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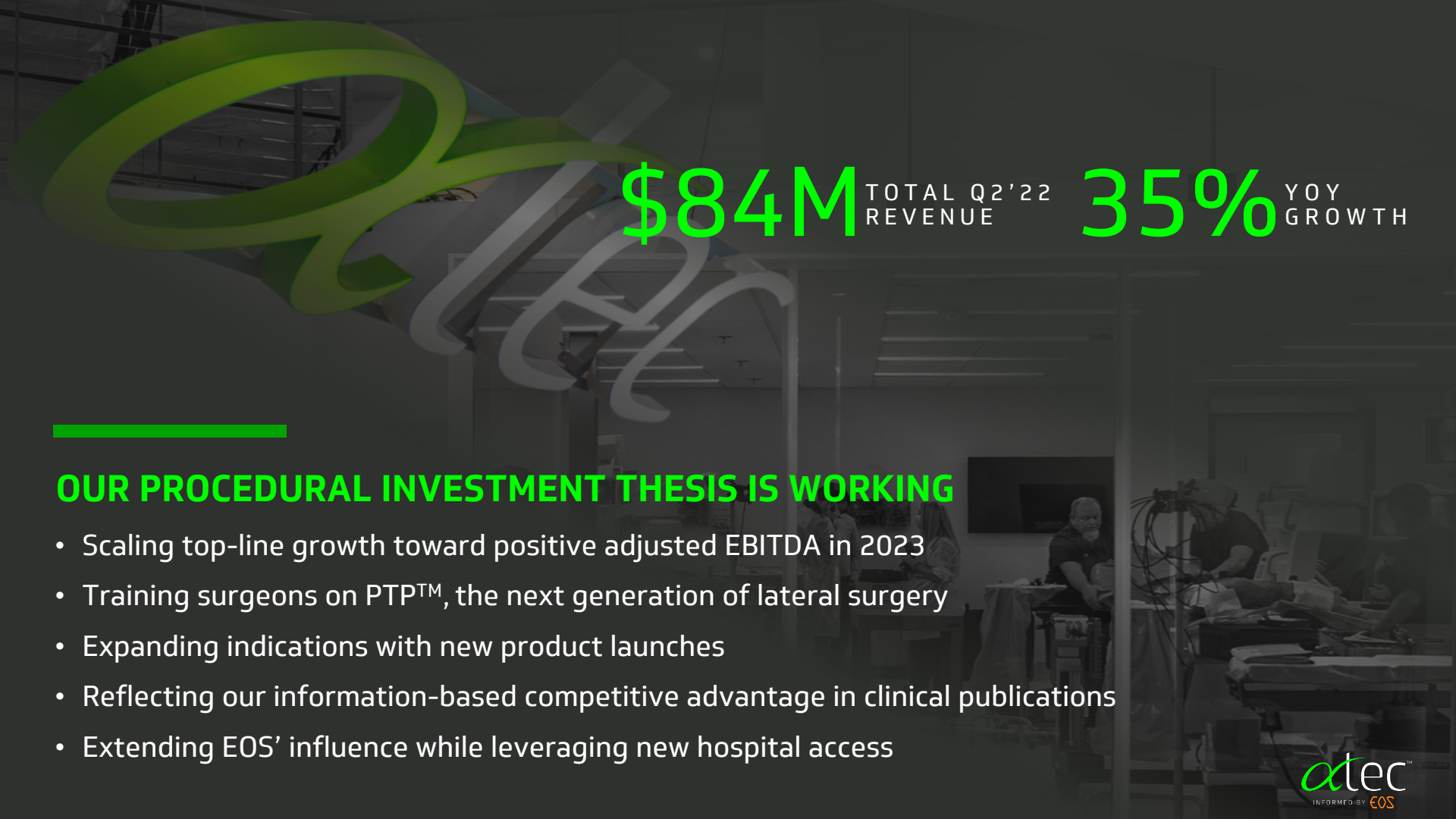
# Q2 2022 FINANCIAL RESULTS

PAT MILES, CHAIRMAN & CEO | TODD KONING, EVP & CFO

AUGUST 4, 2022

# FORWARD LOOKING STATEMENTS

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



$84M TOTAL Q2'22 REVENUE

35% YOY GROWTH

## OUR PROCEDURAL INVESTMENT THESIS IS WORKING

- Scaling top-line growth toward positive adjusted EBITDA in 2023
- Training surgeons on PTP™, the next generation of lateral surgery
- Expanding indications with new product launches
- Reflecting our information-based competitive advantage in clinical publications
- Extending EOS' influence while leveraging new hospital access

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# PROCEDURAL INVESTMENT THESIS

Surgeons choose ATEC because we architect **comprehensive** procedures that obviate clinical variability

Impact on clinical distinction

HIGH

LOW

## DRIVERS OF CLINICAL PREDICTABILITY






INFORMATION




POSITIONERS



SURGICAL ACCESS

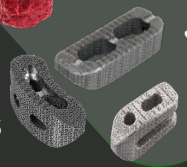
## INDUSTRY PRIORITIES



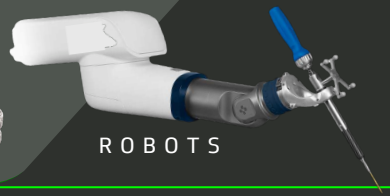
BIOLOGICS



FIXATION



IMPLANTS



ROBOTS



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# WHY IS ATEC GROWTH FASTER & SUSTAINABLE?

## Surgeons understand ATEC is **best positioned** to deliver clinical **PREDICTABILITY:**

| | |
|---|---|
| Diagnosis & surgical planning | ✓ EOS (AI-based predictive analytics) |
| Procedural execution | ✓ PTP (comprehensive surgical solution) |

> The use of powerful computer-assisted tools able to integrate several parameters and learn from experience **can change the traditional way** of selecting treatment pathways.



LaFage, et al. Self-learning computers for surgical planning and prediction of postoperative alignment. European Spine Journal (2018) 27 (Suppl 1):S123–S128

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# Q2 2022 ORGANIC SCORECARD*

## Validation of our procedural investment thesis

| | |
|---|---|
| 30% | YoY organic revenue growth |
| 13th | Consecutive quarter of **≥ 20% revenue growth** (ex 11% in pandemic-impacted Q2 2020) |
| 17% | YoY growth in procedure volume |
| 23% | YoY growth in surgeon users |
| 10% | YoY growth in average revenue per case |
| 2.2 | Blended average product categories sold per case |



* Revenue metrics exclude EOS imaging & terminated international supply agreement.

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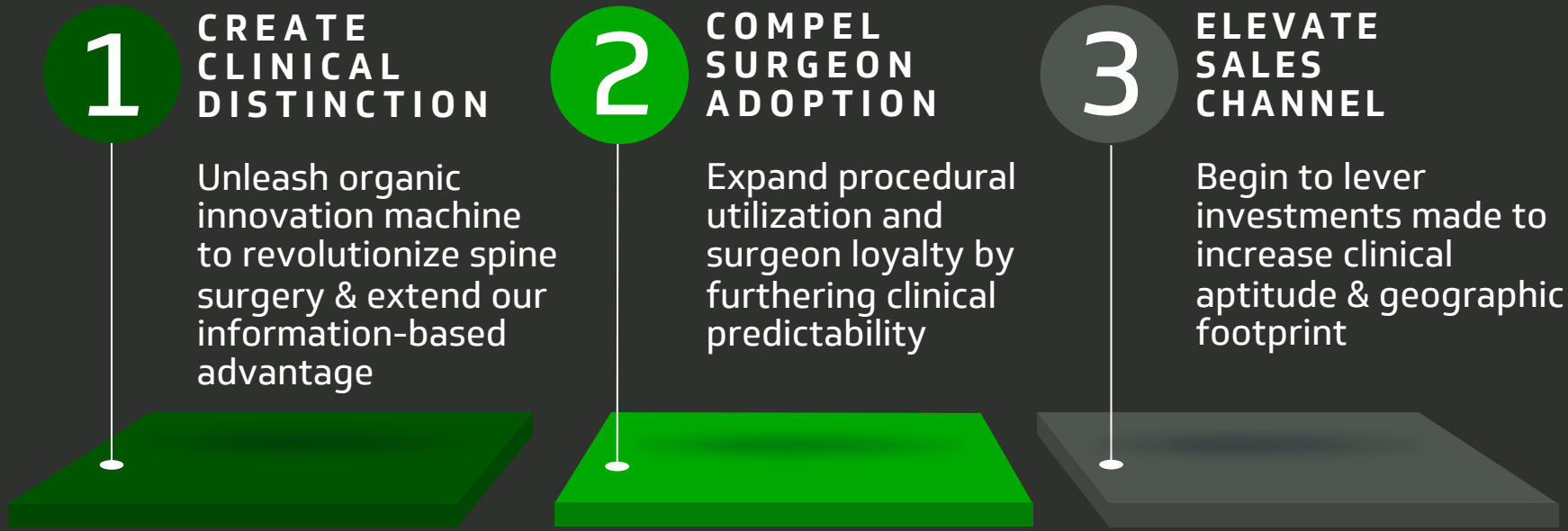
# OUR COMMITMENTS

## Earning market share by prioritizing key initiatives



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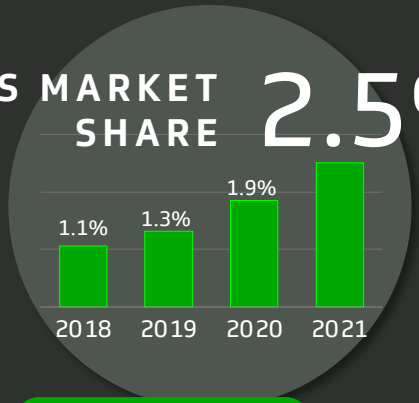
# CLINICAL DISTINCTION SCORECARD

## Addressing spine's unmet procedural challenges to earn market share

**1 CREATE CLINICAL DISTINCTION**

**US MARKET SHARE 2.5%**




| | Scorecard |
|---|---|
| ATEC lateral (PTP+LTP) largest contributor to revenue growth | ✓ |
| % growth in EOS pipeline since acquisition | 40% |
| # products launched YTD – on track for 8-10 this year | 4 |



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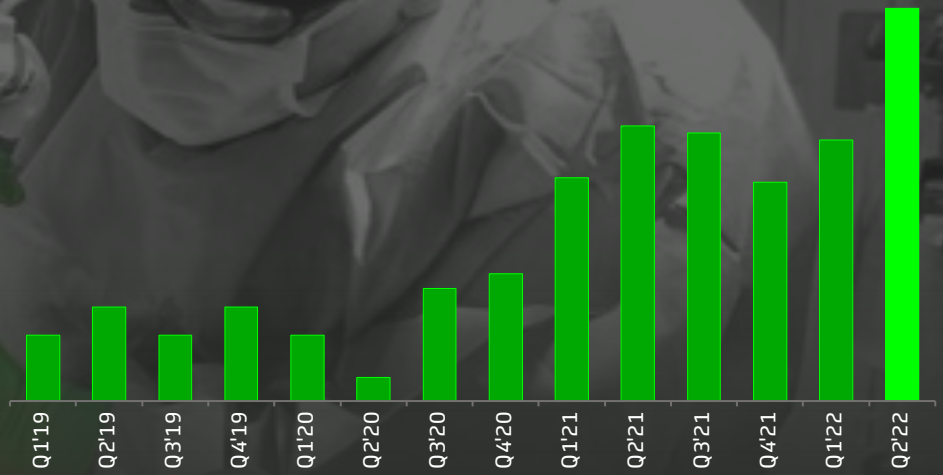
# 1 EARNING LATERAL MARKET SHARE

## This is <u>not</u> prone lateral. This is PTP™ PRONE TRANSPSOAS.

### LATERAL SOPHISTICATION

- Adoption & demand reflect unmatched sophistication and knowhow
- Hosted ~65 surgeons for PTP Summit & Duke Emory Anterior Column Conference (independent of surgeon training visits)
- Applying knowhow gained from PTP to advance sophistication of LTP
- Increasing utilization in complex cases
- 19 peer-reviewed publications further validate clinical thesis for PTP

### RECORD SURGEON TRAINING VISITS



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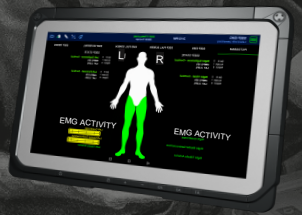
# 1 PUBLISHED REFLECTION OF ATEC LATERAL DISTINCTION

## SafeOp identifies real-time changes in nerve health[1]




### DOCUMENTED RISK OF FEMORAL NERVE COMPLICATIONS IN LIF[2]

- **16% to 36%** thigh paresthesia/ dysesthesia[2]
- **2% to 5%** quadriceps palsy[2]

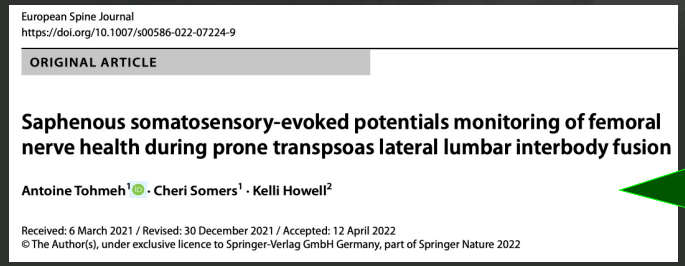
### SAFEOP SSEP ENABLES ACTIONABLE NERVE HEALTH MONITORING

**100%** sensitivity &
**89%** specificity

### SAFE OP UNIQUELY CIRCUMVENTS SSEP MONITORING CHALLENGES

**Proprietary to SafeOp** for real-time reproducible monitoring:

- Signal amplifiers & filters
- Waveform classifiers
- Predefined parameters


European Spine Journal
https://doi.org/10.1007/s00586-022-07224-9

ORIGINAL ARTICLE

**Saphenous somatosensory-evoked potentials monitoring of femoral nerve health during prone transpsoas lateral lumbar interbody fusion**

Antoine Tohmeh[1] · Cheri Somers[1] · Kelli Howell[2]

Received: 6 March 2021 / Revised: 30 December 2021 / Accepted: 12 April 2022
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> “Actionable feedback was **highly predictive** of neurological events during LIF”[1]



1. Tohmeh A et al. Saphenous SSEP monitoring of femoral nerve health during prone transpsoas lateral lumbar interbody fusion. Eur Spine J 2022. 2. Lehmen JA, Gerber EJ. MIS lateral spine surgery: a systematic literature review of complications, outcomes, and economics. Eur Spine J 2015;24(Suppl 3):S287-313

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# 1 EOS SCORECARD

## Cross-selling opportunities deliver clinical influence




**$12M**
Q2 EOS Revenue

**49%**
Pro-forma revenue growth

**~450**
EOS global installed base

**40%**
Growth in pipeline since acquisition close

Highest unit orders since acquisition close



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# 1 DELIVERING PREDICTABILITY

## EOS will amplify our information-based competitive advantage

### CLINICAL

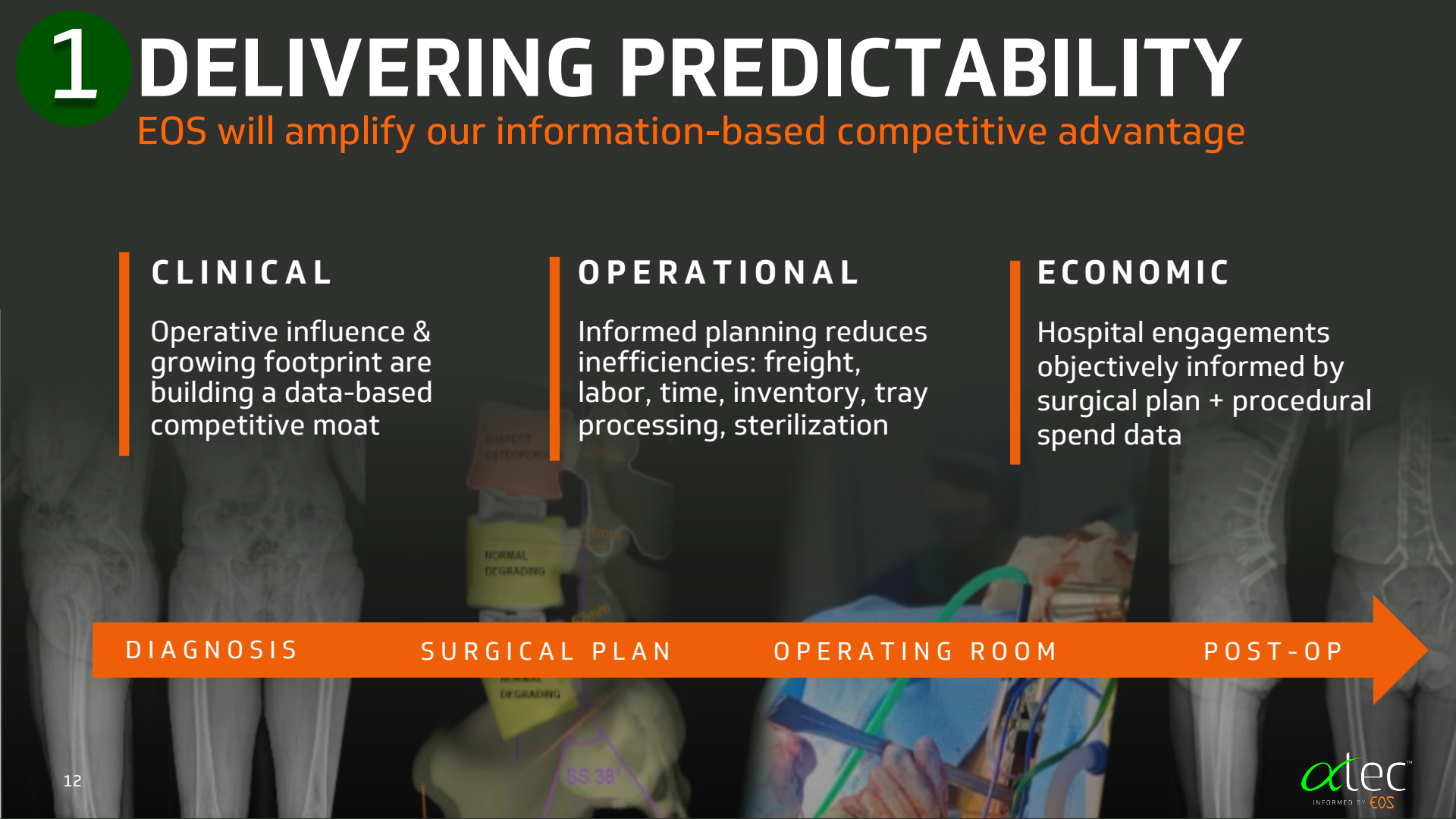
Operative influence & growing footprint are building a data-based competitive moat

### OPERATIONAL

Informed planning reduces inefficiencies: freight, labor, time, inventory, tray processing, sterilization

### ECONOMIC

Hospital engagements objectively informed by surgical plan + procedural spend data



# SURGEON ADOPTION SCORECARD*

## Procedural innovation drives **multi-faceted adoption**

**2 COMPEL SURGEON ADOPTION**

### MORE SURGEON USERS

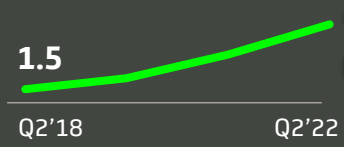
**23%** Growth in surgeon user base YoY

**>150** Surgeon attendees @ training events

### MORE OF EACH SURGEON'S CASES

**10%** YoY growth in avg revenue / case

### MORE PRODUCT CATEGORIES SOLD / CASE






* Revenue metrics exclude EOS imaging & international supply agreement.

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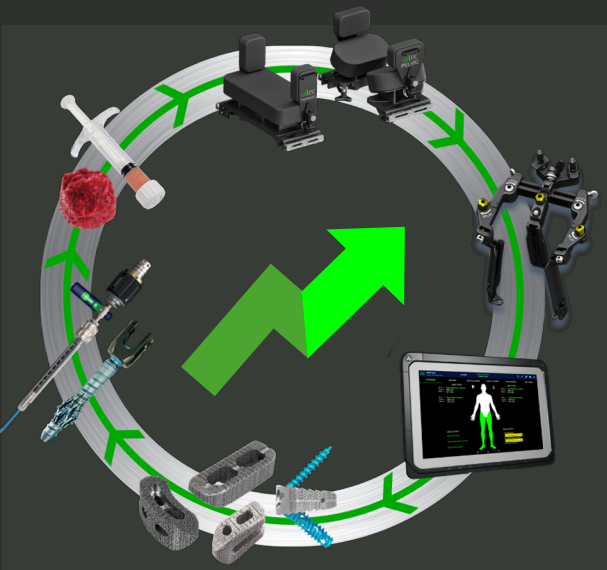
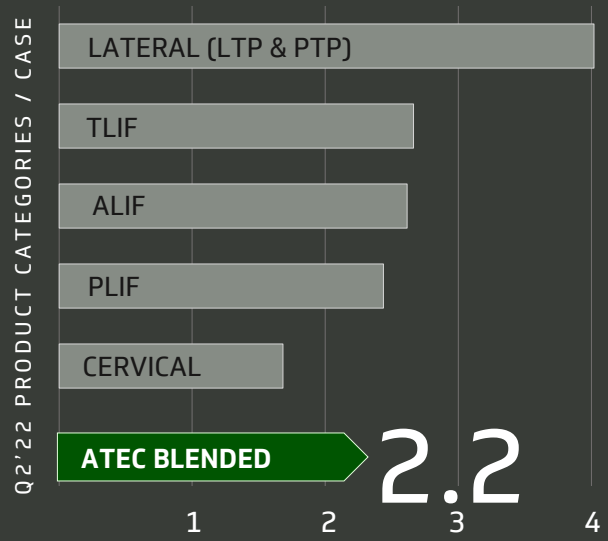
# 2 ADOPTION OUTLOOK

## Expanding “buy-in” to our procedural clinical thesis






**BROADENING OPPORTUNITY:**

Designing integrated components that work **together** to further clinical predictability

PRODUCT CATEGORIES PER CASE

| 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|
| 1.5 | 1.7 | 1.9 | 2.1 |

# SALES SCORECARD

Reflection of procedural investment thesis adoption at **territory level**



3

**ELEVATE SALES CHANNEL**

**EXPAND FOOTPRINT**

**&**

**INCREASE CONTRIBUTION OF EXISTING TEAM**

**1/3**

U.S. geographies under- or completely unrepresented

| | |
|---|---|
| YoY increase in revenue / established territory | 25% |
| % of established territories >$5M in TTM revenue | 34% |
| Increase in average revenue / case | 10% |




# FINANCIALS

# REVENUE

## Growth driven by adoption of our procedural investment thesis

| | Q2 2022 | YoY | QoQ |
|---|---|---|---|
| Organic Revenue | $72M | **30%** | 19% |
| EOS-Related Revenue | $12M | 93% | 15% |
| **TOTAL REVENUE** | **$84M** | **35%** | **19%** |

### Q2'22 YOY ORGANIC GROWTH

**17%** In volume

**10%** Revenue per case

### EOS PRO FORMA

**49%** YoY growth

May not foot due to rounding

# NON-GAAP P&L HIGHLIGHTS*

## Investing to support rapid long-term growth

| | Q2 2022 | YoY |
|---|---|---|
| Total Revenue $ | $84M | 35% |
| Gross margin % | 70% | (320) bps |
| R&D % | 11% | (50) bps |
| SG&A % | 78% | (260) bps |
| Total Operating Expense % | 89% | (320) bps |
| Operating Margin % | (19%) | +10 bps |

- GM% includes impact of EOS consolidation, increased biologics mix & EOS service cost
- Opex% reflects continued growth investments, which have begun to lever

| | Q2 2022 | Q1 2022 |
|---|---|---|
| Adjusted EBITDA $ | ($8M) | ($11M) |
| % of sales | (10%) | (16%) |

- Adj. EBITDA improved 80bps YoY and 570bps sequentially
- FY'22 adj. EBITDA expected to improve 400 bps relative to FY'21



* May not foot due to rounding. | Non-GAAP GM excludes intangible amortization, purchase accounting impacts, non-cash E&O legacy product charges and SBC. Non-GAAP operating expenses exclude intangible amortization, SBC and litigation, transaction, and restructuring-related expenses. Additional detail in the appendix or at https://investors.alphatecspine.com/investors.

# BALANCE SHEET

## Cash position supports growth investments

| Cash and Debt | Q2 2022 | Q1 2022 |
|---|---|---|
| Cash | $107M | $152M |
| Debt (at face value)[1] | $336M | $337M |

| Cash Use | Q2 2022 | Q1 2022 |
|---|---|---|
| Inventory & capital expenditures | $21M | $23M |
| Operating cash use[2] | $40M | $38M |
| Operating cash use[2] as % of total revenue | 48% | 53% |

- $40M cash use includes $10M in 1x legal spend eliminating multiple future royalty obligations
- Signed term sheet for a $50M revolver + $25M accordion feature
- FY'22 cash use expected to improve compared to FY'21 with asset leverage + more favorable Adj. EBITDA



1. Detailed components as defined in 10Q for corresponding period. | 2. Operating Cash Use defined as GAAP Net cash used in operating activities and GAAP PP&E.

# INCREASED REVENUE GUIDANCE

## Strong momentum, especially in ATEC lateral, will continue to fuel market share expansion

| | FY 2022 UPDATED | YoY | FY 2022 PREVIOUS |
|---|---|---|---|
| Organic Revenue | $277M | 31% | $269M |
| EOS-Related Revenue | $48M | -- | $47M |
| **TOTAL REVENUE** | **$325M** | **34%** | **$316M** |

Continued strong performance + current momentum drives increased confidence in full-year organic and EOS revenue growth

# REVENUE GROWTH =

## VOLUME GROWTH

**Growth implied by FY guidance**

HIGH-TEENS %

MID-TEENS% PREVIOUSLY

DRIVERS

- Increase surgeon adoption & utilization:
  - Clinical distinction + surgeon training
  - Earning trust = creating loyalty
- Expand existing agents & increase geographic coverage

X

## AVG REVENUE/ SURGERY GROWTH

**Growth implied by FY guidance**

HIGH-SINGLE DIGIT %

DRIVERS

- Procedural mix shift toward lateral
- PTP application to more complex procedures
- Increase products / procedure
- EOS expands access, including deformity
- Command price premium with innovation



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# CLOSING

PAT MILES, CHAIRMAN & CEO




## PTP™: The MIS Category Killer

Taking share of $1B+ lateral market & the $2B+ market for TLIFs & PLIFs*

Increasingly applied to complex cases

Well-suited for ASCs

## Elevate sales channel

>1/3 of U.S. geographies still under- or completely unrepresented

Increasing contribution of existing team

## Expand internationally

Building platform for direct, narrow & deep int'l market entry in coming years

## Halo effect increases portfolio adoption

Increasingly comprehensive portfolio benefits from traction of our most distinct products & procedures

## Capture more of the >$2B* EOS opportunity

Utilize surgeon & hospital access to drive revenue

Provide unprecedented diagnostic & surgical planning capabilities that create intra-operative clinical & economic value

Reflect EOS' informational prowess



* Sources: iData and Management Estimates

# OUR COMMITMENTS

| | 2021 | 2025 |
|---|---|---|
| Revenue | $243M | $555M |
| Adjusted EBITDA | ($28M) | $80M |

23% CAGR

Adjusted EBITDA break even in 2023

**Disciplined** investment will deliver cash flow break even **without additional dilutive capital**



Reference non-GAAP reconciliation in the appendix.


Our opportunity
to address the need for
predictability & reproducibility
in spine is massive.
SPINE SURGERY
NEEDS ATEC!
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# APPENDIX

# HISTORICAL GAAP P&L TREND - CONSOLIDATED ($000's)

| | 2018 | 2019 | Q120 | Q220 | Q320 | Q420 | 2020 | Q121 | Q221 | Q321 | Q421 | 2021 | Q122 | Q222 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues:** | | | | | | | | | | | | | | |
| Revenue from products and services | 83,656 | 108,242 | 29,070 | 28,834 | 40,052 | 43,123 | 141,079 | 43,716 | 61,885 | 62,735 | 73,922 | 242,258 | 70,918 | 84,151 |
| Revenue from Int'l supply agreement | 8,038 | 5,185 | 1,045 | 795 | 1,111 | 831 | 3,782 | 405 | 364 | 145 | 40 | 954 | 15 | - |
| **TOTAL REVENUE** | **91,694** | **113,427** | **30,115** | **29,629** | **41,163** | **43,954** | **144,861** | **44,121** | **62,249** | **62,880** | **73,962** | **243,212** | **70,933** | **84,151** |
| Cost of revenue | 28,457 | 35,833 | 9,084 | 8,787 | 11,926 | 12,563 | 42,360 | 12,263 | 21,184 | 23,266 | 28,737 | 85,450 | 21,717 | 28,675 |
| **Total gross profit** | **63,237** | **77,594** | **21,031** | **20,842** | **29,237** | **31,391** | **102,501** | **31,858** | **41,065** | **39,614** | **45,225** | **157,762** | **49,216** | **55,476** |
| **Operating expenses (GAAP):** | | | | | | | | | | | | | | |
| Research & development | 10,988 | 15,486 | 4,169 | 4,237 | 4,984 | 5,355 | 18,745 | 5,801 | 7,839 | 9,391 | 8,984 | 32,015 | 9,722 | 10,596 |
| Sales, general & administrative | 71,505 | 100,077 | 27,583 | 26,468 | 35,380 | 39,725 | 129,156 | 40,426 | 60,659 | 61,494 | 66,692 | 229,271 | 69,471 | 72,668 |
| Litigation-related | 5,683 | 8,549 | 2,643 | 1,304 | 1,560 | 3,045 | 8,552 | 3,335 | 1,167 | 1,209 | 5,412 | 11,123 | 7,532 | 5,495 |
| Amortization of acquired intangible assets | 738 | 698 | 172 | 172 | 172 | 172 | 688 | 172 | 1,208 | 2,012 | 1,956 | 5,348 | 2,230 | 2,177 |
| Transaction-related expenses | 1,550 | - | 4,272 | (181) | 2 | 130 | 4,223 | 1,012 | 4,771 | 373 | 209 | 6,365 | 120 | - |
| Restructuring expenses | 1,381 | 60 | - | - | - | - | - | 158 | 1,173 | 256 | 110 | 1,697 | 1,370 | 289 |
| Gain on Settlement | (6,168) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total operating expenses (GAAP)** | **85,677** | **124,870** | **38,839** | **32,000** | **42,098** | **48,427** | **161,364** | **50,904** | **76,817** | **74,735** | **83,363** | **285,819** | **90,445** | **91,225** |
| **TOTAL OPERATING LOSS** | **(22,440)** | **(47,276)** | **(17,808)** | **(11,158)** | **(12,861)** | **(17,036)** | **(58,863)** | **(19,046)** | **(35,752)** | **(35,121)** | **(38,138)** | **(128,057)** | **(41,229)** | **(35,749)** |
| **Other income (expense):** | | | | | | | | | | | | | | |
| Interest and other income (expense),net | (7,139) | (9,865) | (2,874) | (3,032) | (2,768) | (3,700) | (12,374) | (3,827) | (2,410) | (386) | (2,048) | (8,671) | (1,486) | (1,368) |
| Loss on debt extinguishment | (590) | - | - | (1,555) | - | (6,057) | (7,612) | - | - | (7,434) | - | (7,434) | - | - |
| Gain on change in fair value of warrants | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total other income (expense), net** | **(7,729)** | **(9,865)** | **(2,874)** | **(4,587)** | **(2,768)** | **(9,757)** | **(19,986)** | **(3,827)** | **(2,410)** | **(7,820)** | **(2,048)** | **(16,105)** | **(1,486)** | **(1,368)** |
| **Income (loss) from continuing operations (GAAP)** | **(30,169)** | **(57,141)** | **(20,682)** | **(15,745)** | **(15,629)** | **(26,793)** | **(78,849)** | **(22,873)** | **(38,162)** | **(42,941)** | **(40,186)** | **(144,162)** | **(42,715)** | **(37,117)** |
| Income tax provision | (1,361) | (239) | 40 | 60 | 40 | 5 | 145 | 30 | 43 | 90 | 1 | 164 | 129 | 203 |
| **Net loss from continuing operations** | **(28,808)** | **(56,902)** | **(20,722)** | **(15,805)** | **(15,669)** | **(26,798)** | **(78,994)** | **(22,903)** | **(38,205)** | **(43,031)** | **(40,187)** | **(144,326)** | **(42,844)** | **(37,320)** |
| Income (Loss) from discontinued operations | (167) | (100) | - | - | - | - | - | - | - | - | - | - | - | - |
| **Net loss** | **(28,975)** | **(57,002)** | **(20,722)** | **(15,805)** | **(15,669)** | **(26,798)** | **(78,994)** | **(22,903)** | **(38,205)** | **(43,031)** | **(40,187)** | **(144,326)** | **(42,844)** | **(37,320)** |
| Recognition of beneficial conversion feature - Series B preferred stock | (13,488) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Net loss attributable to common shareholders** | **(42,463)** | **(57,002)** | **(20,722)** | **(15,805)** | **(15,669)** | **(26,798)** | **(78,994)** | **(22,903)** | **(38,205)** | **(43,031)** | **(40,187)** | **(144,326)** | **(42,844)** | **(37,320)** |
| **Net loss per share** | **(0.82)** | **(1.09)** | **(0.33)** | **(0.25)** | **(0.24)** | **(0.35)** | **(1.18)** | **(0.26)** | **(0.39)** | **(0.43)** | **(0.40)** | **(1.50)** | **(0.43)** | **(0.36)** |
| **Weighted average shares outstanding, basic and diluted** | **35,315** | **52,234** | **62,568** | **63,713** | **64,761** | **77,098** | **67,020** | **87,223** | **98,541** | **99,571** | **99,300** | **96,197** | **99,978** | **102,849** |

**GUIDANCE / COMMENTARY**

FY 2022 total revenue is expected to approximate $325M, which includes ~$48M of EOS-related revenue. The international supply agreement terminated in August 2021.

Access this file at https://investors.alphatecspine.com/quarterly-results.

# NON-GAAP RECONCILIATION - CONSOLIDATED ($000's)

| ADJUSTED EBITDA | 2018 | 2019 | Q120 | Q220 | Q320 | Q420 | 2020 | Q121 | Q221 | Q321 | Q421 | 2021 | Q122 | Q222 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating loss, GAAP | (22,440) | (47,276) | (17,808) | (11,158) | (12,861) | (17,036) | (58,863) | (19,046) | (35,752) | (35,121) | (38,138) | (128,057) | (41,229) | (35,749) |
| Depreciation | 6,051 | 6,775 | 2,014 | 2,161 | 2,307 | 2,704 | 9,186 | 3,409 | 5,068 | 5,311 | 6,544 | 20,332 | 7,085 | 7,506 |
| Amortization of intangible assets | 799 | 803 | 440 | 440 | 442 | 441 | 1,763 | 441 | 1,476 | 2,281 | 2,226 | 6,424 | 2,230 | 2,186 |
| **Total EBITDA** | **(15,590)** | **(39,698)** | **(15,354)** | **(8,557)** | **(10,112)** | **(13,891)** | **(47,914)** | **(15,196)** | **(29,208)** | **(27,529)** | **(29,368)** | **(101,301)** | **(31,914)** | **(26,057)** |
| + Stock-based compensation | 5,304 | 10,954 | 3,568 | 4,575 | 4,544 | 4,972 | 17,659 | 4,474 | 11,496 | 10,754 | 9,726 | 36,450 | 10,184 | 9,203 |
| + Purchase accounting adjustments on acquisitions | - | - | - | - | - | - | - | - | 1,763 | 2,577 | 2,083 | 6,423 | - | 437 |
| + Excess & obsolete charges | 3,733 | 8,624 | 1,722 | 1,712 | 1,995 | 1,615 | 7,044 | 2,096 | 2,221 | 2,525 | 4,305 | 11,147 | 1,706 | 2,394 |
| + Contingent consideration fair value adjustment | 846 | 289 | - | - | - | - | - | - | - | - | - | - | - | - |
| + Litigation-related expenses | 5,683 | 8,549 | 2,643 | 1,304 | 1,560 | 3,045 | 8,552 | 3,335 | 1,167 | 1,209 | 5,412 | 11,123 | 7,532 | 5,495 |
| + Transaction-related expenses | 1,550 | - | 4,272 | (181) | 2 | 130 | 4,223 | 1,012 | 4,771 | 373 | 209 | 6,365 | 120 | - |
| + Restructuring expenses | 1,381 | 60 | - | - | - | - | - | 158 | 1,173 | 256 | 110 | 1,697 | 1,370 | 289 |
| + Gain on settlement | (6,168) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total Adjusted EBITDA** | **(3,261)** | **(11,222)** | **(3,149)** | **(1,147)** | **(2,011)** | **(4,129)** | **(10,436)** | **(4,121)** | **(6,617)** | **(9,835)** | **(7,523)** | **(28,096)** | **(11,002)** | **(8,239)** |
| ***Adjusted EBITDA as a % of Revenue*** | ***-3.6%*** | ***-9.9%*** | ***-10.5%*** | ***-3.9%*** | ***-4.9%*** | ***-9.4%*** | ***-7.2%*** | ***-9.3%*** | ***-10.6%*** | ***-15.6%*** | ***-10.2%*** | ***-11.6%*** | ***-15.5%*** | ***-9.8%*** |

Adjusted EBITDA for the full year 2022 is expected to improve relative to full year 2021.

| NON-GAAP GROSS PROFIT & GROSS MARGIN | 2018 | 2019 | Q120 | Q220 | Q320 | Q420 | 2020 | Q121 | Q221 | Q321 | Q421 | 2021 | Q122 | Q222 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Gross Profit, GAAP** | 63,237 | 77,594 | 21,031 | 20,842 | 29,237 | 31,391 | 102,501 | 31,858 | 41,065 | 39,614 | 45,225 | 157,762 | 49,216 | 55,476 |
| + Amortization of intangible assets | 62 | 105 | 268 | 268 | 270 | 269 | 1,075 | 269 | 268 | 270 | 268 | 1,075 | - | 9 |
| + Stock-based compensation | 73 | 146 | 107 | 128 | 139 | 138 | 512 | 95 | 84 | 310 | 248 | 737 | 256 | 449 |
| + Purchase accounting adjs on acquisitions | - | - | - | - | - | - | - | - | 1,763 | 2,577 | 2,083 | 6,423 | - | 437 |
| + Excess & obsolescence charges | 3,733 | 8,624 | 1,722 | 1,712 | 1,995 | 1,615 | 7,044 | 2,096 | 2,221 | 2,525 | 4,305 | 11,147 | 1,706 | 2,394 |
| **Non-GAAP Gross Profit** | **67,105** | **86,469** | **23,128** | **22,950** | **31,641** | **33,413** | **111,132** | **34,318** | **45,401** | **45,296** | **52,129** | **177,144** | **51,178** | **58,765** |
| **Gross Margin, GAAP** | **69.0%** | **68.4%** | **69.8%** | **70.3%** | **71.0%** | **71.4%** | **70.8%** | **72.2%** | **66.0%** | **63.0%** | **61.1%** | **64.9%** | **69.4%** | **65.9%** |
| + Amortization of intangible assets | 0.1% | 0.1% | 0.9% | 0.9% | 0.7% | 0.6% | 0.7% | 0.6% | 0.4% | 0.4% | 0.4% | 0.4% | 0.0% | 0.0% |
| + Stock-based compensation | 0.1% | 0.1% | 0.4% | 0.4% | 0.3% | 0.3% | 0.4% | 0.2% | 0.1% | 0.5% | 0.3% | 0.3% | 0.4% | 0.5% |
| + Purchase accounting adjs on acquisitions | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 2.8% | 4.1% | 2.8% | 2.6% | 0.0% | 0.5% |
| + Excess & obsolescence charges | 4.1% | 7.6% | 5.7% | 5.8% | 4.8% | 3.7% | 4.9% | 4.8% | 3.6% | 4.0% | 5.8% | 4.6% | 2.4% | 2.8% |
| **Non-GAAP Gross Margin** | **73.2%** | **76.2%** | **76.8%** | **77.5%** | **76.9%** | **76.0%** | **76.7%** | **77.8%** | **72.9%** | **72.0%** | **70.5%** | **72.8%** | **72.1%** | **69.7%** |

GM% impacted by consolidation of EOS, which bears lower GMs.

| NON-GAAP OPERATING EXPENSES | 2018 | 2019 | Q120 | Q220 | Q320 | Q420 | 2020 | Q121 | Q221 | Q321 | Q421 | 2021 | Q122 | Q222 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Research & Development, GAAP** | **10,988** | **15,486** | **4,169** | **4,237** | **4,984** | **5,355** | **18,745** | **5,801** | **7,839** | **9,391** | **8,984** | **32,015** | **9,722** | **10,596** |
| - Stock-based compensation in R&D | 351 | 1,044 | 390 | 548 | 504 | 632 | 2,074 | 498 | 664 | 1,440 | 1,454 | 4,056 | 972 | 1,362 |
| - Contingent consideration fair value adj | 846 | 289 | - | - | - | - | - | - | - | - | - | - | - | - |
| **Non-GAAP R&D** | **9,791** | **14,153** | **3,779** | **3,689** | **4,480** | **4,723** | **16,671** | **5,303** | **7,175** | **7,951** | **7,530** | **27,959** | **8,750** | **9,234** |
| **Sales General & Administrative, GAAP** | **71,505** | **100,077** | **27,583** | **26,468** | **35,380** | **39,725** | **129,156** | **40,426** | **60,659** | **61,494** | **66,692** | **229,271** | **69,471** | **72,668** |
| - Stock-based compensation in SG&A | 4,880 | 9,764 | 3,071 | 3,899 | 3,901 | 4,202 | 15,073 | 3,881 | 10,748 | 9,004 | 8,024 | 31,657 | 8,956 | 7,392 |
| - Purchase accounting adjs on acquisitions | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Non-GAAP SG&A** | **66,625** | **90,313** | **24,512** | **22,569** | **31,479** | **35,523** | **114,083** | **36,545** | **49,911** | **52,490** | **58,668** | **197,614** | **60,515** | **65,276** |
| **Other Operating Expense, GAAP** | **3,184** | **9,307** | **7,087** | **1,295** | **1,734** | **3,347** | **13,463** | **4,677** | **8,319** | **3,850** | **7,687** | **24,533** | **11,252** | **7,961** |
| - Litigation-related expenses | 5,683 | 8,549 | 2,643 | 1,304 | 1,560 | 3,045 | 8,552 | 3,335 | 1,167 | 1,209 | 5,412 | 11,123 | 7,532 | 5,495 |
| - Amortization of intangible assets | 738 | 698 | 172 | 172 | 172 | 172 | 688 | 172 | 1,208 | 2,012 | 1,956 | 5,348 | 2,230 | 2,177 |
| - Transaction-related expenses | 1,550 | - | 4,272 | (181) | 2 | 130 | 4,223 | 1,012 | 4,771 | 373 | 209 | 6,365 | 120 | - |
| - Restructuring expenses | 1,381 | 60 | - | - | - | - | - | 158 | 1,173 | 256 | 110 | 1,697 | 1,370 | 289 |
| - Gain on settlement | (6,168) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Non-GAAP Other Operating Expense** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total Non-GAAP Operating Expenses** | **76,416** | **104,466** | **28,291** | **26,258** | **35,959** | **40,246** | **130,754** | **41,848** | **57,086** | **60,441** | **66,198** | **225,573** | **69,265** | **74,510** |
| **Non-GAAP Operating Expenses % of Revenue** | | | | | | | | | | | | | | |
| Research & development | 10.7% | 12.5% | 12.5% | 12.5% | 10.9% | 10.7% | 11.5% | 12.0% | 11.5% | 12.6% | 10.2% | 11.5% | 12.3% | 11.0% |
| Sales, general & administrative | 72.7% | 79.6% | 81.4% | 76.2% | 76.5% | 80.8% | 78.8% | 82.8% | 80.2% | 83.5% | 79.3% | 81.3% | 85.3% | 77.6% |
| **Total Non-GAAP Operating Expenses % of Revenue** | **83.3%** | **92.1%** | **93.9%** | **88.6%** | **87.4%** | **91.6%** | **90.3%** | **94.8%** | **91.7%** | **96.1%** | **89.5%** | **92.8%** | **97.6%** | **88.5%** |

Opex reflects sustained levels of planned investment to support portfolio expansion and investment in the sales channel.

Access this file at https://investors.alphatecspine.com/quarterly-results.

# NON-GAAP P&L TREND - CONSOLIDATED ($000's)

| | 2019 | Q120 | Q220 | Q320 | Q420 | 2020 | Q121 | Q221 | Q321 | Q421 | 2021 | Q122 | Q222 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | **113,427** | **30,115** | **29,629** | **41,163** | **43,954** | **144,861** | **44,121** | **62,249** | **62,880** | **73,962** | **243,212** | **70,933** | **84,151** |
| Non-GAAP cost of sales | 26,958 | 6,987 | 6,679 | 9,522 | 10,541 | 33,729 | 9,803 | 16,848 | 17,584 | 21,833 | 66,068 | 19,755 | 25,386 |
| **Non-GAAP gross profit** | **86,469** | **23,128** | **22,950** | **31,641** | **33,413** | **111,132** | **34,318** | **45,401** | **45,296** | **52,129** | **177,144** | **51,178** | **58,765** |
| *Non-GAAP Gross Margin* | *76.2%* | *76.8%* | *77.5%* | *76.9%* | *76.0%* | *76.7%* | *77.8%* | *72.9%* | *72.0%* | *70.5%* | *72.8%* | *72.1%* | *69.7%* |
| **Operating expenses (Non-GAAP):** | | | | | | | | | | | | | |
| Research & development, Non-GAAP | 14,153 | 3,779 | 3,689 | 4,480 | 4,723 | 16,671 | 5,303 | 7,175 | 7,951 | 7,530 | 27,959 | 8,750 | 9,234 |
| Sales, general & administrative, Non-GAAP | 90,313 | 24,512 | 22,569 | 31,479 | 35,523 | 114,083 | 36,545 | 49,909 | 52,490 | 58,669 | 197,613 | 60,515 | 65,276 |
| **Total operating expenses (Non-GAAP)** | **104,466** | **28,291** | **26,258** | **35,959** | **40,246** | **130,754** | **41,848** | **57,084** | **60,441** | **66,199** | **225,572** | **69,265** | **74,510** |
| *R&D as % of revenue* | *12.5%* | *12.5%* | *12.5%* | *10.9%* | *10.7%* | *11.5%* | *12.0%* | *11.5%* | *12.6%* | *10.2%* | *11.5%* | *12.3%* | *11.0%* |
| *SG&A as % of revenue* | *79.6%* | *81.4%* | *76.2%* | *76.5%* | *80.8%* | *78.8%* | *82.8%* | *80.2%* | *83.5%* | *79.3%* | *81.3%* | *85.3%* | *77.6%* |
| *Total OPEX as % of revenue* | *92.1%* | *93.9%* | *88.6%* | *87.4%* | *91.6%* | *90.3%* | *94.8%* | *91.7%* | *96.1%* | *89.5%* | *92.7%* | *97.6%* | *88.5%* |
| **Non-GAAP operating loss** | **(17,997)** | **(5,163)** | **(3,308)** | **(4,318)** | **(6,833)** | **(19,622)** | **(7,530)** | **(11,683)** | **(15,145)** | **(14,070)** | **(48,428)** | **(18,087)** | **(15,745)** |
| *Op loss as % of revenue* | *-15.9%* | *-17.1%* | *-11.2%* | *-10.5%* | *-15.5%* | *-13.5%* | *-17.1%* | *-18.8%* | *-24.1%* | *-19.0%* | *-19.9%* | *-25.5%* | *-18.7%* |
| Less: Depreciation | 6,775 | 2,014 | 2,161 | 2,307 | 2,704 | 9,186 | 3,409 | 5,068 | 5,311 | 6,544 | 20,332 | 7,085 | 7,506 |
| **Adjusted EBITDA** | **(11,222)** | **(3,149)** | **(1,147)** | **(2,011)** | **(4,129)** | **(10,436)** | **(4,121)** | **(6,615)** | **(9,834)** | **(7,526)** | **(28,096)** | **(11,002)** | **(8,239)** |
| *Adj EBITDA as % of revenue* | *-9.9%* | *-10.5%* | *-3.9%* | *-4.9%* | *-9.4%* | *-7.2%* | *-9.3%* | *-10.6%* | *-15.6%* | *-10.2%* | *-11.6%* | *-15.5%* | *-9.8%* |

# REVENUE SUPPLEMENT

| | 2019 | Q120 | Q220 | Q320 | Q420 | 2020 | Q121 | Q221 | Q321 | Q421 | 2021 | Q121 | Q221 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues:** | | | | | | | | | | | | | |
| Products and services - Surgical | 108,242 | 29,070 | 28,834 | 40,052 | 43,123 | 141,079 | 43,716 | 55,769 | 51,604 | 61,151 | 212,240 | 60,649 | 72,343 |
| Products and services - Imaging | - | - | - | - | - | - | - | 6,116 | 11,131 | 12,771 | 30,018 | 10,269 | 11,808 |
| Revenue from products and services | 108,242 | 29,070 | 28,834 | 40,052 | 43,123 | 141,079 | 43,716 | 61,885 | 62,735 | 73,922 | 242,258 | 70,918 | 84,151 |
| Revenue from Int'l supply agreement | 5,185 | 1,045 | 795 | 1,111 | 831 | 3,782 | 405 | 364 | 145 | 40 | 954 | 15 | - |
| **TOTAL REVENUE** | **113,427** | **30,115** | **29,629** | **41,163** | **43,954** | **144,861** | **44,121** | **62,249** | **62,880** | **73,962** | **243,212** | **70,933** | **84,151** |

| **YOY GROWTH %** | **2019** | **Q120** | **Q220** | **Q320** | **Q420** | **2020** | **Q121** | **Q221** | **Q321** | **Q421** | **2021** | **Q122** | **Q222** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Products and services - Surgical | 29.4% | 0.0% | 0.0% | 0.0% | 0.0% | 30.3% | 50.4% | 93.4% | 28.8% | 41.8% | 50.4% | 38.7% | 29.7% |
| Products and services - Imaging | | | | | | | | | | | | | 93.1% |
| Revenue from products and services | 29.4% | 0.0% | 0.0% | 0.0% | 0.0% | 30.3% | 50.4% | 114.6% | 56.6% | 71.4% | 71.7% | 62.2% | 36.0% |
| Revenue from Int'l supply agreement | -35.5% | 0.0% | 0.0% | 0.0% | 0.0% | -27.1% | -61.2% | -54.2% | -86.9% | -95.2% | -74.8% | -96.3% | -100.0% |
| **TOTAL REVENUE** | **23.7%** | **0.0%** | **0.0%** | **0.0%** | **0.0%** | **27.7%** | **46.5%** | **110.1%** | **52.8%** | **68.3%** | **67.9%** | **60.8%** | **35.2%** |

| **PRODUCT CATEGORIES PER CASE** | **2019** | **Q120** | **Q220** | **Q320** | **Q420** | **2020** | **Q121** | **Q221** | **Q321** | **Q421** | **2021** | **Q122** | **Q222** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Historical Product Categories per Case | 1.6 | 1.7 | 1.8 | 1.8 | 1.9 | 1.8 | 1.9 | 2.0 | 2.0 | 2.0 | 2.0 | | |
| Product Categories per Case (inclusive of bulk orders) | 1.7 | 1.8 | 1.9 | 1.9 | 2.0 | 1.9 | 2.0 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.2 |

Access this file at https://investors.alphatecspine.com/quarterly-results.

# PROFORMA GAAP P&L - EOS ($000's)

| | Q120 | Q220 | Q320 | Q420 | 2020 | Q121 | Q221 | Q321 | Q421 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues:** | | | | | | | | | | |
| Revenue from products and services | 4,096 | 6,685 | 7,389 | 9,021 | 27,191 | 6,865 | 7,945 | 11,131 | 12,772 | 38,713 |
| Revenue from Int'l supply agreement | | | | | | | | | | |
| **TOTAL REVENUE** | **4,096** | **6,685** | **7,389** | **9,021** | **27,191** | **6,865** | **7,945** | **11,131** | **12,772** | **38,713** |
| Cost of revenue | | | | | 26,488 | 3,716 | 5,482 | | | |
| **Total gross profit** | | | | | **703** | **3,149** | **2,463** | | | |
| **Operating expenses (GAAP):** | | | | | | | | | | |
| Research & development | | | | | 4,690 | 985 | 2,213 | | | |
| Sales, general & administrative | | | | | 14,285 | 4,503 | 3,893 | | | |
| Litigation-related | | | | | - | - | - | | | |
| Amortization of acquired intangible assets | | | | | 7,124 | 1,796 | 1,979 | | | |
| Transaction-related expenses | | | | | 10,298 | - | - | | | |
| Restructuring expenses | | | | | - | - | - | | | |
| Gain on Settlement | | | | | - | - | - | | | |
| **Total operating expenses (GAAP)** | | | | | **36,397** | **7,284** | **8,085** | | | |
| **TOTAL OPERATING LOSS** | | | | | **(35,694)** | **(4,135)** | **(5,622)** | | | |
| **Other income (expense):** | | | | | | | | | | |
| Interest and other income (expense),net | | | | | 300 | (116) | (236) | | | |
| Loss on debt extinguishment | | | | | | | | | | |
| Gain on change in fair value of warrants | | | | | | | | | | |
| **Total other income (expense), net** | | | | | 300 | **(116)** | **(236)** | | | |
| **Loss from continuing operations before taxes** | | | | | **(35,394)** | **(4,251)** | **(5,858)** | | | |
| Income tax provision (benefit) | | | | | 89 | 18 | (18) | | | |
| **Net loss** | | | | | **(35,483)** | **(4,269)** | **(5,840)** | | | |

# NON-GAAP P&L TREND - EOS ($000's)

| | Q120 | Q220 | Q320 | Q420 | 2020 | Q121 | Q221 | Q321 | Q421 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | **27,191** | **6,865** | **7,945** | **11,131** | **12,772** | **31,848** |
| Non-GAAP cost of sales | | | | | 17,888 | 3,716 | 5,482 | | | |
| **Non-GAAP gross profit** | | | | | **9,303** | **3,149** | **2,463** | | | |
| *Non-GAAP Gross Margin* | | | | | *34.2%* | *45.9%* | *31.0%* | | | |
| **Operating expenses (Non-GAAP):** | | | | | | | | | | |
| Research & development, Non-GAAP | | | | | 4,690 | 985 | 2,213 | | | |
| Sales, general & administrative, Non-GAAP | | | | | 14,285 | 4,503 | 3,893 | | | |
| **Total operating expenses (Non-GAAP)** | | | | | **18,975** | **5,488** | **6,106** | | | |
| *R&D as % of revenue* | | | | | *17.2%* | *14.3%* | *27.9%* | | | |
| *SG&A as % of revenue* | | | | | *52.5%* | *65.6%* | *49.0%* | | | |
| *Total OPEX as % of revenue* | | | | | *69.8%* | *79.9%* | *76.9%* | | | |
| **Non-GAAP operating losss** | | | | | **(9,672)** | **(2,339)** | **(3,643)** | | | |
| *Op loss as % of revenue* | | | | | *-35.6%* | *-34.1%* | *-45.9%* | | | |
| Less: Depreciation | | | | | 806 | 194 | 200 | | | |
| **Adjusted EBITDA** | | | | | **(8,866)** | **(2,145)** | **(3,443)** | | | |
| *Adj EBITDA as % of revenue* | | | | | *-32.6%* | *-31.2%* | *-43.3%* | | | |

# NON-GAAP RECON ($000's)

| | Q120 | Q220 | Q320 | Q420 | 2020 | Q121 | Q221 |
|---|---|---|---|---|---|---|---|
| **ADJUSTED EBITDA** | | | | | | | |
| Operating loss, GAAP | | | | | (35,694) | (4,135) | (5,622) |
| Depreciation | | | | | 806 | 194 | 200 |
| Amortization of intangible assets | | | | | 7,124 | 1,796 | 1,979 |
| **Total EBITDA** | | | | | **(27,764)** | **(2,145)** | **(3,443)** |
| + Stock-based compensation | | | | | - | - | - |
| + Purchase accounting adjustments on acquisitions | | | | | 8,600 | - | - |
| + Excess & obsolete charges | | | | | - | - | - |
| + Contingent consideration fair value adjustment | | | | | - | - | - |
| + Litigation-related expenses | | | | | - | - | - |
| + Transaction-related expenses | | | | | 10,298 | - | - |
| + Restructuring expenses | | | | | - | - | - |
| + Gain on settlement | | | | | - | - | - |
| **Total Adjusted EBITDA** | | | | | **(8,866)** | **(2,145)** | **(3,443)** |
| ***Adjusted EBITDA as a % of Revenue*** | | | | | ***-32.6%*** | ***-31.2%*** | ***-43.3%*** |

| **NON-GAAP GROSS PROFIT & GM** | Q120 | Q220 | Q320 | Q420 | 2020 | Q121 | Q221 |
|---|---|---|---|---|---|---|---|
| **Gross Profit, GAAP** | | | | | **703** | 3,149 | 2,463 |
| + Amortization of intangible assets | | | | | - | - | - |
| + Stock-based compensation | | | | | - | - | - |
| + Purchase accounting adjustments on acquisitions | | | | | **8,600** | - | - |
| + Excess & obsolescence charges | | | | | - | - | - |
| **Non-GAAP Gross Profit** | | | | | **9,303** | **3,149** | **2,463** |
| **Gross Margin, GAAP** | | | | | **2.6%** | **45.9%** | **31.0%** |
| + Amortization of intangible assets | | | | | 0.0% | 0.0% | 0.0% |
| + Stock-based compensation | | | | | 0.0% | 0.0% | 0.0% |
| + Purchase accounting adjustments on acquisitions | | | | | 31.6% | 0.0% | 0.0% |
| + Excess & obsolescence charges | | | | | 0.0% | 0.0% | 0.0% |
| **Non-GAAP Gross Margin** | | | | | **34.2%** | **45.9%** | **31.0%** |

| **NON-GAAP OPERATING EXPENSES** | Q120 | Q220 | Q320 | Q420 | 2020 | Q121 | Q221 |
|---|---|---|---|---|---|---|---|
| **Research & Development, GAAP** | | | | | 4,690 | 985 | 2,213 |
| - Stock-based compensation in R&D | | | | | - | - | - |
| - Contingent consideration fair value adjustment | | | | | - | - | - |
| **Non-GAAP R&D** | | | | | 4,690 | 985 | 2,213 |
| **Sales General & Administrative, GAAP** | | | | | 14,285 | 4,503 | 3,893 |
| - Stock-based compensation in SG&A | | | | | - | - | - |
| - Purchase accounting adjustments on acquisitions | | | | | - | | - |
| **Non-GAAP SG&A** | | | | | 14,285 | 4,053 | 3,893 |
| **Other Operating Expense, GAAP** | | | | | 17,422 | 1,796 | 1,979 |
| - Litigation-related expenses | | | | | - | - | - |
| - Amortization of intangible assets | | | | | 7,124 | 1,796 | 1,979 |
| - Transaction-related expenses | | | | | 10,298 | - | - |
| - Restructuring expenses | | | | | - | - | - |
| - Gain on settlement | | | | | - | - | - |
| **Non-GAAP Other Operating Expense** | | | | | 0 | 0 | 0 |
| **Total Non-GAAP Operating Expenses** | | | | | **18,975** | **5,488** | **6,106** |
| **Non-GAAP Operating Expenses as a % of Revenue** | | | | | | | |
| Research & development | | | | | 17.2% | 14.3% | 27.9% |
| Sales, general & administrative | | | | | 52.5% | 65.6% | 49.0% |
| **Total Non-GAAP Operating Expenses as a % of Revenue** | | | | | **69.8%** | **79.9%** | **76.9%** |

Access this file at https://investors.alphatecspine.com/quarterly-results.