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Orthofix Medical, Inc. (OFIX)

Q4 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by. At this time, I would like to welcome everyone to the Orthofix's Fourth Quarter 2025 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] We do ask questions to be limited to one question and a brief related follow-up. Thank you.

I would now like to turn the call over to Julie Dewey.

Julie Dewey

Chief Investor Relations and Communications Officer, Orthofix Medical, Inc.

Thank you, operator, and good morning, everyone. Welcome to Orthofix's fourth quarter 2025 earnings call. I'm Julie Dewey, Orthofix's Chief IR & Communications Officer. Joining me today are President and Chief Executive Officer, Massimo Calafiore; and Chief Financial Officer, Julie Andrews.

Today's press release and supplemental presentation are available on the Events & Presentations page in the Investors section of orthofix.com, and a replay of this call will be posted shortly after we conclude.

Before we begin, please note that our remarks include forward-looking statements. These statements involve risks and uncertainties, and actual results may differ materially. All statements, other than those of historical facts, are forward-looking statements. We do not undertake any obligation to revise or update such forward-looking statements. Factors that could cause actual results to differ materially are discussed in our most recent filings with the SEC and may be included in our future filings with the SEC.

We'll also reference various non-GAAP financial measures. Reconciliations to US GAAP and additional details are in our press release and supplemental materials. Unless otherwise stated, net sales growth rates are on a pro

forma constant currency basis and exclude the discontinued M6 artificial disc product lines, and all results of operations will be on a non-GAAP as-adjusted basis.

Here is today's agenda. Massimo will start with business performance and operational highlights. Julie Andrews will follow with our financial results and our 2026 outlook, then we'll open the call for Q&A.

With that, I'll turn the call over to Massimo.

Massimo Calafiore

President, Chief Executive Officer & Director, Orthofix Medical, Inc.

Thank you, Julie, and good morning, everyone. I appreciate you joining us today.

The fourth quarter capped a year of meaningful operational progress for Orthofix. We delivered stronger, consistent performance in Bone Growth Therapies and U.S. Limb Reconstruction. And the work we did to finalize our Spine commercial channel supported double-digit net sales growth in our Global Spine Fixation business. This momentum contributed to our eighth consecutive quarter of adjusted EBITDA growth and a standout quarter of free cash flow generation. Collectively, this result shows the positive impact of our focused commercial initiatives and margin enhancement efforts, providing a solid foundation as we enter 2026.

Further demonstrating our progress, let me highlight several key accomplishments. Global Spine Fixation Q4 net sales grew 10% for the year and in Q4. In U.S. Spine Fixation, net sales grew 6% for the year and 5% for the quarter. While distributor transition implemented earlier in 2025 created some temporary pressure during the quarter, performance improved meaningfully as we exited Q4. With this transition now largely behind us, variable access to important IDN accounts and a strengthened, highly-aligned distributor network in place, we believe the business is set up well for 2026.

Building on that momentum, our Spine commercial channel optimization efforts continued to strengthen sales productivity. In Q4, our top 30 US distributor partners grew net sales 25% year-over-year and 27% on a trailing 12-month basis, a clear validation of our focused channel strategy.

Turning to Enabling Technologies, 7D FLASH Navigation continues to be a powerful differentiator across our surgical ecosystem. Voyager earn-out placement grew 30% in 2025, and our earn-out customers are collectively exceeding their purchase commitments by more than 50%, demonstrating strong utilization and engagement.

Looking ahead, one of the most exciting milestones for 2026 will be the full market release of our VIRATA Spinal Fixation System in the second half of the year. VIRATA is purpose built for the \$2 billion US pedicle screw market bearing a proprietary screw design with intuitive instrumentation that integrates seamlessly with the 7D Navigation platform. We believe VIRATA will enhance surgical efficiency, strengthen surgeon confidence, and serve as a multiyear growth catalyst for our U.S. Spine business in 2026, 2027, and beyond.

Shifting gears, we have rebranded our Orthopedics business as a Limb Reconstruction to reflect our strategic focus on four high-value clinical categories; limb preservation, limb lengthening, complex fracture management, and extremity deformity correction. Together, this represents an estimated \$2.6 billion market opportunity. And we believe Orthofix is well positioned given our comprehensive portfolio of internal and external fixation solutions. From our perspective, few companies are prioritizing this market, which gives us an opportunity to elevate the care pathway in a category with meaningful long-term growth potential.

In 2025, we sharpened our focus on high-return opportunities in this business by streamlining our product portfolio, strengthening organization alignment, and refining our commercial strategy. These actions drove sustained momentum. U.S. Limb Reconstruction grew 8% in Q4 and 16% for the full year. This performance was driven by the successful global launch of TrueLok Elevate, FITBONE Bone Transport, and FITBONE Trochanteric Lengthening Nails, each expanding our addressable market, enhancing our product mix, and fortifying our leadership position as we head into 2026.

Turning to Bone Growth Therapies, the BGT business remained a consistent performer, delivering accelerating momentum throughout the year, a strong sequential fourth quarter growth that benefited from procedural cross-selling. Fourth quarter growth reached 7%, more than double the market rate driven by increased utilization and higher prescribing velocity across both spine fusion and fracture management. With its consistent performance and healthy margin, BGT continues to be an important contributor to our overall progress.

As we enter 2026, our priorities are clear: sharpen commercial execution, drive deeper market penetration adoption on our 7D Navigation system, improve gross margin through targeted operational initiatives, and maintain targeted capital allocation with a continued focus on adjusted EBITDA expansion and free cash flow generation. With full-year contribution from TrueLok Elevate and FITBONE, the planned second half of full commercial launch of VIRATA, ongoing benefits from our optimization of our Spine commercial channel, a renewed focus on advancing our Biologics portfolio, and sustained momentum across Limb Reconstruction and BGT business, we believe the company is well-positioned to deliver durable top line growth, expanding margin, and strong free cash flow in 2026.

Today, we also announced that we are recalibrating the timeline for our three-year financial targets to fully capture the anticipated benefit of our Spine commercial channel optimizations. Over the past year, the decision to optimize our Spine commercial channel has proven to be the right one, strengthening our foundation and driving measurable improvement in execution and distributor productivity. At the same time, the scope and rigor of this transformation required us to implement these changes with deliberate care to increase the likelihood of long-term success. As a result, while the underlying fundamentals of our strategy remained strong, the timing of certain growth benefit has shifted. And we are extending our long-range plan timeline by one year to fully capture the expected operational and commercial leverage created by this channel enhancement. This adjustment reflects our commitment to disciplined execution and should position us to deliver sustainable, above-market growth, and margin expansion as this initiative matures.

In closing, 2025 was a year defined by strengthened commercial capabilities, disciplined execution, and meaningful new product launches from our innovation pipeline. We delivered another year of significant adjusted EBITDA gains and positive free cash flow generation, excluding the impact from M6. As we move into 2026, we are carrying that momentum forward with disciplined commercial execution and targeted capital deployment. While our work is not yet complete and certain benefits from our Spine initiatives are expected to continue to build over time, we are increasingly confident in our ability to execute. We believe the traction behind our strategy and the strength of our innovation engine position us well as we advance towards our long-term financial goals and create sustainable value for our shareholders.

Thank you for your continued support. I'll now turn the call over to Julie Andrews.

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

Thank you, Massimo, and good morning, everyone.

Before we dive into the numbers, a quick reminder. All net sales growth rates referenced today are pro forma constant currency excluding M6 disc discontinuation impacts. I encourage you to review the reconciliations in our press release and the supplemental materials posted on our website, which include pro forma results through Q4 to support your modeling.

Total global net sales in Q4 reached \$218.6 million, a 3% increase supported by strong performances in our Bone Growth Therapies and U.S. Limb Reconstruction segments. Global Spinal Implants, Biologics, and Enabling Technologies delivered \$112.3 million in net sales for Q4. Our performance was supported by targeted distributor transitions in key geographies, partially offset by softness in Biologics, and our strategic shift from 7D capital sales to the Voyager earn-out program. As a reminder, we are still annualizing the impact of the previously disclosed price decrease at a major account, which continues to affect year-over-year comparisons.

Bone Growth Therapies or BGT net sales were \$68.3 million, up 7%, significantly outperforming the market. We expect BGT growth to remain above market rates of 2% to 3% driven by new surgeon additions and competitive conversions, especially in the fracture channel. Global Limb Reconstruction sales were \$38 million in the fourth quarter driven by 8% U.S. growth. This performance reflects our sharpened focus on the core Limb Reconstruction pillars and the deliberate de-emphasis of products that are not aligned with the strategy. We expect to return to double-digit growth in the second half of 2026 as these portfolio and commercial refinements continue to take hold.

Moving down the P&L, pro forma non-GAAP adjusted gross margin was 71.4%, reflecting the impact of the M6 discontinuation and productivity improvements, partially offset by unfavorable geography mix due to increased net sales in international Spinal Implants, Biologics, and Enabling Technologies. As Massimo noted, this marks our eighth consecutive quarter of EBITDA margin expansion and an outstanding quarter of robust free cash flow generation, underscoring the scalability of our model and operational discipline.

Fourth quarter pro forma non-GAAP adjusted EBITDA were \$29.2 million or 13.4% of net sales with year-over-year margin expansion of approximately 230 basis points. We delivered exceptionally strong free cash flow of \$16.8 million in Q4, a clear demonstration of the strength and scalability of our business model. For the full year, free cash flow, when excluding restructuring charges tied to the M6 discontinuation, was \$3.1 million. Notably, reported free cash flow was nearly breakeven for 2025, a significant achievement that underscores the meaningful financial progress we made throughout the year. We ended the quarter with \$85.1 million in total cash including restricted cash, which provides us with the flexibility to continue investing in innovation and supporting the long-term growth of the business.

Moving on to 2026 full-year guidance. We expect full-year net sales of \$850 million to \$860 million with the midpoint of \$855 million. These expected net sales represent implied pro forma constant currency year-over-year growth of approximately 5.5% at the midpoint of the range. These projections are based on current foreign currency exchange rates and do not account for any further changes to exchange rates for the remainder of the year. We expect full year non-GAAP adjusted EBITDA of \$95 million to \$98 million. And we expect to generate positive free cash flow for the full year, excluding the impact of any potential legal settlements.

While we are not providing quarterly guidance, I do want to provide you with some directional comments on the expected cadence of our business to assist you in modeling our quarterly performance. We expect normalized procedure volume and seasonality throughout 2026 with a more meaningful contribution from newly launched products as the year progresses. Net sales growth is anticipated to be approximately 5% in the first half of the year and about 6% in the second half of the year. As a reminder, Q1 includes one less selling day than last year while Q2 includes one additional selling day, each representing roughly a 1.6% impact on quarterly growth rate. In

addition, we previously indicated that CMS would begin the TEAM pilot program at some hospitals in January 2026 that covers a few episode of care categories including BGT. Although we expect the annual impact from this program to be immaterial, it will have a onetime impact on our quarterly growth rate in Q1 of approximately 1%. Now, for some specifics on the individual line items on the P&L for 2026.

We expect adjusted gross margins for the full year to be approximately 72.5% as we continue to focus on productivity improvements within our manufacturing and distribution operations. We expect operating expenses, as a percent of net sales, to be approximately flat to 2025 as we normalize for lower variable and incentive compensation and increased depreciation and stock-based compensation. To assist you with modeling EBITDA, we expect adjusted depreciation and amortization expense for the full-year 2026 to be in the range of approximately \$38 million to \$39 million. Stock-based compensation expense is expected to be approximately \$31 million for the year. Now, let's touch briefly on the items below the operating income line.

Our expectation for interests and other expenses is approximately \$6 million per quarter. We expect adjusted EBITDA margin enhancements of 70 basis points to be weighted more towards the back half of the year due to the timing of revenue and R&D investment. This margin enhancement is driven by productivity improvements and the SG&A leverage and is partially offset by increased variable and incentive compensation as well as investment in innovation and clinical evidence. As a reminder, Q1 historically carries heavier expense loads due to industry [indiscernible] (00:30:00) and resets of payroll taxes and annual benefits such as 401(k) matching. Additionally, due to the phasing of R&D projects, the previously mentioned CMS TEAM pilot program and certain onetime expenses, we do not anticipate EBITDA leverage in Q1 of this year versus Q1 of 2025.

With regard to free cash flow, please keep in mind that while we expect to generate positive free cash flow for the full year 2026, excluding the impact of any potential legal settlements, we do not expect to generate positive free cash flow in every quarter. To provide additional color, we expect \$45 million to \$50 million in capital expenditures this year. As a reminder, Q1, in particular, has historically been the lowest cash flow quarter due to the payment of the prior year's annual bonuses and Q4 commissions among other items. With our full-year outlook in place, I'd like to spend a moment on our long-range plan.

As Massimo mentioned, we're updating our three-year financial targets to better reflect the timing of revenue and margin benefits from our Spine commercial channel optimization. By extending the timeline to 2028, our long-range plan now better matches the pace of progress we're seeing and the ramp-up in commercial leverage we expect to deliver. We think this provides a clear view of our anticipated growth trajectory and the solid financial foundation expected to support our strategy.

Our refreshed 2026 to 2028 targets include 6.5% to 7.5% net sales CAGR from 2026 through 2028, mid-teens non-GAAP adjusted EBITDA as a percent of net sales for the full-year 2028, and positive free cash flow generation from 2026 through 2028, excluding the impact of any potential legal settlements. We believe these targets build on our positive momentum and position the company for sustained profitable growth underpinned by a stronger financial profile and a clear path to long-term value creation.

In closing, we expect 2026 to be a year defined by consistent execution and disciplined financial management. With a strengthened commercial foundation, a differentiated innovation pipeline, and clear visibility into margin expansion, and positive free cash flow generation, we believe Orthofix is well positioned for profitable growth. We remain grounded in operational rigor, disciplined capital deployment, and prioritizing high-value opportunities across our Spine, BGT, and Limb Reconstruction portfolios with the objective of creating sustainable long-term shareholder value.

Now, let me turn it back to Massimo for closing remarks. Massimo?

Massimo Calafiore

President, Chief Executive Officer & Director, Orthofix Medical, Inc.

Thank you, Julie.

I am very pleased with the progress we made in 2025. We successfully executed several high-impact initiatives from optimizing our Spine distributor network to restructuring the Biologics commercial channel and launching multiple new product. We believe this action strengthen our commercial platform and have set us up for accelerated growth in the year ahead. We also fortified our financial foundations delivering significant adjusted EBITDA gains and generating near breakeven free cash flow.

We have entered 2026 with optimist and real momentum. Our new U.S. Spine distributors are fully onboarded and already contributing to our growth. As the year gets underway, we are seeing clear signs of progress with encouraging traction across key procedural segments and in our priority geographies. And here is an important milestone.

As Q4 2025, more than 75% of our US net sales were driven by our top 30 distributor partners, high-performing teams with the scale, focus, and commitment to grow with us. To put that in perspective, at the start of 2024 this group drove less than a half of our net sales, representing an increase of 55% in their shares of our total revenue. This strategically aligned commercial channel is elevating productivity, sharpening execution, and we believe is the means for enabling more consistent and predictable sales performance and stickier surgeon relationship as we move through 2026.

Our innovation pipeline has never been stronger as we anticipate a variety of meaningful product launches and product enhancement that extend across every major segment of our business. In fact, we expect to introduce over a dozen value-creating products over the next 18 months to drive sustained momentum. These include the full market launch of the VIRATA open system and the alpha launch of the VIRATA MIS system in the second half of 2026. Next-generation automation enhancement for key limb reconstruction systems like TrueLok Elevate and FITBONE, technology-enabled advancements within our BGT portfolio designed to further strengthen surgeon engagement and patient adherence, and additional platform extensions and enabling technology upgrades that enhance efficiency and reinforce our competitive position. And we believe we have the right team in place, aligned, disciplined, and focused on our priorities to drive profitable growth. Finally, we believe our financial foundation is strong. We're optimistic about the opportunities ahead. And we believe we are making the right investments to elevate our execution and create durable, long-term value for our shareholders.

Before we move to Q&A, I want to express my sincere gratitude to the entire Orthofix teams and our commercial partner. Your commitment to supporting surgeon and patient is what fuels our progress and defines who we are. We are excited about where we are headed. And together, we are continuing to build Orthofix into the unrivaled partner in med tech, delivering exceptional experiences, and life-changing solution.

With that, let's go ahead and open the call for your questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] And your first question comes from the line of Mathew Blackman with TD Cowen. Please go ahead.

Mathew Blackman

Analyst, TD Cowen

Q

Good morning, everybody. Can you hear me okay?

Massimo Calafiore

President, Chief Executive Officer & Director, Orthofix Medical, Inc.

A

Yes, Mat, perfect. Good morning.

Mathew Blackman

Analyst, TD Cowen

Q

Good morning. Hey, I'm going to start with just a clarification question for Julie. Just that on the CMS impact you're going to see in BGT, just clarify, the 1-point headwind you called out, is that isolated to the BGT franchise? And is that in the first quarter or is that a full-year impact in total top line? Just want to make sure I capture the impact that you called out there. And then, I've got one follow-up.

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

Okay. Hi, Mat. Good to talk to you again. Yes. So, the CMS change that we talked about, it's an immaterial impact for the year overall. But we'll have about a 1% impact in the quarter specific to BGT revenue only.

Mathew Blackman

Analyst, TD Cowen

Q

Okay. Appreciate that. And then, my follow-up question, it's on the LRP. Maybe if you could just take a step back and reflect a bit more on what is essentially taking just a year longer to manifest in the business relative to the original LRP. It sounds like, from your comments, Massimo, that the channel optimization initiative just took a little bit longer to execute. Just want to make sure there's nothing else going on. And then, Julie, on your end, beyond the top line, what do you need to execute on most critically for the margin and cash generation profile to continue to improve? Thanks. Appreciate it.

Massimo Calafiore

President, Chief Executive Officer & Director, Orthofix Medical, Inc.

A

Thank you, Mat. No, look, this just reflect all of the work that we did in the last couple of years. Our goal was to create a company with stronger foundation and much more focus on how we go to market. So, we made the right decision to be very aggressive to pursue our distributor transition. Right now, as you heard, 75% of our USA net sales now are coming from our top 30 distributor in Spine. And this is going to give us a much stronger predictability about how we go to market and also is going to give us the network that we need in order to start to deliver the very meaningful innovation that is going to come in the next 18 months.

As you heard, we are very excited about the VIRATA launch. We're very excited about the over dozen of products that is going to come across all of the business unit to support the growth that you want to see in our organization. And in order to materialize that, we needed to have a strong foundation. So, I think that we are taking the right decision in order to create a long-term value.

Julie B. Andrews*Chief Financial Officer, Orthofix Medical, Inc.*

A

Thanks, Mat. And to the rest of your question on getting to mid-teens EBITDA and positive free cash flow. So, we are still working on our gross margin expansion plan, 300 basis points improvement from 71% to 74%. Our guide this year on gross margin is 72.5%, which is right in line to achieve that by 2028. Specifically, we're working on productivity improvements across our manufacturing and distribution operation to achieve that as well as when we look at whole P&L, fixed cost leverage, [ph] moderating (00:41:15) expense growth and SG&A while we continue to invest in innovation, in the commercial channel. And to lead that, we have some automation enhancements that we're driving now to drive back office efficiency that we're working on. And all of these things together, as we continue to focus then on our working capital management, improved asset utilization, will generate positive free cash flow.

Mathew Blackman*Analyst, TD Cowen*

Q

Great. Thank you so much. I'll hop back in queue.

Operator: Your next question comes from the line of Tom Stephan with Stifel. Please go ahead.

Thomas M. Stephan*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Great. Hey, everyone, good morning. I'll start with the 2026 revenue guide. Maybe for you, Julie. Can you flesh out the three main line items a bit quantitatively? You mentioned above-market growth for BGT. Any finer points numerically for the 2026 revenue guide would be helpful and qualitative commentary would be great as well.

Julie B. Andrews*Chief Financial Officer, Orthofix Medical, Inc.*

A

Yeah. So, we continue to expect above-market growth for BGT, like you mentioned, again, above-market growth for our Limb Reconstruction business. The commentary that we made was that the second half will see the US return to double-digit growth in the U.S. Limb Reconstruction business. And then, we expect another year of similar performance to what we saw in U.S. Spine, our Global Spine business. We finished, as a reminder, 2025 at 10% global growth in the Spine business. So, those are the big pieces there with our revenue guidance.

Thomas M. Stephan*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Got it.

Massimo Calafiore*President, Chief Executive Officer & Director, Orthofix Medical, Inc.*

A

Yeah. And from the qualitative perspective, Tom, we are very focused and clear on our ability and want to execute. We need to drive a deeper penetration of 7D, maximizing the productivity of our U.S.A. Spine distribution network, keep evolving our Biologics business, our Limb Reconstruction business. So, if you want to summarize

what we expect, what you're going to expect in 2026, a real focus to commercialize the amazing new technologies that we're bringing to the market. So, I'm very excited and positive about where we are starting the year.

Thomas M. Stephan

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Got it. That's great. And then, my follow-up, I'll also sort of ask about the LRP. Grew 4% pro forma this year, maybe closer to 4.5% constant currency in the back half on revenue, guiding to 5% to 6% or so in 2026. Hopefully, I have all these numbers right. Yet for the long-term targets, you still view 6.5% to 7.5% as the right long-term revenue CAGR even though it is pushed out a year. And, Massimo, I know there's a lot of product launches on the come, the commercial optimization is ongoing, and you do expect to benefit from that. But maybe if you can take a bit of a step back and just talk about your level of confidence that 6.5% to 7.5% is the right target for top line growth for Orthofix. Thanks.

Massimo Calafiore

President, Chief Executive Officer & Director, Orthofix Medical, Inc.

A

Yes. Thank you, Tom. We talked about it in the past. We knew we made a lot of meaningful investment on both on the commercial channel and the innovation. So, starting the second half of this year, we are expecting to start to get the positive impact of the combination of the two. VIRATA launch is important for us, is one of the products that is going to propel this organization to the next level focusing into Spine. There is amazing technology coming into Limb Reconstruction between our FITBONE and our TrueLok product line that I'm very excited about. Biologics, a lot of enhancement around the 7D platform. We made a lot of investment while keep delivering EBITDA margin expansion and free cash flow. So, I'm very proud about the discipline of this organization. So, everything is going according to what we said all along. So, very excited about where we are today, very excited on what the company was going to become tomorrow.

Thomas M. Stephan

Analyst, Stifel, Nicolaus & Co., Inc.

Q

That's great. Thanks, Massimo.

Operator: Your next question comes from the line of Caitlin Roberts with Canaccord Genuity. Please go ahead.

Q

Hi, everyone. This is [ph] Michaela (00:46:13) on for Caitlin. Thanks for taking the question. First one from us, could you provide some additional color on 7D placements in 2025 in the installed base?

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

Yeah. So, we had a 30% increase in our placements in 2025. We don't give the number specifically for our installed base. But the other thing that we're really excited about is that, collectively, we saw our earn-out unit exceed their purchase volume commitments by more than 50%, which, again, we believe validates our strategy to move from capital sales to an earn-out model.

Q

Awesome. That's helpful. Thank you. And then, just shifting maybe for a follow-up. You mentioned a renewed focus on advancing Biologics portfolio. Can you provide any more color on that? Maybe if you could elaborate on what that means strategically and how we can think about its contribution over the next couple of years?

Massimo Calafiore

President, Chief Executive Officer & Director, Orthofix Medical, Inc.

A

Yeah. Thank you for the question. So, what we did, we made some internal shifting in terms of leadership. So, we wanted to give Biologics [ph] to back (00:47:27) a very clear and important central focus for who we are. And so, we recognize that it's a lot of work to do here, but I truly believe we have a strong Biologics portfolio. So, we saw some decline last year primarily related to our distributor transition. But now, we are focused on scaling our commercial network and making sure that the execution is going to be there.

So, we already made the changes that we believe is going to optimize our sales channel. And we are expecting for our USA Biologics performance to get back to [ph] market pace (00:48:17) as we continue to focus on it. I'm very confident that we're going to see a lot of positive momentum on this portfolio this year. So, work ahead, but very excited about the basis where we are today.

Q

Great. Thank you.

Operator: Your next question comes from the line of Mike Petusky with Barrington Research. Please go ahead.

Michael John Petusky

Analyst, Barrington Research Associates, Inc.

Q

Yeah. Hi. Good morning. So, Julie, I may have missed this, but did you provide any commentary around tariff impact that's included in your guidance for 2026 or also tariff impact that actually was in 2025? Thanks.

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

Yeah. So, it's included in our guidance. We talked about it kind of mid last year [indiscernible] (00:49:11). So, we expect about \$1 million to \$2 million impact in 2026.

Michael John Petusky

Analyst, Barrington Research Associates, Inc.

Q

Okay. And that's roughly where it came in in 2025?

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

A little wider than that in 2025 because it wasn't a full-year impact.

Michael John Petusky

Analyst, Barrington Research Associates, Inc.

Q

Okay. All right. And then, just in terms of the – you mentioned potential legal settlements, and obviously timing on that is difficult to predict. But have you guys, and I suspect this was in the K, but have you guys reserved for a legal settlement at all?

Julie B. Andrews*Chief Financial Officer, Orthofix Medical, Inc.*

A

Yeah. We did take an accrual in Q3, and you can refer to the K for more information about it.

Michael John Petusky*Analyst, Barrington Research Associates, Inc.*

Q

Okay. All right. And then, just a last question. In terms of free cash flow, so I'm looking at my calculations, it looks like you guys improved free cash flow from 2024 to 2025 by maybe \$7.5 million to \$8 million. Just curious, I mean, is that a decent guesstimate for the level of improvement you might see in 2026 versus 2025, an additional \$7 million, \$8 million, something like that?

Julie B. Andrews*Chief Financial Officer, Orthofix Medical, Inc.*

A

Yeah. I mean, excluding legal settlements, that would probably be in the range to maybe slightly more than that. But the legal settlements will impact that number.

Michael John Petusky*Analyst, Barrington Research Associates, Inc.*

Q

And it sounds like you guys maybe expect legal settlements in this coming year.

Julie B. Andrews*Chief Financial Officer, Orthofix Medical, Inc.*

A

That is included in our guidance, the breakeven excluding legal settlements. So, the timing is still to be determined, but that's what we assume.

Michael John Petusky*Analyst, Barrington Research Associates, Inc.*

Q

Okay. All right. Great. Thanks, guys.

Operator: There are no further questions at this time. I will now turn the call back over to Julie Dewey for closing remarks.

Julie Dewey*Chief Investor Relations and Communications Officer, Orthofix Medical, Inc.*

Thank you for your questions and for joining us today. We appreciate your time and interest in Orthofix. If you need any additional information, please reach out. We look forward to updating you next quarter. This concludes today's call.

Operator: Ladies and gentlemen, thank you, all, for joining. You may now disconnect.

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