This update is effective for annual reporting periods, and interim periods within those annual periods, beginning after December 15, 2017. We adopted this standard effective January 1, 2018, and this standard did not have a material impact on our financial position, results of operations or disclosures.

In January 2017, the FASB released ASU 2017-01, Business Combinations: Clarifying the Definition of a Business, which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

of assets or businesses. The amendments in this ASU should be applied prospectively and are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. No disclosures are required at transition. We adopted this standard effective January 1, 2018, and this standard did not have a material impact on our financial position, results of operations or disclosures.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which has been updated through several revisions and clarifications since its original issuance (collectively, the “Revenue Updates”). The Revenue Updates require revenue recognized to represent the transfer of promised goods or services to customers at an amount that reflects the consideration that a company expects to receive in exchange for those goods or services. The Revenue Updates also require new, expanded disclosures regarding revenue recognition. We adopted the Revenue Updates effective January 1, 2018. See “Note 2. Revenue Recognition.”

Accounting Pronouncements Not Yet Adopted

In August 2018, the FASB issued ASU 2018-15, Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract, to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The updated guidance also requires an entity to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. This guidance is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted. We are in the process of evaluating the impact of this guidance on our consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases. This standard, along with several subsequent updates, requires lessees to recognize most leases on their balance sheet, make selected changes to lessor accounting and disclose additional key information about leases. The standard is effective for annual and interim reporting periods beginning after December 15, 2018. A modified retrospective transition approach is required, with certain practical expedients available.

As of September 30, 2018, we have substantially completed the following with respect to the adoption of ASU 2016-02:

- Developed a detailed project plan with milestone dates.
- Educated BioTelemetry personnel on the key points of ASU 2016-02.
- Determined the completeness of our current lease populations (as both lessee and lessor) as of September 30, 2018.
- Determined that no additional systems are required to track and monitor the lease population.
- Elected the optional modified retrospective method, with adoption as of January 1, 2019.
- Elected to apply a majority of the available practical expedients.
- Established and implemented key transition controls to ensure we meet the new reporting and disclosure requirements.

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

- Developed a process to review and document our lease populations as well as to calculate the right-of-use assets and liabilities (including related assumptions used in the calculations).
- Determined no expected material impact of ASU 2016-02 on our debt covenants.

Specific determinations and considerations that are in process related to the impact of ASU 2016-02 include:

• Continuing evaluation of new agreements, including identifying all contracts that are, or contain, leases and accumulating all the necessary information required to properly account for the leases under the new standard.

• Continuing evaluation of our processes and internal controls to ensure we meet the new reporting and disclosure requirements.

Analysis of the impact to the presentation and disclosure in our financial statements. The quantification of amounts has not yet been determined. We do not believe that these changes will materially impact our liquidity or ability to enter or exit leases.

We expect to complete our assessment of the full financial impact shortly after December 31, 2018, and will include all required presentation and disclosures under ASU 2016-02 in our Form 10-Q for the three months ending March 31, 2019.

2. Revenue Recognition

We adopted ASC 606 on January 1, 2018, which requires revenue recognized to represent the transfer of promised goods or services to customers at an amount that reflects the consideration that a company expects to receive in exchange for those goods or services.

We utilized the modified retrospective method for adoption, allowing us to not retrospectively adjust prior periods.

We applied the modified retrospective method only to contracts that were not complete at January 1, 2018 and accounted for the aggregate effect of any contract modifications upon adoption. No cumulative adjustment to retained earnings was recorded.

Disaggregation of Revenue

We disaggregate revenue from contracts with customers by payor type and major service line. We determined that disaggregating revenue into these categories achieves the disclosure objective of illustrating the differences in the nature, amount, timing and uncertainty of our revenue streams. Disaggregated revenue by payor type and major service line for the three and nine months ended September 30, 2018 was as follows:

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

| (in thousands) | Three Months Ended September 30, 2018 | | | |
|--|---------------------------------------|-----------|----------|--------------------|
| | Healthcare | Research | Other | Total Consolidated |
| Payor/Service Line | | | | |
| Remote cardiac monitoring services - Medicare | \$34,638 | \$— | \$— | \$ 34,638 |
| Remote cardiac monitoring services - commercial payors | 49,558 | — | — | 49,558 |
| Clinical trial support and related services | — | 13,464 | — | 13,464 |
| Technology devices, consumable and related services | — | — | 2,353 | 2,353 |
| Total | \$84,196 | \$ 13,464 | \$ 2,353 | \$ 100,013 |

| (in thousands) | Nine Months Ended September 30, 2018 | | | |
|--|--------------------------------------|-----------|----------|--------------------|
| | Healthcare | Research | Other | Total Consolidated |
| Payor/Service Line | | | | |
| Remote cardiac monitoring services - Medicare | \$101,452 | \$— | \$— | \$ 101,452 |
| Remote cardiac monitoring services - commercial payors | 150,018 | — | — | 150,018 |
| Clinical trial support and related services | — | 37,254 | — | 37,254 |
| Technology devices, consumable and related services | — | — | 7,145 | 7,145 |
| Total | \$251,470 | \$ 37,254 | \$ 7,145 | \$ 295,869 |

Remote Cardiac Monitoring Services Revenue (Healthcare segment)

Healthcare segment revenue is generated by remote cardiac monitoring to identify cardiac arrhythmias or heart rhythm disorders. We offer cardiologists, electrophysiologists, neurologists and primary care physicians a full spectrum of solutions, which provides them with a single source of cardiac monitoring services. We bill after service commences. Performance obligations are determined based on the nature of the services provided by us. With our remote cardiac monitoring services, the patient receives the benefits from the cardiac monitoring service over time, resulting in a time elapsed output method for revenue recognition. We believe that this method provides an accurate depiction of the transfer of value over the term of the performance obligation because the level of effort in providing these services is consistent during the service period.

A summary of the payment arrangements with payors is as follows:

Medicare and Contracted Payors: We determine the transaction price based on negotiated prices for services provided, on a case-rate basis, as provided for under the relevant Current Procedural Terminology (“CPT”) codes.

Non-Contracted Payors: Non-contracted commercial and government insurance carriers often reimburse out of network rates provided for under the relevant CPT codes on a case rate basis. Our transaction price includes implicit price concessions based on our historical collection experience for our non-contracted patients

We are utilizing the portfolio approach practical expedient in ASC 606 for our patient contracts in the Healthcare segment. We account for the contracts within each portfolio as a collective group, rather than individual contracts. Based on our history with these portfolios and the similar nature and

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

characteristics of the patients within each portfolio, we have concluded that the financial statement effects are not materially different than if accounting for revenue on a contract-by-contract basis.

For the contracted portfolio, we have historical experience of collecting substantially all of the negotiated contractual rates and determined at contract inception that these customers have the intention and ability to pay the promised consideration. As such, we are not providing an implicit price concession but, rather, have chosen to accept the risk of default, and adjustments to the transaction price are recorded as bad debt expense.

For our non-contracted portfolio, we are providing an implicit price concession because we do not have a contract with the underlying payor, the result of which requires us to estimate our transaction price based on historical cash collections utilizing the expected value method. Subsequent adjustments to the transaction price are recorded as an adjustment to Healthcare segment revenue and not as bad debt expense.

We have not made any significant changes to judgments in applying ASC 606 during the three and nine months ended September 30, 2018.

Clinical Trial Support and Related Services Revenue (Research segment)

Research revenue is generated by providing centralized core laboratory services, including cardiac monitoring, imaging services, scientific consulting and data management services for drug and medical device trials. These amounts are due from pharmaceutical companies and contract research organizations. We bill our customers after services are performed. Under a typical contract, some customers pay us a portion of our fee upon contract execution as an upfront refundable deposit. Upfront deposits are deferred and then recognized as the services are performed. If a contract is canceled prior to service being provided, the upfront deposit is refunded.

Performance obligations are determined based on the nature of the services provided by us. Our core laboratory services are provided over time as the customer receives benefits resulting in revenue recognition over the term of the contract. Our research customer contracts have legally enforceable terms that are predominately thirty days due to termination for convenience clauses, which are held by the customer with no significant penalty. Given the short-term nature of these contracts and the structure of our billing practices, our billing practices approximate our performance if measured by an output method, where each output is an individual occurrence of each performance obligation.

Accordingly, we utilize the invoice practical expedient as defined in ASC 606, resulting in recognition of revenue in the amount that we have the right to invoice.

We determine the transaction price based on the fixed consideration in our contractual agreements with our customers and allocate the transaction price to each performance obligation based on our relative stand-alone selling prices. We determine the relative stand-alone selling price utilizing either the adjusted market assessment or the cost-plus margin approach depending upon the type of contract.

We have not made any significant changes to judgments in applying ASC 606 during the three and nine months ended September 30, 2018.

Technology Devices, Consumable and Related Service Revenue (Other category)

Our technology device, consumable and related service revenue is primarily derived from two operations: (1) manufacturing, engineering and development of non-invasive cardiac monitors for healthcare companies and (2) manufacturing, engineering and development of cellular-enabled blood

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

glucose meter systems for wholesale distributors of diabetes supplies and diabetic patients. We bill our customers after goods are delivered or services are performed.

Performance obligations are determined based on the nature of the services provided by us. Our performance obligations consist of the following two categories: (1) the sale of medical devices and related goods produced by us and (2) contract manufacturing on behalf of a customer. These contracts transfer control to a customer at a point in time based on the transfer of title for the underlying good or service. We provide standard warranty provisions. We determine the transaction price based on fixed consideration in our contractual agreements with our customers and allocate the transaction price to each performance obligation based on the relative stand-alone selling price. We determine the relative stand-alone selling price utilizing our observable prices for the sale of the underlying goods. We have not made any significant changes to judgments in applying ASC 606 during the three and nine months ended September 30, 2018.

Deferred Revenue

ASC 606 requires an entity to present a revenue contract as a contract asset when the entity performs its obligations under the contract by transferring goods or services to a customer before the customer pays consideration or before payment is due. ASC 606 also requires an entity to present a revenue contract as a contract liability in instances when a customer pays consideration, or an entity has a right to an amount of consideration that is unconditional (e.g. receivable), before the entity transfers a good or service to the customer.

We currently do not have any contract assets. We recognize contract liabilities in the form of deferred revenue in the Research segment in instances where a customer pays an upfront deposit upon contract execution for future services to be performed by us. We receive payments from our customers based on standard terms and conditions. No significant changes or impairment losses occurred to contract balances during the three and nine months ended September 30, 2018.

As of September 30, 2018, we had deferred revenue of \$3.8 million primarily related to the Research segment where customers paid upfront deposits upon contract execution for future services to be performed by us. If the contract is canceled, these upfront deposits are refundable if service was not yet provided. For the three months ended September 30, 2018, the amount recognized as revenue from the deferred revenue balance at June 30, 2018 was \$1.0 million, while for the nine months ended September 30, 2018, the amount recognized as revenue from the deferred revenue balance as of December 31, 2017 was \$2.6 million.

Practical Expedient Elections

We have elected the following practical expedients in applying ASC 606 across all reportable segments unless otherwise noted below.

Unsatisfied Performance Obligations: Because all of our performance obligations relate to contracts with a duration of less than one year, we have elected to apply the optional exemption provided in ASC 606 and, therefore, are not required to disclose the aggregate amount of the

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Contract Costs: All incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that we otherwise would have recognized is one year or less in duration.

Significant Financing Component: We do not adjust the promised amount of consideration for the effects of a significant financing component as we expect, at contract inception, that the period between when we transfer a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Sales Tax Exclusion from the Transaction Price: We exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by us from the customer.

Shipping and Handling Activities: For our technology device, consumable and related service revenue, we account for shipping and handling activities we perform after a customer obtains control of the good as activities to fulfill the promise to transfer the good.

3. Acquisitions

LifeWatch

On July 12, 2017, we, through our wholly owned subsidiary Cardiac Monitoring Holding Company, LLC, acquired approximately 97% of the outstanding shares of LifeWatch for aggregate consideration of 3,615,840 shares of BioTelemetry common stock with a fair value of \$116.8 million and cash in the amount of \$165.8 million. On that date, we acquired control of LifeWatch and began consolidating its financial statements. The acquisition of LifeWatch strengthens our market position as the leader in remote cardiac monitoring.

We recorded our obligations to acquire the remaining untendered LifeWatch shares, pursuant to a squeeze-out procedure in accordance with Swiss law and takeover regulations related to the offering, as components of accrued liabilities and paid-in capital, and reduced our noncontrolling interest related to our ownership of LifeWatch, in our consolidated balance sheet as of December 31, 2017. As a result, we owned 100% of LifeWatch as of December 31, 2017. In early January 2018, we settled those obligations with payment of \$2.9 million in cash and the issuance of 58,786 shares of our common stock with a fair market value of \$2.0 million.

We accounted for the transaction as a business combination, and as such, all assets acquired and liabilities assumed were recorded at their estimated fair values. The excess of the fair value of the purchase price over the fair value of the net assets acquired has been recognized as goodwill, which represents the expected future benefits arising from the assembled workforce and other synergies attributable to cost savings opportunities. We recognized \$198.8 million of goodwill as a result of the acquisition, all of which has been assigned to the Healthcare segment. None of this goodwill will be deductible for tax purposes.

We finalized our fair value estimates related to the LifeWatch acquisition during the three months ended September 30, 2018. The measurement period adjustments recorded during the nine months ended

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

September 30, 2018 were due primarily to a \$5.7 million adjustment to increase accrued liabilities related to the ZTech legal matter (see “Note 15. Legal Proceedings” for details) and an \$8.9 million increase to other long-term liabilities.

| (in thousands, except lives) | Amount | Weighted Average Life (Years) |
|--|-----------|-------------------------------------|
| Fair value of assets acquired: | | |
| Cash and cash equivalents | \$4,303 | |
| Healthcare accounts receivable | 10,089 | |
| Inventory | 1,136 | |
| Prepaid expenses and other current assets | 3,798 | |
| Property and equipment | 27,507 | |
| Other assets | 713 | |
| Identifiable intangible assets: | | |
| Customer relationships | 126,800 | 10 |
| Technology | 3,217 | 2.5 |
| Total identifiable intangible assets | 130,017 | |
| Total assets acquired | 177,563 | |
| Fair value of liabilities assumed: | | |
| Accounts payable | 10,292 | |
| Accrued liabilities | 15,579 | |
| Current portion of capital lease obligations | 4,664 | |
| Current portion of long-term debt | 3,027 | |
| Long-term capital lease obligations | 3,420 | |
| Deferred tax liabilities | 14,465 | |
| Other long-term liabilities | 32,364 | |
| Total liabilities assumed | 83,811 | |
| Total identifiable net assets | 93,752 | |
| Fair value of noncontrolling interest | (9,961) | |
| Goodwill | 198,783 | |
| Net assets acquired | \$282,574 | |

We have integrated the operations of LifeWatch into our Healthcare segment. As a result of this integration, it is impracticable to disclose the amount of revenue and income/(loss) attributable to LifeWatch.

4. Inventory

Inventory consists of the following:

| (in thousands) | September 30, 2018 | December 31, 2017 |
|----------------------------|-----------------------|----------------------|
| Raw materials and supplies | \$ 5,367 | \$ 3,128 |
| Finished goods | 3,419 | 2,204 |
| Total inventory | \$ 8,786 | \$ 5,332 |

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Inventory, which includes purchased parts, materials, direct labor and applied manufacturing overhead, is stated at the lower of cost or net realizable value, with cost determined by use of the first-in, first-out method. The increase in our inventory balance is due primarily to the accumulation of newer generation devices in our Technology operating segment to support our growing Healthcare business.

5. Fair Value Measurements

We have determined that our long-term debt, classified as Level 2, has a fair value consistent with its carrying value, exclusive of debt discount and deferred charges, of \$198.8 million and \$199.4 million as of September 30, 2018 and December 31, 2017, respectively.

Contingent consideration represents our contingent milestone payment obligations related to our acquisitions and is measured at fair value, based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The valuation of contingent consideration uses assumptions we believe would be made by a market participant. We assess these estimates on an ongoing basis as additional data impacting the assumptions is obtained. The balances of the fair value of contingent consideration were recognized within accrued liabilities and other long-term liabilities on our consolidated balance sheets. Adjustments to contingent consideration are recorded in other charges in the consolidated statements of operations.

The following table provides a reconciliation of the beginning and ending balances of contingent consideration associated with our Telcare and ePatch acquisitions that occurred during the year ended December 31, 2016:

| (in thousands) | Three Months Ended | | Nine Months Ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2017 | September 30, 2018 | September 30, 2017 | September 30, 2018 |
| Beginning balance | \$ — | \$ 2,700 | \$ 700 | \$ 3,305 |
| Changes in fair value of contingent consideration | — | (1,400) | (700) | (2,005) |
| Ending balance | \$ — | \$ 1,300 | \$ — | \$ 1,300 |

During the nine months ended September 30, 2018 and 2017, the fair values of the contingent consideration decreased \$0.7 million and \$2.0 million, respectively, as it was no longer probable that certain of the contingencies related to the Telcare or ePatch acquisitions, respectively, would be met.

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

6. Goodwill and Intangible Assets

Goodwill was recognized at the time of our acquisitions. The following table presents the carrying amount of goodwill allocated to our reportable segments, as well as the changes to goodwill during the nine months ended September 30, 2018:

| (in thousands) | Reporting Segment | | | Total |
|--------------------------------|-------------------|----------|------------------------|-----------|
| | Healthcare | Research | Corporate and Other | |
| Balance at December 31, 2017 | \$198,273 | \$16,293 | \$8,539 | \$223,105 |
| Measurement period adjustments | 15,234 | — | — | 15,234 |
| Balance at September 30, 2018 | \$213,507 | \$16,293 | \$8,539 | \$238,339 |

The measurement period adjustments in the Healthcare segment are due to the LifeWatch acquisition. Refer to “Note 3. Acquisitions” for details related to the measurement period adjustments.

The gross carrying amounts and accumulated amortization of our intangible assets are as follows:

| (in thousands, except years) | Estimated Useful Life (Years) | September 30, 2018 | December 31, 2017 |
|--|-------------------------------------|-----------------------|----------------------|
| Gross Carrying Value: | | | |
| Customer relationships | 5 - 15 | \$143,100 | \$143,174 |
| Technology including internally developed software | 1.5 - 10 | 17,547 | 15,953 |
| Backlog | 1 - 4 | 6,860 | 6,860 |
| Covenants not to compete | 5 - 7 | 1,040 | 1,040 |
| Total intangible assets, gross | | 168,547 | 167,027 |
| Accumulated Amortization: | | | |
| Customer relationships | | (21,321) | (10,868) |
| Technology including internally developed software | | (10,340) | (8,573) |
| Backlog | | (5,633) | (5,052) |
| Covenants not to compete | | (919) | (827) |
| Total accumulated amortization | | (38,213) | (25,320) |
| Total intangible assets, net | | \$130,334 | \$141,707 |

7. Equity Method Investment

We hold an ownership interest in Well Bridge Health, Inc. (“WellBridge”). The investment is accounted for under the equity method. Our Chief Executive Officer sits on WellBridge’s board of directors, and therefore, WellBridge is considered a related party. Except for our periodic investment in WellBridge through capital contributions, there were no related-party transactions.

As of September 30, 2018, our investment in WellBridge represented 32.2% of its outstanding stock. A summary of our investment in WellBridge is as follows:

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

| (in thousands) | Three Months Ended | | Nine Months Ended | |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 |
| Beginning balance | \$1,247 | \$ 1,279 | \$1,431 | \$ 1,125 |
| Capital contributions | — | 140 | — | 490 |
| Loss in equity method investment | (54) | (106) | (238) | (302) |
| Ending balance | \$1,193 | \$ 1,313 | \$1,193 | \$ 1,313 |

8. Accrued Liabilities

Accrued liabilities consist of the following:

| (in thousands) | September 30, 2018 | December 31, 2017 |
|--|--------------------|-------------------|
| Compensation | \$ 13,689 | \$ 13,694 |
| Professional fees | 4,570 | 3,816 |
| Squeeze-out of untendered LifeWatch shares | — | 2,885 |
| Severance | 112 | 1,605 |
| Non-income taxes | 2,594 | 588 |
| Interest | 563 | 306 |
| Operating costs | 668 | 1,170 |
| Facility costs | 769 | 802 |
| Other | 1,139 | 1,189 |
| Total | \$ 24,104 | \$ 26,055 |

9. Credit Agreement

Concurrent with the acquisition of LifeWatch, we entered into a credit agreement with SunTrust Bank (the “SunTrust Credit Agreement”), as a lender and an agent for the lenders (the “Lenders”). Pursuant to the SunTrust Credit Agreement, the Lenders agreed to make loans to us as follows; (i) a term loan in an aggregate principal amount equal to \$205.0 million; and (ii) a \$50.0 million revolving credit facility for ongoing working capital purposes.

The loans bear interest at an annual rate, at our election, of (i) with respect to LIBOR rate loans, LIBOR plus the applicable margin and (ii) with respect to base rate loans, the base rate (the “prime rate” as published in the Wall Street Journal) plus the applicable margin. The applicable margin for both LIBOR and base rate loans is determined by reference to our Consolidated Total Net Leverage Ratio, as defined in the SunTrust Credit Agreement. As of September 30, 2018, the applicable margin is 1.75% for LIBOR loans and 0.75% for base rate loans.

The carrying amount of the term loan was \$198.8 million as of September 30, 2018, which is the principal amount outstanding, net of \$4.7 million of unamortized deferred financing costs to be amortized over the remaining term of the credit facility. The revolving credit facility is subject to an unused commitment fee, which is determined by reference to our Consolidated Total Net Leverage Ratio, as defined

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(Unaudited)

in the SunTrust Credit Agreement. Our unused commitment fee as of September 30, 2018 was 0.25%, and the revolving credit facility remains undrawn as of that date.

Covenants

The SunTrust Credit Agreement contains affirmative and financial covenants regarding the operations of our business and certain negative covenants that, among other things, limit our ability to incur additional indebtedness, grant certain liens, make certain investments, merge or consolidate, make certain restricted payments and engage in certain asset dispositions, including a sale of all, or substantially all, of our property. As of September 30, 2018, we were in compliance with our covenants.

10. Equity

Common Stock

As of September 30, 2018 and December 31, 2017, we were authorized to issue 200,000,000 shares of common stock. As of September 30, 2018 and December 31, 2017, we had 33,212,058 and 32,460,668 shares issued and outstanding, respectively. During the three months ended March 31, 2018, in accordance with the squeeze-out procedures under Swiss law, we issued 58,786 shares to the remaining stockholders of LifeWatch. See “Note 3. Acquisitions” for further details related to the LifeWatch acquisition.

Preferred Stock

As of September 30, 2018, we were authorized to issue 10,000,000 shares of preferred stock. As of September 30, 2018 and December 31, 2017, there were no shares of preferred stock issued or outstanding.

Noncontrolling Interest

During 2018, after a formal restructuring of shareholdings approved by the board of directors of LifeWatch Turkey Holdings AG (“LifeWatch Turkey”), we became the sole shareholder of LifeWatch Turkey. No cash or other consideration was exchanged to effect this transaction. As a result, we no longer reflect a noncontrolling interest in our consolidated balance sheet; however, we continue to reflect the net loss attributable to the noncontrolling interest on our consolidated statement of operations for the period of time where we did not own the entire entity.

11. Stock-Based Compensation

We have three stock plans: our 2017 Omnibus Incentive Plan (“OIP”), our 2008 Equity Incentive Plan (the “2008 Plan”) and our 2003 Equity Incentive Plan (the “2003 Plan”) (collectively, the “Plans”). The OIP is the only remaining stock plan actively granting new stock options or units. The purpose of these stock plans was, and the OIP is, to grant incentive stock options to employees and non-qualified stock options, RSUs, performance stock and other stock-based incentive awards to officers, directors, employees and consultants. The Plans are administered by our Board of Directors (the “Board”) or its delegates. The number, type, exercise price, and vesting terms of awards are determined by the Board or its delegates in accordance with the terms of the Plans. The stock options granted expire on a date specified by the Board but generally not more than ten years from the grant date. Stock option grants to employees generally vest over four years while RSUs generally vest after three years.

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

2017 Omnibus Incentive Plan (OIP)

In May 2017, our stockholders approved the OIP, which replaced the 2008 Plan. Stock options, RSUs, PSUs and PSOs are granted under the OIP. There were 2,332,130 shares available for grant under the OIP as of September 30, 2018.

2008 Equity Incentive Plan

Our 2008 Plan became effective on March 18, 2008 and replaced our 2003 Plan. Under the terms of the 2008 Plan, all available shares in the 2003 Plan share reserve automatically rolled into the 2008 Plan. Any cancellations or forfeitures of granted stock options under the 2003 Plan also automatically roll into the 2008 Plan. There are no shares available to grant under the 2008 Plan subsequent to the approval of the OIP.

Stock option and PSO activity is summarized as follows:

| Stock Options | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Term (years) | Contractual | Aggregate Intrinsic Value (in thousands) |
|---|------------------|---------------------------------|---|-------------|--|
| Outstanding as of December 31, 2017 | 3,574,439 | \$ 10.78 | | | |
| Granted | 295,806 | 35.34 | | | |
| Forfeited | (83,077) | 29.45 | | | |
| Exercised | (992,177) | 8.28 | | | |
| Outstanding as of September 30, 2018 | 2,794,991 | \$ 13.72 | 5.9 | | \$ 141,801 |
| Exercisable as of September 30, 2018 | 1,835,593 | \$ 7.12 | 4.6 | | \$ 105,236 |
| Expected to vest as of September 30, 2018 | 870,864 | \$ 26.34 | 8.5 | | \$ 33,191 |
| Performance Stock Options | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Term (years) | Contractual | Aggregate Intrinsic Value (in thousands) |
| Outstanding as of December 31, 2017 | 150,000 | \$ 20.41 | | | |
| Granted | — | — | | | |
| Forfeited | — | — | | | |
| Exercised | (15,000) | 18.33 | | | |
| Outstanding as of September 30, 2018 | 135,000 | \$ 20.64 | 8.2 | | \$ 5,914 |
| Exercisable as of September 30, 2018 | 135,000 | \$ 20.64 | 8.2 | | \$ 5,914 |

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

The table below summarizes certain additional information with respect to our options:

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 |
| (in thousands, except per option amounts) | | | | |
| Aggregate intrinsic value of options exercised | \$20,398 | \$ 685 | \$38,277 | \$ 6,510 |
| Cash received from the exercise of stock options | 3,493 | 1,384 | 8,485 | 4,350 |
| Weighted average grant date fair value per option | \$33.12 | \$ 20.90 | \$20.91 | \$ 18.15 |

The total compensation cost of options granted but not yet vested at September 30, 2018 was \$12.7 million, which is expected to be recognized over a weighted average period of approximately three years.

RSU and PSU activity is summarized as follows:

| | Restricted Stock Units | | Performance Stock Units | |
|--|------------------------|--|-------------------------|--|
| | Number of Shares | Weighted Average Grant Date Fair Value | Number of Shares | Weighted Average Grant Date Fair Value |
| Units outstanding as of December 31, 2017 | 467,129 | \$ 13.76 | — | — |
| Granted | 126,360 | 34.37 | 88,345 | \$ 37.79 |
| Forfeited | (9,230) | 19.27 | — | — |
| Vested | (223,723) | 12.03 | — | — |
| Units outstanding as of September 30, 2018 | 360,536 | \$ 21.92 | 88,345 | \$ 37.79 |

During 2018, we granted awards to certain participants in the form of PSUs. These PSUs will vest at the end of a three-year performance period only if specific financial performance metrics are met, and the vested shares will then be modified based on relative total shareholder return. The 88,345 PSUs were granted at “target” levels; however, for share pool purposes, we have reserved an additional 88,345 shares if the combined financial performance and market conditions achieve maximum levels. For the three and nine months ended September 30, 2018, no compensation expense related to these PSUs was recognized in accordance with ASC 718 for both employees and non-employees, as amended by the early adoption of ASU 2018-07 (see “Note 1. Summary of Significant Accounting Policies; Recent Accounting Pronouncements; Accounting Pronouncements Recently Adopted” for further detail regarding ASU 2018-07).

Additional information about our RSUs is summarized as follows:

| | Three Months Ended | Nine Months Ended | |
|---------------------------------------|--------------------|--------------------|--------------------|
| (in thousands) | September 30, 2018 | September 30, 2018 | September 30, 2017 |
| Aggregate market value of RSUs vested | \$ — | \$ 7,873 | \$ 4,585 |

The total compensation cost of RSUs and PSUs granted but not yet vested at September 30, 2018 was \$8.3 million, which is expected to be recognized over a weighted average period of approximately two years. Additionally, there were 576,546 RSUs vested but not released at September 30, 2018.

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Employee Stock Purchase Plan

In May 2017, our stockholders approved the BioTelemetry, Inc. 2017 Employee Stock Purchase Plan (“2017 ESPP”) with 500,000 shares reserved for issuance, which replaced the 2008 Employee Stock Purchase Plan. Substantially all of our employees are eligible to participate in the 2017 ESPP. Under the 2017 ESPP, each participant may purchase through payroll deductions up to \$21,500 of our shares in a calendar year. The price per share is equal to the lower of 85% of the fair market price on the first day of the offering period, or 85% of the fair market price on the day of purchase. Proceeds received from the issuance of shares are credited to stockholders’ equity in the period that the shares are issued. Purchases under the 2017 ESPP are made in March and September. For the nine months ended September 30, 2018, an aggregate of 121,655 shares were purchased in accordance with the 2017 ESPP. Net proceeds from the issuance of shares of common stock under the 2017 ESPP for the nine months ended September 30, 2018 were \$2.3 million. At September 30, 2018, 331,096 shares remain available for purchase under the 2017 ESPP.

Our aggregate stock-based compensation expense is summarized as follows:

| (in thousands) | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 |
| Stock options | \$304 | \$ 792 | \$3,132 | \$ 1,948 |
| Performance stock options | — | — | — | 1,534 |
| Restricted stock units | 832 | 557 | 2,392 | 1,783 |
| Employee stock purchase plan | 219 | 136 | 754 | 420 |
| Total stock-based compensation expense | \$1,355 | \$ 1,485 | \$6,278 | \$ 5,685 |

12. Other Charges

We account for expenses associated with exit or disposal activities in accordance with ASC 420 - Exit or Disposal Cost Obligations, and record the expenses in other charges in our consolidated statements of operations. The related accruals are recorded in the accrued liabilities line of our consolidated balance sheets.

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

We account for expenses associated with our acquisitions and certain litigation as other charges as incurred. These expenses were primarily a result of activities surrounding our acquisitions and legal fees related to patent litigation in which we are the plaintiff. Other charges are costs that are not considered necessary to the ongoing business operations. A summary of these expenses is as follows:

| (in thousands) | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 |
| Legal fees | \$564 | \$ 930 | \$3,405 | \$ 3,797 |
| Professional fees | 415 | 4,462 | 2,167 | 7,794 |
| Severance and employee related costs | 227 | 3,210 | 3,518 | 3,742 |
| Change in fair value of contingent consideration | — | (1,400) | (700) | (2,005) |
| Reserve for note receivable | — | — | 1,793 | — |
| Other costs | 124 | 950 | 1,440 | 1,214 |
| Total | \$1,330 | \$ 8,152 | \$11,623 | \$ 14,542 |

Other charges for the nine months ended September 30, 2018 are due primarily to integration activities related to the LifeWatch acquisition and a reserve for a note receivable with a bankrupt prior customer. The change in fair value of contingent consideration is the result of the contingent consideration related to certain 2016 acquisitions being written off as it was no longer probable that certain of the contingencies would be met.

13. Income Taxes

The income tax provision for interim periods is determined using an estimated annual effective tax rate adjusted for discrete items, if any, which are taken into account in the quarterly period in which they occur. We review and update our estimated annual effective tax rate each quarter. We recorded an income tax benefit of \$1.3 million and \$2.9 million for the three and nine months ended September 30, 2018, respectively, due primarily to a discrete benefit recorded for an equity compensation deduction under the previously adopted ASU 2016-9, Improvement to Employee Share Based Payment Accounting. We also recognized nominal income tax benefits for the three and nine months ended September 30, 2017.

At September 30, 2018 and December 31, 2017, we had deferred tax assets, net of deferred tax liabilities and valuation allowance, of \$21.8 million and \$17.7 million, respectively.

During the nine months ended September 30, 2018, in connection with our acquisitions, we identified uncertain tax positions for periods prior to our ownership related to items recorded through purchase accounting, resulting in an additional unrecognized tax benefit of approximately \$15.0 million. As a result, a net reserve of \$8.9 million, inclusive of pre-acquisition interest, was recorded as a component of other long-term liabilities within our consolidated balance sheets related to these uncertain tax positions. The unrecognized tax benefit, or a portion of an unrecognized tax benefit, is presented in the consolidated financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward.

We recognize interest and penalties, where applicable, related to unrecognized tax benefits within the benefit from/(provision for) income taxes line in the consolidated statements of operations. During the

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

nine months ended September 30, 2018, we recorded \$1.0 million of interest in the consolidated statements of operations associated with our unrecognized tax benefits, net of \$0.6 million of deductible future interest which was recorded as a deferred tax asset on our consolidated balance sheet.

At September 30, 2018 and December 31, 2017, we had net reserves of \$31.6 million and \$22.0 million, respectively, for uncertain tax positions.

On December 22, 2017, the TCJA was enacted in the U.S. The TCJA represents sweeping changes in U.S. tax law. As of December 31, 2017, we recorded the provisional impact from the TCJA in accordance with SAB 118. As of September 30, 2018, we have not adjusted any of our provisional amounts that were recorded as of December 31, 2017. We will finalize our adjustments during the three months ended December 31, 2018.

14. Segment Information

We operate under two reportable segments: Healthcare and Research. During the first quarter of 2018, we aggregated the Technology operating segment into the "Corporate and Other" category. The Healthcare segment is focused on remote cardiac monitoring to identify cardiac arrhythmias or heart rhythm disorders. We offer cardiologists, electrophysiologists, neurologists and primary care physicians a full spectrum of solutions, which provides them with a single source of cardiac monitoring services. The Research segment is engaged in centralized core laboratory services providing cardiac monitoring, imaging services, scientific consulting and data management services for drug and medical device trials. Included in the Corporate and Other category is the manufacturing, testing and marketing of cardiovascular and blood glucose monitoring devices to medical companies, clinics and hospitals and corporate overhead and other items not allocated to any of our reportable segments.

Expenses that can be specifically identified with a segment have been included as deductions in determining pre-tax segment income. Any remaining expenses including integration, restructuring and other charges, as well as the elimination of costs associated with intercompany revenue are included in Corporate and Other. Also included in Corporate and Other is our net interest expense and other financing expenses. We do not allocate assets to the individual segments.

During the three months ended December 31, 2017, we reclassified research and development costs associated with cardiovascular devices from the Corporate and Other category to the Healthcare segment to synchronize our external reporting with the way our chief operating decision maker reviews segment performance and makes decisions about the reportable segments.

| (in thousands) | Three Months Ended September 30, 2018 | | | |
|-----------------------------------|---------------------------------------|----------|---------------------|--------------|
| | Healthcare | Research | Corporate and Other | Consolidated |
| Revenues | \$84,196 | \$13,464 | \$2,353 | \$100,013 |
| Gross profit | 56,040 | 5,938 | 759 | 62,737 |
| Income/(loss) before income taxes | 28,662 | 1,951 | (15,893) | 14,720 |
| Depreciation and amortization | 8,413 | 944 | 992 | 10,349 |
| Capital expenditures | 2,765 | 472 | 4,324 | 7,561 |

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

| | Three Months Ended September 30, 2017 | | | |
|-----------------------------------|---------------------------------------|----------|------------------------|--------------|
| (reclassified, in thousands) | Healthcare | Research | Corporate and Other | Consolidated |
| Revenues | \$69,528 | \$ 9,313 | \$ 2,182 | \$ 81,023 |
| Gross profit | 45,035 | 3,732 | 302 | 49,069 |
| Income/(loss) before income taxes | 14,985 | 219 | (18,203) | (2,999) |
| Depreciation and amortization | 7,337 | 1,040 | 642 | 9,019 |
| Capital expenditures | 4,796 | 608 | 339 | 5,743 |
| | Nine Months Ended September 30, 2018 | | | |
| (in thousands) | Healthcare | Research | Corporate and Other | Consolidated |
| Revenues | \$251,470 | \$37,254 | \$ 7,145 | \$ 295,869 |
| Gross profit | 169,891 | 16,184 | 465 | 186,540 |
| Income/(loss) before income taxes | 81,261 | 4,257 | (56,960) | 28,558 |
| Depreciation and amortization | 24,797 | 2,921 | 2,513 | 30,231 |
| Capital expenditures | 14,906 | 1,674 | 918 | 17,498 |
| | Nine Months Ended September 30, 2017 | | | |
| (reclassified, in thousands) | Healthcare | Research | Corporate and Other | Consolidated |
| Revenues | \$156,109 | \$28,199 | \$10,725 | \$ 195,033 |
| Gross profit | 102,593 | 11,466 | 3,886 | 117,945 |
| Income/(loss) before income taxes | 43,531 | 922 | (45,126) | (673) |
| Depreciation and amortization | 12,904 | 3,112 | 543 | 16,559 |
| Capital expenditures | 10,399 | 1,074 | 467 | 11,940 |

15. Legal Proceedings

The final outcome of any current or future litigation or governmental or internal investigations cannot be accurately predicted, nor can we predict any resulting penalties, fines or other sanctions that may be imposed at the discretion of federal or state regulatory authorities. We record accruals for such contingencies to the extent that we conclude it is probable that a liability has been incurred and the amount of the loss can be estimated.

ZTech, Inc., Biorita LLC, and the Cleveland Clinic Foundation Arbitration

In January 2017, ZTech, Inc., Biorita LLC, and the Cleveland Clinic Foundation (the "Claimants") filed an arbitration demand against LifeWatch with the American Arbitration Association. Claimants alleged that LifeWatch violated the 2015 Stock Purchase Agreement for the purchase of FlexLife Health, Inc., a remote international normalized ratio monitoring business. The demand alleged LifeWatch did not make commercially reasonable efforts to achieve certain conditions precedent and did not have a reasonable basis for terminating the business line. Claimants sought liquidated damages and attorneys' fees. On May 9, 2018, the arbitration panel issued an award including accrued interest against LifeWatch in the amount of \$6.0 million. The award liability, plus the accrued interest through July 12, 2017, was recorded as a measurement period adjustment related to our LifeWatch acquisition (see "Note 3. Acquisitions"). The

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

interest accrued since the acquisition date of LifeWatch was recorded as a component of other non-operating expense within our consolidated statements of operations. The total amount of the award and accrued interest was paid in May 2018.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2017, and in conjunction with the accompanying quarterly unaudited consolidated financial statements and related notes. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. Our actual results and the timing of certain events could differ materially from those contained in these forward-looking statements due to a number of factors, including, but not limited to, those set forth herein and elsewhere in this report and in our other filings with the U.S. Securities and Exchange Commission ("SEC"). See the "Cautionary Note Regarding Forward-Looking Statements" at the beginning of this report. Unless otherwise noted, the figures in the following discussions are unaudited.

Company Background

We provide remote monitoring services and digital population health management for healthcare providers, medical device manufacturing and centralized core laboratory services for clinical research. We operate under two reportable segments: Healthcare and Research. Healthcare is focused on the diagnosis and monitoring of cardiac arrhythmias or heart rhythm disorders. We offer cardiologists and electrophysiologists, neurologists and primary care physicians a full spectrum of solutions, which provides them with a single source of cardiac monitoring services. These services range from the differentiated remote cardiac telemetry service to event, Holter, extended Holter, Pacemaker and International Normalized Ratio monitoring. Research is engaged in central core laboratory services providing cardiac monitoring, imaging services, scientific consulting and data management services for drug and medical device trials. Included in the Corporate and Other category is the manufacturing, testing and marketing of cardiovascular and blood glucose monitoring devices to medical companies, clinics and hospitals and corporate overhead and other items not allocated to any of our reportable segments.

Critical Accounting Policies and Estimates

We have prepared the financial statements and accompanying notes included in "Part I; Item 1. Financial Statements" of this report in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"). This requires us to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. These estimates and assumptions are based on historical experience, analysis of current trends, and various other factors that we believe to be reasonable under the circumstances. Actual results could differ from those estimates under different assumptions or conditions.

We periodically reevaluate our accounting policies, assumptions, and estimates and make adjustments when facts and circumstances warrant. Our significant accounting policies are described in "Part II; Item 8. Financial Statements and Supplementary Data; Notes to Consolidated Financial Statements; Note 2. Summary of Significant Accounting Policies" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. The accounting policies and related assumptions that we consider to be more critical to the preparation of our financial statements and accompanying notes and involve the most significant management judgments and estimates are described in "Part II; Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations; Critical Accounting Policies and Estimates" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. Except for the implementation of ASC 606 - Revenue from Contracts with Customers, there were no material changes in, or additions to, our critical accounting policies or in the assumptions or estimates we used to prepare the financial information appearing in this report.

Results of Operations

Three Months Ended September 30, 2018 and September 30, 2017

Revenues

| (in thousands, except percentages) | Three Months Ended | | Change | |
|------------------------------------|--------------------|--------------------|-----------|-------|
| | September 30, 2018 | September 30, 2017 | \$ | % |
| Healthcare | \$84,196 | \$ 69,528 | \$ 14,668 | 21.1% |
| Research | 13,464 | 9,313 | 4,151 | 44.6% |
| Other | 2,353 | 2,182 | 171 | 7.8% |
| Total revenues | \$100,013 | \$ 81,023 | \$ 18,990 | 23.4% |

Total revenues for the three months ended September 30, 2018 increased 23.4% driven by a 21.1% increase in Healthcare revenue and a 44.6% increase in Research revenue. On an organic basis, Healthcare revenue grew 15.1% due to an increase in patient volume driven by double-digit mobile cardiac telemetry (“MCT”) growth and triple-digit extended Holter growth. Healthcare revenue also benefited from a favorable payor mix. The Research revenue increase was driven by higher imaging volume from oncology studies as well as increased cardiac revenue from early phase studies. Other revenue increased 7.8% due to the timing of several large sales of diabetic products.

Gross Profit

| (in thousands, except percentages) | Three Months Ended | | Change | |
|------------------------------------|--------------------|--------------------|-----------|-------|
| | September 30, 2018 | September 30, 2017 | \$ | % |
| Gross profit | \$62,737 | \$ 49,069 | \$ 13,668 | 27.9% |
| Percentage of revenues | 62.7% | 60.6% | | |

Gross profit for the three months ended September 30, 2018 increased due to the increased revenue, as well as realized synergies from our acquisitions. The 210 basis point increase in gross margin percentage was due to the favorable payor mix, the impact of volume-related efficiencies and synergies resulting from the integration of LifeWatch.

General and Administrative Expense

| (in thousands, except percentages) | Three Months Ended | | Change | |
|------------------------------------|--------------------|--------------------|----------|------|
| | September 30, 2018 | September 30, 2017 | \$ | % |
| General and administrative expense | \$26,325 | \$ 25,320 | \$ 1,005 | 4.0% |
| Percentage of revenues | 26.3% | 31.3% | | |

General and administrative expense increased for the three months ended September 30, 2018 driven by \$0.5 million of additional intangible asset amortization attributable to the full-quarter impact of the LifeWatch acquisition, \$0.7 million of increased consulting and legal expenses and \$0.4 million of increased information technology expense due to further investment in our business systems, partially offset by \$1.1 million of additional synergies stemming from the full-quarter impact of the integration of LifeWatch.

Sales and Marketing Expense

| (in thousands, except percentages) | Three Months Ended | | Change | |
|------------------------------------|--------------------|--------------------|--------|------|
| | September 30, 2018 | September 30, 2017 | \$ | % |
| Sales and marketing expense | \$10,120 | \$ 9,719 | \$401 | 4.1% |
| Percentage of revenues | 10.1 % | 12.0 % | | |

The increase in sales and marketing expense for the three months ended September 30, 2018 was due primarily to \$0.3 million of additional expense for sales meetings.

Bad Debt Expense

| (in thousands, except percentages) | Three Months Ended | | Change | |
|------------------------------------|--------------------|--------------------|---------|-------|
| | September 30, 2018 | September 30, 2017 | \$ | % |
| Bad debt expense | \$5,157 | \$ 3,768 | \$1,389 | 36.9% |
| Percentage of revenues | 5.2 % | 4.7 % | | |

The increase in bad debt expense for the three months ended September 30, 2018 was due primarily to the increased Healthcare revenue and the timing of the Healthcare collections. Bad debt expense in Research was minimal and is recorded on a specific account basis.

Research and Development Expense

| (in thousands, except percentages) | Three Months Ended | | Change | |
|------------------------------------|--------------------|--------------------|---------|---------|
| | September 30, 2018 | September 30, 2017 | \$ | % |
| Research and development expense | \$2,429 | \$ 3,277 | \$(848) | (25.9)% |
| Percentage of revenues | 2.4 % | 4.0 % | | |

Research and development expense for the three months ended September 30, 2018 decreased due primarily to \$0.7 million of synergies related to the full-quarter impact of the integration of LifeWatch, as well as other cost savings initiatives.

Other Charges

| (in thousands, except percentages) | Three Months Ended | | Change | |
|------------------------------------|--------------------|--------------------|-----------|---------|
| | September 30, 2018 | September 30, 2017 | \$ | % |
| Other charges | \$1,330 | \$ 8,152 | \$(6,822) | (83.7)% |
| Percentage of revenues | 1.3 % | 10.1 % | | |

Other charges for the three months ended September 30, 2018 were due primarily to the continued integration and restructuring activities related to the LifeWatch acquisition and patent litigation.

Other charges for the three months ended September 30, 2017 were due primarily to legal and professional fees, as well as severance costs, related to the LifeWatch acquisition, offset by the change in fair value of contingent consideration related to certain 2016 acquisitions.

Other Expense

| (in thousands, except percentages) | Three Months Ended | | Change | |
|---|--------------------|----------------|----------|-----------|
| | September 2018 | September 2017 | \$ | % |
| Interest expense | \$ (2,408) | \$ (1,841) | \$ (567) | 30.8 % |
| Loss on extinguishment of debt | — | (543) | 543 | (100.0) |
| Loss on equity method investment | (54) | (106) | 52 | (49.1) % |
| Other non-operating income/(expense), net | (194) | 658 | (852) | (129.5) % |
| Total other expense | \$ (2,656) | \$ (1,832) | \$ (824) | 45.0 % |
| Percentage of revenues | 2.7 % | 2.3 % | | |

Total other expense for the three months ended September 30, 2018 was due primarily to \$2.4 million of interest expense and the amortization of deferred financing fees related to the full-quarter impact of the SunTrust Credit Agreement entered into concurrent with the LifeWatch acquisition in mid-July 2017.

Total other expense for the three months ended September 30, 2017 was composed of \$1.9 million of interest expense, \$0.5 million for the loss on the extinguishment of debt related to write-off of the unamortized debt issuance costs as a result of the payoff of our previous credit agreement in mid-July 2017 and \$0.4 million related to the write off of a derivative instrument premium, partially offset by a gain of \$1.3 million for a settlement with the seller of Mednet Healthcare Technologies, Inc. and related companies, which the Company acquired in early 2014.

Income Taxes

| (in thousands, except percentages) | Three Months Ended | | Change | |
|------------------------------------|--------------------|----------------|--------|---------|
| | September 2018 | September 2017 | \$ | % |
| Benefit from income taxes | \$ 1,281 | \$ 435 | \$ 846 | 194.5 % |
| Effective tax rate | (8.7) % | 14.5 % | | |

For the three months ended September 30, 2018, we recognized an income tax benefit due primarily to a discrete benefit recorded for equity compensation deductions. For the three months ended September 30, 2017, we also recorded an income tax benefit. After considering benefits from the exercise of stock options, we expect our 2018 annual effective tax rate to be in the range of 2% to 5%, absent changes in tax laws or significant changes in uncertain tax positions.

Nine Months Ended September 30, 2018 and September 30, 2017

Revenues

| (in thousands, except percentages) | Nine Months Ended | | Change | |
|------------------------------------|--------------------|--------------------|-----------|---------|
| | September 30, 2018 | September 30, 2017 | \$ | % |
| Healthcare | \$251,470 | \$ 156,109 | \$95,361 | 61.1 % |
| Research | 37,254 | 28,199 | 9,055 | 32.1 % |
| Other | 7,145 | 10,725 | (3,580) | (33.4)% |
| Total revenues | \$295,869 | \$ 195,033 | \$100,836 | 51.7 % |

Total revenues for the nine months ended September 30, 2018 increased 51.7%, driven by a 61.1% increase in Healthcare revenue and a 32.1% increase in Research revenue. The Healthcare revenue increase was due to an increase in Healthcare patient volume due primarily to the full-period impact of the LifeWatch acquisition. On an organic basis, Healthcare revenue grew 14.6% due to an increase in patient volume driven by double-digit MCT growth and triple-digit extended Holter growth, as well as a favorable payor mix. The Research revenue increase was driven by higher volume in oncology, early phase and atrial fibrillation studies. The strength in Healthcare and Research revenue was partially offset by lower Other revenue due to the timing of several large product sales during the nine months ended September 30, 2017.

Gross Profit

| (in thousands, except percentages) | Nine Months Ended | | Change | |
|------------------------------------|--------------------|--------------------|----------|-------|
| | September 30, 2018 | September 30, 2017 | \$ | % |
| Gross profit | \$186,540 | \$ 117,945 | \$68,595 | 58.2% |
| Percentage of revenues | 63.0 % | 60.5 % | | |

Gross profit for the nine months ended September 30, 2018 increased due primarily to the full-period impact of the LifeWatch acquisition, the organic revenue growth and realized synergies from our acquisitions. The 250 basis point increase in gross margin percentage was due to the favorable payor mix, the impact of volume-related efficiencies and synergies resulting from the integration of LifeWatch.

General and Administrative Expense

| (in thousands, except percentages) | Nine Months Ended | | Change | |
|------------------------------------|--------------------|--------------------|----------|--------|
| | September 30, 2018 | September 30, 2017 | \$ | % |
| General and administrative expense | \$81,785 | \$ 55,603 | \$26,182 | 47.1 % |
| Percentage of revenues | 27.6 % | 28.5 % | | |

General and administrative expense increased for the nine months ended September 30, 2018 due primarily to the \$16.8 million full-period impact of the LifeWatch acquisition in mid-July 2017, \$7.1 million of intangible asset amortization attributable to LifeWatch, and \$6.5 million of additional headcount-related expense, partially offset by \$5.3 million of additional synergies stemming from the full-period impact of the integration of LifeWatch.

Sales and Marketing Expense

| (in thousands, except percentages) | Nine Months Ended | | Change | |
|------------------------------------|--------------------|--------------------|---------|-------|
| | September 30, 2018 | September 30, 2017 | \$ | % |
| Sales and marketing expense | \$32,535 | \$ 25,051 | \$7,484 | 29.9% |
| Percentage of revenues | 11.0 | % 12.8 | | % |

The increase in sales and marketing expense for the nine months ended September 30, 2018 was due primarily to the \$9.8 million full-period impact of the LifeWatch acquisition and \$1.3 million due to higher sales meeting costs, partially offset by \$4.0 million of additional synergies due to the full-period impact of the integration of LifeWatch.

Bad Debt Expense

| (in thousands, except percentages) | Nine Months Ended | | Change | |
|------------------------------------|--------------------|--------------------|---------|-------|
| | September 30, 2018 | September 30, 2017 | \$ | % |
| Bad debt expense | \$16,911 | \$ 8,975 | \$7,936 | 88.4% |
| Percentage of revenues | 5.7 | % 4.6 | | % |

The increase in bad debt expense for the nine months ended September 30, 2018 was due to the \$5.0 million impact of the LifeWatch acquisition, the organic revenue growth, as well as a \$1.1 million specific reserve related to a customer bankruptcy in the Corporate and Other category. Bad debt expense in Research was minimal and is recorded on a specific account basis.

Research and Development Expense

| (in thousands, except percentages) | Nine Months Ended | | Change | |
|------------------------------------|--------------------|--------------------|--------|------|
| | September 30, 2018 | September 30, 2017 | \$ | % |
| Research and development expense | \$8,451 | \$ 8,225 | \$226 | 2.7% |
| Percentage of revenues | 2.9 | % 4.2 | | % |

Research and development expense for the nine months ended September 30, 2018 increased due to the \$2.5 million full-period impact of the LifeWatch acquisition, offset partially by \$1.6 million of synergies realized from the integration of LifeWatch, as well as other cost savings initiatives.

Other Charges

| (in thousands, except percentages) | Nine Months Ended | | Change | |
|------------------------------------|--------------------|--------------------|-----------|---------|
| | September 30, 2018 | September 30, 2017 | \$ | % |
| Other charges | \$11,623 | \$ 14,542 | \$(2,919) | (20.1)% |
| Percentage of revenues | 3.9 | % 7.5 | | % |

Other charges for the nine months ended September 30, 2018 were due to \$7.9 million related to the integration of LifeWatch, a \$1.8 million reserve for a note receivable with a bankrupt customer, \$1.5 million for patent litigation and \$0.8 million of other expenses including legal, professional fees and

depreciation, partially offset by a \$0.7 million reduction in contingent consideration related to a 2016 acquisition. Other charges for the nine months ended September 30, 2017 were due primarily to legal and professional fees, as well as severance costs, related to the acquisition of LifeWatch. These charges were partially offset by a \$2.0 million decrease in the fair value of acquisition-related contingent consideration related to certain 2016 acquisitions.

Other Expense

| (in thousands, except percentages) | Nine Months Ended | | Change | |
|---|--------------------|--------------------|-----------|----------|
| | September 30, 2018 | September 30, 2017 | \$ | % |
| Interest expense | \$(6,982) | \$(2,622) | \$(4,360) | 166.3% |
| Loss on extinguishment of debt | — | (543) | 543 | (100.0)% |
| Loss on equity method investment | (238) | (302) | 64 | (21.2)% |
| Other non-operating income/(expense), net | 543 | (2,755) | 3,298 | (119.7)% |
| Total Other expense | \$(6,677) | \$(6,222) | \$(455) | 7.3% |
| Percentage of revenues | 2.3% | 3.2% | | |

Total other expense for the nine months ended September 30, 2018 was due primarily to \$7.0 million of interest expense and amortization of deferred financing fees resulting from the full-period impact of entering into the SunTrust Credit Agreement concurrent with the LifeWatch acquisition in mid-July 2017, \$0.3 million of interest related to the ZTech ruling (see “Part I; Item 1. Financial Statements; Notes to Consolidated Financial Statements; Note 15. Legal Proceedings”) and a \$0.2 million loss on our equity method investment, partially offset by an unrealized foreign exchange gain of \$0.9 million associated with our uncertain tax positions.

Total other expense for the nine months ended September 30, 2017 was due to \$2.6 million of interest expense and the amortization of deferred financing fees from our previous credit agreement paid off in mid-July 2017 and the SunTrust Credit Agreement entered into concurrent with the LifeWatch acquisition, \$2.5 million associated with our 2017 settlement with the United States Department of Health and Human Services - Office for Civil Rights related to the theft of two unencrypted laptop computers in 2011, a \$1.3 million charge related to the write off of a derivative instrument premium, \$0.5 million of loss on the extinguishment of debt related to the write off of unamortized debt issuance costs as a result of the payoff of our previous credit agreement and a \$0.3 million loss on our equity method investment, partially offset by a gain of \$1.3 million for a settlement with the seller of Mednet Healthcare Technologies, Inc. and related companies, which the Company acquired in early 2014.

Income Taxes

| (in thousands, except percentages) | Nine Months Ended | | Change | |
|------------------------------------|--------------------|--------------------|---------|----------|
| | September 30, 2018 | September 30, 2017 | \$ | % |
| Benefit from income taxes | \$2,923 | \$31 | \$2,892 | 9,329.0% |
| Effective tax rate | (10.2)% | 4.6% | | |

For the nine months ended September 30, 2018, we recognized an income tax benefit due primarily to a discrete benefit recorded for equity compensation deductions. For the nine months ended September 30,

2017, we also recorded an income tax benefit. After considering benefits from the exercise of stock options, we expect our 2018 annual effective tax rate to be in the range of 2% to 5%, absent changes in tax laws or significant changes in uncertain tax positions.

Liquidity and Capital Resources

The following table highlights certain information related to our liquidity and capital resources:

| (in thousands, except ratios) | September 30, December 31, | |
|--|----------------------------|------------|
| | 2018 | 2017 |
| Cash and cash equivalents | \$ 63,118 | \$ 36,022 |
| Healthcare accounts receivable, net of allowance for doubtful accounts | 36,414 | 25,190 |
| Other accounts receivable, net of allowance for doubtful accounts | 14,609 | 13,296 |
| Availability under revolving credit facility | 50,000 | 50,000 |
| Working capital | \$ 83,907 | \$ 39,153 |
| Current ratio | 2.7 | 1.8 |
| Total capital lease obligations | \$ 2,504 | \$ 5,509 |
| Total debt | \$ 198,751 | \$ 199,356 |

The following table highlights certain cash flow activities:

| (in thousands) | Nine Months Ended | |
|---------------------------------------|--------------------|--------------------|
| | September 30, 2018 | September 30, 2017 |
| Net income/(loss) | \$31,481 | \$ (642) |
| Non-cash adjustments to net income | 49,782 | 29,791 |
| Cash used for working capital | (36,976) | (18,488) |
| Cash provided by operating activities | 44,287 | 10,661 |
| Cash used in investing activities | (17,498) | (179,996) |

Cash provided by financing activities \$500 \$ 172,490

For the nine months ended September 30, 2018, non-cash adjustments to income primarily relate to bad debt, depreciation, amortization and stock compensation expense, offset slightly by the non-cash tax benefit. Our non-cash adjustments increased compared to the comparative prior year period due primarily to \$7.9 million of increased bad debt expense, \$7.6 million of increased amortization and \$6.1 million of increased depreciation, predominantly related to the full-period impact of the acquisition of LifeWatch, offset partially by a \$3.6 million increase in the non-cash tax benefit. The increase in cash used for working capital was due primarily to increased receivables resulting from rapid revenue growth and the timing of cash receipts and cash payments.

In conjunction with the LifeWatch acquisition in 2017, we established a new credit agreement with SunTrust Bank and lenders named therein in the form of a \$205.0 million term loan and a \$50.0 million revolving credit facility and extinguished our previous credit agreement. For further details regarding these agreements, please see "Part II; Item 8. Financial Statements and Supplementary Data; Notes to Consolidated Financial Statements; Note 10. Credit Agreement" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. As of September 30, 2018, our revolving credit facility remains undrawn.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our cash and cash equivalents as of September 30, 2018 were \$63.1 million. We do not invest in any short-term or long-term securities, nor do we hold any derivative financial instruments for trading or speculative purposes. At September 30, 2018, we had \$198.8 million of variable rate debt, inclusive of debt discounts and deferred charges, at a rate of LIBOR plus the applicable margin, or the prime rate plus the applicable margin. A 1.0% change in either the LIBOR rate, prime rate, or the applicable margin would result in a change in interest expense of approximately \$2.0 million. For further details regarding the debt, rates or applicable margin, please refer to “Part II; Item 8. Financial Statements and Supplementary Data; Notes to Consolidated Financial Statements; Note 10. Credit Agreement” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended (“Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(b) of the Exchange Act as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer (the Principal Executive Officer) and Chief Financial Officer (the Principal Financial Officer) have concluded that our disclosure controls and procedures were effective as of September 30, 2018.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, in the ordinary course of business, and like others in the industry, we receive requests for information from government agencies in connection with their regulatory or investigational authority or are involved in traditional employment or business litigation. We review such requests and notices and take appropriate action. The final outcome of any current or future litigation or governmental or internal investigations cannot be accurately predicted, nor can we predict any resulting penalties, fines or other sanctions that may be imposed at the discretion of federal or state regulatory authorities. We record accruals for such contingencies to the extent that we conclude it is probable that a liability has been incurred and the amount of the loss can be estimated.

For further details regarding certain legal proceedings to which we are currently a party, which is incorporated herein by reference, please refer to “Part I; Item 1. Financial Statements; Notes to Consolidated Financial Statements; Note 15. Legal Proceedings.”

Item 1A. Risk Factors

In evaluating an investment in BioTelemetry common stock, investors should consider carefully, among other things, “Part I; Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2017, as well as the information contained in this Quarterly Report and other reports and registration statements filed by us with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits
EXHIBIT INDEX

| Exhibit Number | Description | Incorporated by Reference | | | Filed/Furnished Herewith |
|----------------|---|---------------------------|----------|---------------------|--------------------------|
| | | Form | File No. | Exhibit Filing Date | |
| 31.1 | <u>Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities and Exchange Act of 1934, as amended.</u> | | | | † |
| 31.2 | <u>Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities and Exchange Act of 1934, as amended.</u> | | | | † |
| 32 | <u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u> | | | | + |
| 101.INS | XBRL Instance Document. | | | | |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. | | | | |
| 101.SCH | XBRL Taxonomy Extension Schema Document. | | | | |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. | | | | |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document. | | | | |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document. | | | | |

Filed herewith.

+Furnished herewith.

BioTelemetry, Inc.

SIGNATURES

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

BIOTELEMETRY, INC.

Date: October 30, 2018 By: /s/ Heather C. Getz

Heather C. Getz

Executive Vice President and Chief Financial Officer

(Principal Financial Officer and authorized officer of the Registrant)