



OrthoPediatrics Corp.
June, 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 OrthoPediatrics' 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 OrthoPediatrics' 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. 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 presentation 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, public company costs and initial public offering costs. Adjusted EBITDA is presented because the Company believes it is a useful indicator of its operating performance. Management uses the measure 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: \$1.2 billion U.S., \$2.7 billion globally in 2016**
-  **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 26 surgical systems + 6 more from June 2019 acquisition of Vilex**
 - **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%**
 - **Quarterly revenue growth between 21% - 28% from 1Q 2018 through 1Q 2019**
-  **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
-  **26** surgical systems; **7,500+** SKUs; strong pipeline*
-  + **6** additional systems from Vilex acquisition
-  **80** direct employees; **138** focused sales reps*
-  **Global** sales organization focused on pediatric orthopedic surgeons in **42** countries*
-  **26** issued patents; **35** pending patents*
-  **Only non-founding Chief Medical Officer** in the industry who is a fellow surgeon
-  Average FDA approval time: **< ½** industry average
-  History of **stable reimbursement**

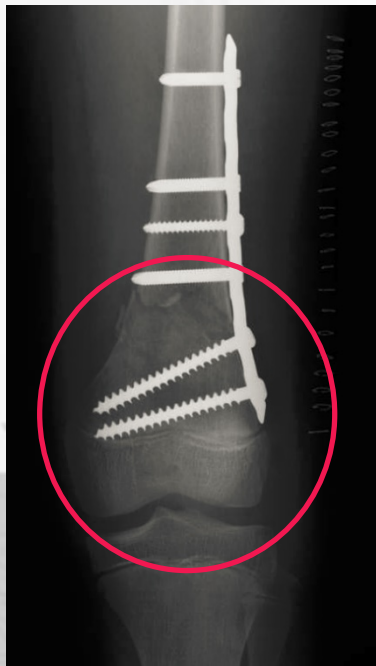
* As of March 31, 2019



Children Are Not Small Adults

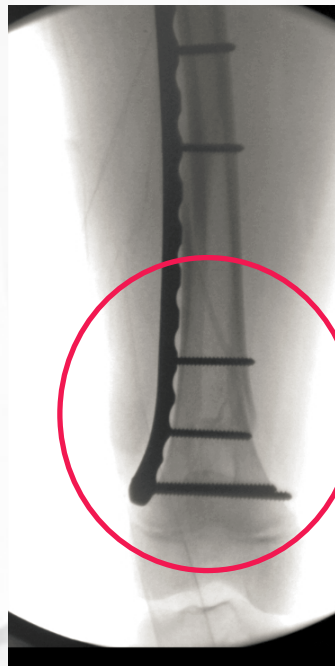
Superior Clinical Outcomes

Re-Purposed Adult Plate



*Screws Through
Growth Plate*

OP's Solution



*Screws Parallel To
Growth Plate*

OP's Market Impact

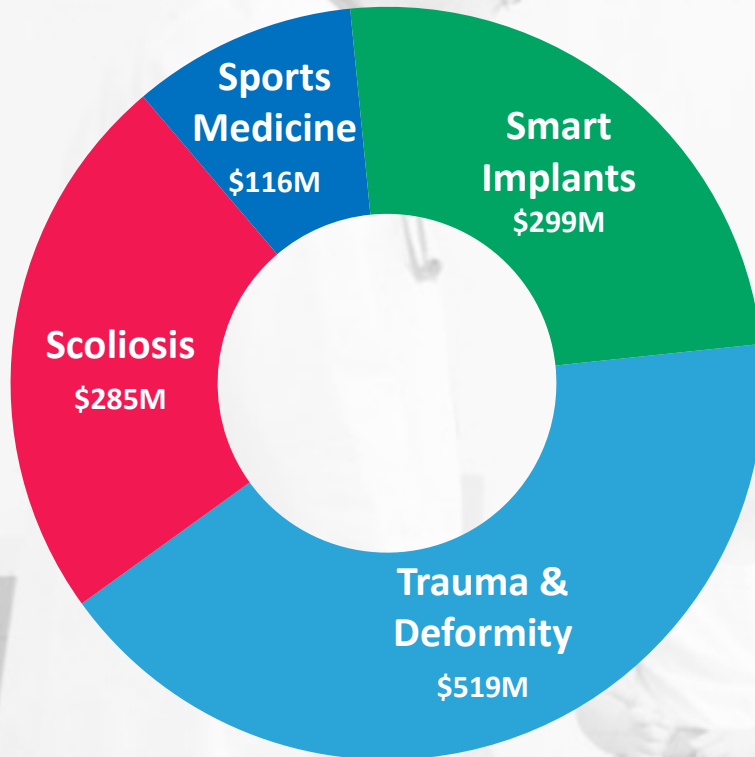
-  **Address orthopedic industry's lack of focus** on product development, clinical education, and sales presence
-  **Implants and instruments avoid complications** of re-purposed adult products
-  **Product development** in collaboration with leading pediatric orthopedic surgeons
-  **Dedicated sales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



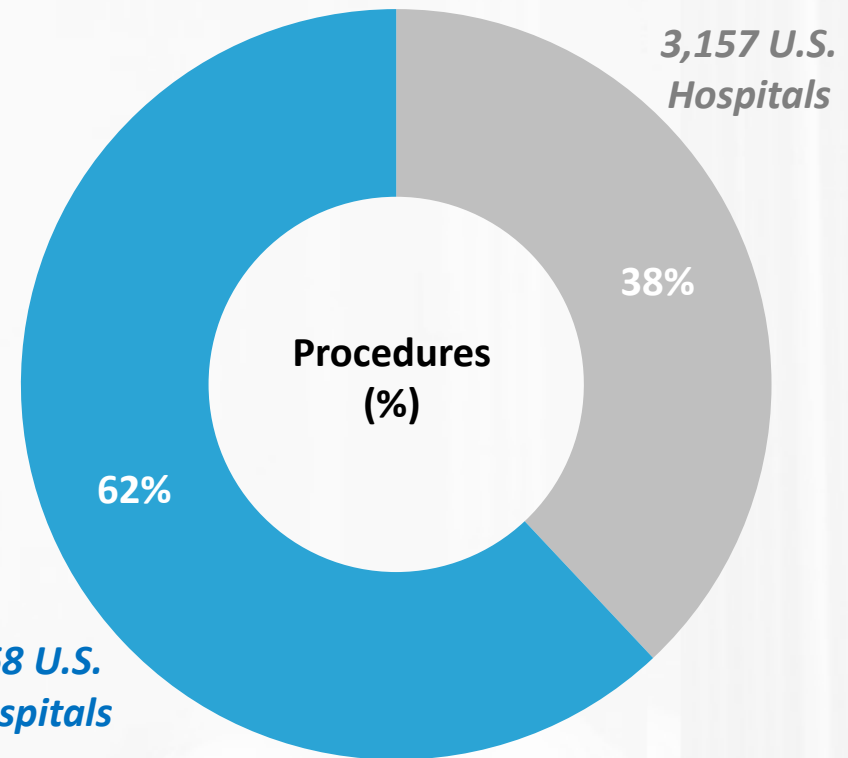
Large and Focused Market

OP'S \$2.7 Billion Current Addressable Global Market

\$1.2 Billion U.S. Addressable Market



High Concentration of Pediatric Trauma & Deformity and Scoliosis Procedures

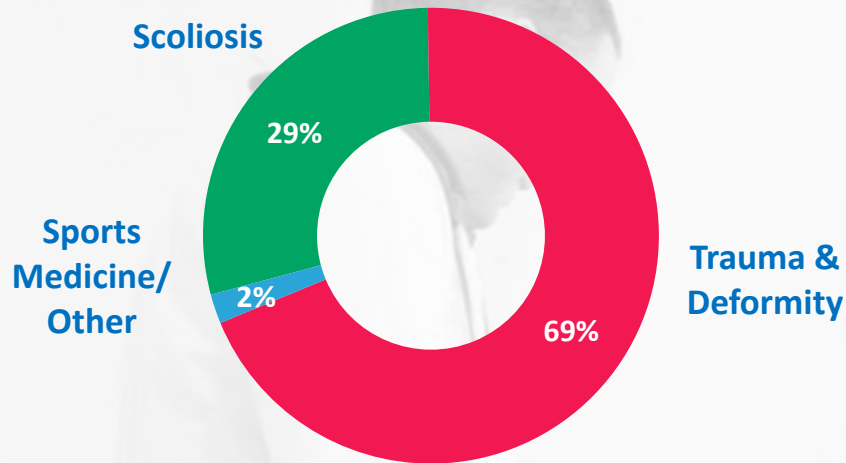


Current products target three of the largest categories in Pediatric Orthopedics
Pipeline products underway to expand addressable market



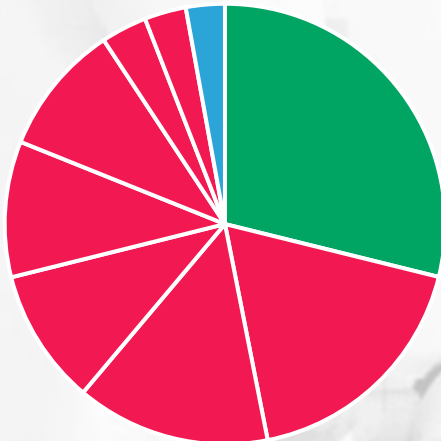
Product Line Diversification

2018 Revenue by Segment

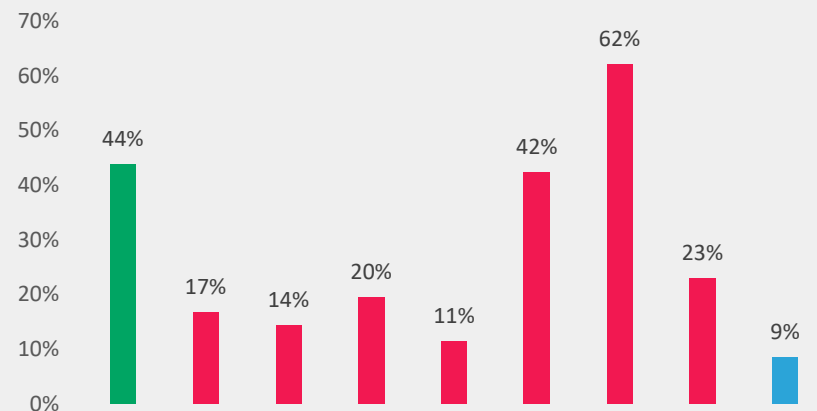


-  **\$57.6 million sales in 2018, increasing 26%**
-  **Well diversified sources of growth**
-  **All major product families supported FY 2018 26% revenue growth**
-  **Firefly, PNP | Femur, and PediFrag were key growth drivers**
-  **All products have comparable gross margins**

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

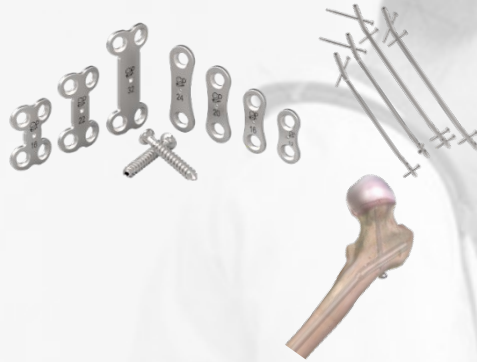


Develop novel technologies



New Systems & Product Launches (2017-2018)

Trauma & Deformity



2017 Launches



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



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



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

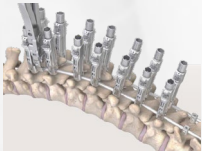


**PediFlex
Advanced**



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

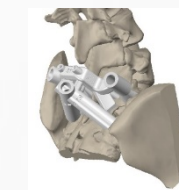
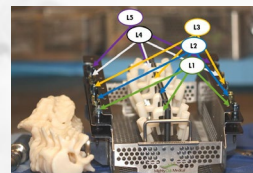
Scoliosis



2017 Launches



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



FireFly S2/Alar



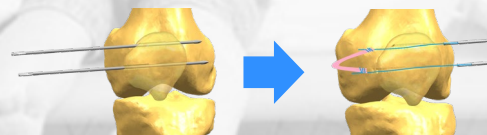
**RESPONSE 4.5/4.75/5.0mm
System**
(Maximizes intraoperative flexibility)



Sports Medicine



2017 Launches



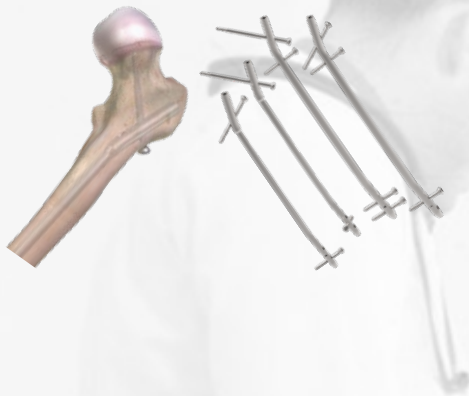
**Medial Patella Femoral
Ligament Reconstruction System**
(Complementary to ACL
Reconstruction System)



Upcoming New Systems & Product Launches

Trauma & Deformity

2019 Expected Product Launches



Osteogenesis Imperfecta Nail System



PediFoot
(First pediatric system)



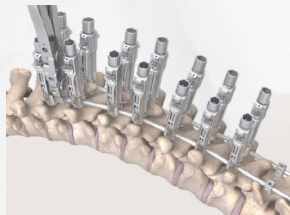
PNP | Tibia



Cannulated Screws

Scoliosis

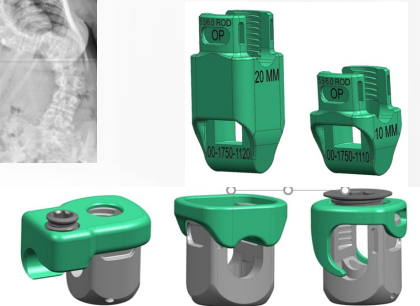
2019 Product Launches



BandLoc DUO System



Development In Process



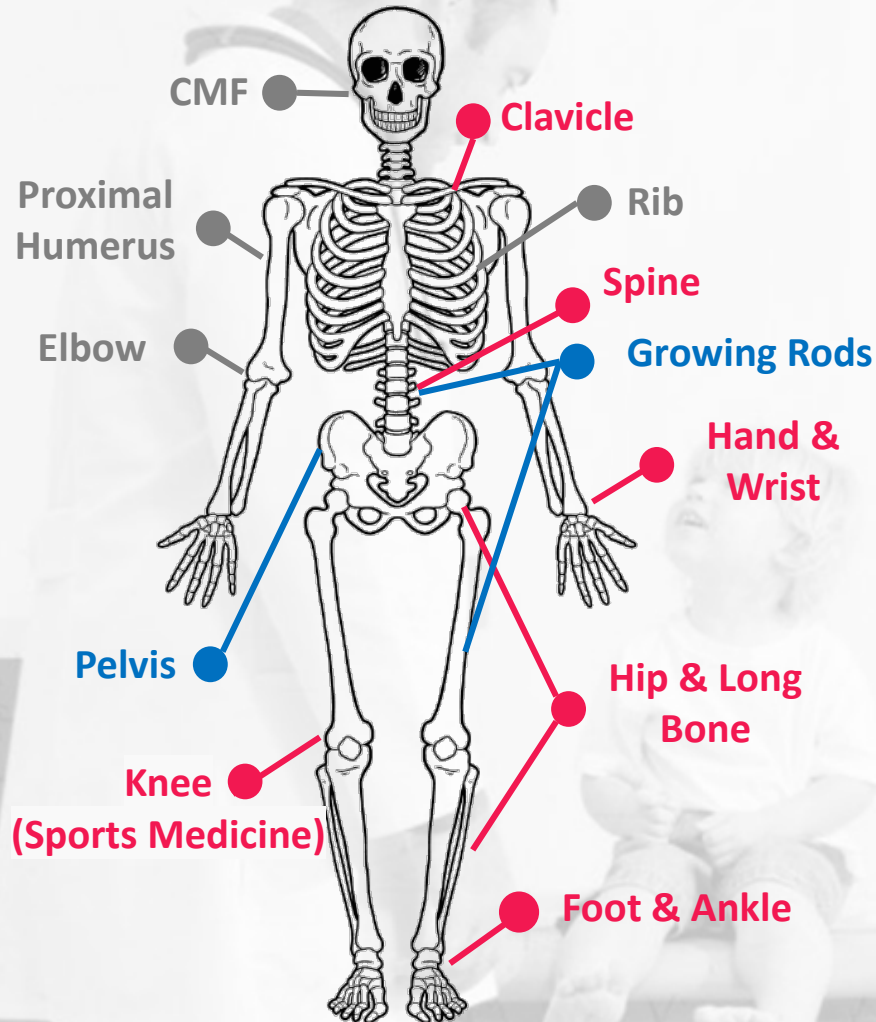
Neuromuscular Scoliosis System



Expanding Our Addressable Market

Demonstrated ability to expand portfolio to full array of pediatric surgeries

- OP Today
- OP Tomorrow
- Now Under Development





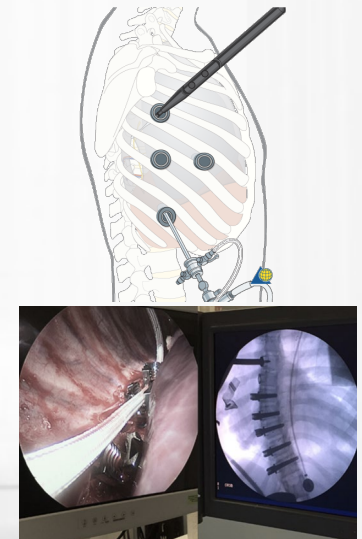
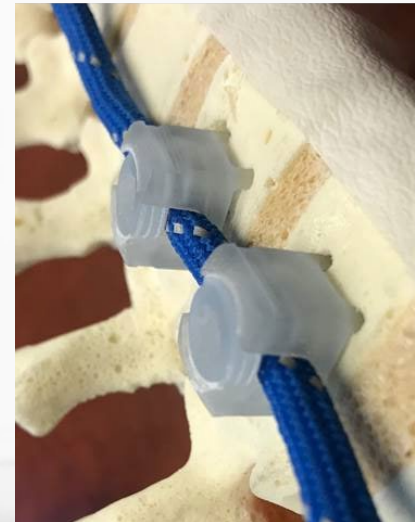
Leading Edge Systems in Development

Smart Implants

- OP Proof of concept model developed August 2018
- OP Important milestone reached
- OP Embodiments in intramedullary nailing and scoliosis
- OP OP will offer significant improvements to current technology

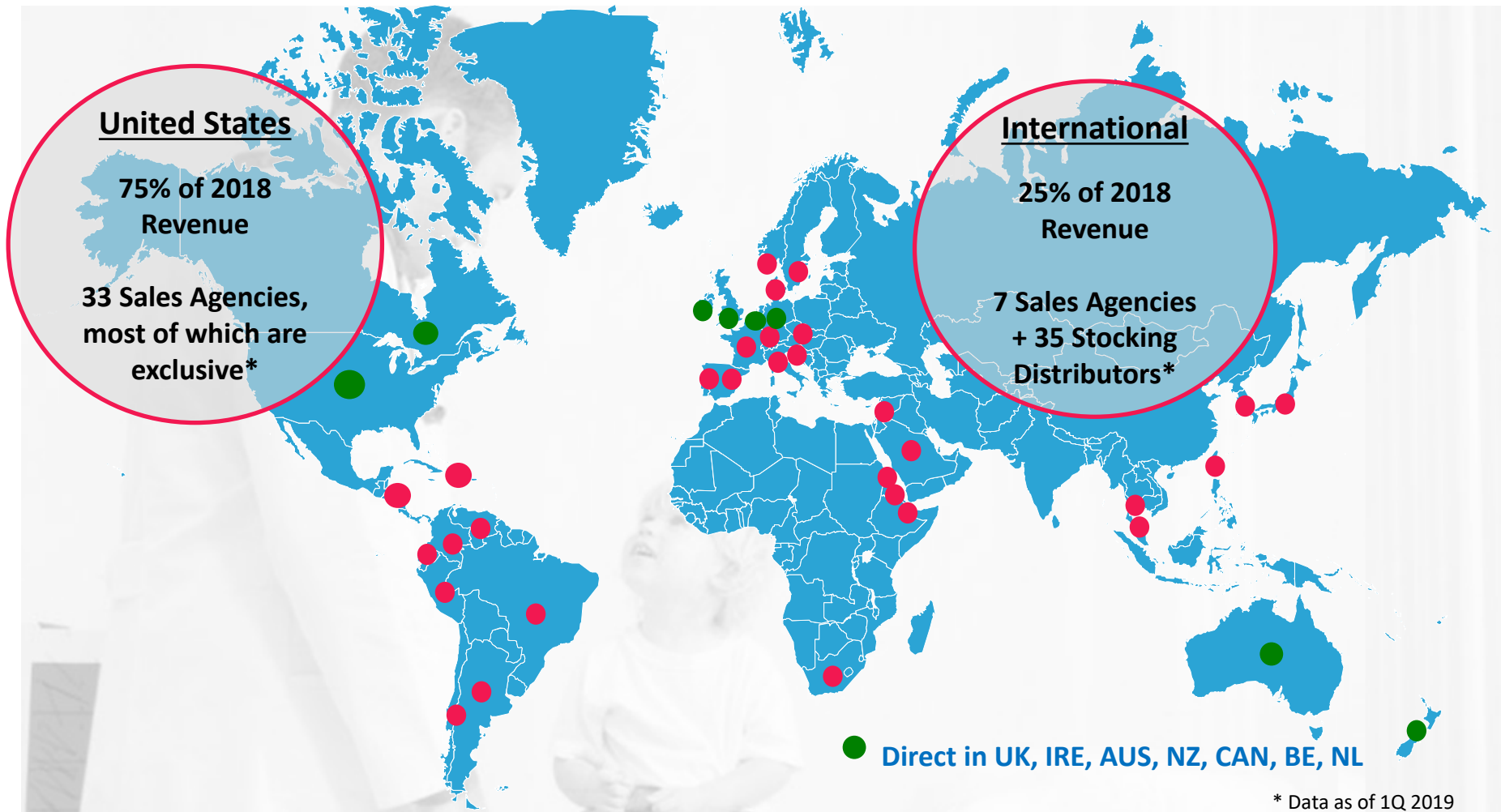
Spinal Tethering

- OP Emerging procedure with off-label use of adult lumbar fixation product
- OP Allows intervention in patients as young as 10
- OP Reversible, non-fusion procedure
- OP Acquired IP; now enhancing portfolio
- OP Formed task force of leading tethering surgeons
- OP Evaluating and refining concepts





Global Sales Coverage



Currently selling to major children's hospitals in the U.S. and 41 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

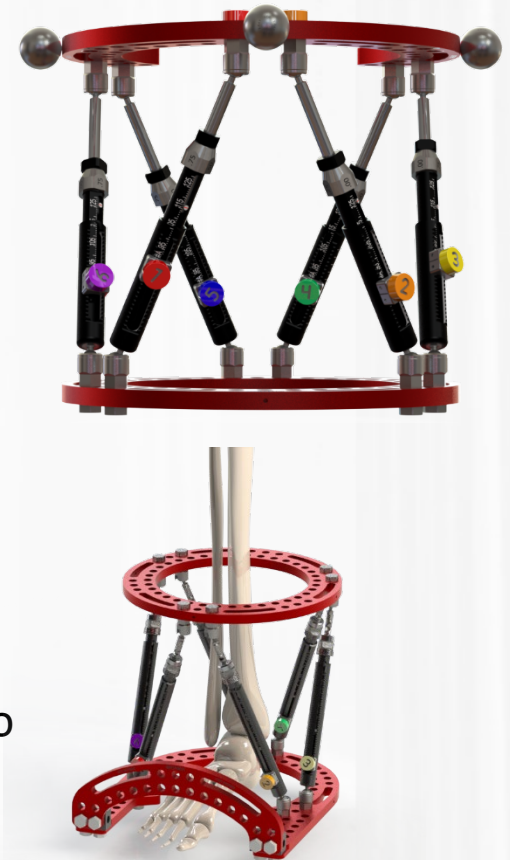
- On June 4 OP purchased Vilex, including its Orthex Hexapod external fixation system and proprietary CORA-based x-ray planning software
- Will separate Vilex's adult business and pursue potential divestiture

Consideration

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

Benefits

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



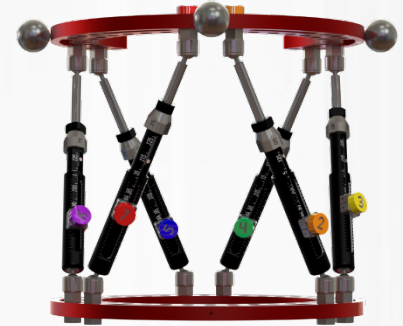


Separating Adult from Pediatric Products

OP Owns Orthex

- Hexapod deformity correction external fixation system plus point and click X-ray planning proprietary software
- 50%+ annual revenue growth since FDA-clearance in mid-2016
- Generated \$3.1 million of 2018 revenue

ORTHeX



Potential Sale 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®

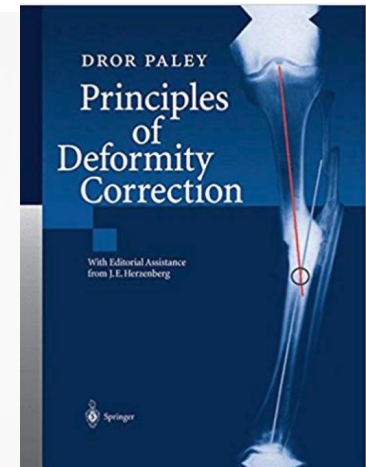




- **Disruptive Technology**
 - Construct allows for 90° angulation
 - Unique calibrated struts & HA-coated pins
 - Patented point and click software
 - Significantly simplifies surgery planning and subsequent alignments
- **Dror Paley, MD – Pediatric orthopedic KOL**
 - Introduced Ilizarov method in U.S.
- **Defend competitive position and risk**
 - Defend other potential acquirers from entering the pediatric space



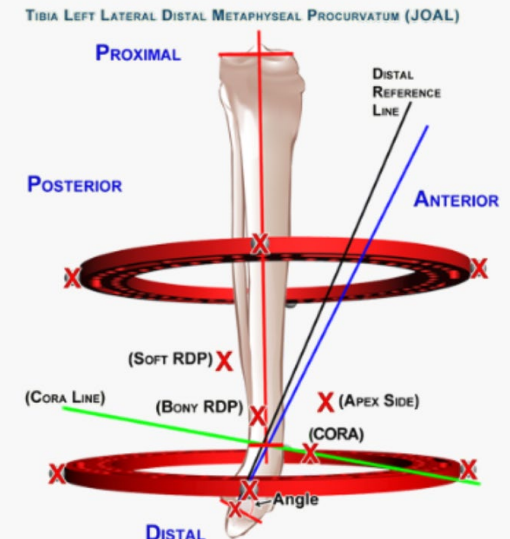
ORTHeX



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





Foundational Foot & Ankle Products

- **PediFoot Deformity Correction System**
 - Launch second half of 2019
 - Focuses on 4 of the 12 common foot deformity surgeries
- **Vilex provides products for 4 additional indications, allowing OP system to address 8 of the 12 common procedures**
- **Staple expands PediPlate franchise**
 - OP's largest T&D product offering

VILEX®

ADVANCE WITH US >>>












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

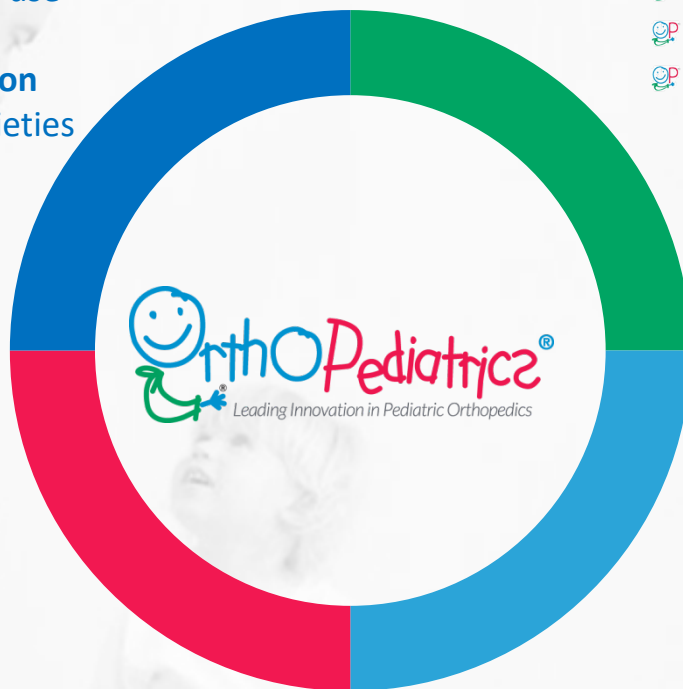
-  12 years' clinical understanding
-  New product pipeline
-  Pediatric Market Gateway for distributed products and joint product developments

Robust organic growth opportunities

-  \$2.7 billion addressable global market
-  Limited focused competition
-  Focused, experienced distribution
-  Instrument set placements drive growth

Attractive growth and margin profile

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



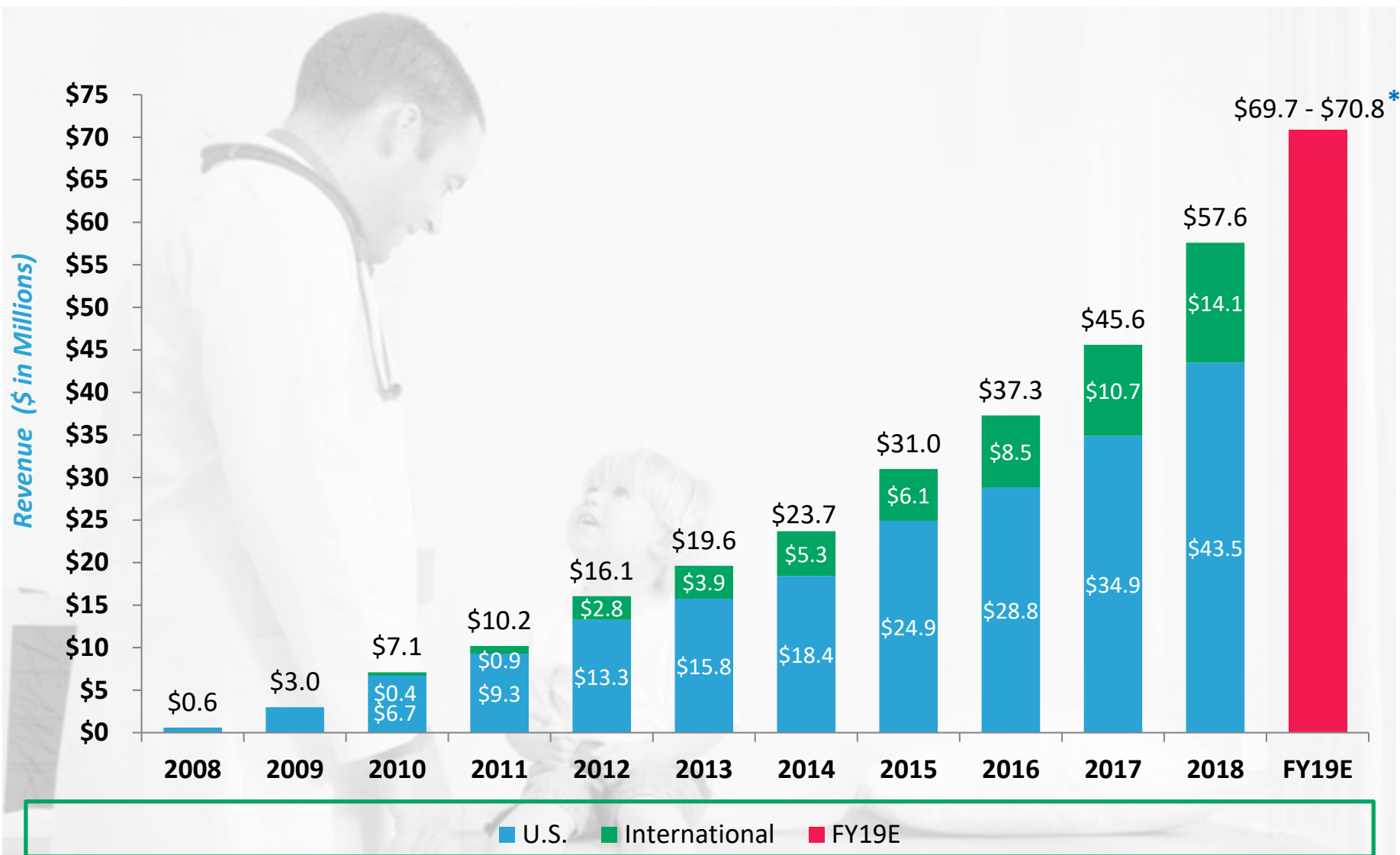


Financial Review





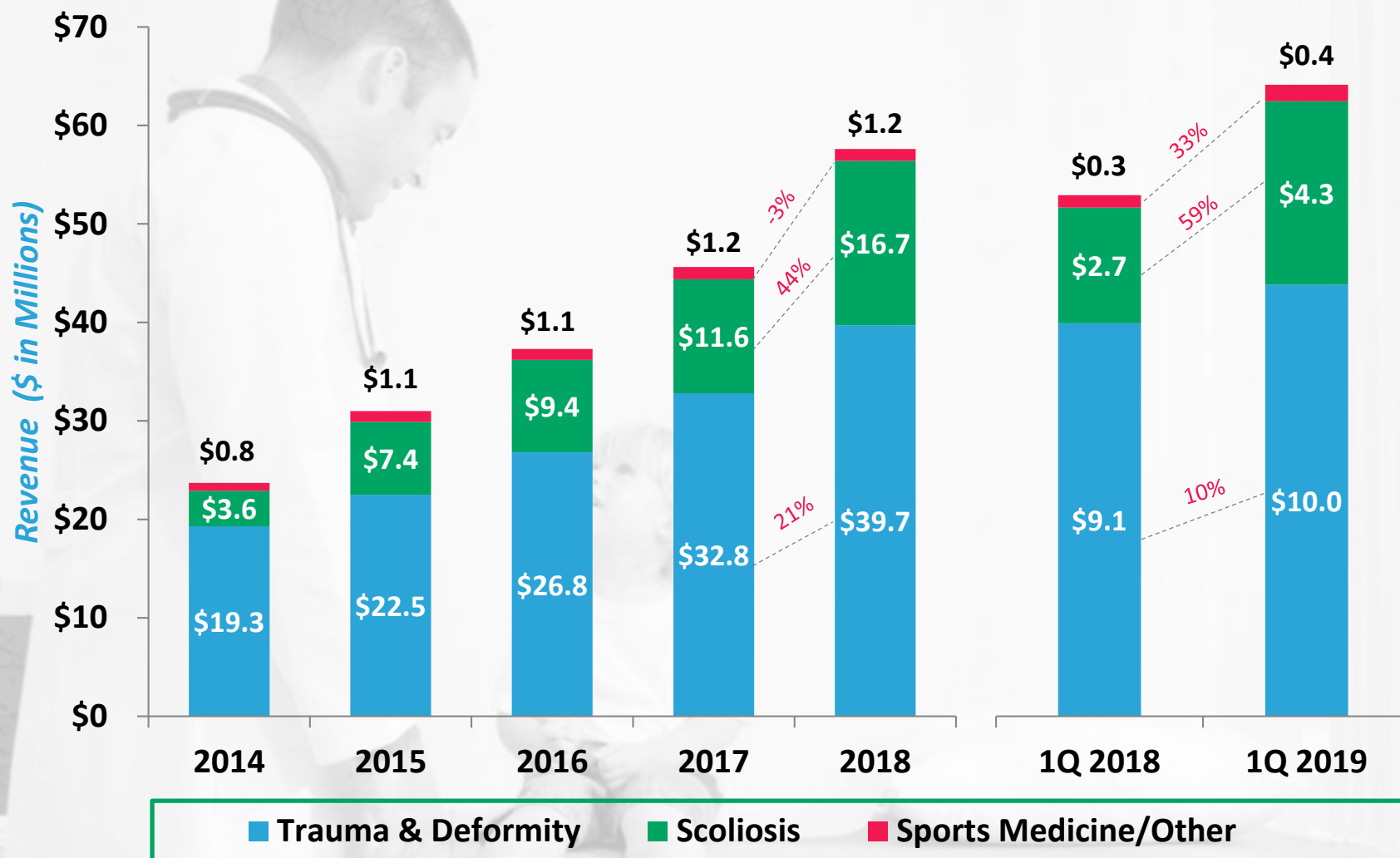
Consistent 20+% Revenue Growth Since Inception



* Prior to June 2019 acquisition of Vilex. Updated Guidance to be provided on 2Q19 earnings conf call



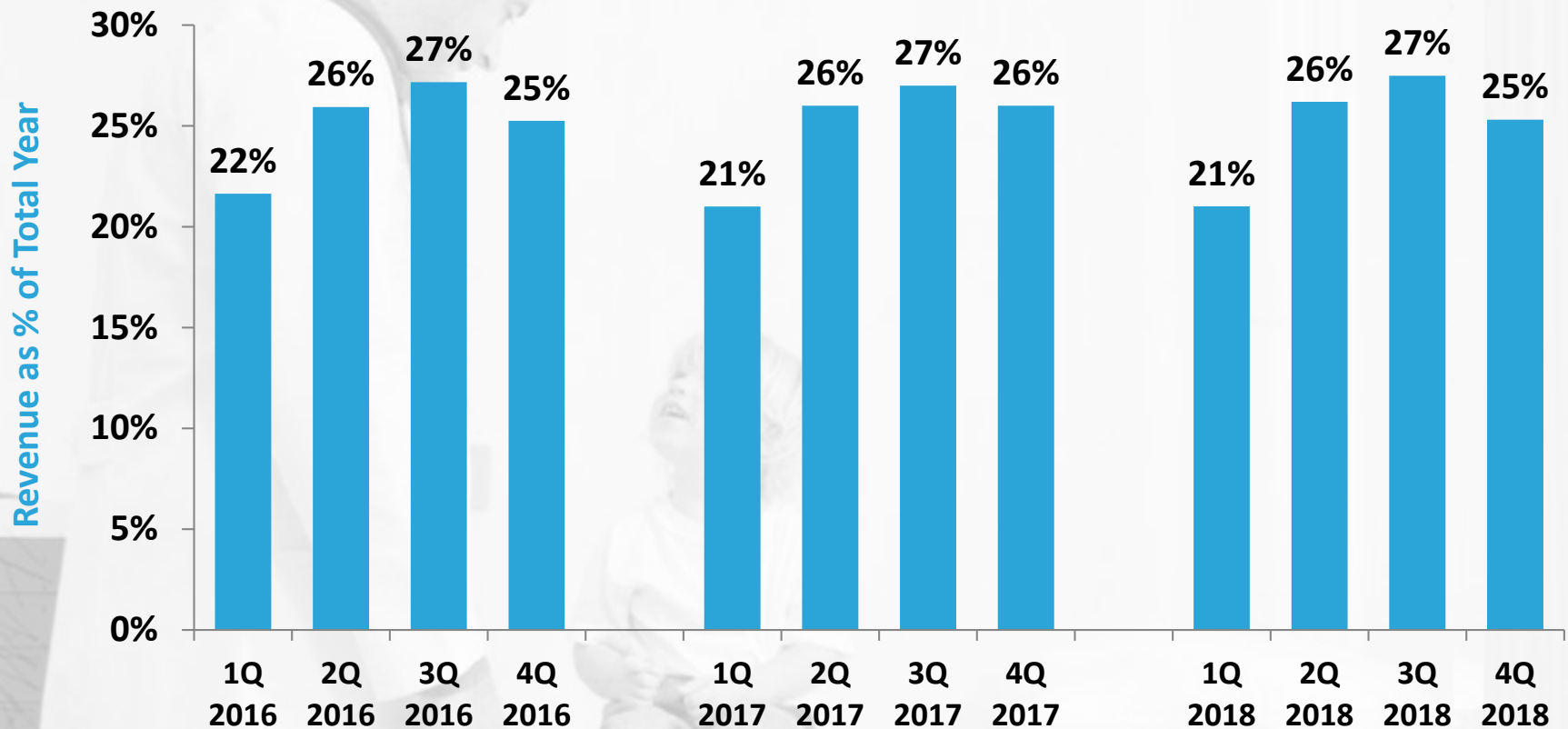
Category Revenue Summary





Revenue Seasonality

Seasonality Drives Stronger Performance in Summer Months and Holiday Periods





Income Statement Summary

(\$ in Millions)

	FY 2016	FY 2017	FY 2018	1Q 2018	1Q 2019
Revenue	\$37.3	\$45.6	\$57.6	\$12.1	\$14.7
<i>Growth %</i>	<i>20%</i>	<i>22%</i>	<i>26%</i>	<i>24%</i>	<i>21%</i>
Gross Profit	\$26.4	\$34.5	\$42.7	\$8.9	\$10.7
<i>Margin %</i>	<i>71%</i>	<i>76%</i>	<i>74%</i>	<i>74%</i>	<i>73%</i>
Operating Expenses	\$32.5	\$40.9	\$52.2	\$13.3	\$13.4
Operating Loss	(\$6.1)	(\$6.5)	(\$9.6)	(\$4.4)	(\$2.7)
Net Loss	(\$6.6)	(\$8.9)	(\$12.0)	(\$5.0)	(\$3.0)
Net Loss per Share*	(\$7.14)	(\$5.86)	(\$0.96)	(\$0.41)	(\$0.21)

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



Adjusted EBITDA Reconciliation

(\$ in Millions)

	Three Months Ended March 31,	
	2018	2019
Net Loss	(\$5.0)	(\$3.0)
Interest expense, net	0.5	0.3
Other expense	0.1	-
Depreciation and amortization	0.7	0.8
Stock-based compensation	0.4	0.5
Accelerated vesting of restricted stock upon IPO	1.8	-
Adjusted EBITDA	(\$1.5)	(\$1.4)



Balance Sheet

(\$ in Millions)
As of March 31, 2019

Assets	
Cash	\$52.8
Accounts Receivable	10.3
Inventory	28.1
Other Current Assets	2.0
PP&E (net)	16.8
Intangibles	2.1
Total Assets	\$112.0

Liabilities	
Accounts Payable	\$6.3
Debt	21.3
Accrued Expenses	2.7
All Other Liabilities	1.7
Paid In Capital	198.5
Accumulated Deficit (net)	(118.4)
Total Liabilities / Equity	\$112.0

\$43M from 12/18 follow-on will, among other things, fund consigned sets and accelerate proven strategy, including any M&A opportunities.




Vilex Acquisition Financial Impact

 **\$20M cash usage + \$30M term loan B + \$10M KIDS Stock = \$60M**

 **Using 1Q19 ending balance this leaves ~\$33M of available cash**

 **Vilex \$11.8M total year 2018 revenue**

 ~\$3.1M Orthex Hexapod ... integrate into OP

 ~\$8.7M Vilex Foot and Ankle revenue, most of which is adult ... report as discontinued operations on P&L and balance sheet. Will NOT impact reported revenue.



**Surgeon relationships and
clinical education**

**Broadest, most innovative
product offering**

**Robust organic growth
opportunities**

**Attractive growth and
margin profile**

