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, 2019

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

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 **Malvern, Pennsylvania**	**19355**
(Address of principal executive offices)	(Zip Code)

(610) 729-7000
(Registrant's Telephone Number, including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, $0.001 par value	BEAT	NASDAQ Global Select Market

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 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	Accelerated filer	Emerging growth company
Non-accelerated filer	Smaller reporting company	

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

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 28, 2019, 33,991,107 shares of the registrant's common stock were outstanding.

BIOTELEMETRY, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

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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 improvement. 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;
- acceptance of our new products and services, such as our mobile cardiac telemetry ("**MCT**") patch;
- the outcome of our pending and ongoing incident investigation (as detailed in **"Part I; Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations"** of this report), including our discovery of additional information relating to the incident and our customers' and other stakeholders' reactions to that additional information;
- costs related the incident investigation and resulting liabilities;
- our ability to obtain and maintain required regulatory approvals for our products, services and manufacturing facilities;
- changes in governmental regulations and legislation;
- adverse regulatory action;
- our ability to obtain and maintain adequate protection of our intellectual property;
- 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, 2018, as well as the factors that are described

in **“Part II; Item 1A. Risk Factors”** of this Quarterly Report on Form 10-Q.

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 data)	(Unaudited) September 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 61,573	$ 80,889
Healthcare accounts receivable, net of allowance for doubtful accounts of $26,504 and $25,345, at September 30, 2019 and December 31, 2018, respectively	56,832	37,754
Other accounts receivable, net of allowance for doubtful accounts of $92 and $268, at September 30, 2019 and December 31, 2018, respectively	15,637	14,874
Inventory	6,389	7,323
Prepaid expenses and other current assets	9,712	5,820
Total current assets	150,143	146,660
Property and equipment, net of accumulated depreciation of $74,241 and $67,202, at September 30, 2019 and December 31, 2018, respectively	55,608	48,377
Intangible assets, net	133,593	129,653
Goodwill	304,101	238,814
Deferred tax assets	12,828	19,975
Other assets	19,891	3,322
Total assets	$ 676,164	$ 586,801
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 19,287	$ 18,157
Accrued liabilities	28,487	24,689
Current portion of finance lease obligations	490	1,652
Current portion of long-term debt	12,813	5,125
Total current liabilities	61,077	49,623
Long-term portion of finance lease obligations	348	117
Long-term debt	182,825	193,424
Other long-term liabilities	71,007	33,152
Total liabilities	315,257	276,316
Stockholders' equity:		
Common stock—$0.001 par value as of September 30, 2019 and December 31, 2018; 200,000,000 shares authorized as of September 30, 2019 and December 31, 2018; 33,991,107 and 33,406,364 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively	34	33
Paid-in capital	449,087	426,054
Accumulated other comprehensive (loss)/income	(624)	256
Accumulated deficit	(87,590)	(115,858)
Total equity	360,907	310,485
Total liabilities and equity	$ 676,164	$ 586,801

See accompanying Notes to Consolidated Financial Statements.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share data)	2019	2018	2019	2018
Revenue	$ 111,291	$ 100,013	$ 327,073	$ 295,869
Cost of revenue	41,952	37,276	122,716	109,329
Gross profit	69,339	62,737	204,357	186,540
Operating expenses:				
General and administrative	29,651	26,325	87,845	81,785
Sales and marketing	12,572	10,120	37,807	32,535
Bad debt expense	5,858	5,157	16,385	16,911

Research and development	3,661	2,429	10,526	8,451
Other charges	2,598	1,330	7,902	11,623
Total operating expenses	54,340	45,361	160,465	151,305
Income from operations	14,999	17,376	43,892	35,235
Other expense:				
Interest expense	(2,338)	(2,408)	(7,358)	(6,982)
Loss on equity method investments	(65)	(54)	(251)	(238)
Other non-operating (expense)/income, net	(845)	(194)	(1,813)	543
Total other expense, net	(3,248)	(2,656)	(9,422)	(6,677)
Income before income taxes	11,751	14,720	34,470	28,558
(Provision for)/benefit from income taxes	(3,468)	1,281	(6,202)	2,923
Net income	8,283	16,001	28,268	31,481
Net loss attributable to noncontrolling interest	—	—	—	(946)
Net income attributable to BioTelemetry, Inc.	$ 8,283	$ 16,001	$ 28,268	$ 32,427
Net income per common share attributable to BioTelemetry, Inc.:				
Basic	$ 0.24	$ 0.48	$ 0.83	$ 1.00
Diluted	$ 0.23	$ 0.45	$ 0.78	$ 0.91
Weighted average number of common shares outstanding:				
Basic	33,908	33,003	33,885	32,488
Dilutive common stock equivalents	2,360	2,915	2,560	3,078
Diluted	36,268	35,918	36,445	35,566

See accompanying Notes to Consolidated Financial Statements.

BIOTELEMETRY, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2019**	**2018**	**2019**	**2018**
Net income attributable to BioTelemetry, Inc.	$ 8,283	$ 16,001	$ 28,268	$ 32,427
Other comprehensive loss:				
Foreign currency translation loss	(167)	(27)	(880)	(194)
Comprehensive income attributable to BioTelemetry, Inc.	$ 8,116	$ 15,974	$ 27,388	$ 32,233

See accompanying Notes to Consolidated Financial Statements.

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

(in thousands)	Nine Months Ended September 30, 2019	2018
OPERATING ACTIVITIES		
Net income	$ 28,268	$ 31,481
Adjustments to reconcile net income to net cash provided by operating activities:		
Bad debt expense	16,385	16,911
Depreciation and amortization	30,508	30,231
Stock-based compensation	9,662	6,278
Accretion of debt discount	932	932
Deferred income taxes	5,021	(4,149)
Change in fair value of acquisition-related contingent consideration	(1,720)	(700)
Other non-cash items	(105)	279
Changes in operating assets and liabilities:		
Healthcare and other accounts receivable	(34,637)	(28,826)
Inventory	934	(3,454)
Prepaid expenses and other assets	(3,493)	1,932
Accounts payable	640	1,105
Accrued and other liabilities	207	(7,733)
Net cash provided by operating activities	52,602	44,287
INVESTING ACTIVITIES		
Acquisition of businesses, net of cash acquired	(44,766)	—
Purchases of property and equipment and investment in internally developed software	(23,686)	(17,498)
Net cash used in investing activities	(68,452)	(17,498)
FINANCING ACTIVITIES		
Proceeds related to the exercising of stock options and employee stock purchase plan	7,045	10,818
Payments of tax withholdings related to vesting of share-based awards	(4,955)	(2,890)
Principal payments on long-term debt	(3,844)	(1,538)
Principal payments on finance lease obligations	(1,735)	(3,005)
Acquisition of noncontrolling interests	—	(2,885)
Net cash (used in)/provided by financing activities	(3,489)	500
Effect of exchange rate changes on cash	23	(193)
Net (decrease)/increase in cash and cash equivalents	(19,316)	27,096
Cash and cash equivalents - beginning of period	80,889	36,022
Cash and cash equivalents - end of period	$ 61,573	$ 63,118
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Non-cash purchases of property and equipment	$ 1,721	$ 1,056
Non-cash fair value of equity issued for acquisition of business	2,142	—
Non-cash fair value of equity issued for acquisition of noncontrolling interests	—	3,972
Cash paid for interest	6,301	5,830
Cash paid for taxes	$ 617	$ 1,120

See accompanying Notes to Consolidated Financial Statements.

BIOTELEMETRY, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

	BioTelemetry, Inc. Equity					
	Common Stock					
(in thousands, except shares)	Shares	Amount	Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Equity
Balance at June 30, 2019	**33,888,920**	**$ 34**	**$ 443,135**	**$ (457)**	**$ (95,873)**	**$ 346,839**
Share issuances related to stock compensation plans	102,187	—	2,316	—	—	2,316
Stock-based compensation	—	—	3,636	—	—	3,636
Currency translation adjustment	—	—	—	(167)	—	(167)
Net income	—	—	—	—	8,283	8,283
Balance at September 30, 2019	**33,991,107**	**$ 34**	**$ 449,087**	**$ (624)**	**$ (87,590)**	**$ 360,907**

	BioTelemetry, Inc. Equity					
	Common Stock					
(in thousands, except shares)	Shares	Amount	Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Equity
Balance at June 30, 2018	**32,715,190**	**$ 33**	**$ 415,701**	**$ (281)**	**$ (142,252)**	**$ 273,201**
Share issuances related to stock compensation plans	496,868	—	4,985	—	—	4,985
Stock-based compensation	—	—	1,355	—	—	1,355
Currency translation adjustment	—	—	—	(27)	—	(27)
Net income	—	—	—	—	16,001	16,001
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.
CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

	BioTelemetry, Inc. Equity					
	Common Stock					
(in thousands, except shares)	Shares	Amount	Paid-in Capital	Accumulated Other Comprehensive Income/(Loss)	Accumulated Deficit	Total Equity
Balance at December 31, 2018	**33,406,364**	**$ 33**	**$ 426,054**	**$ 256**	**$ (115,858)**	**$ 310,485**
Share issuances related to stock compensation plans	599,161	1	7,044	—	—	7,045
Stock-based compensation	—	—	9,662	—	—	9,662
Shares withheld to cover taxes on vesting of share-based awards	(64,418)	—	(4,955)	—	—	(4,955)
Issuance of stock related to business combination	50,000	—	2,142	—	—	2,142
Deferred purchase price consideration - equity portion	—	—	9,140	—	—	9,140
Currency translation adjustment	—	—	—	(880)	—	(880)
Net income	—	—	—	—	28,268	28,268
Balance at September 30, 2019	**33,991,107**	**$ 34**	**$ 449,087**	**$ (624)**	**$ (87,590)**	**$ 360,907**

	BioTelemetry, Inc. Equity						
	Common Stock						
(in thousands, except shares)	Shares	Amount	Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Noncontrolling Interest	Total Equity
Balance at December 31, 2017	**31,906,195**	**$ 32**	**$ 409,517**	**$ (114)**	**$ (158,678)**	**$ (1,054)**	**$ 249,703**
Share issuances related to stock compensation plans	1,332,254	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 interest	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.

1. Summary of Significant Accounting Policies

a) Principles of Consolidation & Reclassifications

The accompanying unaudited consolidated financial statements have been prepared in accordance 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, the results of operations, and statements of comprehensive income, cash flows, and equity for the interim periods ended September 30, 2019 and 2018 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 consolidated 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 consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Certain reclassifications have been made to prior period statements to conform to the current period presentation. These consist of combining our non-cash depreciation and amortization expenses into one line on our consolidated statements of cash flows and separating the non-cash operating item of change in fair value of acquistion-related contingent consideration from other non-cash items on our consolidated statements of cash flows. These reclassifications had no impact on previously reported working capital, 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.

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, acquisition-related contingent consideration, short-term debt and long-term debt. With the exception of acquisition-related 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 acquisition-related contingent consideration (classified as Level 3) is measured on a recurring basis using a Monte Carlo simulation. This model uses assumptions, including estimated projected revenues, estimated stock price volatility in future periods, estimated discount rates and discounts for the lack of marketability of common stock. 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 future operating performance, cash flows and revenue growth rates, royalty rates 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 intangible assets annually or whenever events or changes in circumstances indicate that the carrying amount of an intangible asset may not be recoverable.

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. For our contracted payors, we determine revenue based on negotiated prices for the services provided. Based on our history, we have experience collecting substantially all of the negotiated contracted rates and are therefore not providing an implicit price concession. As a result, an allowance for doubtful accounts is recorded based on historical collection trends to account for the risk of patient default. 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.

We write off receivables when the likelihood for collection is remote, 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) Acquisition-Related Contingent Consideration

Acquisition-related contingent consideration is our obligation, arising from a business combination, to transfer additional assets and/or equity interests to the seller if certain future events occur or conditions are met. The fair value of the contingency is estimated as of the acquisition date using certain unobservable inputs (and therefore classified as Level 3 in the fair value hierarchy) and is recorded as a liability. We re-measure the estimated fair value of acquisition-related contingent consideration classified as a liability at each reporting date. Adjustments subsequent to the acquisition measurement period are recorded in other charges in the consolidated statements of operations. Changes to the inputs used in the measurement of acquisition-related contingent consideration include, but are not limited to: changes in the assumptions regarding probabilities of successful achievement of future events or conditions; estimated revenue projections; discounts for lack of marketability of our common stock; estimated stock price volatility; and the discount rate used to estimate the fair value of the liability. Acquisition-related contingent consideration may change significantly as our inputs and assumptions noted above evolve and additional data is obtained. The inputs and assumptions used in estimating fair value require significant judgment. The use of different assumptions and judgments could result in different fair value estimates that may have a material impact on our results from operations and financial position.

f) 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, 2019 and December 31, 2018, one payor, Medicare, accounted for 21% and 15%, respectively, of our gross accounts receivable.

g) 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.

h) Leases

We lease our administrative and service facilities, as well as certain office equipment, monitoring devices and information technology equipment under arrangements classified as leases under ASC 842 - *Leases* ("**ASC 842**"). We adopted ASC 842 using the optional modified retrospective transition method as of January 1, 2019, therefore prior period amounts are not restated.

We recognize right-of-use ("**ROU**") assets at the inception of the arrangement as the present value of the lease payments plus our initial direct costs (if any), less any lease incentives. The corresponding liability is computed as the present value of the lease payments at inception. Assets are classified as either operating or finance ROU assets according to the classification criteria in ASC 842. Upon the adoption of ASC 842, we elected the transition practical expedients to not reassess lease identification, lease classification and initial indirect costs related to those leases entered into prior to adoption of ASC 842 and to not separate lease and non-lease components where we are the lessor when the requisite criteria is met to be treated as such. The present value of the lease payments is computed using the rate implicit in the lease (if known) or our incremental borrowing rate.

Operating lease costs are charged to operations on a straight-line basis over the lease term. Interest charged on the finance lease liabilities is charged to interest expense, while the amortization of the finance lease ROU assets is also charged to operations on a straight-line basis.

Under our policy, we do not record an ROU asset or corresponding liability for arrangements where the initial lease term is one year or less, or when the ROU asset at inception is deemed immaterial. Those leases are expensed on a straight-line basis over the term of the lease.

Effective January 1, 2019, for our operating leases, we record the ROU assets as a component of other assets, the current lease liability as a component of accrued liabilities, and the long-term lease liability as a component of other long-term liabilities on our consolidated balance sheet. For our finance leases, we record the ROU asset and the accumulated amortization for the finance ROU asset as a component of property and equipment, net, with the current and long-term portions of the finance lease obligations as separate lines within our consolidated balance sheet. We amortize the finance ROU assets over the shorter of the remaining lease term or the estimated life of the asset.

i) 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 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). 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 **"m) Recent Accounting Pronouncements; Accounting Pronouncements Recently Adopted"** for further details related to our adoption of Accounting Standards Update ("**ASU**") 2018-07, *Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting,* during the three months ended June 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 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 is deemed probable that the PSU performance targets will be met, compensation expense is recorded for these awards ratably over the requisite service period. The PSUs are forfeited to the extent the performance criteria are not met within the service period.

j) 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 consolidated 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.

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.

We record unrecognized tax benefits 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.

k) 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 and shares expected to be issued in connection with acquisition-related contingent consideration arrangements when dilutive.

Certain stock options, which are priced higher than the average market price of our shares for the periods ended September 30, 2019 and 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 and PSUs 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 1.0 million and 0.4 million shares for the three and nine month periods ended September 30, 2019, respectively, and 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.

l) 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 and to monitor the functionality of implantable cardiac devices. 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 cardiac 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.

m) Recent Accounting Pronouncements

Accounting Pronouncements Recently 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. Historically, our implementation costs incurred in hosting service contracts have not been material. We early adopted this standard effective April 1, 2019 on a prospective basis. Upon adoption, our cloud computing implementation costs are deferred and recorded as a component of technology within intangible assets in our consolidated balance sheet and amortized to selling, general and administrative costs over the life of the service arrangement on our statement of operations. This update did not have a material impact on our financial position, results of operations or disclosures.

In August 2018, the U.S. Securities and Exchange Commission ("**SEC**") adopted the final rule under SEC Release No. 33-10532, *Disclosure Update and Simplification*, amending certain disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. Additionally, the amendments expanded the disclosure requirements on the consolidated statements of equity for interim consolidated financial statements. Under the amendments, a summary of changes in each caption of stockholders' equity presented in the consolidated balance sheets must be provided in a note or separate statement. The consolidated statements of equity should present a reconciliation of the beginning balance to the ending balance of each period for which the consolidated statement of comprehensive income is required to be filed. This final rule was effective in the fourth quarter of 2018. The SEC provided relief on the effective date until the first quarter of 2019, and we adopted this rule in the first quarter of 2019.

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* ("**ASU 2018-07**"). 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 was 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 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. We adopted these updates on January 1, 2019, using the optional modified retrospective transition method and utilizing practical expedients available. The adoption of the new standard resulted in the recording, as of January 1, 2019, of additional ROU assets of $22.7 million as a component of other assets, current ROU liabilities of $6.2 million as a component of accrued liabilities and long-term ROU liabilities of $16.5 million, all of which relate to our operating leases. The adoption of the new standard did not materially impact our consolidated results of operations and had no impact on our cash flows.

Accounting Pronouncements Not Yet Adopted

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement* ("**ASU 2018-13**"). This update eliminates certain disclosures related to transfers and valuation processes, clarifies the requirement for measurement uncertainty disclosures, and requires additional disclosures for Level 3 fair value measurements, including the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. ASU 2018-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. We are in the process of evaluating the impact of this update on our consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses*. This update, along with subsequent amendments, introduces the current expected credit loss model, which will require

an entity to measure credit losses for certain financial instruments and financial assets, including trade receivables. Under this update, upon initial recognition and at each reporting period, an entity will be required to recognize an allowance that reflects the entity's current estimate of credit losses expected to be incurred over the life of the financial instrument. This update will be 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 update on our consolidated financial statements and related disclosures.

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, 2019 and 2018 were as follows:

	Three Months Ended September 30, 2019			
	Reporting Segment			
(in thousands)	Healthcare	Research	Other	Total Consolidated
Payor/Service Line				
Remote cardiac monitoring services - Medicare	$ 39,537	$ —	$ —	$ 39,537
Remote cardiac monitoring services - commercial payors	54,336	—	—	54,336
Clinical trial support and related services	—	14,236	—	14,236
Technology devices, consumables and related services	—	—	3,182	3,182
Total	$ 93,873	$ 14,236	$ 3,182	$ 111,291

	Three Months Ended September 30, 2018			
	Reporting Segment			
(in thousands)	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, consumables and related services	—	—	2,353	2,353
Total	$ 84,196	$ 13,464	$ 2,353	$ 100,013

	Nine Months Ended September 30, 2019			
	Reporting Segment			
(in thousands)	Healthcare	Research	Other	Total Consolidated
Payor/Service Line				
Remote cardiac monitoring services - Medicare	$ 114,573	$ —	$ —	$ 114,573
Remote cardiac monitoring services - commercial payors	162,313	—	—	162,313
Clinical trial support and related services	—	41,079	—	41,079
Technology devices, consumables and related services	—	—	9,108	9,108
Total	$ 276,886	$ 41,079	$ 9,108	$ 327,073

	Nine Months Ended September 30, 2018			
	Reporting Segment			
(in thousands)	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, consumables 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 and to monitor the functionality of implantable cardiac devices. 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.

Performance obligations are determined based on the nature of the services provided. With our remote cardiac monitoring services, the patient receives the benefits of the service over time, resulting in revenue recognition over time based on the output method. 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:

- **Contracted payors (including Medicare)**: 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 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 to the Healthcare segment during the three and nine months ended September 30, 2019.

Clinical Trial Support and Related Services Revenue (Research segment)

Research segment 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 on a fee for service basis. 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 have not made any significant changes to judgments in applying ASC 606 to the Research segment during the three and nine months ended September 30, 2019.

Other Revenue (Other category)

Our Other category revenue is primarily derived from the sale of non-invasive cardiac monitors to healthcare companies, wireless blood glucose meters and test strips to wholesale distributors of diabetes supplies and diabetic patients, as well as product repairs. Performance obligations are primarily the sale of devices, related goods and repairs provided by us. 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 to the Other category during the three and nine months ended September 30, 2019.

Contract Assets and Contract Liabilities

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.

As of September 30, 2019 and December 31, 2018, we had contract assets of $9.8 million and $2.1 million, respectively, due to cardiac monitoring services. Our contract assets are included as a component of Healthcare accounts receivable on our consolidated balance sheets.

As of September 30, 2019 and December 31, 2018, we had contract liabilities of $1.7 million and $3.1 million, respectively, 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. Our contract liabilities are now included as a component of accrued liabilities on our consolidated balance sheets.

For the three months ended September 30, 2019, the amount recognized as revenue from the contract liabilities balance at June 30, 2019 was $0.6 million, while for the nine months ended September 30, 2019, the amount recognized as revenue from the contract liabilities balance as of December 31, 2018 was $1.9 million. Similarly, for the three months ended September 30, 2018, the amount recognized as revenue from the contract liabilities 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 contract liabilities balance as of

December 31, 2017 was $2.6 million. No significant changes or impairment losses occurred to contract balances during the nine months ended September 30, 2019.

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 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 Other category 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

ADEA Medical AB

During the second quarter of 2019, we acquired all of the remaining outstanding equity of ADEA Medical AB, now known as BioTel Europe AB ("**ADEA**" or "**BioTel Europe**"), a limited company incorporated and registered under the laws of Sweden. BioTel Europe provides cardiac monitoring in northern Europe.

Pursuant to the acquisition agreement, we agreed to issue the owners of ADEA 50,000 shares of our common stock, with a fair value of approximately $2.1 million, as well as to pay approximately $0.2 million in cash. The shares are restricted, with the restrictions related to 10,000 shares expiring in the fourth quarter of 2019, and the restrictions on the remaining 40,000 shares expiring in the second quarter of 2022, and the shares are also available to satisfy indemnification obligations.

Prior to the second quarter of 2019, we accounted for our 23.8% stake in ADEA as an equity method investment. We accounted for the acquisition of the remaining equity of ADEA as a step acquisition, which required us to re-measure our previous ownership interest to fair value prior to application of purchase

accounting, and we recognized the immaterial difference between the fair value and the carrying value of the equity method investment at that time. The total purchase price of ADEA was $3.3 million, primarily consisting of the equity and cash consideration paid in the second quarter of 2019, plus the amounts paid for our initial investment in ADEA in 2018. We then allocated this purchase price to the assets acquired and liabilities assumed. The acquired net assets consisted primarily of customer relationships and non-compete agreements. 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 have recognized $2.6 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 BioTel Europe acquisition during the three months ended September 30, 2019. There were no changes to the total purchase price, and the measurement period adjustment related to deferred income taxes during the three months ended September 30, 2019 was not material.

We do not consider this acquisition to be significant to our results of operations. The transaction costs related to this acquisition and revenues and results of operations of BioTel Europe prior to our acquisition were all immaterial.

Geneva Healthcare, Inc.

On March 1, 2019, we acquired Geneva Healthcare, Inc., now known as Geneva Healthcare, LLC ("**Geneva**"), for cash consideration in the amount of $45.9 million. In addition, pursuant to the terms of the Agreement and Plan of Merger, dated January 25, 2019, by and among Geneva, BioTelemetry, Inc., Tyersall Merger Sub, Inc., and the Securityholders' Representative (the "**Geneva Agreement**"), on the third anniversary date of the closing date, the Securityholders (as defined in the Geneva Agreement) are eligible to receive additional consideration in the form of cash payments, as well as shares of BioTelemetry common stock, with a total estimated present value of $32.0 million as of the March 1, 2019 acquisition date, for a total aggregate purchase price of $77.9 million. Concurrent with the closing of the acquisition, the Securityholders made elections as to the percentage mix of their total additional consideration to be settled in cash or common stock.

The estimated additional consideration of $32.0 million, as of the March 1, 2019 acquisition date, consists of the following:

- The Securityholders will, subject to potential deductions pursuant to the Geneva Agreement, receive additional consideration of $20.0 million, a total of $11.1 million of which will be paid in cash, and the remaining value will be settled in shares. We will issue a total of 131,594 shares of our common stock to settle the share-related portion of the obligation, based on the elections made by the Securityholders and the formulas within the Geneva Agreement.
- The estimated present value of the future cash payment of $11.1 million, which totals $9.7 million as of the acquisition date, as well as the estimated fair value of our common stock of $9.1 million, has been included within the purchase price for Geneva. The estimated present value of the future cash payment is recorded as a component of other long-term liabilities and will be accreted to its redemption value through interest expense through the payment date. The estimated fair value of the 131,594 shares our common stock has been recorded within paid-in-capital.

- The Securityholders will also be eligible to receive additional consideration, in the form of both cash and shares, based on a predetermined formula that is driven by the future revenues of Geneva and does not have a predetermined limit. The total estimated acquisition-related contingent consideration as of the March 1, 2019 acquisition date is $13.2 million, which is also included in the purchase price of Geneva. The $13.2 million is recorded within other long-term liabilities and will be marked to market through earnings on a quarterly basis throughout the earn-out period. The equity portion of the acquisition-related contingent consideration requires liability classification and mark-to-market accounting pursuant to the provisions of ASC 815 - *Derivatives and Hedging*.

We acquired Geneva as part of our business strategy to go deeper and wider into the cardiac monitoring market. Geneva has developed an innovative proprietary cloud-based platform that aggregates data from the leading cardiac device manufacturers, enabling the Company to remotely monitor a physician's patients with implantable cardiac devices such as pacemakers, defibrillators and loop recorders. Geneva's platform provides physicians a single portal to order patient monitoring, review monitoring results and request routine device checks, helping drive significant in-office efficiencies and patient compliance. We plan to merge this functionality with that of the Healthcare segment user interface, which we believe will drive greater workflow and data management efficiencies to the clients we serve.

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 have recognized $62.8 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.

The amounts in the table below represent our final fair value estimates related to the Geneva acquisition as of March 1, 2019. Measurement period adjustments recorded during the second quarter of 2019 consisted primarily of decreasing additional consideration by $2.2 million. We finalized our fair value estimates related to the Geneva acquisition during the three months ended September 30, 2019, during which time there were no material measurement period adjustments recorded.

(in thousands, except years)	Amount	Weighted Average Life (Years)
Fair value of assets acquired:		
Cash and cash equivalents	$ 1,376	
Healthcare accounts receivable	1,500	
Prepaid expenses and other current assets	234	
Identifiable intangible assets:		
Customer relationships	3,500	12
Technology	8,900	7
Trade names	2,500	15
Total identifiable intangible assets	14,900	
Total assets acquired	18,010	
Fair value of liabilities assumed:		
Accounts payable	215	
Accrued liabilities	872	
Deferred tax liabilities	1,879	
Total liabilities assumed	2,966	
Total identifiable net assets	15,044	
Goodwill	62,836	
Net assets acquired	$ 77,880	

We have incurred $1.4 million of acquisition related costs associated with Geneva for the nine months ended September 30, 2019. The costs were included in other charges in our consolidated statements of income. The revenues and income of Geneva for periods prior to our acquisition were immaterial to our consolidated operating results.

ActiveCare

On October 2, 2018, we acquired, through our subsidiary Telcare Medical Supply, LLC, certain assets of ActiveCare, Inc. ("**ActiveCare**") for $3.8 million in cash. The purchase price also includes a potential earn-out payment of $2.0 million, which is contingent on the achievement of certain revenue targets by November 1, 2020. We accounted for the transaction as a business combination, and as such, all assets acquired 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, has been assigned to the Corporate and Other category and will be deductible for tax purposes. The acquired net assets primarily consisted of customer relationships and software developed by ActiveCare. The earn-out was assigned no value as of the acquisition date as it was and is currently not probable of achievement. We finalized our fair value estimates related to the ActiveCare acquisition during the three months ended March 31, 2019, and there were no changes to the amounts initially recorded. The transaction costs related to this acquisition and revenues and net income of ActiveCare prior to our acquisition were all immaterial.

4. Inventory

Inventory consists of the following:

(in thousands)	September 30, 2019	December 31, 2018
Raw materials and supplies	$ 4,421	$ 3,667
Finished goods	1,968	3,656
Total inventory	$ 6,389	$ 7,323

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, net of debt discount and deferred charges, of $195.6 million and $198.5 million as of September 30, 2019 and December 31, 2018, respectively.

Acquisition-related contingent consideration represents our contingent 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 acquisition-related 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 balance of the fair value of acquisition-related contingent consideration is recognized within other long-term liabilities on our consolidated balance sheet as of September 30, 2019. Changes in the fair value of the acquisition-related contingent consideration, after the final determination as of the acquistion date, resulting from changes in the variables used to compute the fair value, are recorded in other charges in the consolidated statements of operations.

The following table provides a reconciliation of the beginning and ending balances of acquisition-related contingent consideration:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2019	2018	2019	2018
Beginning balance	$ 11,360	$ —	$ —	$ 700
Acquisition-related contingent consideration	—	—	13,170	—
Changes in fair value of acquisition-related contingent consideration	90	—	(1,720)	(700)
Ending balance	$ 11,450	$ —	$ 11,450	$ —

In conjunction with the Geneva acquisition, we recognized $13.2 million of acquisition-related contingent consideration on March 1, 2019 as a component of other long-term liabilities, as the contingency will be finalized after the third anniversary of the closing date. There was no value assigned to the acquisition-related contingent consideration related to the ActiveCare acquisition as the achievement of the contingency was not probable as of September 30, 2019.

The estimated fair value of the acquisition-related contingent consideration related to the Geneva acquisition was determined using a Monte Carlo simulation, that considered numerous variables, including

estimates for projected revenues, future stock price, discount rates and discounts for lack of marketability of common stock. These estimates are subject to a significant level of judgment.

During the nine months ended September 30, 2019, excluding the measurement period adjustments, the acquisition-related contingent consideration related to the Geneva acquisition declined $1.7 million primarily due to changes in estimates associated with our future stock price. During the nine months ended September 30, 2018, the fair values of the acquisition-related contingent consideration related to our 2016 Telcare acquisition decreased $0.7 million, as it was no longer probable that any of the contingencies would be met.

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, 2019:

	Reporting Segment		Corporate and	
(in thousands)	Healthcare	Research	Other	Total
Balance at December 31, 2018	$ 213,507	$ 16,293	$ 9,014	$ 238,814
Goodwill acquired	65,408	—	—	65,408
Currency translation	(121)	—	—	(121)
Balance at September 30, 2019	$ 278,794	$ 16,293	$ 9,014	$ 304,101

The goodwill acquired in the Healthcare segment is related to the Geneva and BioTel Europe acquisitions. Refer to **"Note 3. Acquisitions"** for details.

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

(in thousands, except years)	Weighted Average Life (Years)	September 30, 2019	December 31, 2018
Gross Carrying Value:			
Customer relationships	10.3	$ 149,380	$ 146,200
Technology including internally developed software	6.6	21,244	18,078
Backlog	3.9	3,100	6,860
Covenants not to compete	4.8	416	1,040
Trade names	15.0	2,500	—
Total intangible assets, gross		176,640	172,178
Accumulated Amortization:			
Customer relationships		(34,626)	(24,870)
Technology including internally developed software		(5,394)	(10,879)
Backlog		(2,648)	(5,827)
Covenants not to compete		(282)	(949)
Trade names		(97)	—
Total accumulated amortization		(43,047)	(42,525)
Total intangible assets, net		$ 133,593	$ 129,653

During the three months ended September 30, 2019, we wrote off certain fully amortized intangible assets, primarily technology and backlog, and incurred an immaterial amount of foreign currency translation impact related to the customer relationships and covenants not to compete related to the BioTel Europe acquisition.

As of September 30, 2019, the estimated amortization for our finite-lived intangible assets for the remainder of 2019, the next four fiscal years, and thereafter, is summarized as follows:

(in thousands)	
Remainder of 2019	$ 4,910
2020	18,343
2021	17,708
2022	16,972
2023	16,678
Thereafter	58,982
Total estimated amortization	$ 133,593

7. Equity Method Investments

On October 31, 2018, we acquired an ownership interest in ADEA, for approximately $0.9 million. This investment was accounted for under the equity method. During the second quarter of 2019, we acquired all of the remaining outstanding equity of ADEA. In conjunction with this step acquisition, we derecognized our equity method investment in ADEA and recognized the fair value of the assets acquired and liabilities

assumed related to ADEA in our consolidated financial statements. For more information, see "**Note 3. Acquisitions**."

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. There were no material related-party transactions between the parties during the three and nine months ended September 30, 2019.

As of September 30, 2019, our investment in Wellbridge represented 32.2% of their outstanding stock. A summary of our investments recorded as a component of other assets is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2019	2018	2019	2018
Beginning balance	$ 1,112	$ 1,247	$ 2,044	$ 1,431
Derecognition of ADEA investment	—	—	(746)	—
Loss on equity method investments	(65)	(54)	(251)	(238)
Ending balance	$ 1,047	$ 1,193	$ 1,047	$ 1,193

8. Accrued Liabilities

Accrued liabilities consist of the following:

(in thousands)	September 30, 2019	December 31, 2018
Compensation	$ 11,307	$ 13,443
Right of use liabilities - operating leases	5,291	—
Professional fees	4,661	4,260
Non-income taxes	2,180	906
Contract liabilities	1,650	3,080
Operating costs	776	1,095
Interest	583	702
Other	2,039	1,203
Total	$ 28,487	$ 24,689

9. Credit Agreement

In 2017, we entered into a credit agreement with SunTrust Bank, as a lender and an agent for the lenders (the "**Lenders**") (the "**SunTrust Credit Agreement**"). 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, 2019, the applicable margin is 1.5% for LIBOR loans and 0.5% for base rate loans.

The carrying amount of the term loan was $195.6 million as of September 30, 2019, which is the principal amount outstanding, net of $3.5 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 in the SunTrust Credit Agreement). Our unused commitment fee as of September 30, 2019 was 0.2%, 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, 2019, we were in compliance with our covenants.

10. Leases

We lease our administrative and service facilities, as well as certain office equipment, monitoring devices and information technology equipment under arrangements classified as leases under ASC 842. We adopted ASC 842 using the optional modified retrospective transition method as of January 1, 2019; therefore prior period amounts are not restated.

We have non-cancelable operating leases expiring at various dates through 2028. Certain leases are renewable at the end of the lease term at our option, none of which are certain at this time. We have also entered into and acquired finance leases with various expiration dates through 2022, which are used primarily to finance office equipment, monitoring devices and other information technology equipment.

The components of our lease expense are as follows:

(in thousands)	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Operating lease cost:		
Operating lease cost	$ 1,449	$ 4,370
Short-term lease cost	83	248
Total operating lease cost	1,532	4,618
Finance lease cost:		
Amortization of right-of-use assets	181	1,894
Interest on lease liabilities	11	49
Total finance lease cost	192	1,943
Total lease cost	$ 1,724	$ 6,561

Supplemental balance sheet information related to leases as of September 30, 2019 is as follows:

(in thousands, except percentage and years)	Operating Leases	Finance Leases
Property and equipment, net	$ —	$ 757
Other assets	17,581	—
Total right-of-use assets	17,581	757
Accrued liabilities	5,291	—
Current portion of finance lease obligations	—	490
Long-term portion of finance lease obligations	—	348
Other long-term liabilities	15,156	—
Total lease obligations	$ 20,447	$ 838
Weighted average remaining lease term (years)	5.2	2.0
Weighted average discount rate	4.4%	4.7%

Future maturities of lease liabilities are as follows:

(in thousands)	Operating Leases	Finance Leases
Remainder of 2019	$ 1,638	$ 176
2020	5,806	412
2021	4,422	191
2022	3,058	93
2023	2,268	—
Thereafter	5,806	—
Total minimum lease payments	22,998	872
Less imputed interest	(2,551)	(34)
Total	$ 20,447	$ 838

Supplemental cash flow information related to leases is as follows:

(in thousands)	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ (1,559)	$ (4,424)
Operating cash flows from finance leases	(11)	(49)
Financing cash flows from finance leases	(76)	(1,735)
Right-of-use assets obtained in exchange for lease obligations, net of incentives:		
Operating leases	(669)	21,147
Finance leases	$ —	$ 787

11. 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.

We account for expenses associated with our acquisitions and certain litigation as other charges as incurred. These expenses are 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. We have reclassified the disclosure of these costs to more closely align with the discussion in **"Part I; Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations"** of this report and in our earnings release, which are summarized as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2019	2018	2019	2018
LifeWatch AG integration costs	$ 212	$ 661	$ 590	$ 7,865
Geneva integration costs	122	—	2,726	—
Reserve for note receivable	—	—	—	1,793
Change in fair value of acquisition-related contingent consideration	90	—	(1,720)	(700)
Patent and other litigation	2,144	339	5,807	1,551
Other costs	30	330	499	1,114
Total	$ 2,598	$ 1,330	$ 7,902	$ 11,623

12. Equity

Common Stock

As of September 30, 2019 and December 31, 2018, we were authorized to issue 200,000,000 shares of common stock. As of September 30, 2019 and December 31, 2018, we had 33,991,107 and 33,406,364, respectively, shares issued and outstanding.

Preferred Stock

As of September 30, 2019 and December 31, 2018, we were authorized to issue 10,000,000 shares of preferred stock. As of September 30, 2019 and December 31, 2018, 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 Holding 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 on our consolidated balance sheet; however, we reflected the net loss attributable to the noncontrolling interest in our consolidated statement of operations during 2018 for the period of time where we did not own the entire entity.

13. 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 equity. The purpose of these stock plans was, and the OIP is, to grant incentive stock options to employees and non-qualified stock options, RSUs, PSOs, PSUs 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.

2017 Omnibus Incentive Plan (OIP)

In May 2017, our stockholders approved the OIP, which replaced the 2008 Plan. Stock options, RSUs, PSUs and PSOs have been granted under the OIP. There were 1,987,190 shares available for grant under the OIP as of September 30, 2019.

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 rolled 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 Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2018	2,661,282	$ 15.94		
Granted	317,142	66.79		
Forfeited	(49,168)	27.73		
Exercised	(233,885)	7.75		
Outstanding as of September 30, 2019	2,695,371	$ 22.42	5.8	$ 60,821
Exercisable as of September 30, 2019	1,751,943	$ 9.92	4.5	$ 54,075
Expected to vest as of September 30, 2019	856,160	$ 45.63	8.2	$ 6,122

Performance Stock Options	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2018	135,000	$ 20.64		
Granted	—	—		
Forfeited	—	—		
Exercised	(105,000)	20.41		
Outstanding as of September 30, 2019	30,000	$ 21.45	7.3	$ 578
Exercisable as of September 30, 2019	30,000	$ 21.45	7.3	$ 578

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per option amounts)	2019	2018	2019	2018
Aggregate intrinsic value of options exercised	$ 1,261	$ 20,398	$ 18,184	$ 38,277
Cash received from the exercise of stock options	614	3,493	3,955	8,485
Weighted average grant date fair value per option	$ 24.00	$ 33.12	$ 38.64	$ 20.91

The total compensation cost of options granted but not yet vested at September 30, 2019 was $21.1 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, 2018	358,683	$ 22.22	87,109	$ 37.79
Granted	77,248	65.53	34,088	86.29
Forfeited	(12,084)	30.21	(25,000)	37.79
Vested	(173,664)	13.73	—	—
Units outstanding as of September 30, 2019	250,183	$ 41.09	96,197	$ 54.98

Consistent with 2018, during 2019, 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 34,088 2019 PSUs were granted at “target” levels; however, for share pool purposes, we have reserved an additional 34,088 shares in the event that the combined financial performance and market conditions achieve maximum levels. For the 2018 and 2019 PSUs combined, we have 96,197 shares reserved as of September 30, 2019 in the event that actual results exceed “target” levels. For the three and nine months ended September 30, 2019, stock-based compensation expense related to these PSUs was recognized in accordance with ASC 718 for both employees and non-employees, as amended by the adoption of ASU

2018-07 (see **"Note 1. Summary of Significant Accounting Policies; m) 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 September 30,		Nine Months Ended September 30,	
(in thousands)	2019	2018	2019	2018
Aggregate market value of RSUs vested	$ —	$ —	$ 12,833	$ 7,873

The total compensation cost of RSUs and PSUs granted but not yet vested, inclusive of the PSUs for which vesting has been deemed probable at September 30, 2019, was $7.5 million, which is expected to be recognized over a weighted average period of approximately two years. Additionally, there were 588,359 RSUs vested but not released at September 30, 2019.

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 option value of our shares, through payroll deductions, not to exceed $25,000 of grant date fair value in a calendar year. The price per share is equal to the lower of 85% of the closing market price on the first day of the offering period or 85% of the closing 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, 2019, an aggregate of 98,425 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, 2019 were $3.1 million. At September 30, 2019, 232,671 shares remain available for purchase under the 2017 ESPP.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2019	2018	2019	2018
Stock options	$ 1,927	$ 304	$ 5,206	$ 3,132
Restricted stock units	941	832	2,934	2,392
Performance stock units	121	—	192	—
Employee stock purchase plan	647	219	1,330	754
Total stock-based compensation expense	$ 3,636	$ 1,355	$ 9,662	$ 6,278

14. 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 provision of $3.5 million and $6.2 million for the three and nine months ended September 30, 2019, respectively, based on our estimated annual effective tax rate adjusted for discrete items. We recognized an income tax benefit of $1.3 million and $2.9 million for the three and nine months ended September 30, 2018, respectively, primarily due to a discrete benefit recorded for equity compensation deductions.

At September 30, 2019 and December 31, 2018, we had deferred tax assets, net of deferred tax liabilities and valuation allowance, of $12.8 million and $20.0 million, respectively.

We recognize interest and penalties, where applicable, related to unrecognized tax benefits within the (provision for)/benefit from income taxes line in the consolidated statements of operations. During the nine months ended September 30, 2019, we recognized an immaterial amount of interest expense in the consolidated statements of operations associated with our unrecognized tax benefits.

At September 30, 2019 and December 31, 2018, we had net reserves of $34.3 million and $31.3 million, respectively, for unrecognized tax benefits, which are recorded as a component of other long-term liabilities within our consolidated balance sheets.

15. Segment Information

We operate under two reportable segments: Healthcare and Research. The Healthcare segment is focused on remote cardiac monitoring to identify cardiac arrhythmias or heart rhythm disorders and to monitor the functionality of implantable cardiac devices. 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. These services range from the differentiated MCT service, to event, traditional Holter, extended Holter, Pacemaker and International Normalized Ratio monitoring. 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 cardiac 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/(loss). 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.

	Three Months Ended September 30, 2019			
	Reporting Segment		Corporate and Other	Consolidated
(in thousands)	Healthcare	Research		
Revenue	$ 93,873	$ 14,236	$ 3,182	$ 111,291
Gross profit	62,780	5,758	801	69,339
Income/(loss) before income taxes	29,843	1,964	(20,056)	11,751
Depreciation and amortization	8,337	1,059	899	10,295
Capital expenditures	6,428	774	392	7,594

	Three Months Ended September 30, 2018			
	Reporting Segment		Corporate	
(in thousands)	Healthcare	Research	and Other	Consolidated
Revenue	$ 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

	Nine Months Ended September 30, 2019			
	Reporting Segment		Corporate	
(in thousands)	Healthcare	Research	and Other	Consolidated
Revenue	$ 276,886	$ 41,079	$ 9,108	$ 327,073
Gross profit	187,031	15,427	1,899	204,357
Income/(loss) before income taxes	91,965	3,780	(61,275)	34,470
Depreciation and amortization	24,955	2,991	2,562	30,508
Capital expenditures	19,950	2,562	1,174	23,686

	Nine Months Ended September 30, 2018			
	Reporting Segment		Corporate	
(in thousands)	Healthcare	Research	and Other	Consolidated
Revenue	$ 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

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, 2018, 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 are the leading remote medical technology company focused on the delivery of health information to improve quality of life and reduce cost of care. We provide remote cardiac monitoring, centralized core laboratory services for clinical trials, remote blood glucose monitoring and original

equipment manufacturing that serves both healthcare and clinical research customers. We operate under two reportable segments: Healthcare and Research. Healthcare is focused on remote cardiac monitoring to identify cardiac arrhythmias or heart rhythm disorders and to monitor the functionality of implantable cardiac devices. 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. These services range from the differentiated remote cardiac telemetry service to event, traditional Holter, extended Holter, Pacemaker and International Normalized Ratio monitoring. Research 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 cardiac 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.

Recent Developments

In October 2019, we detected suspicious activity on our information technology network. As part of our comprehensive response plan, we immediately took certain systems offline to contain the activity and engaged an outside forensics team to conduct an independent investigation. While the incident did temporarily disrupt services, substantially all systems have resumed operation and our technical team continues to work closely with third-party consultants to further address this matter. Although the Company has insurance coverage for costs and business interruption resulting from cyber-attacks, disputes over the extent of insurance coverage for claims are not uncommon. As a result, we may incur expenditures related to addressing this incident, that may not be covered, and we anticipate fourth quarter financial results to be negatively impacted by the temporary disruption to normal operations. At this time, there is no evidence of any unauthorized transfer or misuse of customer or employee data.

Critical Accounting Policies and Estimates

We have prepared the consolidated financial statements and accompanying notes included in **"Part I; Item 1. Financial Statements"** of this report in accordance with U.S. generally accepted accounting principles. This requires us to make estimates and assumptions that affect the amounts reported in our consolidated 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, 2018. The accounting policies and related assumptions that we consider to be more critical to the preparation of our consolidated 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, 2018. Except for the implementation of Accounting Standards Codification ("**ASC**") 842 - *Leases* and the acquisition-related contingent consideration associated with the Geneva Healthcare Inc.

("**Geneva**") acquisition, 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, 2019 and September 30, 2018

Revenue

	Three Months Ended September 30,		Change	
(in thousands, except percentages)	**2019**	**2018**	**$**	**%**
Healthcare	$ 93,873	$ 84,196	$ 9,677	11.5%
Research	14,236	13,464	772	5.7%
Other	3,182	2,353	829	35.2%
Total revenue	$ 111,291	$ 100,013	$ 11,278	11.3%

Total revenue for the three months ended September 30, 2019 increased 11.3%, due to growth in revenue across all of our businesses. Healthcare revenue growth was driven by increased patient volume, primarily related to our mobile cardiac telemetry (**"MCT"**) and extended Holter services, as well as the addition of the implantable device monitoring revenue contributed by Geneva, which we acquired on March 1, 2019. The positive impact of the higher patient volume was partially offset by the reduction of MCT Medicare reimbursement, which went into effect January 1, 2019, as well as payor mix. Research revenue continues to benefit from new studies resulting from the utilization of ePatch™, our extended Holter device. Other revenue increased due to continued growth of diabetic product sales.

Gross Profit

	Three Months Ended September 30,		Change	
(in thousands, except percentages)	**2019**	**2018**	**$**	**%**
Gross profit	$ 69,339	$ 62,737	$ 6,602	10.5%
Percentage of revenue	62.3%	62.7%		

Gross profit for the three months ended September 30, 2019 increased primarily due to the higher revenue. The 42 basis point decrease in gross profit percentage was due to the impact of the reduction of MCT Medicare reimbursement, which went into effect January 1, 2019, as well as increased costs to support Research studies. This was partially offset by the positive impact of Healthcare operational efficiencies.

General and Administrative Expense

	Three Months Ended September 30,		Change	
(in thousands, except percentages)	2019	2018	$	%
General and administrative expense	$ 29,651	$ 26,325	$ 3,326	12.6%
Percentage of revenue	26.6%	26.3%		

General and administrative expense for the three months ended September 30, 2019 increased primarily due to costs associated with the ongoing investment in our business systems and infrastructure as well as the addition of Geneva.

Sales and Marketing Expense

	Three Months Ended September 30,		Change	
(in thousands, except percentages)	2019	2018	$	%
Sales and marketing expense	$ 12,572	$ 10,120	$ 2,452	24.2%
Percentage of revenue	11.3%	10.1%		

Sales and marketing expense for the three months ended September 30, 2019 increased primarily due to increased headcount-related expenses due to the ongoing investment in our Healthcare field sales force as well as the addition of Geneva.

Bad Debt Expense

	Three Months Ended September 30,		Change	
(in thousands, except percentages)	2019	2018	$	%
Bad debt expense	$ 5,858	$ 5,157	$ 701	13.6%
Percentage of revenue	5.3%	5.2%		

Bad debt expense for the three months ended September 30, 2019 increased primarily due to the increased Healthcare revenue and the timing of Healthcare collections. Bad debt expense for the three months ended September 30, 2019 in Research and the Other category was minimal and is recorded on a specific account basis.

Research and Development Expense

	Three Months Ended September 30,		Change	
(in thousands, except percentages)	2019	2018	$	%
Research and development expense	$ 3,661	$ 2,429	$ 1,232	50.7%
Percentage of revenue	3.3%	2.4%		

Research and development expense for the three months ended September 30, 2019 increased due to our ongoing investment in new products and technologies, including the further incorporation of artificial intelligence and machine learning into our services.

Other Charges

(in thousands, except percentages)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Change $	Change %
Other charges	$ 2,598	$ 1,330	$ 1,268	95.3%
Percentage of revenue	2.3%	1.3%		

Other charges for the three months ended September 30, 2019 increased primarily due to a $1.8 million increase in patent litigation and other legal expense partially offset by a reduction in acquisition and integration expenses. For further details, please see **"Part I; Item 1, Financial Statements; Note 11. Other Charges."**

Other Expense

(in thousands, except percentages)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Change $	Change %
Interest expense	$ (2,338)	$ (2,408)	$ 70	(2.9)%
Loss on equity method investment	(65)	(54)	(11)	20.4 %
Other non-operating expense, net	(845)	(194)	(651)	335.6 %
Total other expense, net	$ (3,248)	$ (2,656)	$ (592)	22.3 %
Percentage of revenue	2.9%	2.7%		

Total other expense for the three months ended September 30, 2019 increased primarily due to the effect of non-cash foreign currency transaction losses.

Income Taxes

(in thousands, except percentages)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Change $	Change %
(Provision for)/benefit from income taxes	$ (3,468)	$ 1,281	$ (4,749)	(370.7)%
Effective tax rate	29.5%	(8.7)%		

For the three months ended September 30, 2019, we recorded an income tax provision based on our estimated annual effective tax rate, adjusted for discrete items. For the three months ended September 30, 2018, we recorded an income tax benefit primarily due to a discrete benefit recorded for equity compensation deductions. After considering benefits from the exercise of stock options, we expect our 2019 annual effective tax rate to be in the range of 19% to 21%, absent changes in tax laws or significant changes in unrecognized tax benefits.

Nine Months Ended September 30, 2019 and September 30, 2018

Revenue

(in thousands, except percentages)	Nine Months Ended September 30, 2019	2018	Change $	Change %
Healthcare	$ 276,886	$ 251,470	$ 25,416	10.1%
Research	41,079	37,254	3,825	10.3%
Other	9,108	7,145	1,963	27.5%
Total revenue	$ 327,073	$ 295,869	$ 31,204	10.5%

Total revenue for the nine months ended September 30, 2019 increased 10.5%, due to growth in revenue across all of our businesses. Healthcare revenue growth was driven by increased patient volume, primarily related to our MCT and extended Holter services, as well as the addition of the implantable device monitoring revenue contributed by Geneva, which we acquired on March 1, 2019. The positive impact of the higher patient volume was partially offset by the reduction of MCT Medicare reimbursement, which went into effect January 1, 2019, as well as payor mix. Research revenue continues to benefit from new studies resulting from the utilization of ePatch™, our extended Holter device. Other revenue increased due to continued growth of diabetic product sales.

Gross Profit

(in thousands, except percentages)	Nine Months Ended September 30, 2019	2018	Change $	Change %
Gross profit	$ 204,357	$ 186,540	$ 17,817	9.6%
Percentage of revenue	62.5%	63.0%		

Gross profit for the nine months ended September 30, 2019 increased primarily due to the higher revenue. The 57 basis point decrease in gross profit percentage was due to the impact of the reduction of MCT Medicare reimbursement, which went into effect January 1, 2019, as well as increased costs to support Research studies. This was partially offset by the positive impact of Healthcare operational efficiencies.

General and Administrative Expense

(in thousands, except percentages)	Nine Months Ended September 30, 2019	2018	Change $	Change %
General and administrative expense	$ 87,845	$ 81,785	$ 6,060	7.4%
Percentage of revenue	26.9%	27.6%		

General and administrative expense for the nine months ended September 30, 2019 increased primarily due to costs associated with the ongoing investment in our business systems and infrastructure, increased charitable contributions to fund pediatric cardiac procedures in developing countries as well as the addition of Geneva.

Sales and Marketing Expense

	Nine Months Ended September 30,		Change	
(in thousands, except percentages)	2019	2018	$	%
Sales and marketing expense	$ 37,807	$ 32,535	$ 5,272	16.2%
Percentage of revenue	11.6%	11.0%		

Sales and marketing expense for the nine months ended September 30, 2019 increased primarily due to increased headcount-related expenses due to the ongoing investment in our Healthcare field sales force as well as the addition of Geneva.

Bad Debt Expense

	Nine Months Ended September 30,		Change	
(in thousands, except percentages)	2019	2018	$	%
Bad debt expense	$ 16,385	$ 16,911	$ (526)	(3.1)%
Percentage of revenue	5.0%	5.7%		

Bad debt expense for the nine months ended September 30, 2019 decreased primarily due to a prior year $1.1 million specific reserve related to a customer bankruptcy in the Other category. This was partially offset by the increased Healthcare revenue and the timing of Healthcare collections. Bad debt expense for the nine months ended September 30, 2019 in Research and the Other category was minimal and is recorded on a specific account basis.

Research and Development Expense

	Nine Months Ended September 30,		Change	
(in thousands, except percentages)	2019	2018	$	%
Research and development expense	$ 10,526	$ 8,451	$ 2,075	24.6%
Percentage of revenue	3.2%	2.9%		

Research and development expense for the nine months ended September 30, 2019 increased due to our ongoing investment in new products and technologies, including the further incorporation of artificial intelligence and machine learning into our services.

Other Charges

	Nine Months Ended September 30,		Change	
(in thousands, except percentages)	2019	2018	$	%
Other charges	$ 7,902	$ 11,623	$ (3,721)	(32.0)%
Percentage of revenue	2.4%	3.9%		

Other charges for the nine months ended September 30, 2019 decreased primarily due to a $7.3 million reduction of integration expense related to the LifeWatch AG ("**LifeWatch**") acquisition, a $1.8 million prior year reserve for a note receivable with a bankrupt customer and the $1.0 million impact from

changes in acquisition-related contingent consideration. This decrease was partially offset by $2.7 million of costs related to our Geneva acquisition, and a $4.3 million increase in patent litigation and other legal expense. For further details, please see **"Part I; Item 1, Financial Statements; Note 11. Other Charges."**

Other Expense

	Nine Months Ended September 30,		Change	
(in thousands, except percentages)	**2019**	**2018**	**$**	**%**
Interest expense	$ (7,358)	$ (6,982)	$ (376)	5.4 %
Loss on equity method investment	(251)	(238)	(13)	5.5 %
Other non-operating (expense)/income, net	(1,813)	543	(2,356)	(433.9)%
Total other expense, net	$ (9,422)	$ (6,677)	$ (2,745)	41.1 %
Percentage of revenue	2.9%	2.3%		

Total other expense for the nine months ended September 30, 2019 increased primarily due to the effect of non-cash foreign currency transaction losses, the impact of higher interest rates due to changes in LIBOR on our long-term debt as well as interest expense on the deferred purchase consideration for Geneva. These increases were partially offset by a current year gain associated with the termination of a former LifeWatch foreign pension plan as well as prior year interest expense related to a legal settlement.

Income Taxes

	Nine Months Ended September 30,		Change	
(in thousands, except percentages)	**2019**	**2018**	**$**	**%**
(Provision for)/benefit from income taxes	$ (6,202)	$ 2,923	$ (9,125)	(312.2)%
Effective tax rate	18.0%	(10.2)%		

For the nine months ended September 30, 2019, we recorded an income tax provision based on our estimated annual effective tax rate, adjusted for a net discrete benefit primarily related to equity compensation deductions. For the nine months ended September 30, 2018, we recorded an income tax benefit primarily due to a discrete benefit recorded for equity compensation deductions. After considering benefits from the exercise of stock options, we expect our 2019 annual effective tax rate to be in the range of 19% to 21%, absent changes in tax laws or significant changes in unrecognized tax benefits.

Liquidity and Capital Resources

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

(in thousands, except ratios)	September 30, 2019	December 31, 2018
Cash and cash equivalents	$ 61,573	$ 80,889
Healthcare accounts receivable, net of allowance for doubtful accounts	56,832	37,754
Other accounts receivable, net of allowance for doubtful accounts	15,637	14,874
Availability under revolving credit facility	50,000	50,000
Working capital	$ 89,066	$ 97,037
Current ratio	2.5	3.0
Total operating lease obligations[1]	$ 20,447	$ —
Total finance lease obligations	838	1,769
Total debt	$ 195,638	$ 198,549

[1] We adopted ASC 842 - *Leases*, effective January 1, 2019, which resulted in the recognition of most of our operating leases on our balance sheet, both as a right-of-use asset and right-of-use liability. Since we adopted this standard using the optional modified retrospective method, we have not restated prior year amounts.

The following table highlights certain cash flow activities:

	Nine Months Ended	
(in thousands)	September 30, 2019	September 30, 2018
Net income	$ 28,268	$ 31,481
Non-cash adjustments to net income	60,683	49,782
Cash used for working capital	(36,349)	(36,976)
Cash provided by operating activities	52,602	44,287
Cash used in investing activities	(68,452)	(17,498)
Cash (used in)/provided by financing activities	$ (3,489)	$ 500

For the nine months ended September 30, 2019, non-cash adjustments to income primarily relate to bad debt, depreciation, amortization and stock compensation expense and deferred taxes, offset by the changes in acquisition-related contingent consideration. The decrease in cash used for working capital was primarily due to the timing of cash receipts. The increase in cash used in investing activities was primarily due to the Geneva acquisition. The change in cash flows from financing activities was due to increased payments of tax withholdings related to vesting of share-based awards, the increase in our principal payments on our long-term debt and a decrease in the proceeds received related to the exercise of stock options, offset partially by the impact of the prior year acquistion of noncontrolling interests.

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. For further details regarding this agreement, please see **"Part II; Item 8. Financial Statements and Supplementary Data;**

Notes to Consolidated Financial Statements; Note 11. Credit Agreement" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018. As of September 30, 2019, our revolving credit facility remains undrawn.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our cash and cash equivalents as of September 30, 2019 were $61.6 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, 2019, we had $195.6 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 11. Credit Agreement"** of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

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. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

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, 2019. This evaluation of the effectiveness of our internal control over financial reporting did not include the internal controls of Geneva, which was acquired in the first quarter of 2019, nor ADEA Medical AB, which was acquired in the second quarter of 2019, due to the timing of these acquisitions. Geneva and ADEA Medical AB will be included in our evaluation of the effectiveness of our internal control over financial reporting for periods beginning after January 1, 2020.

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.

On April 5, 2019, a complaint filed under seal in the U.S. District Court for the Eastern District of Pennsylvania against the Company by private relators under the Federal False Claims Act, and analogous state acts, was unsealed. The U.S. Department of Justice notified the District Court of its decision not to intervene in the case at this time.

The relators' complaint alleges, among other things, that the Company engaged in the offshoring of certain activities and improper performance of work at certain U.S. locations in violation of applicable law. The relators seek unspecified damages on behalf of the U.S. and various states.

The Company is evaluating the complaint, but, at this point, it believes the allegations in the complaint are without merit and intends to vigorously defend the litigation. The Company also does not believe these claims will have a material impact on its business operations or strategic plans.

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.

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, 2018, as well as the information contained in this Quarterly Report on Form 10-Q, which could materially affect the Company's business, financial condition or future results. The risks described in this Quarterly Report on Form 10-Q and the Company's Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainty not currently known to the Company or that the Company currently deems immaterial also may materially adversely affect the Company's business, financial condition or future results.

We are increasingly dependent on sophisticated information technology systems to operate our business, and if we fail to properly maintain the integrity of our data or if our products do not operate as intended or we experience a cyber-attack or other breach of these systems, our business could be materially affected.

We are increasingly dependent on sophisticated information technology for our products and infrastructure. We rely on information technology systems to process, transmit and store electronic information in our day-to-day operations. The size and complexity of our information technology systems makes them vulnerable to increasingly sophisticated cyber-attacks, malicious intrusion, breakdown, destruction, loss of data privacy or other significant disruption. For example, in October 2019, we detected suspicious activity on our information technology network, which required services and systems to be taken

offline for a period of time. Our information systems require an ongoing commitment of significant resources to maintain, protect and enhance existing systems and develop new systems to keep pace with continuing changes in information processing technology, evolving systems and regulatory standards, the increasing need to protect patient and customer information and changing customer patterns. As a result of technology initiatives, recently enacted regulations, changes in our system platforms and integration of new business acquisitions, we have been consolidating and integrating the number of systems we operate and have upgraded and expanded our information systems capabilities.

In addition, third parties may attempt to hack into our products or systems and may obtain data relating to patients with our products or our proprietary information. If we fail to maintain or protect our information systems and data integrity effectively, we could lose existing customers, have difficulty attracting new customers, have problems in determining product cost estimates and establishing appropriate pricing, have difficulty preventing, detecting and controlling fraud, have disputes with customers, physicians and other health care professionals, have regulatory sanctions or penalties imposed, have increases in operating expenses, incur expenses or lose revenue as a result of a data privacy breach or suffer other adverse consequences. There can be no assurance that our process of consolidating the number of systems we operate, upgrading and expanding our information systems capabilities, protecting and enhancing our systems and developing new systems to keep pace with continuing changes in information processing technology will be successful or that additional systems issues will not arise in the future. Any significant breakdown, intrusion, interruption, corruption or destruction of these systems, as well as any data breaches, could have a material adverse effect on our business.

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	
10.1	Consulting Agreement, dated August 21, 2019, between Peter Ferola and BioTelemetry, Inc.	8-K	000-558039	10.1	August 22, 2019	
31.1	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.					†
31.2	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.					†
32	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.					+
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded withing the Inline XBRL 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.					†
104	Cover Page Interactive Data File, formatted in Inline XBRL (contained in Exhibit 101).					

† 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: November 5, 2019

By: /s/ Heather C. Getz

Heather C. Getz

Executive Vice President, Chief Financial and Administrative Officer

(Principal Financial Officer and authorized officer of the Registrant)

Exhibit 31.1

CERTIFICATION PURSUANT TO

RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Joseph H. Capper, certify that:

1. I have reviewed this quarterly report on Form 10-Q of BioTelemetry, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2019

/s/ JOSEPH H. CAPPER

Joseph H. Capper
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO

RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Heather C. Getz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of BioTelemetry, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2019

/s/ HEATHER C. GETZ

Heather C. Getz
Executive Vice President, Chief Financial and Administrative Officer
(Principle Financial and Accounting Officer)

Exhibit 32

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of BioTelemetry, Inc. on Form 10-Q for the quarter ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of Joseph H. Capper, the President and Chief Executive Officer of BioTelemetry, Inc. and Heather C. Getz, the Executive Vice President, Chief Financial and Administrative Officer of BioTelemetry, Inc. hereby certifies, pursuant to and for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his or her knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of BioTelemetry, Inc.

/s/ JOSEPH H. CAPPER

Joseph H. Capper
President and Chief Executive Officer

November 5, 2019

/s/ HEATHER C. GETZ

Heather C. Getz
Executive Vice President, Chief Financial and Administrative Officer

November 5, 2019

This certification accompanies the Quarterly Report on Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or Securities Exchange Act of 1934, as amended (whether made before or after the date of the Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.