

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Date of Report (Date of Earliest Event Reported): November 1, 2022

SeaSpine Holdings Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-36905
(Commission
File Number)

47-3251758
(I.R.S. Employer
Identification No.)

5770 Armada Drive, Carlsbad, CA 92008
(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: (760) 727-8399

Not Applicable
(Former name or former address, if changed since last report)

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

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

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.01 per share	SPNE	The Nasdaq Global Select Market

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

Emerging growth company

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

Item 2.02 Results of Operations and Financial Condition.

On November 1, 2022, SeaSpine Holdings Corporation (the “Company”) issued a press release announcing its financial results for the three months ended September 30, 2022 and reiterating its revenue guidance for 2022 (the “Press Release”). A copy of the Press Release is furnished as Exhibit 99.1.

The information under this Item 2.02 and in Exhibit 99.1 is being furnished and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and is not to be incorporated by reference into any filing of the registrant under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof, regardless of any general incorporation language in any such filing, except as shall be expressly set forth by specific reference in such a filing.

Discussion of Non-GAAP Financial Measure

In the Press Release, in addition to financial measures reported in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”), the Company provides two non-GAAP financial measures: (1) earnings (loss) before interest, taxes, depreciation and amortization excluding the impact of stock-based compensation, intangible asset impairment charges, the nonrecurring, fixed NanoMetalene supplier processing charge, spinal set instrument replacement and impairment expenses, other income/expense, purchase accounting inventory fair market value adjustment charges, acquisition and integration-related charges, litigation-related expenses, and employee severance and other charges related to the restructuring of the Company’s European sales and marketing organization (“Adjusted EBITDA Loss”), and (2) gross margin excluding technology-related intangible asset amortization expense, purchase accounting inventory fair market value adjustment charges, and the nonrecurring fixed NanoMetalene supplier processing charge (“Adjusted Gross Margin”).

The Company believes that the presentation of Adjusted EBITDA Loss and Adjusted Gross Margin provides important supplemental information to management and investors regarding financial and business trends relating to the Company’s results of operations. Management uses Adjusted EBITDA Loss and Adjusted Gross Margin when evaluating operating performance because it believes that the inclusion or exclusion of the items described below, for which the amounts and/or timing may vary significantly depending upon the Company’s acquisition and integration activities, for which the amounts are non-cash in nature, and/or for which the amounts are not expected to recur at the same magnitude, provides a supplemental measure of the Company’s operating results that facilitates comparability of its financial condition and operating performance from period to period, against its business model objectives, and against other companies in its industry. The Company has chosen to provide this information to investors so they can analyze the Company’s operating results in the same way that management does and use this information in their assessment of its core business and the valuation of the Company.

Adjusted EBITDA Loss

Adjusted EBITDA Loss and Adjusted Gross Margin are measures used by management for purposes of:

- supplementing the financial results and forecasts reported to the Company’s board of directors;
- evaluating, managing and benchmarking the operating performance of the Company;
- establishing internal operating budgets;
- enhancing comparability from period to period; and
- comparing performance with internal forecasts and targeted business models.

Adjusted EBITDA Loss consists of GAAP net loss before interest, taxes, depreciation and amortization and excludes the impact of the following items:

- *Stock-based compensation.* Management excludes this item when evaluating the Company’s operating performance because it is a non-cash expense.
 - *Intangible asset impairment charges.* Management excludes this item when evaluating the Company’s operating performance because it is a non-cash expense.
 - *Spinal set instrument replacement expenses.* The cost of purchased instruments used to replace damaged instruments in existing sets is recorded directly to instrument replacement expense. Management excludes this
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item when evaluating the Company's operating performance because it is, in nature and substance, very similar to depreciation expense recorded over time for spinal set instruments deployed to new sets.

- *Spinal set instrument impairment expenses.* Management excludes this item when evaluating the Company's operating performance because it is a non-cash expense and the frequency and amount of such charges may vary significantly based on the timing and magnitude of the Company's product discontinuance or other similar activities.
- *Other income / expense.* Management excludes this item when evaluating the Company's operating performance because it is non-operating in nature and not related to its core operating performance.
- *Nonrecurring fixed NanoMetalene supplier processing charge.* This charge relates to the future fixed payments that the Company is obligated to make to a supplier in connection with securing and maintaining long-term backup processing capacity for its NanoMetalene franchise. The \$3.7 million nonrecurring charge recorded in the fourth quarter of 2021 consists of equal quarterly cash payments to the backup processor through January 2024. Because SeaSpine no longer anticipates utilizing the backup processor for a meaningful portion of its future NanoMetalene supply needs throughout the term of the payment stream, the Company recorded a loss on this future contractual obligation in the fourth quarter of 2021. Management excludes this item when evaluating the Company's operating performance because the frequency of such charge is expected to be highly unusual and nonrecurring.
- *Purchase accounting inventory fair market value adjustment charges.* Purchase accounting inventory fair market value adjustments consist of the increase to cost of goods sold that occur as a result of expensing the "step up" in the fair value of acquired inventory that the Company purchased in connection with acquisitions as that inventory is sold during the financial period. Management excludes this item when evaluating the Company's operating performance because it is not related to its core operating performance and because it is a non-cash expense for which the frequency and amount of such charges may vary significantly based on the level of inventory on hand at the time of acquisition.
- *Acquisition and integration-related charges.* Acquisition and integration-related charges include (i) legal, accounting, and other outside consultant expenses directly related to acquisitions and (ii) costs related to acquisition integration, including systems, operations, retention and severance. These acquisition and integration-related charges are not factored into the evaluation of the Company's performance by management after completion of acquisitions because they are of a temporary nature, they are not related to the Company's core operating performance and the frequency and amount of such charges vary significantly based on the timing and magnitude of the Company's acquisition transactions.
- *Litigation-related expenses.* Management excludes legal fees and any litigation settlement costs associated with onboarding competitive distributor partners in a compliant manner when evaluating the Company's operating performance because these charges are associated with events that are not expected to recur at a similar frequency and magnitude in the future.
- *Employee severance and other charges related to the restructuring of the Company's European sales and marketing organization.* Management excludes this item when evaluating the Company's operating performance because these charges are associated with an event that is not expected to recur at a similar magnitude in the future.

Adjusted Gross Margin

Adjusted Gross Margin represents GAAP gross margin excluding the impact of the following items recorded to cost of goods sold:

- *Technology-related intangible asset amortization expense.* Management excludes this item when evaluating the Company's operating performance because it is a non-cash expense.
 - *Nonrecurring fixed NanoMetalene supplier processing charge.* See above under the "Adjusted EBITDA Loss" heading for a description of this charge and the reason management excludes it when evaluating the Company's operating performance.
 - *Purchase accounting inventory fair market value adjustment charges.* See above under the "Adjusted EBITDA Loss" heading for a description of these charges and the reason management excluded them when evaluating the Company's operating performance.
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Adjusted EBITDA Loss and Adjusted Gross Margin are not calculated in accordance with GAAP, and should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. Non-GAAP financial measures have limitations in that they do not reflect all of the costs or benefits associated with the operations of the Company's business as determined in accordance with GAAP. As a result, you should not consider these measures in isolation or as a substitute for analysis of the Company's GAAP financial measures. The Company expects to continue to incur expenses of a nature similar to many of the non-GAAP adjustments described above, and exclusion of these items from its adjusted financial measures should not be construed as an inference that all of these costs are unusual, infrequent or non-recurring.

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits*

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release issued November 1, 2022 (earnings release)
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

SeaSpine Holdings Corporation

Date: November 1, 2022

By: /s/ Patrick Keran

Name: Patrick Keran

Title: Senior Vice President, General Counsel



SeaSpine Announces 45% Revenue Growth and Record Revenue for Third Quarter 2022

CARLSBAD, CA (November 1, 2022) – SeaSpine Holdings Corporation (NASDAQ: SPNE), a global medical technology company focused on surgical solutions for the treatment of spinal disorders, announced today financial results for the third quarter of 2022.

Summary Third Quarter 2022 Financial Results and Recent Highlights

- Total revenue of \$67.1 million, an increase of 45% year-over-year
- U.S. revenue of \$51.1 million, an increase of 24% year-over-year
- U.S. spinal implants and enabling technologies revenue of \$27.4 million, an increase of 30% year-over-year
- U.S. orthobiologics revenue of \$23.8 million, an increase of 18% year-over-year
- International revenue of \$16.0 million, an increase of 207% year-over-year
- Cash and cash equivalents at September 30, 2022 totaled \$46.8 million and included \$25.8 million of outstanding borrowings against the Company's credit facility
- Full commercial launches of WaveForm® TA (TLIF Articulating) 3D-Printed interbody system and Mariner® MIS Wayfinder system

"We are pleased with our third quarter's results," said Keith Valentine, President and Chief Executive Officer. "Our continued success and positive momentum are derived from our focused execution across all levels of SeaSpine, which is continuing into the fourth quarter. We expect to finish 2022 strong and look forward to carrying our success and momentum into our merger with Orthofix Medical, Inc. expected to close in the first quarter of 2023."

Third Quarter 2022 Financial Results

U.S. revenue growth was strong across all portfolios and was led by 30% growth in the spinal implants and enabling technologies portfolio. International revenue growth was driven primarily by \$11.3 million of revenue from final stocking orders to the Company's European spinal implants distributors in connection with the Company's exit from that market.

Gross margin for the third quarter of 2022 was 60.3%, compared to 60.6% for the third quarter of 2021. Adjusted gross margin (as described below) for the third quarter of 2022 was 61.8%, compared to 64.3% for the third quarter of 2021. The decrease in GAAP and adjusted gross margin was due primarily to the lower gross margin associated with the \$10.0 million increase in spinal implants revenue to European distributors in the third quarter of 2022 compared to the prior year period, which was partially offset by lower excess and obsolete inventory charges in the current year period.

Operating expenses for the third quarter of 2022 totaled \$55.2 million, a \$8.8 million increase compared to the third quarter of 2021. The increase in operating expenses was driven primarily by \$5.4 million in higher selling and marketing expenses, the majority of which relate to higher selling commissions and freight and logistics expenses attributed to revenue growth. General and administrative expenses increased \$3.1 million compared to the third quarter of 2021, which was driven primarily by increased headcount-related compensation expenses and by legal and other

fees associated with the pending merger with Orthofix Medical, Inc. Research and development expenses increased \$0.3 million compared to the third quarter of 2021.

Net loss for the third quarter of 2022 was \$15.5 million, compared to a \$17.6 million net loss for the third quarter of 2021.

Adjusted EBITDA loss (as described below) for the third quarter of 2022 was \$2.7 million, compared to a \$7.4 million loss for the third quarter of 2021.

Cash and cash equivalents at September 30, 2022 totaled \$46.8 million, and included \$25.8 million of outstanding borrowings against the Company's credit facility.

2022 Financial Outlook

SeaSpine expects full-year 2022 revenue to be in the range of \$236 to \$238 million, reflecting growth of approximately 23% to 24% over full-year 2021. This revenue range reflects growth of 16% to 19% for the fourth quarter of 2022, after excluding European spinal implants revenue generated in the fourth quarter of 2021.

About SeaSpine

SeaSpine (www.seaspine.com) is a global medical technology company focused on the design, development, and commercialization of surgical solutions for the treatment of patients suffering from spinal disorders. SeaSpine's complete procedural solutions feature its market-leading FLASH™ Navigation, a system designed to improve accuracy of screw placement and provide a cost-effective, rapid, radiation-free solution to surgical navigation, and a comprehensive portfolio of spinal implants and orthobiologics to meet the varying combinations of products that neurosurgeons and orthopedic spine surgeons need to facilitate spinal fusion in degenerative, minimally invasive surgery (MIS), and complex spinal deformity procedures on the lumbar, thoracic and cervical spine. With product development expertise in advanced optics, software, orthobiologic sciences and spinal implants, SeaSpine can offer its surgeon customers a complete solution to meet their patients' evolving clinical needs. SeaSpine currently markets its products in the United States and in approximately 30 countries worldwide.

Forward-Looking Statements

SeaSpine cautions you that statements in this press release that are not a description of historical facts are forward-looking statements based on the Company's current expectations and assumptions. Such forward-looking statements include, but are not limited to, statements relating to: expectations regarding fourth quarter and full-year 2022 revenue; the Company's performance during the rest of 2022; future revenue growth after 2022; the Company's anticipated merger with Orthofix Medical, Inc. and the timing thereof. Among the factors that could cause or contribute to material differences between the Company's actual results and the expectations indicated by the forward looking statements are risks and uncertainties that include, but are not limited to: the extent of the impact of SARS-CoV-2, including variants and sub-variants, on the Company's business and the economy, including reductions in surgical volumes; the impact of staffing shortages, at both third-party facilities at which elective surgeries are performed and the Company's facilities; surgeons' willingness to adopt the Company's newly launched products; the ability of newly launched products to meet the needs of surgeons and patients, including as a result of the lack of clinical validation of products in limited commercial (or "alpha") launch; continued pricing pressure, whether as a result of consolidation in hospital systems, competitors or others, as well as exclusion from major healthcare systems; the risk of supply shortages and associated disruption to product

sales, including as a result of the Company's dependence on a limited number of third-party suppliers for components and raw materials, as a result of the COVID-19 pandemic, the conflict in Ukraine, or otherwise; the Company's ability to continue to invest in medical education and training, product development, and/or sales and marketing initiatives at levels sufficient to drive future revenue growth; general economic and business conditions in the markets in which the Company does business, both in the U.S. and abroad; the Company and Orthofix Medical, Inc. satisfying the conditions to the closing of the merger on a timely basis or at all; management's time and attention is diverted on transaction related issues; disruption from the transaction makes it more difficult to maintain business, contractual and operational relationships; legal proceedings are instituted against Orthofix Medical, Inc., the Company or the combined company; Orthofix Medical, Inc., the Company or the combined company is unable to retain key personnel; and other risks and uncertainties more fully described in the Company's news releases and periodic filings with the Securities and Exchange Commission. The Company's public filings with the Securities and Exchange Commission are available at www.sec.gov.

You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date when made. SeaSpine does not intend to revise or update any forward-looking statement in this news release to reflect events or circumstances arising after the date hereof, except as may be required by law.

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Investor Relations Contact

Greg Chodaczek
ir@seaspine.com

SEASPINE HOLDINGS CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Total revenue, net	\$ 67,147	\$ 46,445	\$ 174,158	\$ 135,862
Cost of goods sold	26,637	18,289	66,140	51,137
Gross profit	40,510	28,156	108,018	84,725
Operating expenses:				
Selling and marketing	32,983	27,578	95,518	76,413
General and administrative	14,767	11,642	37,898	32,055
Research and development	6,596	6,262	18,095	15,618
Intangible amortization	856	942	2,568	2,577
Total operating expenses	55,202	46,424	154,079	126,663
Operating loss	(14,692)	(18,268)	(46,061)	(41,938)
Other (expense) income, net	(419)	(231)	(976)	5,689
Loss before income taxes	(15,111)	(18,499)	(47,037)	(36,249)
Provision (benefit) for income taxes	389	(872)	(986)	(689)
Net loss	\$ (15,500)	\$ (17,627)	\$ (46,051)	\$ (35,560)
Net Loss per share, basic and diluted	\$ (0.42)	\$ (0.48)	\$ (1.25)	\$ (1.09)
Weighted average shares used to compute basic and diluted net loss per share	37,044	36,419	36,833	32,638

SEASPINE HOLDINGS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET DATA
(In thousands)

	September 30, 2022 (unaudited)	December 31, 2021
Cash and cash equivalents	\$ 46,763	\$ 83,106
Trade accounts receivable, net	38,969	36,231
Inventories	83,993	72,299
Total current liabilities	55,047	52,981
Long-term borrowings under credit facility	25,812	—
Total stockholders' equity	274,459	312,364

SEASPINE HOLDINGS CORPORATION
RECONCILIATION OF NON-GAAP INFORMATION - GAAP NET LOSS TO ADJUSTED EBITDA LOSS
(UNAUDITED)
(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
GAAP net loss	\$ (15,500)	\$ (17,627)	\$ (46,051)	\$ (35,560)
Non-GAAP adjustments:				
Depreciation and intangible asset amortization expense	4,341	4,400	12,838	10,280
Other expense (income)	419	231	976	(5,689)
Income tax provision (benefit)	389	(872)	(986)	(689)
Spinal set instrument replacement expense	1,866	1,020	4,549	2,665
Stock-based compensation	3,652	3,149	10,172	8,791
Severance and other costs associated with European sales and marketing reorganization	152	1,665	558	1,665
Purchase accounting inventory fair market value adjustments	—	417	208	417
Acquisition and integration-related charges (7D Surgical)	16	200	378	1,995
Litigation special charges	544	—	544	—
Business combination charges related to Orthofix	1,412	—	1,412	—
Total Non-GAAP adjustments	12,791	10,210	30,649	19,435
Adjusted EBITDA Loss	\$ (2,709)	\$ (7,417)	\$ (15,402)	\$ (16,125)

SEASPIKE HOLDINGS CORPORATION
RECONCILIATION OF NON-GAAP INFORMATION - GAAP GROSS MARGIN TO ADJUSTED GROSS MARGIN
(UNAUDITED)
(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Total revenue, net	\$ 67,147	\$ 46,445	\$ 174,158	\$ 135,862
Less: Cost of goods sold	26,637	18,289	66,140	51,137
Gross profit	40,510	28,156	108,018	84,725
Add back:				
Technology-related intangible asset amortization	986	1,291	2,958	2,167
Purchase accounting inventory fair market value adjustments	—	417	208	417
Adjusted gross profit	\$ 41,496	\$ 29,864	\$ 111,184	\$ 87,309
Adjusted gross margin (Adjusted gross profit / Total revenue, net)	61.8 %	64.3 %	63.8 %	64.3 %