



OrthoPediatrics Corp.
January 2020

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 OrthoPedi's 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 OrthoPedi's 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. OrthoPedi 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 from continuing operations, plus interest expense, net plus other expense, 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 from continuing operations 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 (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 33 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**
 - **FY19 revenue of \$72.6 million, up 26%¹**
-  **Orthex acquisition gives OP proprietary, leading-edge technology in external fixation. Coupled with new Cannulated Screw and PediFoot systems, expands Trauma & Deformity offering to 85% of the addressable market.**

¹ FY19 revenue based on preliminary, unaudited results



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 **157,000 patients** since inception
-  **33** surgical systems; **~7,500 SKUs**; strong pipeline
-  **3** additional systems from Vilex acquisition
-  **88** direct employees; **158** focused sales reps¹
-  **Global** sales organization focused on pediatric orthopedic surgeons in **44** countries¹
-  **29** issued patents; **37** pending patents²
-  **Chief Medical Officer** is a fellow surgeon
-  Average FDA approval time: **< ½ industry average**
-  History of **stable reimbursement**

¹ As of September 30, 2019

² As of September 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

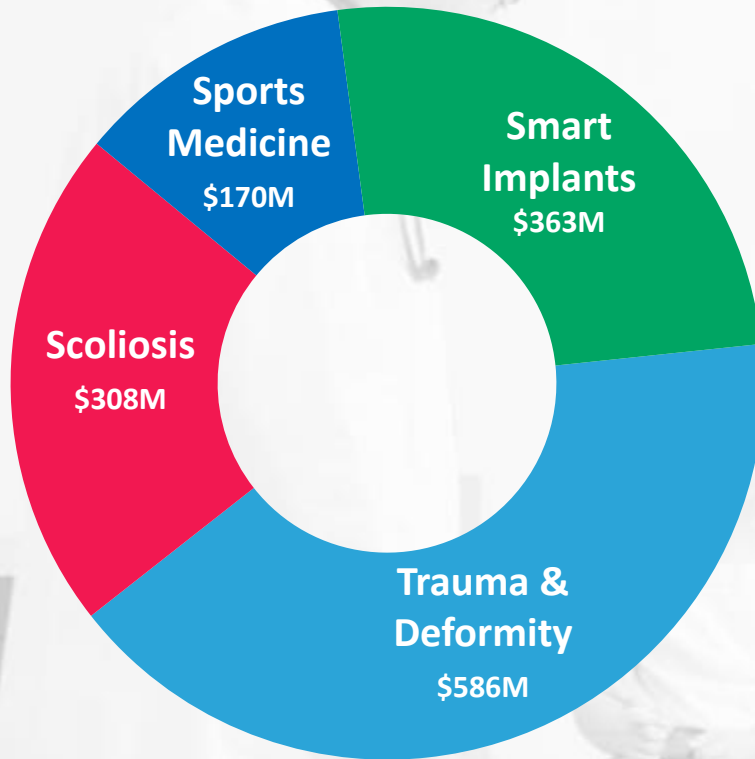
-  **Address orthopedic industry's lack of focus** on product development, clinical education, and sales presence
-  **Implants and instruments avoid complications** of re-purposed adult products
-  **Product development** in collaboration with leading pediatric orthopedic surgeons
-  **Dedicated sales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



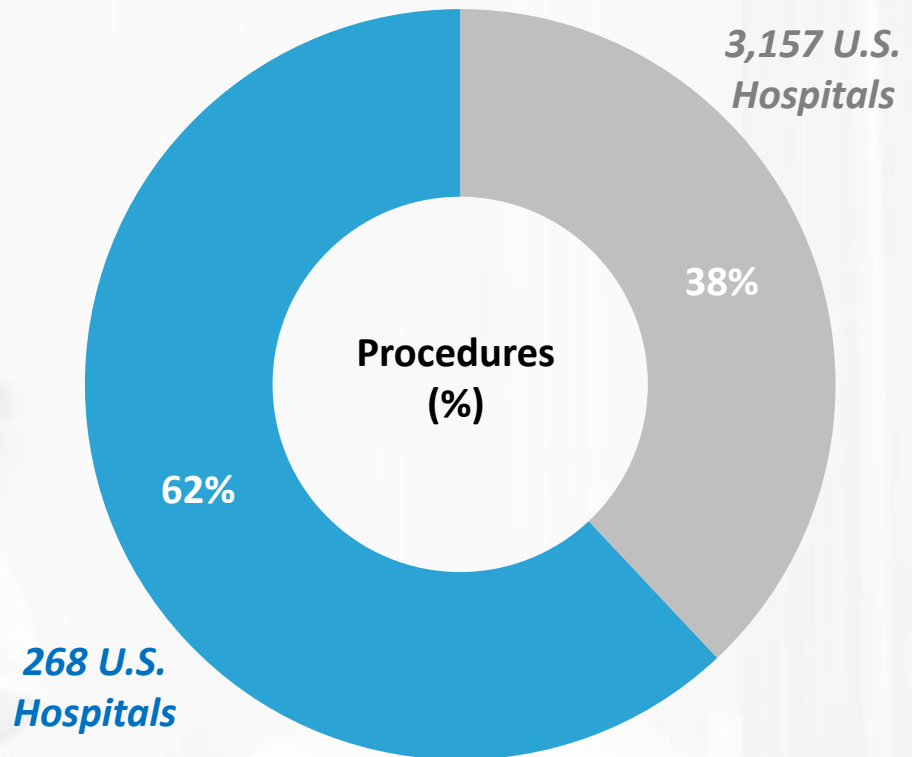
Large and Focused Market

OP'S \$3.2 Billion Current Addressable Global Market¹

\$1.4 Billion U.S. Addressable Market¹



High Concentration of Pediatric Trauma & Deformity and Scoliosis Procedures



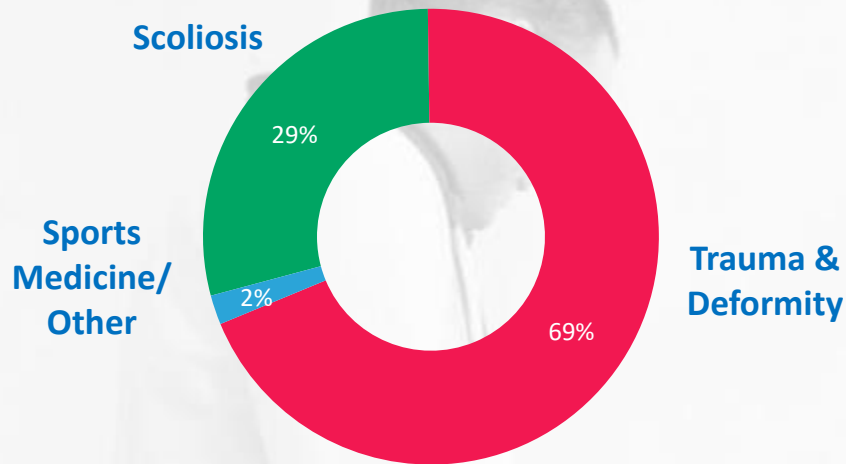
Current products target three of the largest categories in Pediatric Orthopedics
Pipeline products underway to expand addressable market

¹ Management's 2019 updates to IMS data from 2016



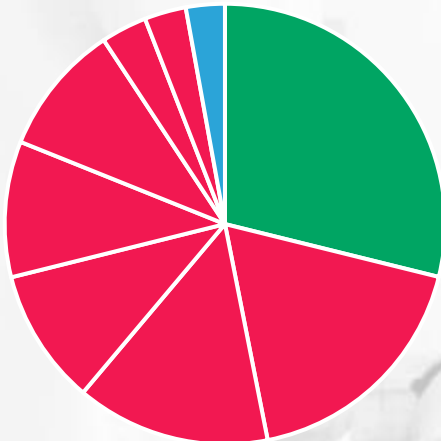
Product Line Diversification

2018 Revenue by Segment

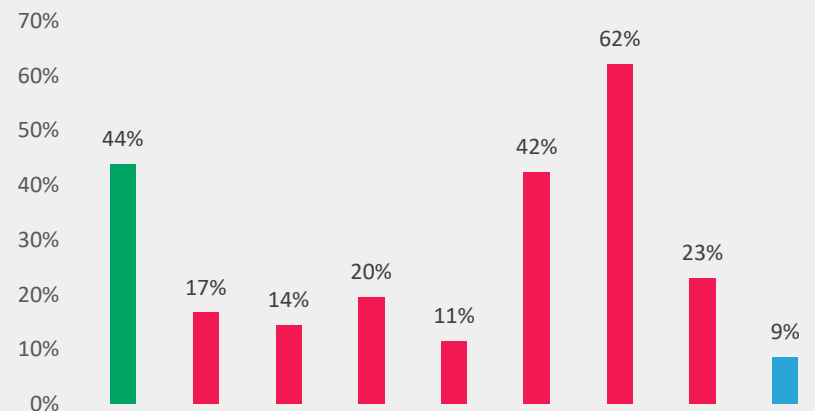


-  \$57.6 million sales in 2018, increasing 26%
-  Well diversified sources of growth
-  All major product families supported FY 2018 26% revenue growth
-  Firefly, PNP | Femur, and PediFrag were key growth drivers
-  All products have comparable gross margins

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)

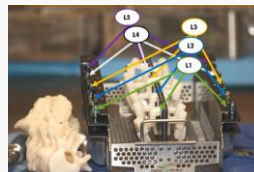


**PediFlex
Advanced**

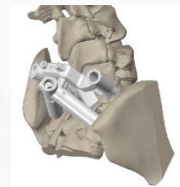


**Pediatric Nailing
Platform | FEMUR**
(Expands into adolescent
cases)

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)



New Systems & Upcoming Product Launches (2019-2020)

Trauma & Deformity

Launched
Sept'19



**Next Generation
Cannulated
Screw Systems**

Launched
Nov'19



**PediFoot
(First pediatric
system)**

Acquired
June'19



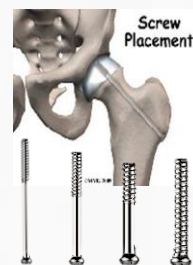
**Orthex
(External fixation
hardware and
software)**

Launched
Dec'19



**QuickPack™
Bone Void
Filler**

Launching
1H'20



**Slipped Capital
Femoral Epiphysis
System**

Development
in Process



**Osteogenesis
Imperfecta
Nail System**

Development
in Process



PNP | Tibia

Scoliosis

Launched
Feb'19



BandLoc DUO System



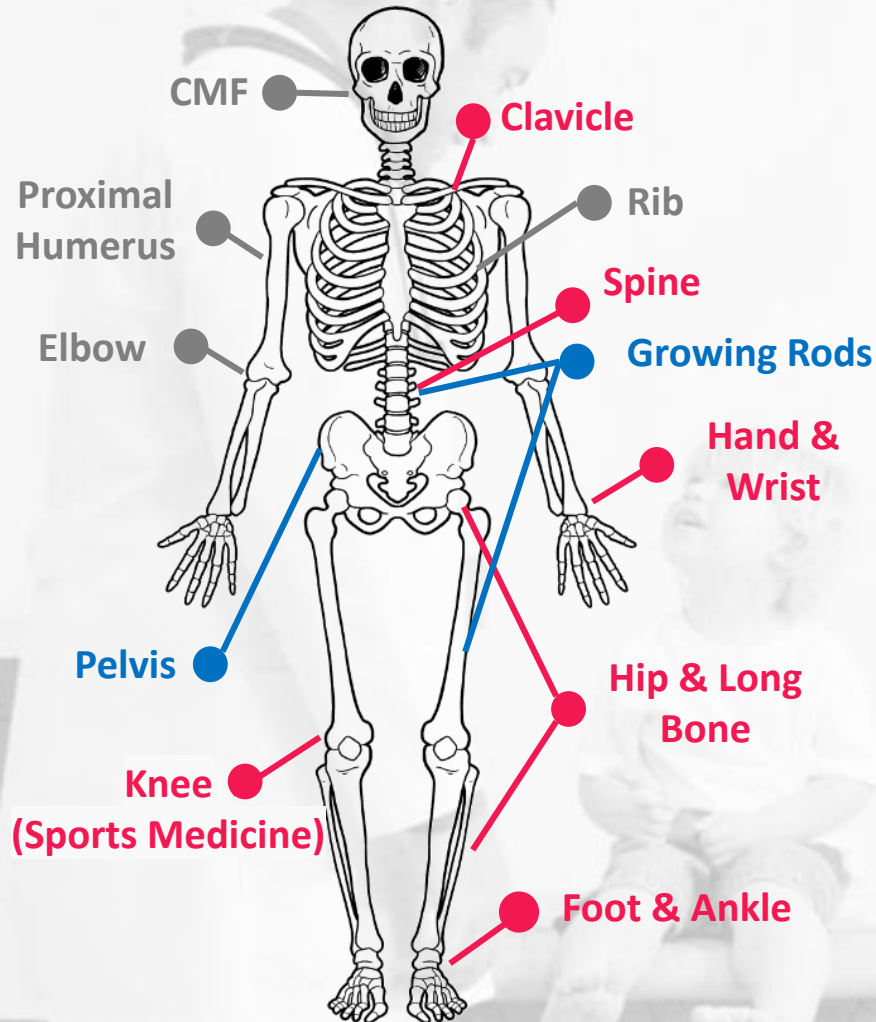
Submitted to
FDA Nov'19



**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

-  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

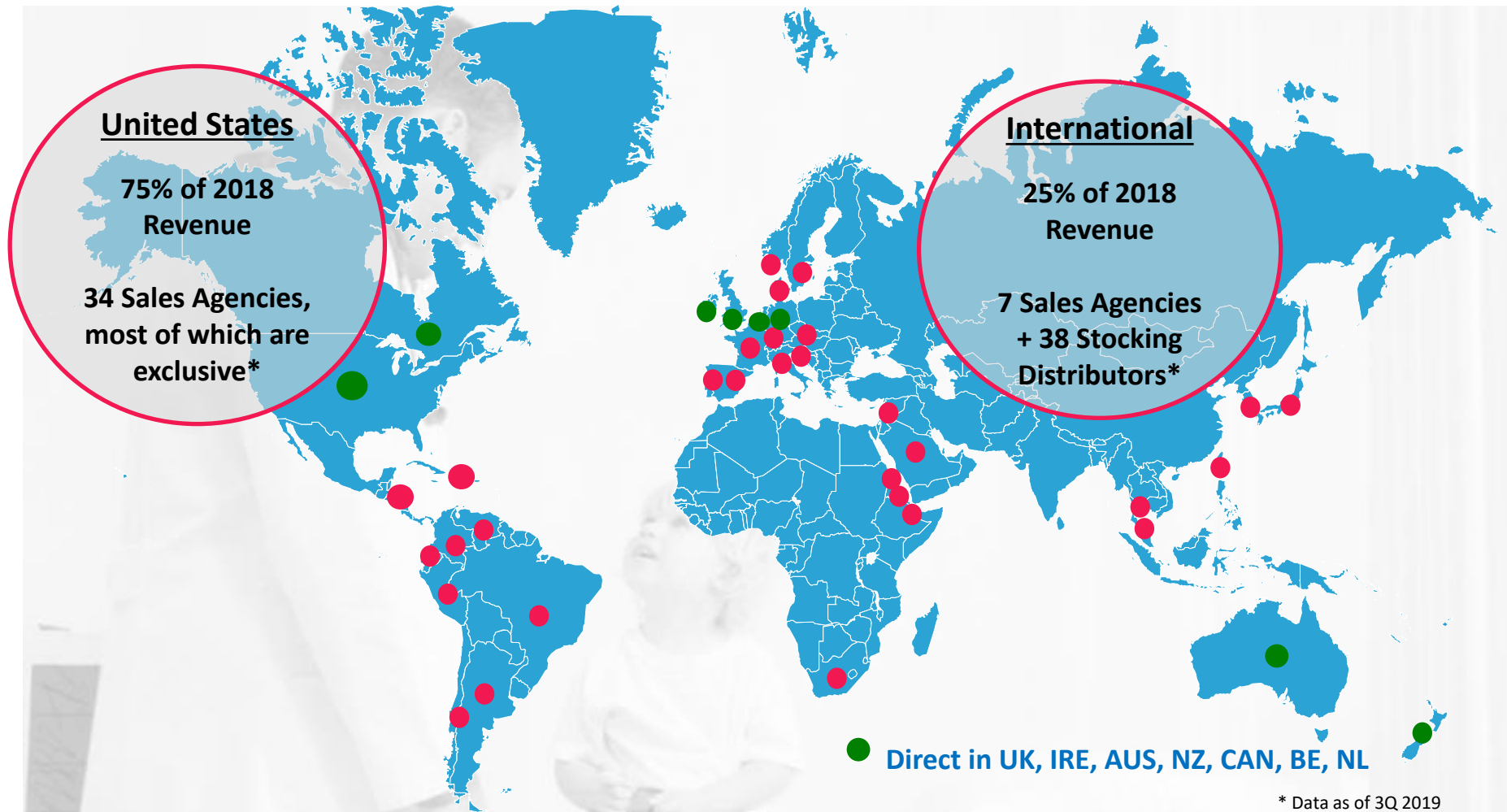
Early Onset Scoliosis

-  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








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 Details

-  **Acquisition:** In June 2019 OP purchased Vilex¹, including its **Orthex Hexapod²** system and proprietary point-and-click planning software, for \$60 million (\$50 million cash + \$10 million shares)
-  **Divestiture:** In December 2019 OP **sold the adult assets** to Squadron Capital and Squadron Newco 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**



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

² 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

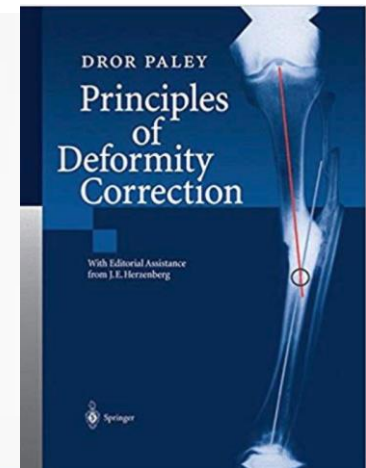
- Introduced Ilizarov method in U.S.

Defend competitive position and risk

- Defend other potential acquirers from entering the pediatric space



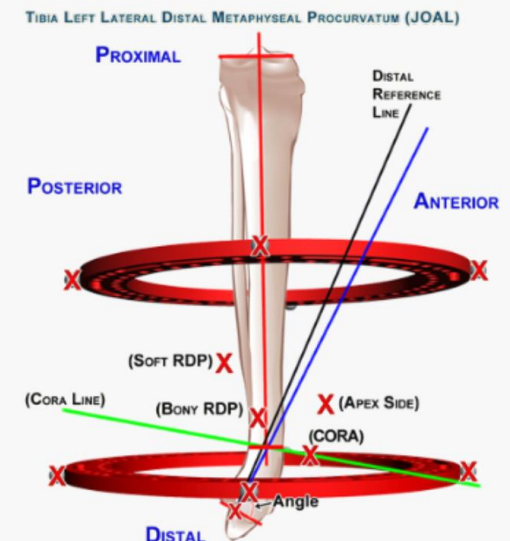
ORTHeX



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












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

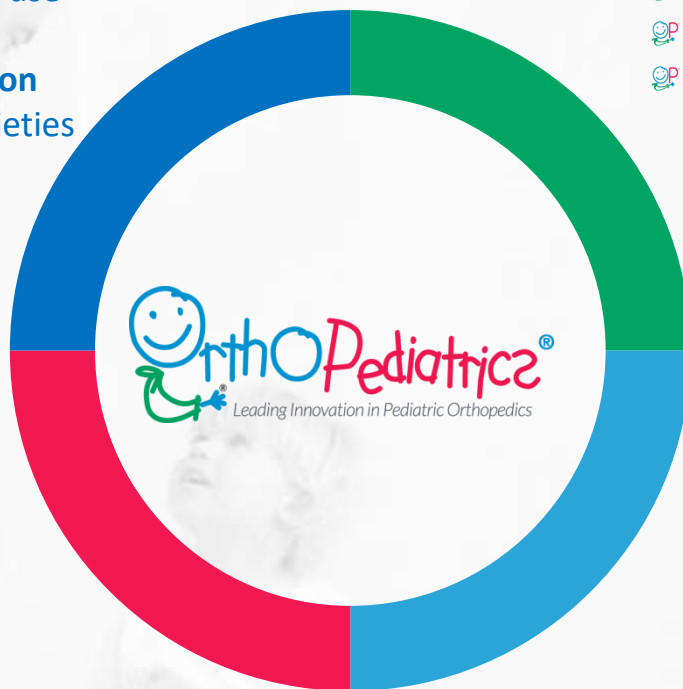
-  13 years' clinical understanding
-  New product pipeline
-  Pediatric Market Gateway for distributed products and joint product developments

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
-  74% gross margin in FY 2018
-  History of efficient capital utilization



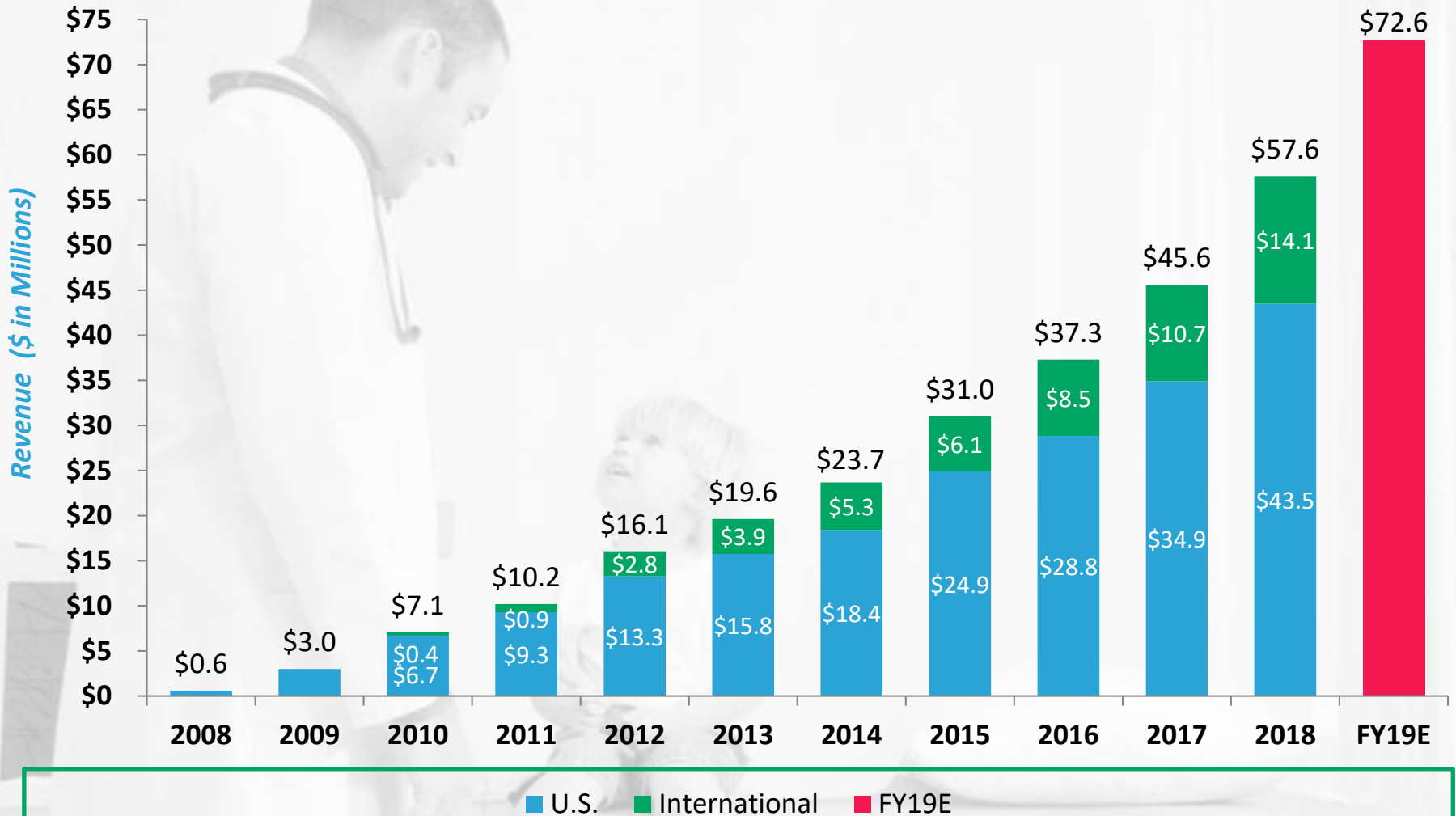


Financial Review



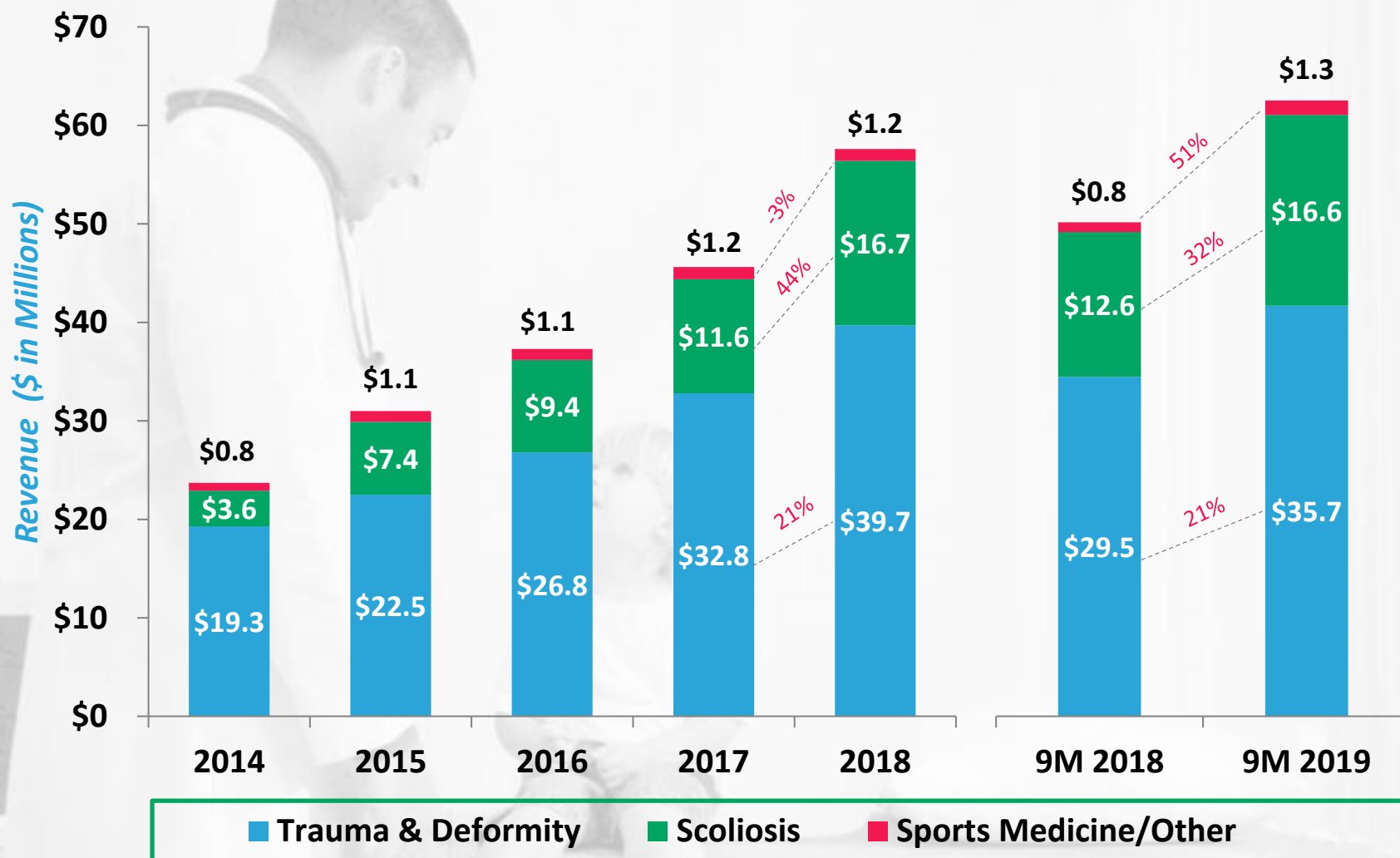


Consistent 20+% Revenue Growth Since Inception





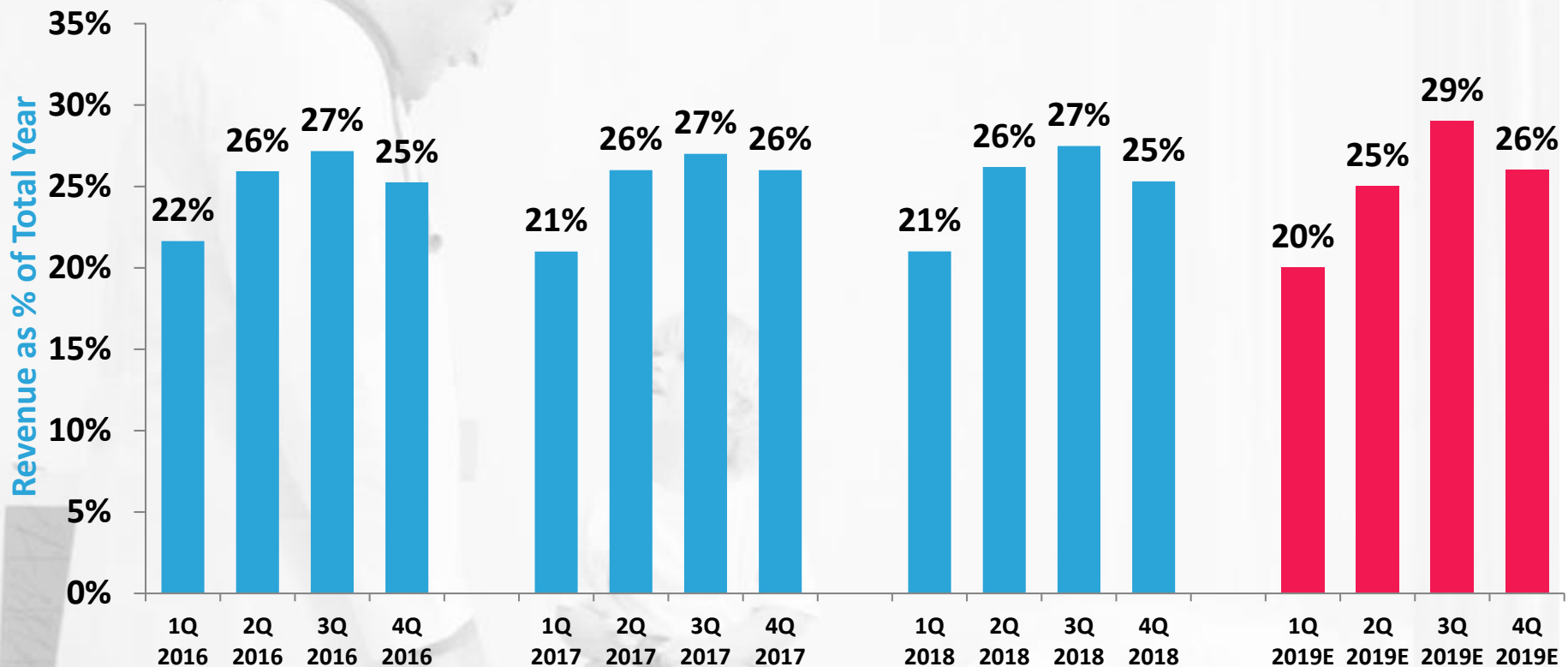
Category Revenue Summary





Revenue Seasonality

Seasonality Drives Stronger Performance in Summer Months and Holiday Periods



* 2019 seasonality is based on FY19 preliminary, unaudited revenue of \$72.6 million.



Income Statement Summary

(\$ in Millions)

	FY 2016	FY 2017	FY 2018	9M 2018	9M 2019
Revenue	\$37.3	\$45.6	\$57.6	\$43.0	\$53.6
<i>Growth %</i>	<i>20%</i>	<i>22%</i>	<i>26%</i>	<i>27%</i>	<i>25%</i>
Gross Profit	\$26.4	\$34.5	\$42.7	\$32.2	\$40.2
<i>Margin %</i>	<i>71%</i>	<i>76%</i>	<i>74%</i>	<i>75%</i>	<i>75%</i>
Operating Expenses	\$32.5	\$40.9	\$52.2	\$39.9	\$46.2
Operating Loss	(\$6.1)	(\$6.5)	(\$9.6)	(\$7.7)	(\$6.0)
Net Loss	(\$6.6)	(\$8.9)	(\$12.0)	(\$9.6)	(\$8.3)
Net Loss per Share¹	(\$7.14)	(\$5.86)	(\$0.96)	(\$0.77)	(\$0.57)

¹ Net loss per share attributable to common stockholders – basic and diluted



Adjusted EBITDA Reconciliation

(\$ in Millions)

	Nine Months Ended September 30,	
	2018	2019
Net loss from continuing operations	(\$9.6)	(\$8.4)
Interest expense, net	1.7	2.2
Other expense	0.1	0.1
Depreciation and amortization	2.2	3.2
Stock-based compensation	0.9	1.9
Accelerated vesting of restricted stock upon IPO	2.0	-
Acquisition related costs	-	0.7
Adjusted EBITDA	(\$2.6)	(\$0.2)



Balance Sheet

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

Assets	
Cash ¹	\$19.7
Accounts receivable	14.2
Inventory (net)	34.5
Other current assets	40.3
PP&E (net)	21.5
Intangibles	23.2
Total Assets	\$153.4

Liabilities	
Accounts payable	\$7.7
Debt ²	51.2
Accrued expenses	3.9
All other liabilities	4.5
Paid-in capital	210.5
Accumulated deficit (net)	(124.4)
Total Liabilities / Equity	\$153.4

¹ Cash excludes the \$64.1 million in gross proceeds from the December 2019 offering

² Debt excludes the repayment of the \$30.0 million Term Note B (and all accrued interest) and \$5.0 million draw from revolving line of credit



**Surgeon relationships and
clinical education**

**Broadest, most innovative
product offering**

**Robust organic growth
opportunities**

**Attractive growth and
margin profile**

