

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): **August 12, 2021**

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:

| Title of Each Class | Trading Symbol(s) | Name of each exchange on which registered |
|---------------------------------------------|-------------------|-------------------------------------------|
| Common Stock, \$0.00025 par value per share | KIDS | Nasdaq Global Market |

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 August 2021 |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document). |

* * * * *

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: August 12, 2021

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



OrthoPediatrics Corp.
August 2021

David Bailey, President & CEO
Fred Hite, COO & CFO
Mark Throdahl, Executive Chairman



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' Quarterly Report on Form 10-Q filed with the SEC on August 5, 2021, 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 certain non-GAAP financial measures such as adjusted diluted earnings (loss) per share and Adjusted EBITDA, which differ from financial measures calculated in accordance with U.S. generally accepted accounting principles ("GAAP"). Adjusted earnings (loss) per share in this press release represents diluted earnings (loss) per share on a GAAP basis, plus the accreted interest attributable to acquisition installment payables, the fair value adjustment of contingent consideration, non-recurring professional fees and accrued legal settlement costs. The fair value adjustment of contingent consideration is associated with our estimates of the value of earn-outs in connection with certain acquisitions and the non-recurring professional fees are related to our response to a previously disclosed SEC review. We believe that providing the non-GAAP diluted earnings (loss) per share excluding these expenses, as well as the GAAP measures, assists our investors because such expenses are not reflective of our ongoing operating results. Adjusted EBITDA in this release represents net loss, plus interest expense, net plus other expense, provision for income taxes (benefit), depreciation and amortization, stock-based compensation expense, fair value adjustment of contingent consideration, acquisition related costs, nonrecurring professional fees and accrued legal settlements costs. The Company believes the non-GAAP measures provided in this earnings release enable it to further and more consistently analyze the period-to-period financial performance of its core business operating performance. Management uses these metrics as a measure of the Company's operating performance and for planning purposes, including financial projections. The Company believes these measures are useful to investors as supplemental information because they are frequently used by analysts, investors and other interested parties to evaluate companies in its industry. 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 these non-GAAP measures, 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 non-GAAP diluted earnings (loss) per share or 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 these adjusted measures on a supplemental basis. The Company's definition of these measures is not necessarily comparable to other similarly titled captions of other companies due to different methods of calculation. The schedules below contain reconciliations of reported GAAP diluted earnings (loss) per share to non-GAAP diluted earnings (loss) and 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: \$1.5 billion U.S., \$3.3 billion globally (2020 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 36 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
 - YTD 2021 revenue of \$48.2 million, up 61% vs YTD 2020
 - FY20 revenue of \$71.1 million, down 2%
 - FY19 revenue of \$72.6 million, up 26%
- 🔊 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



A Company Built on a CAUSE

Cause

*Improving the lives of children
with orthopedic conditions*



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

Company Snapshot

- Treated >215,000 patients since inception
- 36 surgical systems; ~8,125 SKUs; strong pipeline
- 120 direct employees; 182 focused sales reps²
- Global sales organization focused on pediatric orthopedic surgeons in 45 countries¹
- 102 issued patents; 66 patent applications²
- Average FDA approval time: < ½ industry average
- History of stable reimbursement

¹ As of June 30, 2021.

² As of June 30, 2021. Totals apply to patents issued to and/or applied by OrthoPedicatrics 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

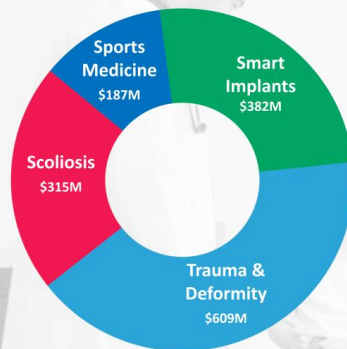
OP's Market Impact

- 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

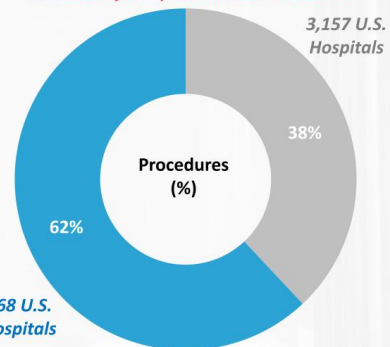


OP'S \$3.3 Billion Current Addressable Global Market¹

\$1.5 Billion U.S. Addressable Market¹



High Concentration of Pediatric Trauma & Deformity and Scoliosis Procedures



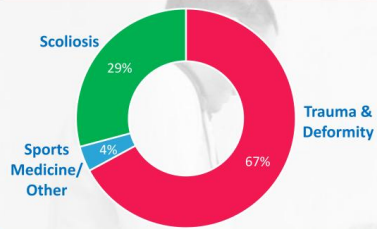
Current products target three of the largest categories in Pediatric Orthopedics
Pipeline products underway to expand addressable market

¹ Management's June 30 updates to IMS data from 2016

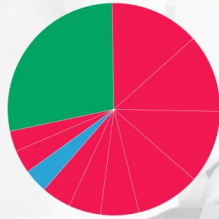


Product Line & Growth Diversification

2020 Revenue by Segment (% Total)



2020 Revenue by Product Family



* Excluding (\$2.7) million revenue reduction

\$71.1 million sales in 2020, decreased 2% vs prior year

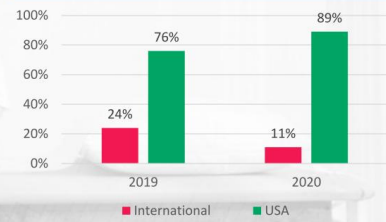
(\$2.7) million Dec '20 revenue reduction impacted 2020 growth by negative 4%

\$72.6 million sales in 2019, increasing 26%

Well diversified product sales and sources of growth

All products have comparable gross margins

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



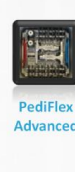
Titanium PediPlates® System
(Expands physeal tethering offering)



Clavicle Plate System
(First pediatric specific system)



Wrist Fusion Plate System
(First pediatric specific system)

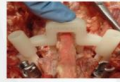


PediFlex Advanced

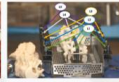


Pediatric Nailing Platform | FEMUR
(Expands into adolescent cases)

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)



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



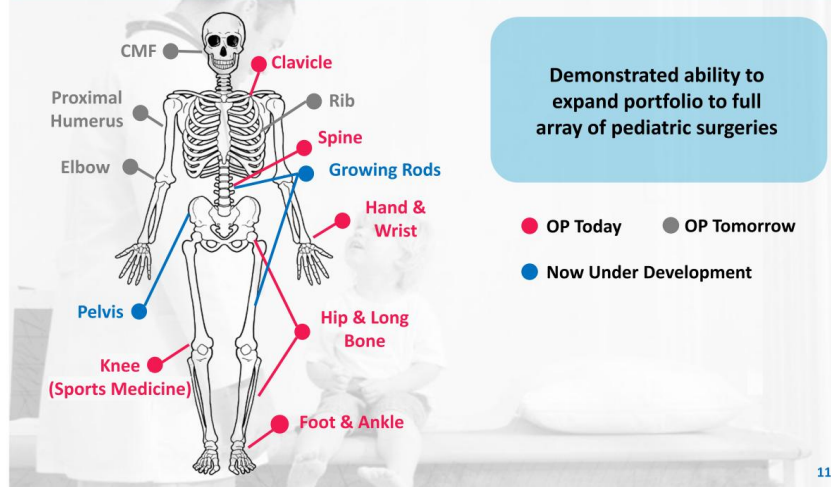


Internal Developments & 2 Select Acquisitions

| | Acquired June'19 | Launched Sept'19 | Launched Nov'19 | Launched Dec'19 | Launched Mar'20 | Launching 2021 | Launched 2020 / 2021 |
|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| Trauma & Deformity |  Orthex (External fixation hardware / software) |  Next Generation Cannulated Screw Systems |  PediFoot (First pediatric foot system) |  QuickPack™ Bone Void Filler |  Large Fragment Cannulated Screw System |  PediFoot Expansion |  Orthex AUS / EMEA |
| Scoliosis |  BandLoc DUO System |  ApiFix MID-C System (Non-fusion technology) |  |  RESPONSE™ Neuromuscular System |  Neuromuscular Launched Jun'21 | | |



Expanding Our Addressable Market





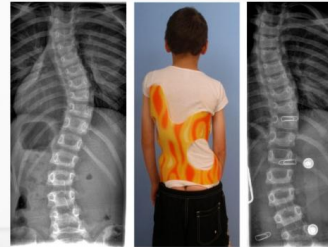
Smart Implants

- OP 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



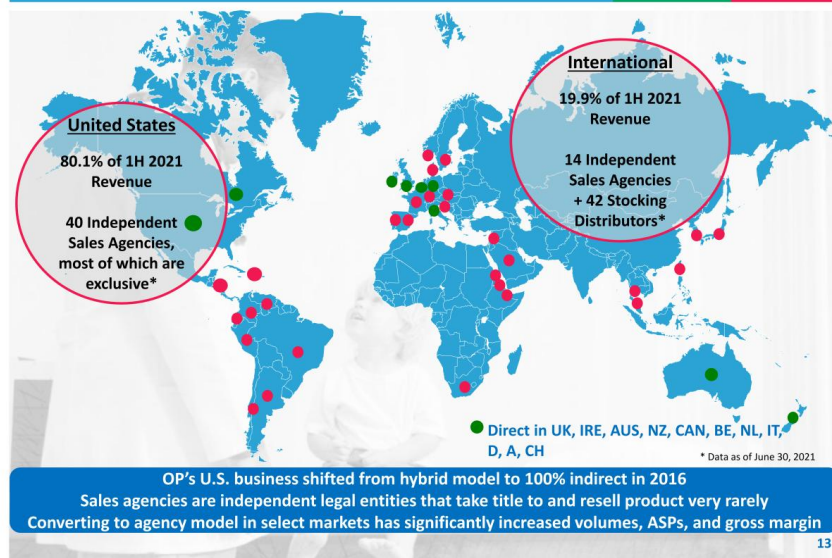
Early Onset Scoliosis

- 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 45 Countries



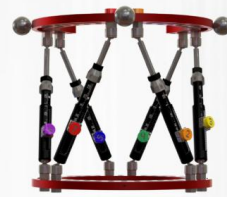


Transaction Details

- Acquisition:** In June 2019 OP purchased Vilex¹ and its Orthex Hexapod² 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**



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

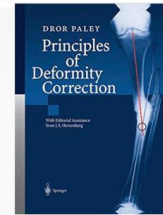
- Introduced Ilizarov method in U.S.

Defend competitive position and risk

- Defend other potential acquirers from entering the pediatric space



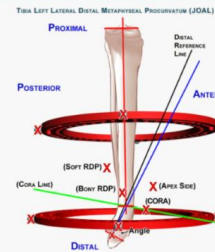
ORTHEX



ML X-Ray

ML STEP II of II: 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 ApiFix¹ 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**, unilateral system that **acts as an internal brace** with **motion-preserving capabilities** to avoid permanently limiting spinal range of motion
- Measurable reductions** in surgery time, blood loss, hospitalization, recovery time, and complication rates
- Extremely high sales/dollar** of set inventory
- Strong global IP** protection: 46 granted patents and 26 patent applications²



ApiFix Procedure

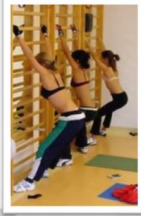


Fusion Procedure

¹ ApiFix generated \$0.5 million of revenue in 2019
² As of June 30, 2021



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



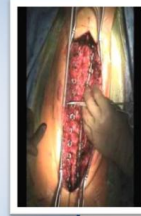
Exercise
Curves < 25°



Brace
Curves 25°- 40°



ApiFix System
Curves 35° - 60°

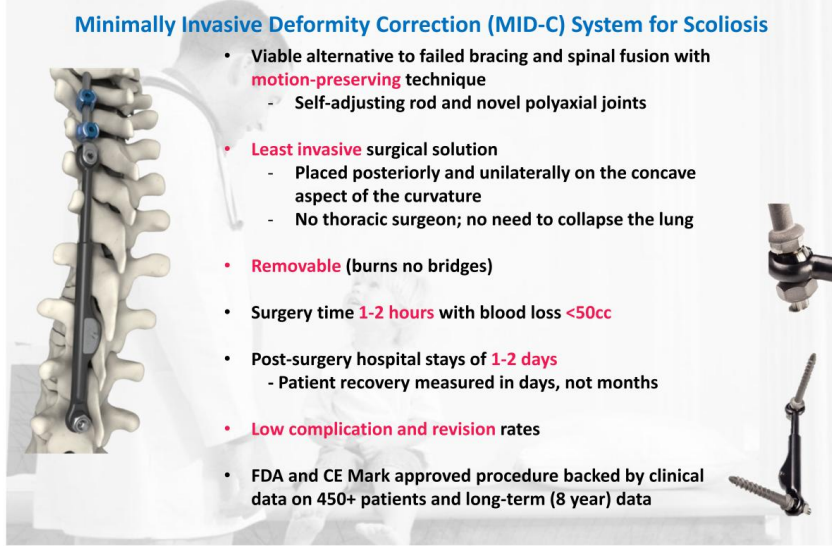


Fusion Surgery
Curves > 50°



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** with 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 450+ 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

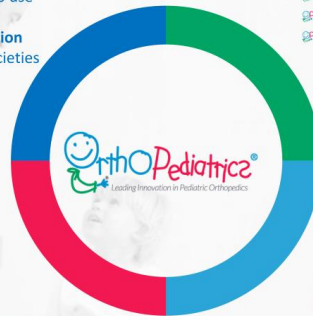
- 14 years' clinical understanding
- New product pipeline
- Pediatric Market Gateway for distributed products and joint product developments

Robust organic growth opportunities

- \$3.3 billion addressable global market
- Limited focused competition
- Focused, experienced distribution
- Instrument set placements drive growth

Attractive growth and margin profile

- Consistent growth since inception
- 77% gross margin in FY 2020
- History of efficient capital utilization



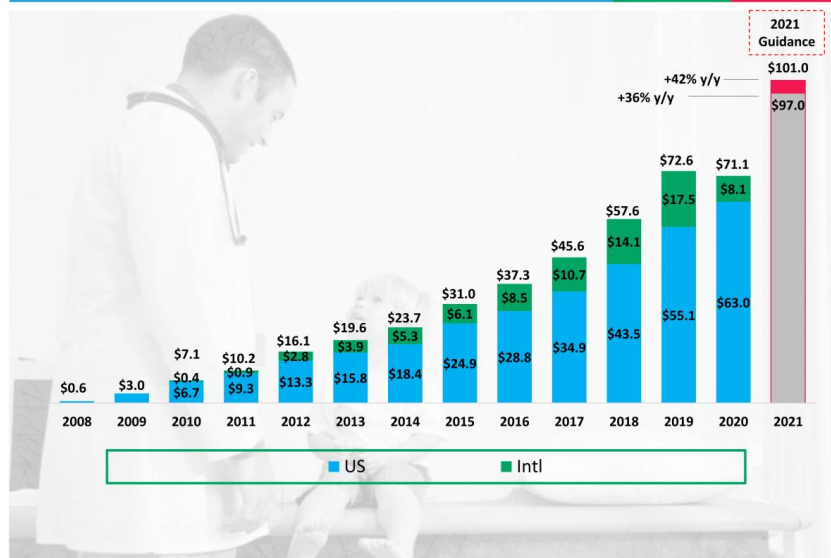


Financial Review

OrthoPediatrics

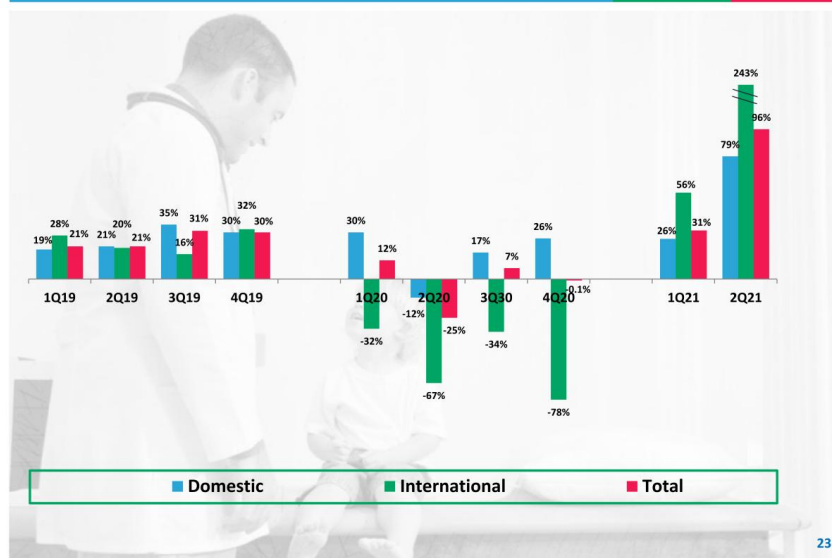


Consistent 20+% Revenue Growth Since Inception



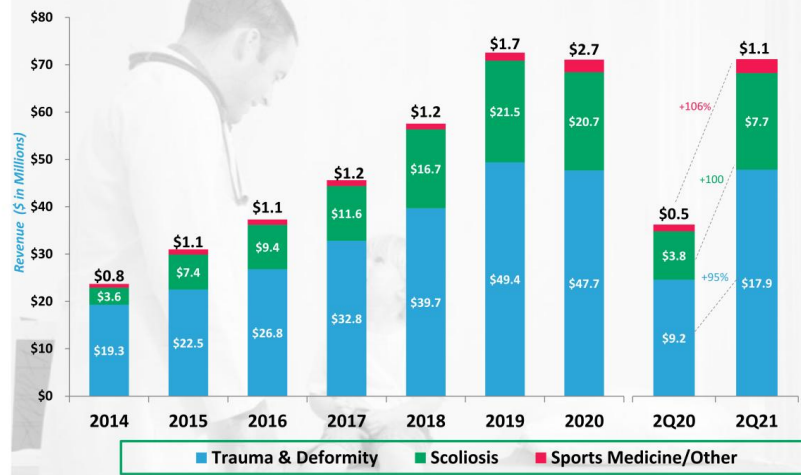


Growth by Geography



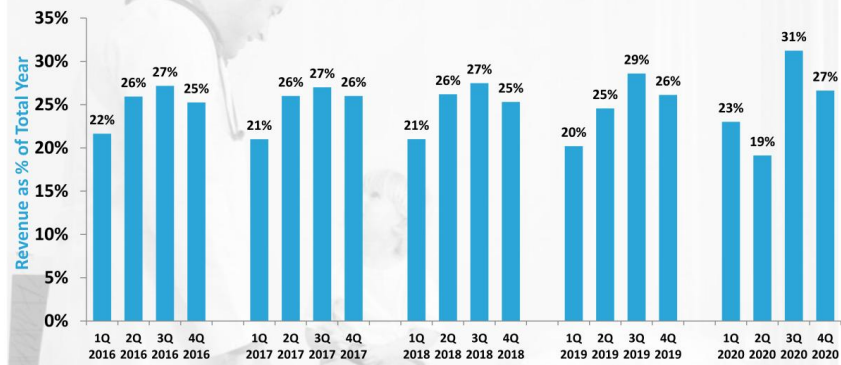


Category Revenue Summary





Seasonality Drives Stronger Performance in Summer Months and Holiday Periods





Income Statement Summary

(\$ in Millions)

| | FY 2018 | FY 2019 | FY 2020 | 2Q 2020 | 2Q 2021 |
|---------------------------------|----------|----------|----------|----------|----------|
| Revenue | \$57.6 | \$72.6 | \$71.1 | \$13.6 | \$26.7 |
| Growth % | 26% | 26% | (.01%) | (25%) | 96% |
| Gross Profit | \$42.7 | \$54.6 | \$55.0 | \$10.1 | \$20.4 |
| Margin % | 74% | 75% | 77% | 74% | 77% |
| Operating Expenses | \$52.2 | \$63.7 | \$81.8 | \$17.1 | \$23.3 |
| Operating Loss | (\$9.6) | (\$9.1) | (\$26.8) | (\$7.0) | (\$2.8) |
| Net Loss | (\$12.0) | (\$13.7) | (\$32.9) | (\$9.4) | (\$3.8) |
| Net Loss per Share ¹ | (\$0.96) | (\$0.94) | (\$1.82) | (\$0.54) | (\$0.19) |

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



Adjusted EBITDA Reconciliation

(\$ in Millions)

| | Three Months Ended June 30, | |
|---------------------------------------------------|--------------------------------|----------------|
| | 2021 | 2020 |
| Net loss from continuing operations | (\$3.8) | (\$9.4) |
| Interest expense, net | 0.6 | 1.4 |
| Other expense | (0.4) | 0.1 |
| Provision for income tax (benefit) | (0.3) | - |
| Depreciation and amortization | 2.6 | 1.9 |
| Stock-based compensation | 1.4 | 2.5 |
| Fair value adjustment of contingent consideration | 1.0 | 0.9 |
| Acquisition related costs | - | 0.3 |
| Non-recurring professional fees | 0.1 | - |
| Adjusted EBITDA | \$1.2 | (\$2.3) |

*Some numbers may not add up to due rounding



Adjusted EPS Reconciliation

| | Three Months Ended June 30, | |
|------------------------------------------------------------------------|--------------------------------|-----------------|
| | 2021 | 2020 |
| Earnings (loss) per share, diluted (GAAP) | (\$0.19) | (\$0.54) |
| Accretion of interest attributable to acquisition installment payments | 0.03 | 0.05 |
| Fair value adjustment of contingent consideration | 0.05 | 0.05 |
| Non-recurring professional fees | - | - |
| Earnings (loss) per share, diluted (non-GAAP) | (\$0.11) | (\$0.44) |



Balance Sheet

(\$ in Millions)
As of June 30, 2021

| Assets | | Liabilities | |
|--------------------------|----------------|-----------------------------------|----------------|
| Cash | \$67.2 | Accounts payable | \$10.1 |
| Accounts receivable | 19.2 | Debt | 1.1 |
| Inventory (net) | 56.4 | Accrued expenses | 5.7 |
| Other current assets | 2.6 | Acquisition & Other Liab | 54.7 |
| PP&E (net) | 28.2 | Paid-in capital | 391.4 |
| Intangibles and Goodwill | 120.2 | Accumulated deficit (net) | (175.9) |
| Other intangible assets | 13.8 | Accumulated other | 6.1 |
| Total Assets | \$307.7 | Total Liabilities / Equity | \$307.7 |

