



**OrthoPediatrics Corp.**  
August 2019

**Mark Throdahl, CEO**  
**Fred Hite, CFO**



## **Forward-Looking Statements**

This presentation includes "forward-looking statements" within the meaning of U.S. federal securities laws. You can identify forward-looking statements by the use of words such as "may," "might," "will," "should," "expect," "plan," "anticipate," "could," "believe," "estimate," "project," "target," "predict," "intend," "future," "goals," "potential," "objective," "would" and other similar expressions. Forward-looking statements involve risks and uncertainties, many of which are beyond OrthoPediatics' control. Important factors could cause actual results to differ materially from those in the forward-looking statements, including, among others, the risks, uncertainties and factors set forth under "Risk Factors" in OrthoPediatics' Annual Report on Form 10-K filed with the SEC on March 7, 2019. Forward-looking statements speak only as of the date they are made. OrthoPediatics assumes no obligation to update forward-looking statements to reflect actual results, subsequent events, or circumstances or other changes affecting such statements except to the extent required by applicable securities laws.

## **Use of Non-GAAP Financial Measures**







This presentation includes the non-GAAP financial measure of Adjusted EBITDA, which differs from financial measures calculated in accordance with U.S. generally accepted accounting principles ("GAAP"). Adjusted EBITDA in this release represents net loss, plus interest expense (income), net plus other expense (income), depreciation and amortization, stock-based compensation expense, accelerated vesting of restricted stock upon our IPO, and acquisition related costs. Adjusted EBITDA is presented because the Company believes it is a useful indicator of its operating performance. Management uses the metric as a measure of the Company's operating performance and for planning purposes, including financial projections. The Company believes this measure is useful to investors as supplemental information because it is frequently used by analysts, investors and other interested parties to evaluate companies in its industry. The Company believes Adjusted EBITDA is useful to its management and investors as a measure of comparative operating performance from period to period. Adjusted EBITDA is a non-GAAP financial measure and should not be considered as an alternative to, or superior to, net income or loss as a measure of financial performance or cash flows from operations as a measure of liquidity, or any other performance measure derived in accordance with GAAP, and it should not be construed to imply that the Company's future results will be unaffected by unusual or non-recurring items. In addition, the measure is not intended to be a measure of free cash flow for management's discretionary use, as it does not reflect certain cash requirements such as debt service requirements, capital expenditures and other cash costs that may recur in the future. Adjusted EBITDA contains certain other limitations, including the failure to reflect our cash expenditures, cash requirements for working capital needs and other potential cash requirements. In evaluating Adjusted EBITDA, you should be aware that in the future the Company may incur expenses that are the same or similar to some of the adjustments in this presentation. The Company's presentation of Adjusted EBITDA should not be construed to imply that its future results will be unaffected by any such adjustments. Management compensates for these limitations by primarily relying on the Company's GAAP results in addition to using Adjusted EBITDA on a supplemental basis. The Company's definition of this measure is not necessarily comparable to other similarly titled captions of other companies due to different methods of calculation. The schedules below contain a reconciliation of Net Loss to non-GAAP Adjusted EBITDA.



## Large Market

## Proprietary Technology

## Scalable Business

-  **Diversified medical device company focused exclusively on pediatric orthopedics**
-  **Protected market opportunity: \$1.4 billion U.S., \$3.2 billion globally estimated in 2019**
-  **High U.S. procedure concentration: <300 hospitals and ~1,400 surgeons**
-  **Focused call point: pediatric orthopedic surgeons are generalists who use all OP products**
-  **Sustainable competitive advantage:**
  - **Broadest pediatric-specific orthopedic product offering with 33 surgical systems**
  - **Strong relations with pediatric orthopedic surgeons**
  - **Deep commitment to clinical education**
  - **Sales personnel are a consultative resource**
-  **Consistent 20+% growth since inception**
  - **FY18 revenue of \$57.6 million, up 26%**
  - **FY19 revenue growth guidance updated to 23-25%**
-  **Vilex acquisition expands Trauma & Deformity offering to 80% of the addressable market and gives OP proprietary, leading-edge technology in external fixation**



## A Company Built on a CAUSE

### Cause

*Improving the lives of children  
with orthopedic conditions*



Gideon with CMO Peter Armstrong, M.D., c. 1995.  
Gideon's drawing of his girlfriend, 2016.

### Company Snapshot

-  Treated **>150,000** patients since inception
-  **29** surgical systems; **8,000+** SKUs; strong pipeline<sup>1</sup>
-  **3** additional systems from Vilex acquisition
-  **86** direct employees; **152** focused sales reps<sup>1</sup>
-  **Global** sales organization focused on pediatric orthopedic surgeons in **44** countries<sup>1</sup>
-  **28** issued patents; **38** pending patents<sup>2</sup>
-  **Chief Medical Officer** is a fellow surgeon
-  Average FDA approval time: **< ½** industry average
-  History of **stable reimbursement**

<sup>1</sup> As of June 30, 2019

<sup>2</sup> As of June 30, 2019 and does not include Vilex/Orthex patents/patent applications





## Children Are Not Small Adults

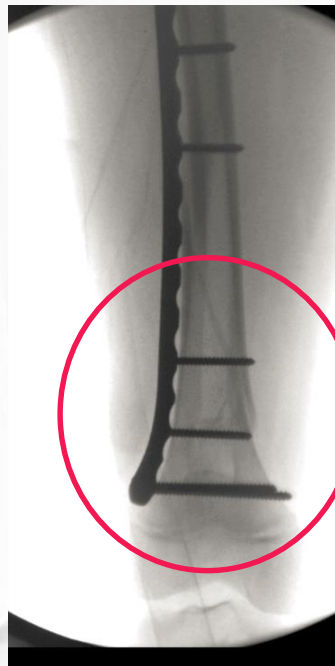
### Superior Clinical Outcomes

#### Re-Purposed Adult Plate



*Screws Through  
Growth Plate*

#### OP's Solution



*Screws Parallel To  
Growth Plate*

### OP's Market Impact

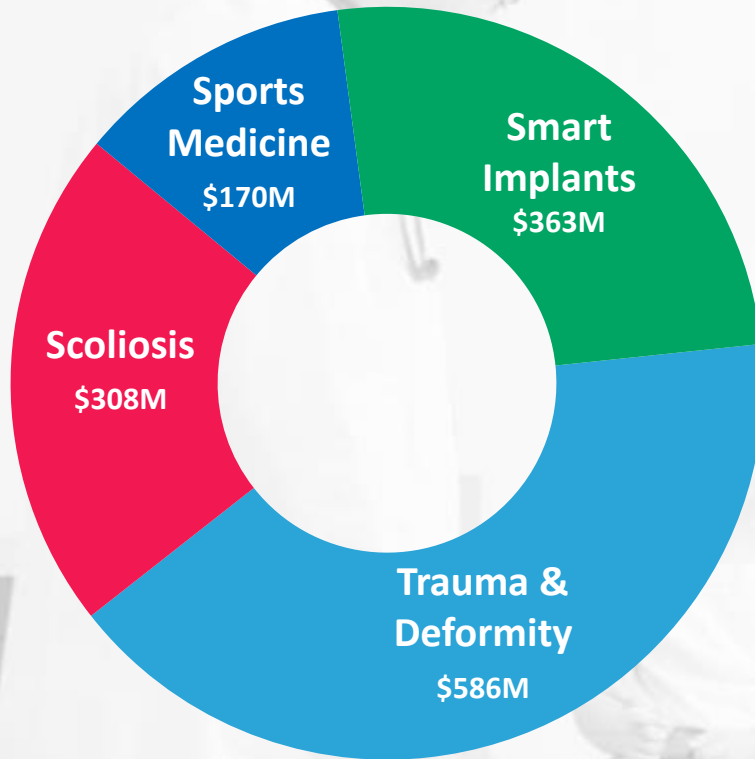
-  **Address orthopedic industry's lack of focus** on product development, clinical education, and sales presence
-  **Implants and instruments avoid complications** of re-purposed adult products
-  **Product development** in collaboration with leading pediatric orthopedic surgeons
-  **Dedicated sales support** attending surgeries
-  **Clinical education** programs that build brand loyalty



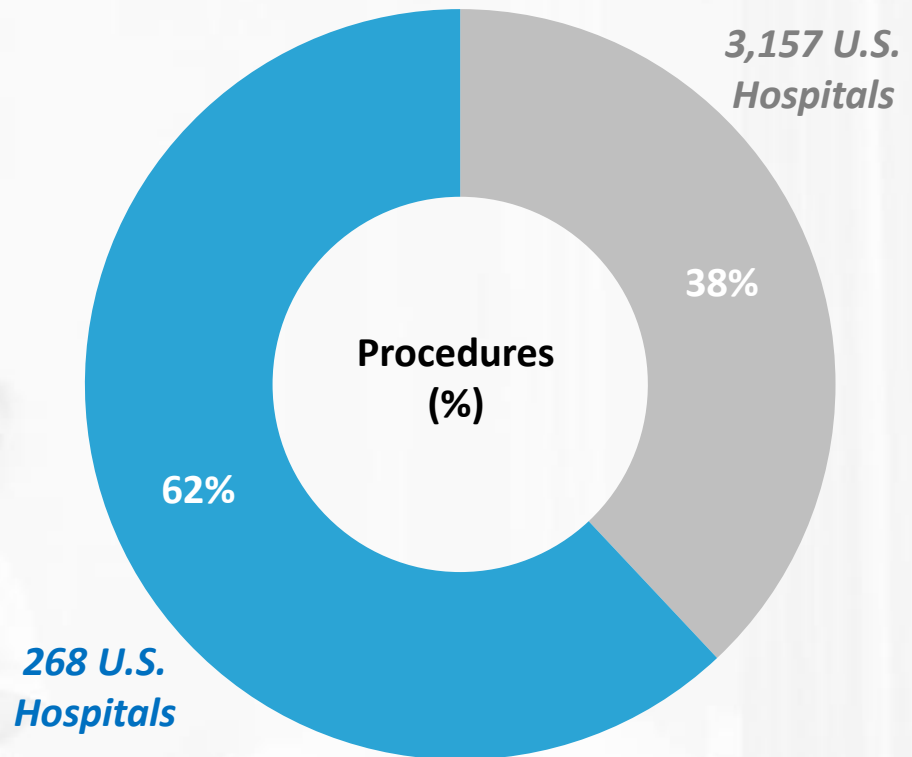
# Large and Focused Market

## OP'S \$3.2 Billion Current Addressable Global Market<sup>1</sup>

### *\$1.4 Billion U.S. Addressable Market<sup>1</sup>*



### *High Concentration of Pediatric Trauma & Deformity and Scoliosis Procedures*



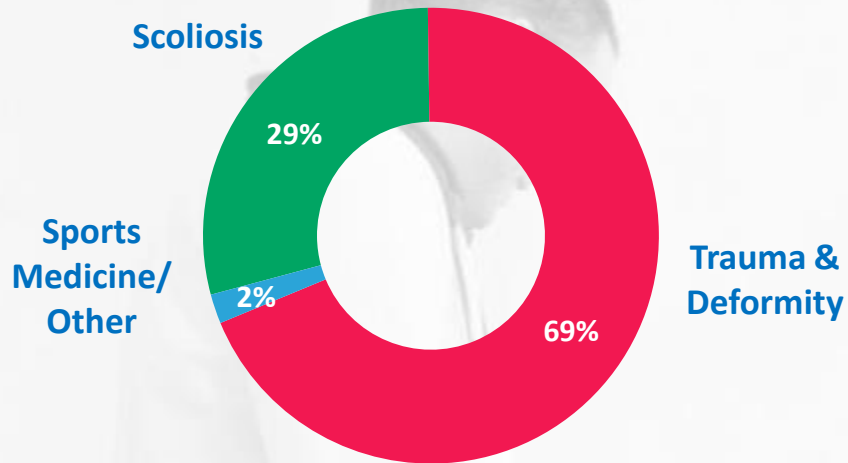
**Current products target three of the largest categories in Pediatric Orthopedics**  
**Pipeline products underway to expand addressable market**

<sup>1</sup> Management's 2019 updates to IMS data from 2016



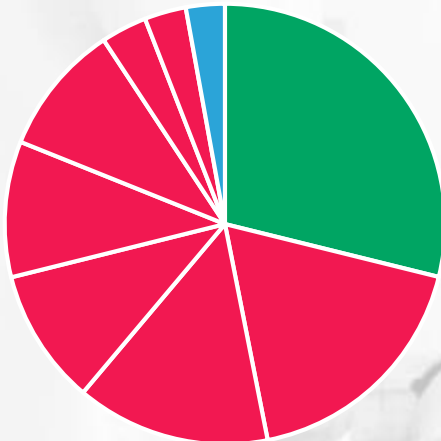
# Product Line Diversification

## 2018 Revenue by Segment

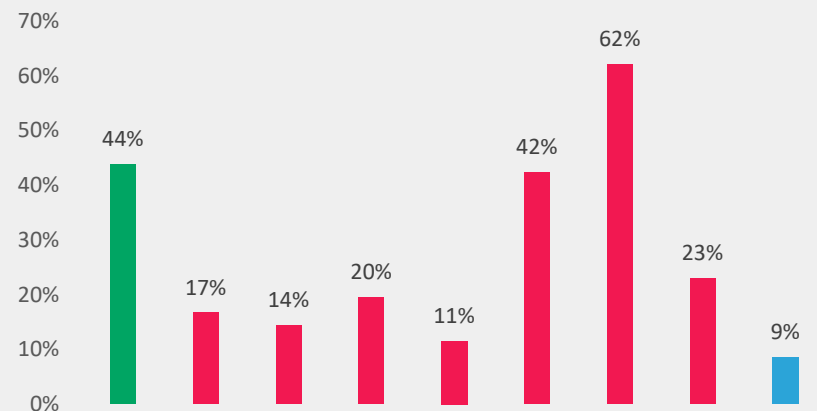


-  **\$57.6 million sales in 2018, increasing 26%**
-  **Well diversified sources of growth**
-  **All major product families supported FY 2018 26% revenue growth**
-  **Firefly, PNP | Femur, and PediFrag were key growth drivers**
-  **All products have comparable gross margins**

## 2018 Revenue by Product Family



## 2018 Revenue Growth % by Product Family





# A Proven Strategy Since 2011

**Sales Focus  
on Teaching  
Institutions and  
High Volume  
Hospitals**

**Deploy  
Instrument  
Sets**

**Expand  
Addressable  
Procedures**

**Expand Clinical  
Education  
Programs**

## Goals



**Accelerate sales growth**



**Develop novel technologies**





# New Systems & Product Launches (2017-2018)

## Trauma & Deformity



**Titanium  
PediPlates®  
System**  
(Expands physeal  
tethering offering)



**Clavicle  
Plate System**  
(First pediatric  
specific  
system)



**Wrist Fusion  
Plate System**  
(First pediatric  
specific  
system)

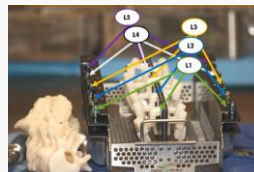


**PediFlex  
Advanced**

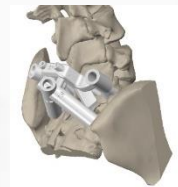


**Pediatric Nailing  
Platform | FEMUR**  
(Expands into adolescent  
cases)

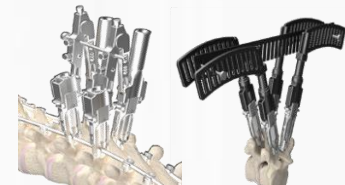
## Scoliosis



**FIREFLY® Pedicle Screw Navigation  
Guides** (Complementary to  
RESPONSE Spine System)



**FireFly S2/Alar**



**RESPONSE 4.5/4.75/5.0mm  
System**  
(Maximizes intraoperative flexibility)

## Sports Medicine



**Medial Patella Femoral  
Ligament Reconstruction System**  
(Complementary to ACL  
Reconstruction System)



# Upcoming New Systems & Product Launches (2019)

## Trauma & Deformity

Launching  
3Q19



Cannulated  
Screw  
Systems

Launching  
3Q19



QuickPack™  
Bone Void  
Filler

Launching  
4Q19



PediFoot  
(First pediatric  
system)

Launching  
4Q19/1Q20



Slipped Capital  
Femoral Epiphysis  
System

Development  
in Process



Osteogenesis  
Imperfecta  
Nail System

Development  
In Process



PNP | Tibia

## Scoliosis

Launched  
Feb'19



BandLoc DUO System



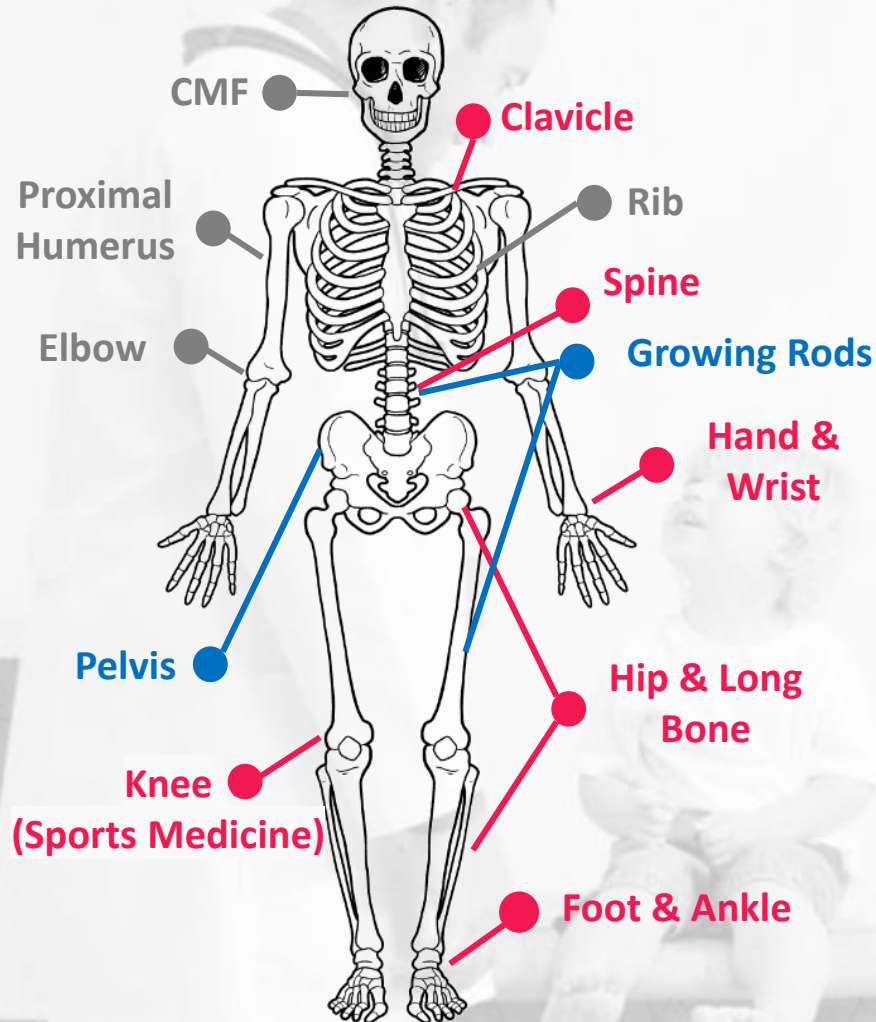
Development  
In Process



Neuromuscular  
Scoliosis System



## Expanding Our Addressable Market



**Demonstrated ability to expand portfolio to full array of pediatric surgeries**

- OP Today
- OP Tomorrow
- Now Under Development



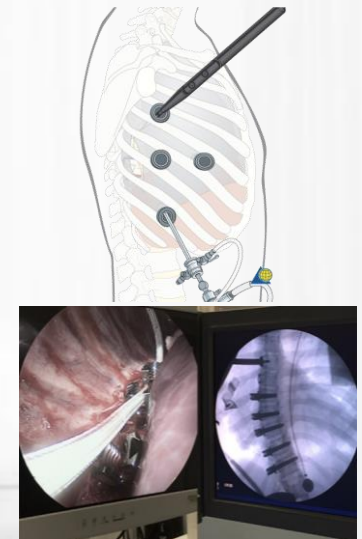
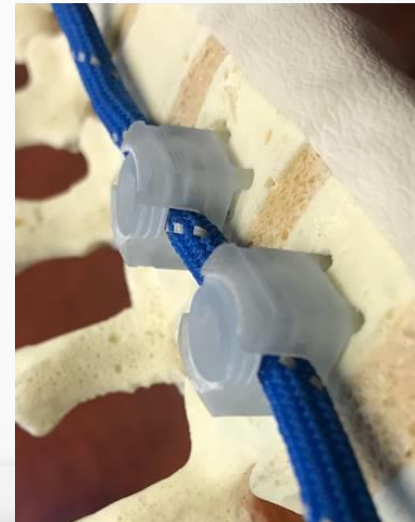
# Leading Edge Systems in Development

## Smart Implants

- OP Proof of concept established in 2018 with substantial development in 2019
- OP 2 embodiments: (1) scoliosis (2) intramedullary nailing
- OP will offer significant improvements to current technology

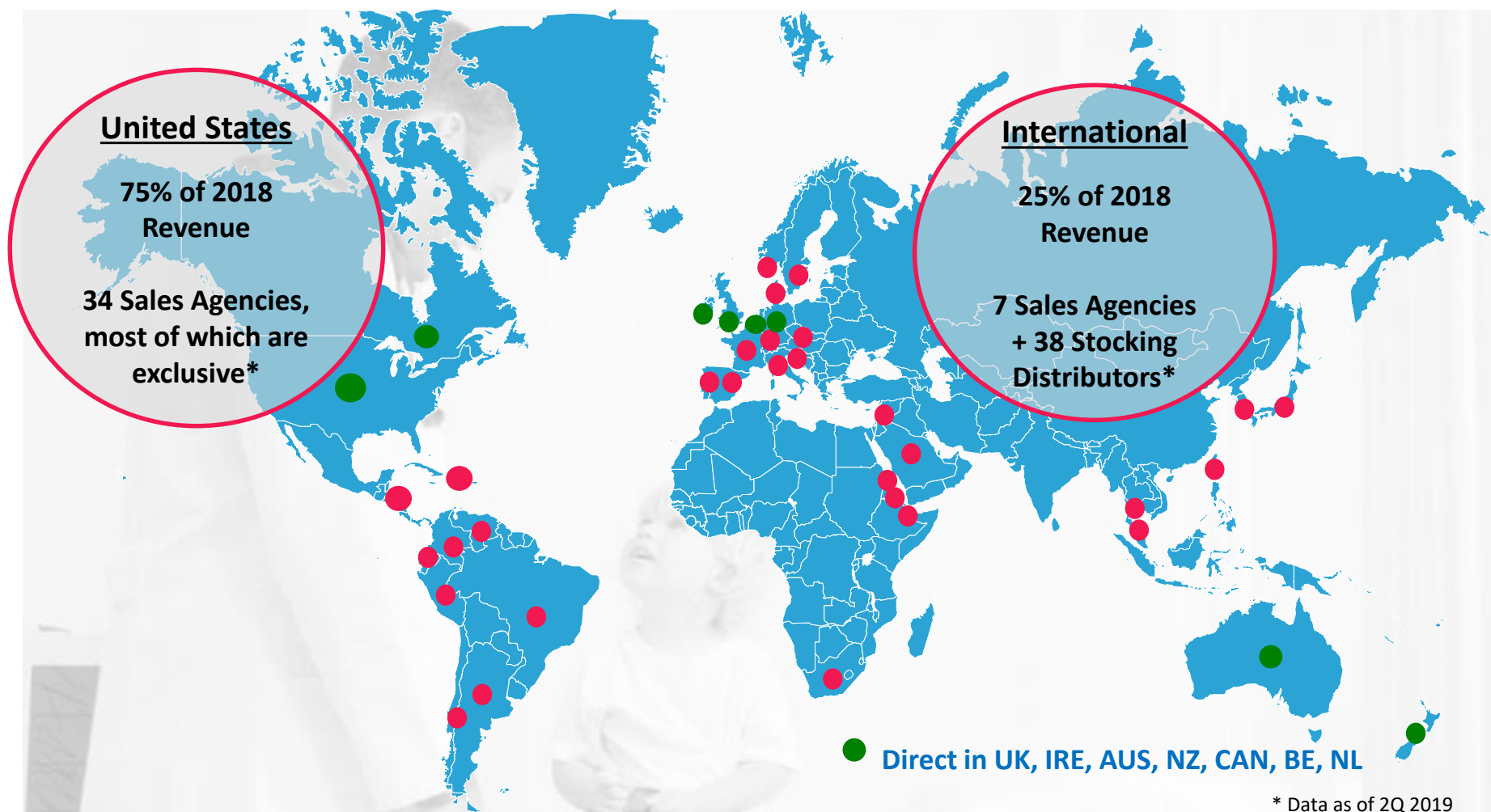
## Spinal Tethering

- OP Emerging procedure with off-label use of adult product. Need for pediatric system.
- OP Intervention in patients as young as 10
- OP Reversible, non-fusion procedure
- OP Developing IP portfolio
- OP Working with panel of leading tethering surgeons
- OP Uncertain FDA regulatory path





# Global Sales Coverage



Currently selling to major children's hospitals in the U.S. and 43 additional countries  
Converting to agency model in select markets has significantly increased volumes, ASPs, and gross margin  
Replicate success of sales agency model in UK, IRE, AUS, NZ, CAN, BE, and NL





## Transaction

-  In June OP purchased Vilex, including its **Orthex Hexapod** ex-fix system and proprietary CORA-based x-ray software
-  **Separate Vilex's adult business** and pursue potential divestiture

## Consideration

-  **\$50 million in cash + \$10 million in shares = \$60 million**

## Benefits




-  Expands OP's Trauma & Deformity business into **new segment valued at \$200 million globally**
-  Expands Trauma & Deformity's **breadth from 60% to 80% of addressable market**
-  **Increases surgeon reach** to limb reconstruction specialists who treat pediatric patients beyond children's hospitals, generating pull-through of other products



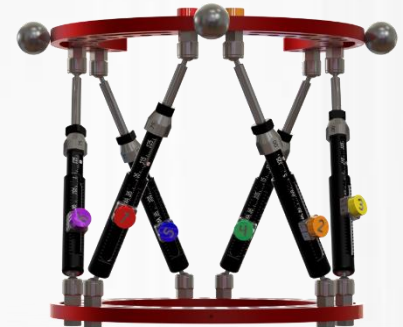


# Separating Adult from Pediatric Products

## OP Owns Orthex

-  Hexapod ex-fix system and proprietary point-and-click x-ray planning software
-  50% annual revenue growth since FDA clearance in mid-2016
-  Generated **\$3.1 million of revenue in 2018**

ORTHeX



## Potential Sales of Vilex's Adult Systems

-  **\$8.7 million of 2018 revenue, most of which is adult**
-  Extensive development pipeline
-  Investment by a focused Foot & Ankle company will drive future success

VILEX®





## Disruptive Technology

- Construct allows 90° angulation
- Unique calibrated struts and HA-coated pins
- Patented point and click software
- Significantly simplifies surgery planning and subsequent alignments

## Dror Paley, MD – Pediatric orthopedic KOL

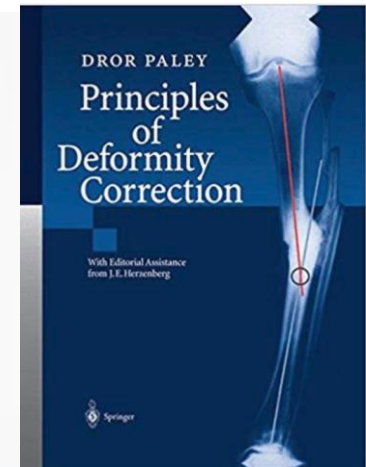
- Introduced Ilizarov method in U.S.

## Defend competitive position and risk

- Defend other potential acquirers from entering the pediatric space



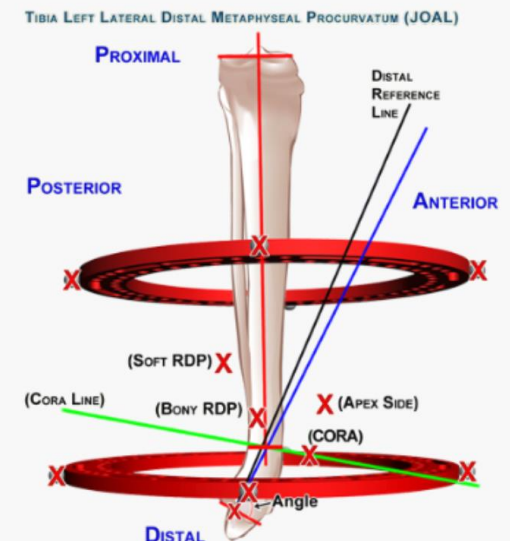
# ORTHeX



## ML X-Ray

ML STEP 11 of 11: Verify, and click the AP View button to proceed

- 1 Proximal Ring
- 2 Distal Ring
- 3 Proximal Bone Segment Line
- 4 Distal Joint Line
- 5 Distal Centerpoint
- 6 Osteotomy
- 7 Proximal Bone Ends
- 8 Proposed Pivot Point
- 9 RDP Bony
- 10 RDP Soft
- 11 Review












## New Competitors Would Face Formidable Obstacles



**“The ship has sailed.”**

-  **Product breadth**
-  **Surgeon relationships**
-  **Sales and distribution network**
-  **Clinical education programs**
-  **Pediatric brand equity**
-  **Reputation with pediatric orthopedic societies**
-  **Dynamic culture**





# What Does Category Leadership Mean?

## Surgeon relationships and clinical education

- OP Relationships with surgeons who use entire portfolio
- OP Major provider of clinical education
- OP Leading supporter of surgical societies
- OP Custom instruments

## Broadest, most innovative product offering

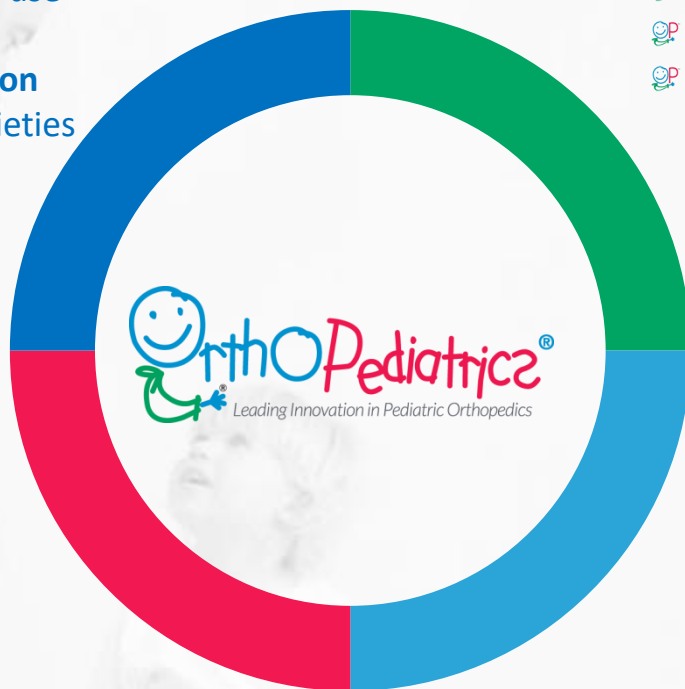
- OP 12 years' clinical understanding
- OP New product pipeline
- OP Pediatric Market Gateway for distributed products and joint product developments

## Robust organic growth opportunities

- OP \$3.2 billion addressable global market
- OP Limited focused competition
- OP Focused, experienced distribution
- OP Instrument set placements drive growth

## Attractive growth and margin profile

- OP Consistent growth since inception
- OP 74% gross margin in FY 2018
- OP History of efficient capital utilization





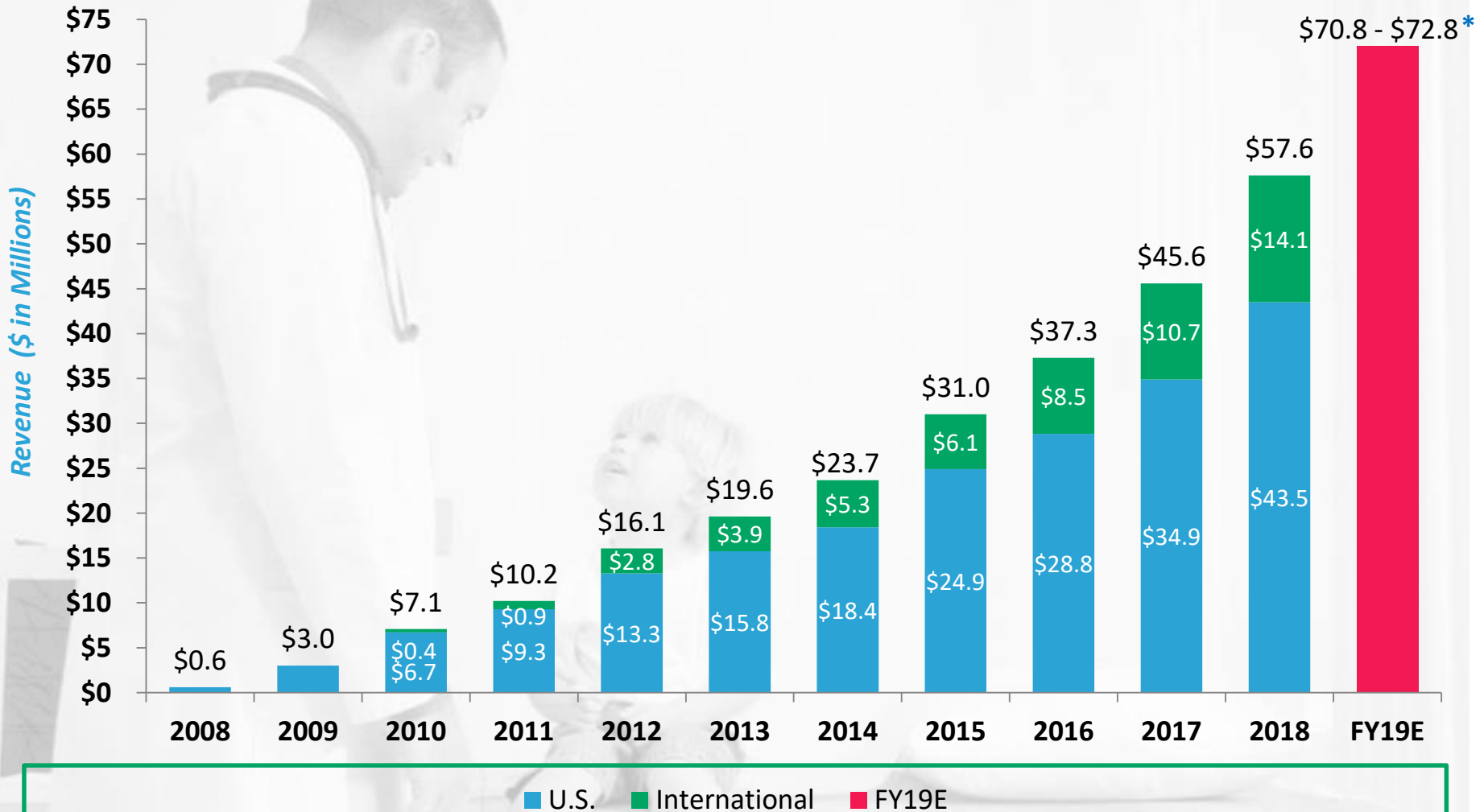


## Financial Review





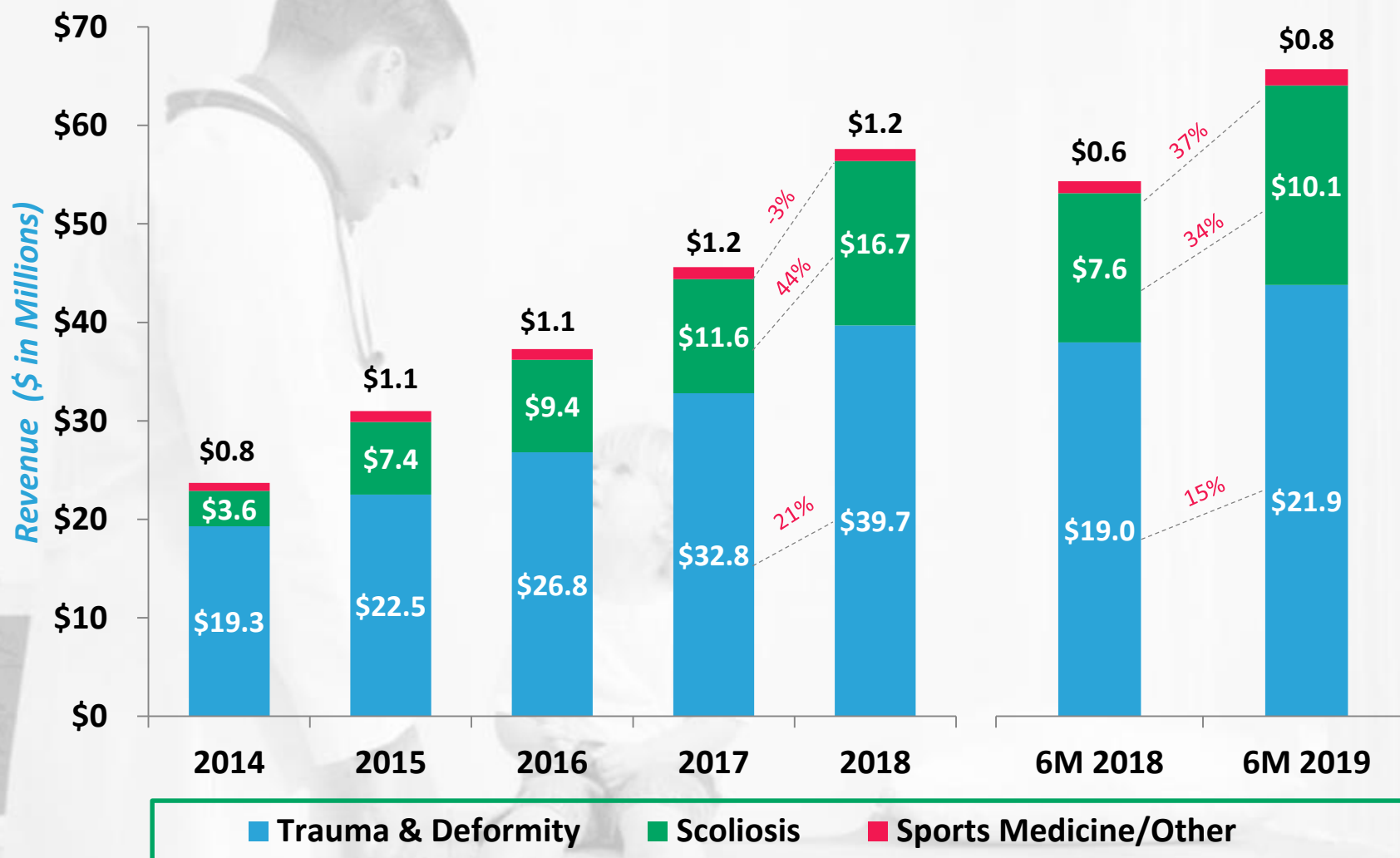
# Consistent 20+% Revenue Growth Since Inception



\* Includes Orthex



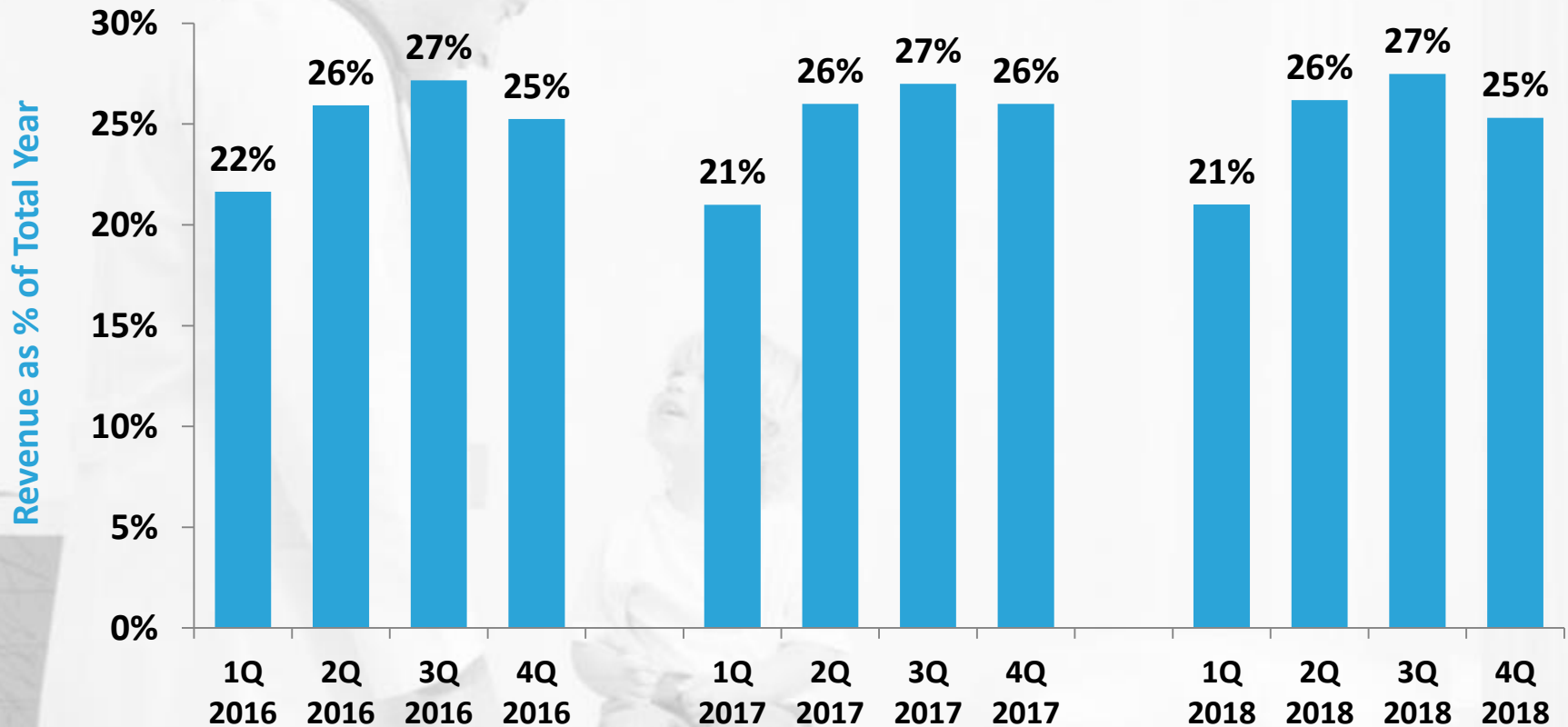
# Category Revenue Summary





# Revenue Seasonality

Seasonality Drives Stronger Performance in Summer Months and Holiday Periods





# Income Statement Summary

(\$ in Millions)

	FY 2016	FY 2017	FY 2018	6M 2018	6M 2019
<b>Revenue</b>	<b>\$37.3</b>	<b>\$45.6</b>	<b>\$57.6</b>	<b>\$27.2</b>	<b>\$32.9</b>
<i>Growth %</i>	<i>20%</i>	<i>22%</i>	<i>26%</i>	<i>26%</i>	<i>21%</i>
Gross Profit	\$26.4	\$34.5	\$42.7	\$20.2	\$24.3
<i>Margin %</i>	<i>71%</i>	<i>76%</i>	<i>74%</i>	<i>74%</i>	<i>74%</i>
Operating Expenses	\$32.5	\$40.9	\$52.2	\$26.7	\$28.8
Operating Loss	(\$6.1)	(\$6.5)	(\$9.6)	(\$6.5)	(\$4.5)
<b>Net Loss</b>	<b>(\$6.6)</b>	<b>(\$8.9)</b>	<b>(\$12.0)</b>	<b>(\$7.7)</b>	<b>(\$5.6)</b>
<b>Net Loss per Share*</b>	<b>(\$7.14)</b>	<b>(\$5.86)</b>	<b>(\$0.96)</b>	<b>(\$0.62)</b>	<b>(\$0.39)</b>

\* Net loss per share attributable to common stockholders – basic and diluted





# Adjusted EBITDA Reconciliation

(\$ in Millions)

	Six Months Ended June 30,	
	2018	2019
<b>Net Loss</b>	<b>(\$7.7)</b>	<b>(\$5.5)</b>
Interest expense, net	1.1	0.9
Other expense	0.1	0.0
Depreciation and amortization	1.4	1.9
Stock-based compensation	0.6	1.2
Accelerated vesting of restricted stock upon IPO	2.0	-
Acquisition related costs	-	0.6
<b>Adjusted EBITDA</b>	<b>(\$2.5)</b>	<b>(\$0.8)</b>



# Balance Sheet

(\$ in Millions)  
As of June 30, 2019

## Assets

Cash	\$21.9
Accounts Receivable	14.9
Inventory	32.8
Other Current Assets	37.2
PP&E (net)	20.9
Intangibles	23.7
<b>Total Assets</b>	<b>\$151.4</b>

## Liabilities

Accounts Payable	\$6.0
Debt	51.2
Accrued Expenses	4.0
All Other Liabilities	2.1
Paid In Capital	209.3
Accumulated Deficit (net)	(121.2)
<b>Total Liabilities / Equity</b>	<b>\$151.4</b>



## Vilex's Adult Product Line

-  **Advanced the process of finding a buyer for Vilex's adult product line.**
-  **Formed a special board committee to supervise management's authorized disposition of these assets and have engaged advisors to assist in this process.**
-  **Anticipate significant interest in the assets to be offered for sale and when completed we expect a significant reduction in our outstanding debt position.**



**Surgeon relationships and clinical education**

**Broadest, most innovative product offering**

**Robust organic growth opportunities**

**Attractive growth and margin profile**

