

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **January 13, 2020**

OrthoPediatrics Corp.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

001-38242
(Commission File Number)

26-1761833
(I.R.S. Employer Identification Number)

2850 Frontier Drive
Warsaw, Indiana
(Address of principal executive offices)

46582
(Zip Code)

Registrant's telephone number, including area code: **(574) 268-6379**

Not Applicable

(Former name or former address, if changed since last report)

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

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.00025 par value per share	KIDS	The NASDAQ Stock Market LLC

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 under the Securities Act (17 CFR 230.405) or Rule 12b-2 under the Exchange Act (17 CFR 240.12b-2).

Emerging growth 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

Item 7.01. Regulation FD Disclosure.

The executive officers of OrthoPediatrics Corp. have several upcoming presentations to representatives of investors and analysts. The officers intend to use the material filed as Exhibit 99.1 herewith, in whole or in part, as part of those presentations.

The information in this Item 7.01, including the information incorporated by reference herein from Exhibit 99.1, is furnished pursuant to Item 7.01 of Form 8-K and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	OrthoPediatrics Corp. Investor Presentation dated January 2020.

* * * * *

SIGNATURE

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 hereunto duly authorized.

OrthoPediatrics Corp.

Date: January 13, 2020

By: /s/ Daniel J. Gerritzen
Daniel J. Gerritzen,
General Counsel and Secretary



OrthoPediatrics Corp.
January 2020

**Mark Throdahl,
Fred Hite,**



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 were 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 from continuing operations, plus interest expense, net plus other expense, depreciation and amortization, stock-based compensation expense, accelerated vesting of restricted stock upon 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 available for management's discretionary use, as it does not reflect certain cash requirements such as debt service requirements, capital expenditures and cash costs that may recur in the future. Adjusted EBITDA contains certain other limitations, including the failure to reflect our cash expenditures and 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. Couple with new Cannulated Screw and PediFoot systems, expands Trauma & Deformity offering to 80% 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 applicati



Children Are Not Small Adults

Superior Clinical Outcomes

Re-Purposed Adult Plate



Screws Through Growth Plate

OP's Solution



Screws Parallel To Growth Plate



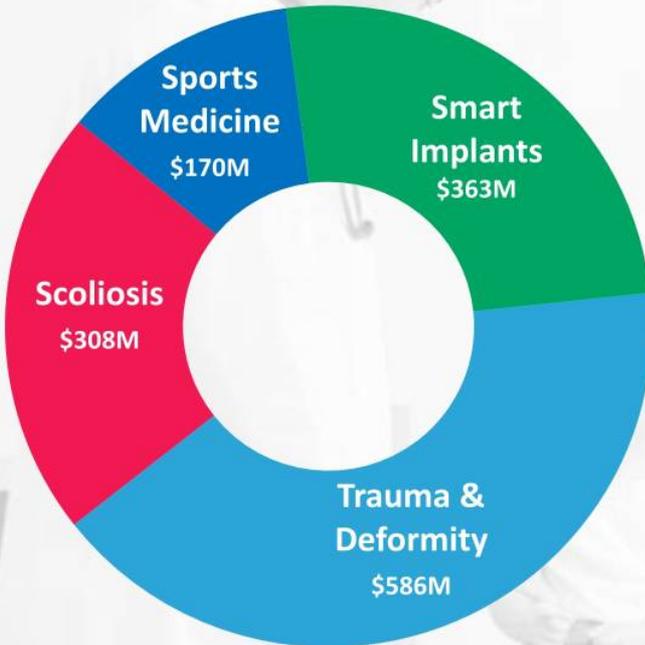
OP's Market Impact

-  **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**

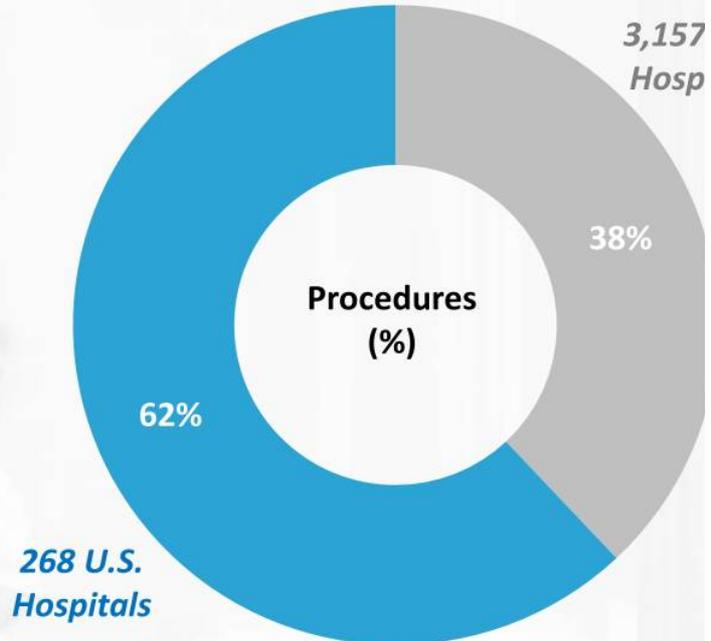


OP'S \$3.2 Billion Current Addressable Global Market¹

\$1.4 Billion U.S. Addressable Market¹



High Concentration of Pediatric Trauma & Deformity and Scoliosis Procedures



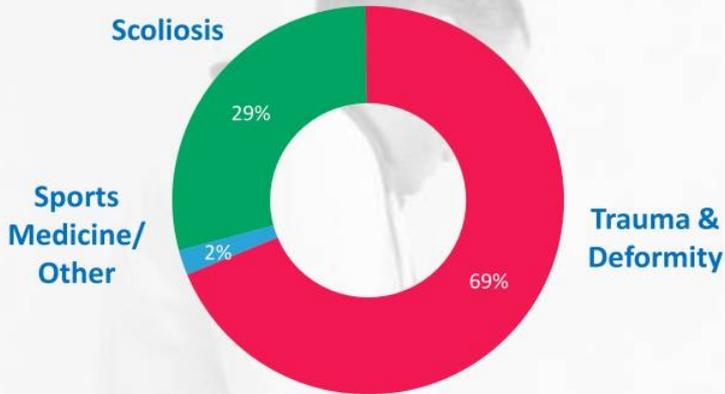
**Current products target three of the largest categories in Pediatric Orthopedics
Pipeline products underway to expand addressable market**

¹ Management's 2019 updates to IMS data from 2016



Product Line Diversification

2018 Revenue by Segment

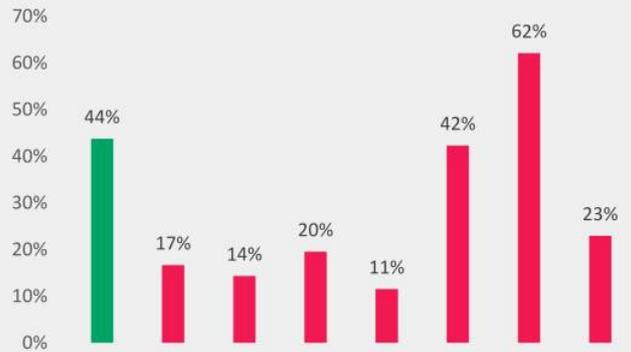


- OP \$57.6 million sales in 2018, increasing 26%
- OP Well diversified sources of growth
- OP All major product families supported FY 2018 26% revenue growth
- OP Firefly, PNP | Femur, and PediFrag were key growth drivers
- OP All products have comparable gross margins

2018 Revenue by Product Family



2018 Revenue Growth % by Product Family





A Proven Strategy Since 20

**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)

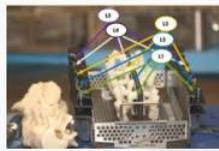
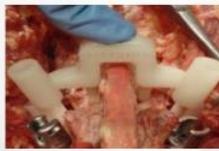


**PediFlex
Advanced**



**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 | T

Scoliosis

Launched
Feb'19



BandLoc DUO System



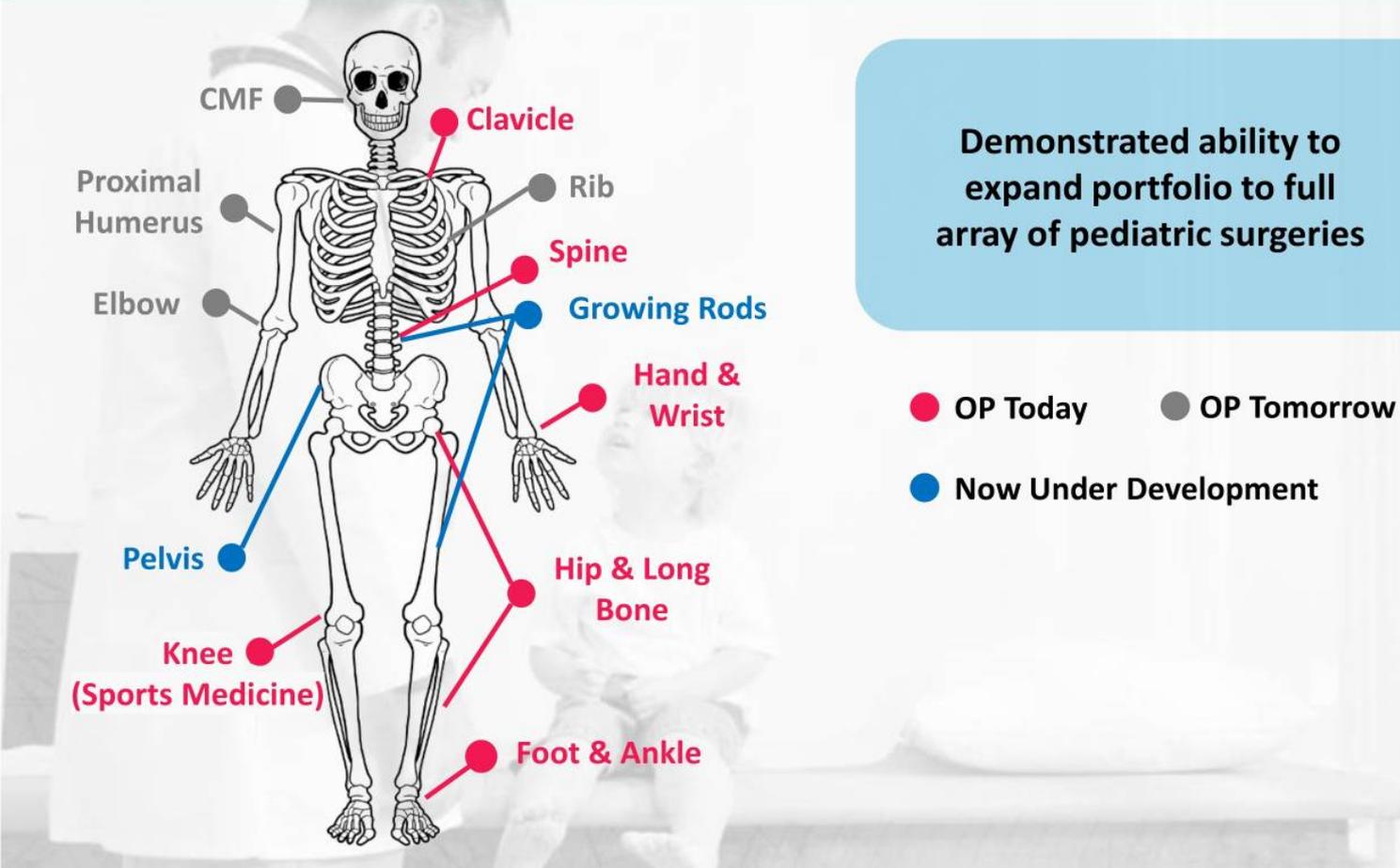
Submitted to
FDA Nov'19



**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



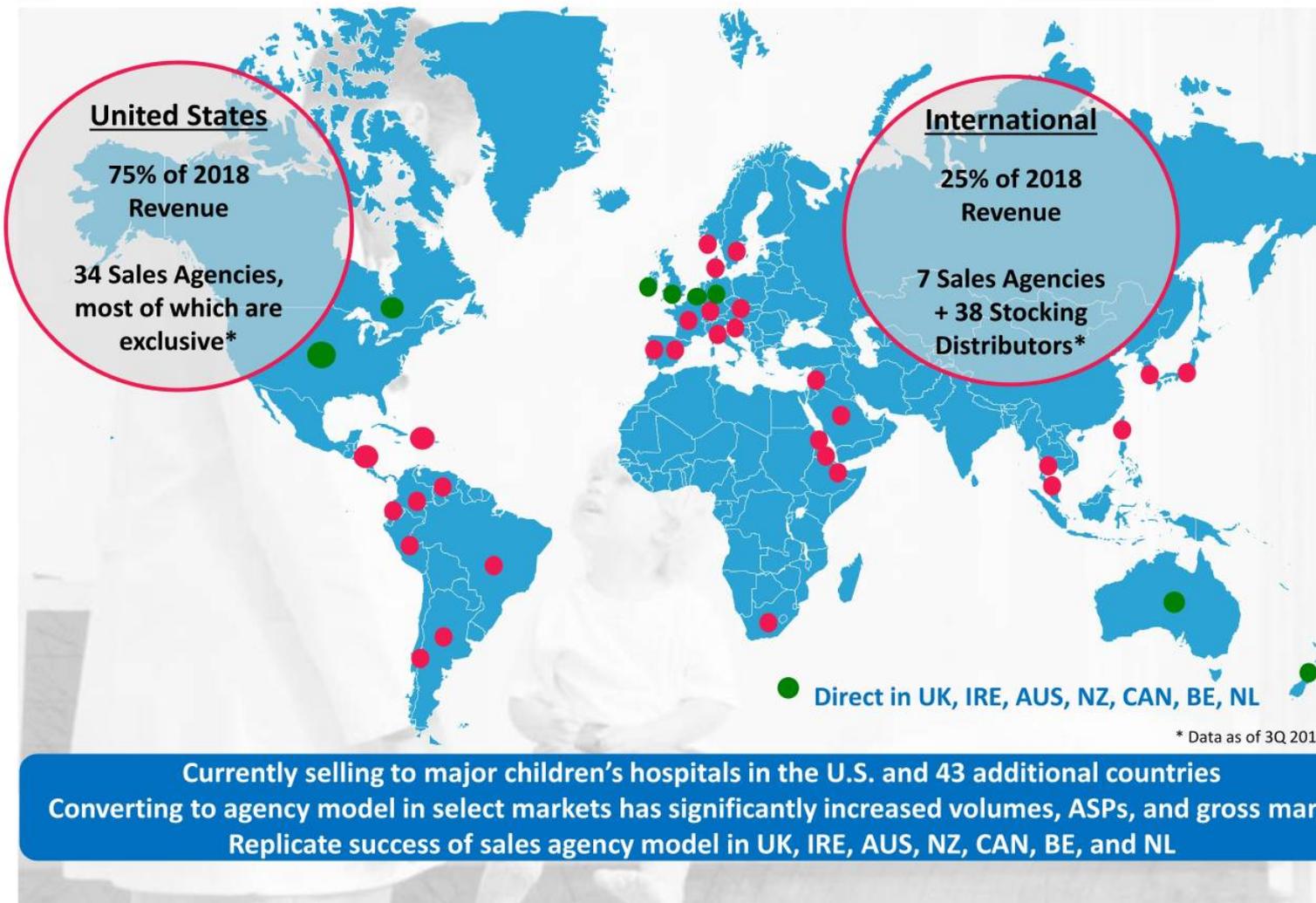
Smart Implants

- 🧠 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







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

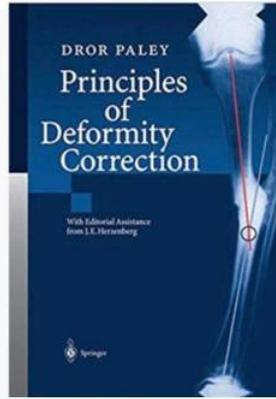
- Introduced Ilizarov method in U.S.

Defend competitive position and risk

- Defend other potential acquirers from entering the pediatric space



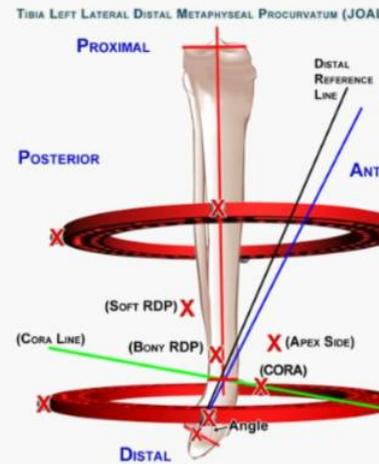
ORTHex



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

- 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 13 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**

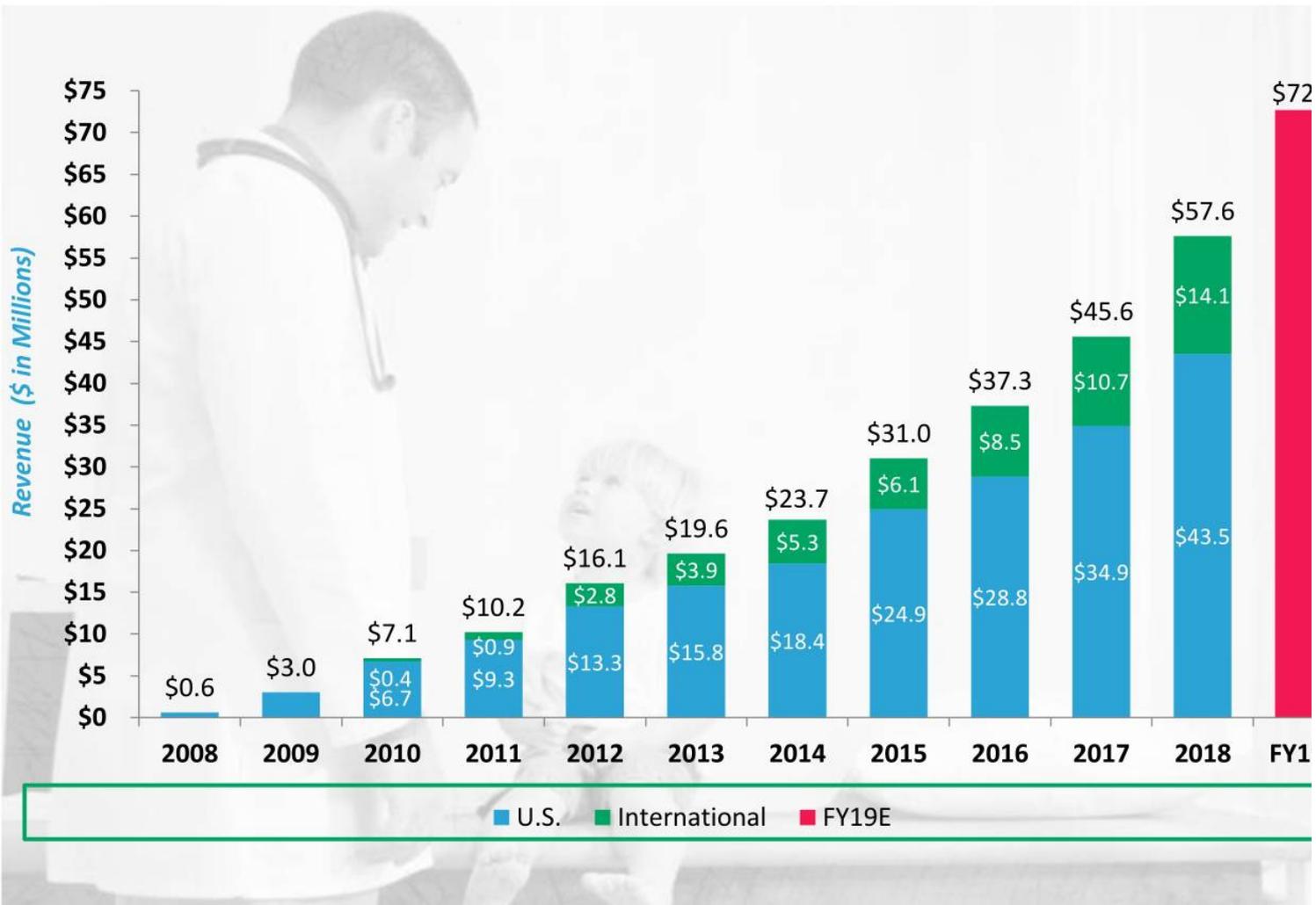


Financial Review



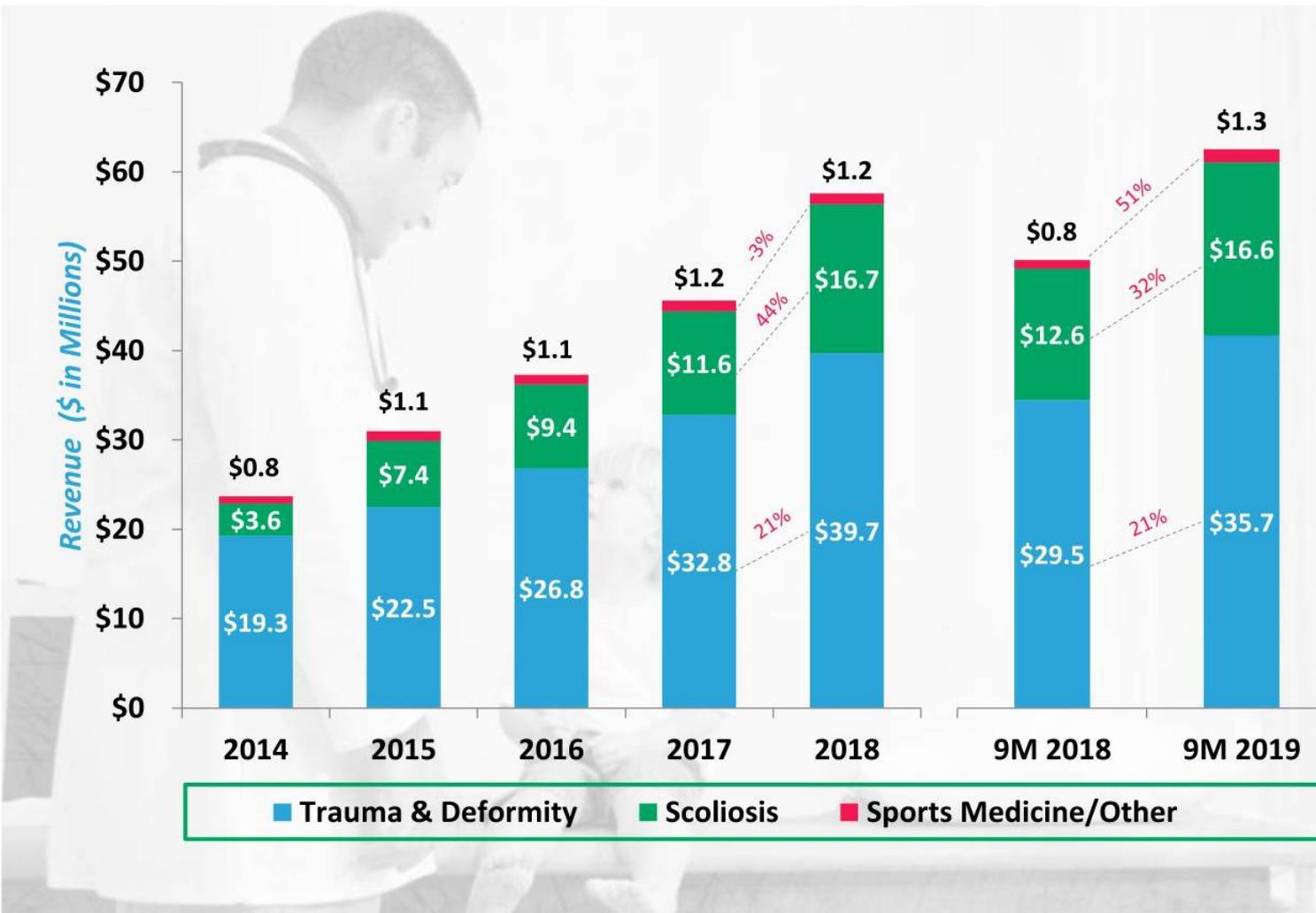


Consistent 20+% Revenue Growth Since Incepti



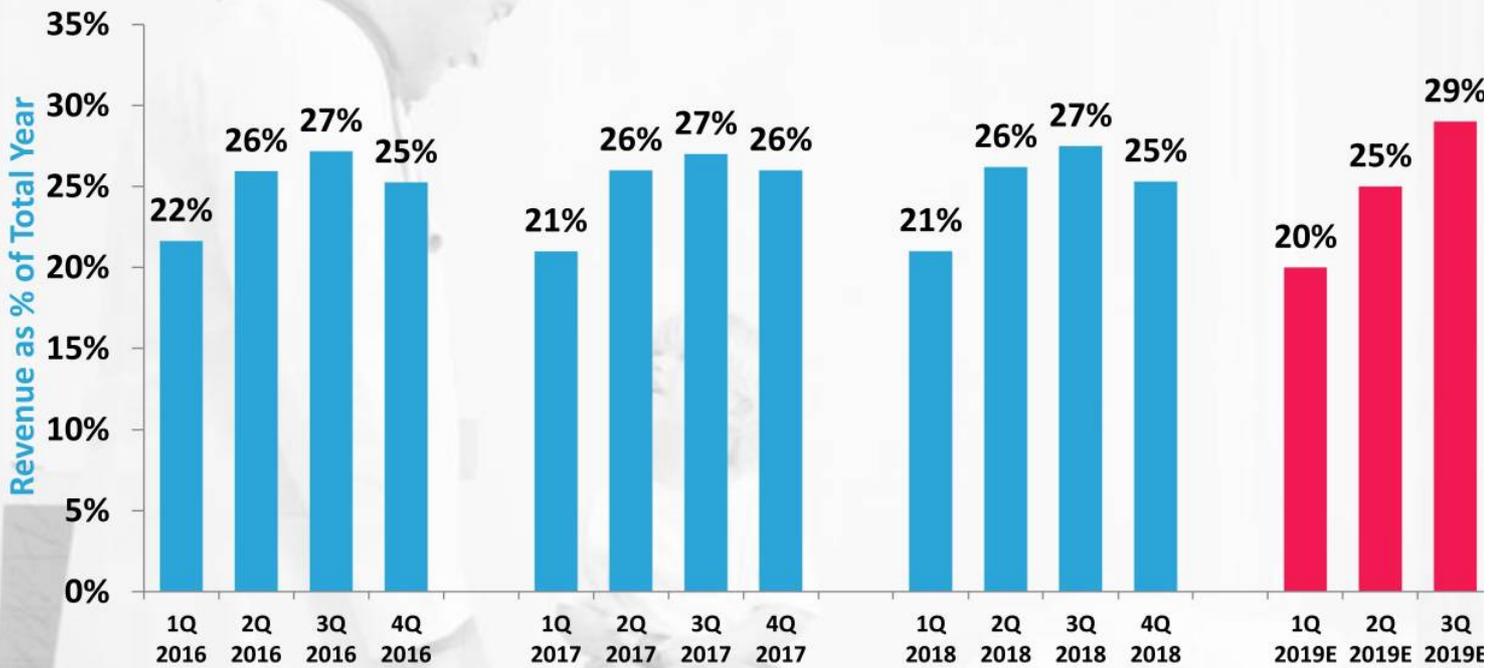


Category Revenue Summary





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>	20%	22%	26%	27%	25%
Gross Profit	\$26.4	\$34.5	\$42.7	\$32.2	\$40.2
<i>Margin %</i>	71%	76%	74%	75%	75%
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 Reconciliati

(\$ 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)



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

Assets		Liabilities	
Cash ¹	\$19.7	Accounts payable	\$7
Accounts receivable	14.2	Debt ²	51
Inventory (net)	34.5	Accrued expenses	3
Other current assets	40.3	All other liabilities	4
PP&E (net)	21.5	Paid-in capital	210
Intangibles	23.2	Accumulated deficit (net)	(124)
Total Assets	\$153.4	Total Liabilities / Equity	\$153

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

