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 April 1, 2023

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: 001-37844

BIOVENTUS INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**81-0980861**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
4721 Emperor Boulevard, Suite 100 **Durham, North Carolina** **(Address of Principal Executive Offices)**	**27703** **(Zip Code)**

(919) 474-6700
(Registrant's Telephone Number, Including Area Code)

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

Title of each class	**Trading Symbol(s)**	**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: (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 the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, 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 12, 2023, there were 62,486,725 shares of Class A common stock outstanding and 15,786,737 shares of Class B common stock outstanding.

BIOVENTUS INC.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

As used in this Quarterly Report on Form 10-Q, unless expressly indicated or the context otherwise requires, references to "Bioventus," "we," "us," "our," "the Company," and similar references refer to Bioventus Inc. and its consolidated subsidiaries, including Bioventus LLC (“BV LLC”).

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act), and Section 27A of the Securities Act of 1933, as amended (Securities Act), concerning 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. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements including, without limitation, statements regarding our business strategy, including, without limitation, expectations relating to our acquisitions of Misonix and Bioness, expected expansion of our pipeline and research and development investment, new therapy launches, expected costs related to, and potential future options for, MOTYS, recent dispositions of non-core assets, our operations and expected financial performance and condition, and impacts of the COVID-19 pandemic and inflation. 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 based on management’s current expectations, estimates, forecasts and projections about our business and the industry in which we operate, and management’s beliefs and assumptions are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. As a result, any or all of our forward-looking statements in this Quarterly Report on Form 10-Q may turn out to be inaccurate. Furthermore, if the forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all. Important factors that may cause actual results to differ materially from current expectations include, among other things: the risk that previously identified material weaknesses or new material weaknesses could adversely affect our ability to report our results of operations and financial condition accurately and in a timely manner; we might not be able to continue to fund our operations for at least the next twelve months as a going concern; we might not meet certain of our debt covenants under our Credit Agreement and might be required to repay our indebtedness; risks associated with the disposition of our Wound Business and expected impacts on our business; restrictions on operations and other costs associated with our indebtedness; our ability to complete acquisitions or successfully integrate new businesses, products or technologies in a cost-effective and non-disruptive manner; we maintain cash at financial institutions, often in balance that exceed federally insured limits; we are subject to securities class action litigation and may be subject to similar or other litigation in the future, which will require significant management time and attention, result in significant legal expenses and may result in unfavorable outcomes; our ability to maintain our competitive position depends on our ability to attract, retain and motivate our senior management team and highly qualified personnel; we are highly dependent on a limited number of products; our long-term growth depends on our ability to develop, acquire and commercialize new products, line extensions or expanded indications; we may be unable to successfully commercialize newly developed or acquired products or therapies in the United States; demand for our existing portfolio of products and any new products, line extensions or expanded indications depends on the continued and future acceptance of our products by physicians, patients, third-party payers and others in the medical community; the proposed down classification of non-invasive bone growth stimulators, including our Exogen system, by the U.S. Food and Drug Administration (FDA) could increase future competition for bone growth stimulators and otherwise adversely affect the Company’s sales of Exogen; failure to achieve and maintain adequate levels of coverage and/or reimbursement for our products or future products, the procedures using our products, such as our hyaluronic acid (HA) viscosupplements, or future products we may seek to commercialize; pricing pressure and other competitive factors; governments outside the United States might not provide coverage or reimbursement of our products; we compete and may compete in the future against other companies, some of which have longer operating histories, more established products or greater resources than we do; the reclassification of our HA products from medical devices to drugs in the United States by the FDA could negatively impact our ability to market these products and may require that we conduct costly additional clinical studies to support current or future indications for use of those products; our failure to properly manage our anticipated growth and strengthen our brands; risks related to product liability claims; fluctuations in demand for our products; issues relating to the supply of our products, potential supply chain disruptions and the increased cost of parts and components used to manufacture our products due to inflation; our reliance on a limited number of third-party manufacturers to manufacture certain of our products; if our facilities are damaged or become

inoperable, we will be unable to continue to research, develop and manufacture our products; failure to maintain contractual relationships; security breaches, unauthorized disclosure of information, denial of service attacks or the perception that confidential information in our possession is not secure; failure of key information technology and communications systems, process or sites; risks related to international sales and operations; risks related to our debt and future capital needs; failure to comply with extensive governmental regulation relevant to us and our products; we may be subject to enforcement action if we engage in improper claims submission practices and resulting audits or denials of our claims by government agencies could reduce our net sales or profits; the FDA regulatory process is expensive, time-consuming and uncertain, and the failure to obtain and maintain required regulatory clearances and approvals could prevent us from commercializing our products; if clinical studies of our future product candidates do not produce results necessary to support regulatory clearance or approval in the United States or elsewhere, we will be unable to expand the indications for or commercialize these products; legislative or regulatory reforms; our business may continue to experience adverse impacts as a result of the COVID-19 pandemic; risks related to intellectual property matters; and other important factors described in *Part I. Item 1A. Risk Factors* in our Annual Report on Form 10-K for the year ended December 31, 2022, as updated by our subsequent Quarterly Reports on Form 10-Q, and as may be further updated from time to time in our other filings with the SEC. You are urged to consider these factors carefully in evaluating these forward-looking statements. These forward-looking statements speak only as of the date hereof. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Bioventus Inc.
Consolidated Condensed Statements of Operations and Comprehensive Loss
Three Months Ended April 1, 2023 and April 2, 2022
(Amounts in thousands, except share amounts)
(Unaudited)

	Three Months Ended	
	April 1, 2023	April 2, 2022
Net sales	$ 119,059	$ 117,290
Cost of sales (including depreciation and amortization of $14,339, $9,218, respectively)	45,140	41,588
Gross profit	73,919	75,702
Selling, general and administrative expense	80,858	86,124
Research and development expense	3,771	6,928
Restructuring costs	317	577
Change in fair value of contingent consideration	287	269
Depreciation and amortization	2,129	3,254
Impairment of assets	78,615	—
Operating loss	(92,058)	(21,450)
Interest expense (income), net	9,694	(1,550)
Other income	(1,588)	(363)
Other expense (income)	8,106	(1,913)
Loss before income taxes	(100,164)	(19,537)
Income tax benefit, net	(146)	(5,132)
Net loss from continuing operations	(100,018)	(14,405)
Loss from discontinued operations, net of tax	(74,429)	(401)
Net loss	(174,447)	(14,806)
Loss attributable to noncontrolling interest - continuing operations	20,360	3,529
Loss attributable to noncontrolling interest - discontinued operations	14,937	—
Net loss attributable to Bioventus Inc.	$ (139,150)	$ (11,277)
Net loss from continuing operations	$ (100,018)	$ (14,405)
Other comprehensive loss, net of tax		
Change in foreign currency translation adjustments	657	(682)
Comprehensive loss	(99,361)	(15,087)
Comprehensive loss attributable to noncontrolling interest - continuing operations	20,226	3,669
Comprehensive loss attributable to noncontrolling interest - discontinued operations	14,937	—
Comprehensive loss attributable to Bioventus Inc.	$ (64,198)	$ (11,418)
Loss per share of Class A common stock from continuing operations, basic and diluted:	$ (1.28)	$ (0.18)
Loss per share of Class A common stock from discontinued operations, basic and diluted:	(0.96)	(0.01)
Loss per share of Class A common stock, basic and diluted	$ (2.24)	$ (0.19)
Weighted-average shares of Class A common stock outstanding, basic and diluted:	62,124,752	60,484,969

The accompanying notes are an integral part of these consolidated financial statements.

Bioventus Inc.
Consolidated Condensed Balance Sheets as of April 1, 2023 and December 31, 2022 (Unaudited)
(Amounts in thousands, except share amounts)

	April 1, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 47,102	$ 30,186
Accounts receivable, net	118,544	136,295
Inventory	87,953	84,766
Prepaid and other current assets	17,192	18,551
Assets held for sale	37,873	—
Current assets attributable to discontinued operations	—	2,777
Total current assets	308,664	272,575
Property and equipment, net	36,556	27,456
Goodwill	7,462	7,462
Intangible assets, net	516,039	639,851
Operating lease assets	16,063	16,690
Investment and other assets	2,620	2,621
Long-term assets attributable to discontinued operations	—	405,994
Total assets	$ 887,404	$ 1,372,649
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 32,828	$ 36,697
Accrued liabilities	115,769	111,570
Current portion of long-term debt	41,320	33,056
Other current liabilities	4,273	3,607
Liabilities held for sale	1,873	—
Current liabilities attributable to discontinued operations	—	119,087
Total current liabilities	196,063	304,017
Long-term debt, less current portion	404,265	385,010
Deferred income taxes	351	2,248
Contingent consideration	17,718	17,431
Other long-term liabilities	28,645	22,810
Long-term liabilities attributable to discontinued operations	—	228,911
Total liabilities	647,042	960,427
Commitments and contingencies (Note 11)		
Stockholders' Equity		
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 as of April 1, 2023 and December 31, 2022, 62,507,917 and 62,063,014 shares issued and outstanding as of April 1, 2023 and December 31, 2022, respectively	63	62
Class B common stock, $0.001 par value, 50,000,000 shares authorized, 15,786,737 shares issued and outstanding as of April 1, 2023 and December 31, 2022	16	16
Additional paid-in capital	492,475	490,576
Accumulated deficit	(304,456)	(165,306)
Accumulated other comprehensive income (loss)	413	(110)
Total stockholders' equity attributable to Bioventus Inc.	188,511	325,238
Noncontrolling interest	51,851	86,984
Total stockholders' equity	240,362	412,222
Total liabilities and stockholders' equity	$ 887,404	$ 1,372,649

The accompanying notes are an integral part of these consolidated financial statements.

Bioventus Inc.
Consolidated Condensed Statements of Changes in Stockholders' Equity
Three Months Ended April 1, 2023 and April 2, 2022
(Amounts in thousands, except share amounts)
(Unaudited)

Three Months Ended April 1, 2023

	Class A Common Stock		Class B Common Stock						
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated other comprehensive (loss) income	Accumulated Deficit	Non-controlling interest	Total Stockholders' equity
Balance at December 31, 2022	62,063,014	$ 62	15,786,737	$ 16	$ 490,576	$ (110)	$ (165,306)	$ 86,984	$ 412,222
Issuance of Class A common stock for equity plans	444,903	1	—	—	360	—	—	(277)	84
Net loss	—	—	—	—	—	—	(139,150)	(35,297)	(174,447)
Equity based compensation	—	—	—	—	1,539	—	—	307	1,846
Translation adjustment	—	—	—	—	—	523	—	134	657
Balance at April 1, 2023	62,507,917	$ 63	15,786,737	$ 16	$ 492,475	$ 413	$ (304,456)	$ 51,851	$ 240,362

Three Months Ended April 2, 2022

	Class A Common Stock		Class B Common Stock						
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated other comprehensive (loss) income	Accumulated Deficit	Non-controlling interest	Total Stockholders' equity
Balance at December 31, 2021	59,548,504	$ 59	15,786,737	$ 16	$ 473,318	$ 179	$ (6,602)	$ 140,686	$ 607,656
Issuance of Class A common stock for equity plans	1,808,766	3	—	—	4,729	—	—	(2,652)	2,080
Deferred taxes on equity rebalancing	—	—	—	—	(1,977)	—	—	—	(1,977)
Net loss	—	—	—	—	—	—	(11,277)	(3,529)	(14,806)
Equity based compensation	—	—	—	—	3,943	—	—	946	4,889
Tax withholdings on equity compensation awards	—	—	—	—	(3,352)	—	—	—	(3,352)
Translation adjustment	—	—	—	—	—	(542)	—	(140)	(682)
Balance at April 2, 2022	61,357,270	$ 62	15,786,737	$ 16	$ 476,661	$ (363)	$ (17,879)	$ 135,311	$ 593,808

The accompanying notes are an integral part of these consolidated financial statements.

Bioventus Inc.
Consolidated Condensed Statements of Cash Flows
Three Months Ended April 1, 2023 and April 2, 2022
(Amounts in thousands) (Unaudited)

	Three Months Ended	
	April 1, 2023	**April 2, 2022**
Operating activities:		
Net loss	$ (174,447)	$ (14,806)
Less: Loss from discontinued operations, net of tax	(74,429)	(401)
Loss from continuing operations	(100,018)	(14,405)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	16,473	12,479
Provision for expected credit losses	1,079	1,152
Equity based compensation	1,846	4,889
Change in fair value of contingent consideration	287	269
Change in fair value of interest rate swap	—	(3,924)
Deferred income taxes	(2,664)	(17,018)
Impairment of assets	78,615	—
Foreign currency fluctuations	747	44
Other, net	224	203
Changes in operating assets and liabilities:		
Accounts receivable	13,162	4,416
Inventories	(5,294)	326
Accounts payable and accrued expenses	2,331	(7,915)
Other current and noncurrent assets and liabilities	(2,129)	(1,535)
Net cash from operating activities - continuing operations	4,659	(21,019)
Net cash from operating activities - discontinued operations	(2,169)	—
Net cash from operating activities	2,490	(21,019)
Investing activities:		
Acquisitions, net of cash acquired	—	(236)
Purchase of property and equipment	(3,560)	(2,960)
Investments and acquisition of distribution rights	—	(1,478)
Net cash from investing activities - continuing operations	(3,560)	(4,674)
Net cash from investing activities - discontinued operations	(11,506)	—
Net cash from investing activities	(15,066)	(4,674)
Financing activities:		
Proceeds from issuance of Class A and B common stock	84	2,080
Tax withholdings on equity-based compensation	—	(3,352)
Borrowing on revolver	49,000	15,000
Payment on revolver	(20,000)	—
Debt refinancing costs	(1,668)	—
Payments on long-term debt	—	(4,509)
Other, net	(36)	(14)
Net cash from financing activities	27,380	9,205
Effect of exchange rate changes on cash	461	(71)
Net change in cash, cash equivalents and restricted cash	15,265	(16,559)
Cash, cash equivalents and restricted cash at the beginning of the period	31,837	99,213
Cash, cash equivalents and restricted cash at the end of the period	$ 47,102	$ 82,654
Supplemental disclosure of noncash investing and financing activities		
Accounts payable for purchase of property, plant and equipment	$ —	$ 76

The accompanying notes are an integral part of these consolidated financial statements.

Bioventus Inc.
Notes to the unaudited consolidated condensed financial statements
(Amounts in thousands, except unit and share amounts)

1. Organization

The Company

Bioventus Inc. (together with its subsidiaries, the "Company") was formed as a Delaware corporation for the purpose of facilitating an initial public offering and other related transactions in order to carry on the business of Bioventus LLC and its subsidiaries ("BV LLC"). Bioventus Inc. functions as a holding company with no direct operations, material assets or liabilities other than the equity interest in BV LLC. BV LLC is a limited liability company formed under the laws of the state of Delaware on November 23, 2011 and operates as a partnership. BV LLC commenced operations in May 2012.

On February 16, 2021, the Company completed its initial public offering ("IPO"), which was conducted through what is commonly referred to as an umbrella partnership C Corporation ("UP-C") structure. The Company has majority interest, sole voting interest and controls the management of BV LLC. As a result, the Company consolidates the financial results of BV LLC and reports a noncontrolling interest representing the interest of BV LLC held by its continuing LLC owner.

The Company is focused on developing and commercializing clinically differentiated, cost efficient and minimally invasive treatments that engage and enhance the body's natural healing processes. The Company is headquartered in Durham, North Carolina and has approximately 1,040 employees.

Interim periods

The Company reports quarterly interim periods on a 13-week basis within a standard calendar year. Each annual reporting period begins on January 1 and ends on December 31. Each quarter ends on the Saturday closest to calendar quarter-end, with the exception of the fourth quarter, which ends on December 31. The 13-week quarterly periods for fiscal year 2023 end on April 1, July 1 and September 30. Comparable periods for 2022 ended on April 2, July 2 and October 1. The fourth and first quarters may vary in length depending on the calendar year.

Unaudited interim financial information

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Pursuant to these rules and regulations, they do not include all information and notes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments, and the adjustments discussed in *Note 1. Organization*) considered necessary for a fair statement of the Company's financial condition and results of operations have been included. Operating results for the periods presented are not necessarily indicative of the results that may be expected for the full year. As such, the information included in this report should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2022. The consolidated balance sheet at December 31, 2022 has been derived from the audited consolidated financial statements of the Company, but does not include all the disclosures required by U.S. GAAP.

Correction of immaterial misstatements

During the quarter ended April 1, 2023 and as part of the balance sheet review process, the Company identified misstatements in its calculation of the carrying amount of noncontrolling interest as it applies to the Company's complex UP-C tax and ownership structure as prescribed in the amended and restated limited liability company agreement of BV LLC. Specifically, the Company failed to adjust the carrying amount of its noncontrolling interest to reflect changes in ownership interests relating to BV LLC. As a result, the previously issued consolidated financial statements reflect an understatement of noncontrolling interest and an overstatement of additional paid-in capital.

As a result of further research conducted, the Company discovered an additional error related to historical deferred income tax balances. The Company concluded that it had inappropriately calculated deferred income taxes by using an incorrect book basis in its investment of BV LLC during the Company's IPO, which resulted in an overstatement of deferred tax liabilities, an understatement of noncontrolling interest and an understatement of additional paid-in capital.

The statements affected by these errors include the consolidated balance sheets and consolidated statements of stockholders' and members' equity issued in the Company's Annual Report on Form 10-K for the years ended December 31, 2022 and December 31, 2021. There was no impact to any other financial statements for the periods presented. The Company concluded that these misstatements were not material, individually or in the aggregate, as evaluated under the Securities and Exchange Commission Staff Bulletin No. 99, *Materiality;* No. 108, *Considering the Effects of Prior Year Misstatements in Current Year Financial Statements*; and Financial Accounting Standards Board ASC 250-10, *Accounting Changes and Error Corrections*. However, because of the significance of these items, and to facilitate comparison among periods, the Company has decided to revise its previously issued consolidated financial statements on a prospective basis. The Company will correct its prior period presentation for this error in its future 2023 quarterly financial statements included in its Forms 10-Q and 2023 Annual Report on Form 10-K for the period ended December 31, 2023. The adjustments did not have an impact on revenues, total assets or cash flows.

The following are selected line items from our aforementioned impacted financial statements illustrating the effect of the error corrections thereon:

Consolidated Balance Sheets — December 31, 2022	**As Previously Reported**	**Adjustments**	**As Adjusted**
Deferred income taxes (b)(d)	$ 74,138	$ (71,890)	$ 2,248
Total liabilities	1,032,317	(71,890)	960,427
Additional paid-in capital (a)(b)(c)	481,919	8,657	490,576
Noncontrolling interest (a)(c)	23,751	63,233	86,984
Total stockholders' equity	340,332	71,890	412,222

Consolidated Balance Sheets — December 31, 2021	**As Previously Reported**	**Adjustments**	**As Adjusted**
Deferred income taxes (b)	$ 133,518	$ (73,867)	$ 59,651
Total liabilities	692,073	(73,867)	618,206
Additional paid-in capital (a)(b)	465,272	8,046	473,318
Noncontrolling interest (a)	74,865	65,821	140,686
Total stockholders' equity	533,789	73,867	607,656

The Company's consolidated statements of changes in stockholders' and members equity as of December 31, 2022 and December 31, 2021 have been corrected to reflect the above adjustments. The Company revised the amounts originally reported for the years ended December 31, 2022 and December 31, 2021 for the following items:

(a) Recorded a $65,821 decrease to additional paid-in capital and a corresponding increase to noncontrolling interest. This action effectively rebalanced equity appropriately between the Company and its noncontrolling interests according to their respective BV LLC ownership interests.

(b) Recorded a $73,867 decrease to deferred income tax balances and an increase to additional paid in capital to reflect the correction of an error that occurred during the calculation of deferred taxes at the Company's IPO.

(c) Reflects the entry as discussed in (a) above and additional rebalancing activity of $2,588 relating to the issuance of Class A common stock for equity plans during the year ended December 31, 2022.

(d) Reflects the entry as discussed in (b) and an additional $1,977 increase to deferred income tax balances and a reduction to additional paid in capital to reflect the deferred tax impact during the year ended December 31, 2022.

Going concern

The accompanying unaudited consolidated financial statements have been prepared under the going concern basis of accounting, which presumes that the Company's liquidation is not imminent; however, based on the Company's current financial position and liquidity sources, including current cash balances, and forecasted future cash flows, the Company is at risk of violating certain of its financial covenants under the Credit and Guaranty Agreement, dated December 6, 2019 (as amended on October 29, 2021, July 11, 2022 and March 31, 2023).

If mitigating steps are not taken or are not successful, the Company is at substantial risk of failing its covenants in 2024. A breach of a financial covenant under the Credit and Guaranty Agreement could accelerate repayment of our obligations under the agreement. Refer to *Note 4. Financial instruments* for further discussion concerning the Company's long-term debt obligations.

The Company is actively pursuing plans to mitigate these conditions and events, such as considering various additional cost cutting measures, and exploring additional divestiture opportunities such as the recently announced plan to divest certain assets within its Wound Business; however, there can be no assurances that it is probable these plans will be successfully implemented or that they will successfully mitigate these conditions and events. Therefore, these plans do not alleviate the substantial doubt about the Company's ability to continue as a going concern.

As part of efforts to improve its financial condition, on February 27, 2023, the Company reached an agreement to return the assets and liabilities of CartiHeal (2009) Ltd. ("CartiHeal"), a wholly-owned subsidiary of the Company, to its former securityholders. The deconsolidation of CartiHeal relieved deferred consideration liabilities and milestone obligations related to the acquisition of CartiHeal. Refer to *Note 3. Acquisitions and divestitures* for further information regarding the acquisition and subsequent deconsolidation of CartiHeal. In addition, the Company announced a restructuring plan in December 2022 to align the Company's organizational and management cost structure to improve profitability and cash flow. Refer to *Note 9. Restructuring costs* for further information.

Recent accounting pronouncements

The Company is an accelerated public company filer. Therefore, required effective dates for adopting new or revised accounting standards are generally earlier than when emerging growth companies are required to adopt.

2. Balance sheet information

Accounts receivable, net

Accounts receivable, net are amounts billed and currently due from customers. The Company records the amounts due net of allowance for credit losses. Collection of the consideration that the Company expects to receive typically occurs within 30 to 90 days of billing. The Company applies the practical expedient for contracts with payment terms of one year or less which does not consider the effects of the time value of money. Occasionally, the Company enters into payment agreements with patients that allow payment terms beyond one year. In those cases, the financing component is not deemed significant to the contract.

Accounts receivable, net of allowances, consisted of the following as of:

	April 1, 2023	December 31, 2022
Accounts receivable[(a)]	$ 125,945	$ 143,317
Less: Allowance for credit losses[(b)]	(7,401)	(7,022)
	$ 118,544	$ 136,295

(a) Other receivables of $350 attributable to CartiHeal was reclassified to current assets attributable to discontinued operations within the December 31, 2022 consolidated balance sheets. Accounts receivable of $5,012 was reclassified into assets held for sale within the April 1, 2023 consolidated condensed balance sheets. Refer to *Note 3. Acquisitions and divestitures* and *Note 14. Discontinued operations* for further details regarding assets held for sale and the deconsolidation of CartiHeal.

(b) Allowance for credit losses of $898 was reclassified to assets held for sale within the April 1, 2023 consolidated condensed balance sheets. Refer to *Note 3. Acquisitions and divestitures* for further details regarding assets held for sale.

Due to the short-term nature of the Company's receivables, the estimate of expected credit losses is based on aging of the account receivable balances. The allowance is adjusted on a specific identification basis for certain accounts as well as pooling of accounts with similar characteristics. The Company has a diverse customer base with no single customer representing ten percent or more of sales. The Company has one customer representing approximately 11.8% of the accounts receivable balance as of April 1, 2023. Historically, the Company's reserves have been adequate to cover credit losses.

Changes in credit losses were as follows:

	Three Months Ended	
	April 1, 2023	April 2, 2022
Beginning balance	$ (7,022)	$ (3,402)
Provision for losses	(1,079)	(1,152)
Write-offs	286	369
Recoveries	(484)	(69)
Reclassification to held for sale	898	—
Ending balance	$ (7,401)	$ (4,254)

Inventory

Inventory consisted of the following as of:

	April 1, 2023	December 31, 2022
Raw materials and supplies[(a)]	$ 24,729	$ 19,133
Finished goods[(b)]	65,461	67,484
Gross	90,190	86,617
Excess and obsolete reserves	(2,237)	(1,851)
	$ 87,953	$ 84,766

(a) Raw material inventory of $642 attributable to CartiHeal has been reclassified to current assets attributable to discontinued operations within the December 31, 2022 consolidated balance sheets. Refer to *Note 3. Acquisitions and divestitures* and *Note 14. Discontinued operations* for further details regarding the deconsolidation of CartiHeal.

(b) Finished goods inventory of $1,481 was reclassified to assets held for sale within the April 1, 2023 consolidated condensed balance sheets. Refer to *Note 3. Acquisitions and divestitures* for further information.

Prepaid and other current assets

Prepaid and other current assets consisted of the following as of:

	April 1, 2023	December 31, 2022
Prepaid taxes	$ 4,400	$ 4,442
Prepaid and other current assets[(a)]	12,792	14,109
	$ 17,192	$ 18,551

(a) Prepaid and other current assets of $134 attributable to CartiHeal was reclassified to current assets attributable to discontinued operations within the December 31, 2022 balance sheet. Refer to *Note 3. Acquisitions and divestitures* and *Note 14. Discontinued operations* for further details regarding the deconsolidation of CartiHeal.

Intangible assets, net

Intangible assets consisted of the following as of:

	April 1, 2023	December 31, 2022
Intellectual property[(a)(b)(c)]	$ 676,549	$ 790,049
Distribution rights	61,325	61,325
Customer relationships[(b)]	57,950	67,450
IPR&D	5,500	5,500
Developed technology and other	13,998	13,998
Total carrying amount	815,322	938,322
Less accumulated amortization:		
Intellectual property[(a)(b)(c)]	(188,094)	(187,767)
Distribution rights	(45,563)	(44,319)
Customer relationships[(b)]	(57,950)	(58,842)
Developed technology and other	(6,587)	(6,276)
Total accumulated amortization	(298,194)	(297,204)
Intangible assets, net before currency translation	517,128	641,118
Currency translation	(1,089)	(1,267)
	$ 516,039	$ 639,851

(a) Intellectual property and accumulated depreciation attributable to CartiHeal totaling $410,200 and $11,327, respectively, were reclassified to long-term assets attributable to discontinued operations within the December 31, 2022 consolidated balance sheets. Refer to *Note 3. Acquisitions and divestitures* and *Note 14. Discontinued operations* for further details regarding the deconsolidation of CartiHeal.

(b) Net intellectual property and customer relationships of $23,458 and $8,377, respectively, were reclassified into assets held for sale within the April 1, 2023 consolidated condensed balance sheets. Refer to *Note 3. Acquisitions and divestitures* for further details regarding assets held for sale.

(c) The Company recorded an impairment loss of $78,615 in the U.S. reporting segment of net intellectual property attributable to a business held for sale. The loss was recorded in impairment of assets within the consolidated condensed statements of operations and comprehensive loss. Refer to Refer to *Note 3. Acquisitions and divestitures* for further details regarding businesses held for sale.

Estimated amortization expense for intangibles subsequent to reclassifications and impairment for the remainder of 2023 and for the years ended December 31, 2024 through 2027 is expected to be $22,041, $26,347, $22,874, $20,030 and $19,652, respectively.

Goodwill

Goodwill is evaluated for impairment annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired. The Company assesses goodwill impairment by applying a quantitative impairment analysis comparing the carrying value of the Company's reporting units to their respective fair values. A goodwill impairment exists if the carrying value of the reporting unit exceeds its fair value.

The Company has two reporting units and assesses impairment based upon qualitative factors and if necessary, quantitative factors. A reporting unit's fair value is determined using the income approach and discounted cash flow models by utilizing Level 3 inputs and assumptions such as future cash flows, discount rates, long-term growth rates, market value and income tax considerations. Specifically, the value of each reporting unit is determined on a stand-alone basis from the perspective of a market participant and represents the price estimated to be received in a sale of the reporting unit in an orderly transaction between market participants at the measurement date. The Company then reconciles the values of all reporting units to the market capitalization of the Company.

The Company's goodwill resides within the International segment, of which $6,297 related to CartiHeal and was reclassified to long-term assets attributable to discontinued operations within the December 31, 2022 consolidated balance sheets. The amount was recorded in discontinued operations, net of tax on the consolidated condensed statements of operations for the three months ended April 1, 2023 as a result of CartiHeal's deconsolidation. Refer to *Note 3. Acquisitions and divestitures* and *Note 14. Discontinued operations* for further details concerning the deconsolidation of CartiHeal.

On November 8, 2022, due to a significant decline in the Company's Class A common stock price, circumstances became evident that a possible goodwill impairment existed as of the third quarter 2022 balance sheet date. The Company concluded that the carrying value of the U.S. reporting unit exceeded its fair value and recorded a non-cash goodwill impairment charge of $189,197 during the year ended December 31, 2022. There were no accumulated impairment losses prior to the year ended December 31, 2022.

Accrued liabilities

Accrued liabilities consisted of the following as of:

	April 1, 2023	December 31, 2022
Gross-to-net deductions	$ 66,557	$ 71,227
Bonus and commission[(a)]	9,462	9,179
Compensation and benefits	6,843	11,428
Accrued interest	6,210	217
Income and other taxes	4,496	2,572
Other liabilities[(b)]	22,201	16,947
	$ 115,769	$ 111,570

(a) Bonus and commissions of $588 were reclassified into liabilities held for sale within the April 1, 2023 consolidated balance sheets. Refer to *Note 3. Acquisitions and divestitures* for further details.

(b) Other liabilities attributable to CartiHeal of $384 were reclassified into current liabilities attributable to discontinued operations within December 31, 2022 consolidated balance sheets. Refer to *Note 3. Acquisitions and divestitures* and *Note 14. Discontinued operations* for further details.

3. Acquisitions and divestitures

Wound Business

The Company assesses its businesses and products in order to calibrate its strategic focus, enhance liquidity, prioritize investments and allocate capital to its core business units. As a result of this assessment, the Company has committed to a plan to divest certain assets within its Wound Business, specifically those attributable to TheraSkin and Theragenesis (the "Wound Business" or the "Disposal Group").

The Company has classified the identifiable net assets of the Disposal Group as held for sale. Assets and liabilities determined to be part of the Disposal Group have been recorded as single amounts within the Company's consolidated financial statements. Assets held for sale are reported at the lower of the carrying amount or fair value less costs to sell, which is expected to occur within one year. The Company has ceased the depreciation and amortization attributable to assets classified as held for sale. Assets and liabilities held for sale are reviewed each reporting period to determine whether existing carrying values are fully recoverable in comparison to estimated fair values less costs to sell.

The Company evaluated the Wound Business for impairment during the first quarter of 2023. The Company recorded a $78,615 ($63,337 after tax) impairment as a result of this evaluation to reduce the intangible assets of the Wound Business to reflect their respective fair values less any costs to sell. The fair value of intangibles of the Wound Business was determined based on the consideration offered for the Wound Business.

The carrying amounts of the major classes of assets and liabilities of the Wound Business that were classified as held for sale were as follows:

	April 1, 2023
Carrying amounts of assets classified as held for sale	
Accounts receivable, net of allowance of $898	$ 4,114
Inventory	1,481
Property and equipment, net	443
Intangible assets	31,835
Total assets held for sale	$ 37,873
Carrying amounts of liabilities classified as held for sale	
Accounts payable	$ 1,285
Accrued liabilities	588
Total liabilities held for sale	$ 1,873

CartiHeal (2009) Ltd

On July 12, 2022, the Company completed the acquisition of 100% of the remaining shares in CartiHeal, a privately held company headquartered in Israel and the developer of the proprietary Agili-C implant for the treatment of joint surface lesions in traumatic and osteoarthritic joints. The Company previously held an equity interest in CartiHeal's fully diluted shares with a carrying value of $15,768 and $16,771 as of July 12, 2022 and December 31, 2022, respectively. Net equity losses associated with CartiHeal for the three months ended April 2, 2022 totaled $401, which was included in discontinued operations, net on the consolidated condensed statements of operations and comprehensive loss.

The Company acquired CartiHeal (the "CartiHeal Acquisition") for an aggregate purchase price of approximately $315,000 and an additional $135,000, payable after closing upon the achievement of a certain sales milestone ("Sales Milestone", or "CartiHeal Contingent Consideration"). The Company paid $100,000 of the aggregate purchase price upon closing consisting of a $50,000 deposit held in trust and $50,000 from a financing arrangement (Refer to *Note 4. Financial instruments* for further information regarding financing arrangements). The Company also paid approximately $8,622 of CartiHeal's transaction-related fees and expenses and deferred $215,000 ("Deferred Amount") of the aggregate purchase price otherwise due at closing.

The Deferred Amount was to be paid in five tranches commencing in 2023 and ending no later than 2027 as follows:

- $50,000 due upon the earliest to occur — the publication in a peer-reviewed orthopedic journal of an article that presents the results of the pivotal clinical trial ("First Paper Milestone") or July 1, 2023;
- $50,000 due upon the earliest to occur — the implantation of Agili-C devices in 100 patients in the United States or September 1, 2023;
- $25,000 due upon the earliest to occur — the publication in a peer-reviewed orthopedic journal of an article that presents any new or additional clinical data subsequent to the First Paper Milestone with respect to Agili-C ("Second Paper Milestone") or January 1, 2025;
- $25,000 due upon the earliest to occur — the publication in a peer-reviewed orthopedic journal of an article that presents any new or additional clinical data subsequent to the First and Second Paper Milestone with respect to Agili-C or January 1, 2026; and
- $65,000 due upon the earliest to occur — obtaining a U.S. Category 1 Current Procedural Terminology ("CPT") code from Centers for Medicare and Medicaid Services ("CMS") for Agili-C or January 1, 2027.

Pursuant to the CartiHeal Amendment (as defined below), the Company owed interest on each tranche of the Deferred Amount at a rate of 8.0% annually, until such tranche is paid. The Sales Milestone was payable upon the achievement of $75,000 in trailing twelve month sales pursuant to the CartiHeal Amendment.

The Company had entered into an Option and Equity Purchase Agreement with CartiHeal ("Option Agreement") in January 2020 and a subsequent amendment in June 2022 ("CartiHeal Amendment"). The Option Agreement provided the Company with an exclusive option to acquire 100% of CartiHeal's shares ("Call Option"), and provided CartiHeal with a put option that would require the Company to purchase 100% of CartiHeal's shares under certain conditions. In August 2021, CartiHeal achieved pivotal clinical trial success, as defined in the Option Agreement, for the Agili-C implant. In order to preserve the Company's Call Option, in accordance with the Option Agreement and upon approval of the Company's Board of Directors ("BOD"), the Company deposited $50,000 into escrow in August 2021.

The First Paper Milestone under the Option Agreement occurred on February 13, 2023, which obligated the Company to make the first $50,000 payment, plus applicable interest, under the Option Agreement. On February 27, 2023, the Company entered into a settlement agreement (the "Settlement Agreement") with Elron Ventures Ltd. ("Elron" and together with the Company, the "Parties") as representative of CartiHeal's selling securityholders under the Option Agreement collectively, the "Former Securityholders"). Pursuant to the Settlement Agreement, Elron, on behalf of the Former Securityholders, agreed to forbear from initiating any legal action or proceedings relating to non-payment of any obligations arising under the Option Agreement during a period of 30 calendar days (the "Interim Period") in exchange for (i) a one-time non-refundable amount of $10,000 and (ii) a one-time non-refundable payment of $150 to Elron to be used in accordance with the expense fund provisions of the Option Agreement. The Interim Period expired on March 29, 2023 and the Company did not exercise its right to extend the Interim Period. In addition, the Parties mutually released any further claims under the Option Agreement and related transaction documents, including without limitation a release by the Former Securityholders of any rights to enforce the provisions of the Option Agreement or make further monetary claims against the Company and/or its respective affiliates and representatives.

The Company transferred 100% of its shares in CartiHeal to a trustee (the "Trustee") for the benefit of the Former Securityholders pursuant to the Settlement Agreement. The Company had no ownership interest and no voting rights during the Interim Period. Accordingly, the Company concluded that upon execution of the Settlement Agreement, the Company ceased to control CartiHeal for accounting purposes, and therefore, deconsolidated CartiHeal effective February 27, 2023. CartiHeal was part of the Company's international reporting segment. The Company treated the deconsolidation of CartiHeal as a discontinued operation. The loss upon disposal was $60,639 and was recorded within discontinued operations, net within the consolidated condensed statements of operations and comprehensive loss. The loss on disposal is comprised of the book value of CartiHeal's net assets at the time of disposal, goodwill attributable to CartiHeal and the previously discussed non-refundable payments made to Elron. The Company allowed the Interim Period to expire on March 29, 2023 as the Company was not able to find a financing solution to fund the payment obligations under the Option and Equity Purchase Agreement on terms the Company believed to be favorable to it and its shareholders.

The fair value of consideration for the CartiHeal Acquisition was comprised of the following:

Cash consideration	$	100,000
Transaction related costs		8,622
Subtotal of cash at closing		108,622
Deferred Amount		183,400
Sales Milestone		61,901
Fair value of previously held equity interest[(a)]		39,477
Total consideration	$	393,400

(a) Remeasurement of the Company's equity method investment in CartiHeal, net of equity losses as a result of the purchase. The remeasurement included a gain of $23,709 calculated as the difference between the fair value and the carrying value of the Company's investment in CartiHeal at the acquisition date and was recognized in other income during the third quarter of 2022 on the consolidated condensed statements of operations and comprehensive loss. The fair value was based upon: (i) the consideration transferred to members owning 89.97% of CartiHeal's fully diluted shares; (ii) calculating the value of CartiHeal's fully diluted shares based upon the transferred consideration; and (iii) applying the calculated value to the Company's 10.03% ownership in CartiHeal's fully diluted shares at the acquisition date.

The Company accounted for the CartiHeal Acquisition using the acquisition method of accounting whereby the total purchase price was allocated to tangible and intangible assets acquired and liabilities assumed based on respective fair values. The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date:

Fair value of consideration	$ 393,400
Assets acquired and liabilities assumed:	
Cash and cash equivalents and restricted cash	3,781
Inventory	642
Prepaid and other current assets	552
Property and equipment	259
Intangibles	410,200
Investment and other assets	727
Accounts payable	(18)
Accrued liabilities	(459)
Other current liabilities	(171)
Deferred income taxes	(79,863)
Other liabilities	(2,544)
Net assets acquired	333,106
Resulting goodwill	$ 60,294

Nearly 100% of the goodwill represents estimated future economic benefits arising from other assets acquired that could not be individually identified and separately recognized and is attributable to expected revenue growth in new markets. The goodwill was not deductible for tax purposes and $55,295 and $4,999 was allocated to the U.S. and International reporting units, respectively.

CartiHeal's intangibles consisted of the following:

	Useful Life	Fair Value
Intellectual Property - US Segment	20 years	$ 351,500
Intellectual Property - International Segment	8 years	58,700
		$ 410,200

The estimated fair value of the acquired CartiHeal intangibles was determined using an income approach, a valuation technique that estimates the fair value of an asset based on market participant expectations of the cash flows that an asset would generate over its remaining useful life. The determination of the useful lives was based upon consideration of market participant assumptions and transaction specific factors.

4. Financial instruments

Long-term debt consisted of the following as of:

	April 1, 2023	December 31, 2022
Amended Term Loan due October 2026 (9.19% at April 1, 2023)	$ 420,712	$ 420,712
Revolver due October 2025 (9.28% at April 1, 2023)	29,000	—
Less:		
Current portion of long-term debt	(41,320)	(33,056)
Unamortized debt issuance cost	(1,251)	(1,338)
Unamortized discount	(2,876)	(1,308)
	$ 404,265	$ 385,010

On December 6, 2019, the Company entered into a Credit and Guaranty Agreement (the "2019 Credit Agreement") that was comprised of a $200,000 term loan ("Original Term Loan") and a $50,000 revolving facility (the "Revolver"). The Company amended the 2019 Credit Agreement on October 29, 2021 in connection with the Misonix Acquisition in which the Company prepaid $80,000 on the Original Term Loan. The 2019 Credit Agreement, as amended, subsequent to the prepayment, was comprised of a $360,750 term loan ("Term Loan") and the Revolver.

On July 11, 2022, the Company further amended the 2019 Credit Agreement, as amended on October 29, 2021 (the "First Amended 2019 Credit Agreement"), in conjunction with the CartiHeal Acquisition. Pursuant to the First Amended 2019 Credit Agreement, an $80,000 term loan facility (the "July 2022 Term Loan" and, together with the Term Loan, the "Term Loan Facilities") was extended to the Company to be used for: (i) the financing of the CartiHeal Acquisition; (ii) the payment of related fees and expenses; (iii) repayment of the draws made on the Revolver; and (iv) working capital needs and general corporate purposes of the Company, including without limitation for permitted acquisitions.

The Company was not in compliance with certain financial covenants as of December 31, 2022. As a result, on March 31, 2023 (the "Closing Date"), the Company entered into another amendment to the 2019 Credit Agreement (collectively, with the October 2021 and July 2022 amendments, the "Amended 2019 Credit Agreement") to, among other things, modify certain financial covenants, waive the noncompliance at December 31, 2022, and to modify interest rates applicable to borrowings under the 2019 Credit Agreement.

The Amended 2019 Credit Agreement contains customary affirmative and negative covenants, including those related to financial reporting and notification, restrictions on the declaration or payment of certain distributions on or in respect of Bioventus LLC's equity interests, restrictions on acquisitions, investments and certain other payments, limitations on the incurrence of new indebtedness, limitations on transfers, sales and other dispositions of assets of Bioventus LLC and its subsidiaries, as well as limitations on making changes to the business and organizational documents of Bioventus LLC and its subsidiaries. Financial covenant requirements include a maximum debt leverage ratio and an interest coverage ratio. In addition, during the period commencing on the Closing Date and ending upon the satisfaction of certain conditions occurring not prior to the delivery of financial statements of the Company for the fiscal quarter ending June 30, 2024, the Company will be subject to certain additional requirements and covenants, including a requirement to maintain Liquidity (as defined in the Amended 2019 Credit Agreement) of not less than $10,000 as of the end of each calendar month during such period. The Term Loan Facilities will mature on October 29, 2026. The Revolver will mature on October 29, 2025.

The Amended 2019 Credit Agreement had deferred financing costs of $3,661, of which $1,617 were recorded in selling, general and administrative expense within the consolidated condensed statements of operations and comprehensive loss and $2,044 were capitalized on the consolidated condensed balance sheets. There was no loss on debt refinancing and modification as a result of the March 2023 amendment.

As of April 1, 2023, $416,585 was outstanding on the Term Loan Facilities, net of original issue discount of $2,876 and deferred financing costs of $1,251. Capitalized deferred fees are amortized to interest expense on a straight-line basis over the term of the Term Loan Facilities, which approximates the effective interest method. The Company recorded $223 and $203 for deferred cost amortization in interest expense for the three months ended April 1, 2023 and April 2, 2022, respectively. The Company had $29,000 and no outstanding borrowings on its Revolver as of April 1, 2023 and December 31, 2022, respectively.

The estimated fair value of the Term Loan Facilities was $414,402 as of April 1, 2023. The fair value of these obligations was determined based on the midpoint of the Bloomberg Valuation. This is classified as a Level 2 instruments within the fair value hierarchy.

The Company historically entered into interest rate swap agreements to limit its exposure to changes in the variable interest rate on its long-term debt. The Company had one non-designated interest rate swap agreement that was terminated on October 28, 2022. The Company received $7,738 upon the swap's termination. The swap was carried at fair value on the balance sheet with changes in fair value recorded as interest income or expense within the consolidated condensed statements of operations and comprehensive loss. Net interest income of $3,924 was recorded related to the change in fair value of the interest rate swap for the three months ended April 2, 2022.

5. Fair value measurements

The process for determining fair value has not changed from that described in the Annual Report on Form 10-K for the year ended December 31, 2022.

There were no assets measured at fair value on a recurring basis and there were no liabilities valued at fair value using Level 1 inputs. The following table provides information for assets and liabilities measured at fair value on a recurring basis using Level 2 and Level 3 inputs:

	April 1, 2023		December 31, 2022	
	Total	Level 3	Total	Level 3
Liabilities:				
Deferred Amount - Current[(a)]	$ —	$ —	$ 117,615	$ 117,615
Deferred Amount - Long Term[(a)]	—	—	79,269	79,269
CartiHeal contingent consideration- Sales Milestone[(a)]	—	—	67,251	67,251
Bioness contingent consideration	17,718	17,718	17,431	17,431
Total liabilities:	$ 17,718	$ 17,718	$ 281,566	$ 281,566

(a) The Deferred Amount and contingent consideration attributable to CartiHeal have been reclassified to discontinued operations within the December 31, 2022 balance sheet. CartiHeal was fully deconsolidated during the first quarter of 2023. Refer to *Note 3. Acquisitions and divestitures* and *Note 14. Discontinued operations* for further details regarding the deconsolidation of CartiHeal.

Deferred Amount

The Deferred Amount that resulted from the CartiHeal Acquisition was calculated based on the total amount payable on each due date for the five payment tranches including applicable interest. As previously discussed, the Company reached a settlement Agreement with the Former Securityholders. Pursuant to the Settlement Agreement, the Company was relieved of the obligations under the Deferred Amount. Refer to *Note 3. Acquisitions and divestitures* and *Note 14. Discontinued operations* for further details regarding the deconsolidation of CartiHeal.

Contingent consideration

The Company initially values contingent consideration related to business combinations using a probability-weighted calculation of potential payment scenarios discounted at rates reflective of the risks associated with the expected future cash flows for certain milestones. For other milestones, the Company used a variation of the income approach where revenue was simulated in a risk-neutral framework using Geometric Brownian Motion, a stock price behavior model.

Key assumptions used to estimate the fair value of contingent consideration include projected financial information, market data and the probability and timing of achieving the specific targets. After the initial valuation, the Company generally uses its best estimate to measure contingent consideration at each subsequent reporting period using unobservable Level 3 inputs. As previously discussed, the Company reached a settlement agreement with the Former Securityholders and was relieved of the CartiHeal Contingent Consideration obligations. Refer to *Note 3. Acquisitions and divestitures and Note 14. Discontinued operations* for further details regarding the deconsolidation of CartiHeal.

Unobservable inputs

A summary of unobservable Level 3 inputs utilized for the above liabilities are as follows:

	Valuation Technique	Unobservable inputs	Range
Bioness contingent consideration	Discounted cash flow	Payment discount rate	6.4% - 6.8%
		Payment period	2024 - 2025

Significant changes in these assumptions could result in a significantly higher or lower fair value. The contingent consideration reported in the table above resulted from the acquisition of Bioness on March 30, 2021. Contingent consideration is adjusted quarterly based upon the passage of time or the anticipated success or failure of achieving certain milestones. Changes in contingent consideration related to Bioness totaled $287 and $269 for the three months ended April 1, 2023 and April 2, 2022, respectively, and were recorded as the change in fair value of contingent consideration within the consolidated condensed statements of operations and comprehensive loss. Changes in contingent consideration related to the CartiHeal Acquisition totaled $1,710 for the three months ended April 1, 2023 and is reported within discontinued operations, net within the consolidated condensed statements of operations and comprehensive loss. Pursuant to the Settlement Agreement, the Company was relieved of CartiHeal related obligations. The Company deconsolidated the remaining $68,961 contingent consideration liability as a result. Refer to *Note 3. Acquisitions and divestitures* for further details regarding the deconsolidation of CartiHeal.

6. Equity-based compensation

The Company operates an equity-based compensation plan (the "2021 Plan"), which allows for the issuance of stock options (incentive and nonqualified), restricted stock, dividend equivalents, restricted stock units ("RSUs"), other stock-based awards, and cash awards (collectively, "Awards"). As of April 1, 2023, 11,278,656 shares of Class A common stock were authorized to be awarded and 2,762,266 shares were available for Awards.

Equity-based compensation expense for Awards granted under the 2021 Plan for the three months ended April 1, 2023 and April 2, 2022, totaled $1,718 and $4,731, respectively. The expense is primarily included in selling, general and administrative expense with a nominal amount in research and development expense on the consolidated condensed statements of operations and comprehensive loss based upon the department of the employee. There were $430 and $1,225 income tax benefit related to this expense for the three months ended April 1, 2023 and April 2, 2022, respectively.

Restricted Stock Units

During the three months ended April 1, 2023, the Company granted time-based RSUs which vest at various dates through January 3, 2027. RSU compensation expense is recognized over the vesting period, which is typically between 1 and 4 years. Unamortized compensation expense related to the RSUs totaled $2,265 at April 1, 2023, and is expected to be recognized over a weighted average period of approximately 2.50 years. A summary of the RSU award activity for the three months ended April 1, 2023 is as follows (number of units in thousands):

	Number of units	Weighted-average grant-date fair value per unit
Unvested at December 31, 2022	1,189	$ 11.96
Granted	39	2.78
Vested	(223)	12.77
Forfeited or canceled	(100)	12.66
Unvested at April 1, 2023	905	$ 11.29

Stock Options

During the three months ended April 1, 2023, the Company granted time-based stock options which vest over 2 to 4 years following the date of grant and expire within 10 years. The fair value of time-based stock options is determined using the Black-Scholes valuation model, with such value recognized as expense over the service period, which is typically 2 to 4 years, net of actual forfeitures. A summary of the Company's assumptions used in determining the fair value of the stock options granted during the three months ended April 1, 2023 is shown in the following table.

Risk-free interest rate	3.9%
Expected dividend yield	— %
Expected stock price volatility	35.2%
Expected life of stock options (years)	6.25

The weighted-average grant date fair value of options granted during the three months ended April 1, 2023 was $1.10 per share. The expected term of the options granted is estimated using the simplified method. Expected volatility is based on the historical volatility of the Company's peers' common stock. The risk-free interest rate is determined based upon a constant U.S. Treasury security rate with a contractual life that approximates the expected term of the option. Unamortized compensation expense related to the options totaled $9,614 at April 1, 2023, and is expected to be recognized over a weighted average period of approximately 3.78 years.

A summary of stock option activity is as follows for the three months ended April 1, 2023 (number of options in thousands):

	Number of options	Weighted-average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at December 31, 2022	8,910	$ 11.65		
Granted	22	2.61		
Forfeited or canceled	(636)	12.61		
Outstanding at April 1, 2023	8,296	11.56	7.44 years	$ —
Exercisable and vested at April 1, 2023	5,026	$ 10.87	6.74 years	$ —

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying options and the market price of the Company's Class A common stock for options that had exercise prices lower than $1.07 per share, the closing price of the Company's Class A common stock on March 31, 2023.

Employee Stock Purchase Plan

The Company operates a non-qualified Employee Stock Purchase Plan ("ESPP"), which provides for the issuance of shares of the Company's Class A common stock to eligible employees of the Company that elect to participate in the plan and purchase shares of Class A common stock through payroll deductions at a discounted price. As of April 1, 2023, the aggregate number of shares reserved for issuance under the ESPP was 1,181,830. A total of 222,076 shares were issued and $128 of expense was recognized during the three months ended April 1, 2023. A total of 48,993 shares were issued and $158 of expense was recognized during the three months ended April 2, 2022.

7. Stockholders' equity

Initial Public Offering

On February 16, 2021, the Company closed an IPO of 9,200,000 shares of Class A common stock at a public offering price of $13.00 per share, which includes 1,200,000 shares issued pursuant to the underwriters' over-allotment option. In connection with the IPO, the Company completed the following transactions ("Transactions").

- Amended and restated the limited liability company agreement of BV LLC ("BV LLC Agreement"), to, among other things, (i) provide for a new single class of common membership interests in BV LLC ("LLC Interests"); (ii) exchange all of the existing membership interests in BV LLC ("Original BV LLC Owners") for new LLC Interests; and (iii) appoint Bioventus Inc. as the sole managing member of BV LLC.
- Amended and restated the Bioventus Inc. certificate of incorporation to, among other things, (i) provide for an increase in the authorized shares of Class A common stock; (ii) provide for Class B common stock with voting rights but no economic interest, which shares were issued to the Original BV LLC Owners on a one-for-one basis with the number of LLC Interests they owned; and (iii) provide for undesignated preferred stock.
- Acquired, by merger, ten entities that were Original BV LLC Owners ("Former LLC Owners"), for which the Company issued 31,838,589 shares of Class A common stock as merger consideration ("IPO Mergers"). The only assets held by the Former LLC Owners were 31,838,589 LLC Interests and a corresponding number of shares of Class B common stock. Upon consummation of the IPO Mergers, the 31,838,589 shares of Class B common stock were canceled, and the Company recognized the 31,838,589 LLC Interests at carrying value, as the IPO Mergers are considered to be a recapitalization transaction.

Amendment and restatement of certificate of incorporation

On February 16, 2021, the Company amended and restated its certificate of incorporation to, among other things, provide for: (i) the authorization of 250,000,000 shares of Class A common stock with a par value of $0.001 per share; (ii) the authorization of 50,000,000 shares of Class B common stock with a par value of $0.001 per share; (iii) the authorization of 10,000,000 shares of undesignated preferred stock that may be issued from time to time by the BOD in one or more series; and (iv) the establishment of a classified BOD, divided into three classes, each of whose members will serve for staggered three-year terms.

Holders of Class A and Class B common stock are entitled to one vote per share and, except as otherwise required, will vote together as a single class on all matters on which stockholders generally are entitled to vote. Holders of Class B common stock are not entitled to receive dividends and will not be entitled to receive any distributions upon the liquidation, dissolution or winding up of the Company. Shares of Class B common stock may only be issued to the extent necessary to maintain the one-to-one ratio between the number of LLC Interests and the number of shares of Class B common stock held by the Smith & Nephew, Inc. (the "Continuing LLC Owner"). Shares of Class B common stock are transferable only together with an equal number of LLC Interests. Shares of Class B common stock will be canceled on a one-for-one basis upon the redemption or exchange of any outstanding LLC Interests.

The Company must, at all times, maintain a one-to-one ratio between the number of outstanding shares of Class A common stock and the number of LLC Interests owned by the Company.

BV LLC recapitalization

The BV LLC Agreement provides that holders of LLC Interests may, from time to time, require the Company to redeem all or a portion of their LLC Interests for newly-issued shares of Class A common stock on a one-for-one basis. The Company may elect to settle any such redemption in shares of Class A common stock or in cash.

The amendment also requires that the Company, at all times, maintain (i) a one-to-one ratio between the number of outstanding shares of Class A common stock and the number of LLC Interests owned by the Company and (ii) a one-to-one ratio between the number of shares of Class B common stock owned by the Continuing LLC Owner and the number of LLC Interests owned by the Continuing LLC Owner.

Noncontrolling interest

In connection with any redemption, the Company will receive a corresponding number of LLC Interests, increasing its ownership interest in BV LLC. Future redemptions of LLC Interests will result in a change in ownership and reduce the amount recorded as noncontrolling interest and increase additional paid-in capital. There were no redemptions during the three months ended April 1, 2023 or during the year ended December 31, 2022. The following table summarizes the ownership interest in BV LLC as of April 1, 2023 and December 31, 2022 (number of units in thousands):

	April 1, 2023		December 31, 2022	
	LLC Interests	Ownership %	LLC Interests	Ownership %
Number of LLC Interests owned				
Bioventus Inc.	62,508	79.8 %	62,063	79.7 %
Continuing LLC Owner	15,787	20.2 %	15,787	20.3 %
Total	78,295	100.0 %	77,850	100.0 %

8. Earnings per share

The following table sets forth the computation of basic and diluted loss per share of Class A common stock for the periods presented (amounts in thousands, except share and per share data):

	Three Months Ended	
	April 1, 2023	April 2, 2022
Numerator:		
Net (loss) income from continuing operations, net of tax	$ (100,018)	$ (14,405)
Net loss attributable to noncontrolling interests — continuing operations	20,360	3,529
Net loss attributable to Bioventus Inc. Class A common stockholders — continuing operations	$ (79,658)	$ (10,876)
Numerator:		
Net (loss) income from discontinued operations, net of tax	$ (74,429)	$ (401)
Net loss attributable to noncontrolling interests — discontinued operations	14,937	—
Net loss attributable to Bioventus Inc. Class A common stockholders — discontinued operations	$ (59,492)	$ (401)
Denominator:		
Weighted-average shares of Class A common stock outstanding - basic and diluted	62,124,752	60,484,969
Net loss per share of Class A common stock from continuing operations, basic and diluted	$ (1.28)	$ (0.18)
Net loss per share of Class A common stock from discontinued operations, basic and diluted	(0.96)	(0.01)
Net loss per share of Class A common stock, basic and diluted	$ (2.24)	$ (0.19)

Shares of Class B common stock do not share in the losses of the Company and are therefore not participating securities. As such, separate presentation of basic and diluted losses per share of Class B common stock under the two-class method has not been presented.

The following number of weighted-average potentially dilutive shares as of April 1, 2023 and April 2, 2022 were excluded from the calculation of diluted loss per share because the effect of including such potentially dilutive shares would have been antidilutive upon conversion:

	Three Months Ended	
	April 1, 2023	April 2, 2022
LLC Interests held by Continuing LLC Owner[(a)]	15,786,737	15,786,737
Stock options	8,517,045	8,757,706
RSUs	1,070,105	462,404
Total	25,373,887	25,006,847

[(a)] Class A Shares reserved for future issuance upon redemption or exchange of LLC Interests by the Continuing LLC Owner.

9. Restructuring costs

Restructuring costs are not allocated to the Company's reportable segments as they are not part of the segment performance measures regularly reviewed by management. These charges are included in restructuring costs in the consolidated statements of operations and comprehensive loss. Liabilities associated from restructuring costs are recorded in accrued liabilities on the consolidated balance sheets.

The Company announced a restructuring plan in December 2022 (the "2022 Restructuring Plan") that is intended to align the Company's organizational and management cost structure to improve profitability and cash flow. The Company expects to incur $4,000 to $5,000 of pre-tax costs under the 2022 Restructuring Plan primarily consisting of employee severance and additional expenses for third-party and other related costs. Pre-tax charges recognized during the three months ended April 1, 2023 and the year ended December 31, 2022 totaled $262 and $4,581, respectively.

The Company adopted restructuring plans for businesses acquired to reduce headcount, reorganize management structure and consolidate certain facilities during the second half of 2021 (the "2021 Acquisition Restructuring Plan") and during the first quarter of 2022 (the "2022 Acquisition Restructuring Plan"). The Company planned total pre-tax charges for the 2021 Acquisition Restructuring Plan and 2022 Acquisition Restructuring Plan are $3,500 and $2,300, respectively. There was nominal activity related to the 2021 Acquisition Restructuring Plan during the three months ended April 1, 2023 and $377, $719 and $2,487 recognized during the three months ended April 2, 2022, and the years ended December 31, 2022 and 2021, respectively. The 2021 Acquisition Restructuring Plan is essentially completed. Costs incurred attributable to the 2022 Acquisition Restructuring Plan totaled $84, $200 and $1,479 during the three months ended April 1, 2023 and April 2, 2022, and the year ended December 31, 2022, respectively.

The Company's restructuring charges and payments for plans related to businesses recently acquired comprised of the following:

	Employee severance and temporary labor costs	Other charges	Total
Balance at December 31, 2022	$ 3,760	$ —	$ 3,760
Expenses incurred	125	192	317
Payments made	(1,653)	(192)	(1,845)
Balance at April 1, 2023	$ 2,232	$ —	$ 2,232

10. Income taxes

The tax provision for interim periods is determined using an estimate of the Company's annual effective tax rate, adjusted for discrete items, if any, that arise during the period. Each quarter, the Company updates its estimate of its annual effective tax rate, and if the estimated annual effective tax rate changes, the Company makes a cumulative adjustment in such period. The quarterly tax provision, and estimate of the Company's annual effective tax rate, are subject to variation due to several factors, including variability in pre-tax income (or loss), the mix of jurisdictions to which such income relates, changes in how the Company conducts business, and tax law developments.

For the three months ended April 1, 2023 and April 2, 2022, the Company's effective tax rate was 0.1% and 26.3%, respectively. The decrease for the three months ended April 1, 2023 was primarily due to changes in our forecasted effective rate and a net increase in reserve for uncertain tax positions. The change in the forecasted effective rate for the three months ended April 1, 2023 compared to three months ended April 2, 2022 was primarily due to an increase in the valuation allowance applied to our net deferred tax assets.

Tax Receivable Agreement

The Company expects to obtain an increase in the share of the tax basis of the assets of BV LLC when LLC Interests are redeemed or exchanged by the Continuing LLC Owner and other qualifying transactions. This increase in tax basis may have the effect of reducing the amounts that the Company would otherwise pay in the future to various tax authorities. The increase in tax basis may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

On February 16, 2021, the Company entered into a tax receivable agreement ("TRA") with the Continuing LLC Owner that provides for the payment by the Company to the Continuing LLC Owner of 85% of the amount of tax benefits, if any, that the Company actually realizes as a result of (i) increases in the tax basis of assets of BV LLC resulting from any redemptions or exchanges of LLC Interests or any prior sales of interests in BV LLC; and (ii) certain other tax benefits related to our making payments under the TRA.

The Company will maintain a full valuation allowance against deferred tax assets related to the tax attributes generated as a result of redemptions of LLC Interests or exchanges described above until it is determined that the benefits are more-likely-than-not to be realized. As of April 1, 2023, the Continuing LLC Owner had not exchanged LLC Interests for shares of Class A common stock and therefore the Company had not recorded any liabilities under the TRA.

11. Commitments and contingencies

Leases

The Company leases its office facilities as well as other property, vehicles and equipment under operating leases. The Company also leases certain office equipment under nominal finance leases. The remaining lease terms range from 1 month to 10 years.

The components of lease cost were as follows:

	Three Months Ended	
	April 1, 2023	April 2, 2022
Operating lease cost	$ 1,069	$ 1,126
Short-term lease cost[a]	206	183
Financing lease cost:		
Amortization of finance lease assets	235	9
Interest on lease liabilities	137	1
Total lease cost	$ 1,647	$ 1,319

[a] Includes variable lease cost and sublease income, which are immaterial.

Supplemental cash flow information and non-cash activity related to operating leases were as follows:

	Three Months Ended	
	April 1, 2023	April 2, 2022
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	$ 1,100	$ 1,254
Operating cash flows from financing leases	$ 90	$ 1
Financing cash flows from finance leases	$ 37	$ 13
Right-of-use assets obtained in exchange for lease obligations:		
Operating lease obligations	$ 225	$ —
Financing lease obligations	$ 9,141	$ —

Supplemental balance sheet and other information related to operating leases were as follows:

	April 1, 2023	December 31, 2022
Operating lease assets[a]	$ 16,063	$ 16,690
Operating lease liabilities- current[b]	$ 3,854	$ 3,552
Operating lease liabilities- noncurrent[b]	13,455	14,355
Total operating lease liabilities	$ 17,309	$ 17,907
Property, plant and equipment - net (finance leases)	$ 9,034	$ 128
Finance lease liabilities - current	$ 419	$ 55
Finance lease liabilities - noncurrent	6,602	76
Total financing lease liabilities	$ 7,021	$ 131
Weighted average remaining lease term (years) for leases		
Operating leases	4.6	4.8
Finance leases	10.0	2.4
Weighted average discount rate for leases		
Operating leases	4.6 %	4.8 %
Finance leases	8.0 %	3.3 %

[a] Operating lease assets totaling $618 attributable to CartiHeal was reclassified to long-term assets attributable to discontinued operations within the December 31, 2022 consolidated balance sheets. Refer to *Note 3. Acquisitions and divestitures* and *Note 14. Discontinued operations* for further details regarding the deconsolidation of CartiHeal.

(b) Operating lease liabilities-current totaling $176 and operating lease liabilities-noncurrent of $442 were reclassified into current liabilities attributable to discontinued operations and long-term liabilities attributable to discontinued operations, respectively, within the December 31, 2022 consolidated balance sheets. Refer to *Note 3. Acquisitions and divestitures* and *Note 14. Discontinued operations* for further details regarding the deconsolidation of CartiHeal.

Governmental and legal contingencies

In the normal course of business, the Company periodically becomes involved in various claims and lawsuits, and governmental proceedings and investigations that are incidental to its business. The Company accrues a liability when a loss is considered probable and the amount can be reasonably estimated. When a material loss contingency is reasonably possible but not probable, the Company does not record a liability, but instead discloses the nature and amount of the claim, and an estimate of the possible loss or range of loss, if such an estimate can be made. Legal fees are expensed as incurred. With respect to governmental proceedings and investigations, like other companies in the industry, the Company is subject to extensive regulation by national, state and local governmental agencies in the United States and in other jurisdictions in which the Company and its affiliates operate. As a result, interaction with governmental agencies is ongoing. The Company's standard practice is to cooperate with regulators and investigators in responding to inquiries.

The Company is presently unable to predict the duration, scope, or result of these matters. As such, the Company is presently unable to develop a reasonable estimate of a possible loss or range of losses, if any, related to these matters. While the Company intends to defend these matters vigorously, the outcome of such litigation or any other litigation is necessarily uncertain, is not within the Company's complete control and might not be known for extended periods of time. In the opinion of management, the outcome of any existing claims and legal or regulatory proceedings, other than the specific matters described below, if decided adversely, is not expected to have a material adverse effect on the Company's business, financial condition, results of operations, or cash flows.

Bioventus shareholder litigation

On January 12, 2023, the Company and certain of its current and former directors and officers were named as defendants in a putative class action lawsuit filed in the Middle District of North Carolina, Ciarciello v. Bioventus, Inc., No. 1:23– CV – 00032-CCE-JEP (M.D.N.C. 2023). The complaint asserts violations of Sections 10(b) and 20(a) of the Exchange Act and of Sections 11 and 15 of the Securities Act and generally alleges that the Company failed to disclose certain information regarding rebate practices, its business and financial prospects, and the sufficiency of internal controls regarding financial reporting. The complaint seeks damages in an unspecified amount. On April 12, 2023, the Court appointed Wayne County Employees' Retirement System as lead plaintiff. The lead plaintiff's amended consolidated complaint is due to be filed with the Court on June 12, 2023. Defendants' motion to dismiss the amended consolidated complaint is due on July 17, 2023. The Company believes the claims alleged lack merit and intends to defend itself vigorously. The outcome of the litigation is not presently determinable, and any loss is neither probable nor reasonably estimable.

Bioness patent litigation

On June 15, 2022, the Company, through its subsidiary Bioness, filed a lawsuit in the United States District Court for the Eastern District of Virginia against Aretech, LLC ("Aretech") alleging infringement by Aretech of various patents related the Bioness' Vector Gait and Safety Support System®. On August 8, 2022, Aretech filed an answer to the lawsuit denying infringement and asserting various affirmative defenses and counterclaims to the Bioness complaint. Bioness filed a motion to dismiss the defendant's counterclaims on September 28, 2022. In response to Bioness' motion to dismiss the counterclaims, on October 19, 2022, Aretech filed an amended answer and counterclaims. On November 16, 2022, Bioness filed a partial motion to dismiss certain of the amended counterclaims. On January 23, 2023, the court granted-in-part Bioness' motion dismissing Aretech's antitrust and inventorship-related counterclaims, but allowed certain of Aretech's counterclaims to proceed. On March 23, 2023, the parties entered into a settlement and license agreement that resolved all claims in the litigation. The agreement also provides cross licenses to the parties for certain of their respective patents relevant to the claims asserted in the litigation.

Misonix stockholder

On September 15, 2021, a purported stockholder of Misonix filed an action in the United States District Court for the Eastern District of New York, captioned Stein v. Misonix, Inc., et al., Case No. 2:21-cv-05127 (E.D.N.Y.) (the "Stein Complaint"). The Stein Complaint named Misonix and members of its board of directors as defendants. The Stein Complaint was dismissed on April 6, 2022. On September 16, 2021, a purported stockholder of Misonix filed an action in the United States District Court for the Southern District of New York, captioned Ciccotelli v. Misonix, Inc. et al., Case No. 1:21-cv-07773 (S.D.N.Y.) (the "Ciccotelli Complaint") against Misonix, members of its board of directors, the Company, and its subsidiaries, Merger Sub I and Merger Sub II, as defendants. Plaintiff voluntarily dismissed the Ciccotelli Complaint on November 10, 2021. On October 12, 2021, another purported stockholder of Misonix filed an action in the United States District Court for the Eastern District of New York, captioned Rubin v. Misonix, Inc. et al., Case No. 1:21-cv-05672 (S.D.N.Y.) (the "Rubin Complaint") and on October 15, 2021, another purported stockholder of Misonix filed an action in the United States District Court for the Southern District of New York, captioned Taylor v. Misonix, Inc. et al., Case No. 1:21-cv-08513 (S.D.N.Y.) (the "Taylor Complaint"). The Rubin Complaint and the Taylor Complaint name Misonix and members of its board of directors as defendants. Plaintiffs voluntarily dismissed the Rubin and Taylor Complaints on January 21, 2022 and February 18, 2022, respectively.

The complaints asserted claims under Section 14(a) and Section 20(a) of the Exchange Act and SEC Rule 14a-9, challenging the adequacy of disclosures in the proxy statement/prospectus filed with the SEC on September 8, 2021 or the Definitive Proxy Statement filed with the SEC on September 24, 2021, regarding Misonix and/or Bioventus' projections and J.P. Morgan's financial analysis. The complaints had sought, among other relief, (i) injunctive relief preventing the parties from proceeding with the merger; (ii) rescission in the event that the merger is consummated; and (iii) an award of costs, including attorneys' and experts' fees.

Misonix former distributor

On March 23, 2017, Misonix's former distributor in China, Cicel (Beijing) Science & Technology Co., Ltd., filed a lawsuit against Misonix and certain of its officers and directors in the United States District Court for the Eastern District of New York. The complaint alleged that Misonix improperly terminated its contract with the former distributor. The complaint sought various remedies, including compensatory and punitive damages, specific performance and preliminary and post judgment injunctive relief, and asserted various causes of action, including breach of contract, unfair competition, tortious interference with contract, fraudulent inducement, and conversion. On October 7, 2017, the court granted Misonix's motion to dismiss each of the tort claims asserted against Misonix, and also granted the individual defendants' motion to dismiss all claims asserted against them. On January 23, 2020, the court granted Cicel's motion to amend its complaint, to include claims for alleged defamation and theft of trade secrets in addition to the breach of contract claim. Discovery in the matter ended on August 5, 2021. On January 20, 2022, the court granted Misonix's summary judgment motion on Cicel's breach of contract and defamation claims. Cicel's motion for reconsideration of the court's summary judgment ruling in Misonix's favor was dismissed by the Court on April 29, 2022. On July 18, 2022, Cicel voluntarily dismissed the remaining claim for trade secret theft and later filed an appeal to the United States Court of Appeals for the Second Circuit. The Company believes that it has various legal and factual defenses to these claims and intends to vigorously defend the appeal of the lower court's summary judgment rulings in its favor.

Bioness shareholder

Prior to closing the Bioness Acquisition, Bioness had been named as a defendant in a lawsuit, for which the Company is indemnified under the indemnification provisions contained in the Bioness Merger Agreement. The case relates to an action brought in February 2021 in the Delaware State Court of Chancery by a former minority shareholder and director of Bioness, seeking a temporary restraining order contesting the acquisition of Bioness. While the complaint to block the Bioness acquisition was dismissed by the court, a separate action was brought against the Company under the indemnification provisions of the Bioness Certificate of Incorporation to recover attorney fees and other expenses totaling approximately $3,000 incurred by the director and shareholder in connection with the matter.

On August 19, 2021, the court issued a ruling granting, in part, plaintiff's motion for summary judgment, awarding plaintiff attorney's fees and related expenses incurred in connection with performance of the plaintiff's directorial duties, and denying fees and expenses incurred in a non-director capacity. In its ruling, the court's order also directed the parties to agree upon a process that will govern the payment of and challenges to plaintiff's payment requests and required Bioness to pay 50% of the demanded amount into escrow if more than 50% of the total invoiced amount was in dispute. Pursuant to the court's order, Bioness paid approximately $1,300 into escrow. On November 1, 2022, at a hearing before Delaware State Court of Chancery, the court ruled in favor of the former Bioness director awarding attorney's fees in connection with the underlying pre-merger litigation and the advancement action in the amounts claimed, less approximately $50. On December 23, 2022, Bioness and the plaintiff entered into a settlement agreement resolving the matter for the aggregate sum of $2,500 payable to the plaintiff. The settlement was satisfied by releasing the $1,300 previously paid by Bioness and held in escrow and by an additional payment of $1,200. Pursuant to the indemnification obligations under the Bioness Merger Agreement, this subsequent payment was made on behalf of Bioness on December 28. 2022, by the selling majority shareholder under that agreement. The Company subsequently recovered the $1,300 paid into escrow from the selling Bioness shareholders pursuant an indemnification request under the Bioness Merger Agreement. An order dismissing the case was entered by the court on January 27, 2023.

On February 8, 2022, the above referenced minority shareholder of Bioness filed another action in the Delaware State Court of Chancery in connection with the Company's acquisition of Bioness. This action names the former Bioness directors, the Alfred E. Mann Trust (Trust), which was the former majority shareholder of Bioness, the trustees of the Trust and Bioventus as defendants. The complaint alleges, among other things, that the individual directors, the Trust, and the trustees breached their fiduciary duty to the plaintiff in connection with their consideration and approval of the Company's transaction. The complaint also alleges that the Company aided and abetted the other defendants in breaching their fiduciary duties to the plaintiff and that the Company breached the Merger Agreement by failing to pay the plaintiff its pro rata share of the merger consideration. The Company believes that it is indemnified under the indemnification provisions contained in the Bioness Merger Agreement for these claims. On July 20, 2022, the Company filed a motion to dismiss all claims made against it on various grounds, as did all the other named defendants in the suit. A hearing on Bioness' and other the defendant's motions was held before the Court of Chancery on January 19, 2023. The Company believes that there are various legal and factual defenses to the claims plaintiff made against us and intend to defend ourselves vigorously. On April 27, 2023, the Court issued an order which, among other things, dismissed Bioventus from the case.

Other matters

On November 10, 2021, the Company entered into an asset purchase agreement for an HA product and made an upfront payment of $853. An additional payment of $853 was made in 2022 upon the transfer of certain seller customer data. If the Company is able to obtain a Medical Device Regulation Certification for the product, $1,707 will be paid to the seller within five days. The Company is required to pay royalties through 2026 of 5.0% on the first $569 in sales and 2.5% thereafter.

On August 23, 2019, the Company was assigned a third-party license on a product currently in development and the Company is subject to a 3% royalty on certain commercial sales, or a nominal minimum amount per quarter.

On May 29, 2019, the Company and the Musculoskeletal Transplant Foundation, Inc. d/b/a MTF Biologics (MTF), entered into a collaboration and development agreement to develop one or more products for orthopedic application to be commercialized by the Company and supplied by MTF (the Development Agreement). The first phase has been completed, but during the second quarter of 2022, the Company elected to discontinue the development of MOTYS, the initial product candidate under development. On October 21, 2022, the Company provided notice to MTF of termination of the Development Agreement and the related cGTP Commercial Supply Agreement with MTF for MOTYS, effective December 20, 2022.

On December 9, 2016, the Company entered into an amended and restated license agreement for the exclusive U.S. distribution and commercialization rights of a single injection osteoarthritis (OA) product with the supplier of the Company's single injection OA product for the non-U.S. market. The agreement requires the Company to meet annual minimum purchase requirements and pay royalties on net sales. Royalties related to this agreement during the three months ended April 1, 2023 and April 2, 2022 totaled $2,321 and $3,332, respectively. These royalties are included in cost of sales within the consolidated condensed statements of operations and comprehensive loss.

As part of a supply agreement entered on February 9, 2016 for the Company's three injection OA product, the Company is subject to annual minimum purchase requirements for 10 years. After the initial 10 years, the agreement will automatically renew for an additional 5 years unless terminated by the Company or the seller in accordance with the agreement.

As part of a supply agreement for the Company's five injection OA product that was amended and restated on December 22, 2020, the Company is subject to annual minimum purchase requirements for 8 years.

The Company has an exclusive license agreement for bioactive bone graft putty. The Company is required to pay a royalty on all commercial sales revenue from the licensed products with a minimum annual royalty payment through 2023, the date the agreement will expire, upon the expiration of the patent held by the licensor. These royalties are included in cost of sales on the consolidated condensed statements of operations and comprehensive loss.

From time to time, the Company causes letters of credit ("LOCs") to be issued to provide credit support for guarantees, contractual commitments and insurance policies. The fair values of the LOCs reflect the amount of the underlying obligation and are subject to fees payable to the issuers, competitively determined in the marketplace. As of April 1, 2023 and December 31, 2022, the Company had one LOC outstanding for a nominal amount.

The Company currently maintains insurance for risks associated with the operation of its business, provision of professional services and ownership of property. These policies provide coverage for a variety of potential losses, including loss or damage to property, bodily injury, general commercial liability, professional errors and omissions and medical malpractice. The Company is self-insured for health insurance covering most of its employees located in the United States. The Company maintains stop-loss insurance on a "claims made" basis for expenses in excess of $200 per member per year.

12. Revenue recognition

Our policies for recognizing sales have not changed from those described in the Company's Annual Report on Form 10-K for the year ended December 31, 2022. The Company attributes net sales to external customers to the U.S. and to all foreign countries based on the legal entity from which the sale originated. The following table presents the Company's net sales disaggregated by major products (Vertical) within each segment as follows:

	Three Months Ended	
	April 1, 2023	April 2, 2022
U.S.		
Pain Treatments	$ 40,995	$ 47,874
Restorative Therapies	32,488	28,946
Surgical Solutions	30,495	27,261
Total U.S. net sales	103,978	104,081
International		
Pain Treatments	5,331	4,179
Restorative Therapies	5,614	5,414
Surgical Solutions	4,136	3,616
Total International net sales	15,081	13,209
Total net sales	$ 119,059	$ 117,290

13. Segments

The Company's two reportable segments are U.S. and International. The Company's products are primarily sold to orthopedists, musculoskeletal and sports medicine physicians, podiatrists, neurosurgeons and orthopedic spine surgeons, as well as to their patients. The Company does not disclose segment information by asset as the Chief Operating Decision Maker does not review or use it to allocate resources or to assess the operating results and financial performance. Segment adjusted EBITDA is the segment profitability metric reported to the Company's Chief Operating Decision Maker for purposes of decisions about allocation of resources to, and assessing performance of, each reportable segment.

The following table presents segment adjusted EBITDA reconciled to loss before income taxes:

	Three Months Ended	
	April 1, 2023	April 2, 2022
Segment adjusted EBITDA		
U.S.	$ 14,712	$ 4,839
International	2,239	2,333
Interest (expense) income, net	(9,694)	1,550
Depreciation and amortization	(16,473)	(12,479)
Acquisition and related costs	(1,175)	(7,978)
Restructuring and succession charges	(317)	(577)
Equity compensation	(1,846)	(4,889)
CartiHeal divestiture and debt restructuring	(5,330)	—
Impairment of assets	(78,615)	—
Other items	(3,665)	(2,336)
Loss before income taxes	$ (100,164)	$ (19,537)

14. Discontinued operations

On February 27, the Company reached a Settlement Agreement with the Former Securityholders of CartiHeal that resulted in the transfer of 100% of Company's shares in CartiHeal to a Trustee. Refer to *Note 3. Acquisitions and divestitures* for further details concerning the CartiHeal Settlement Agreement and its deconsolidation from the Company's financial statements. CartiHeal had no sales for the three months ended April 1, 2023 and year ended December 31, 2022.

The following table summarizes CartiHeal's major classes of assets and liabilities as reported on the consolidated condensed balance sheets as of December 31, 2022 as the balances were fully deconsolidated as of April 1, 2023:

	December 31, 2022
Carrying amounts of major classes of assets included as part of discontinued operations	
Cash	$ 1,628
Restricted cash	23
Other receivables	350
Inventory	642
Prepaid and other current assets	134
Property and equipment, net	191
Goodwill	6,297
Intangible assets, net	398,873
Operating lease assets	618
Other assets	15
Total assets	$ 408,771
Carrying amounts of major liabilities included as part of discontinued operations	
Accounts payable	$ 852
Accrued liabilities	384
Current portion of deferred consideration	117,615
Other current liabilities	236
Deferred income taxes	79,863
Deferred consideration	79,269
Contingent consideration	67,251
Other long-term liabilities	2,528
Total liabilities	$ 347,998

The following table summarizes the major income and expense line items of these discontinued operations, as reported in the consolidated statements of operations for the three months ended April 1, 2023 and April 2, 2022:

	Three Months Ended	
	April 1, 2023	April 2, 2022
Selling, general and administrative expense	$ 1,728	$ —
Research and development expense	396	—
Change in fair value of contingent consideration[(a)]	1,710	—
Depreciation and amortization[(a)]	4,264	—
Operating loss from discontinued operations	(8,098)	—
Interest expense (income), net	4,889	—
Other expense[(b)]	61,442	401
Other expense	66,331	401
Net loss	(74,429)	(401)
Loss attributable to noncontrolling interest	14,937	—
Net loss attributable to Bioventus Inc.	$ (59,492)	$ (401)

(a) Depreciation and amortization and the change in fair value of contingent consideration represents the significant operating non-cash items of discontinued operations.

(b) Other expense includes the $60,639 loss on deconsolidation, of which $10,150 was attributable to non-refundable payments.

15. Subsequent events

On April 4, 2023, Mr. Reali resigned as a director and officer of the Company, and Mr. Anthony P. Bihl III was appointed as Interim Chief Executive Officer of the Company and as a Class III director of the Company, effective April 5, 2023. Mr. Bihl succeeds Mr. Reali as the Company's principal executive officer.

On April 6, 2023, the Company repaid $15,000 on its revolving credit facility.

On May 10, 2023 the Company entered into a definitive agreement to sell its Wound Business, including TheraSkin and TheraGenesis, for total potential cash consideration of $85,000, including $35,000 at closing, $5,000 deferred for 18 months and $45,000 in potential earn-out payments. The Company expects to net approximately $30,000 at closing after fees and expenses that will be used to repay existing debt. The sale of the Wound Business is expected to close approximately one week before the end of May 2023.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of Bioventus Inc.'s (sometimes referred to as "we," "us," "our," "Bioventus" or "the Company") financial condition and results of operations should be read in conjunction with the "Special Note Regarding Forward-Looking Statements" and our unaudited consolidated condensed financial statements and related notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q, as well as our audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the Securities and Exchange Commission ("SEC") on March 16, 2022 ("2022 10-K").

Executive Summary

We are a global medical device company focused on developing and commercializing clinically differentiated, cost efficient and minimally invasive treatments that engage and enhance the body's natural healing process. We operate our business through two reportable segments, U.S. and International, and our portfolio of products is grouped into three verticals:

- Pain Treatments is comprised of non-surgical joint pain injection therapies as well as peripheral nerve stimulation ("PNS") products to help the patient get back to their normal activities.
- Surgical Solutions is comprised of bone graft substitutes ("BGS") to fuse and grow bones, improve results following spinal and other orthopedic surgeries as well as minimally invasive ultrasonic medical devices used for precise bone sculpting, removing tumors and tissue debridement, in various surgeries.
- Restorative Therapies is comprised of a bone healing system, skin allografts and products used to support healing of wounds as well as devices designed to help patients regain leg or hand function due to stroke, multiple sclerosis or other central nervous system disorders.

As further discussed below, there are conditions and events that raise substantial doubt about the Company's ability to continue as a going concern. In light of this, the Company is actively pursuing plans to mitigate these conditions and events; however, there can be no assurances that it is probable these plans will be successfully implemented or that they will successfully mitigate these conditions and events.

For additional information, see *Going Concern* section below and *Part II. Item 1A. Risk Factors*.

The following table sets forth total net sales, net loss and Adjusted EBITDA for the periods presented:

	Three Months Ended	
	April 1, 2023	April 2, 2022
Net sales	$ 119,059	$ 117,290
Net loss from continuing operations	$ (100,018)	$ (14,405)
Adjusted EBITDA[(1)]	$ 16,951	$ 7,172
Loss per Class A common stock, basic and diluted:		
Continuing operations	$ (1.28)	$ (0.18)
Discontinued operations	(0.96)	(0.01)
Loss per Class A common stock, basic and diluted	$ (2.24)	$ (0.19)

(1) See below under results of operations-Adjusted EBITDA for a reconciliation of net loss to Adjusted EBITDA.

Significant transactions

Wound Business

We routinely assess our products and businesses for alignment with our strategic focus and liquidity needs. As a result of this assessment, we decided to sell our Wound Business, specifically, those assets attributable to TheraSkin and Theragenesis (the "Wound Business" or the "Disposal Group").

We also evaluated the assets of the Wound Business for impairment during the first quarter of 2023. We recorded a $78.6 million impairment ($63.3 million after tax) as a result of this evaluation to reduce the intangible assets of the Disposal Group to their respective fair values.

On May 10, 2023 we entered into a definitive agreement to sell our Wound Business, including TheraSkin and TheraGenesis, for total potential cash consideration of $85.0 million, including $35.0 million at closing, $5.0 million deferred for 18 months and $45.0 million in potential earn-out payments. We expect to net approximately $30.0 million at closing after fees and expenses that will be used to repay existing debt. The sale of the Wound Business is expected to close before the end of May 2023.

CartiHeal

On July 12, 2022, we acquired 100% of CartiHeal (2009) Ltd. ("CartiHeal"), a privately held company headquartered in Israel and the developer of the proprietary Agili-C implant for the treatment of joint surface lesions in traumatic and osteoarthritic joints. We purchased CartiHeal ("CartiHeal Acquisition") for an aggregate purchase price of approximately $315.0 million and an additional $135.0 million, becoming payable after closing upon the achievement of a certain sales milestone ("Sales Milestone Consideration"). We paid $100.0 million of the aggregate purchase price upon closing, consisting of a $50.0 million escrow deposit and $50.0 million from a financing arrangement. We also paid approximately $8.6 million of CartiHeal's transaction-related fees and expenses and deferred $215.0 million ("Deferred Amount") of the aggregate purchase price otherwise due at closing until the earlier of the achievement of certain milestones or the occurrence of certain installment payment dates. We recognized a gain of $23.7 million due to the change in fair value of our equity method investment in CartiHeal as a result of the purchase during the third quarter of 2022. The gain was recognized in other income within the consolidated statement of operations and comprehensive loss.

We previously entered into an Option and Equity Purchase Agreement with CartiHeal ("Option Agreement") in July 2020. The Option Agreement provided us with an exclusive option to acquire 100% of CartiHeal's shares ("Call Option"), and provided CartiHeal with a put option that would require us to purchase 100% of CartiHeal's shares under certain conditions. In August 2021, CartiHeal achieved pivotal clinical trial success, as defined in the Option Agreement, for the Agili-C implant. In order to preserve our Call Option, in accordance with the Option Agreement and upon approval of the Board of Directors ("BOD"), we deposited $50.0 million into escrow in August 2021 for the potential acquisition of CartiHeal.

In April 2022, we exercised our Call Option to acquire all of the remaining shares of CartiHeal, excluding shares we already owned. Our decision to exercise the Call Option followed the FDA's March 29, 2022 premarket approval of CartiHeal's Agili-C implant. On June 17, 2022, the Company entered into an amendment to the Option Agreement with CartiHeal ("CartiHeal Amendment") and Elron Ventures Limited, in its capacity as the shareholder representative, that provided for deferred payment of the consideration for CartiHeal to be paid in multiple tranches, one of which was $50.0 million due upon the earliest to occur — the publication in a peer-reviewed orthopedic journal of an article that presents the results of the pivotal clinical trial ("First Paper Milestone") or July 1, 2023.

Pursuant to the CartiHeal Amendment, we agreed to pay interest on each tranche of the Deferred Amount at a rate of 8.0% annually, until such tranche is paid.

The First Paper Milestone under the Option Agreement occurred on February 13, 2023, triggering our obligation to make the first $50.0 million payment, plus applicable interest, under the Option Agreement.

On February 27, 2023, we entered into a settlement agreement (the "Settlement Agreement") with Elron Ventures Ltd. ("Elron" and together with the Company, the "Parties") as representative of CartiHeal's selling securityholders under the Option Agreement collectively, the "Former Securityholders"). Pursuant to the Settlement Agreement, Elron, on behalf of the Former Securityholders, agreed to forbear from initiating any legal action or proceedings relating to non-payment of any obligations arising under the Option Agreement during a period of 30 calendar days (the "Interim Period") in exchange for (i) a one-time non-refundable amount of $10.0 million and (ii) a one-time non-refundable payment of $0.2 million to Elron to be used in accordance with the expense fund provisions of the Option Agreement. The Interim Period expired on March 29, 2023 and we did not exercise our right to extend the Interim Period. In addition, the Parties mutually released any further claims under the Option Agreement and related transaction documents, including without limitation a release by the Former Securityholders of any rights to enforce the provisions of the Option Agreement or make further monetary claims against us and/or our respective affiliates and representatives.

Upon execution of the Settlement Agreement, we transferred 100% of our shares in CartiHeal to a trustee (the "Trustee") for the benefit of the Former Securityholders. We had no ownership interest and no voting rights during the Interim Period. We have concluded that upon execution of the Settlement Agreement, the Company ceased to control CartiHeal for accounting purposes, and therefore, have deconsolidated CartiHeal (the "Deconsolidation", or "Disposal") effective February 27, 2023. We treated the Disposal as a discontinued operation. The loss upon disposal is estimated to be $60.6 million and was recorded within loss from discontinued operations, net.

Amended 2019 Credit Agreement

On July 11, 2022, we amended our Credit and Guaranty Agreement, dated as of December 6, 2019 (as amended on October 29, 2021, July 11, 2022 and March 31, 2023, the "Amended 2019 Credit Agreement") in conjunction with the CartiHeal Acquisition to, among other things, provide for an $80.0 million term loan facility ("Term Loan Facility"). On March 31, 2023, we further amended our Amended 2019 Credit Agreement to, among other things, modify certain financial covenant provisions, waive the noncompliance at December 31, 2022 and increase the applicable interest rate. Refer to Liquidity and Capital Resources—Credit Facilities for further information.

B.O.N.E.S. Trial

We submitted a premarket approval ("PMA") supplement to the FDA in December 2020 seeking approval of an expanded indication for EXOGEN, specifically, for the adjunctive treatment of acute and delayed metatarsal fractures to reduce the risk of non-union. This PMA supplement was based on and supported by clinical data in metatarsal fractures from the ongoing B.O.N.E.S. study. In April 2021, we received a letter from the FDA identifying certain deficiencies in the PMA supplement that must be addressed before the FDA can complete its review of the PMA supplement. The deficiencies include concerns about the data and endpoints from the B.O.N.E.S. study, and requests for re-analyses of certain data and provision of other information to support the findings. In December 2021, we completed the follow-up of all patients in the scaphoid B.O.N.E.S. study. In October 2022, we elected to withdraw our PMA submission on metatarsal fractures. Presently, we are in the process of finalizing our PMA supplement for the scaphoid indication. In the scaphoid study analysis plan, the applicable feedback received from the FDA in the prior metatarsal submission was applied prospectively and as such we believe this second filing will address the FDA's concerns on the study design. Assuming positive outcome with the FDA of the scaphoid review, we would consider resubmitting the metatarsal data at a later date. We can, however, give no assurance that the scaphoid review will be accepted by the FDA or, if accepted, that we will be able to resolve the deficiencies in the PMA supplements identified by the FDA in a timely manner, or at all. Consequently, the FDA's decision on the PMA supplements might be delayed beyond the time originally anticipated. Moreover, if our responses do not satisfy the FDA's concerns, the FDA might not approve our PMA supplements seeking to expand the indications for use of EXOGEN in scaphoid and metatarsal fractures as proposed.

MOTYS Update

During the second quarter of 2022, prior to obtaining the results from our Phase 2 trial, we elected to discontinue the development of MOTYS, to focus our resources on other priorities, including the integration of our 2021 and 2022 acquisitions and our expanded R&D and product development portfolio we inherited with these acquisitions. We incurred $0.9 million during the three months ended April 1, 2023, and we expect to incur approximately $5.0 million to $6.0 million exclusively to fulfill our remaining regulatory obligations related to our Phase 2 trial ("MOTYS Costs"). We have incurred $5.2 million since the election to discontinue occurred during the second quarter of 2022.

Consolidated Appropriations Act

In July 2022, in connection with the Consolidated Appropriations Act, 2021 ("CAA"), the Centers for Medicare and Medicaid Services ("CMS") began utilizing new pricing information the Company reported to it pursuant to the newly adopted reporting obligations to adjust the Medicare payment to healthcare providers using our Durolane and Gelsyn-3 products.

Results of Operations

For a description of the components of our results of operations, refer to *Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* in our 2022 10-K.

The following table sets forth components of our condensed consolidated condensed statements of operations as a percentage of net sales for the periods presented:

	Three Months Ended	
	April 1, 2023	April 2, 2022
Net sales	100.0 %	100.0 %
Cost of sales (including depreciation and amortization)	37.9 %	35.5 %
Gross profit	62.1 %	64.5 %
Selling, general and administrative expense	67.9 %	73.4 %
Research and development expense	3.2 %	5.9 %
Restructuring costs	0.3 %	0.5 %
Change in fair value of contingent consideration	0.2 %	0.2 %
Depreciation and amortization	1.8 %	2.8 %
Impairment of assets	66.0 %	— %
Operating loss	(77.3 %)	(18.3 %)

The following table presents a reconciliation of net loss to Adjusted EBITDA for the periods presented:

(in thousands)	Three Months Ended April 1, 2023	Three Months Ended April 2, 2022
Net loss from continuing operations	**$ (100,018)**	**$ (14,405)**
Interest expense (income), net	9,694	(1,550)
Income tax benefit, net	(146)	(5,132)
Depreciation and amortization[(a)]	16,473	12,479
Acquisition and related costs[(b)]	1,175	7,978
Restructuring and succession charges[(c)]	317	577
Equity compensation[(d)]	1,846	4,889
Financial restructuring costs[(e)]	5,330	—
Impairment of assets[(f)]	78,615	—
Other items[(g)]	3,665	2,336
Adjusted EBITDA	**$ 16,951**	**$ 7,172**

(a) Includes for the three months ended April 1, 2023 and April 2, 2022, respectively, depreciation and amortization of $14,339 and $9,218 in cost of sales and $2,134 and $3,261 in operating expenses presented in the consolidated condensed statements of operations and comprehensive loss.

(b) Includes acquisition and integration costs related to completed acquisitions, amortization of inventory step-up associated with acquired entities, and changes in fair value of contingent consideration.

(c) Costs incurred were the result of adopting restructuring plans to reduce headcount, reorganize management structure, and to consolidate certain facilities.

(d) Includes compensation expense resulting from awards granted under our equity-based compensation plans.

(e) Financial Restructuring costs which include advisory fees and debt amendment related costs.

(f) Represents a non-cash impairment charge for intangible assets attributable to our Wound Business due to our decision to divest the business.

(g) Other items primarily includes charges associated with strategic transactions, such as potential acquisitions or divestitures, incremental one-time consulting costs related to the recertification of certain products to comply with the new and extensive EU MDR requirements, and costs attributable to MOTYS. During the second quarter of 2022, prior to obtaining the results from our Phase 2 trial, we elected to discontinue the development of MOTYS, to focus our resources on other priorities, including the integration of our acquisitions and our expanded R&D and product development portfolio we inherited with these acquisitions. We incurred $0.9 million during the three months ended April 1, 2023 related to MOTYS. We expect to incur approximately $5.0 million to $6.0 million in total to fulfill our remaining regulatory obligations related to our Phase 2 trial. We have incurred $5.2 million since the election to discontinue occurred during the second quarter of 2022.

Non-GAAP Financial Measures - Adjusted EBITDA

We present Adjusted EBITDA, a non-GAAP financial measure, because we believe it is a useful indicator that management uses as a measure of operating performance as well as for planning purposes, including the preparation of our annual operating budget and financial projections. We believe that Adjusted EBITDA is useful to our investors because it is frequently used by securities analysts, investors and other interested parties in their evaluation of the operating performance of companies in industries similar to ours. We define Adjusted EBITDA as net loss from continuing operations before depreciation and amortization, provision of income taxes and interest expense (income), net, 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 acquisition and related costs, impairments on goodwill, impairments of assets, restructuring and succession charges, equity compensation expense, financial restructuring costs, and other items. Adjusted EBITDA by segment is comprised of net sales and costs directly attributable to a segment, as well as an allocation of corporate overhead costs primarily based on a ratio of net sales by segment to total consolidated net sales.

Non-GAAP financial measures have limitations as an analytical tool and should not be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with U.S. GAAP. These measures might exclude certain normal recurring expenses. Therefore, these measures might not provide a complete understanding of the Company's performance and should be reviewed in conjunction with the U.S. GAAP financial measures. Additionally, other companies might define their non-GAAP financial measures differently than we do. Investors are encouraged to review the reconciliation of the non-GAAP measure provided in this Quarterly Report on Form10-Q, including in the table above, to its most directly comparable U.S. GAAP measure.

Net sales

	Three Months Ended		Change	
(in thousands, except for percentage)	April 1, 2023	April 2, 2022	$	%
U.S.				
Pain Treatments	$ 40,995	$ 47,874	$ (6,879)	(14.4 %)
Restorative Therapies	32,488	28,946	3,542	12.2 %
Surgical Solutions	30,495	27,261	3,234	11.9 %
Total U.S. net sales	103,978	104,081	(103)	(0.1 %)
International				
Pain Treatments	5,331	4,179	1,152	27.6 %
Restorative Therapies	5,614	5,414	200	3.7 %
Surgical Solutions	4,136	3,616	520	14.4 %
Total International net sales	15,081	13,209	1,872	14.2 %
Total net sales	$ 119,059	$ 117,290	$ 1,769	1.5 %

U.S.

Net sales remain consistent with the prior year comparable period. Changes by vertical were: (i) Pain Treatments—$6.9 million decrease due to the decline in our selling price, resulting from the impact of lower reported ASP leading due to lower reimbursement levels, partially offset with an increase in sales volume; (ii) Restorative Therapies—$3.5 million net sales increase due to net volume growth; and (iii) Surgical Solutions—$3.2 million net sales increase due volume growth.

International

Net sales increased $1.9 million, or 14.2%, due to sales volume growth.

Gross profit and gross margin

	Three Months Ended		Change	
(in thousands, except for percentage)	April 1, 2023	April 2, 2022	$	%
U.S.	$ 65,506	$ 67,616	$ (2,110)	(3.1 %)
International	8,413	8,086	327	4.0 %
Total	$ 73,919	$ 75,702	$ (1,783)	(2.4 %)

	Three Months Ended		
	April 1, 2023	April 2, 2022	Change
U.S.	63.0 %	65.0 %	(2.0 %)
International	55.8 %	61.2 %	(5.4 %)
Total	62.1 %	64.5 %	(2.4 %)

U.S.

Gross profit decreased $2.1 million, or 3.1%, primarily due to the decrease in selling price and an increase in amortization in cost of sales. Gross margin was also negatively impacted by 4.0% from inventory step-up amortization of acquisition related assets in 2022 compared with 2023.

International

Gross profit increased $0.3 million, or 4.0%, primarily due to the increase in net sales. Gross margin decreased due to product mix.

Selling, general and administrative expense

(in thousands, except for percentage)	Three Months Ended April 1, 2023	Three Months Ended April 2, 2022	Change $	Change %
Selling, general and administrative expense	$ 80,858	$ 86,124	$ (5,266)	(6.1 %)

Selling, general and administrative expenses decreased $5.3 million, or 6.1%, primarily due to cost saving initiatives including (i) a decline in compensation related expenses of $4.6 million; (ii) a decrease in equity-based compensation of $2.7 million due to employee turnover and our declining stock price; (iii) a decrease of $1.8 million in other administrative and marketing related costs; (iv) a decrease in travel related expenses of $0.9 million; and (v) a decrease of $0.4 million in corporate and employee health insurance. These increases were partially offset with an increase in consulting expenses of $4.3 million and an increase in audit and legal fees of $1.3 million.

Research and development expenses

(in thousands, except for percentage)	Three Months Ended April 1, 2023	Three Months Ended April 2, 2022	Change $	Change %
Research and development expense	$ 3,771	$ 6,928	$ (3,157)	(45.6 %)

Research and development expense decreased by $3.2 million, or 45.6%, primarily due to: (i) a decrease of $1.3 million in consulting costs; (ii) a decline in $0.9 million in compensation related expenses due to restructuring and cost reduction efforts; (iii) a decrease in equity-based compensation of $0.4 million due to employee turnover and our declining stock price; and (iv) a decline of $0.4 million in supplies expense due to cost reduction efforts.

Restructuring costs

(in thousands, except for percentage)	Three Months Ended April 1, 2023	Three Months Ended April 2, 2022	Change $	Change %
Restructuring costs	$ 317	$ 577	$ (260)	(45.1 %)

Restructuring costs for the three months ended April 1, 2023 included costs incurred as a result of an initiative to align the Company's organizational and management cost structure to improve profitability and cash flow through headcount reduction and cutting third-party related costs. Restructuring costs for the three months ended April 2, 2022 were incurred as a result of restructuring plans for recently acquired businesses to reduce headcount and to reorganize management structure for acquired businesses.

Change in fair value of contingent consideration

(in thousands, except for percentage)	Three Months Ended April 1, 2023	Three Months Ended April 2, 2022	Change $	Change %
Change in fair value of contingent consideration	$ 287	$ 269	$ 18	6.7 %

The fair value of contingent consideration during the three months ended April 1, 2023 remained consistent with the prior year comparable period. The activity for both periods relates to contingent consideration associated with the acquisition of Bioness in March 2021.

Depreciation and amortization

(in thousands, except for percentage)	Three Months Ended April 1, 2023	Three Months Ended April 2, 2022	Change $	Change %
Depreciation and amortization	$ 2,129	$ 3,254	$ (1,125)	(34.6 %)

Depreciation and amortization decreased $1.1 million or 34.6% during the three months ended April 1, 2023 compared with the prior year comparable period. The decrease was primarily due to lower amortization expense in the current year as certain customer relationship assets became fully amortized.

Impairment of assets

Our decision to divest the Wound Business required us to evaluate whether certain of its assets were impaired. We recorded a $78.6 million non-cash impairment charge as a result of this evaluation to reduce the intangible assets to their fair values less costs to sell. The fair value of intangibles of the Wound Business was determined based on the consideration offered for the Wound Business.

Other (income) expense

	Three Months Ended		Change	
(in thousands, except for percentage)	April 1, 2023	April 2, 2022	$	%
Interest expense (income), net	$ 9,694	$ (1,550)	$ 11,244	NM
Other income	$ (1,588)	$ (363)	$ (1,225)	NM

(NM = Not Meaningful)

Interest expense (income), net increased $11.2 million due to: (i) an increase in interest of $4.9 million from higher interest rates; (ii) the $3.9 million in interest income resulting from the change in the fair value of our interest rate swap in 2022, which discontinued during the fourth quarter of 2022; (iii) an increase of $1.3 million due to higher margin rates associated with a high leverage ratio; (iv) an increase of $0.6 million for interest on our revolving credit borrowings; and (v) an increase of $0.5 million on the additional debt used to partially fund the acquisition of CartiHeal.

Other income changed $1.2 million due to the receipt of $1.5 million from the settlement of a legal claim.

Income tax benefit, net

	Three Months Ended		Change	
(in thousands, except for percentage)	April 1, 2023	April 2, 2022	$	%
Income tax benefit, net	$ (146)	$ (5,132)	$ 4,986	NM
Effective tax rate	0.1 %	26.3 %		(26.2)%

The effective rate decrease during three months ended April 1, 2023 compared to the three months ended April 2, 2022 was primarily due to changes in our forecasted effective rate and a net increase in reserve for uncertain tax positions. The change in the forecasted effective rate for the 2023 compared to 2022 was primarily due to an increase in the valuation allowance applied to our net deferred tax assets.

Noncontrolling interest

	Three Months Ended		Change	
(in thousands, except for percentage)	April 1, 2023	April 2, 2022	$	%
Continuing LLC Owner	$ 35,297	$ 3,411	$ 31,886	NM
Other noncontrolling interest	—	118	(118)	(100.0 %)
Total	$ 35,297	$ 3,529	$ 31,768	

Subsequent to the IPO and related transactions, we are the sole managing member of BV LLC in which we own 79.8%. We have a majority economic interest, the sole voting interest in, and control the management of BV LLC. As a result, we consolidate the financial results of BV LLC and report a noncontrolling interest representing the 20.2% that is owned by the Continuing LLC Owner. Noncontrolling interest activity in 2023 was the result of large losses recorded during the period.

Segment Adjusted EBITDA

Adjusted EBITDA for each of our reportable segments is as follows:

	Three Months Ended		Change	
(in thousands, except for percentage)	April 1, 2023	April 2, 2022	$	%
U.S.	$ 14,712	$ 4,839	$ 9,873	204.0 %
International	$ 2,239	$ 2,333	$ (94)	(4.0)%

U.S.

Adjusted EBITDA increased $9.9 million, or 204.0%, primarily due cost saving initiatives, including a decrease in compensation related charges and declines in administrative and travel expenses as previously discussed.

International

Adjusted EBITDA remained consistent with the prior year.

Liquidity and Capital Resources

Sources of liquidity

Our principal liquidity needs have historically been for acquisitions, working capital, research and development, clinical trials, and capital expenditures. We expect these needs to continue as we carry out our operations, develop and commercialize our existing product candidates and any new products candidates and possibly further our expansion into international markets.

We have implemented previously announced restructuring initiatives to enhance our current financial position and sources of liquidity. These restructuring efforts are expected to result in $9.0 million to $10.0 million in cost savings on an annualized basis upon completion. Refer to *Item 1. Financial Information—Notes to the unaudited consolidated condensed financial statements—Note 9. Restructuring costs* for further details regarding these cost cutting efforts.

As previously discussed, we entered into a definitive agreement on May 10, 2023 to sell our Wound Business for total potential cash consideration of $85.0 million, including $35.0 million at closing, $5.0 million deferred for 18 months and $45.0 million in potential earn-out payments. We expect to net approximately $30.0 million after fees and expenses that will be used to repay existing debt. The sale of the Wound Business is expected to close before the end of May 2023.

We anticipate that to the extent that we require additional liquidity, we will obtain funding through additional equity financings or the incurrence of other indebtedness or a combination of these potential sources of liquidity. We may explore additional divestiture opportunities for non-core assets to improve our liquidity position, as we recently did with the Wound Business. In addition, we may raise additional funds to finance future cash needs through receivables or royalty financings or corporate collaboration and licensing arrangements. If we raise additional funds by issuing equity securities or convertible debt, our stockholders will experience dilution. The covenants under the Amended 2019 Credit Agreement limit our ability to obtain additional debt financing. Debt financing, if allowed under the Amended 2019 Credit Agreement and if available, would result in increased payment obligations and might involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, or making capital expenditures. If we raise additional funds through collaboration and licensing arrangements with third-parties, it might be necessary to relinquish valuable rights to our products, future revenue streams or product candidates, or to grant licenses on terms that might not be favorable to us. We cannot be certain that additional funding will be available on acceptable terms, or at all. Any failure to raise capital in the future might have a negative impact on our financial condition and our ability to pursue our business strategies.

Going Concern

The accompanying unaudited consolidated financial statements have been prepared under the going concern basis of accounting, which presumes that the Company's liquidation is not imminent; however, based on the Company's current financial position and liquidity sources, including current cash balances, and forecasted future cash flows, the Company is at risk of violating certain of its financial covenants under the Amended 2019 Credit Agreement.

The Company is actively pursuing plans to mitigate these conditions and events, such as considering various additional cost cutting measures, and exploring divestiture opportunities such as the recently announced plan to divest certain assets within its Wound Business; however, there can be no assurances that it is probable these plans will be successfully implemented or that they will successfully mitigate these conditions and events. Therefore, these plans do not alleviate the substantial doubt about the Company's ability to continue as a going concern.

For example, as a part of efforts to improve our financial condition, on February 27, 2023, we reached an agreement to return the assets and liabilities of CartiHeal (2009) Ltd. ("CartiHeal"), a wholly-owned subsidiary of the Company, to its former securityholders. The deconsolidation of CartiHeal relieved deferred consideration liabilities and milestone obligations related to the acquisition of CartiHeal. See Strategic Transactions – CartiHeal above as well as *Item 1. Financial Information—Notes to the unaudited consolidated condensed financial statements—Note 3. Acquisitions and divestitures* for further information regarding the acquisition and subsequent deconsolidation of CartiHeal. In addition, we announced a restructuring plan in December 2022 to align our organizational and management cost structure to improve profitability and cash flow. Refer to *Item 1. Financial Information—Notes to the unaudited consolidated condensed financial statements—Note 9. Restructuring costs* for further information.

If mitigating steps are not taken or are not successful, we are at substantial risk of failing to comply with the financial covenants in the Amended 2019 Credit Agreement in 2024. A breach of a financial covenant under the Amended 2019 Credit Agreement could accelerate repayment of our obligations under the agreement. Refer to *Item 1. Financial Information—Notes to the unaudited consolidated condensed financial statements—Note 4. Financial instruments* for further discussion concerning the Company's long-term debt obligations.

Cash requirements

There have been no material changes to our future cash requirements as disclosed in *Part II. Item 7* of our 2022 10-K.

We enter into contracts in the normal course of business with various third-parties for development, collaboration and other services for operating purposes. These contracts generally provide for termination upon notice. Payments due upon cancellation generally consist only of payments for services provided or expenses incurred, including non-cancellable obligations of our service providers, up to the date of cancellation. Certain agreements include contingent events that upon occurrence would require payment. For information regarding commitments and contingencies, refer to *Item 1. Financial Information—Notes to the unaudited consolidated condensed financial statements—Note 11. Commitments and contingencies*.

Tax Receivable Agreement

The BV LLC Agreement provides for the payment of certain distributions to the Continuing LLC Owner in amounts sufficient to cover the income taxes imposed with respect to the allocation of taxable income from BV LLC as well as obligations within the tax receivable agreement ("TRA") with the Continuing LLC Owner. Under the TRA, we are required to make cash payments to the Continuing LLC Owner equal to 85% of the tax benefits, if any, that we actually realize (or in certain circumstances are deemed to realize), as a result of (1) increases in the tax basis of assets of BV LLC resulting from (a) any future redemptions or exchanges of LLC Interests, and (b) certain distributions (or deemed distributions) by BV LLC and (2) certain other tax benefits arising from payments under the TRA. We expect the amount of the cash payments required to be made under the TRA will be significant. The actual amount and timing of any payments under the TRA will vary depending upon a number of factors, including the timing of redemptions or exchanges by the Continuing LLC Owner, the amount of gain recognized by the Continuing LLC Owner, the amount and timing of the taxable income we generate in the future, and the federal tax rates then applicable. Any payments made by us to the Continuing LLC Owner under the TRA will generally reduce the amount of overall cash flow that might have otherwise been available to us. To the extent that we are unable to make payments under the TRA for any reason, such payments generally will be deferred and will accrue interest until paid; provided, however, that nonpayment for a specified period may constitute a material breach of a material obligation under the TRA and therefore accelerate payments due under the TRA.

Indebtedness

We were not in compliance with certain financial covenants in the Amended 2019 Credit Agreement as of December 31, 2022. As a result, on March 31, 2023 (the "Closing Date"), we entered into another amendment to the Amended 2019 Credit Agreement to, among other things, modify certain financial covenants, waive the noncompliance at December 31, 2022, and to modify interest rates applicable to borrowings under the 2019 Credit Agreement.

The Amended 2019 Credit Agreement, as most recently amended, contains customary affirmative and negative covenants, including those related to financial reporting and notification, restrictions on the declaration or payment of certain distributions on or in respect of our equity interests, restrictions on acquisitions, investments and certain other payments, limitations on the incurrence of new indebtedness, limitations on transfers, sales and other dispositions of our assets, as well as limitations on making changes to the business and organizational documents. Financial covenant requirements include a maximum debt leverage ratio and an interest coverage ratio. In addition, during the period commencing on the Closing Date and ending upon the satisfaction of certain conditions occurring not prior to the delivery of our financial statements for the fiscal quarter ending June 30, 2024, we will be subject to certain additional requirements and covenants, including a requirement to maintain Liquidity (as defined in the Amended 2019 Credit Agreement) of not less than $10,000 as of the end of each calendar month during such period. The Term Loan Facilities will mature on October 29, 2026. The Revolver will mature on October 29, 2025.

During January and February 2023, the Company borrowed $49.0 million on its Revolver for working capital needs. However, on the Closing Date of the March 2023 amendment to the Amended 2019 Credit Agreement, as part of the closing conditions, the Company repaid $20.0 million of these borrowings. Additionally, the Company paid $1.3 million in closing fees, and will be required to pay an additional $0.6 million by December 31, 2023 unless the Total Net Leverage Ratio as at September 30, 2023 is below 5.25 to 1.00.

Refer to *Item 1. Financial Information—Notes unaudited consolidated condensed financial statements—Note 1. Organization* for further details on the Company's covenant compliance and *Note 4. Financial instruments* for further details on the Company's indebtedness.

Other

For information regarding Commitments and Contingencies, refer to *Item 1. Financial Information—Notes to the unaudited consolidated condensed financial statements—Note 11. Commitments and Contingencies—Note 3. Acquisitions and divestitures* of this Quarterly Report on Form 10-Q.

Information regarding cash flows

Cash, cash equivalents and restricted cash as of April 1, 2023 totaled $47.1 million, compared to $30.2 million as of December 31, 2022. The decrease in cash was primarily due to the following:

	Three Months Ended		Change	
(in thousands, except for percentage)	April 1, 2023	April 2, 2022	$	%
Cash flows from continuing operations:				
Net cash from operating activities	$ 4,659	$ (21,019)	$ 25,678	(122.2 %)
Net cash from investing activities	(3,560)	(4,674)	1,114	(23.8 %)
Net cash from financing activities	27,380	9,205	18,175	197.4 %
Net cash from discontinued operations	(13,675)	—	(13,675)	NM
Effect of exchange rate changes on cash	461	(71)	532	NM
Net change in cash, cash equivalents and restricted cash	$ 15,265	$ (16,559)	$ 31,824	(192.2 %)

NM = Not Meaningful

Operating Activities

Net cash in operating activities from continuing operations increased $25.7 million, primarily due to lower employee compensation and a net increase in collections. These inflows were partially offset with an increase in inventory purchases and higher interest payments.

Investing Activities

Cash flows used in investing activities decreased $1.1 million, primarily due $1.5 million less in other investments and distribution rights in 2023 partially offset with and an increase of $0.6 million in capital expenditures.

Financing Activities

Cash flows provided by financing activities increased $18.2 million, primarily due to (i) net revolver credit borrowings of $29.0 million compared to $15.0 million in 2022; (ii) no debt payments during the first quarter of 2023 compared to $4.5 million in the first quarter of 2022; and (iii) tax withholdings of $3.4 million in 2022 compared to none in 2023. The increase was partially offset with $2.0 million less proceeds from the issuance of stock and $1.7 million in cash payments attributable to debt refinancing in 2023.

Discontinued Operations

Net cash flows from discontinued operations were primarily the result of $10.2 million in fees used to settle the CartiHeal disposition and $1.4 million in cash held by the CartiHeal entity at the time of disposal.

Off-balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Contractual Obligations

There have been no material changes to our contractual obligations as disclosed in our 2022 10-K.

Critical Accounting Estimates

Our discussion of operating results is based upon the unaudited consolidated condensed financial statements and accompanying notes, which have been prepared in accordance with U.S. GAAP. The preparation of these statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Our estimates are based on our historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Changes in the facts or circumstances underlying these estimates could result in material changes and actual results could differ from these estimates. Our critical accounting estimates are detailed in Item 7 of our 2022 10-K and we have no material changes from such disclosures.

Recently Issued Accounting Pronouncements

There were no recently issued accounting pronouncements that are expected to materially impact our financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

There have been no material changes to our market risks as disclosed in our 2022 10-K.

Item 4. Controls and Procedures.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, because of ongoing material weaknesses in the Company's internal control over financial reporting that are not fully remediated as described below, the Company's disclosure controls and procedures were not effective as of April 1, 2023.

Material Weaknesses in Internal Control over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected and corrected on a timely basis.

Changes in Control Environment

In 2022, the Company did not conduct an effective risk assessment to identify and assess changes in its business processes and internal control environment related to newly acquired companies and multiple information technology ("IT") system implementations that occurred in 2022. Further, there was a lack of adequate personnel resources in accounting, IT and other support functions to support simultaneous system implementations and business process integrations for acquired companies, implement appropriate controls for acquired companies and to maintain focus on compliance with internal controls for legacy Bioventus processes.

In addition, during 2022, the Company saw an unprecedented level of turnover in roles that drive execution of internal control activities. This turnover, paired with business changes, including those related to acquisitions, resulted in a disruption to the effective completion of control activities across a number of business processes. Further, management identified a gap in control design related to sufficient tracking of control performance to ensure controls operated effectively.

In considering these breakdowns in the control environment, Bioventus determined the associated Committee of Sponsoring Organizations of the Treadway Commission ("COSO") principles requiring further control and action by management to be:

(a) Control environment - Establishes structure, authority, and responsibility (COSO Principle 3);

(b) Risk assessment – Identifies and analyzes significant change (COSO Principle 9); and

(c) Monitoring – Conducts ongoing and /or separate evaluations (COSO Principle 16).

These ongoing control deficiencies have resulted in certain immaterial restatements of the Company's financial statements as discussed in this Quarterly Report on Form 10-Q. When considered in the aggregate, they continue to create a reasonable possibility that a material misstatement to the consolidated financial statements will not be prevented or detected on a timely basis. Therefore, management concluded that the deficiencies continue to represent a material weakness in our internal control over financial reporting, and that disclosure controls and procedures were not effective as April 1, 2023.

Remediation Measures

(a) We identified staffing gaps based on employee turnover and integration challenges. Throughout 2022, we hired personnel and temporary resources to backfill positions vacated due to employee turnover and added additional headcount in accounting, finance and IT to expand capacity.

(b) In the fourth quarter of 2022, we engaged third-party consultants to perform an Accounting Transformation & Integration Assessment ("Project Action"). The Project Action team identified priority initiatives to enhance processes and systems to address inadequate processes, including order to cash, procure to pay and related master data processes. Further, Project Action benchmarked resources for the accounting function.

(c) As part of Project Action, we intend to develop mid- to long-term plans to further scale accounting, finance and IT for growth and public company requirements and continue to assess the level of resources that we need. We plan to continue to evaluate retention programs to retain key resources.

(d) We will prioritize key projects and ensure organizational capacity, with only essential IT projects occurring during the year.

(e) We are reinforcing execution rigor and are establishing recurring metrics regarding internal controls in processes, and tracking current performance compared with target performance to provide additional visibility to management and the Audit Committee. We also plan to further utilize our systems to automate the tracking of internal control completion.

(f) We will implement regular internal control certifications by control owners for all key controls.

(g) We will drive additional accountability for control owners by tying a portion of their performance objectives to successful completion of internal controls.

(h) We will increase training on internal controls, public company requirements and rigor through additional training requirements for new and existing control owners and tracking compliance to those training requirements.

(i) We will update and/or develop standard operating procedures to further document process and control performance for use in day-to-day execution and when training new employees.

(j) Further, we plan to implement a new internal control policy that further defines expectations for internal control performance and communication of changes to financially relevant processes. This policy will require management and internal audit approval before process changes or system implementations go-live.

Rebates Accrual Material Weakness

As previously reported, we identified a material weakness related to the Company's internal controls over financial reporting that were not performed at a sufficient level of precision to ensure that the third quarter 2022 rebates accrual was complete and accurate. The process undertaken to estimate the expected reduction in revenue from rebates was consistent with the Company's historical practice. However, subsequent to the initial calculation of the third quarter 2022 rebates accrual, an unexpectedly large invoice was received and there were not processes in place to ensure it was reviewed timely in order to update the accrual.

The Company reassessed open rebates accruals and the approach for calculating the rebate accruals based on this invoice. The Company revised its estimation methodology resulting in a decrease of revenue of $8.4 million. This adjustment was recorded subsequent to the earnings release but prior to the filing of the Company's Quarterly Report on Form 10-Q for the third quarter of 2022. Further, this change in revenue projection related to the rebates accrual adjustment for 2022 and cascading effect on future revenue projections materially impacted the Company's evaluation of its ability to meet debt covenants in its Amended 2019 Credit Agreement, resulting in liquidity and going concern disclosures in the Company's Quarterly Report on Form 10-Q for the third quarter of 2022.

Remediation Measures

We have designed and implemented new processes and enhanced controls to address the underlying causes of the material weakness related to the rebates accrual, including:

- Reassessing open rebates accruals and changing the estimation method for calculating the rebates accruals, including enhancing the precision of the controls;
- Implementing enhanced controls and status tracking to ensure that rebates invoices from third-party payers are received and reviewed timely; and
- Increasing rigor of documenting key conversations with payers.

The Company is in the process of implementing enhanced procedures to ensure the completeness and accuracy of key reports and information used in the rebates accrual and further enhancing the precision of supporting documentation for control performance.

We believe the actions described with respect to our control environment and rebates accrual processes will be sufficient to remediate the identified material weaknesses and strengthen our internal control over financial reporting. However, the new and enhanced controls have not all been fully implemented and/or have not operated for a sufficient amount of time to conclude that our material weaknesses have been fully remediated. We will continue to implement and monitor the effectiveness of our controls and will make any further changes management determines appropriate.

Notwithstanding the identified material weaknesses above, the Chief Executive Officer and Chief Financial Officer believe that the financial statements and related financial information included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our balance sheets, statements of operations and comprehensive (loss) income, statement of changes in stockholders' equity and statements of cash flows as of and for the periods presented.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the first quarter of 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting except for changes to controls resulting from the material weaknesses described above.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

On January 12, 2023, the Company and certain of its current and former directors and officers were named as defendants in a putative class action lawsuit filed in the Middle District of North Carolina, Ciarciello v. Bioventus, Inc., No. 1:23– CV – 00032-CCE-JEP (M.D.N.C. 2023). The complaint asserts violations of Sections 10(b) and 20(a) of the Exchange Act and of Sections 11 and 15 of the Securities Act and generally alleges that the Company failed to disclose certain information regarding rebate practices, its business and financial prospects, and the sufficiency of internal controls regarding financial reporting. The complaint seeks damages in an unspecified amount. On April 12, 2023, the Court appointed Wayne County Employees' Retirement System as lead plaintiff. The lead plaintiff's amended consolidated complaint is due to be filed with the Court on June 12, 2023. Defendants' motion to dismiss the amended consolidated complaint is due on July 17, 2023. The Company believes the claims alleged lack merit and intends to defend itself vigorously. The outcome of the litigation is not presently determinable, and any loss is neither probable nor reasonable estimable.

On June 15, 2022, the Company, through its subsidiary Bioness, filed a lawsuit in the United States District Court for the Eastern District of Virginia against Aretech, LLC ("Aretech") alleging infringement by Aretech of various patents related to our Vector Gait and Safety Support System®. On August 8, 2022, Aretech filed an answer to the lawsuit denying infringement and asserting various affirmative defenses and counterclaims to the Bioness complaint. Bioness filed a motion to dismiss the defendant's counterclaims on September 28, 2022. In response to Bioness' motion to dismiss the counterclaims, on October 19, 2022, Aretech filed an amended answer and counterclaims. On November 16, 2022, Bioness filed a partial motion to dismiss certain of the amended counterclaims. On January 23, 2023, the court granted-in-part Bioness's motion dismissing Aretech's antitrust and inventorship-related counterclaims, but allowed certain of Aretech's counterclaims to proceed. On March 23, 2023, the parties entered into a settlement and license agreement that resolved all claims in the litigation. The agreement also provides cross licenses to the parties for certain of their respective patents relevant to the claims asserted in the litigation.

On March 23, 2017, Misonix's former distributor in China, Cicel (Beijing) Science & Technology Co., Ltd., filed a lawsuit against Misonix and certain of its officers and directors in the United States District Court for the Eastern District of New York. The complaint alleged that Misonix improperly terminated its contract with the former distributor. The complaint sought various remedies, including compensatory and punitive damages, specific performance and preliminary and post judgment injunctive relief, and asserted various causes of action, including breach of contract, unfair competition, tortious interference with contract, fraudulent inducement, and conversion. On October 7, 2017, the court granted Misonix's motion to dismiss each of the tort claims asserted against Misonix, and also granted the individual defendants' motion to dismiss all claims asserted against them. On January 23, 2020, the court granted Cicel's motion to amend its complaint, to include claims for alleged defamation and theft of trade secrets in addition to the breach of contract claim. Discovery in the matter ended on August 5, 2021. On January 20, 2022, the court granted Misonix's summary judgment motion on Cicel's breach of contract and defamation claims. Cicel's motion for reconsideration of the court's summary judgment ruling in Misonix's favor was dismissed by the court on April 29, 2022. On July 18, 2022, Cicel voluntarily dismissed the remaining claim for trade secret theft and later filed an appeal in the United States Court of Appeals for the Second Circuit. We believe that we have various legal and factual defenses to these claims and intend to vigorously defend the appeal of the lower court's summary judgement rulings in our favor.

Prior to the closing of our acquisition of Bioness, Bioness had been named as a defendant in a lawsuit, for which we are indemnified under the indemnification provisions contained in the Bioness Merger Agreement. The case relates to an action brought in February 2021 in the Delaware State Court of Chancery by a former minority shareholder and director of Bioness, seeking a temporary restraining order contesting our acquisition of Bioness. While the complaint to block the Bioness acquisition was dismissed by the court, a separate action was brought against the Company under the indemnification provisions of the Bioness Certificate of Incorporation to recover approximately $3.0 million in attorney fees and other expenses incurred by the director and shareholder in connection with the matter.

On August 19, 2021, the court issued a ruling granting, in part, plaintiff's motion for summary judgment, awarding plaintiff attorney's fees and related expenses incurred in connection with performance of the plaintiff's directorial duties, and denying fees and expenses incurred in a non-director capacity. In its ruling, the court's order also directed the parties to agree upon a process that will govern the payment of and challenges to plaintiff's payment requests and required Bioness to pay 50% of the demanded amount into escrow if more than 50% of the total invoiced amount was in dispute. Pursuant to the court's order, Bioness paid approximately $1.3 million into escrow. On November 1, 2022, at a hearing before Delaware State Court of Chancery, the court ruled in favor of the former Bioness director awarding attorney's fees in connection with the underlying pre-merger litigation and the advancement action in the amounts claimed, less approximately $0.1 million. On December 23, 2022, Bioness and the plaintiff entered into a settlement agreement resolving the matter for the aggregate sum of $2.5 million payable to the plaintiff. The settlement was satisfied by releasing the $1.3 million previously paid by Bioness and held in escrow and by an additional payment of $1.2 million. Pursuant to the indemnification obligations under the Bioness Merger Agreement, this subsequent payment was made on behalf of Bioness on December 28. 2022, by the selling majority shareholder under that agreement. The Company subsequently recovered the $1.3 million paid into escrow from the selling Bioness shareholders pursuant an indemnification request under the Bioness Merger Agreement. An order dismissing the case was entered by the court on January 27, 2023.

On February 8, 2022, the above referenced minority shareholder of Bioness filed another action in the Delaware State Court of Chancery in connection with our acquisition of Bioness. This action names the former Bioness directors, the Alfred E. Mann Trust (Trust), which was the former majority shareholder of Bioness, the trustees of the Trust and Bioventus as defendants. The complaint alleges, among other things, that the individual directors, the Trust, and the trustees breached their fiduciary duty to the plaintiff in connection with their consideration and approval of our transaction. The complaint also alleges that we aided and abetted the other defendants in breaching their fiduciary duties to the plaintiff and that we breached the Merger Agreement by failing to pay the plaintiff its pro rata share of the merger consideration. We believe that we are indemnified under the indemnification provisions contained in the Bioness Merger Agreement for these claims. On July 20, 2022, we filed a motion to dismiss all claims made against us on various grounds, as did all the other named defendants in the suit. A hearing on the Bioness and other defendant's motions was held before the Court of Chancery on January 19, 2023. We believe that there are various legal and factual defenses to the claims plaintiff made against us and intend to defend ourselves vigorously. On April 27, 2023, the Court issued an order which, among other things, dismissed Bioventus from the case.

On September 15, 2021, a purported stockholder of Misonix filed an action in the United States District Court for the Eastern District of New York, captioned Stein v. Misonix, Inc., et al., Case No. 2:21-cv-05127 (E.D.N.Y.) (the Stein Complaint). The Stein Complaint named Misonix and members of its board of directors as defendants. The Stein Complaint was dismissed on April 6, 2022. On September 16, 2021, a purported stockholder of Misonix filed an action in the United States District Court for the Southern District of New York, captioned Ciccotelli v. Misonix, Inc. et al., Case No. 1:21-cv-07773 (S.D.N.Y.) (the Ciccotelli Complaint) against Misonix, members of its board of directors, the Company, and its subsidiaries, Merger Sub I and Merger Sub II, as defendants. Plaintiff voluntarily dismissed the Ciccotelli Complaint on November 10, 2021. On October 12, 2021, another purported stockholder of Misonix filed an action in the United States District Court for the Eastern District of New York, captioned Rubin v. Misonix, Inc. et al., Case No. 1:21-cv-05672 (S.D.N.Y.) (the Rubin Complaint) and on October 15, 2021, another purported stockholder of Misonix filed an action in the United States District Court for the Southern District of New York, captioned Taylor v. Misonix, Inc. et al., Case No. 1:21-cv-08513 (S.D.N.Y.) (the Taylor Complaint). The Rubin Complaint and the Taylor Complaint name Misonix and members of its board of directors as defendants. Plaintiffs voluntarily dismissed the Rubin and Taylor Complaints on January 21, 2022 and February 18, 2022, respectively.

Each of the complaints relating to the Misonix Acquisition asserted claims under Section 14(a) and Section 20(a) of the Exchange Act and SEC Rule 14a-9, challenging the adequacy of disclosures in the proxy statement/prospectus filed with the SEC on September 8, 2021 or the Definitive Proxy Statement filed with the SEC on September 24, 2021, regarding Misonix and/or Bioventus' projections and J.P. Morgan's financial analysis. The complaints sought, among other relief, (i) injunctive relief preventing the parties from proceeding with the merger; (ii) rescission in the event that the merger is consummated; and (iii) an award of costs, including attorneys' and experts' fees.

On April 28, 2023, Bioventus LLC was named as a defendant in a lawsuit filed in the Durham, North Carolina, Superior Court, Donald Auman v. Bioventus LLC. The complaint alleges that the plaintiff suffered a methicillin-resistant staphylococcus aureus (MRSA) infection in his left leg after using the coupling gel supplied by the Company for use with its Exogen bone healing device. The complaint also alleges that the Exogen gel used by the plaintiff was the subject of the Company's recall in December 2020, at which time the Company initiated a voluntary recall of certain lots of the gel supplied by a third-party manufacturer due to concerns that they may have had microbial contamination. The Company is evaluating the allegations in the complaint and intends to defend itself vigorously.

Please refer to *Part I. Item 1—Financial Information— Notes to the unaudited consolidated condensed financial statements—Note 11. Commitments and Contingencies* of this Quarterly Report on Form 10-Q for information pertaining to legal proceedings. In addition, we are party to legal proceedings incidental to our business. While our management currently believes the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on our consolidated condensed financial statements, litigation is subject to inherent uncertainties. Were an unfavorable ruling to occur, there exists the possibility of a material adverse impact on our financial condition and results of operations.

Item 1A. Risk Factors.

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors and other cautionary statements described in *Part I. Item 1A. Risk Factors* included in our 2022 10-K, which could materially affect our businesses, financial condition, or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, or future results. Except for such additional information and the updated risk factor set forth below, we believe there have been no other material changes in our risk factors from those disclosed in our 2022 10-K.

Failure to establish and maintain effective financial controls could cause us to have material weaknesses and financial misstatements due to error, which could adversely affect our business and stock price.

We are required to comply with the SEC's rules implementing Sections 302, 404 and 906 of the Sarbanes-Oxley Act of 2002, which require management to certify financial and other information in our quarterly and annual reports, provide quarterly and annual management reports on the effectiveness of disclosure controls and procedures, and provide annual management reports on the effectiveness of internal controls over financial reporting. Though we are required to disclose changes made in our internal controls and procedures on a quarterly basis and assess internal controls over financial reporting on an annual basis, our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404 until we are no longer an emerging growth company pursuant to the provisions of the JOBS Act. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating.

To comply with the requirements of being a public company, we have undertaken various actions, and may need to take additional actions, such as implementing new financial controls and procedures and hiring additional accounting or internal audit staff. We cannot assure you that the measures we have taken to date, and actions we may take in the future, will be sufficient to prevent or avoid financial misstatements due to error or material weaknesses (such as those described in this Quarterly Report on Form 10-Q). In addition, our previously identified material weaknesses in financial controls related to our control environment and accounting for rebates from third-party payers have not been fully remediated. If we cannot fully remediate our ongoing material weaknesses or we identify any additional material weaknesses in the future, the accuracy and timing of our financial reporting may be adversely affected. Testing and maintaining financial controls can also divert our management's attention from other matters that are important to the operation of our business. Ineffective disclosure controls and procedures or internal control over financial reporting could cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our Class A common stock.

Additionally, when evaluating our financial controls, we may identify material weaknesses in our internal controls that we may not be able to remediate in time to meet the applicable deadline imposed upon us for compliance with the requirements of Section 404. If we identify any material weaknesses in our internal controls over financial reporting or are unable to comply with the requirements of Section 404 in a timely manner, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal controls over financial reporting once we are no longer an emerging growth company, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our Class A common stock could be adversely affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Recent Sales of Unregistered Securities

There were no sales of unregistered securities during the three months ended April 1, 2023.

Item 3. Defaults Upon Senior Securities.

Not Applicable

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits

Exhibit No.	Description	Form	File No.	Exhibit	Filing Date	Filed / Furnished Herewith
10.1^	Consulting Agreement between Alessandra Pavesio and Bioventus LLC, dated as of January 1, 2023.					*
10.2	Amendment No. 4 to Credit and Guaranty Agreement between Bioventus LLC, Wells Fargo Bank, National Association, as administrative agent, and the guarantor subsidiaries party and lenders party thereto, dated March 31, 2023	10-K	001-37844	10.8 (d)	3/16/2023	
10.3	Settlement Agreement by and among CartiHeal (2009) Ltd., Bioventus LLC, Elron Ventures Ltd., and certain other parties detailed therein, dated February 27, 2023					*
10.4^	Separation Agreement and Release between Kenneth Reali and Bioventus Inc., dated April 4, 2023	8-K	001-37844	10.1	4/5/2023	
10.5^	Employment Agreement between Anthony P. Bihl III and Bioventus Inc., dated as of April 5, 2023	8-K/A	001-37844	10.1	4/11/2023	
31.1	Certification of Chief Executive Officer pursuant to Rules 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended					*
31.2	Certification of Chief Financial Officer pursuant to Rules 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended					*
32	Certification of Chief Executive Officer and 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 Extension Definition Linkbase Document					***
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					***

Exhibit No.	Description	Form	File No.	Exhibit	Filing Date	Filed / Furnished Herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					***
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					*

* Filed herewith
** Furnished herewith
*** Submitted electronically herewith
^ Indicates management contract or compensatory plan

SIGNATURE

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

BIOVENTUS INC.

May 16, 2023	/s/ Mark L. Singleton
Date	Mark L. Singleton Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

BIOVENTUS LLC

CONSULTING AGREEMENT

This **CONSULTING AGREEMENT** (this "Agreement") is made between Bioventus LLC (the "Company") and Alessandra Pavesio ("Consultant") effective as of January 1, 2023 (the "Effective Date"). This Agreement sets forth the terms and conditions by which the Company will engage Consultant to perform certain services for the Company as further described below. The Company and Consultant may be referred to herein individually as a "Party" or together as "Parties."

1. Services and Payment.

1.1 Services. During the term of this Agreement, Consultant shall provide services to the Company which shall consist of activities related to the preparation and potential sale or other transfer of the Company's MOTYS® product and related assets to a third party. These services include, without limitation, assisting the Company with the following: (a) finalization of all reports needed to support the Company's 2022 financial audits in Q1 2023, (b) preparation and conduct of an End of Phase 2 ("EoP2") meeting with the FDA by Q2-Q3 2023, (c) completion of all activities necessary to prepare the assets of the Company related to Motys for sale or transfer, including assisting with data room set up, development investor marketing materials, and participating in investor meetings, (d) identification of potential investors and/or strategic partners willing to invest in the Phase 3 program, and (e) such other services within Consultant's area of expertise and work experience as shall be reasonably requested by the Company (collectively, the "Services"). Consultant shall perform the Services with the highest degree of professional skill and expertise.

1.2 Potential Transaction. The Parties acknowledge and agree that the objective of the Services is to identify and engage potential third-party investors to fund the continued development of MOTYS and transfer relevant MOTYS intellectual property to a new joint venture company (the "Potential Transaction"). It is indeed the intention of the Parties that new joint venture company ("NewCo") will be created with equity ownership allocated among the Company, the new investors, and NewCo management in portions and subject to terms and conditions to be mutually agreed among the parties. It is also the intention of the Parties that Consultant will be offered and transition into a management employment role in NewCo upon consummation of the Potential Transaction, at which time this Agreement would terminate without the need for any further action by either Party. Without limiting the generality of the foregoing, Consultant agrees that the Company has no obligation to enter into any future agreement regarding the Potential Transaction and expressly reserves the right, in its sole discretion, to reject any and all proposals made by Consultant or any potential investor regarding a Potential Transaction, to negotiate with other interested parties, to terminate discussions and negotiations at any time, and/or to terminate the pursuit of a Possible Transaction upon notice to Consultant.

1.3 Company Assistance; Facilities and Equipment. During the term of this Agreement, the Company shall provide Consultant with reasonable support and assistance in performance of the Services. Such support shall include reasonable access to the Company's Research and Development, Marketing and Business Development personnel to assist in the identification and transfer of MOTYS asset, preparation of investor marketing materials and identification of potential investors. In performing the Services, Consultant will also have reasonable access to the facilities of Company and its equipment as necessary for provision of the Services, including office space and lap top computer.

1.4 Subcontracting. The Services are personal to Consultant and Consultant may not subcontract or otherwise delegate Consultant's obligations under this Agreement without the Company's prior written consent, and in the event the Company gives such consent, Consultant will remain fully liable to the Company for the performance of all permitted employees, independent contractors, agents or representatives of Consultant (each, an "Authorized Representative").

1.5 Consulting Fees. During the term of this Agreement, the Company shall compensate Consultant at an hourly rate of $[300] per hour and a discounted daily rate (for a minimum of eight (8) hours) at daily rate of $[2,000]. Consultant shall submit monthly invoices to Company describing the type and hours of Services rendered during the preceding period. Time spent travelling will not be billable to Company by Consultant. Each Invoice shall be due at least (5) days after the end of the particular month in which such Services were rendered and shall be payable by the Company within thirty 30 days of receipt.

1.6 Expenses. The Company will reimburse Consultant for reasonable expenses incurred in the performance of the Services in accordance with the Bioventus Global Travel and Expense Policy to the extent such expenses have been approved in advance and by the Company. Approved expenses will be reimbursed within thirty (30) days of the Company's receipt of invoices with supporting receipts.

2. Confidential Information.

2.1 Definition. During the term of this Agreement and in the course of Consultant's performance hereunder, Consultant may receive and otherwise be exposed directly or indirectly, to technical and non-technical confidential information of the Company, including without limitation, information relating to the Company's business, strategies, designs, products, services and technologies and any derivatives, improvements and enhancements related to any of the foregoing, or to the Company's suppliers, customers or business partners (collectively "Confidential Information"), whether in graphic, written, electronic or oral form. Confidential Information may be labeled or identified at the time of disclosure as confidential or proprietary, or equivalent, but Confidential Information also includes information which by its context would reasonably be deemed to be confidential and proprietary. "Confidential Information" may also include, without limitation, unpublished patent applications and other intellectual property filings, ideas, "Work Product" (as defined below), techniques, works of authorship, models, inventions, compounds, compositions, processes, algorithms, software programs, software source documents, formulae, information and trade secrets as well as financial information (including sales costs, profits, pricing methods), research data, clinical data, bills of material, customer, prospect and supplier lists, investors, employees, business and contractual relationships (including with third parties), business forecasts, sales and merchandising data, and business and marketing plans and any derivatives, improvements and enhancements related to any of the above. Information the Company provides regarding third parties as to which the Company has an obligation of confidentiality also constitutes "Confidential Information."

2.2 Restrictions on Use and Disclosure. Consultant acknowledges the confidential and secret character of the Confidential Information, and agrees that the Confidential Information is the sole, exclusive and extremely valuable property of the Company. Accordingly, Consultant agrees not to use or reproduce or disclose the Confidential Information except as reasonably necessary in the performance of this Agreement (including, without limitations, in connection with discussions with prospective third party investors who are bound by obligations of confidentiality and non use substantially similar to those set forth in this Agreement) and not to lecture upon or publish all or any part of the Confidential Information in any form to any third

party, either during or after the term of this Agreement, without the prior written consent of the Company. Without limiting the foregoing, Consultant shall permit access to the Confidential Information only to those Authorized Representatives having a need to know such information and who have signed, prior to the disclosure of Confidential Information to such Authorized Representative, confidentiality agreements or are otherwise bound by confidentiality obligations at least as restrictive as those contained herein. Consultant shall be responsible for the breach of this Agreement by its Authorized Representatives as if such breach were by Consultant herself. Consultant shall take, at its own expense, commercially reasonable steps to keep the Confidential Information strictly confidential and to prevent its Authorized Representatives from prohibited or unauthorized disclosure or use of the Confidential Information. Consultant agrees to institute measures to protect the Confidential Information in a manner consistent with the measures it uses to protect its own most sensitive proprietary and confidential information, which shall not be less than a reasonable standard of care. Consultant shall promptly notify the Company upon discovery of any actual or suspected loss or unauthorized disclosure of the Confidential Information by Consultant or her Authorized Representatives, and shall take all reasonable steps requested by the Company to remedy any such loss or disclosure. Upon expiration or any termination of this Agreement, Consultant agrees to cease using and to return to the Company, or at the Company's sole option, destroy, all whole and partial copies and derivatives of the Confidential Information, whether in Consultant's possession or under Consultant's direct or indirect control.

2.3 Third-Party Information. Consultant will not disclose or otherwise make available to the Company in any manner any confidential information received by Consultant under obligations of confidentiality from a third party.

2.4 Exceptions; Compelled Disclosure. The obligations of confidentiality set forth in Section 2.2 will not apply to information Consultant can establish by competent proof: (a) was generally available to the public or otherwise part of the public domain at the time of disclosure; (b) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of Consultant; (c) was already known to Consultant, without confidentiality restrictions, at the time of disclosure, as shown by Consultant's files and records immediately prior to the time of disclosure; (d) was disclosed to Consultant, without confidentiality restrictions, by a third party who to Consultant's knowledge had no obligation not to disclose such information to others; or (e) was developed independently by Consultant without any use of or reference to the Confidential Information. In the event a court or governmental agency legally compels Consultant to disclose Confidential Information, Consultant will provide reasonable prior written notice of such required disclosure to the Company and take reasonable and lawful actions to avoid and/or minimize the extent of such disclosure.

3. Assignment of Intellectual Property.

3.1 General. During the term of this Agreement, Consultant agrees to promptly disclose to Company in writing all "Inventions" (as defined below), including the description of such Invention and any additional information necessary for Company to fulfill the purpose of this Section 3. Consultant agrees to assign, and hereby assigns, to Company all right, title, and interest in the Inventions. Further, Consultant shall cooperate with Company in the protection of such Inventions and in vesting in Company all right, title, and interest in such

Inventions (including without limitation all patent, copyright, and other intellectual property rights related to the Services). Consultant agrees to promptly execute and deliver to Company any documents as may be necessary (including but not limited to declarations, oaths, assignments, affidavits, pleadings, and powers of attorney) to carry out the purposes of this Section 3 or give effect to this Agreement in any country, territory, or jurisdiction where such is required to conform with applicable patent or other intellectual property laws. Consultant acknowledges and agrees that all Work Product shall be deemed "works made for hire" within the meaning of the United States Copyright Act, as amended.

3.2 Patents. Company may file applications for patents covering Inventions which Company, in its sole discretion, deems to be patentable, and may file such applications. The costs associated with such patent applications shall be borne solely by Company.

3.3 Definitions. For purposes of this Agreement, (i) "Inventions" shall mean all inventions, ideas, improvements, processes, surgical techniques, devices, products, prototypes, or specifications, know-how or the like, discoveries, improvements, modifications, enhancements, and later variations which are conceived, developed, or made solely by Consultant or jointly with others, including employees or agents of Company, during the term of this Agreement, which are conceived or developed directly in the course of rendering the Services provided under this Agreement and whether patentable or not, or (ii) "Work Product" shall mean all materials, presentations, notes, and related records Consultant prepared pursuant to the Services.

4. Term and Termination. This term of this Agreement will commence on the Effective Date and end on the earlier of the (i) the twelve (12)-month anniversary of the Effective Date, (ii) completion of the Potential Transaction (iii) earlier termination in accordance with this Section 4. Either party may, without prejudice to any right or remedy it may have due to any failure of Consultant to perform Consultant's obligations under this Agreement, terminate this Agreement, with or without cause, at any time effective upon thirty (30) days written notice to the other Party. In the event of such termination by the Company, Consultant will cease work immediately after receiving notice of such termination from the Company unless otherwise advised by the Company, and will notify the Company of all costs incurred up to the effective date of termination. The Company agrees to pay Consultant for all Services actually performed for work in progress and reimburse all reasonable, non-cancellable pre-approved costs and expenses incurred by Consultant in performing such Services in compliance with this Agreement, up to the date of notice of termination of this Agreement. Sections 2-8 of this Agreement will survive expiration or any termination of this Agreement.

5. Independent Contractor. Consultant's relationship with the Company pursuant to this Agreement will be that of an independent contractor and nothing in this Agreement should be construed to create a partnership, joint venture, or employer-employee relationship. Consultant is not the agent of the Company and is not authorized to make any representation, warranty, contract, or commitment on behalf of the Company. This Agreement shall not create any entitlement by Consultant to any of the benefits which the Company may make available to its employees, such as group insurance, equity compensation awards, or 401(k) benefits. Consultant will be solely responsible for all tax returns and payments required to be filed with or made to any federal, state or local tax authority with respect to Consultant's performance of the Services (and those of its Authorized Representatives, if applicable) and receipt of fees under this Agreement. The Company will report amounts paid to Consultant under this Agreement by filing Form 1099-MISC with the Internal Revenue Service as required by law. Because Consultant is an independent contractor, the Company will not withhold or make payments for social security,

make unemployment insurance or disability insurance contributions, or obtain worker's compensation insurance on Consultant's behalf (or for any individual performing Services on behalf of Consultant, if applicable) for any payment made under this Agreement. Consultant agrees to accept exclusive liability for complying with all applicable state and federal laws governing self-employed individuals, including obligations such as payment of taxes, social security, disability and other contributions based on fees paid to Consultant under this Agreement.

6. LIMITATION OF LIABILITY. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY LOST PROFITS OR LOST BUSINESS OR FOR ANY CONSEQUENTIAL, INCIDENTAL, SPECIAL OR INDIRECT DAMAGES OF ANY KIND, WHETHER ARISING IN CONTRACT, TORT OR OTHERWISE, AND REGARDLESS OF WHETHER SUCH PARTY HAS BEEN NOTIFIED BY THE OTHER OF THE POSSIBILITY OF SUCH DAMAGES.

7. Indemnity.

7.1 Consultant hereby agrees to indemnify and hold the Company and its affiliates and its and their directors, officers, employees, and agents harmless from and against any and all liabilities, losses, damages, costs and expenses (including without limitation reasonable attorneys' fees) related to any third-party claim, suit, action or proceeding to the extent resulting from the willful misconduct or material breach of this Agreement by Consultant in performing Services for the Company under this Agreement; provided, that the Consultant will have no obligation to indemnify or hold the Company harmless with respect to any such liabilities, losses, damages, costs and expenses to the extent directly or indirectly resulting from, caused by or relating to the Company's negligence, willful misconduct or material breach of this Agreement.

7.2 The Company agrees to indemnify and hold Consultant harmless from and against any and all liabilities, losses, damages, costs and expenses (including without limitation reasonable attorneys' fees) related to any third-party claim, suit, action or proceeding arising out of the provision of the Services in accordance with the provisions hereof; provided, that the Company will have no obligation to indemnify or hold Consultant harmless with respect to any such liabilities, losses, damages, costs and expenses to the extent directly or indirectly resulting from, caused by or relating to Consultant's willful misconduct or material breach of this Agreement by Consultant in performing Services for the Company under this Agreement.

8. General.

8.1 Assignment. The Parties' rights and obligations under this Agreement will bind and inure to the benefit of their respective successors, heirs, executors, administrators and permitted assigns. Consultant will not assign this Agreement or Consultant's rights or obligations hereunder without the prior written consent of the Company. Company may assign this Agreement to any of its "Affiliates" (as defined below) without the consent of Consultant. Any purported assignment not in accordance with this Section 8.1 will be null and void and a material breach of this Agreement. For purposes of this Agreement, "Affiliate(s)" shall mean shall mean: (i) the party's parent, subsidiary or related entity; and/or (ii) any entity directly or

indirectly controlled or beneficially owned in whole or part by the party or the party's parent, subsidiary or related entity.

8.2 Legal and Equitable Remedies. Because Consultant's Services are personal and unique and because Consultant may have access to and become acquainted with the Confidential Information of the Company, the Company will have the right to enforce this Agreement and any of its provisions by injunction, specific performance or other equitable relief without prejudice to any other rights and remedies that the Company may have for a breach of this Agreement.

8.3 No Warranty. All Confidential Information is provided "AS IS," without any warranty of any kind.

8.4 Governing Law; Jurisdiction. The rights and obligations of the Parties under this Agreement will be governed in all respects by the laws of the State of North Carolina without regard to conflict of law principles.

8.5 Notices. Any notices required or permitted hereunder will be given to the appropriate Party in writing and will be delivered by personal delivery, electronic mail, facsimile transmission or by certified or registered mail, return receipt requested, and will be deemed given upon personal delivery, three days after deposit in the mail, or upon acknowledgment of receipt of electronic transmission. Notices will be sent to the addresses, electronic mail or facsimile information set forth at the end of this Agreement or such other address, electronic mail or facsimile information as either Party may specify in writing.

8.6 Entire Agreement. This Agreement constitutes the Parties' final, exclusive and complete understanding and agreement with respect to the subject matter hereof, and supersede all prior and contemporaneous understandings and agreements relating to its subject matter.

8.7 Waiver and Modification. This Agreement may not be waived, modified or amended unless mutually agreed upon in writing by both Parties.

8.8 Severability. In the event any provision of this Agreement is found to be legally unenforceable, such unenforceability will not prevent enforcement of any other provision of this Agreement.

8.9 Counterparts. This Agreement may be executed in two or more counterparts by facsimile or other reliable electronic reproduction (including, without limitation, transmission by pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., www.docusign.com), each of which will be considered an original, but all of which together will constitute one and the same instrument.

CONSULTANT ACKNOWLEDGES THAT CONSULTANT HAS THE RIGHT TO CONSULT WITH INDEPENDENT LEGAL COUNSEL PRIOR TO SIGNING THIS AGREEMENT AND HAVE HAD A REASONABLE OPPORTUNITY TO DO SO, AND THAT CONSULTANT EITHER HAS CONSULTED, OR ON CONSULTANT'S OWN VOLITION CHOSEN NOT TO CONSULT, WITH SUCH COUNSEL. CONSULTANT FURTHER ACKNOWLEDGES THAT CONSULTANT HAS READ THIS AGREEMENT CAREFULLY AND UNDERSTANDS AND ACCEPTS THE OBLIGATIONS WHICH IT IMPOSES UPON CONSULTANT WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO CONSULTANT TO INDUCE CONSULTANT TO SIGN THIS AGREEMENT. CONSULTANT

SIGNS THIS AGREEMENT VOLUNTARILY AND FREELY, IN DUPLICATE, WITH THE UNDERSTANDING THAT THE COMPANY WILL RETAIN ONE COUNTERPART AND THE OTHER COUNTERPART WILL BE RETAINED BY CONSULTANT.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement to be effective as of the Effective Date.

BIOVENTUS LLC
By: /s/ Leigh Ann Stradford
Name: Leigh Ann Stradford
Title: SVP & Chief Human Resources Officer

Date: 1/9/2023

CONSULTANT
By: /s/ Alessandra Pavesio
Name: Alessandra Pavesio

Date: 1/8/2023

Exhibit 10.3

Execution Copy

February 27, 2023

Settlement Agreement

Reference is hereby made to (i) that certain Option and Equity Purchase Agreement, dated July 15, 2020, by and among CartiHeal (2009) Ltd. (the "**Company**"), Bioventus LLC (the "**Buyer**"), Elron Ventures Ltd. (the "**Securityholder Representative**") and certain other parties detailed therein, as amended by an Amendment to the Option and Equity Purchase Agreement dated June 17, 2022 (the "**Amendment**"), and as may be further amended from time to time (jointly, the "**Option Agreement**"), (ii) that certain Amended and Restated Escrow Agreement, dated July 12, 2022, by and among the Escrow Agent, the Company, the Buyer and the Securityholder Representative, as may be amended from time to time (the "**Escrow Agreement**"), and (iii) that certain Amended and Restated Payment Agent Agreement, dated July 12, 2022, by and among the ESOP Management and Trust Services Ltd. (in its capacity as the Payment Agent under the Option Agreement), the Company, the Buyer and the Securityholder Representative, as may be amended from time to time (the "**Payment Agent Agreement**").

Capitalized terms used herein, which are undefined, shall have the meaning ascribed to them in the Option Agreement, the Escrow Agreement and/or the Payment Agent Agreement, as applicable.

WHEREAS, on February 13, 2022, the First Paper Milestone was achieved; and

WHEREAS, in light of the occurrence of the First Paper Milestone and other obligations that will become due under the Option Agreement, Buyer has requested that the Securityholder Representative agree, and the Securityholder Representative has agreed, to provide Buyer with a limited-in-time interim period, in order to allow Buyer the opportunity to explore obtaining financing sufficient to pay to the Securityholders on a present basis and no later than on the expiration of the Interim Period, as defined below, an amount sufficient to extinguish the entire amount of the Post-Closing Tranches and any interest to be accrued thereon in accordance with the provisions of the Option Agreement, all pursuant to the terms and provisions of this Settlement Agreement (the "**Agreement**"); and

WHEREAS in consideration for the representations, warranties, covenants and agreements set forth herein, the Securityholder Representative has agreed that during the Interim Period, as defined below, it will forbear from initiating any legal action or proceedings relating to non-payment of any obligations arising under the Option Agreement;

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and upon the terms and subject to the conditions set forth herein, the Parties, intending to be legally bound hereby, agree as follows:

1. *Interim Period*. During the period of 30 calendar days (the "**Initial Period**"), plus, if elected by payment of the Extension Payment pursuant to section 3.b below, up to two additional subsequent periods of 15 days each (each, an "**Optional Extension Period**"), commencing as of the date of this Agreement, or earlier upon the occurrence of any of Buyer Insolvency Events under the Option Agreement (except for such Insolvency Events specified under (i), (j) and (l)) with respect to Parent, Buyer, Bioventus Cooperatief, U.A, any other of their Affiliates who directly or indirectly control the Company, or the Company (the "**Interim Period**"), and subject to the provisions herein below, Buyer shall be provided with the opportunity to obtain funding in order to be able to pay to the Securityholders, by the expiration of such Interim Period, the entire amount of the Post-Closing Tranches and any interest accrued thereon, while the Sales Milestone Consideration shall remain due and payable to the Securityholders in accordance with the existing provisions of the Option Agreement. In the event that Buyer shall be able to obtain such funding and transfer the same (the "**Payoff Amount**") to the Payment Agent for the benefit of the Securityholders (or directly to certain Securityholders, to the extent so provided under the Option Agreement) prior to the expiration of Interim Period, the Parties hereby agree, to the extent applicable, to enter into an additional technical amendment to the Option Agreement merely in order to reflect the same in accordance with the provisions hereof (such additional amendment, to the extent executed and delivered by the Parties, shall be referred to as the "**Second Amendment**").

2. *Return and Transfer of Escrowed Shares*.

a. Concurrently with the execution of this Agreement, the Parties hereby irrevocably instruct the Escrow Agent to return the Escrowed Shares to the Securityholders as follows: (i) to date (as of the date of this Agreement) and fill in the Buyer Share Transfer Deeds and transfer the Escrowed Shares to Shibolet & Co. (the "**Trustee**"), to hold them in trust for the benefit of such Securityholder as detailed under Schedule 2(a) hereto and vote them in accordance with the instructions of the Securityholder Representative, (ii) deliver such Buyer Shares Transfer Deeds to the Securityholder Representative, and (iii) surrender the Escrowed Shares' Materials to the Securityholder Representative; all concurrently with the execution and delivery of this Agreement.

b. It is agreed and acknowledged by the Parties that the transfer of the Escrowed Shares in the name of the Trustee for the benefit of such Securityholders shall be irrevocable, unless and until the Securityholders shall receive the entire Payoff Amount by the expiration of the Interim Period in accordance with the provisions hereof; in which event, the Escrowed Shares shall be forthwith transferred to the Buyer and the Parties shall then, and only then, treat such transfers as if null and void to the maximum extent permissible under applicable law. If the Escrowed Shares remain with the Securityholders following the Interim Period, then such shares shall be deemed returned to the Securityholders in accordance with the terms of the Option Agreement.

c. The Securityholder Representative undertakes not to, and shall instruct the Trustee not to, make any voluntary transactions or dispositions in the Escrowed Shares during the Interim Period.

3. *Transfer of One-Time Payment and Optional Payment*.

a. Concurrently with the execution of this Agreement, Buyer shall transfer to the Payment Agent in immediately available funds a one-time non-refundable amount of US$10,000,000 for the exclusive benefit of the Securityholders (the "**One Time Payment**").

b. At any time prior to the expiration of the Initial Period or the first Optional Extension Period, as applicable, Buyer may elect the first Optional Extension Period or the second Optional Extension Period, as applicable, by transfer to the Payment Agent in immediately available funds an additional non-refundable amount of US$5,000,000 for the exclusive benefit of the Securityholders per each such Optional Extension Period (and US$10,000,000 in the aggregate if both Optional Extension Periods are elected) (each such US$5,000,000 payment, an "**Extension Payment**") (the One Time Payment and, to the extent elected, each Extension Payment, jointly, the "**Settlement Consideration**").

c. In addition, concurrently with the execution of this Agreement, Buyer shall transfer to the Payment Agent a one-time non-refundable payment of US$150,000 to be added to the Securityholder Representative Expense Fund and used in accordance with the provisions of the Option Agreement (the "**Expenses Reimbursement Amount**").

d. The Settlement Consideration, or any part of it, may remain deposited with the Payment Agent and/or distributed to the Securityholder Representative and/or as it shall instruct the Payment Agent, and shall be either allocated between the Securityholders in accordance with their respective remaining Pro Rata Shares as specified in the Consideration Spreadsheet and/or used to fund the operations of the Company for any period it is held and owned by the Securityholders (or by the Trustee for their benefit) and/or used to reimburse the Securityholder Representative for its out-of-pocket expenses in its capacity as such; in each case in accordance with the instructions to be provided by the Securityholder Representative to the Payment Agent at its sole and absolute discretion.

e. It is agreed and acknowledged by the Parties that to the extent that the Securityholders shall receive the entire Post-Closing Tranches and any interest accrued thereon in accordance with and subject to the

provisions thereof, then (i) the One-Time Payment shall be credited against payment, to be made if and when due, of the Sales Milestone Consideration, and (ii) the Extension Payment(s), if applicable, shall be credited against the amount of the Post-Closing Tranches and accrued interest thereon to be made by Buyer to the Securityholders.

4. *Operation of the Company during the Interim Period*. The Parties agree and undertake as follows:

   a. Upon the transfer of the Escrowed Shares to the Trustee on the date hereof as provided herein above:

      i. The Company shall have in its bank account an unrestricted amount of cash of US$2,000,000, as shall be evidenced in writing to the Securityholder Representative on the date of this Agreement, shall have no outstanding financial indebtedness, and all of its liabilities shall be in the ordinary course of business in accordance with past practice. Such amount, during the Interim Period, shall remain with the Company in the Company's bank account, and be used solely to fund the Company's operations in accordance with the provisions of this Section 4. For the avoidance of doubt, any remaining amounts of such funds shall remain in the Company's bank account in the event that the Escrowed Shares shall be transferred to Buyer in accordance with the provisions of Section 2(b) above and at such time, the Company shall have no outstanding financial indebtedness, and all of its liabilities shall be in the ordinary course of business in accordance with past practice; and

      ii. The Company shall have in its possession and control, as shall be coordinated and verified in advance with the Securityholder Representative, all coral inventory of the Company as existing prior to the date of this Agreement.

   b. During the Interim Period, the Company shall operate only in the ordinary course of business and the provisions of the Option Agreement relating to operation of the Company, and without derogating from the foregoing, the following shall apply during the Interim Period:

      i. The incorporation documents of the Company shall be amended in order to reflect that the board members of the Company shall be appointed by the Securityholder Representative.

      ii. During the Interim Period, Mr. Nir Altschuler ("**Nir**") shall remain consultant of Buyer in accordance with his existing Consulting Agreement, and Buyer shall allow Nir to devote all of his business time to the day-to-day operations of the Company.

      iii. During the Interim Period, any termination of engagement with, and/or adverse change to the remuneration terms of, any of the Company's personnel, and/or the sale or disposal of any of the Company's assets (except in the ordinary course of business in accordance with past practice) shall require the prior written consent of each of Buyer and the Securityholder Representative.

      iv. During the Interim Period, Buyer shall continue to support the operations of the Company in the ordinary course of business and in accordance with past practice, including without limitation, (i) shall make available to Nir and the other members of the management of the Company any documents and files related to the Company's intellectual property, clinical activities, FDA audits, suppliers, manufacturing, regulatory and reimbursement plans (and shall accordingly create a virtual data room during the Initial Period, which shall include all such documents and files), (ii) shall make available its applicable employees and service providers who are already engaged in the affairs of the Company to continue such operations in accordance with the requests and instructions of the management of the Company, and (iii) shall not cancel or terminate any event or conference previously planned in connection with the Company's operations without the Securityholder Representative's prior written approval. For the avoidance of any doubt, the management and operations of the Company during the Interim Period shall be according to the discretion of the

Company's board of directors and management, and Buyer shall not engage in any activities concerning the Company except as specifically permitted hereunder.

v. The Parties agree and acknowledge that, subject to Buyer's compliance with the provisions hereof, Buyer shall not be responsible or liable for the operations of the Company during the Interim Period and thereafter (and in the event that the Escrowed Shares shall be transferred to Buyer in accordance with the provisions of Section 2(b) above, Buyer shall have no claims against the Securityholders and/or the Securityholder Representative in connection with the operations of the Company during the Interim Period).

5. *Mutual Release and Waiver*. Except with respect to the enforcement and/or performance of this Agreement and subject to the provisions of the Second Amendment if and to the extent entered into between the Parties, each of the Securityholders, for themselves and their respective Affiliates and Representatives on the one hand, and the Buyer for itself and its respective Affiliates and Representatives on the other hand (and it is the intention of the Parties that the foregoing, as well as the provisions of this Agreement, shall bind also any receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers, appointed to any of the Parties, their Affiliates and/or any of their assets), does hereby remise, release, waive and forever discharge each other from any and all claims, allegations, demands, actions, causes of action, disputes, arbitrations and proceedings and all duties, debts, damages, liabilities, losses, accounts, reckonings, sums of money, expenses, attorneys' fees, remedies and demands related thereto in law or equity, known or unknown, arising out of or relating to the Option Agreement, the Escrow Agreement and/or the Pledge Agreement, including and without limitation, any rights to enforce the provisions of the Option Agreement and/or, with respect to the Securityholders, to make any monetary claims against Buyer and/or its respective Affiliates and Representatives (other than the Company), and/or, with respect to the Buyer, any rights in connection with the ownership and possession of the Company, and the sole and exclusive remedy of the Securityholders and their respective Affiliates and Representatives, and the Buyer and its respective Affiliates and Representatives, pursuant to the Option Agreement, the Escrow Agreement and the Pledge Agreement, shall be as provided in this Agreement. Solely to the extent not inconsistent with the foregoing, the Securityholders retain their rights under the Pledge Agreements, as applicable. Notwithstanding the foregoing, in the event that Buyer, any of its respective Affiliates and Representatives, or any receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers, appointed to Buyer, its Affiliates and/or any of their assets, successfully revokes, pursuant to a final Order of a court or tribunal of competent jurisdiction, the validity and/or enforceability of the return by transfer of the Escrowed Shares to the Trustee and/or the Securityholders in accordance with Section 2, and/or the payment of the Settlement Consideration for the benefit of the Securityholders in accordance with Section 3, in accordance with the provisions of this Agreement, then the foregoing release by the Securityholders, their respective Affiliates and Representatives, shall not apply.

6. *Jurisdiction; Governing Law*. The Parties hereby agree and acknowledge that this Agreement and any and all claim made pursuant to this Agreement shall be subject to the laws of Israel, and the Parties hereby irrevocably agree to the exclusive jurisdiction of the courts located in Tel Aviv, Israel. The Parties , each for itself and its respective Affiliates, hereby irrevocably consents to the jurisdiction of any such court (and the appropriate appellate courts therefrom) in any such action and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such action in any such court or that any such action brought in any such court has been brought in an inconvenient forum

7. *Miscellaneous*. The provisions of Section 7.14 (Confidentiality; Public Announcement) of the Option Agreement shall apply with respect to this Agreement, *mutatis mutandis*. Sections 11.02, 11.03, 11.04, 11.05, 11.06 (subject to the provisions of Section 4(b)(ii) herein), 11.09, 11.10, 11.11 and 11.12 of the Option Agreement, shall apply to this Agreement, *mutatis mutandis*.

[*Signature Page Next*]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date first written above.

BUYER

BIOVENTUS LLC

BUYER

BIOVENTUS LLC

By:_____
Name: Ken Reali
Title: CEO

COMPANY

CARTIHEAL (2009) LTD.

By:___ Name: Ken Reali
Title: Chair

SECURITYHOLDER REPRESENTATIVE
ELRON VENTURES LTD.

By:___ Name:
Title:

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date first written above.

BUYER

BIOVENTUS LLC

By:___ Name:
Title:

COMPANY

CARTIHEAL (2009) LTD.

By:___ Name:
Title:

SECURITYHOLDER REPRESENTATIVE

ELRON VENTURES LTD.

By: _____
Name: Yaron Elad / Niv Levy
Title: CEO / CFO

Agreed and acknowledged:

ESOP MANAGEMENT AND TRUST SERVICES LTD (in its capacity as Escrow Agent and Payment Agent)

ESOP management & trust services LTD

By: ______________________

Name: Odelia Polcaic; Sarit Foox

Title: CEO; [illegible]

BIOVENTUS COOPERATIEF, U.A.

By: ______________________

Name: Ken Reali

Title: Director

Schedule 2(a)

The Securityholders

Name	I.D Number / C.N.	Number and Class of Shares
B.G. Negev Technologies Applications Ltd.	510785207	145,339 Ordinary Shares
aMoon 2 Fund Limited Partnership	540278827	109,654 Ordinary Shares; 1,349,587 Preferred F Shares; 148,987 Preferred G-1 Shares
Prof. Razi Vago	54124110	218,008 Ordinary Shares
Nir Altschuler	31383904	919,668 Ordinary Shares
Incentive II Management Ltd.	513878827	196,570 Preferred A Shares
Pertec Management Ltd.	1465813	219,497 Preferred A Shares; 35,086 Preferred C Shares; 10,988 Preferred G-1 Shares
Access Medical Ventures LLC	000991888	204,666 Preferred B Shares; 210,513 Preferred C Shares; 102,110 Preferred D-1 Shares; 559,283 Preferred D-2 Shares; 46,487 Preferred G-1 Shares
U.M. Accelmed Medical Partners, L.P	550243067	1,446,146 Preferred D-2 Shares; 334,859 Preferred E Shares
Elron Ventures Ltd.	520028036	1,875,678 Preferred D-2 Shares; 694,553 Preferred E Shares; 701,786 Preferred F Shares; 126,783 Preferred G-1 Shares
Peregrine Ventures Management Ltd	513790196	105,481 Preferred E Shares; 121,463 Preferred F Shares; 21,601 Preferred G-1 Shares
J&J Innovation- JJDC, Inc	5106320000	837,148 Preferred E Shares; 304,062 Preferred F Shares; 54,939 Preferred G-1 Shares
Liat Livne	27464551	1,666 Ordinary Shares
Deborah Kammoun	336072087	2,584 Ordinary Shares
Boaz Lifschitz	327172110	58,442 Ordinary Shares
Eilat Ezra	58743030	1,535 Ordinary Shares

Shani Sarid	300093036	875 Ordinary Shares
Irit Segalovich	58636697	3,000 Ordinary Shares
Tslil Efron	28467959	2,000 Ordinary Shares
Anastasia Kipnis	323764423	2,500 Ordinary Shares
Caty Pearl	22645808	2,692 Ordinary Shares
Michal Alperovich	23663156	667 Ordinary Shares
Amir Kraitzer	25385428	2,500 Ordinary Shares
Dvora Darky	24287054	7,562 Ordinary Shares
Moran Aviv	33561945	5,125 Ordinary Shares
Escrowed Shares previously held by Bioventus Cooperatief, U.A., to be held for the benefit of the Securityholders specified in this Schedule 2(a) above, in accordance with their pro-rata shares*		337,397 Preferred F Shares; 1,014,267 Preferred G Shares; 12,825 Preferred G-1 Shares
Total:		12,556,579

* Notwithstanding anything to the contrary in the Settlement Agreement, such Escrowed Shares returned by Bioventus Cooperatief, U.A. shall be held in trust by the Trustee for the benefit of the Securityholders, however, to the extent that following the Interim Period the Escrowed Shares shall not be transferred to Buyer in accordance with the provisions of the Agreement, the Securityholder Representative may, or may instruct the Trustee, as applicable, to transfer such shares to the Company, following such transfer such Escrowed Shares shall become dormant shares.

Exhibit 31.1

CERTIFICATIONS

I, Anthony P. Bihl III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bioventus Inc.;

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 generally 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 reasonably 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/ Anthony P. Bihl III

Name: Anthony P. Bihl III

Title: Interim Chief Executive Officer and Director (Principal Executive Officer)

Date: May 16, 2023

Exhibit 31.2

CERTIFICATIONS

I, Mark L. Singleton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bioventus Inc.;

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 generally 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 reasonably 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/ Mark L. Singleton

Name: Mark L. Singleton

Title: Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: May 16, 2023

Exhibit 32

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

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, in connection with the Quarterly Report on Form 10-Q of Bioventus Inc. (the Company) for the quarter ended April 1, 2023, as filed with the Securities and Exchange Commission on the date hereof (the Report), each of Anthony P. Bihl III, Interim Chief Executive Officer and Director of the Company and Mark L. Singleton, Senior Vice President and Chief Financial Officer of the Company, hereby certifies, that, to such officer's 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 respects, the financial condition and results of operations of the Company.

/s/ Anthony P. Bihl III

Name: Anthony P. Bihl III
Title: Interim Chief Executive Officer and Director (Principal Executive Officer)

/s/ Mark L. Singleton

Name: Mark L. Singleton
Title: Senior Vice President and Chief Financial Officer (Principal Financial Officer)

Date: May 16, 2023