



Q1 2020

FINANCIAL RESULTS

Pat Miles, Chairman and CEO
May 11, 2020

FORWARD LOOKING STATEMENTS

Alphatec cautions you that statements included in this presentation that are not a description of historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainty. Such statements are based on management's current expectations and are subject to a number of assumptions, risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. The Company cautions investors that there can be no assurance that actual results will not differ materially from those projected or suggested in such forward-looking statements as a result of various factors. Forward-looking statements include, but are not limited to: references to the Company's revenue and future outlook; planned product launches, introductions, regulatory submissions or clearances; efforts to transform sales and distribution channels; and the Company's future ability to finance its operations and sufficiency of its cash runway. The important factors that could cause actual operating results to differ significantly from those expressed or implied by such forward-looking statements include, but are not limited to: the uncertainty of success in developing new products or products currently in the pipeline; the uncertainties in the Company's ability to execute upon its strategic operating plan; the uncertainties regarding the ability to successfully license or acquire new products, and the commercial success of such products; failure to achieve acceptance of the Company's products by the surgeon community; failure to obtain FDA or other regulatory clearance or approval or unexpected or prolonged delays in the process; continuation of favorable third party reimbursement; unanticipated expenses or liabilities or other adverse events affecting cash flow or the Company's ability to control its costs or achieve profitability; uncertainty of additional funding; the Company's ability to compete with other products or with emerging technologies; product liability exposure; an unsuccessful outcome in any litigation; patent infringement claims; claims related to the Company's intellectual property; the Company's ability to meet its financial obligations; future strategic and/or financing collaborations between the Company and any third-party and potential benefits or synergies resulting therefrom; and the impact of the COVID-19 pandemic on the Company's business and financial results and recovery of the spine market. A further list and description of these and other factors, risks and uncertainties can be found in the Company's most recent annual report, and any subsequent quarterly and current reports, filed with the Securities and Exchange Commission. ATEC disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, unless required by law.

Q1 2020 SCORECARD

Strong Momentum

27%

YoY U.S. revenue growth

56%

New product revenue contribution vs 22% in Q1 2019 and <10% in FY2018

34%

Revenue growth from strategic distribution

15%

YoY growth in average revenue per case; up 30% from Q1 2018

1.7

Average product categories sold per case

6th

Consecutive quarter of double-digit YoY U.S. revenue growth

BUSINESS UPDATE



FOCUS

Enhancing revenue momentum through focus on spine surgery innovation



EOS

Terminated transaction; proposing alternative collaborations



BALANCE SHEET

Extended cash runway with additional \$20M Squadron draw and \$35M credit facility expansion



SPINE MARKET

Early signs of recovery

FOCUS:

our business
is in the
operating room

OUR PRIORITIES REMAIN THE SAME:

- Clinical Distinction
 - New product development (8-10 releases in 2020)
 - Design meetings progressing virtually
 - Regulatory submissions continue
- Compelling Surgeon Adoption
 - Alpha products being evaluated
 - Convoyed sales (entire approach) increasing
- Revitalizing Sales Force
 - Recruiting – savvy distributors know that the future of spine innovation is at ATEC
 - Elevating clinical aptitude across sales force

EOS:
proposing
alternative
collaborations

- Strong, continued belief in original “clinical thesis” that drove transaction
- Ongoing COVID-19 impacts constituted material adverse event resulting in termination decision
- Hospitals have near-term focus on “preparedness” and cash generation from elective surgery
- Exploring other collaborative arrangements intended to meet ATEC’s and EOS’ strategic interests

SPINE MARKET:

how “elective” is
spine surgery?

- Encouraged by early signs of recovery in spine surgery volumes in some geographies
- Spine procedures may come back more quickly than other elective procedures
- Uncertainty still significantly limiting visibility



FINANCIALS

Jeff Black, EVP and CFO

BALANCE SHEET

Extending cash runway while preserving growth investments

	Q4 2019	Q1 2020	Q1 2020 Pro Forma**
Cash	\$47.1M	\$27.5M	\$47.5M
Debt (at face value)*	\$72.9M	\$71.2M	\$91.2M

- Preserving cash runway through cost-containment
- \$20M draw against Squadron credit facility in April and \$35M expansion to retire revolver and fund growth
- Non-operational expenditures drove increased Q1 cash burn
- More levers to pull on opex and capex if needed

- Debt includes:
Q4 2019: Squadron term loan (\$45M); MidCap revolver (\$12.8M); Orthotec settlement (\$15.1M)
Q1 2020: Squadron term loan (\$45M); MidCap revolver (\$11.9M); Orthotec settlement (\$14.3M)

** Pro Forma Cash and Debt includes \$20M draw on Squadron credit facility in April 2020

REVENUE

Q1 2020 Results

	Q1 2019	Q1 2020	YoY
Strategic distribution	\$19.4M	\$26.0M	+34%
Legacy & terminated distribution	\$3.6M	\$3.1M	-14%
Total U.S. Product Revenue	\$23.0M	\$29.1M	+27%
International supply agreement	\$1.6	\$1.0	-38%
TOTAL REVENUE*	\$24.6M	\$30.1M	+22%

- Revenue growth driven by new product launches and strategic distribution channel, which are expanding revenue per case
- Strong momentum in average daily sales through mid-March
- International supply agreement continues to wind down as anticipated

GROSS MARGIN

Q1 2020 Results (Non-GAAP)

	Q1 2019	Q1 2020	YoY
Gross Profit			
GAAP	\$16.4M	\$21.0M	\$4.6M
Non-GAAP*	\$18.4M	\$22.7M	\$4.3M
Gross Margin %			
GAAP	71.4%	72.1%	+70 bps
Non-GAAP*	80.0%	78.0%	-200 bps

- Non-GAAP GM excludes non-cash E&O legacy product charges – expected to continue through 2020 and begin to ramp down in 2021
- YoY, non-GAAP GM primarily impacted by non-cash amortization and product mix

P&L HIGHLIGHTS

Q1 2020 Operating Expenses (Non-GAAP)*

	Q1 2019	% of Rev	Q1 2020	% of Rev
R&D	\$ 2.9M	12%	\$ 3.5M	12%
SG&A	\$19.7M	80%	\$24.8M	82%
Other	\$ 0.2M	1%	\$ 0.2M	1%
TOTAL	\$22.8M	93%	\$28.5M	95%

- Continued R&D investment to support near-term alpha evaluations, product releases, future portfolio expansion
- Sales channel investment to expand strategic distribution network and geographic reach
- Holding the line on G&A: **flat for 12 consecutive quarters;** remains below 2017 run rate

- Non-GAAP operating expenses exclude the following:
Q1 2019: stock-based compensation (\$1.6M); litigation-related, restructuring, and fair value adjustment (\$3.0M)
Q1 2020: stock-based compensation (\$3.5M); litigation and transaction-related (\$6.9M)

SUMMARY

ATEC remains fixated on **stewarding better spine surgery through innovation**. Spine procedures deemed “elective” in the context of this pandemic will return.

WE ARE READY.

