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

# FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _______ to _______

Commission file number: **001-38242**

# OrthoPediatrics Corp.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **26-1761833** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |
| **2850 Frontier Drive**<br>**Warsaw, IN 46582** | **(574) 268-6379** |
| (Address of principal executive offices, including zip code) | (Registrant's telephone number, including area code) |

| 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 |

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether t he registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☒ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| 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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 3, 2024, the registrant had 23,828,882 outstanding shares of common stock, $0.00025 par value per share.

**OrthoPediatrics Corp.**
**Form 10-Q**
**For the Quarterly Period Ended March 31, 2024**

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## NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical facts, contained in this quarterly report, including statements regarding our business, operations and financial performance and condition, as well as our plans, objectives and expectations for our business, operations and financial performance and condition, are forward-looking statements. You can often identify forward-looking statements by words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "target," "ongoing," "plan," "potential," "predict," "project," "should," "will" or "would," or the negative of these terms or other terms. Forward-looking statements involve known and unknown risks, uncertainties and other factors, such as the impact of widespread health emergencies, such as COVID-19 and respiratory syncytial virus, that may cause our results, activity levels, performance or achievements to be materially different from the information expressed or implied by the forward-looking statements. Forward-looking statements may include, among other things, statements relating to:

- our ability to achieve or sustain profitability in the future;
- our ability to raise additional capital to fund our existing commercial operations, develop and commercialize new products and expand our operations;
- our ability to commercialize our products in development and to develop and commercialize additional products through our research and development efforts, and if we fail to do so we may be unable to compete effectively;
- our ability to generate sufficient revenue from the commercialization of our products to achieve and sustain profitability;
- our ability to comply with extensive government regulation and oversight both in the United States and abroad;
- our ability to maintain and expand our network of third-party independent sales agencies and distributors to market and distribute our products; and
- our ability to protect our intellectual property rights or if we are accused of infringing on the intellectual property rights of others.

We cannot assure you that forward-looking statements will prove to be accurate, and you are encouraged not to place undue reliance on forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations expressed or implied by the forward-looking statements. You are urged to carefully review and consider the various disclosures made by us in this quarterly report, in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on March 8, 2024 and in other reports filed with the SEC that discuss the risks and factors that may affect our business. Other than as required by law, we undertake no obligation to update or revise any forward-looking statements to reflect new information, events or circumstances occurring after the date of this quarterly report.

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

### ORTHOPEDIATRICS CORP.
### CONDENSED CONSOLIDATED BALANCE SHEETS
### (Unaudited)
### (In Thousands, Except Share Data)

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 21,602 | $ 31,055 |
| Restricted cash | 1,962 | 1,972 |
| Short-term investments | 26,141 | 49,251 |
| Accounts receivable - trade, net of allowances of $1,195 and $1,373, respectively | 36,275 | 34,617 |
| Inventories, net | 112,689 | 105,851 |
| Prepaid expenses and other current assets | 5,056 | 3,750 |
| Total current assets | 203,725 | 226,496 |
| Property and equipment, net | 48,721 | 41,048 |
| Other assets: | | |
| Amortizable intangible assets, net | 70,382 | 69,275 |
| Goodwill | 91,481 | 83,699 |
| Other intangible assets | 18,792 | 15,287 |
| Other non-current assets | 4,084 | 2,940 |
| Total other assets | 184,739 | 171,201 |
| Total assets | $ 437,185 | $ 438,745 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable - trade | $ 19,736 | $ 12,649 |
| Accrued compensation and benefits | 9,772 | 11,325 |
| Current portion of long-term debt with affiliate | 154 | 152 |
| Current portion of acquisition installment payable | 10,368 | 10,149 |
| Other current liabilities | 5,790 | 7,391 |
| Total current liabilities | 45,820 | 41,666 |
| Long-term liabilities: | | |
| Long-term debt, net of current portion | 9,579 | 9,297 |
| Long-term debt with affiliate, net of current portion | 572 | 611 |
| Acquisition installment payable, net of current portion | 3,613 | 3,551 |
| Deferred income taxes | 5,202 | 5,483 |
| Other long-term liabilities | 1,815 | 1,112 |
| Total long-term liabilities | 20,781 | 20,054 |
| Total liabilities | 66,601 | 61,720 |
| Stockholders' equity: | | |
| Common stock, $0.00025 par value; 50,000,000 shares authorized; 23,540,411 shares and 23,378,408 shares issued as of March 31, 2024 and December 31, 2023, respectively | 6 | 6 |
| Additional paid-in capital | 583,086 | 580,287 |
| Accumulated deficit | (205,547) | (197,742) |
| Accumulated other comprehensive loss | (6,961) | (5,526) |
| Total stockholders' equity | 370,584 | 377,025 |
| Total liabilities and stockholders' equity | $ 437,185 | $ 438,745 |

See notes to condensed consolidated financial statements.

**ORTHOPEDIATRICS CORP.**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(Unaudited)**
**(In Thousands, Except Share and Per Share Data)**

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Net revenue | $ 44,685 | $ 31,588 |
| Cost of revenue | 12,511 | 8,027 |
| Gross profit | 32,174 | 23,561 |
| Operating expenses: | | |
| Sales and marketing | 14,169 | 12,549 |
| General and administrative | 24,730 | 17,157 |
| Research and development | 2,998 | 2,446 |
| Total operating expenses | 41,897 | 32,152 |
| Operating loss | (9,723) | (8,591) |
| Other expense (income): | | |
| Interest expense (income), net | 637 | (210) |
| Fair value adjustment of contingent consideration | — | (670) |
| Other income, net | (24) | (331) |
| Total other expense (income), net | 613 | (1,211) |
| Loss before income taxes | $ (10,336) | $ (7,380) |
| Provision for income taxes (benefit) | (2,531) | (574) |
| Net loss | $ (7,805) | $ (6,806) |
| Weighted average shares outstanding | | |
| Basic and diluted | 22,820,779 | 22,506,024 |
| Net loss per share | | |
| Basic and diluted | $ (0.34) | $ (0.30) |

See notes to condensed consolidated financial statements.

**ORTHOPEDIATRICS CORP.**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**
**(Unaudited) (In Thousands)**

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Net loss | $ (7,805) | $ (6,806) |
| Other comprehensive loss: | | |
| Foreign currency translation adjustment | (1,426) | (962) |
| Unrealized gain (loss) on short-term investments | 109 | 617 |
| Adjustment for realized (gain) loss on securities | (118) | (301) |
| Other comprehensive loss, net of tax | (1,435) | (646) |
| Comprehensive loss | $ (9,240) | $ (7,452) |

See notes to condensed consolidated financial statements.

**ORTHOPEDIATRICS CORP.**
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
**(Unaudited)**
**(In Thousands, Except Share Data)**

| | Three Months Ended March 31, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total Stockholders' Equity |
| | Shares | Value | | | | |
| Balance at January 1, 2024 | 23,378,408 | $ 6 | $ 580,287 | $ (197,742) | $ (5,526) | $ 377,025 |
| Net loss | — | — | — | (7,805) | — | (7,805) |
| Other comprehensive loss | — | — | — | — | (1,435) | (1,435) |
| Restricted stock | 162,003 | — | 2,799 | — | — | 2,799 |
| Balance at March 31, 2024 | 23,540,411 | $ 6 | $ 583,086 | $ (205,547) | $ (6,961) | $ 370,584 |

See notes to condensed consolidated financial statements.

**ORTHOPEDIATRICS CORP.**
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
**(Unaudited)**
**(In Thousands, Except Share Data)**

| | Three Months Ended March 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total Stockholders' Equity |
| | Shares | Value | | | | |
| Balance at January 1, 2023 | 22,877,962 | $ 6 | $ 560,810 | $ (176,768) | $ (5,400) | $ 378,648 |
| Net loss | — | — | — | (6,806) | — | (6,806) |
| Other comprehensive loss | — | — | — | — | (646) | (646) |
| Restricted stock | 264,156 | — | 1,959 | — | — | 1,959 |
| Balance at March 31, 2023 | 23,142,118 | $ 6 | $ 562,769 | $ (183,574) | $ (6,046) | $ 373,155 |

See notes to condensed consolidated financial statements.

**ORTHOPEDIATRICS CORP.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**
**(In Thousands)**

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| **OPERATING ACTIVITIES** | | |
| Net loss | $ (7,805) | $ (6,806) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 5,028 | 3,848 |
| Stock-based compensation | 2,799 | 2,113 |
| Fair value adjustment of contingent consideration | — | (670) |
| Accretion of acquisition installment payable | 281 | 381 |
| Deferred income taxes | (2,445) | (574) |
| Changes in certain operating assets and liabilities: | | |
| Accounts receivable - trade | 1,155 | (2,002) |
| Inventories, net | (6,631) | (5,979) |
| Prepaid expenses and other current assets | (953) | (33) |
| Accounts payable - trade | 6,562 | 5,541 |
| Accrued expenses and other liabilities | (5,049) | (1,571) |
| Other | 368 | (709) |
| **Net cash used in operating activities** | (6,690) | (6,461) |
| **INVESTING ACTIVITIES** | | |
| Acquisition of Boston O&P, net of cash acquired | (20,693) | — |
| Sale of short-term marketable securities | 23,474 | 37,250 |
| Purchases of property and equipment | (6,460) | (4,940) |
| **Net cash (used in) provided by investing activities** | (3,679) | 32,310 |
| **FINANCING ACTIVITIES** | | |
| Payments on acquisition note | (538) | — |
| Payments on mortgage notes | (35) | (36) |
| **Net cash used in financing activities** | (573) | (36) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 1,479 | (138) |
| NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH | (9,463) | 25,675 |
| Cash, cash equivalents and restricted cash, beginning of year | $ 33,027 | $ 10,462 |
| Cash, cash equivalents and restricted cash, end of period | $ 23,564 | $ 36,137 |
| SUPPLEMENTAL DISCLOSURES | | |
| Cash paid for interest | $ 223 | $ 11 |
| Transfer of instruments between property and equipment and inventory | $ 117 | $ 332 |

See notes to condensed consolidated financial statements.

## ORTHOPEDIATRICS CORP.
## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
## (Unaudited)
## (Dollars In Thousands, Except Share and Per Share data)

**NOTE 1 – BUSINESS**

OrthoPediatrics Corp., a Delaware corporation, is a medical device company committed to designing, developing and marketing anatomically appropriate implants, instruments, and specialized braces for children with orthopedic conditions, giving pediatric orthopedic surgeons and caregivers the ability to treat children with technologies specifically designed to meet their needs. We sell our specialized products, including PediLoc®, PediPlates®, Cannulated Screws, PediFlex™ nail, PediNail™, PediLoc® Tibia, ACL Reconstruction System, Locking Cannulated Blade, Locking Proximal Femur, Spica Tables, RESPONSE™ Spine, BandLoc Duo®, Pediatric Nailing Platform | Femur, Devise Rail, Orthex®, The Fassier-Duval Telescopic Intramedullary System®, SLIM™ Nail, The GAP Nail™, The Free Gliding SCFE Screw System™, GIRO® Growth Modulation System, PNP Tibia System, ApiFix® Mid-C System and Mitchell Ponseti® specialized bracing products to various hospitals and medical facilities throughout the United States and various international markets. We currently use a contract manufacturing model for the manufacturing of implants and related surgical instrumentation while our clubfoot orthopedic products are manufactured in-house.

We are the only global medical device company focused exclusively on providing a comprehensive trauma and deformity correction, scoliosis and sports medicine product offering to the pediatric orthopedic market in order to improve the lives of children with orthopedic conditions. We design, develop and commercialize innovative orthopedic implants, instruments and specialized braces to meet the needs of pediatric surgeons or orthotists and their patients, who we believe have been largely neglected by the orthopedic industry. We currently serve three of the largest categories in this market.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying condensed consolidated financial statements include the accounts of OrthoPediatrics Corp. and its wholly-owned subsidiaries (collectively, the “Company,” “we,” “our” or “us”). All intercompany balances and transactions have been eliminated.

***Unaudited Interim Condensed Consolidated Financial Statements***

We have prepared the accompanying condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The accompanying condensed consolidated financial statements are unaudited and should be read in conjunction with the annual consolidated financial statements as of and for the year ended December 31, 2023 and related notes thereto contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 8, 2024. The financial data and other financial information disclosed in the notes to the accompanying condensed consolidated financial statements are also unaudited. As such, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to applicable rules and regulations thereunder.

The unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements as of and for the year ended December 31, 2023 and, in management’s opinion, include all adjustments, consisting of only normal recurring adjustments, necessary for the fair presentation of the financial statements for the interim periods. The results of operations for the three months ended March 31, 2024 are not necessarily indicative of the results to be expected for the full fiscal year or for any other period.

The accompanying condensed consolidated financial statements have been prepared assuming our Company will continue as a going concern. We have experienced recurring losses from operations since our inception and had an accumulated deficit of $205,547 and $197,742 as of March 31, 2024 and December 31, 2023, respectively. Management continues to monitor cash flows and liquidity on a regular basis. We believe that our cash balance, including short-term investments, at March 31, 2024 and expected cash flows from operations for the next twelve months subsequent to the issuance of the accompanying condensed consolidated financial statements, are sufficient to enable us to maintain current and essential planned operations for more than the next twelve months.

***Use of Estimates***

Preparation of our condensed consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as of the date of the condensed consolidated financial statements. By their nature, these judgments are subject to an inherent degree of uncertainty. We use historical experience and other assumptions as the basis for our judgments and estimates. Because future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Any changes in these estimates will be reflected in our consolidated financial statements.

***Significant Accounting Policies***

There have been no changes in the Company's significant accounting polices as disclosed in Note 2 to the audited consolidated financial statements included in the 2023 Annual Report on Form 10-K.

***Reclassification***

In the condensed consolidated financial statements, the Company has reclassified stock-based compensation to conform to the current period presentation. All stock-based compensation was previously recorded within general and administrative expenses, and such costs have now been allocated between general and administrative expenses, research and development expenses and sales and marketing expenses. The current presentation results in stock-based compensation expense being recorded in the same manner in which the award recipient's payroll costs are classified. This reclassification did not affect previously reported total operating expenses, loss before income taxes, or net loss in the condensed consolidated statements of operations.

The following tables present the impact of the reclassification on our condensed consolidated statements of operations:

| | Three Months Ended March 31, 2023 |
|---|---|
| Sales and marketing (prior presentation) | $ 12,216 |
| Reclassification | 333 |
| Sales and marketing (new presentation) | $ 12,549 |

| | Three Months Ended March 31, 2023 |
|---|---|
| General and administrative (prior presentation) | $ 17,666 |
| Reclassification | (509) |
| General and administrative (new presentation) | $ 17,157 |

| | Three Months Ended March 31, 2023 | |
|---|---|---|
| Research and development (prior presentation) | $ | 2,270 |
| Reclassification | | 176 |
| Research and development (new presentation) | $ | 2,446 |

***Financial Instruments and Concentration of Credit Risk***

Financial instruments that could subject the Company to credit risk consist primarily of cash, cash equivalents, short-term investments and accounts receivable. We consider all highly liquid investments with original maturity of three months or less at inception to be cash equivalents.The Company performs ongoing credit evaluations of customers and maintains a reserve for expected credit losses. The Company believes the risk of credit losses associated with accounts receivable is low given the history of collections and customer base. Additionally, the Company considers the risk for credit losses associated with short-term investments to be low given the types of investments which primarily include Certificates of Deposits and Treasury Bonds.

***Recent Accounting Pronouncements***

In October 2023, the FASB issued ASU No. 2023-06 "*Disclosure Improvements - Codification Amendments in Response to SEC's Disclosure Update and Simplification Initiative".* This amendment modifies the disclosure or presentation requirements of a variety of Topics in the Codification. Certain of the amendments represent clarifications to or technical corrections of the current requirements. For entities subject to the SEC's existing disclosure requirements and entities required to file or furnish financial statements with or to the SEC in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer, the effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. For all other entities, the amendments will be effective two years later. Amendments in this Update should be applied prospectively. The Company continues to analyze this ASU. The update is specific to disclosures and, therefore, is not expected to have a material impact to the condensed consolidated financial statements.

In November 2023, the FASB issued ASU No. 2023-07, "*Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*." The standard requires disclosure of significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items to reconcile to segment profit or loss, and the title and position of the entity's CODM. The amendments in this update also expand the interim segment disclosure requirements. This authoritative guidance will be effective for us in fiscal 2024 for annual periods and in the first quarter of fiscal 2025 for interim periods, with early adoption permitted. We are currently evaluating the effect of this new guidance on our consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU No. 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*" ("ASU 2023-09), which enhances the transparency and decision usefulness of income tax disclosures. The ASU is effective for public companies for fiscal years beginning on or after December 15, 2024, with early adoption permitted. The amendments in ASU 2023-09 should be applied on a prospective basis. Retrospective application is permitted. We are currently evaluating the effect of this new guidance on our consolidated financial statements and disclosures.

## NOTE 3 - BUSINESS COMBINATIONS AND ASSET ACQUISITIONS

*Boston Brace International, Inc.*

On January 5, 2024, the Company purchased all of the issued and outstanding share capital of Boston Brace International, Inc., a Massachusetts corporation ("Boston O&P"). Boston O&P has developed and manufactures pediatric orthotic and prosthetic devices, including non-surgical scoliosis treatment options, and provides related clinical services.

Under the terms of the stock purchase agreement, the Company paid to the shareholders of Boston O&P consideration of $22,000 in cash, subject to customary adjustments related to net working capital, transaction expenses, and funded indebtedness. Additionally, certain employees and executives of Boston O&P also received awards of restricted stock of the Company which will vest in three years subject to continuous service. The Restricted Stock Award Agreements were to approximately 170 individuals for an aggregate of approximately 83,000 shares representing approximately $2,500 (based on a share price of $30.12, which was the average closing price during the four-month period ending on January 4, 2024) and were granted pursuant to the Company's 2017 Plan. The restricted stock units are not considered part of the purchase consideration.

The following table summarizes the total consideration paid for Boston O&P and the preliminary allocation of purchase price to the estimated fair value of the assets acquired and liabilities assumed at the acquisition date:

| | | |
|---|---|---|
| Fair value of estimated total acquisition consideration | $ | 22,000 |
| Assets | | |
| Cash | | 1,307 |
| Accounts receivable - trade | | 2,876 |
| Inventories | | 1,093 |
| Prepaid expenses and other current assets | | 378 |
| Property and equipment | | 4,360 |
| Amortizable intangible assets | | 3,720 |
| Other intangible assets | | 3,650 |
| Other non-current assets | | 2,208 |
| Total assets | | 19,592 |
| Liabilities | | |
| Accounts payable-trade | | 581 |
| Other current liabilities | | 2,063 |
| Long-term debt | | 724 |
| Deferred tax liability | | 2,268 |
| Other non-current liabilities | | 1,003 |
| Total liabilities | | 6,639 |
| Less: total net assets | | 12,953 |
| Goodwill | $ | 9,047 |

The fair value of identifiable intangible assets and certain long-lived assets were based on valuations using a combination of the income and cost approach, inputs which would be considered Level 3 under the fair value hierarchy. The estimated fair value and useful life of identifiable intangible assets are as follows:

| | Amount | | Remaining Economic Useful Life |
|---|---|---|---|
| Trademarks / Names | $ | 3,650 | Indefinite |
| Customer Relationships & Other | | 3,720 | 12 years |
| | $ | 7,370 | |

The following table represents the pro forma net revenue and net loss assuming the acquisition of Boston O&P occurred on January 1, 2023.

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2024 | | 2023 | |
| Net revenue | $ | 45,116 | $ | 38,435 |
| Net loss | $ | (7,786) | $ | (6,690) |

*Rhino Pediatric Orthopedic Designs, Inc.*

On July 1, 2023, the Company completed an acquisition of assets, including inventory and certain intangible assets, of Rhino Pediatric Orthopedic Designs, Inc. ("Rhino"). Rhino's product portfolio included several pediatric orthopedic products in the bracing and soft goods space, including the Cruiser ™, Kicker ™, and Rhino Stomper ™. The Company paid $1,024 in total consideration for the assets which was comprised of $546 of cash, including $46 of transactions costs, and 11,133 shares of the Company's common stock, par value $0.00025 per share, representing approximately $478 (based on closing price of $42.91 on July 1, 2023).

*Medtech Concepts LLC*

On May 1, 2023, the Company purchased all of the issued and outstanding membership interest of Medtech Concepts LLC, a Delaware limited liability company ("MedTech"). MedTech has developed an early-stage, pre-commercial enabling technology platform designed to increase efficiency in the perioperative environment. The solution combines hardware, software, and data analytics to help streamline operative care and support better decision making in the operating room. In the future, the Company believes this enabling technology platform will provide valuable intraoperative resources for surgeons that will improve decision making, drive operating room efficiency, and ultimately improve healthcare for children. The Company also expects that the acquisition will further support future market share gains for its implant systems, similar to what the Company has experienced with the FIREFLY® Technology and the 7D Surgical FLASH™ Navigation platform. No revenue was recorded from this platform in 2023, and the Company does not anticipate material revenue contributions from the platform in 2024.

The sellers of MedTech are being paid a purchase price of approximately $15,274 in the following manner: (i) cash in the aggregate amount of $3,000 was paid on May 1, 2023, the transaction closing date (the "Closing Date"); (ii) 43,751 unregistered shares of the Company's common stock, par value $0.00025 per share, representing approximately $2,274 (based on a closing share price of $51.98 on May 1, 2023), were issued on the Closing Date; and (iii) an aggregate of $2,500 payable 50% in cash and 50% in shares of unregistered common stock, will be paid on each of the first four anniversaries of the Closing Date, all subject to the conditions set forth in the Membership Interest Purchase Agreement (the "Purchase Agreement"), as amended, relating to the transaction.

The Company concluded that the business acquired did not comprise an integrated set of activities that meet the definition of a business and therefore did not result in the acquisition of a business. Instead, the Company accounted for the transaction as an asset acquisition for accounting purposes.

Under the Purchase Agreement, a number of future payments in the form of common stock are contingent on continued service through each applicable payment anniversary date. As such, these amounts have been excluded from measuring the cost of the acquisition. The result is $4,500 of stock compensation which is being recognized on a straight-line basis over the four year service period. Future cash payments and stock issuances that are not contingent on continuous service are included in the calculation of consideration. The total consideration is $10,043 after discounting the future guaranteed fixed payments to their present value. Additionally, since this was treated as an asset acquisition, the Company included $97 of transaction costs in the total consideration. The table below reconciles the payments and issuances to total consideration transferred after discounting the future payments to present value.

| | Consideration | Present Value |
|---|---|---|
| Cash consideration | $ 3,000 | $ 3,000 |
| Issuance of common stock | 2,274 | 2,274 |
| Anniversary payments | 5,500 | 4,672 |
| Transaction costs | 97 | 97 |
| Total consideration transferred | $ 10,871 | $ 10,043 |

As result of this asset acquisition, the Company recorded a trademark asset in the amount of $520 with an indefinite useful life and an intellectual property asset relating to software acquired of $9,523 which is being amortized over a useful life of ten years.

Kevin Unger, a member of the Company's Board of Directors (the "Board") through April 28, 2023, was one of the sellers in the transaction. As a result, the Board formed a special committee comprised of independent and disinterested directors (the "Special Committee") with the exclusive authority to review, evaluate, and negotiate, or reject, the potential MedTech acquisition. The Purchase Agreement and the transactions contemplated thereby were approved by both the Special Committee and the full Board (with Mr. Unger abstaining).

## NOTE 4 - GOODWILL AND INTANGIBLE ASSETS

### *Goodwill*

Changes in the carrying amount of goodwill for the three months ended March 31, 2024 were as follows:

| | Total |
|---|---|
| Goodwill at January 1, 2024 | $ 83,699 |
| Boston O&P acquisition | 9,047 |
| Foreign currency translation impact | (1,265) |
| Goodwill at March 31, 2024 | $ 91,481 |

### *Intangible Assets*

As of March 31, 2024, the balances of amortizable intangible assets were as follows:

| | Weighted-Average Amortization Period | Gross Intangible Assets | Accumulated Amortization | Net Intangible Assets |
|---|---|---|---|---|
| Patents | 11.0 years | $ 44,969 | $ (11,619) | $ 33,350 |
| Intellectual Property & Capitalized Software | 8.9 years | 16,027 | (2,911) | 13,116 |
| Customer Relationships & Other | 12.1 years | 22,417 | (3,675) | 18,742 |
| License Agreements | 3.6 years | 10,733 | (5,559) | 5,174 |
| Total amortizable assets | | $ 94,146 | $ (23,764) | $ 70,382 |

As of December 31, 2023, the balances of amortizable intangible assets were as follows:

| | Weighted-Average Amortization Period | Gross Intangible Assets | Accumulated Amortization | Net Intangible Assets |
|---|---|---|---|---|
| Patents | 11.2 years | $ 45,646 | $ (11,008) | $ 34,638 |
| Intellectual Property & Capitalized Software | 9.1 years | 16,026 | (2,524) | 13,502 |
| Customer Relationships & Other | 12.4 years | 18,862 | (3,270) | 15,592 |
| License Agreements | 3.8 years | 10,733 | (5,190) | 5,543 |
| Total amortizable assets | | $ 91,267 | $ (21,992) | $ 69,275 |

Licenses are tied to product launches and do not begin amortizing until the product is launched to the market.

Trademarks are non-amortizing intangible assets which were $18,792 and $15,287 as of March 31, 2024 and December 31, 2023, respectively. Trademarks are recorded in Other intangible assets on the condensed consolidated balance sheets. The change in balance during the three months ended March 31, 2024 was driven by foreign currency translation adjustments and the Boston O&P acquisition.

During 2023, management determined that a triggering event occurred, indicating that it was more likely than not the fair value of the ApiFix trademark asset was less than the carrying value. As such, the Company completed a quantitative analysis whereby we determined the fair value of the ApiFix trademark asset was below the carrying value. We recorded an impairment charge of $985 for the year ended December 31, 2023 to reduce the carrying amount of the intangible asset to its estimated fair value.

**NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company measures certain financial assets and liabilities at fair value. The accounting standards related to fair value measurements define fair value and provide a consistent framework for measuring fair value under the authoritative literature. A fair value hierarchy was established, which prioritizes the inputs used in measuring fair value into three broad levels.

Level 1 – Quoted prices in active markets for identical assets or liabilities;

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data; and

Level 3 – Significant unobservable inputs that are not corroborated by market data. Generally, these fair value measures are model-based valuation techniques such as discounted cash flows, and are based on the best information available, including our own data.

The following tables summarize the assets and liabilities measured at fair value on a recurring basis as of March 31, 2024 and December 31, 2023.

| | March 31, 2024 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial Assets | | | | |
| Short-term investments | | | | |
| Certificates of Deposit | $ — | $ 26,141 | $ — | $ 26,141 |

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial Assets | | | | |
| Short-term investments | | | | |
| Certificates of Deposit | $ — | $ 25,792 | $ — | $ 25,792 |
| Exchange Trade Mutual Funds | $ 5,015 | $ — | $ — | $ 5,015 |
| Treasury Bonds | $ 18,235 | $ — | $ — | $ 18,235 |
| Other | $ 207 | $ — | $ — | $ 207 |

The Company's Level 1 assets consist of short-term, liquid investments with original maturity of three months or less at inception and other short-term investments which are comprised of exchange traded mutual funds and marketable securities with a maturity date greater than 3 months.

The Company's Level 2 assets pertain to certain asset-backed securities, collateralized by non-mortgage-related consumer debt, or certificates of deposit. These securities are predominately priced by third parties, either by a pricing vendor or dealer with significant inputs observable in active markets.

The Company's Level 3 instruments consist of contingent consideration. The fair value of the contingent consideration liability assumed in business combinations is recorded as part of the purchase price consideration of the acquisition and is determined using a discounted cash flow model or probability simulation model. The significant inputs of such models are not always observable in the market, such as forecasted annual revenues, expected volatility and discount rates. The contingent consideration was zero as of both March 31, 2024 and December 31, 2023.

**NOTE 6 - DEBT AND CREDIT ARRANGEMENTS**

Long-term debt consisted of the following as of the dates indicated:

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Term loan and final payment | $ 10,300 | $ 10,300 |
| Mortgage payable to affiliate | 726 | 763 |
| Acquisition note payable | 261 | — |
| Total debt | 11,287 | 11,063 |
| Less: debt discount and issuance costs | 982 | 1,003 |
| Less: current maturities | 154 | 152 |
| Long-term debt, net of current maturities | $ 10,151 | $ 9,908 |

On December 29, 2023, the Company entered into an $80 million Credit, Security and Guaranty Agreement (the “Credit Agreement”) by and among (i) the Company and other borrowers party to the Credit Agreement (collectively, the “Borrowers”), (ii) MidCap Funding IV Trust, as Agent (“Agent”), (iii) MidCap Financial Trust, as Term Loan Servicer (“Servicer”), and (iv) the financial institutions or other entities from time to time party thereto as Lenders (collectively, “Lenders”). Under the terms of the Credit Agreement, the Lenders have provided to Borrowers a term loan in an aggregate principal amount that will not exceed $30 million available in three tranches of $10 million each subject to certain draw conditions (the “Term Loan”) and a revolving loan in an aggregate principal amount that will not exceed $50 million (the “Revolving Loan”). Borrowings are available subject to certain levels of working capital for the Revolving Loan. The second tranche of the Term Loan is eligible to be drawn between July 1, 2024 through June 30, 2025. The third tranche of the Term Loan is eligible to be drawn between January 1, 2025 through June 30, 2025. The Company must meet certain cash usage requirements at the time of each draw to be eligible to access these term loans. Interest on the Term Loan will accrue at the greater of (a) One Month Term SOFR plus 6.50% or (b) 9.0% and interest on the Revolving Loan will accrue at the greater of (a) One Month Term SOFR plus 4.0% or (b) 6.50% (the “Applicable Rate”) and will be payable monthly by the Borrowers. The Term Loans may be prepaid in full through December 29, 2024 with payment of a 3.00% prepayment premium, after which they may be prepaid in full through December 29, 2025 with payment of a 2.00% prepayment premium, after which they may be prepaid in full through December 29, 2026 with payment of a 1.00% prepayment premium, after which they may be prepaid in full with no prepayment premium. An additional final payment of 3.00% ("Final Payment") of the amount of the Terms Loans advanced by the Lenders will be due upon prepayment or repayment of the Terms Loans in full, and is accounted for as debt discount. The first tranche of $10 million was issued under the Term Loan upon execution. Payments of principal and all accrued but unpaid interest will be due and payable upon the earlier of: (i) December 1, 2028; (ii) the occurrence of any transaction or series of transactions pursuant to which any person or entity in the aggregate acquire(s) 35% or more of the voting capital stock of the Company; (iii) a change in the majority of the Company's Board of Directors over a 12-month period; (iv) the Company ceases to own directly or indirectly, 100% of the capital stock of any of its subsidiaries (with the exception of any subsidiaries permitted to be dissolved, merged or otherwise disposed of by the Credit Agreement), or (v) the occurrence of a change in control, fundamental change, deemed liquidation event or terms of similar import under any document or instrument governing or relating to debt of or equity interests of the Company. The loans under the Credit Agreement are secured by a security interest in the Company's and other Borrowers' assets. The Credit Agreement provides for customary events of default. If an event of default is not cured within the time periods specified (if any), the Lenders and Agent have the right to accelerate the Company's payment of principal and interest in addition to other rights and remedies.

The Credit Agreement includes certain customary non-financial covenants, and also include certain financial covenants related to the Company achieving minimum revenue targets over a trailing twelve month period. The Credit Agreement was amended on May 3, 2024 to clarify the inputs into the financial covenant calculations. No other changes were made to the Credit Agreement. The Company was in compliance with all covenants under the Credit Agreement, as amended, as of March 31, 2024 and December 31, 2023.

The debt facilities available under the Credit Agreement replace the Fourth Amended and Restated Loan and Security Agreement with Squadron Capital, LLC ("Squadron"), (as amended, the "Squadron Loan Agreement"), which provided the Company with a $50 million revolving credit facility. During the year ended December 31, 2023, there was no indebtedness outstanding under the Squadron Loan Agreement and it was terminated in connection with the Credit Agreement.

Borrowings under the Squadron Loan Agreement accrued interest at an annual rate equal to the greater of (a) six month SOFR plus 8.69% and (b) 10.0%, and the Company was permitted to make interest only payments on amounts outstanding. Prior to December 31, 2021, the interest rate on the facility had been equal to the greater of (a) three month LIBOR plus 8.61% and (b) 10.0%. The Company paid Squadron an unused commitment fee in an amount equal to the per annum rate of 0.50% (computed on the basis of a year of 360 days and the actual number of days elapsed) times the daily unused portion of the revolving credit commitment. The unused commitment fee was payable quarterly in arrears.

Borrowings under the Squadron Loan Agreement were made under a Second Amended and Restated Revolving Note, dated June 13, 2022 (the "Amended Revolving Note"), payable, jointly and severally, by the Company and each of its subsidiaries party thereto. The Amended Revolving Note matured at the earlier of: (i) the date on which any person or persons acquire (x) capital stock of the Company possessing the voting power to elect a majority of the Company's Board of Directors (whether by merger, consolidation, reorganization, combination, sale or transfer), or (y) all or substantially all of the Company's assets, determined on a consolidated basis; and (ii) January 1, 2024.

Borrowings under the Squadron Loan Agreement were secured by substantially all of the Company's assets and were unconditionally guaranteed by each of its subsidiaries with the exception of Vilex in Tennessee, Inc. ("Vilex"). There were no traditional financial covenants associated with the Squadron Loan Agreement. However, there were negative covenants that prohibited us from, among other things, transferring any of our material assets, merging with or acquiring another entity, entering into a transaction that would result in a change of control, incurring additional indebtedness, creating any lien on our property, making investments in third parties and redeeming stock or paying dividends, in each case subject to certain exceptions.

In connection with the purchase of our office and warehouse space in Warsaw, Indiana in August 2013, we entered into a mortgage note payable to Tawani Enterprises Inc., an affiliate of Squadron. Pursuant to the terms of the mortgage note, we pay Tawani Enterprises Inc. monthly principal and interest installments of $16 with interest compounded at 5% until maturity in 2028, at which time a final payment of remaining principal and interest is due. At March 31, 2024, the mortgage balance was $726 of which current principal of $154 was included in the current portion of long-term debt. As of December 31, 2023, the mortgage balance was $763 of which current principal due of $152 was included in the current portion of long-term debt.

The aggregate interest expense relating to the notes payable to Squadron, the mortgage note payable to Tawani Enterprises Inc. and the term loan with MidCap was $339 and $11 for the three months ended March 31, 2024 and 2023, respectively.

## NOTE 7 - INCOME TAXES

The Company utilizes an estimated annual effective tax rate to determine its provision or benefit for income taxes for interim periods. The income tax provision or benefit is computed by multiplying the estimated annual effective tax rate by the year-to-date pre-tax book income (loss).

For the three months ended March 31, 2024, the income tax benefit was $2,531 compared to $574 for the three months ended March 31, 2023. Our effective income tax rate was (24.5)% and (7.8)% for the three months ended March 31, 2024 and 2023, respectively. The higher effective rate compared to the prior period is from the remeasurement of the valuation allowance subsequent to recording the deferred tax liability as a result of the purchase accounting from the Boston O&P acquisition.

The deferred tax assets were fully offset by a valuation allowance at March 31, 2024 and December 31, 2023, with the exception of certain deferred tax liabilities recognized in a foreign jurisdiction as a result of fair value adjustments recorded upon the acquisition of ApiFix, Ltd. ("ApiFix") and Pega Medical. See Note 3 under Item 8 in the Company's Annual Report on Form 10-K for additional information regarding the ApiFix business combination. The Company has recorded a tax benefit during the period ended March 31, 2024 for losses generated in Canada and Israel, respectively.

## NOTE 8 - STOCKHOLDERS' EQUITY

### *Restricted Stock*

Our restricted stock activity and related information are summarized as follows:

| | Restricted Stock Awards | Weighted-Average Remaining Contractual Terms (in Years) | Restricted Stock Units | Weighted-Average Remaining Contractual Terms (in Years) |
|---|---|---|---|---|
| Outstanding at January 1, 2024 | 592,453 | 1.6 | 13,851 | 1.7 |
| Granted | 165,473 | | 7,900 | |
| Forfeited | (3,470) | | (100) | |
| Vested | (82,659) | | — | |
| Outstanding at March 31, 2024 | 671,797 | 1.9 | 21,651 | 1.9 |

At March 31, 2024, there was $16,757 of unrecognized compensation expense remaining related to our service-based restricted stock awards and restricted stock units. The unrecognized compensation cost is expected to be recognized over a weighted-average period of 1.9 years or earlier upon an elimination of the restriction period as a result of a change in control event.

Stock-based compensation expense on restricted stock amounted to $2,799 and $1,959 for the three months ended March 31, 2024 and 2023, respectively.

**NOTE 9 – NET LOSS PER SHARE**

The following is a reconciliation of basic and diluted net loss per share:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Net loss | $ (7,805) | $ (6,806) |
| Weighted average shares outstanding for basic and diluted | 22,820,779 | 22,506,024 |
| Net loss per share - basic and diluted | $ (0.34) | $ (0.30) |

Our basic and diluted net loss per share is computed using the two-class method. For purposes of our equity disclosures and calculation of weighted average shares for basic earnings per share calculations, the two-class method is an earnings allocation that determines net income per share for each class of common stock and participating securities according to their participation rights in dividends and undistributed earnings or losses. Non-vested restricted stock that includes non-forfeitable rights to dividends are considered participating securities.

The contingently issuable shares in the paragraph above do not include shares of our common stock associated with our obligation to issue a variable number of our common shares as a result of our recent acquisitions of Pega Medical, ApiFix or MedTech. See Note 3 for additional information regarding our commitment to issue future equity under the MedTech acquisition. Additionally, as a component of the acquisition of ApiFix, the Company is obligated to make anniversary installment payments on the second, third and fourth anniversary of the acquisition date. These payments included a minimum cash component with the remaining settled in common stock. See Note 3 under Item 8 in the Company's Annual Report on Form 10-K for additional information regarding this business combination.

**NOTE 10 – BUSINESS SEGMENT**

Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. We have one operating and reportable segment, which designs, develops and markets anatomically appropriate implants and devices for children with orthopedic problems. Our chief operating decision-maker, our Chief Executive Officer, reviews financial information presented on a consolidated basis for purposes of making operating decisions and assessing financial performance, accompanied by disaggregated revenue information by product category. We determined that disaggregating revenue into these categories achieves the disclosure objective of illustrating the differences in the nature, timing and uncertainty of our revenue streams. We do not assess the performance of our individual product categories on measures of profit or loss, or other asset-based metrics. Therefore, the information below is presented only for revenue by category and geography.

Product sales attributed to a country or region includes product sales to hospitals, physicians and distributors and is based on the final destination where the products are sold. No individual customer accounted for more than 10% of total product sales for the three months ended March 31, 2024 or 2023.

No individual customer accounted for more than 10% of consolidated accounts receivable as of March 31, 2024 and December 31, 2023.

Product sales by source were as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| Product sales by geographic location: | 2024 | 2023 |
| U.S. | $ 34,305 | $ 23,800 |
| International | 10,380 | 7,788 |
| Total | $ 44,685 | $ 31,588 |

| | Three Months Ended March 31, | |
|---|---|---|
| Product sales by category: | 2024 | 2023 |
| Trauma and deformity | $ 33,302 | $ 23,395 |
| Scoliosis | 10,203 | 7,072 |
| Sports medicine/other | 1,180 | 1,121 |
| Total | $ 44,685 | $ 31,588 |

**NOTE 11 - RELATED PARTY TRANSACTIONS**

In addition to the expired debt and credit agreements and mortgage with Squadron (the Company's largest investor) and its affiliate (see Note 6), we currently use Structure Medical, LLC (“Structure Medical”) as one of our suppliers. Structure Medical is affiliated with Squadron and a supplier with which we maintain certain long-term agreements. We made aggregate payments to Structure Medical for inventory purchases of $382 and $246 for the three months ended March 31, 2024 and 2023, respectively.

**NOTE 12 - EMPLOYEE BENEFIT PLAN**

We have a defined-contribution plan, OrthoPediatrics 401(k) Retirement Plan (the “401(k) Plan”), which includes a cash or deferral (Section 401(k)) arrangement. The 401(k) Plan covers those employees who meet certain eligibility requirements and elect to participate. Employee contributions are limited to the annual amounts permitted under the Internal Revenue Code. The 401(k) Plan allows us to make a discretionary matching contribution. Discretionary matching contributions are determined annually by management. We have elected to match our employees' 401(k) contributions up to 4% of employees' salary. Additionally, employees of MD Ortho receive contribution matches up to 3% of their salary.

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

*Leases*

As of March 31, 2024, the Company has recorded a lease liability of $2,235 and corresponding right-of-use asset of $2,529 on its condensed consolidated balance sheet. We assumed $1,749 of operating right-of-use assets and $1,582 of total lease liabilities in connection with our acquisition of Boston O&P.

*Legal Proceedings*

From time to time, we are involved in various legal proceedings arising in the ordinary course of our business.

IMED Surgical - Software Ownership Dispute

On October 16, 2020, the Company, its wholly-owned subsidiary, Orthex, LLC (“Orthex”), the Company’s largest investor, Squadron, and certain other defendants, were named in a lawsuit filed by IMED Surgical, LLC, a New Jersey company ("IMED"), in Broward County, Florida Circuit Court. In the lawsuit, IMED claims, among other things, that it is the rightful owner of certain patented point-and-click planning software being used by the Company, Orthex and Squadron (specifically, U.S. Patent No. 10,258,377 (titled “Point and click alignment method for orthopedic surgeons, and surgical and clinical accessories and devices,” issued on April 16, 2019) (hereinafter, the “’377 Patent”).

In June 2019, the Company purchased all the issued and outstanding units of membership interests in Orthex, and all the issued and outstanding shares of stock of Vilex in Tennessee, Inc. for $60,000 in total consideration. Vilex and Orthex are primarily manufacturers of foot and ankle surgical implants, including cannulated screws, fusion devices, surgical staples and bone plates, as well as the Orthex Hexapod technology, a system of rings, struts, implants, hardware accessories, and the Point & Click Software used to treat congenital deformities and limb length discrepancies. On December 31, 2019, the Company divested substantially all of the assets relating to Vilex's adult product offerings to a wholly-owned subsidiary of Squadron, in exchange for a $25,000 reduction in a term note owed to Squadron in connection with the initial acquisition. As part of the sale, the Company also executed an exclusive license arrangement with Squadron providing for perpetual access to certain intellectual property, including the ‘377 Patent. According to the lawsuit, the other defendants, who are unrelated to the Company, assigned the ‘377 Patent to Orthex in violation of certain agreements with IMED. IMED, among other things, requests that the defendants be ordered to convey and assign to IMED all of their rights, title and interests in and to the ’377 Patent and seeks certain compensatory, consequential and unjust enrichment damages from Orthex and the unrelated defendants.

On May 13, 2021, the Court ordered the lawsuit stayed pending arbitration. To the extent IMED desires to further pursue the matter, it must first do so through a separate arbitration proceeding. In mid-November 2021, IMED initiated an arbitration proceeding; however, IMED failed to pay the fees it was required to pay for the arbitration to continue, resulting in the arbitration panel terminating the arbitration proceedings in mid-October 2022. In connection with the stay order, the Court also ordered the Company, Orthex and Squadron to give notice to IMED before any attempt to dispose, assign, sell or otherwise encumber the ‘377 Patent. The Company, Orthex and Squadron filed an appeal of this component of the order, but the appellate court affirmed the lower court’s decision. The Company, Orthex and Squadron have not sought to further pursue an appeal of the subject order.

On February 3, 2023, the Court partially lifted the stay in this case for the sole purpose of, as clarified by the Court's order on March 7, 2023, "permitting any party to argue any motion challenging the events that occurred which led to the arbitration panel's termination order." No filing was made in response to that order. No further filings were made in this case until October 30, 2023, when defendants filed a motion to dismiss.

On December 12, 2023, the Court ordered IMED has until March 13, 2024, to appear before the Court and show cause why this case should not be dismissed for failure to pursue arbitration consistent with the Court’s orders. On March 13, 2024, a hearing took place to discuss the status of IMED’s effort to re-initiate arbitration. Thereafter, on March 25, 2024, the court ordered, if, by April 27, 2024, IMED has not begun arbitration, resolved this case, or substantiated (in the form of an attorney and client declaration) that it has executed an agreement with a litigation funder to pay for arbitration proceedings, to pay the balance due to the subject arbitration association and to re-instate the arbitration, the Court will dismiss this case without prejudice. On April 26, 2024, IMED informed the Court it has executed an agreement with a litigation funder to pay for arbitration proceedings, to pay the balance due to the subject arbitration association, and to reinstate the arbitration, and is in the final stages of resolving the balance due to the subject arbitration association.

Although we believe the Company has strong defenses to the IMED lawsuit and we intend to vigorously defend the claims asserted against us, arbitration and litigation can involve complex factual and legal questions, and an adverse resolution of such proceedings could have a material adverse effect on our business, operating results and financial condition.

Boston O&P Litigation

This lawsuit arises from the alleged wrongful death of a patient following his January 2016, tracheal and laryngeal resection procedure at Boston Children's Hospital, which was performed by two physicians named as defendants in the suit. The Plaintiffs allege that as a result of the patient's post-operative care, which included placing his neck in a position of flexion in a modified brace provided by Boston O&P, the patient was paralyzed, and years later, he died due to complications caused by his paralysis. The Company acquired all of the outstanding shares of Boston O&P on January 5, 2024 as described more fully under Note 3 - Business Combinations and Asset Acquisitions.

The lawsuit commenced in December 2018, in Suffolk Superior Court in Boston, Massachusetts. The Plaintiffs assert counts of negligence against each individual defendant, lack of informed consent against the physician defendants, failure to warn, breach of warranty and alleged improper use against Boston O&P, and loss of consortium against all defendants. Trial is currently scheduled to begin in December 2025.

Although we believe Boston O&P has strong defenses to this lawsuit and we intend to vigorously defend the claims asserted against us, litigation can involve complex factual and legal questions, and an adverse resolution of such proceedings could have a material adverse effect on our business, operating results and financial condition.

We are not presently a party to any other legal proceedings the outcome of which, if determined adversely to us, would individually or in the aggregate materially affect our financial position or results of operations or cash flows.

*Purchase Obligations and Performance Requirements*

As a result of entering into a license agreement for the exclusive distribution of the 7D Surgical FLASH™ Navigation platform during 2021, the Company agreed to a minimum purchase commitment for the first twelve months of that agreement. Additionally, the contract requires future purchase commitments based upon a percentage of historical purchases. As a result and as of March 31, 2024, the remaining purchase commitment under the agreement was $1,820 for the year ended December 31, 2024 and $1,456 for the year ended December 31, 2025.

On July 20, 2021, we entered into an amended license agreement, resulting in a five-year extension of our exclusive distribution rights of the FIREFLY Technology. As a component of the agreement the Company is required to meet minimum performance metrics, measured by the number of spine procedures in the fiscal year which used the FIREFLY products against the annual requirement in the agreement. This includes any scheduled surgeries whereby the Company has committed to payment of the product. The number of required surgeries varies each year of the agreement. The Company analyzes its projected achievement of these performance metrics and accrues for any estimated shortfall. During the three months ended March 31, 2024, the Company recorded an expense of $542 based on current estimates. The Company recorded $300 of expense for the three months ended March 31, 2023.

*Royalties*

As of March 31, 2024, we are contracted to pay royalties to individuals and entities that provide research and development services, which range from 0.5% to 20% of sales.

We have products in development that have royalty commitments. In any development project, there are significant variables that will affect the amount and timing of these payments and as of March 31, 2024, we have not been able to determine the amount and timing of payments. We do not anticipate these future payments will have a material impact on our financial results.

**NOTE 14 – SUBSEQUENT EVENT**

**ApiFix Acquisition Installment Payment**

On April 1, 2024, the fourth-year anniversary of the acquisition of ApiFix, the Company paid $2,250 in cash and issued 245,812 shares of the Company's common stock, representing $6,929 of fair value (based on the April 1, 2024 closing share price of $28.19), to fulfill its installment obligation to ApiFix. This was the third and final installment payment paid since the acquisition.

**MedTech Anniversary Payment**

On May 1, 2024, the first-year anniversary of the acquisition of MedTech, the Company paid $1,250 in cash and issued 42,882 shares of the Company's common stock, representing $1,331 of fair value (based on the May 1, 2024 closing share price of $31.04), to fulfill its installment obligation to MedTech. This was the first installment payment paid since the acquisition.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the condensed consolidated financial statements and related notes thereto contained elsewhere in this quarterly report, as well as the information under "Note Regarding Forward-Looking Statements."*

*The description of our business included in this quarterly report is summary in nature and only includes material developments that have occurred since the latest full description. The full description of the history and general development of our business is included in "Item 1. Description of Business" section of the Company's Annual Report on Form 10-K filed with the SEC on March 8, 2024, which section is incorporated herein by reference.*

**Overview**

We are the only global medical device company focused exclusively on providing a comprehensive trauma and deformity correction, scoliosis and sports medicine product offering to the pediatric orthopedic market in order to improve the lives of children with orthopedic conditions. We design, develop and commercialize innovative orthopedic implants, instruments and specialized braces to meet the needs of pediatric surgeons or orthotists and their patients, who we believe have been largely neglected by the orthopedic industry. We currently serve three of the largest categories in this market. We estimate that the portion of this market that we currently serve represents a $3.9 billion opportunity globally, including over $1.7 billion in the United States.

We sell implants, instruments and specialized braces to our customers for use by pediatric orthopedic surgeons, orthotists or physical therapists to treat orthopedic conditions in children. We provide our implants in sets that consist of a range of implant sizes and include the instruments necessary to perform the surgical procedure. In the United States and a few selected international markets, our customers typically expect us to have full sets of implants and instruments on site at each hospital but do not purchase the implants until they are used in surgery. Accordingly, we must make an up-front investment in inventory of consigned implants and instruments before we can generate revenue from a particular hospital and we maintain substantial levels of inventory at any given time. In the international markets where we sell to stocking distributors or in the case of our braces, we transfer control of our products to the distributor or customer when title passes upon shipment.

We currently market 71 surgical and specialized bracing systems that serve three of the largest categories within the pediatric orthopedic market: (i) trauma and deformity correction, (ii) scoliosis and (iii) sports medicine/other. We rely on a broad network of third parties to manufacture the components of our products, which we then inspect and package. We believe our innovative products promote improved surgical accuracy, increase consistency of outcomes and enhance surgeon confidence in achieving high standards of care. In the future, we expect to expand our product offering within these categories, as well as to address additional categories of the pediatric orthopedic market.

The majority of our revenue has been generated in the United States, where we sell our products through a network of multiple direct sales representatives as well as 38 independent sales agencies employing more than 210 sales representatives specifically focused on pediatrics. These independent sales agents are trained by us, distribute our products and are compensated through sales-based commissions and performance bonuses. We do not sell our products through or participate in physician-owned distributorships, or PODs.

We market and sell our products internationally in over 70 countries, through independent stocking distributors and sales agencies. Our independent distributors manage the billing relationship with each hospital in their respective territories and are responsible for servicing the product needs of their surgeon customers. In 2017, we began to supplement our international stocking distributors with sales agencies using direct sales programs in the United Kingdom, Ireland, Australia and New Zealand where we sell directly to the hospitals. We began selling direct to Canada in September 2018, Belgium and the Netherlands in January 2019, Italy in March 2020 and Germany, Switzerland and Austria in January 2021. In order to further enhance our operations in Europe, we established operating companies in the Netherlands and Germany in March 2019 and April 2022, respectively. In January 2023, we established a direct sales organization in Germany, the Company's first direct selling organization serving an international market. In our international markets, excluding Germany, we work through sales agencies that are paid a commission, similar to our U.S. sales model. These arrangements have generated an increase in revenue and gross margin.

We believe there are significant opportunities for us to strengthen our position in U.S. and international markets by increasing investments in consigned implant and instrument sets, strengthening our global sales and distribution infrastructure and expanding our product offering.

**Environmental, Social and Governance ("ESG") Activities**

OrthoPediatrics was founded on the cause of impacting the lives of children with orthopedic conditions. Since inception we have impacted the lives of over 1,000,000 children, when including those served by our acquired companies. We believe we should continue to expand our social efforts while minimizing our impact to the environment and ensuring corporate governance. In 2021, we created an internal ESG team, which reports directly to our Board’s Governance Committee, to identify ESG topics for disclosure by assessing both the impact on our business and the importance to our stakeholders.

We encourage you to review our ESG page and summary report which can be found under the "About" section of our corporate website for more detailed information regarding our ESG efforts and current initiatives. On our website, among other information, are the following highlights:

- OrthoPediatrics cares about our environmental impact while working in a highly regulated industry and we are certified according to ISO 13485. Our team in Warsaw, Indiana recently implemented an enhanced recycling program and our team in the United Kingdom created a carbon reduction plan.

- The Company and its associates regularly participate in philanthropic causes important to our local communities. We also partner with charitable organizations that provide pediatric orthopedic care around the world. In 2020, we were named as "Corporate Partner of the Year" by World Pediatrics - with whom we work to provide access to medical care for children in developing countries.

- We are committed to fostering an environment that is respectful, compassionate, and inclusive of everyone in our community which is communicated in our diversity and inclusion policy. For eight years we have been recognized by the Indiana Chamber of Commerce - Best Companies to Work in Indiana.

- The Company and its Board of Directors understand the value of diversity. In 2022 and again in 2023, the Company added diverse Directors to our Board and will continue its Board diversity initiative in the future.

We believe effectively managing our priorities, as well as increasing our transparency related to ESG programs, will help create long-term value for our stakeholders. We expect to increase our disclosures and communicate our ESG efforts in future SEC filings.

Nothing on our website shall be deemed part of or incorporated by reference into this Quarterly Report on Form 10-Q.

**Trends and Uncertainties**

From time to time we acquire, make investments in or license other technologies, products and business that may enhance our capabilities, complement our current products or expand the breadth of our markets or customer base. As a result of these transactions, we may record certain intangible assets, including goodwill and trademarks, which are subject to annual impairment testing. Fair value is based on our current assessment of the expected future cash flows based on recent results and other specific market factors. During 2023 and 2022, we determined that a triggering event had occurred indicating it was more likely than not the fair value of the ApiFix trademark was less than the associated carrying value. Subsequently, the Company completed a quantitative analysis and concluded that the fair value was in fact less than the carrying value and a partial impairment losses of $1.0 million and $3.6 million were recorded in 2023 and 2022, respectively. We believe that the expected future cash flows in the most recent calculations represent management's best estimate; however, if actual results differ materially from these estimates, we could record an additional impairment charge which could be material to our consolidated financial statements and have an adverse impact on our results of operations.

In 2022 and 2023, there was a significant and unprecedented increase in cases of respiratory syncytial virus, or RSV, and other respiratory illnesses. RSV is a common respiratory virus that follows a seasonal pattern. The typical season shows an increase in mid-September, peaks in late December and drops around mid-April. In 2023 the United States experienced a significant increase in RSV activity outside of the typical peak season as well as a heightened impact during the winter months. The volume of elective procedures utilizing our products were negatively impacted as a significant percent of hospital capacity was absorbed to cover the increase in RSV-related hospitalizations. This had a negative impact on our sales volume in 2022 and 2023 and may continue to do so into the future. We are unable to accurately determine exactly how this will impact us in the future.

As a result of the COVID-19 pandemic, we experienced significant business disruption throughout the last several years. Elective procedures were delayed in some cases as hospitals continue to struggle with adequate staffing levels. As a majority of our products are utilized in elective surgeries or procedures, the deferrals of such surgeries and procedures have had, and may continue to have, a significant negative impact on our business and results of operations. Throughout the pandemic, we took a variety of steps to address the impact. We continue to monitor the impact of the pandemic on our employees and customers and the markets in which we operate and will take further actions that are considered prudent to address the pandemic. We cannot accurately predict with certainty the full extent to which the pandemic will impact demand for our products in the future.

We encourage the readers of this document to read our risk factors in their entirety contained in Item 1A “Risk Factors” in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on March 8, 2024 and in other reports filed with the SEC that discuss the risks and factors that may affect our business.

**Summary of Statements of Operations for the Three Months Ended March 31, 2024 and 2023**

The following table sets forth our results of operations for the three months ended March 31, 2024 and 2023:

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | Increase (Decrease) | % |
| Net revenue | $ 44,685 | $ 31,588 | $ 13,097 | 41 % |
| Cost of revenue | 12,511 | 8,027 | 4,484 | 56 % |
| Sales and marketing expenses | 14,169 | 12,549 | 1,620 | 13 % |
| General and administrative expenses | 24,730 | 17,157 | 7,573 | 44 % |
| Research and development expenses | 2,998 | 2,446 | 552 | 23 % |
| Other expense (income), net | 613 | (1,211) | 1,824 | (151)% |
| Provision for income taxes (benefit) | (2,531) | (574) | (1,957) | (341)% |
| Net loss | $ (7,805) | $ (6,806) | $ 999 | 15 % |

*Net Revenue*

The following tables set forth our net revenue by geography and product category for the three months ended March 31, 2024 and 2023:

| | Three Months Ended March 31, | |
|---|---|---|
| Product sales by geographic location: | 2024 | 2023 |
| U.S. | $ 34,305 | $ 23,800 |
| International | 10,380 | 7,788 |
| Total | $ 44,685 | $ 31,588 |

| | Three Months Ended March 31, | |
|---|---|---|
| Product sales by category: | 2024 | 2023 |
| Trauma and deformity | $ 33,302 | $ 23,395 |
| Scoliosis | 10,203 | 7,072 |
| Sports medicine/other | 1,180 | 1,121 |
| Total | $ 44,685 | $ 31,588 |

Net revenue increased $13.1 million, or 41%, from $31.6 million for the three months ended March 31, 2023 to $44.7 million for the three months ended March 31, 2024. The increase during the three months ended March 31, 2024 was primarily driven by the addition of Boston O&P sales, as well as strong performance across global Trauma and Deformity, International Scoliosis and OP Specialty Bracing.

Trauma and deformity sales increased $9.9 million, or 42%, from $23.4 million during the three months ended March 31, 2023, to $33.3 million for the three months ended March 31, 2024. The increase for the three months ended March 31, 2024 was primarily driven by strong growth across numerous product lines, specifically our Cannulated Screws, PNP Femur, PediPlate, external fixation and Pega systems, as well as the addition of Boston O&P. Scoliosis sales increased $3.1 million, or 44%, during the three months ended March 31, 2024. The increase for the three months ended March 31, 2024 was primarily driven by increased sales of our RESPONSE 5.5/6.0 and ApiFix systems and revenue generated from 7D Technology, as well as the addition of Boston O&P. Sports medicine / other increased $0.1 million, or 5%, during the three months ended March 31, 2024. The change in sports medicine / other was primarily driven by sales from our Telos operations. Nearly all the change in each category was due to an increase or decrease in the unit volume sold and not a result of price changes.

*Cost of Revenue and Gross Margin*

Cost of revenue increased $4.5 million, or 56%, from $8.0 million for the three months ended March 31, 2023 to $12.5 million for the three months ended March 31, 2024. The increase is due primarily to sales volume, including the added cost of revenue associated with the revenue generated by acquisitions and mix related to additional international sales. Gross margin was 72% and 75% for the three months ended March 31, 2024 and March 31, 2023, respectively.

*Sales and Marketing Expenses*

Sales and marketing expenses increased $1.6 million, or 13%, to $14.2 million for the three months ended March 31, 2024 from $12.5 million for the three months ended March 31, 2023. The changes in the three month periods ended March 31, 2024 was due primarily to increased sales commission expenses, as well as the addition of Boston O&P.

*General and Administrative Expenses*

General and administrative expenses increased $7.6 million, or 44%, from $17.2 million for the three months ended March 31, 2023 to $24.7 million for the three months ended March 31, 2024. The increases for the three month period ended March 31, 2024 was due primarily to the addition of Boston O&P. Stock compensation increased by $0.5 million with the increase in personnel and also as a result of restricted stock issued as part of the Boston O&P acquisition.

Depreciation and amortization expenses increased $1.2 million, or 31%, from $3.8 million for the three months ended March 31, 2023 to $5.0 million for the three months ended March 31, 2024. The increase in depreciation for the three month period ended March 31, 2024 was primarily due to higher set deployments and increased amortization associated with acquisitions, as well as the addition of Boston O&P.

*Research and Development Expenses*

Research and development expenses increased $0.6 million, or 23%, from $2.4 million for the three months ended March 31, 2023 to $3.0 million for the three months ended March 31, 2024. The increase for the three month period ended March 31, 2024 was primarily due to incremental product development and the addition of personnel to support the future growth of the business, including $0.4 million of additional non-cash stock based compensation expense.

*Total Other (Income) Expenses*

Other expense was $0.6 million for the three months ended March 31, 2024 compared to other income of $1.2 million for the three months ended March 31, 2023, a change of $1.8 million or 151%. The change for the three months ended March 31, 2024 was primarily due to the fair value adjustment of contingent consideration associated with our ApiFix acquisition, as well as an increase to net interest expense related to the new Term Loan with MidCap.

**Liquidity and Capital Resources**

We have incurred operating losses since inception which resulted in negative cash flows used in operating activities of $6.7 million and $6.5 million for the three months ended March 31, 2024 and 2023, respectively. As of March 31, 2024, we had an accumulated deficit of $205.5 million. We anticipate that our losses will continue in the near term as we continue to expand our product portfolio and invest in additional consigned implant and instrument sets to support our expansion into existing and new markets. Since inception, we have funded our operations primarily with proceeds from the sales of our common and preferred stock, convertible securities and debt, as well as through sales of our products. At March 31, 2024, we had cash and cash equivalents, restricted cash and short-term investments of $49.7 million.

**Cash Flows**

The following table sets forth our cash flows from operating, investing and financing activities for the periods indicated:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Net cash used in operating activities | $ (6,690) | $ (6,461) |
| Net cash (used in) provided by investing activities | (3,679) | 32,310 |
| Net cash used in financing activities | (573) | (36) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 1,479 | (138) |
| Net (decrease) increase in cash, cash equivalents and restricted cash | $ (9,463) | $ 25,675 |

*Cash Used in Operating Activities*

Net cash used in operating activities was $6.7 million and $6.5 million for the three months ended March 31, 2024 and 2023, respectively. The primary use of this cash was to fund our operations related to the development and commercialization of our products in each of these periods. Net cash used for working capital was $4.5 million for the three months ended March 31, 2024 compared to $4.8 million for the three months ended March 31, 2023. The increase in cash used in operating activities was primarily driven by additional inventory purchased to support sales growth as well as accounts receivable from the increased sales which was offset by cash provided by accounts payable associated with the acquired inventory.

*Cash (Used in) Provided by Investing Activities*

Net cash used in investing activities for the three months ended March 31, 2024 was $3.7 million compared to cash provided of $32.3 million for the three months ended March 31, 2023. Net cash used in investing activities for the three months ended March 31, 2024 consisted primarily of the sale of short-term marketable securities, when netted against the purchase of similar securities, offset by purchases of property, plant and equipment of $6.5 million, the majority of which is instrument sets. The change in cash related to investing activities is primarily driven by business combinations and the purchase of short term marketable securities which decreased from the prior year.

*Cash Used in Financing Activities*

Net cash used in financing activities for the three months ended March 31, 2024 was $0.6 million consisting primarily of $0.5 million payments on acquisition note payable that was assumed with the

Boston O&P acquisition. Net cash used in financing activities for the three months ended March 31, 2023 was not material to the results of our operations.

**Indebtedness**

The Company is party to a $80 million Credit, Security and Guaranty Agreement with Midcap Funding IV Trust and Midcap Financial Trust and other parties named therein. As of March 31, 2024, there was $10 million outstanding indebtedness under the Credit Agreement.

In August 2013, pursuant to the purchase of our office and warehouse space, we entered into a mortgage note payable to Tawani Enterprises Inc., the owner of which is a member of Squadron's management committee. Pursuant to the terms of the mortgage note, we pay Tawani Enterprises Inc. monthly principal and interest installments of $15,543, with interest compounded at 5% until maturity in August 2028, at which time a final payment of remaining principal and interest will become due.

See Note 6 - Debt and Credit Arrangements in Item 1 for further detail regarding our debt.

**Pediatric Orthopedic Business Seasonality**

Our revenue is typically higher in the summer months and holiday periods, driven by higher sales of our trauma and deformity and scoliosis products, which is influenced by the higher incidence of pediatric surgeries during these periods due to recovery time provided by breaks in the school year. Additionally, our scoliosis patients tend to have additional health challenges that make scheduling their procedures variable in nature.

**Critical Accounting Policies and Significant Judgments and Estimates**

There were no material changes to our critical accounting policies that are disclosed in our audited consolidated financial statements for the year ended December 31, 2023 filed with the SEC on March 8, 2024.

**Recent Accounting Pronouncements**

See Note 2 - Significant Accounting Policies in Item 1 Financial Statements of Part 1 of this Quarterly report on Form 10-Q for a description of recent accounting pronouncements applicable to our condensed consolidated financial statements.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We consider our greatest potential area of market risk exposure to be interest rate risk related to our indebtedness and foreign currency exchange rate risk on our operating results. Quantitative and qualitative disclosures about exchange rate risk are included in Item 7A "Quantitative and Qualitative Disclosures About Market Risk" of our Annual Report on Form 10-K for 2023. There were no material changes from the information provided therein.

## ITEM 4. CONTROLS AND PROCEDURES

*a. Evaluation of Disclosure Controls and Procedures*

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) at the end of the period covered by this quarterly report.

Based on this evaluation, we concluded that, as of such date, our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

We recognize that any controls system, no matter how well designed and operated, can provide only reasonable assurance of achieving its objectives, and our management necessarily applies its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

*b. Changes in Internal Control over Financial Reporting*

On January 5, 2024, the Company completed the acquisition of Boston O&P. The company continues to evaluate Boston O&P's systems and controls and to integrate them into the Company's existing control structure. Except as it relates to the integration of the Boston O&P business, there were no changes in our internal control over financial reporting during the period covered by this quarterly report that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

From time to time, we are involved in various legal proceedings arising in the ordinary course of our business.

A discussion of certain of those legal proceedings is contained in Note 13 – Commitments and Contingencies (under the heading "Legal Proceedings") of the notes to the condensed consolidated financial statements included in Item 1. Financial Statements of Part I of this quarterly report on Form 10-Q, which discussion is incorporated herein by reference.

We are not presently a party to any other legal proceedings the outcome of which, if determined adversely to us, would individually or in the aggregate materially affect our financial position, results of operations or cash flows.

### ITEM 1A. RISK FACTORS

In addition to the other information set forth in this quarterly report, you should carefully consider the factors discussed in "Risk Factors" in our Annual Report on Form 10-K filed with the SEC on March 8, 2024. There have been no material changes to these Risk Factors since the filing of our Annual Report on Form 10-K.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

*a. Sale of Unregistered Securities.*

None.

*b. Use of Proceeds.*

None.

*c. Issuer Purchases of Equity Securities.*

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

None.

### ITEM 5. OTHER INFORMATION

*a. Information required under Form 8-K.*

None.

*b. Modifications to nomination process.*

None.

*c. Insider trading arrangements.*

During the three months ended March 31, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

**ITEM 6. EXHIBITS**

The following exhibits are included within this Report or incorporated herein by reference.

| Exhibit Number | | Description |
|---|---|---|
| 2.1♦ | | Share Purchase Agreement, dated April 1, 2020, by and among OrthoPediatrics Corp., ApiFix Ltd. ("ApiFix"), certain controlling shareholders of ApiFix, and the sellers' representative named therein (Incorporated by reference to Exhibit 2.1 of registrant's Form 8-K filed on April 1, 2020) (SEC File No. 001-38242) |
| 2.2♦ | | Agreement and Plan of Merger, dated April 1, 2022, by and among OrthoPediatrics Corp., OrthoPediatrics Iowa Holdco, Inc., Mitchell Designs, Inc. ("Designs"), and John Mitchell, the sole shareholder of Designs (Incorporated by reference to Exhibit 10.1 of registrant's Form 8-K filed on April 4, 2022) (SEC File No. 001-38242) |
| 2.3♦ | | Membership Interest Purchase Agreement, dated May 1, 2023, by and among OrthoPediatrics Corp., Kevin Unger, DINZE LLC, and the sole member of DINZE LLC (Incorporated by reference to Exhibit 2.1 of registrant's form 8-K filed on May 1, 2023) (SEC File No. 001-38242) |
| 2.4♦ | | Stock Purchase Agreement, dated January 5, 2024, by and among OrthoPediatrics Corp., Boston Brace International, Inc., GreatBanc Trust Company, solely in its capacity as trustee of Boston Brace International, Inc. Employee Stock Ownership Trust, the Selling Equityholders (as defined therein), and Thomas Morrissey, solely in his capacity as Sellers' Representative (incorporated by reference to Exhibit 2.1 of registrant's Form 8-K filed on January 8, 2024) (SEC File No. 001-38242) |
| 3.1 | | Amended and Restated Certificate of Incorporation of OrthoPediatrics Corp. (Incorporated by reference to Exhibit 3.1 of registrant's Form 8-K filed on October 16, 2017) (SEC File No. 001-38242) |
| 3.2 | | Amended and Restated Bylaws of OrthoPediatrics Corp. (Incorporated by reference to Exhibit 3.2 of registrant's Form 8-K filed on October 16, 2017) (SEC File No. 001-38242) |
| 4.1 | | Specimen stock certificate evidencing the shares of common stock (Incorporated by reference to Exhibit 4.1 of registrant's Amendment No. 3 to Form S-1 filed on October 2, 2017) (SEC File No. 333-212076) |
| 4.2 | | Registration Rights Agreement, by and between the registrant and Squadron, dated as of May 30, 2014 (Incorporated by reference to Exhibit 4.2 of registrant's Form S-1 filed on June 16, 2016) (SEC File No. 333-212076) |
| 4.3 | | First Amendment to Registration Rights Agreement, by and between the registrant and Squadron, dated October 16, 2017 (Incorporated by reference to Exhibit 10.2 of registrant's Form 8-K filed on October 16, 2017) (SEC File No. 001-38242) |
| 4.4 | | Stockholders Agreement, by and between the registrant and Squadron, dated October 16, 2017 (Incorporated by reference to Exhibit 10.1 of registrant's Form 8-K filed on October 16, 2017) (SEC File No. 001-38242) |
| 10.1 | | Fourth Amended and Restated Loan Agreement, by and among the registrant, its subsidiaries and Squadron, dated as of December 31, 2017 (Incorporated by reference to Exhibit 10.1 of registrant's Form 8-K filed on January 8, 2018) (SEC File No. 001-38242) |
| 10.2 | | First Amendment to the Fourth Amended and Restated Loan Agreement, dated as of June 4, 2019, by and among OrthoPediatrics Corp., its subsidiaries named therein and Squadron Capital LLC (Incorporated by reference to Exhibit 10.2 of registrant's Form 8-K filed on June 5, 2019) (SEC File No. 001-38242) |
| 10.3 | | Second Amendment to the Fourth Amended and Restated Loan Agreement, dated as of August 4, 2020, by and among OrthoPediatrics Corp., its subsidiaries named therein and Squadron Capital LLC (Incorporated by reference to Exhibit 10.3 to registrant's Form 10-Q filed on August 6, 2020) (SEC File No. 001-38242) |
| 10.4 | | Third Amendment to the Fourth Amended and Restated Loan Agreement, date as of December 31, 2021, by and among OrthoPediatrics Corp., its subsidiaries named therein and Squadron Capital LLC (Incorporated by reference to Exhibit 10.1 of registrant's Form 8-K filed on January 6, 2022) (SEC File No. 001-38242) |
| 10.5 | | Fourth Amendment to the Fourth Amended and Restated Loan Agreement, dated as of June 13, 2022, by and among OrthoPediatrics Corp., its subsidiaries named therein and Squadron Capital LLC (Incorporated by reference to Exhibit 10.1 of registrant's Form 8-K filed on June 15, 2022) (SEC File No. 001-38242) |
| 10.6 | | Fifth Amendment to the Fourth Amended and Restated Loan Agreement, dated as of November 15, 2022, by and among OrthoPediatrics Corp., its subsidiaries named therein and Squadron Capital LLC (Incorporated by reference to Exhibit 10.16 of registrant's Form 10-K filed on March 1, 2023) (SEC File No. 001-38242) |
| 10.7 | | Second Amended and Restated Revolving Note, dated June 13, 2022, made payable, jointly and severally, by OrthoPediatrics Corp. and each of its subsidiaries party thereto (Incorporated by reference to Exhibit 10.2 of registrant's Form 8-K filed on June 15, 2022) (SEC File No. 001-38242) |
| 10.8 | * | OrthoPediatrics Corp. Non-Employee Director Compensation Policy, effective January 1, 2023 (Incorporated by reference to Exhibit 10.1 of registrant's Form 8-K filed on May 1, 2023) (SEC File No. 001-38242) |

| | | |
|---|---|---|
| 10.9 | | Credit, Security and Guaranty Agreement, dated December 29, 2023, by and among OrthoPediatrics Corp., MidCap Financial Trust, and other parties named therein (incorporated by reference to Exhibit 10.1 of registrant's Form 8-K filed on January 2, 2024 (SEC File No. 001-38242) |
| 31.1 | + | Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | + | Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | ++ | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | ++ | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | + | Inline XBRL Instance Document (The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.) |
| 101.SCH | + | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | + | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | + | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | + | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | + | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | | Cover Page Interactive Data File (formatted as Inline XBRL and included in Exhibit 101) |

◆ The exhibits and schedules to the applicable agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company agrees to furnish a copy of any schedule omitted from such agreement to the SEC upon request.

* Exhibits that describe or evidence management contracts or compensatory plans or arrangements required to be filed as Exhibits to this Report.

+ Filed herewith.

++ Furnished herewith.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

| | | |
|---|---|---|
| May 7, 2024 | By: | /s/ David R. Bailey |
| | | David R. Bailey<br>President and Chief Executive Officer<br>*(Principal Executive Officer)* |
| May 7, 2024 | By: | /s/ Fred L. Hite |
| | | Fred L. Hite<br>Chief Financial Officer and Chief Operating Officer<br>*(Principal Financial and Accounting Officer)* |

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David R. Bailey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of OrthoPediatrics Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with general accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

*/s/ David R. Bailey*

David R. Bailey
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 7, 2024

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Fred L. Hite, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of OrthoPediatrics Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with general accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

*/s/ Fred L. Hite*

Fred L. Hite
Chief Financial Officer and Chief Operating Officer
(Principal Financial and Accounting Officer)

Date: May 7, 2024

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of OrthoPediatrics Corp. (the “Company”) for the quarterly period ended March 31 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, David R. Bailey, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material aspects, the financial condition and results of operations of the Company.

This certificate is being furnished solely for purposes of Section 906 and is not being filed as part of the Report.

*/s/ David R. Bailey*

David R. Bailey
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 7, 2024

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of OrthoPediatrics Corp. (the "Company") for the quarterly period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Fred L. Hite, Chief Financial Officer and Chief Operating Officer of the Company, hereby certifies, pursuant to 18 Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material aspects, the financial condition and results of operations of the Company.

This certificate is being furnished solely for purposes of Section 906 and is not being filed as part of the Report.

*/s/ Fred L. Hite*

Fred L. Hite
Chief Financial Officer and Chief Operating Officer
(Principal Financial and Accounting Officer)

Date: May 7, 2024