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Orthofix Medical, Inc. (OFIX)

TD Cowen Health Care Conference

CORPORATE PARTICIPANTS

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Chief Financial Officer, Orthofix Medical, Inc.

Julie Dewey

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

OTHER PARTICIPANTS

Mathew Blackman

Analyst, TD Cowen

MANAGEMENT DISCUSSION SECTION

Mathew Blackman

Analyst, TD Cowen

Are we all set? All right. Well, good morning, everybody. Thank you for joining us. My name is Mat Blackman, the newest member of the TD Cowen MedTech Research team. And welcome to the, I was told, 46th Annual TD Cowen Healthcare Conference, almost as old as I am. And I'm thrilled today to have with us the senior leadership from Orthofix. To my left, Julie Andrews, the CFO; to my far left, many of you know Julie Dewey. Thank you, both for making the trip up here. Really great to see you.

QUESTION AND ANSWER SECTION

Mathew Blackman

Analyst, TD Cowen

Q

And I thought, maybe we'd start sort of big picture. You've accomplished a lot in two years, and I thought it might just be helpful to take a step back. And Julie, just tell us what you and the team sort of walked into when you joined again about two years ago and talk to how the company was positioned competitively. You've had significant overhaul of the management team, portfolio, and I think, in particular where you've chopped a lot of wood is on the sort of financial health of the business. And then, we'll transition and we'll talk about what you've done to fix all that.

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

Thank you. Thanks, Mat. Yeah. So, when we stepped in two years ago, we inherited a company that had strong assets, but an operating model and financial profile that weren't positioned to deliver a sustainable, profitable growth. Strategically, the portfolio had real strengths, a leadership position in Bone Growth Therapy, and a differentiated enabling technology platform, but these assets weren't leveraged in a coordinated way. And then, the SeaSpine merger had brought much needed innovation to the Spine business, but also brought along with it complexity and cash burn and a commercial channel that was fragmented and inconsistent.

In addition, the organization had experienced senior leadership turnover. And what we walked into was a business that was capital constrained, low levels of profitability, and overly dependent on a fragmented US commercial channel. So, we were very clear eyed that the business foundation needed to be reset and rebuilt before we could – the story could inflect. And so, that's what we've been focused on over the past two years.

Mathew Blackman

Analyst, TD Cowen

Q

And maybe so, take us through, again, a lot has happened, whether it's on the sales force side, in the Spine business, realigning, reprioritizing different assets within BGT, Limb Recon. Just maybe the highlights of what you've accomplished over these last two years. And then, the next question will be where we go from here?

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

Yeah. So, first, we focused the business on profitable growth and really reshaped the spend in capital allocation around profitable growth, optimized our commercial footprint, and then migrated our US Spine business to a far more aligned distributor base. So, today over 75% of our US Spine sales come from our top 30 distributors, up from less than half at the start of 2024. And that shift alone has really meaningfully improved our execution and our predictability, particularly as we look into the future.

We hired a world-class leadership team, with extensive MedTech experience and really deep expertise and experience in the spine and orthopedic space. We refinanced our debt in November 2024 and that lowered our – with lowered interest rates and better terms, but also we added extra capacity to bolster our access to capital and really shore up our liquidity. And so, this really optimized our capital structure and supports our long-term profitable growth.

At the same time, we really ignited our innovation engine. And so, we're entering right now an 18-month cycle of more than a dozen launches across our businesses, but that includes our VIRATA open and VIRATA MIS platforms and really positions us well for multi-year growth across Spine, BGT, and Limb Reconstruction. And this financial impact is really showing up. We had eight consecutive quarters of EBITDA margin expansion, and we've moved from a business that was burning cash. Two years ago at the end of 2023, had used more than \$100 million in cash to where we were in 2025, just about breakeven, a use of \$1 million in cash. And that really provides the foundation for continued EBITDA margin expansion and sustained positive free cash flow.

Mathew Blackman

Analyst, TD Cowen

Q

I think that was one of the favorite – my favorite charts that we put in our initiation was sort of the before...

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

Yeah.

Mathew Blackman

Analyst, TD Cowen

Q

...the before Massimo and Julie and the after Massimo and Julie.

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

Yeah.

Mathew Blackman

Analyst, TD Cowen

Q

It's pretty striking.

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

It's my favorite chart, too.

Mathew Blackman

Analyst, TD Cowen

Q

Oh, thank you. I did think of you when we put that in there and all the heavy lifting you've had to do certainly. And I guess, so, the last thing that's to come is sort of seeing that all that heavy lift translate into accelerating top line growth. And obviously, the sort of new product cycle is critical to that, but also the distribution realignment that you've done. I wanted to touch on a couple of things. I think you also gave a metric of that 75% of the business being the top 30 growing over the last 12 months at what...

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

27%. Yeah, so 27% trailing 12-month growth out of that top 30 distributors. So, something to be really be excited about as we look into the future.

Mathew Blackman

Analyst, TD Cowen

Q

And a great leading indicator and again, before you get some of the contributions from these new products coming as well.

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

Correct.

Mathew Blackman

Analyst, TD Cowen

Q

And could you also talk a little bit about – this is going a little off script, apologize. But I think there was an effort within this distributor relationship to move to, I don't know if exclusive is right, but more exclusive bag carrying. Is that what's playing out with this top 30?

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

Yeah. So, I mean, what our approach was as we really optimized our Spine channel, our US commercial channel was to really move to more scalable, exclusive distributor partnerships or meaningfully exclusive distributor partnerships. And that's what we've really seen play out, which is for us when we joined there was – I don't even want to say the number of spine distributors that we had, but – and I'd say distributors was sometimes a bit of a euphemism for a guy with a relationship with one surgeon. And so, now, we're really moving to businesses that are large distributor partners, many reps that are representing us in the field with strong surgeon relationships. So, a much more stable and predictable sales force and sales channel.

Mathew Blackman

Analyst, TD Cowen

Q

Okay. So, the – I think I've even used this in our conversations. We may even put in the note. It feels like the business itself is primed for better growth ahead and more profitable growth ahead. So – and you've painted a picture, you have a three-year LRP. Tell us what this could be in the next three years, what you expect it to be in terms of the top line growth? And then, we'll drill down into the individual segments.

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

Okay. Thank you. Yeah, I mean, we're looking at – we envision Orthofix as a scaled, consistently growing, innovation-driven MedTech company, with a strong commercial engine, more efficient operating model, and a financial profile that really is leveraging the full and reflecting the full leverage of the transformation we take. And as we look at our LRP over the next three years, we're targeting 6.5% to 7.5% net sales CAGR from 2026 to 2028, mid-teens adjusted EBITDA margin in 2028. So, that's going from – we just completed 2025 at just north of 10.5%. So, meaningfully expansion from where we are even though we've already seen some meaningful expansion, but continued meaningful expansion and then, positive free cash flow generation. So, we really feel like we've built a foundation and now we're ready to kind of leverage and fully capture what we've built.

Mathew Blackman

Analyst, TD Cowen

Q

And so, one of the questions that I get that people who are asking is that 6.5% to 7%, that's great. I think you exited, you'll correct me if I'm wrong, at an improved organic growth rate in 2025, but still not at that 6.5% to 7%, and maybe it was around 4% organic. So, just bridge us over the next few years how you climb into that range. And I think we'll probably leave it to the individual franchise conversation, but we'll talk to sort of what if there are individual products in particular that help you that – help you walk that growth rate higher?

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

Yeah. So, I think as you think about our bridge and our kind of inflection point on our revenue growth is, one, really fully capturing the benefits of our distributor transitions and the optimization of our commercial channel. We've already talked about some of the statistics there. But now 75% of our growth is coming from or 75% of our sales is coming from this top 30 distributor group that's growing trailing 12 months 27%. We have a very strong innovation pipeline that's coming up. More than a dozen launches over the next 18 months. We'll have the full commercial launch of VIRATA, which is our open – VIRATA open, which is our new DeGen Pedicle Screw System. And then, we'll have our alpha launch of VIRATA MIS in the second half of 2026 as well.

And these represent – these are platform launches that we'll be building on to VIRATA over the next couple of years. So, really represents a multi-year growth opportunity for us in Spine. And then, we'll have a full year contribution from TrueLok Elevate and our FITBONE Bone Transport and Trochanteric Nails. So, we're really excited about what those launches have to do, and we can get into some more details when we talk about.

Mathew Blackman

Analyst, TD Cowen

Q

And then, you're also going to anniversary in 2026. I know there was one particular price headwind that you were facing, and so that gives you some natural lift. And then, probably anniversary some of the dislocation, which inevitably happens when you realign and optimize the sales force. You've got some of those tailwinds as well as things just not being as bad in the prior years. Is that sort of how you think about it?

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

Yeah. I mean, if you think about the work that we did kind of I would say somewhat quietly and behind the scenes, while in the US we still were growing the Spine market at above-market growth rates. But during that time, we also terminated more than 60 distributors in the Limb Reconstruction business. We sunset over 30 product lines to get more focus. And so, we've had an awful lot going on behind the scenes. This certainly created some headwind, but now we believe we're phased as we start to anniversary all of those to really get into where a new cycle and an inflection point.

Mathew Blackman

Analyst, TD Cowen

Q

So, and could you juxtapose 18 – sorry, I forgot how many products you said you're launching over the next 18 months. But maybe compare that...

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

Over a dozen.

Mathew Blackman

Analyst, TD Cowen

...over a dozen. And the prior 18 months, what was that number, smaller?

Q

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

Yeah, smaller. I would say single digits, probably lowest single digits. So, I think we're really excited about this next kind of cycle that we're entering into and the focus that we have there.

A

Mathew Blackman

Analyst, TD Cowen

And then, I just wanted to touch on the mid-teens EBITDA. That feels to me like a milepost rather than a goalpost. And right, so if you're able to sustain this 6.5% to 7.5% somewhere in that range type growth rate on the top line, I suspect – I mean, it's a different organization today, but legacy Orthofix had approached 20% EBITDA margins. Is there anything structurally that prevents you from moving above and beyond that mid-teens number?

Q

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

I don't think so. I mean, we've talked about it before. It's a milepost, not a goalpost. And I think, our businesses and particularly Spine and Limb Reconstruction are really about scale. And so, I think we have a bit of a journey that we'll be on in terms of our EBITDA margin expansion over a number of years.

A

Mathew Blackman

Analyst, TD Cowen

And then, cash flow, obviously also improving, some of that's working capital. What's left to do to continue to clean that up such that you continue to drop through more money, more revenues to the bottom line?

Q

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

Yeah, yeah. So, I mean, we still have some hangover that we're working through on the legal side. And so, I think our line of sight is this year, and we believe that we'll be clearing most of that. It's been quite a headwind in our free cash flow and expected to be this year as well. So, I think as we – and we've been very disciplined and very focused on the working capital, which has really helped kind of turn the story around is really our working capital focus. So, we certainly won't lose sight of that. I think we've gotten the low-hanging fruit there certainly. But then, as we go forward, a much lower level of legal expense and legal settlement and continued kind of focus on improved working capital.

A

Mathew Blackman

Analyst, TD Cowen

And just to be clear on the legal side, this is not product related.

Q

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

Not product related, yeah.

A

Mathew Blackman

Analyst, TD Cowen

This is related to...

Q

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

The former leadership team.

A

Mathew Blackman

Analyst, TD Cowen

...the former leadership team.

Q

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

Correct.

A

Mathew Blackman

Analyst, TD Cowen

Correct. So, that's important too. And then, how do we think about CapEx in general in particularly in light of 18 – sorry, a dozen new products over the next 18 months? Is there investment cycle that needs to happen over the next, call it 12 to 18 months, as you build out sets and such or within the bounds of what we've seen historically?

Q

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

Yeah. I think it's going to be a little more this year. So, I think we guided actually – we gave external guidance on this number when we did our announcement last week, \$45 million to \$50 million for 2026 is what we're expecting. That's up from about \$35 million for the past couple of years. So, again, that's to support our launches as well as some of our targeted initiatives to improve gross margin do have a capital outlay. We expect obviously a good return on that investment in order to make that. But – so, this year will be a little bit heavier and probably next year as well, but very sustainable within our revenue growth and profile. And so, we feel good about that again, shifting some of what we've been outlaying on other restructuring and legal things to the business.

A

Mathew Blackman

Analyst, TD Cowen

Okay. And this is where I open the kimono a little bit and take a hit. But I just want you to, in your view and Julie, you as well, what are we missing? What are investors missing? What I'm missing a lot.

Q

Julie Dewey

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

I was so hoping you would ask that question.

A

Mathew Blackman

Analyst, TD Cowen

Because I – for full disclosure, I am hold-rated. But obviously, spend quite a bit of time on the story. So, tell me what am I wrong about?

Q

Julie Dewey

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

A

So, I think when we sit here, it's really how underappreciated, just how much heavy lifting has gone on at Orthofix and how fundamentally different we are as a company today over the past couple of years. So, I don't think that that necessarily has been fully appreciated. As you look over the last two years in all the areas of the company that have been rebuilt, you've got the effects of the work that was done, I don't think of are fully showing up yet.

So, when you think about things like our optimized commercial channel that Julie talked about, all the product launches that are coming up, the innovation pipeline even beyond that 2027, 2028 and beyond. And then, you look at all the operational improvements that have gone on just to make the company structurally better. I think those are at the beginning of being reflected and not yet fully in the valuation. So, I think, collectively, we believe all of those elements position us in a favorable way right now. And it's a good opportunity for folks to learn more about the company and where we're going.

Mathew Blackman

Analyst, TD Cowen

Q

Agreed. And 2026 is also a year where some of the noise we've talked about some of it, but also we haven't mentioned M6...

Julie Dewey

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

A

Right.

Mathew Blackman

Analyst, TD Cowen

Q

...that goes away.

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

Yeah.

Mathew Blackman

Analyst, TD Cowen

Q

And so, then the real growth trajectory...

Julie Dewey

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

A

Yeah.

Mathew Blackman

Analyst, TD Cowen

Q

...of the Spine franchise in particular...

Julie Dewey

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

A

Yeah.

Mathew Blackman

Analyst, TD Cowen

Q

...I think begins to show without having to ex out certain things. Okay, fair enough. So, let's – now, let's talk about the business. And we're going to start with Bone Growth Therapy, which I think not misunderstood, but maybe underappreciated part of the story. I think I've been pleasantly surprised at the sustainable level of growth above the end market, and I think that's a testament to the portfolio, which I think is arguably the broadest of any on the market. So, maybe helpful if you take a step back, just help people understand what that segment is and why that portfolio is unique and then we can take it from there?

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

Yeah. So, thanks, Mat. Yeah, so Bone Growth Therapy, I mean, for us, it's a really important foundational business. We have – we're market leaders in the Spine segment of that business. We have over 50% market share and then, within Fracture, which we really opened up in the last few years, we have opportunity there still. We're number two market share player there, and we believe that we can further penetrate that market. We certainly – our portfolio and our clinical indications are stronger than our competitors. And we really have proven that we can be a consistent, strong executers there, not only led by our product portfolio, but we have a really strong commercial channel. And then, I would say a best-in-class back office support network, which is really important in this market with a – when you're working with durable medical equipment.

Mathew Blackman

Analyst, TD Cowen

Q

And you sort of touched on it, the synergies that maybe are not sort of immediately apparent for folks. I know I get a lot of people saying, well, why don't they just monetize that business and sell it? Look, tell us why it's core to the business? I think there is a cross-selling opportunity, but there's also, it helps fund the rest of the business as well. So, maybe sort of talk to that. That'd be helpful.

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

Yeah. I mean, so, it's – cross-selling is really important with that business kind of both ways, right? So, we have integrated call points. So, many of the surgeons who use us for Spine or Limb Recon solutions are the same clinicians that are support – that are treating non-unions or fracture. So, it gets our foot in the door for our BGT business.

Conversely, our BGT business is often in accounts where they may not be using our Spine or Limb Reconstruction products. And so, again, it's kind of an avenue in to a call point that we may not naturally have. And we're finding that as we deepen kind of our penetration with an enabling technology like 7D or with our new implants or with biologics, we're also able to then bring BGT in as an incremental value driver, and the reverse also being true.

So, we think it's a powerful part. It is a higher-margin part of the business and does actually help fund as we're in growth cycles on Spine and Limb Reconstruction, help fund those businesses. But we also see that we believe we have an untapped opportunity in Fracture really being at the beginning of our story on Limb Reconstruction in the US that we can more systematically target Limb Reconstruction surgeons...

Mathew Blackman

Analyst, TD Cowen

Yeah.

Q

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

...with our BGT portfolio.

A

Mathew Blackman

Analyst, TD Cowen

Can you just remind us again the size of the Fracture subsegment of the market?

Q

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

It's about \$250 million.

A

Mathew Blackman

Analyst, TD Cowen

Right.

Q

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

Yeah.

A

Mathew Blackman

Analyst, TD Cowen

And you're number two in that space?

Q

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

Yes.

A

Mathew Blackman

Analyst, TD Cowen

Is it a wide – still a wide?

Q

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

It's still a wide. Yeah, a pretty wide gap.

A

Mathew Blackman

Analyst, TD Cowen

But – and these are typically the same physicians that are prescribing the non-union stuff too or no, is it a separate call point? I'm just sort of trying to understand how you grind that higher?

Q

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

Yeah. It's typically a – the same physicians are typically doing non-union and fracture together. It is a pretty fragmented market though. And so, it's very different from Spine. So, as we're able to go into more accounts with our market, now we believe a market-leading Limb Reconstruction portfolio, we're getting access to those surgeons who we may not have really naturally had a call point with in the past.

A

Mathew Blackman

Analyst, TD Cowen

And that's going to be a good segue in a second. But I just want to make sure anything – I think we're – worry is not the right word, but reimbursement sort of the regulatory backdrop in BGT, anything to be sensitive to there?

Q

Julie Dewey

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

Yeah. I can take that one. So, we are really well-positioned in our BGT business from an overall reimbursement standpoint. We've got robust clinical data, which, of course, is a foundational element for that. We did mention on our earnings call that CMS initiated the team's pilot program in January in a few episode of care categories that would – one of those categories being BGT. So, we mentioned that the annual impact of that program is immaterial. We expect the annual impact to be immaterial. We do see an overall 1% headwind on our Q1, but that will be a one-timer, and after that...

A

Mathew Blackman

Analyst, TD Cowen

And what is that? Yeah, I didn't get a chance to mechanistically what – so is that one point on price or one point on utilization? What is the...

Q

Julie Dewey

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

On our overall company growth, yeah.

A

Mathew Blackman

Analyst, TD Cowen

No, that I understand. But what is...

Q

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

It's just – it's timing of utilization...

A

Mathew Blackman

Analyst, TD Cowen

Okay.

Q

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

...basically, yeah.

A

Julie Dewey

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

Right.

A

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

It's not price. It's timing of utilization.

A

Julie Dewey

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

Right.

A

Mathew Blackman

Analyst, TD Cowen

Okay.

Q

Julie Dewey

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

So, basically, the important thing to take away, we don't expect it to change physician prescribing behavior, but in terms of just managing that the hospital, we'll need to manage the timing of it a little bit more closely.

A

Mathew Blackman

Analyst, TD Cowen

Got it. Okay. So, let's segue and now talk about Limb Reconstruction. And maybe sort of same framework, just tell us what it is, the backdrop of that market, and where you're positioning it? And I think, most importantly, some of the new products that I think are finally going to have some commercial traction. I've been talking about the Limb Recon business and FITBONE for like five years. Particularly in the international markets, I've been waiting for in the US. But give us just some flavor of what that business is, how you're positioned in it, and why it's going to be a growth driver from here?

Q

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

Okay. Thanks, Mat. Yeah. So, I mean, I think, in my seat, the business that I'm probably most excited about is our Limb Reconstruction business. And really, it kind of goes back to our really focused strategy that we now have in this business. We've even gone through very recently here in Q1 of rebranding. So, we used to refer to it as orthopedics. We're now, call it our Limb Reconstruction business, and that's how you'll see us refer to it in the future. And we've really are focusing around four high-value clinical categories limb preservation, limb lengthening, complex fracture management, and extremity deformity correction. And these represent a \$2.6 billion market opportunity.

A

And it's really focused on – we've had strength outside the US, but really a very small business inside the US. And so, we're really focused on executing in the US and really capturing that market opportunity in the US. And this is driven by our more focused portfolio and our efforts there. So, we had the global launch last year of TrueLok Elevate, a FITBONE Bone Transport in the US, and a FITBONE Trochanteric Lengthening Nail. So, this will be our first year of all of those launches. And they really expanded our addressable market and strengthened our competitive positioning.

We have a more aligned commercial strategy. We brought in some real talent in our commercial leadership organization in 2025. And I think we've sunset products that weren't core to what we were focusing on and believe that we really have momentum as we go in the future. We – the US business grew 16% last year. It was at Q4, it was 8%. That was really kind of that lower growth rate was driven by the sunsetting of those products that we talk about. But as we kind of go to the second half of this year, we expect the US Limb Reconstruction business to return to double-digit growth and kind of maintain that over a number of years.

And then, we have, I'd say, a continued cadence of innovation and evidence that we're bringing to that. And so, we're layering in next-generation automation into TrueLok Elevate and FITBONE and then really also focusing investments on clinical evidence where particularly on the TrueLok Elevate side, that is a market really development opportunity. So, very large TAM, not treated how that – we're trying to treat the market today and turn our procedure into standard of care. And so, investing in that clinical evidence is going to be really important to developing that market. And so, together, these elements, we believe give us a much stronger platform to scale the US Limb Reconstruction business in a disciplined, sustainable way.

Mathew Blackman

Analyst, TD Cowen

Q

And how big a business do you think this could be in five years if we think about the mix, the US in particular? I guess, I'm honestly not trying to back into long-term guidance by franchise, but it would seem to me that just given where the portfolio is today, the small base you have, and the outsized growth that it should be a more substantial piece of the business when we are here for the 51st Annual...

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

Yeah.

Mathew Blackman

Analyst, TD Cowen

Q

...TD Cowen Conference.

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

Yeah. So, I think it is a small base that we're starting from, right? So, even though it is going to be a strong growth driver for Orthofix and growing above the corporate average over the next several years, it is starting from \$35 million, \$40 million base. So, we've got – I would say it's a – what's exciting to me is we have a long horizon for this. It's a great market opportunity. And I think, the sky could be the limit. I'm not putting a number on it today, but it's going to be a meaningful contributor as it progresses over the coming years.

Mathew Blackman

Analyst, TD Cowen

Q

And then, can you compare and contrast? Obviously, the end market is growing faster I would think than traditional Spine, but also the capital intensity and the competitive intensity as well. When I think about some of these end markets, I don't think about a lot of innovation. I think about some of the big companies, and I don't know if Synthes is a big competitor, but there's dislocation. It would seem like you're coming at a time when there's opportunity as well to capitalize on what's been a fairly stagnant in terms of innovation market.

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

Yeah. So, Limb Reconstruction is fundamentally different market than the traditional US Spine fusion, and we believe that difference is a strategic advantage for Orthofix. So, it is – Spine is very consolidated with several large players driving most of the volume, whereas in Limb Reconstruction, there's very few companies that are really prioritizing the space. We're – we believe that we're the first to really create this category and call it Limb Reconstruction and really put very focused efforts around building out this business.

So, we believe this creates room for a focused leader to elevate the care pathway and expand the market. It's really defined by clinical evidence and by complexity and specialization. And that's – Orthofix does that really well. And so, it's kind of a move away from kind of commodity procedures into something that's very specialized. And then, very attractive economics and long-term growth drivers. So, healthier mix, durable demand, higher value cases. And so, we believe that this is going to be a strategic and financial complement to our business.

Mathew Blackman

Analyst, TD Cowen

Q

And so, when we think about contribution margins, probably outsized relative to some of the other, particularly the core Spine business?

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

Over time. I mean, right now, again, it's a small, not at scale business, but over time we believe that will be the case.

Mathew Blackman

Analyst, TD Cowen

Q

As you build the revenue base particularly. Okay. I got a minute and 50 seconds to punch through. But Enabling Tech, I think the other area of interest here is your burgeoning Enabling Tech franchise, in particular 7D. In a minute and 37 seconds, can you just tell us what from a navigation standpoint 7D does? And I think most important, just compare and contrast with the other big pieces of capital we see being sold by your competitors, how it's different?

Julie Dewey

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

A

All right. So, I'll start, and Julie, I'm sure will, tag on. But 7D, excuse me, is a – offers really fast, highly accurate, radiation-free navigation, something other information systems don't. This isn't a robot, this is a navigation system. So, just to compare and contrast there. It's – has machine vision technology. So, think about a self-driving car to really help that surgeon navigate through complexity in a streamlined way, facilitating the workflow, has a small footprint. So, it works really well in a regular OR or in a more space-constrained ASC, all in a package that, and I'll let Julie talk about the economics of it.

But you don't have to just purchase it straight capital. We offer a Voyager earnout program, which is a program that we will place the unit in a facility and then and they're there using our hardware and over time they earn the piece of equipment. So, that's why that's been really a focus for us, particularly in the last year versus straight capital. We'll take everybody's money, but if they want to go with a different model, we have that too in addition to a lease program. So, it's a really very piece of equipment, piece of navigation equipment that's becoming more and more a reflection and indispensable piece of equipment for surgery today.

Mathew Blackman

Analyst, TD Cowen



And Julie, if you could just finish on the success you're seeing in the pull-through for those Voyager programs, which is pretty impressive?

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.



Yeah. So, yeah, our pull-through, so, Julie talked about the Voyager earnout program where we had 30% increase in placements last year. But what we're seeing is that collectively the accounts that we have an earnout system with are kind of overprescribing to their volume commitment, overpurchasing their volume commitment by more than 50%. So, that's a great thing.

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

I think, Mat, just really quickly kind of to wrap up, Orthofix today I think is fundamentally stronger than where we were two years ago, commercially aligned, innovation driven, and operating with far greater financial discipline. So, we think the opportunity ahead is meaningfully greater than what's reflected today.

Mathew Blackman

Analyst, TD Cowen

And I agree, and you've done a great job along, and Massimo's done a pretty good job, too. But thank you so much, really appreciate. It's great to see both of you and thank you, all for attending.

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

You as well.

Julie Dewey

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

Thank you.

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

Thank you, Mat.

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