



**OrthoPediatrics Corp.**  
Jan 2021

**Mark Throdahl, CEO**  
**Fred Hite, COO & CFO**  
**Dave Bailey, President**



## **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 OrthoPediatrics' control. Important factors could cause actual results to differ materially from those in the forward-looking statements, including, among others: the risks related to COVID-19, the impact such pandemic may have on the demand for our products, and our ability to respond to the related challenges; and the risks, uncertainties and factors set forth under "Risk Factors" in OrthoPediatrics' Annual Report on Form 10-K filed with the SEC on March 5, 2020, as updated and supplemented by our other SEC reports filed time to time. Forward-looking statements speak only as of the date they are made. OrthoPediatrics 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, net plus other expense, depreciation and amortization, stock-based compensation expense, 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.



## 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 (2019 estimates)**
-  **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 35 surgical systems**
  - **Strong relationships with pediatric orthopedic surgeons**
  - **Deep commitment to clinical education**
  - **Sales personnel are a consultative resource who attend surgery**
-  **Consistent 20+% growth since inception, ex COVID**
  - **FY20 revenue of \$73.8 million, up 2%**
  - **FY19 revenue of \$72.6 million, up 26%**
-  **Recent Orthex and ApiFix acquisitions give OP proprietary, leading-edge technology in both external fixation and non-fusion scoliosis markets and expand the Company's total addressable market**



## Environment and Company Response

-  Procedure trends in the U.S. have improved every quarter since 1Qtr, International recovery lags the U.S. recovery
-  Product development proceeds at normal pace
-  Maintained set investment to support new product launches, including Orthex and ApiFix
-  Committed to no lay-offs or base reduction salary cuts to all direct employees
-  Committed to no reductions in financial support of important surgical societies (unlike other industry sponsors)
-  Utilizing DocMatter website to sponsor webinars on pediatric orthopedic care

## Impact on Financials

-  Record 3Q 2020 sales of \$22.2M, up 7% vs prior year, record gross margin and record positive adjusted EBITDA
-  4Q 2020 preliminary unaudited revenue of \$21.7 million, up 14% versus 4Q 2019
-  4Q 2020 U.S. sales continued strong acceleration, growing 26% year-over year
-  4Q 2020 international sales performance improved but continued to lag, declining 21% vs prior year
-  Cost savings realized in 2020 used to establish 2021 budget spending





## 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 **>196,000 patients** since inception
-  **35** surgical systems; **~7,800 SKUs**; strong pipeline
-  **6** additional systems from Orthex and ApiFix acquisitions
-  **109** direct employees; **166** focused sales reps<sup>1</sup>
-  **Global** sales organization focused on pediatric orthopedic surgeons in **44** countries<sup>1</sup>
-  **82** issued patents; **79** patent applications<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 September 30, 2020.

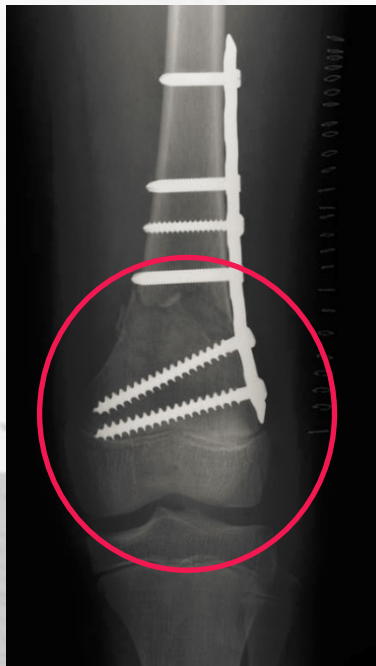
<sup>2</sup> As of September 30, 2020. Totals apply to patents issued to and/or applied by OrthoPediatrics or one of its wholly-owned subsidiaries.



## Children Are Not Small Adults

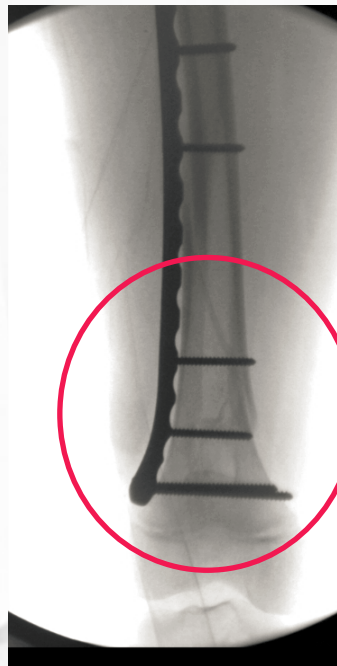
### Superior Clinical Outcomes

#### Re-Purposed Adult Plate



*Screws Through  
Growth Plate*

#### OP's Solution



*Screws Parallel To  
Growth Plate*

### OP's Market Impact

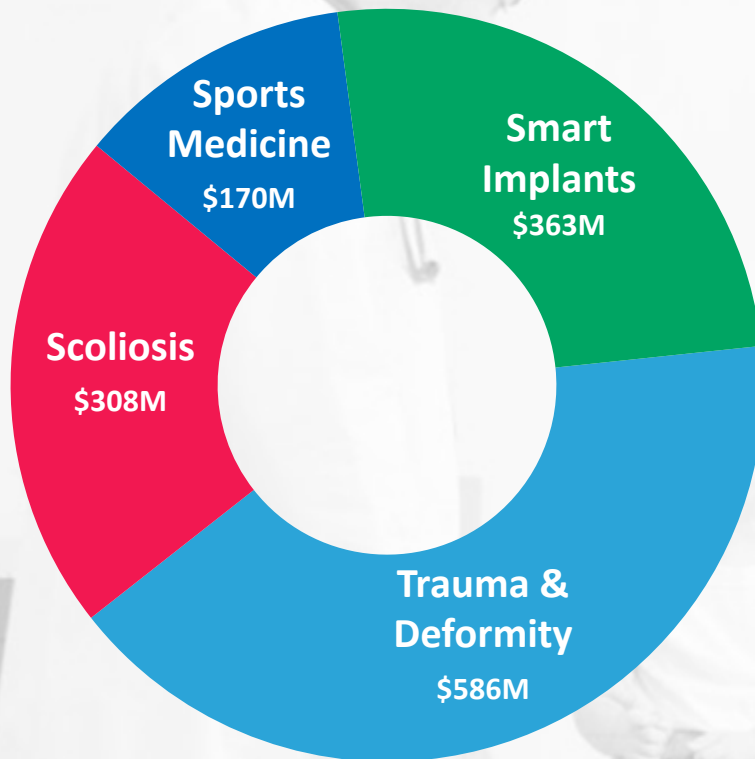
-  **Address orthopedic industry's lack of focus** on product development, clinical education, and sales presence
-  **Implants and instruments avoid complications** of re-purposed adult products
-  **Product development** in collaboration with leading pediatric orthopedic surgeons
-  **Dedicated sales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



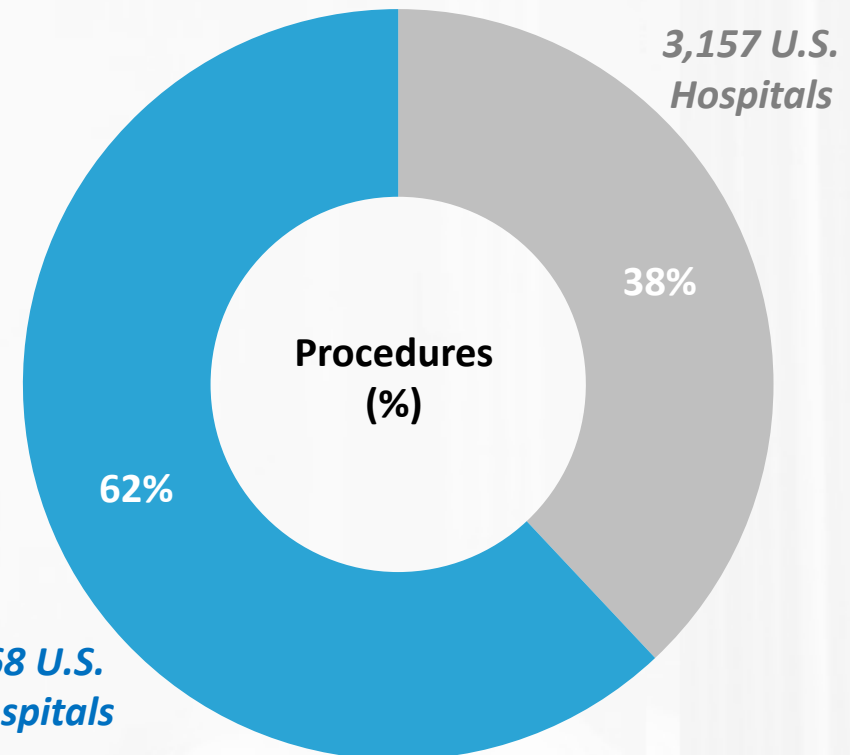
# Large and Focused Market

## 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*



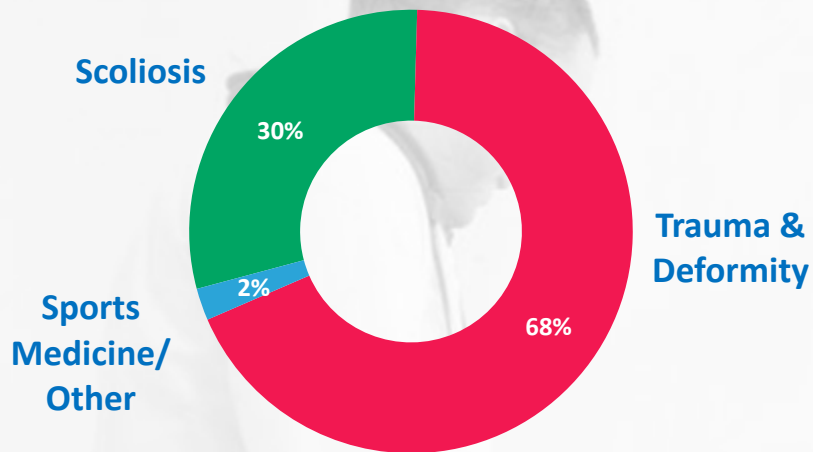
**Current products target three of the largest categories in Pediatric Orthopedics**  
**Pipeline products underway to expand addressable market**

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



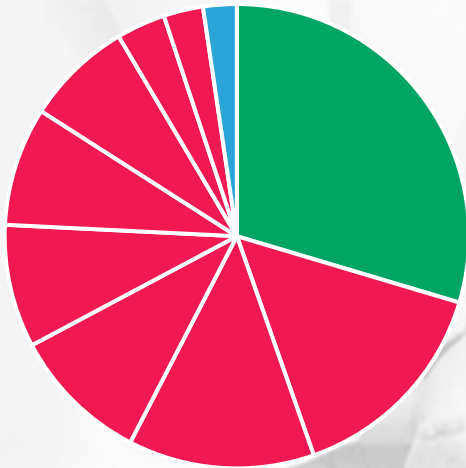
# Product Line & Growth Diversification

## 2019 Revenue by Segment (% Total)

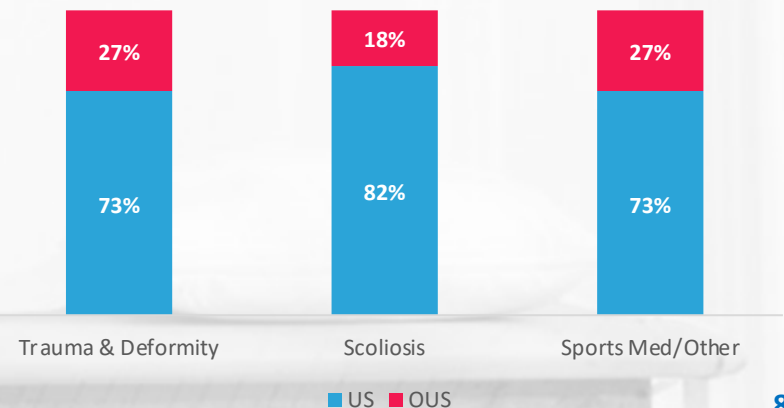


-  \$72.6 million sales in 2019, increasing 26%
-  Well diversified product sales and sources of growth
-  All major product families contributed to revenue growth
-  All products have comparable gross margins

## 2019 Revenue by Product Family



## 2019 Revenue by Geography







# 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 and acquire 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)

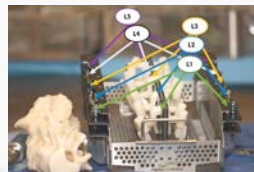


**PediFlex Advanced**

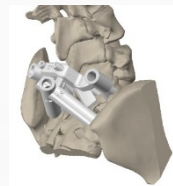


**Pediatric Nailing Platform | FEMUR**  
(Expands into adolescent cases)

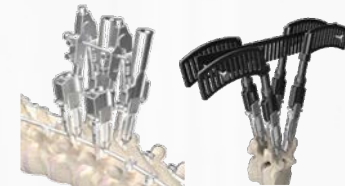
## Scoliosis



**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)



# Internal Developments & 2 Select Acquisitions

## Trauma & Deformity

Acquired  
June'19



**Orthex**  
(External fixation  
hardware / software)

Launched  
Sept'19



**Next Generation  
Cannulated  
Screw Systems**

Launched  
Nov'19



**PediFoot**  
(First pediatric  
system)

Launched  
Dec'19



**QuickPack™  
Bone Void  
Filler**

Launched  
Mar'20



**Large Fragment  
Cannulated Screw  
System**

Launching  
2021



**PediFoot  
Expansion**

Launched  
2020 / 2021



**Orthex  
AUS / EMEA**

## Scoliosis

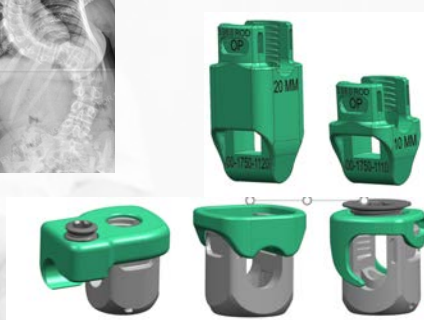
Launched  
Feb'19



**BandLoc DUO System**



Neuromuscular FDA  
approval Mar'20



**RESPONSE™  
Neuromuscular System**

Acquired  
Apr'20



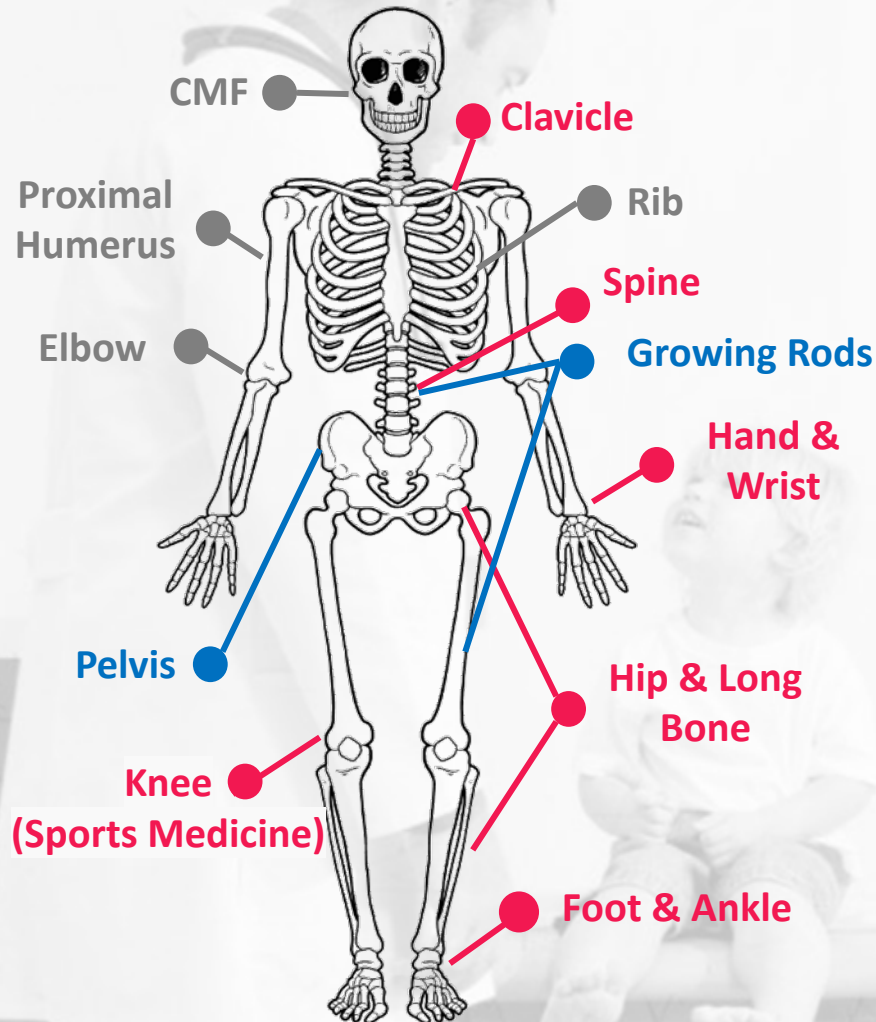
**ApiFix MID-C System**  
(Non-fusion technology)



## 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

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

## Early Onset Scoliosis

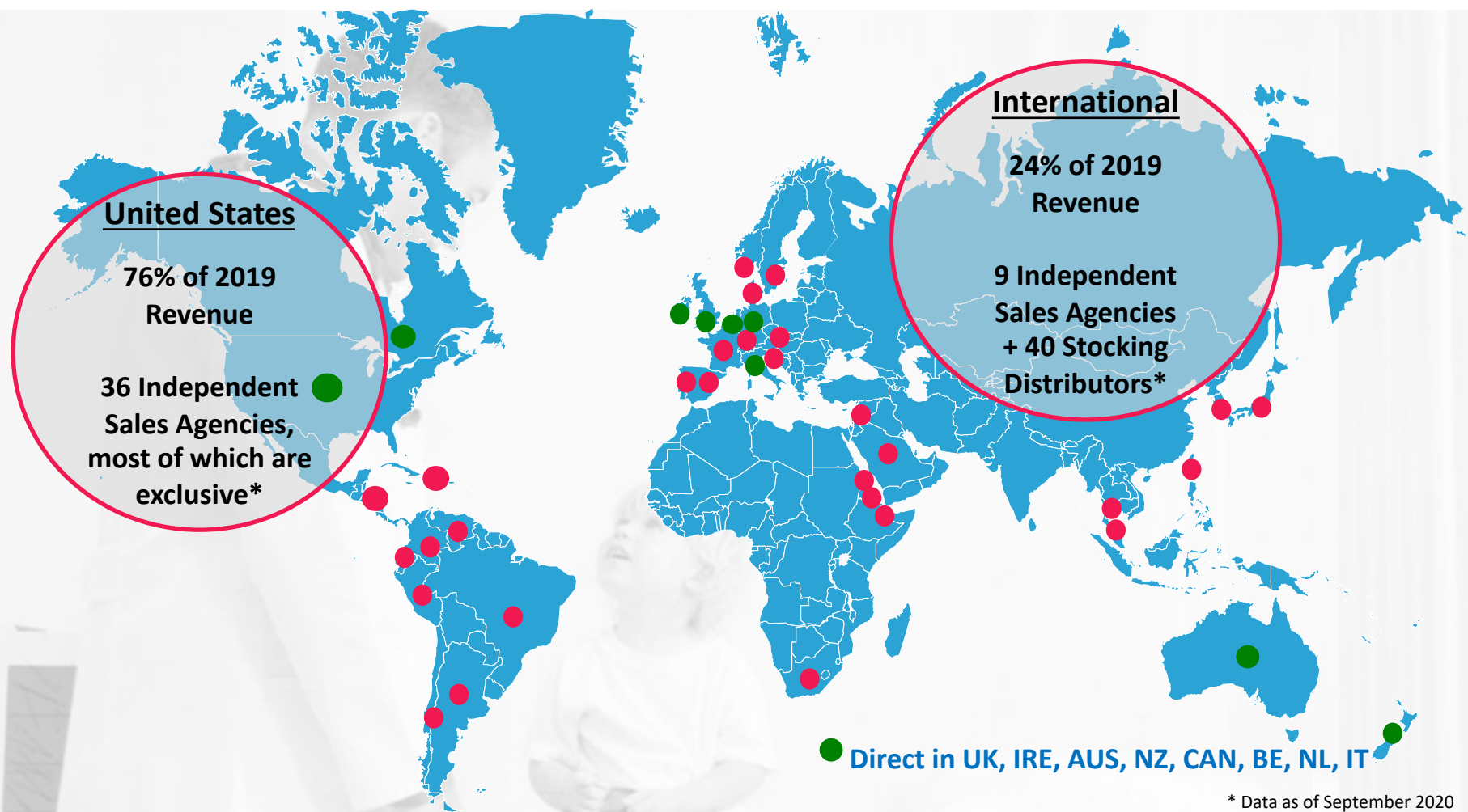
-  Emerging surgical trends not being pursued by major spine companies
-  Intervention in **patients as young as 10**
-  **Reversible, non-fusion procedures**
-  Developing IP portfolio
-  Working with panel of leading surgeons







# Sales Coverage in the U.S. and 43 Countries





OP shifted from hybrid model to 100% indirect in 2016

Sales agencies are independent legal entities that take title to and resell product very rarely  
Converting to agency model in select markets has significantly increased volumes, ASPs, and gross margin

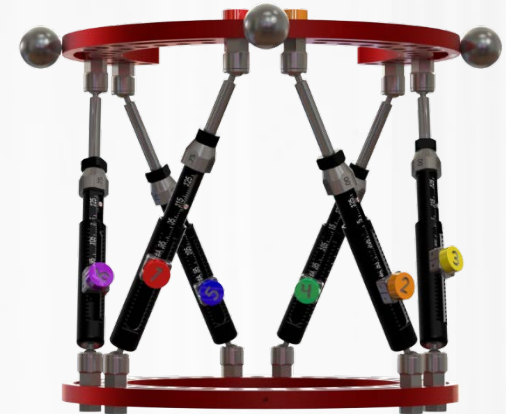


## Transaction Details

-  **Acquisition:** In June 2019 OP purchased Vilex<sup>1</sup> and its **Orthex Hexapod<sup>2</sup>** system with proprietary point-and-click planning software, for \$60 million (\$50 million cash + \$10 million shares)
-  **Divestiture:** In December 2019 OP **sold the adult assets and Orthex license for non-pediatrics market** to Squadron Capital for \$25 million cash.
-  **Net:** Orthex Hexapod investment of \$35 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**
-  **Divestiture allows OP to remain committed solely to pediatrics with cross license rights**



<sup>1</sup> Vilex generated \$6.7 million of revenue in 2018 (most of which was adult)

<sup>2</sup> Hexapod had 50% annual revenue growth since FDA clearance in mid-2016; generated \$5.1 million of revenue in 2018



## 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

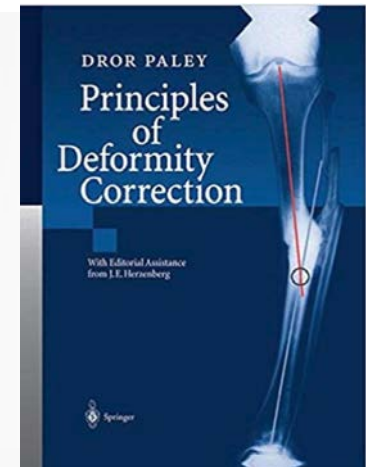
- Introduced Ilizarov method in U.S.

## Defend competitive position and risk

- Defend other potential acquirers from entering the pediatric space



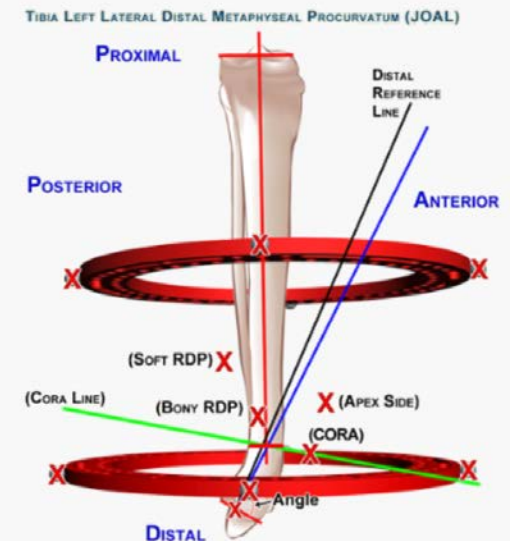
# ORTHeX



## 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





## Transaction Details

- 👤 **Acquisition:** In April 2020, OP purchased ApiFix<sup>1</sup> and its **MID-C minimally invasive deformity correction system**, for 934,768 shares of common stock and \$2 million in cash paid at closing, plus milestone payments and an earnout over a period of four years

## Benefits

- 👤 Expands OP's Scoliosis business into **non-fusion market**, the holy grail of pediatric scoliosis surgery
- 👤 **One of only two** non-fusion technologies approved by the U.S. FDA and granted pediatric HDE
- 👤 **Least invasive, removable system** that acts as an **internal brace** with **motion-preserving capabilities** to avoid permanently limiting range of motion
- 👤 **Measurable reductions** in surgery time, blood loss, hospitalization, recovery time, and complication rates
- 👤 Extremely **high sales/dollar** of set inventory
- 👤 **Strong IP protection:** 46 granted patents and 26 patent applications<sup>2</sup>



<sup>1</sup> ApiFix generated \$0.5 million of revenue in 2019

<sup>2</sup> As of June 30, 2020





# A Novel Surgical Option

**ApiFix is a Viable Alternative to Failed Bracing and Spinal Fusion for the Treatment of Progressive Scoliosis**



**Exercise**  
**Curves < 25°**



**Brace**  
**Curves 25° - 40°**



**ApiFix System**  
**Curves 35° - 60°**



**Fusion Surgery**  
**Curves > 50°**





## Minimally Invasive Deformity Correction (MID-C) System for Scoliosis

- Viable alternative to failed bracing and spinal fusion with **motion-preserving** technique
  - Self-adjusting rod and novel polyaxial joints
- **Least invasive** surgical solution
  - Placed posteriorly and unilaterally on the concave aspect of the curvature
  - No thoracic surgeon; no need to collapse the lung
- **Removable** (burns no bridges)
- Surgery time **1-2 hours**; Incision size **10-15cm**; Blood loss **50cc**
- Post-surgery hospital stays of **1-2 days**
  - Patient recovery measured in days, not months
- **Low complication and revision** rates
- FDA and CE Mark approved procedure backed by clinical data on 370+ patients and long-term (8 year) data












## 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

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




## Broadest, most innovative product offering

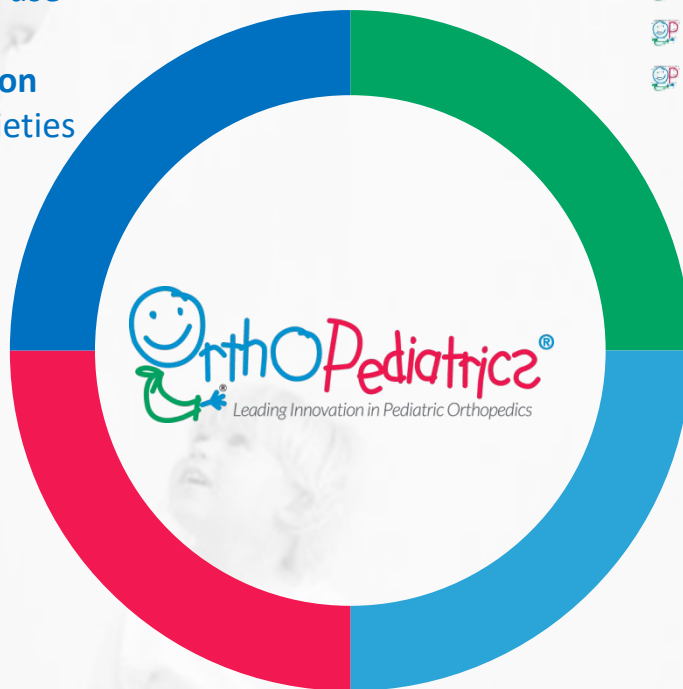
-  13 years' clinical understanding
-  New product pipeline
-  Pediatric Market Gateway for distributed products and joint product developments

## Robust organic growth opportunities

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

## Attractive growth and margin profile

-  Consistent growth since inception
-  75% gross margin in FY 2019
-  History of efficient capital utilization





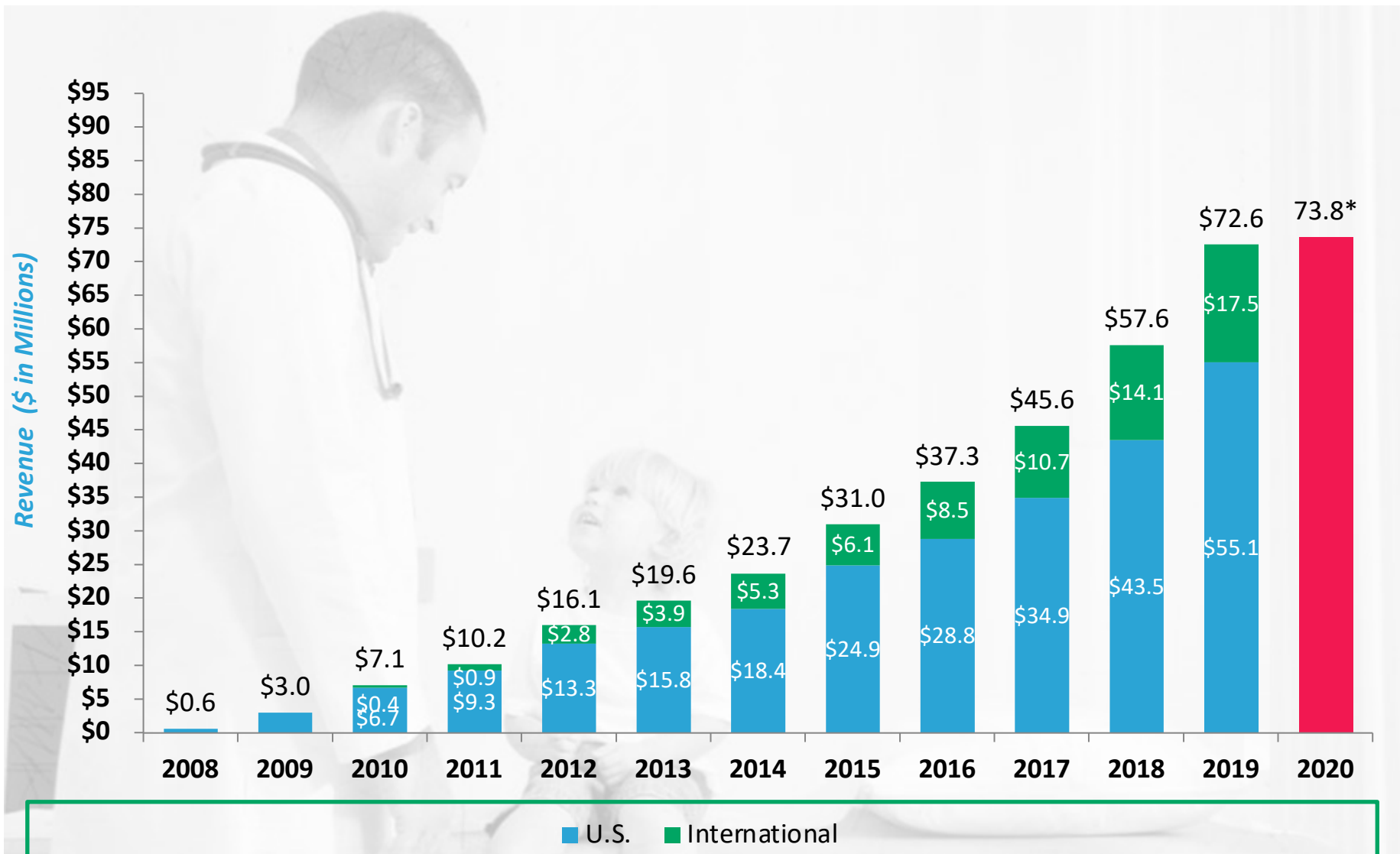
## Financial Review







# Consistent 20+% Revenue Growth Since Inception

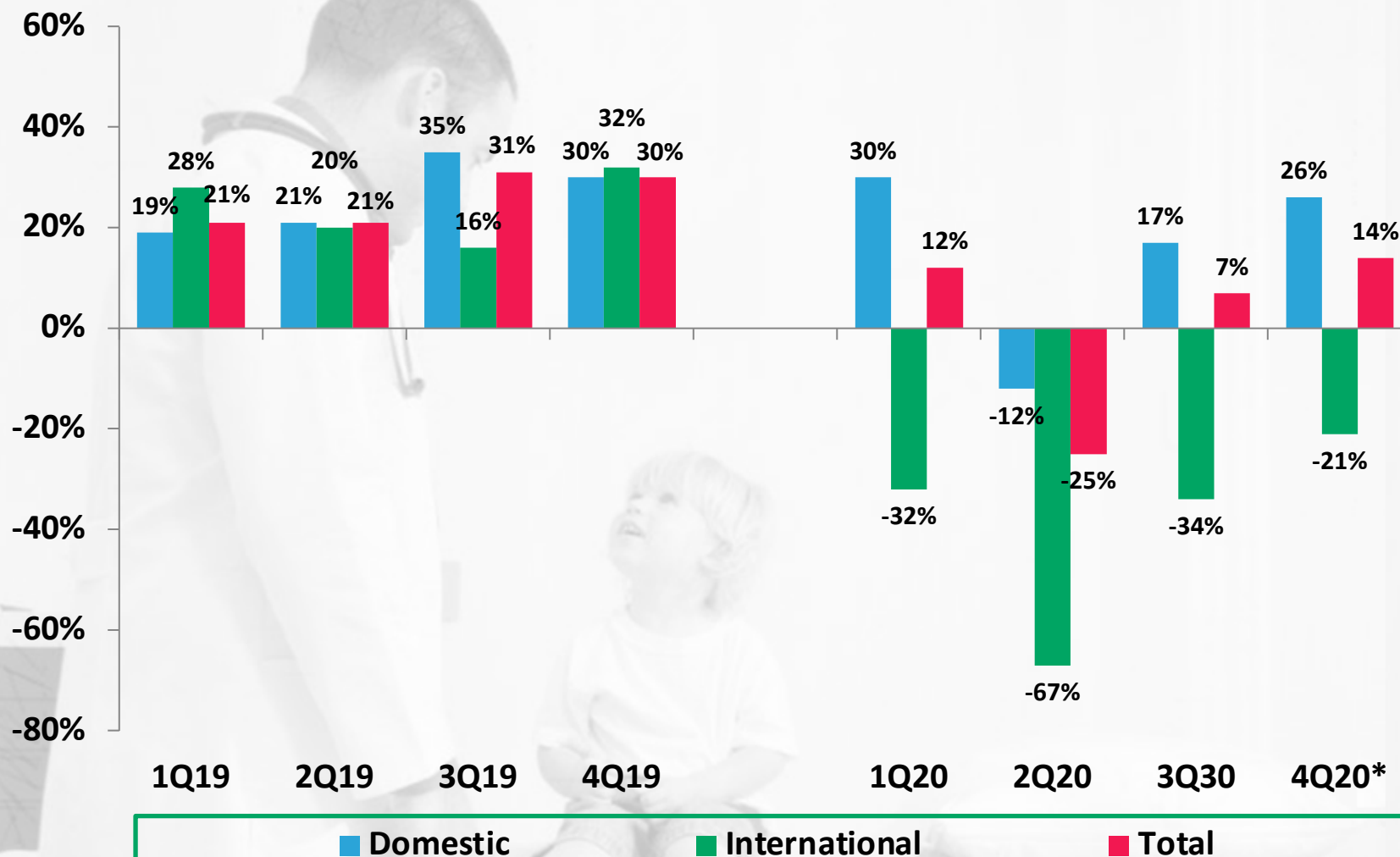


\* Preliminary unaudited figures





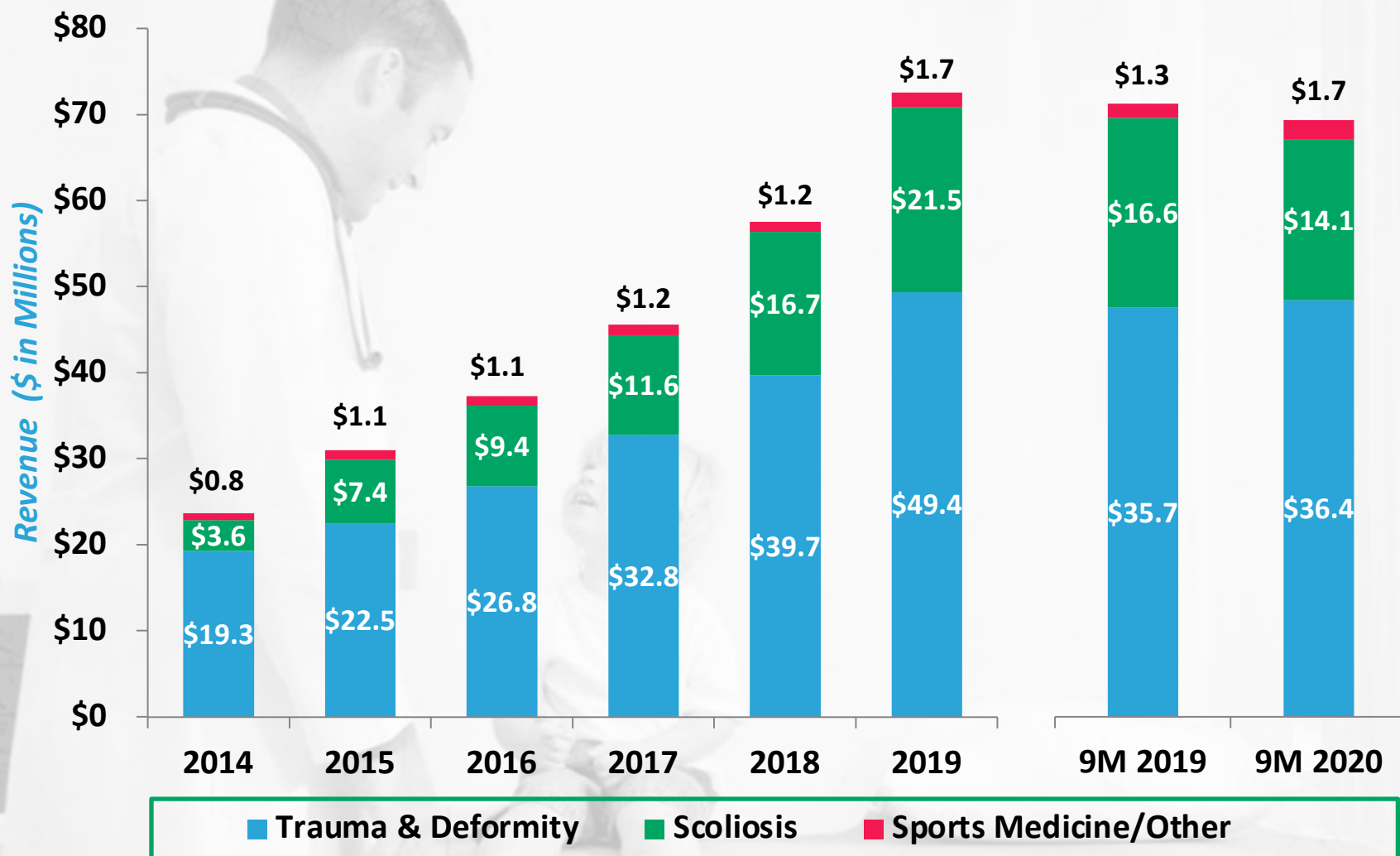
# Growth by Geography



\* Preliminary unaudited figures



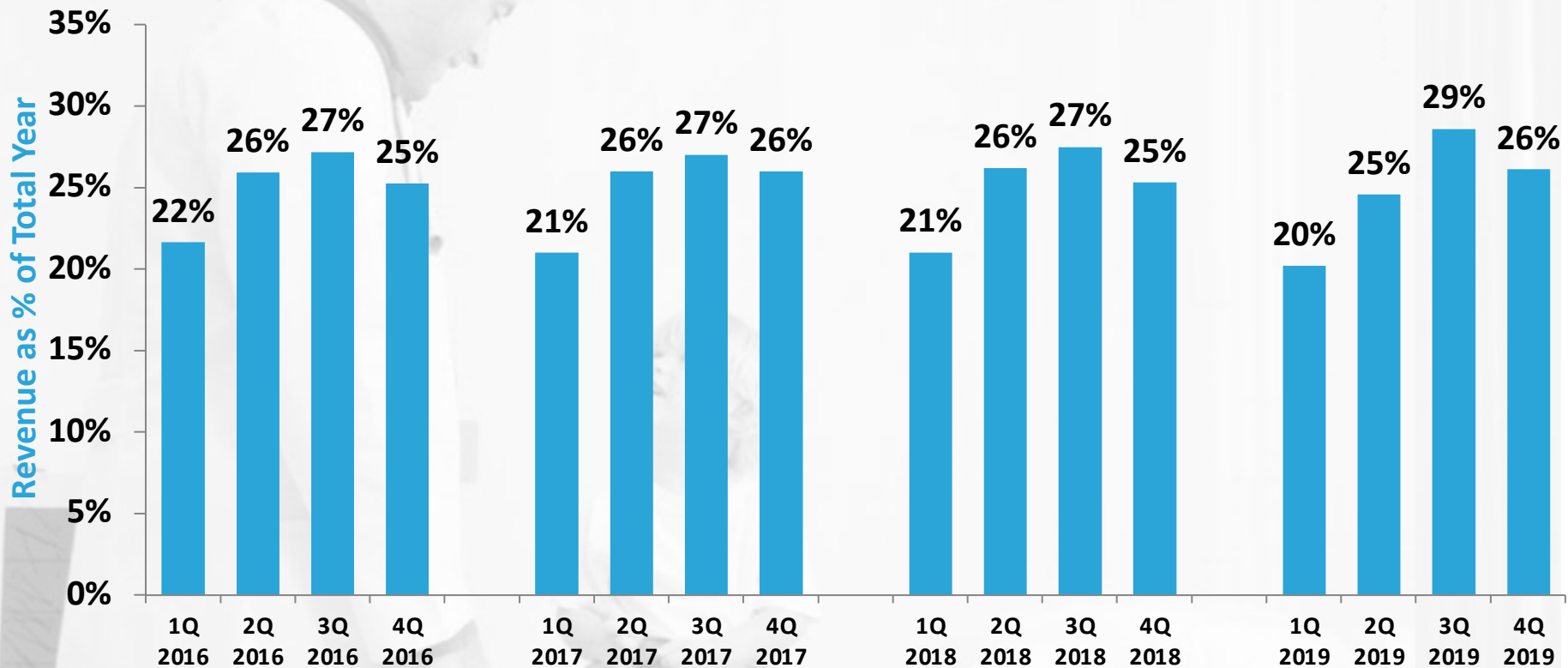
## Category Revenue Summary





# Revenue Seasonality

Seasonality Drives Stronger Performance in Summer Months and Holiday Periods





# Income Statement Summary

(\$ in Millions)

|                                 | FY 2016  | FY 2017  | FY 2018  | FY 2019  | 9M 2019  | 9M 2020  |
|---------------------------------|----------|----------|----------|----------|----------|----------|
| Revenue                         | \$37.3   | \$45.6   | \$57.6   | \$72.6   | \$53.6   | \$52.2   |
| Growth %                        | 20%      | 22%      | 26%      | 26%      | 25%      | (3%)     |
| Gross Profit                    | \$26.4   | \$34.5   | \$42.7   | \$54.6   | \$40.2   | \$39.9   |
| Margin %                        | 71%      | 76%      | 74%      | 75%      | 75%      | 76%      |
| Operating Expenses              | \$32.5   | \$40.9   | \$52.2   | \$63.7   | \$46.2   | \$53.9   |
| Operating Loss                  | (\$6.1)  | (\$6.5)  | (\$9.6)  | (\$9.1)  | (\$6.0)  | (\$14.0) |
| Net Loss                        | (\$6.6)  | (\$8.9)  | (\$12.0) | (\$13.7) | (\$8.3)  | (\$18.9) |
| Net Loss per Share <sup>1</sup> | (\$7.14) | (\$5.86) | (\$0.96) | (\$0.94) | (\$0.57) | (\$1.07) |

<sup>1</sup> Net loss per share attributable to common stockholders – basic and diluted



# Adjusted EBITDA Reconciliation

(\$ in Millions)

|   | Nine Months Ended<br>September 30, |                 |
|---|------------------------------------|-----------------|
|   | 2019                               | 2020            |
| <b>Net loss</b>                                   | <b>(\$8.3)</b>                     | <b>(\$18.9)</b> |
| Interest expense, net                             | 2.2                                | 2.8             |
| Other expense                                     | 0.1                                | 0.3             |
| Depreciation and amortization                     | 3.2                                | 5.7             |
| Stock-based compensation                          | 1.9                                | 4.7             |
| Fair value adjustment of contingent consideration | -                                  | 1.8             |
| Acquisition related costs                         | 0.7                                | 0.3             |
| <b>Adjusted EBITDA</b>                            | <b>(\$0.2)</b>                     | <b>(\$3.3)</b>  |

Some numbers may not add up to due rounding





# Balance Sheet

(\$ in Millions)  
As of September 30, 2020

## Assets

|                        |                |
|------------------------|----------------|
| Cash & Restricted Cash | \$89.7         |
| Accounts receivable    | 17.1           |
| Inventory (net)        | 52.0           |
| Other current assets   | 2.5            |
| PP&E (net)             | 24.3           |
| Intangibles            | 122.4          |
| <b>Total Assets</b>    | <b>\$308.0</b> |

## Liabilities

|                                   |                |
|-----------------------------------|----------------|
| Accounts payable                  | \$6.9          |
| Debt                              | 1.2            |
| Accrued expenses                  | 4.8            |
| All other liabilities             | 55.7           |
| Paid-in capital                   | 387.1          |
| Accumulated deficit (net)         | (147.8)        |
| <b>Total Liabilities / Equity</b> | <b>\$308.0</b> |



**Surgeon relationships and  
clinical education**

**Broadest, most innovative  
product offering**

**Robust organic growth  
opportunities**

**Attractive growth and  
margin profile**

