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Orthofix Medical, Inc. (OFIX)

Q1 2026 Earnings Call

CORPORATE PARTICIPANTS

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OTHER PARTICIPANTS

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Analyst, TD Cowen

Caitlin Roberts

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Michael John Petusky

Analyst, Barrington Research Associates, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by. At this time, I would like to welcome everyone to the Orthofix First Quarter 2026 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 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 & Communications Officer, Orthofix Medical, Inc.

Thank you, and good morning, everyone. Welcome to Orthofix's first Quarter 2026 earnings call. I'm Julie Dewey, Orthofix's Chief IR and Communications Officer. Joining me today are President and Chief Executive Officer, Massimo Calafiore; and Chief Financial Officer, Julie Andrews.

Earlier today, Orthofix released its financial results for the first quarter ended March 31, 2026. A copy of the press release and supplemental presentation are available on our Investor Relations website, 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 will also reference various non-GAAP financial measures during today's call. 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 discounted M6 artificial disc product lines, and all results of operations will be on a non-GAAP as-adjusted basis.

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

With that, I'll turn the call over to Massimo, who will discuss how our early year execution and recent operational actions are beginning to support improved performance as we move through the year. Massimo?

Massimo Calafiore

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

Thank you, Julie, and good morning, everyone. I appreciate you joining us today. We delivered a good start to 2026. First quarter results reflect steady execution, improving stability, and sharper strategic focus. As the quarter progressed, we began seeing the expected progress from our spine commercial channel actions, along with stronger operating discipline, supporting our confidence that performance will continue to build through the year. While these results reflect meaningful progress, they also crystallize where we could further raise the bar. That's why in April, we took deliberate steps to simplify our spine leadership structure, a proactive move as we continue to scale Enabling Technologies like 7D and advanced the launch of VIRATA later this year.

By bringing decision-making closer to the field and increasing accountability through direct oversight, we're improving speed, consistency and commercial focus where it matters the most. Stepping back, Q1 reflects where we are as a company today, moving into the next phase of our journey, executing with greater consistency, and strengthening our proposition to benefit from our innovation pipeline as the year unfolds. What we delivered this quarter supports our confidence in continued improvement. Our priorities are straightforward; execute consistently, convert opportunity into results, and demonstrate progress quarter-by-quarter.

Let me turn to business performance highlights, starting with spine. In spine, global Spine Fixation net sales grew 6% on a constant currency basis, with US net sales growth of 4%. Results were supported by enhanced commercial focus, deeper procedural penetration, and the ongoing benefits of our distributor transitions. Importantly, those transitions are now largely behind us. As alignment has improved, we are seeing positive momentum from more consistent field execution.

In Q1, our top 30 distributor partners delivered net sales growth of 27% year-over-year and 24% on trailing 12 months basis, reflecting the success of our strategy to prioritize larger, more dedicated distributors and deeper relationship with our top partners. A key driver of that momentum is 7D, which remains a core differentiator in our surgical ecosystem, enhancing precision workflow, and surgeon engagement. Following our leadership realignment, we are intensifying our commercial focus on adoption of our 7D FLASH Navigation System to deliver a more integrated spine offering.

While spine is benefiting from better alignment, we are applying the same discipline to Biologics. Performance improved sequentially during the quarter, as we implemented targeted actions to strengthen execution, expand account penetration, and increase utilization across the portfolio. We are refining our go-forward strategy, building clinical evidence and supporting advocacy. Collectively, these actions are designed to drive improvement through the year and position Biologics to exit 2026 with stronger momentum and a more durable growth profile.

Beyond spine and biologics, our other growth platforms remained resilient. Our Therapeutic Solutions business, formerly Bone Growth Therapies, delivered 5% year-over-year net sales growth and continued to outperform the broader market. Demand remained stable, utilization is improving, and prescribing activity is increasing across

both spine fusion and fracture care. With its consistent performance and healthy margins, this business continues to be an important contributor to margin and cash generation.

Global Limb Reconstruction posted 3% constant currency growth, reflecting steady demand across our core fixation and reconstruction systems. Over the past year, we sharpened our focus by prioritizing high value categories, enhancing our mix with platforms like TrueLok Elevate and Fitbone and emphasizing lower return products. We believe this action positions Limb Reconstruction for acceleration as we move through 2026.

A common thread across the business is the increasing impact of our innovation pipeline. We will have a full year contribution from TrueLok Elevate and Fitbone, and we remain on track for the full market launch of VIRATA in the second half of the year. Together with the continued expansion of our 7D FLASH ecosystem, these platforms are designed to deliver differentiated clinical value and support to durable multi-year growth.

In closing, Q1 was a solid start of the year. We are carrying this momentum forward with disciplined executions and targeted investments. The quality and the commitment of our US spine distributors is greater than ever and meaningfully contributing to our success. Our innovation pipeline is strong, our operating model is more focused, and we believe we have the right team and the financial foundation in place. There is more work to do, and we are increasingly confident in our ability to execute, doing fewer things better, sharpening accountability, generating cash, and delivering on what we said we would do.

With that, I'll turn the call over to Julie Andrews to review our financial results and guidance.

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

Thank you, Massimo. And good morning. All growth rates I reference today are pro forma constant currency, excluding the impact from discontinued M6 product lines. We delivered a disciplined start to 2026, reflecting an execution that is consistent with our plan. For the first quarter, total global net sales of \$196.4 million increased 3% year-over-year. Results reflect steady execution following the spine commercial channel actions, and we expect further improvement as productivity continues to increase.

Spine Fixation was in line with market growth, while Therapeutic Solutions delivered above market growth, largely offsetting the remaining impact of commercial channel transitions and softness in Biologics. While timing of certain international stocking orders benefited Q1 results by approximately \$2 million, the majority of performance reflected underlying execution across our core franchises.

As a reminder, Q1 had one less selling day than last year, which reduced first quarter growth rate by roughly 1.6%. In addition, the CMS team pilot program that began in January and includes bone growth stimulation had a one-time impact of less than 0.5% on our first quarter growth rate, slightly less than a 1% impact we had originally anticipated. Taking these factors into account, our Q1 growth rate was within the range implied by our full year guidance of 5% to 6%.

From a segment perspective, global Spinal Implants, Biologics and Enabling Technologies delivered \$105.8 million in net sales for Q1. Our performance was supported by continued growth from our top 30 distributors in the US, partially offset by the timing of stocking orders from our Middle East distributors due to the impact of the war.

Therapeutic Solutions, BGT, net sales were \$57.8 million, up 5%, as we continued to outperform the market. Fracture sales grew 6% in the quarter. We expect growth to remain above market rates of 2% to 3%, driven by disciplined execution, new surgeon additions and competitive conversions, especially in the fracture channel.

Global Limb Reconstruction net sales were \$32.8 million in the first quarter, up 3%. US performance was flat, largely due to the timing of OSCAR capital sales. We have recently restructured our capital sales team, which we believe positions us for future growth. Early indicators are encouraging with a strengthening capital pipeline.

Additionally, we are seeing continued acceleration in the worldwide adoption of TrueLok Elevate and Fitbone. As we sharpen our focus on our core Limb Reconstruction pillars and benefit from ongoing portfolio and commercial enhancements, we expect to return to double-digit growth in the US in the second half of 2026.

Moving down the P&L, pro forma non-GAAP adjusted gross margin was 70.7%, a 40 basis point improvement over prior year, reflecting the impact of freight and logistics productivity improvements, partially offset by unfavorable geography mix. First quarter pro forma non-GAAP adjusted EBITDA was \$9.7 million, in line with our expectations, reflecting impacts from geography mix and commercial transitions.

We ended the quarter with \$120.9 million in total cash, including restricted cash, providing ample liquidity to support our operating needs and strategic priorities. The cash increase was a result of financing activities during the quarter, including our draw on the second tranche of our debt facility. As we move through the year, our focus remains on disciplined execution, strengthening our commercial foundation, and supporting upcoming product launches that we expect to contribute to growth and margin improvement over time.

Now let me turn to our full-year 2026 guidance. Against the backdrop of our fourth quarter performance and current visibility, we are reaffirming our full-year 2026 guidance. As Massimo noted, we expect performance to improve as we move through the year, driven by a steadier commercial cadence and increasing contributions from recent and planned product launches, balanced against macro and operational considerations.

Net sales are expected to range between \$850 million and \$860 million, representing approximately 5.5% pro forma constant currency growth at the midpoint. 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. 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.

Non-GAAP adjusted EBITDA is expected to be between \$95 million and \$98 million, reflecting approximately 70 basis points of margin expansion at the midpoint. Free cash flow is expected to be positive for the full year, excluding potential legal settlements.

In closing, while progress is evident, we are still early in the year and remain focused on converting improved activity levels into consistent, above-market profitable growth. We remain grounded in operational rigor, disciplined capital deployment, and prioritizing high value opportunities across our spine, therapeutic solutions 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 pleased with the progress we made in the first quarter and our anticipated trajectory for the remainder of the year. As we move through 2026, our focus is clear; deliver quarter-by-quarter progress, expand margins, generate cash, and translate our innovation and execution into durable shareholder value.

Before we open the line for questions, I want to thank our global teams and commercial partners for their performance in Q1 and their continued focus and execution as we continue to build Orthofix into the unrivaled partner in Med Tech, delivering exceptional experience and life-changing solutions.

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 Tom Stephan with Stifel. Please go ahead.

Thomas M. Stephan

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Great. Hey, guys. Thanks for taking the questions. Nice start to the year. First question on US spine. Massimo, you talked about the distributor transitions now largely behind you. US spine, up 4%, probably a bit stronger adjusting for selling days. So, Massimo, maybe talk about how we should think about growth in this business as we move through 2026 and beyond as well would be helpful. And then I'll have a follow-up.

Massimo Calafiore

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

A

Yeah. As we described 2026, you're going to see an acceleration of the business towards the year. I think that you have a couple of drivers, all of this, we're going to – you're going to see a phase-out of the annualization of the distributor termination that we made in order to optimize our distributor infrastructure. So, an actual acceleration there. But also, as you know, we have a very focused strong innovation pipeline that is coming. We are on time for the full market launch of the VIRATA open system and on time on the alpha launch of the VIRATA MIS. So we're going to see a very good strong contribution of these two foundational systems for us in the second half of the year.

And so the combination between innovation, annualization of our – of the distributor transition and a key capital investment that we're making, I'm very confident they're going to drive a very strong 2026. And as you know, we made – we shortened, let's say, the distance between myself and the business. I think that the optimization on the leadership side is let me be very close to the field, very – be present and keep nurturing the talent that we have. So I'm very excited about where we are with spine. And we made a bold decision to create a strong foundation. And now, it's on us to execute.

Thomas M. Stephan

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Got it. That's great. Super helpful, Massimo. And then, my follow-up just on sort of guidance and cadence for rest of the year. Julie, this may be for you. By reaffirming 1H constant currency growth of 5%, you did 3% in 1Q. I guess, A, do we think about 2Q as around 7% constant currency? I just want to make sure I'm contextualizing the 5% correctly for 1H. A, is that correct? And then, B, for 2H, any comments on selling day dynamics, maybe other fundamental considerations sort of from a headwind perspective in the back half that we should be mindful of for top line? Thanks.

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

Yeah. So, Tom, we are reaffirming our guidance. Our comments where we do expect growth in the first half of the year to be around the 5% and accelerating into 6% in the second half of the year. And if you look at Q1, when you adjust it for the selling day, one less selling day and the team's impact, we are right at kind of that 5% growth rate in Q1. In Q2, we would expect to be our growth rate, yeah, I think to be in the 5% – 6-ish% – 6% range would get you there for Q2.

Thomas M. Stephan

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Great. Thank you.

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

Caitlin Roberts

Analyst, Canaccord Genuity LLC

Q

Hi. Thanks so much for taking the questions. Maybe just a little bit more color on the geopolitical impacts in the Q1, and then just any expectations that might be built into the guidance there?

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

Hi, Caitlin. So, built into our guidance, we expect very minimal impact for the full year related to the activities in the Middle East. Q1, there was a little bit of what we see as timing just in our spine business primarily with orders that kind of more than made up for with other stocking orders. So, very limited impact that we have from that and not necessarily in our guidance for the year.

Caitlin Roberts

Analyst, Canaccord Genuity LLC

Q

Understood. And then, maybe just talk a little bit about putting the Biologics business under the Limb Recon leadership, and where you would expect Biologics growth to end 2026?

Massimo Calafiore

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

A

For Biologics, I think that we are expecting to go back to market growth. It's clear that we have still work to do. But since the realignment that the performance are improved sequentially during the quarter, so the targeted action that we are putting in place are working. We had strengthened the execution. We expand account penetration, and also we increased utilization of the portfolio, as you hinted before, not just in spine but also in the orthopedic side. So I'm very confident about the quality of our biologics portfolio. I think that the optimization of the – the optimization that we are putting forward in terms of sales channel and leadership is working.

But let me highlight a specific comment that you made. It's not just – it's not the realignment under orthopedics. It's more a realignment under a leader, that is Patrick Fisher, who has a lot of experience in the space. So, of course, as I said before, you're going to see an actual expansion in the orthopedic side. But the idea of the realignment was mostly driven by the talent and the experience that we have in the company around this specific space.

Caitlin Roberts

Analyst, Canaccord Genuity LLC

Great. Thanks so much.

Q

Operator: Your next question comes from the line of Mathew Blackman with TD Cowen. Please go ahead.

Mathew Blackman

Analyst, TD Cowen

Good morning, everybody. Can you hear me okay?

Q

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

Yeah. Hi, Mat.

A

Massimo Calafiore

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

Yeah. Thank you. Good morning, Mat.

A

Mathew Blackman

Analyst, TD Cowen

Good morning. Two little housekeeping questions for Julie and then one question for Massimo. Hey, Julie, you didn't call it out, so I'm assuming it wasn't a headwind. But any impact from weather in the quarter? And also there was a big hospital strike on the West Coast. Just any other headwinds to call out besides the ones you did mention already? And then, can you give us just a sense of the size of the Biologics business, even a roughest sense, whether it's as a percent of the total business or a percent of spine, just for some context there? And then a follow-up for Massimo.

Q

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

Okay. Mat, no, we didn't see any sustained impact from the weather and we didn't have an impact from the hospital strike on the West Coast. So those did not impact our business. From a Biologics perspective, we don't break that out separately. So I can't give you a context in terms of the size. I think I'd point you to a couple of places you can look at pre-merger results, and then you can also a portion of our Biologics revenue, you can see in our Q with our MTF service fee. But that's...

A

Mathew Blackman

Analyst, TD Cowen

Okay.

Q

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

...that's a portion.

A

Mathew Blackman

Analyst, TD Cowen

Q

I remember that. Yes. And then, Massimo, as you sort of look at the top 30 distributors, obviously tremendous performance there. Is there anything that you can take from that playbook and pour it over to the rest of the distributor book such that you can sort of bring along that part, that rest of the business, I mean, obviously not sort of approaching 30% growth. But anything that you can do to sort of bring up the tail of the business now that you're seeing, obviously, really solid execution on a large part of the business there? Just curious how you can execute across the entire distributor network now.

Massimo Calafiore

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

A

Yeah. Thank you, Mat, for the question. Yeah. The plan that we put in place was the – was divided in different phases. Phase number one is the one that we just accomplished. Now, phase number two is really start to pick among the network that we have, the next year of distributor that we want to help to grow. And as you hinted, we're going to apply the same discipline and rigor that we apply for our top 30 distributors to the second year to make sure that over time, they can grow and then create the operational excellence we are expecting by our partner. But 2026 is going to be mostly for us working on the next 30, more than – keep fueling the growth with our top 30 and laser-focused on the second year.

Mathew Blackman

Analyst, TD Cowen

Q

Got it. Thank you so much.

Operator: [Operator Instructions] And 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

Hey, good morning. Juggling a couple of conference calls, I may have missed this. But did you guys give any detail around 7D placements, any percentages or just any detail around that this morning?

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

Hi, Mike. We're doing that more on a bi-annual or annual basis updating this. So our last update on those were in our Q4 call. And as a reminder, for 2025, our Voyager earn-out placements increased 30%. And our purchase commitments on those placements exceeded their purchase – the accounts exceeded their purchase commitments by more than 50%.

Michael John Petusky

Analyst, Barrington Research Associates, Inc.

Q

Okay. Okay. And then, I guess, I just want to ask around US ortho or limb reconstruction. It feels like the momentum has slowed their last couple quarters. And I just – can you guys speak to that and maybe speak to actions that you may be taking to try to re-accelerate growth there? Thanks.

Julie B. Andrews

Chief Financial Officer, Orthofix Medical, Inc.

A

Hi, Mike. So, the momentum hasn't slowed. We've had some transient issues or things that we're dealing with. So we did sunset about 30 product lines last year. We really saw that start to impact in Q4. And then we talked and

continued some into Q1 as well. And then, really, the timing of OSCAR sales, which is a capital sale in Q1, impacted the overall growth rate. But very good results in adoption that we're seeing on Elevate and Fitbone. So we're – again, we expect that business to return in the US to double-digit growth in the back half of 2026.

Michael John Petusky

Analyst, Barrington Research Associates, Inc.



Okay. Very good. Thank you.

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 & 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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