

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
Date of Report (Date of earliest event reported): August 10, 2021

Bioventus Inc.

(Exact name of registrant as specified in charter)

Delaware
(State or other jurisdiction
of incorporation)

001-37844
(Commission
File Number)

81-0980861
(IRS Employer
Identification Number)

4721 Emperor Boulevard, Suite 100
Durham, North Carolina 27703
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: **(919) 474-6700**
N/A
(Former Name or Former Address, if Changed Since Last Report)

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

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A common Stock, \$0.001 par value per share	BVS	The Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On August 10, 2021, Bioventus Inc. (the Company) issued a press release announcing its financial results for the three and six months ended July 3, 2021. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information contained in this Item 2.02, including Exhibit 99.1 hereto, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing made by the Company under the Securities Act of 1933, as amended (the Securities Act), or the Exchange Act, regardless of any general incorporation language in such filings, unless expressly incorporated by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

The following exhibit relating to Items 2.02 shall be deemed to be furnished, and not filed:

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release dated August 10, 2021
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

BIOVENTUS INC.

Date: August 10, 2021

By: /s/ Anthony D’Adamio
Anthony D’Adamio
Senior Vice President and General Counsel



Bioventus Reports Second Quarter Results; Updates Full Year 2021 Financial Guidance

DURHAM, NC – August 10, 2021 – Bioventus Inc. (Nasdaq: BVS) ("Bioventus" or "the Company"), a global leader in innovations for active healing, today reported financial results for three and six months ended July 3, 2021.

Q2 Financial Summary & Recent Highlights:

- Net Sales of \$109.8 million, up \$51.8 million, or 89.3%, year-over-year, comprising:
 - Net Sales from legacy Bioventus Inc. of \$97.9 million, representing organic revenue growth* of 68.8% year-over-year, and
 - Net Sales from the acquisition of Bioness Inc., of \$11.9 million.
- Net Loss of (\$10.8) million, an increase of (\$4.8) million, or 80.3% year-over-year.
- Adjusted EBITDA* of \$19.9 million, up \$12.9 million, or 186.5% year-over-year.
- Updates full year 2021 financial guidance, and reaffirms recently raised¹ Net Sales growth guidance of 26% to 29% year-over-year and raises Non-GAAP guidance.
- Recently closed and announced acquisitions of Bioness and Misonix respectively raises Total Addressable Market to \$15 billion.

"Bioventus delivered strong second quarter results, driven by our team's ability to build upon the momentum we saw exiting the first quarter. We achieved significant sequential quarterly growth and year over year growth while also obtaining double digit organic growth in comparison to Q2 2019 for legacy Bioventus," stated Ken Reali, Chief Executive Officer of Bioventus. "We have raised our full year 2021 financial guidance and we believe we are well positioned to execute our strategy to accelerate our multi-year growth profile."

Mr. Reali continued: "Our integration of Bioness, which we acquired at the end of the first quarter, is being executed per our plan and we expect will be largely complete by the end of Q4. We were also very pleased to announce that we entered into a definitive agreement to acquire Misonix, Inc., an important strategic transaction that we expect to close in Q4.

Our pending acquisition of Misonix, in addition to Bioness, will expand our total addressable market and deepens our portfolio of products. We view both acquisitions as important strategic additions that will be accretive to our long-term growth profile while leveraging our significant global commercial presence in orthopedics."

¹ Prior guidance was provided on July 29, 2021

*See below under "Use of Non-GAAP Financial Measures" for a definition and reconciliation of this measure.

Second Quarter 2021 Financial Results:

The following table represents net sales by geographic region, and by vertical, for the three months ended July 3, 2021 and June 27, 2020, respectively:

(\$ thousands, except for percentage)	Three Months Ended		Change	
	July 3, 2021	June 27, 2020	\$	%
By Geographic Region:				
U.S.	\$ 98,682	\$ 53,166	\$ 45,516	85.6 %
International	11,134	4,851	6,283	129.5 %
Net Sales	\$ 109,816	\$ 58,017	\$ 51,799	89.3 %
By Vertical:				
Pain Treatments and Joint Preservation	\$ 56,704	\$ 28,868	\$ 27,836	96.4 %
Restorative Therapies	32,511	17,968	14,543	80.9 %
Bone Graft Substitutes	20,601	11,181	9,420	84.3 %
Net Sales	\$ 109,816	\$ 58,017	\$ 51,799	89.3 %

Net sales of \$109.8 million compared to \$58.0 million for the second quarter of 2020, an increase of \$51.8 million, or 89.3%, year-over-year, primarily due to the recovery from the COVID-19 pandemic. International net sales for the second quarter of 2021 increased 129.5% year-over-year, or 112.2% on a constant currency* basis.

Gross profit was \$76.3 million, or 69.5% of net sales, compared to \$40.3 million, or 69.5% of net sales, for the second quarter of 2020, an increase of \$36.0 million, or 89.1%, year-over-year. Non-GAAP gross profit* was \$84.0 million, or 76.5% of net sales, compared to \$45.6 million, or 78.7% of net sales, for the second quarter of 2020, an increase of \$38.4 million, or 84.1%, year-over-year.

Operating loss was (\$5.7) million, compared to (\$4.6) million for the second quarter of 2020, an increase of (\$1.1) million, or 25.0%, year-over-year. Operating margin was (5.2)% of net sales, compared to (7.9)% of net sales for the second quarter of 2020.

Non-GAAP operating income* was \$13.3 million, compared to \$6.2 million for the second quarter of 2020, an increase of \$7.1 million, or 113.4%, year-over-year. Non-GAAP operating margin* was 12.1% of net sales, compared to 10.7% of net sales for the second quarter of 2020.

Net Loss was \$(10.8) million compared to \$(6.0) million for the second quarter of 2020, an increase of \$(4.8) million or 80.3%, year-over-year.

Adjusted EBITDA* was \$19.9 million, compared to \$6.9 million for the second quarter of 2020, an increase of \$12.9 million, or 186.5%, year-over-year.

Non-GAAP net income* was \$9.6 million, compared to \$3.6 million, for the second quarter of 2020, an increase of \$6.0 million, or 168.0%, year-over-year.

As of July 3, 2021, the Company had \$136.1 million in cash and cash equivalents and \$181.1 million in debt obligations, compared to \$86.8 million in cash and cash equivalents and \$188.4 million in debt obligations as of December 31, 2020.

*See below under "Use of Non-GAAP Financial Measures" for a definition and reconciliation of this measure.

Updated Full Year 2021 Financial Guidance:

For the twelve months ending December 31, 2021, the Company now expects:

- Net sales of \$405 million to \$415 million, up approximately 26% to 29% year-over-year. The full year 2021 net sales guidance range is comprised of:
 - Net sales from legacy Bioventus Inc. of \$372.5 million to \$380.5 million, representing organic revenue growth* in the range of approximately 16% to 18% year-over-year, and,
 - Net sales from the acquisition of Bioness Inc., following the closing date of March 30, 2021, of approximately \$32.5 million to \$34.5 million.
- Net income of \$13.0 million to \$17.6 million, compared to net income of \$14.7 million for the twelve months ended December 31, 2020.
- Non-GAAP net income* of \$67.1 million to \$69.5 million, compared to \$47.4 million for the twelve months ended December 31, 2020.
- Adjusted EBITDA* of \$77.8 million to \$82.0 million, compared to \$72.4 million for the twelve months ended December 31, 2020.

The Company's guidance reflects the Company's current expectations regarding the impact of COVID-19 on its business. The severity and duration of the COVID-19 pandemic are outside of the Company's control and, given the uncertain nature of the pandemic, could cause the Company's future operating results to be different from our current expectations, particularly if the impact of the pandemic worsens.

Presentation: This press release presents historical results, for the periods presented, of Bioventus Inc., including Bioventus LLC, the predecessor of Bioventus Inc. for financial reporting purposes.

Second Quarter 2021 Earnings Conference Call:

Management will host a conference call to discuss the Company's financial results and provide a business update, with a question and answer session, at 5:00 p.m. Eastern Time on August 10, 2021. Those who would like to participate may dial 844-945-2085 (442-268-1266 for international callers) and provide access code 1650599.

A live webcast of the call and any accompanying materials will also be provided on the investor relations section of the Company's website at <https://ir.bioventus.com/>.

The webcast will be archived on the Company's website at <https://ir.bioventus.com/> and available for replay until August 10, 2022.

About Bioventus

Bioventus delivers clinically proven, cost-effective products that help people heal quickly and safely. Its mission is to make a difference by helping patients resume and enjoy active lives. The Innovations for Active Healing from Bioventus include offerings for pain treatment & joint preservation, restorative therapies and bone graft substitutes. Built on a commitment to high quality standards, evidence-based medicine and strong ethical behavior, Bioventus is a trusted partner for physicians worldwide. For more information, visit www.bioventus.com, and follow the Company on [LinkedIn](#) and [Twitter](#). Bioventus and the Bioventus logo are registered trademarks of Bioventus LLC.

*See below under "Use of Non-GAAP Financial Measures" for a definition and reconciliation of this measure.

Legal Notice Regarding Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements contained in this press release that do not relate to matters of historical fact should be considered forward-looking statements, including, without limitation, statements concerning our business strategy, position and operations; expected sales trends, opportunities and growth; the ongoing COVID-19 pandemic; the expected benefits and impact of Bioventus' products, including in certain regions, and biologic drug candidates; expected completion of integration efforts for Bioness; the closing of the pending Misonix acquisition; and the Company's financial guidance and expected financial performance. In some cases, you can identify forward-looking statements by terminology such as "aim," "anticipate," "assume," "believe," "contemplate," "continue," "could," "due," "estimate," "expect," "goal," "intend," "may," "objective," "plan," "predict," "potential," "positioned," "seek," "should," "target," "will," "would" and other similar expressions that are predictions of or indicate future events and future trends, or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Factors that could cause actual results to differ materially from those contemplated in this press release include, but are not limited to, statements about the adverse impacts on our business as a result of the COVID-19 pandemic; our dependence on a limited number of products; our ability to develop, acquire and commercialize new products, line extensions or expanded indications; the continued and future acceptance of our existing portfolio of products and any new products, line extensions or expanded indications by physicians, patients, third-party payers and others in the medical community; our ability to differentiate the hyaluronic acid ("HA") viscosupplementation therapies we own or distribute from alternative therapies for the treatment of osteoarthritic; the proposed down-classification of non-invasive bone growth stimulators, including our Exogen system, by the U.S. Food and Drug Administration ("FDA"); our ability to achieve and maintain adequate levels of coverage and/or reimbursement for our products, the procedures using our products, or any future products we may seek to commercialize, including any potential changes by Centers for Medicare and Medicaid Services in the manner in which our HA viscosupplementation products are reimbursed, our ability to complete acquisitions or successfully integrate new businesses, products or technologies in a cost-effective and non-disruptive manner; including the Misonix acquisition; competition against other companies; the negative impact on our ability to market our HA products due to the reclassification of HA products from medical devices to drugs in the United States by the FDA; our ability to attract, retain and motivate our senior management and qualified personnel; our ability to continue to research, develop and manufacture our products if our facilities are damaged or become inoperable; failure to comply with the extensive government regulations related to our products and operations; enforcement actions if we engage in improper claims submission practices or in improper marketing or promotion of our products; the FDA regulatory process and our ability to obtain and maintain required regulatory clearances and approvals; failure to comply with the government regulations that apply to our human cells, tissues and cellular or tissue-based products; the clinical studies of any of our future products that do not produce results necessary to support regulatory clearance or approval in the United States or elsewhere; and the other risks identified in the Risk Factors section of the Company's public filings with the Securities and Exchange Commission ("SEC"), including Bioventus' Annual Report on Form 10-K for the year ended December 31, 2020, as such factors may be updated from time to time in Bioventus' other filings with the SEC, which are accessible on the SEC's website at www.sec.gov and the Investor Relations page of Bioventus' website at ir.bioventus.com. Except to the extent required by law, the Company undertakes no obligation to update or review any estimate, projection, or forward-looking statement. Actual results may differ materially from those set forth in the forward-looking statements.

BIOVENTUS INC.

**Consolidated condensed balance sheets
As of July 3, 2021 and December 31, 2020**

(Amounts in thousands, except share and per share data) (unaudited)

	July 3, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 136,065	\$ 86,839
Restricted cash	2,003	—
Accounts receivable, net	102,029	88,283
Inventory	34,020	29,120
Prepaid and other current assets	15,943	7,552
Total current assets	290,060	211,794
Property and equipment, net	8,960	6,879
Goodwill	52,135	49,800
Intangible assets, net	257,848	191,650
Operating lease assets	17,669	14,961
Deferred tax assets	481	—
Investment and other assets	19,483	19,382
Total assets	\$ 646,636	494,466
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable	\$ 9,881	\$ 4,422
Accrued liabilities	105,246	88,187
Accrued equity-based compensation	10,875	11,054
Current portion of long-term debt	15,000	15,000
Current portion of contingent consideration	13,220	—
Other current liabilities	3,964	3,926
Total current liabilities	158,186	122,589
Long-term debt, less current portion	166,084	173,378
Accrued equity-based compensation, less current portion	—	29,249
Deferred income taxes	48,410	3,362
Contingent consideration, less current portion	30,421	—
Other long-term liabilities	24,171	21,728
Total liabilities	427,272	350,306
Stockholders' and Members' Equity:		
Members' equity	—	144,160
Preferred stock, \$0.001 par value, 10,000,000 shares authorized, 0 shares issued	—	—
Class A common stock, \$0.001 par value, 250,000,000 shares authorized, 41,062,652 shares issued and outstanding	41	—
Class B common stock, \$0.001 par value, 50,000,000 shares authorized, 15,786,737 shares issued and outstanding	16	—
Additional paid-in capital	146,199	—
Accumulated deficit	(5,167)	—
Accumulated other comprehensive income	468	—
Total stockholders' equity attributable to Bioventus Inc. and members' equity	141,557	144,160
Noncontrolling interest	77,807	—
Total stockholders' and members' equity	219,364	144,160
Total liabilities and stockholders' and members' equity	\$ 646,636	\$ 494,466

BIOVENTUS INC.

**Consolidated condensed statements of operations and comprehensive (loss) income
(Amounts in thousands, except share and per share data, unaudited)**

	Three Months Ended		Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Net sales	\$ 109,816	\$ 58,017	\$ 191,594	\$ 136,662
Cost of sales (including depreciation and amortization of \$5,618 and \$5,292, \$10,854 and \$10,599 respectively)	33,503	17,668	55,725	39,077
Gross profit	76,313	40,349	135,869	97,585
Selling, general and administrative expense	69,050	40,533	103,736	80,809
Research and development expense	4,836	2,596	5,783	4,742
Change in fair value of contingent consideration	641	—	641	—
Depreciation and amortization	1,852	1,813	3,777	3,638
Impairment of variable interest entity assets	5,674	—	5,674	—
Operating (loss) income	(5,740)	(4,593)	16,258	8,396
Interest expense (income)	1,681	2,834	(1,195)	5,215
Other expense (income)	1,645	(1,337)	2,064	(1,254)
Other expense	3,326	1,497	869	3,961
(Loss) income before income taxes	(9,066)	(6,090)	15,389	4,435
Income tax expense (benefit)	1,714	(110)	1,641	(71)
Net (loss) income	(10,780)	(5,980)	13,748	4,506
Loss attributable to noncontrolling interest	6,654	214	7,062	672
Net (loss) income attributable to Bioventus Inc.	(4,126)	(5,766)	20,810	5,178
Net (loss) income	(10,780)	(5,980)	13,748	4,506
Other comprehensive income (loss), net of tax				
Change in foreign currency translation adjustments	23	213	(859)	(256)
Comprehensive (loss) income	(10,757)	(5,767)	12,889	4,250
Comprehensive loss attributable to noncontrolling interest	6,648	214	6,882	672
Comprehensive (loss) income attributable to Bioventus Inc.	\$ (4,109)	\$ (5,553)	\$ 19,771	\$ 4,922
Loss per share of Class A common stock ⁽¹⁾ :				
Basic and diluted	\$ (0.10)		\$ (0.12)	
Weighted-average shares of Class A common stock outstanding ⁽¹⁾ :				
Basic and diluted	41,805,347		41,802,840	

⁽¹⁾ Per share information for the six months ended July 3, 2021 represents loss per share of Class A common stock and weighted-average shares of Class A common stock outstanding from February 16, 2021 through July 3, 2021, the period following Bioventus Inc.'s initial public offering and related transactions described in Note 1. Organization and Note 7. Earnings per share within the Notes to the Unaudited Condensed Consolidated Financial Statements in the Company's Quarterly Report on Form 10-Q for the quarter ended July 3, 2021.

BIOVENTUS INC.
Consolidated condensed statements of cash flows
(Amounts in thousands, unaudited)

	Three Months Ended		Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Operating activities:				
Net (loss) income	\$ (10,780)	\$ (5,980)	\$ 13,748	\$ 4,506
Adjustments to reconcile net income to net cash provided by (used in) operating activities from continuing operations:				
Depreciation and amortization	7,479	7,248	14,663	14,513
Equity-based compensation	5,853	255	(16,559)	(6,771)
Change in fair value of contingent consideration	641	—	641	—
Change in fair value of Equity Participation Rights unit	—	—	(2,774)	(788)
Change in fair value of interest rate swap	255	933	(1,310)	2,001
Impairments related to variable interest entity	7,043	—	7,043	—
Other, net	(1,280)	483	(614)	1,028
Changes in working capital	8,118	4,881	(15,551)	11,022
Net cash from operating activities	17,329	7,820	(713)	25,511
Investing activities:				
Purchase of Bioness, Inc, net of cash acquired	1	—	(45,790)	—
Purchase of property and equipment	(1,272)	(751)	(2,642)	(1,050)
Other	(1,377)	—	(864)	(152)
Net cash from investing activities - continuing operations	(2,648)	(751)	(49,296)	(1,202)
Net cash from investing activities - discontinued operations	—	172	—	172
Net cash from investing activities	(2,648)	(579)	(49,296)	(1,030)
Financing activities:				
Proceeds from issuance of Class A common stock sold in initial public offering, net of underwriting discounts and offering costs	(2,633)	—	107,777	—
Proceeds from issuance of Class A and B common stock	314	—	330	—
Borrowing on revolver	—	—	—	49,000
Payments on long-term debt	(3,750)	(2,500)	(7,500)	(2,500)
Refunds (distributions) - members	(41)	(9,075)	813	(9,075)
Other, net	(7)	218	(11)	—
Net cash from financing activities	(6,117)	(11,357)	101,409	37,425
Effect of exchange rate changes on cash	50	74	(171)	(186)
Net change in cash, cash equivalents and restricted cash	8,614	(4,042)	51,229	61,720
Cash, cash equivalents and restricted cash at the beginning of the period	129,454	130,282	86,839	64,520
Cash, cash equivalents and restricted cash at the end of the period	\$ 138,068	\$ 126,240	\$ 138,068	\$ 126,240

Use of Non-GAAP Financial Measures

Net Sales and International Net Sales Growth on a Constant Currency Basis

Net Sales and International Net Sales Growth on a Constant Currency Basis is a non-GAAP measure, which is calculated by translating current and prior year results at the same foreign currency exchange rate. Constant currency can be presented for numerous GAAP measures, but is most commonly used by management to facilitate the comparison sales in foreign currencies to prior periods and analyze net sales performance without the impact of changes in foreign currency exchange rates.

Organic Revenue Growth

The Company defines the term "organic revenue" as revenue in the stated period excluding the impact from business acquisitions and divestitures. The Company uses the related term "organic revenue growth" to refer to the financial performance metric of comparing the stated period organic revenue with the reported revenue of the corresponding period in the prior year. The Company believes that these non-GAAP financial measures, when taken together with our GAAP financial measures, allows the Company and its investors to better measure the Company's performance and evaluate long-term performance trends. Organic revenue growth also facilitates easier comparisons of the Company's performance with prior and future periods and relative comparisons to its peers. The Company excludes the effect of acquisitions and divestitures because these activities can have a significant impact on the Company's reported results, which the Company believes makes comparisons of long-term performance trends difficult for management and investors.

Adjusted EBITDA, Non-GAAP Gross Profit, Non-GAAP Gross Margin, Non-GAAP Operating Income, Non-GAAP Operating Expense, Non-GAAP Operating Margin, Non-GAAP Net Income, and Non-GAAP Earnings per share of Class A Common Stock.

We present Adjusted EBITDA, Non-GAAP Gross Profit, Non-GAAP Gross Margin, Non-GAAP Operating Income, Non-GAAP Operating Expense, Non-GAAP Operating Margin, Non-GAAP Net Income, and Non-GAAP Earnings per share of Class A Common Stock, all non-GAAP financial measures, to supplement our financial reporting, because we believe these measures are useful indicators of our operating performance.

We define Adjusted EBITDA as net income (loss) from continuing operations before depreciation and amortization, provision of income taxes and interest expense (income), adjusted for the impact of certain cash, non-cash and other items that we do not consider in our evaluation of ongoing operating performance. These items include equity compensation, COVID-19 benefits, net, succession and transition charges, foreign currency impact, acquisitions and integration costs, inventory step-up costs, equity loss in unconsolidated investments, change in fair value of contingent consideration, impairments related to variable interest entity and other non-recurring costs. See the table below for a reconciliation of net income to Adjusted EBITDA. Our management uses Adjusted EBITDA principally as a measure of our operating performance and believes that Adjusted EBITDA is useful to our investors because it is frequently used by securities analysts, investors and other interested parties often use it in their evaluation of the operating performance of companies in industries similar to ours. Our management also uses Adjusted EBITDA for planning purposes, including the preparation of our annual operating budget and financial projections.

Our management uses Non-GAAP Gross Profit, Non-GAAP Gross Margin, Non-GAAP Operating Income, Non-GAAP Operating Expense, Non-GAAP Operating Margin and Non-GAAP Net Income principally as measures of our operating performance and believe that these non-GAAP financial measures are useful to better understand the long term recurring performance of our core business and to facilitate comparison of our results to those of peer companies. Our management also uses these non-GAAP financial measures for planning purposes, including the preparation of our annual operating budget and financial projections.

We define Non-GAAP Gross Profit as gross profit, adjusted for the impact of certain cash, non-cash and other items that we do not consider in our evaluation of ongoing operating performance. These items include depreciation and amortization included in the cost of goods sold and acquisition costs in cost of goods sold. We define Non-GAAP Gross Margin as the calculated ratio of Non-GAAP Gross Profit to net sales. See the table below for a reconciliation of gross profit and gross margin to Non-GAAP Gross Profit and Gross Margin.

We define Non-GAAP Operating Income as operating income, adjusted for the impact of certain cash, non-cash and other items that we do not consider in our evaluation of ongoing operating performance. These items include depreciation and amortization included in the cost of goods sold, amortization included in operating expenses, change in fair value of contingent consideration, COVID-19 expense, COVID-19 income, succession and transition charges, acquisition and integration costs, inventory step-up costs, impairments related to variable interest entity and other non-recurring costs. Non-GAAP Operating Margin is defined as defined as Non-GAAP Operating Income divided by net sales. See the table below for a reconciliation of Operating Income and operating margin to Non-GAAP Operating Income and Non-GAAP Operating Margin.

We define Non-GAAP Operating Expense as operating expenses, adjusted to exclude certain cash, non-cash and other items that we do not consider in our evaluation of ongoing operating performance. These items include amortization included in operating expenses, change in fair value of contingent consideration, COVID-19 expense, COVID-19 income, succession and transition charges, acquisition and integration costs, impairments related to variable interest entity and other non-recurring costs. See the table below for a reconciliation of Operating Expenses to Non-GAAP Operating Expenses.

We define Non-GAAP Net Income as Net Income, adjusted for the impact of certain cash, non-cash and other items that we do not consider in our evaluation of ongoing operating performance. These items include depreciation and amortization included in the cost of goods sold, amortization included in operating expenses, change in fair value of contingent consideration, COVID-19 expense, COVID-19 income, succession and transition charges, acquisition and integration costs, inventory step-up costs, impairments related to variable interest entity and other non-recurring costs. See the table below for a reconciliation of Net Income to Non-GAAP Net Income.

We define Non-GAAP Earnings per Class A share as Earnings per Class A share, adjusted for the impact of certain cash, non-cash and other items that we do not consider in our evaluation of ongoing operating performance. These items include depreciation and amortization included in the cost of goods sold, amortization included in operating expenses, change in fair value of contingent consideration, succession and transition charges, acquisition and integration costs, inventory step-up costs, impairments related to variable interest entity and other non-recurring costs, divided by weighted average number of shares of Class A common stock outstanding during the period. See the table below for a reconciliation of loss per Class A share to Non-GAAP Earnings per Class A share.

Reconciliation of Net (Loss) Income to Adjusted EBITDA (unaudited)

(\$, thousands)	Three Months Ended		Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Net (loss) income	\$ (10,780)	\$ (5,980)	\$ 13,748	\$ 4,506
Depreciation and amortization ^(a)	7,479	7,248	14,663	14,513
Income tax expense (benefit)	1,714	(110)	1,641	(71)
Interest expense (income)	1,681	2,834	(1,195)	5,215
Equity compensation ^(b)	5,853	255	(16,559)	(6,771)
COVID-19 benefits, net ^(c)	—	(1,101)	—	(1,101)
Succession and transition charges ^(d)	187	3,801	344	4,574
Foreign currency impact ^(e)	(12)	(46)	(64)	40
Acquisition and integration costs ^(f)	1,833	—	5,029	—
Inventory step-up costs ^(g)	2,106	—	2,106	—
Equity loss in unconsolidated investments ^(h)	432	—	901	—
Change in fair value of contingent consideration ⁽ⁱ⁾	641	—	641	—
Impairments related to variable interest entity ^(j)	7,043	—	7,043	—
Other non-recurring costs ^(k)	1,710	41	2,659	283
Adjusted EBITDA	\$ 19,887	\$ 6,942	\$ 30,957	\$ 21,188

- (a) Includes for the three months ended July 3, 2021 and June 27, 2020 and the six months ended July 3, 2021 and June 27, 2020, respectively, depreciation and amortization of \$5,618, \$5,292, \$10,854 and \$10,599 in cost of sales and \$1,852, \$1,813, \$3,777 and \$3,638 presented in the consolidated statements of operations and comprehensive (loss) income with the balance in research and development.
- (b) The three and six months ended July 3, 2021 primarily includes equity-based compensation expense (income) resulting from awards granted under the Company's current equity based compensation plan (2021 Plan) and compensation costs. The six months ended July 3, 2021 also includes the change in fair market value of accrued equity-based compensation related to the BV LLC Phantom Profits Interest Plan (Phantom Plan) due to expected pricing with our IPO. Equity compensation expenses for the three and six months ended June 27, 2020 represents compensation from the Company's management incentive plan and Phantom Plan as well as the change in fair market value of accrued equity-based compensation related to the plans due to the impact of the COVID-19 pandemic on our business.
- (c) Represents income resulting from the Coronavirus Aid, Relief and Economic Security ("CARES") Act offset by additional cleaning and disinfecting expenses and contract termination fees for canceled events.
- (d) Primarily represents costs related to the CEO transition.
- (e) Foreign currency impact represents realized and unrealized gains and losses from fluctuations in foreign currency and is included within other (income) loss in the consolidated statements of operations and comprehensive (loss) income.
- (f) Represents costs incurred to acquire and integrate Bioness.
- (g) Amortization of the inventory step-up associated with the Bioness acquisition.
- (h) Represents CartiHeal equity investment losses.
- (i) Represents changes in fair value of contingent consideration associated with the Bioness acquisition.
- (j) Represents loss on impairment on Harbor's long-lived assets, and the Company's investment in Harbor.

(k) Other non-recurring costs primarily includes charges associated with strategic transactions, such as potential acquisitions and public company preparation costs, primarily accounting and legal fees.

Reconciliation of Net (Loss) Income to Non-GAAP Net income (unaudited)

(\$, thousands)	Three Months Ended		Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Net (loss) income	\$ (10,780)	\$ (5,980)	\$ 13,748	\$ 4,506
Depreciation & amortization included in cost of goods sold	5,618	5,292	10,854	10,599
Amortization included in operating expenses	1,241	1,570	2,572	3,129
Change in fair value of contingent consideration	641	—	641	—
COVID-19 expense ^(a)	—	147	—	147
COVID-19 income ^(b)	—	(1,248)	—	(1,248)
Succession and transition charges ^(c)	187	3,801	344	4,574
Acquisition and Integration costs ^(d)	1,833	—	5,029	—
Inventory step-up costs ^(e)	2,106	—	2,106	—
Impairments related to variable interest entity ^(f)	7,043	—	7,043	—
Other non-recurring items ^(g)	1,710	—	2,659	—
Non-GAAP Net income	\$ 9,599	\$ 3,582	\$ 44,996	\$ 21,707

Reconciliation of Loss per share of Class A Common Stock to Non-GAAP Earnings per share of Class A Common Stock (unaudited)

	Three Months Ended July 3, 2021
Weighted average Class A Common Stock outstanding, basic & diluted	41,805,347
Loss per share of Class A Common Stock (basic & diluted)	\$ (0.10)
Depreciation and amortization included in cost of goods sold	0.10
Amortization included in operating expenses	0.02
Change in fair value of contingent consideration	0.01
Succession and transition charges ^(c)	0.00
Acquisition and Integration costs ^(d)	0.03
Inventory step-up costs ^(e)	0.04
Impairments related to variable interest entity ^(f)	0.03
Other non-recurring items ^(g)	0.03
Non-GAAP Earnings per share of Class A Common Stock (basic & diluted)	\$ 0.16

- (a) Additional cleaning and disinfection expenses and contract termination fees for canceled events included in operating expenses.
(b) Represents income resulting from the CARES Act.
(c) Primarily represents costs related to the CEO transition.
(d) Costs related to the Bioness acquisition.
(e) Amortization of the inventory step-up associated with the Bioness acquisition.
(f) Represents loss on impairment on Harbor's long-lived assets, and the Company's investment in Harbor.
(g) Other non-recurring primarily consists of charges associated with potential strategic transactions, such as potential acquisitions.

Reconciliation of Gross Profit to Non-GAAP Gross Profit and Gross Margin to Non-GAAP Gross Margin (unaudited)

(\$, thousands)	Three Months Ended		Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Gross Profit	\$ 76,313	\$ 40,349	\$ 135,869	\$ 97,585
Gross Margin	69.5 %	69.5 %	70.9 %	71.4 %
Depreciation and Amortization included in cost of goods sold	5,618	5,292	10,854	10,599
Acquisition costs in cost of goods sold	2,106	—	2,106	—
Non-GAAP Gross Profit	\$ 84,037	\$ 45,641	\$ 148,829	\$ 108,184
Non-GAAP Gross Margin	76.5 %	78.7 %	77.7 %	79.2 %

Reconciliation of Operating (Loss) Income to Non-GAAP Operating Income and Operating Margin to Non-GAAP Operating Margin (unaudited)

(\$, thousands)	Three Months Ended		Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Operating (loss) income	\$ (5,740)	\$ (4,593)	\$ 16,258	\$ 8,396
Operating Margin	(5.2 %)	(7.9 %)	8.5 %	6.1 %
Depreciation and Amortization included in cost of goods sold	5,618	5,292	10,854	10,599
Amortization included in operating expenses	1,241	1,570	2,572	3,129
Change in fair value of contingent consideration	641	—	641	—
COVID-19 expense ^(a)	—	147	—	147
COVID-19 income ^(b)	—	—	—	—
Succession and transition charges ^(c)	187	3,801	344	4,574
Acquisition and Integration costs ^(d)	1,833	—	5,029	—
Inventory step-up costs ^(e)	2,106	—	2,106	—
Impairments related to variable interest entity ^(f)	5,674	—	5,674	—
Other non-recurring items ^(g)	1,710	—	2,659	—
Non-GAAP Operating Income	\$ 13,270	\$ 6,217	\$ 46,137	\$ 26,845
Non-GAAP Operating Margin	12.1 %	10.7 %	24.1 %	19.6 %

- (a) Additional cleaning and disinfection expenses and contract termination fees for canceled events included in operating expenses.
(b) Represents income resulting from the CARES Act.
(c) Primarily represents costs related to the CEO transition.
(d) Costs related to the Bioness acquisition.
(e) Amortization of the inventory step-up associated with the Bioness acquisition.
(f) Represents loss on impairment on Harbor's long-lived assets.
(g) Other non-recurring primarily consists of charges associated with potential strategic transactions, such as potential acquisitions.

Reconciliation of Operating Expenses to Non-GAAP Operating Expenses (unaudited)

(\$, thousands)	Three Months Ended		Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Operating Expenses	\$ 82,053	\$ 44,942	\$ 119,611	\$ 89,189
Amortization included in operating expenses	1,241	1,570	2,572	3,129
Change in fair value of contingent consideration	641	—	641	—
COVID-19 expense ^(a)	—	147	—	147
COVID-19 income ^(b)	—	—	—	—
Succession and transition charges ^(c)	187	3,801	344	4,574
Acquisition and Integration costs ^(d)	1,833	—	5,029	—
Impairments related to variable interest entity ^(e)	5,674	—	5,674	—
Other non-recurring items ^(f)	1,710	—	2,659	—
Non-GAAP Operating Expenses	\$ 70,767	\$ 39,424	\$ 102,692	\$ 81,339

- (a) Additional cleaning and disinfection expenses and contract termination fees for canceled events included in operating expenses.
(b) Represents income resulting from the CARES Act.
(c) Primarily represents costs related to the CEO transition.
(d) Costs related to the Bioness acquisition.
(e) Represents loss on impairment on Harbor's long-lived assets.
(f) Other non-recurring primarily consists of charges associated with potential strategic transactions, such as potential acquisitions.

Reconciliation of Guidance Range for Gross Profit to Non-GAAP Gross Profit and Gross Margin to Non-GAAP Gross Margin for the twelve months ending December 31, 2021

(\$, thousands)	2021 Guidance Low	2021 Guidance High	Twelve Months Ended December 31, 2020
Net Sales	\$ 405,000	\$ 415,000	\$ 321,161
Cost of Sales	116,900	116,700	87,642
Gross Profit	288,100	298,300	233,519
Gross Margin	71.1 %	71.9 %	72.7 %
Depreciation and Amortization included in cost of goods sold	24,100	23,600	21,169
Acquisition costs in cost of goods sold	2,100	2,100	—
Non-GAAP Gross Profit	\$ 314,300	\$ 324,000	\$ 254,688
Non-GAAP Gross Margin	77.6 %	78.1 %	79.3 %

Reconciliation of Guidance Range for Net Income to Non-GAAP Net Income for the twelve months ending December 31, 2021

(\$, thousands)	2021 Guidance Low	2021 Guidance High	Twelve Months Ended December 31, 2020
Net income	\$ 13,000	\$ 17,600	\$ 14,722
Depreciation and Amortization included in cost of goods sold	24,100	23,600	21,168
Amortization included in operating expenses	5,800	5,400	5,868
COVID-19 expense	—	—	576
COVID-19 income	—	—	(4,699)
Succession & Transition	300	300	5,609
Restructuring costs	—	—	563
Acquisition and Integration costs	8,000	7,500	—
Inventory step-up costs	2,100	2,100	—
Change in fair value of contingent consideration	1,800	2,000	—
Impairments related to variable interest entity	7,000	7,000	—
Other non-recurring costs (a)	5,000	4,000	3,590
Non-GAAP Net income	\$ 67,100	\$ 69,500	\$ 47,397

- (a) Represents anticipated charges in connection with potential strategic investments.

**Reconciliation of Guidance Range for Net Income to Adjusted EBITDA
for the twelve months ending December 31, 2021**

(\$, thousands)	2021 Guidance Low	2021 Guidance High	Twelve Months Ended December 31, 2020
Net Income	\$ 13,000	\$ 17,600	\$ 14,722
Depreciation and amortization	32,300	31,400	28,643
Income tax expense	7,900	8,700	1,192
Interest expense	2,300	2,300	9,751
Equity compensation	(3,700)	(2,700)	10,103
COVID-19 benefits, net	—	—	(4,123)
Succession and transition charges	300	300	5,609
Restructuring costs	—	—	563
Foreign currency impact	—	—	(117)
Equity loss in unconsolidated investments	1,800	1,800	467
Acquisition and Integration costs	8,000	7,500	—
Inventory step-up costs	2,100	2,100	—
Change in fair value of contingent consideration	1,800	2,000	—
Impairments related to variable interest entity	7,000	7,000	—
Other non-recurring costs ^(a)	5,000	4,000	5,633
Adjusted EBITDA	\$ 77,800	\$ 82,000	\$ 72,443

(a) Represents anticipated charges in connection with potential strategic investments.

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