



# Xtant Medical Holdings, Inc.

NYSE MKT: XTNT

Third Quarter 2016 Earnings Call

November 8<sup>th</sup>, 2016

# Important Cautions

## Regarding Forward Looking Statements

This presentation contains certain disclosures that may be deemed forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to significant risks and uncertainties. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "continue," "efforts," "expects," "anticipates," "intends," "plans," "believes," "estimates," "projects," "forecasts," "strategy," "will," "goal," "target," "prospects," "potential," "optimistic," "confident," "likely," "probable" or similar expressions or the negative thereof. Statements of historical fact also may be deemed to be forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements that speak only as of the date on which they are made. Forward-looking statements reflect management's current estimates, projections, expectations and beliefs, and are subject to risks and uncertainties outside of our control that may cause actual results to differ materially from what is indicated in those forward-looking statements.

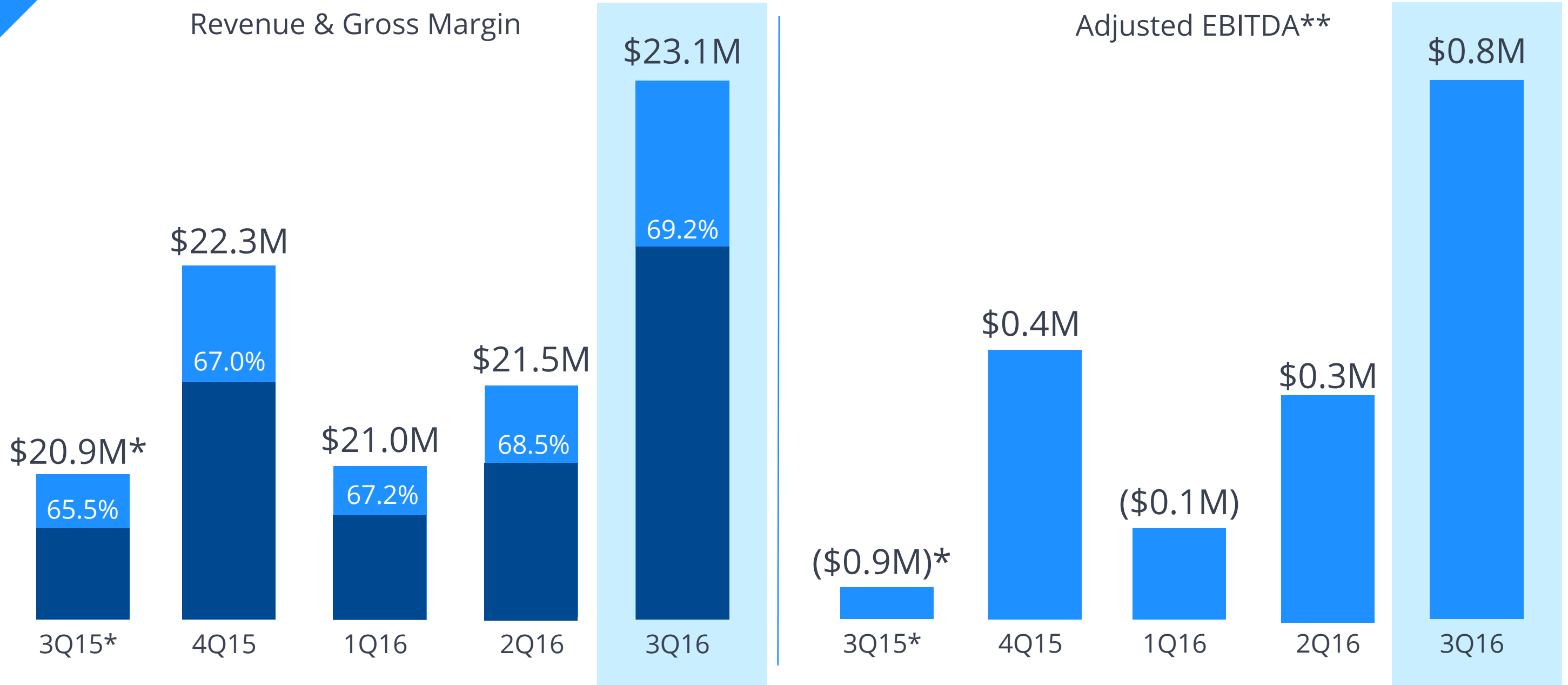
These statements by their nature involve risks and uncertainties, and actual results may differ materially depending on a variety of important factors, including, among others, the occurrence of the risks described in the "Risk Factors" section of our most recent quarterly report on Form 10-Q filed with the U.S. Securities and Exchange Commission. In addition to those factors, the following factors, among others could cause our actual results to differ materially from forward-looking or actual performance: our ability to integrate X-spine's business and realize the projected benefits of the transaction; our ability to meet our obligations under existing and anticipated contractual obligations, including financial covenants and other obligations in our secured lending facility; our ability to manage cash flow; the ability of our sales force to achieve expected results; and other factors. We assume no duty to update any forward-looking statements.

Annualized, pro forma, projected and estimated numbers used in this presentation are used only for illustrative purposes and are not forecasts and may not reflect actual results.

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# Improving Operating Margins on Record Revenue



\*3Q15 Results are on a pro forma basis

\*\*The Company defines earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") as net income/loss from operations before depreciation, amortization, impairment charges and non-cash stock-based compensation.

# Portfolio Sales

Calling on Orthopedic Surgeons & Neurosurgeons

# 350+

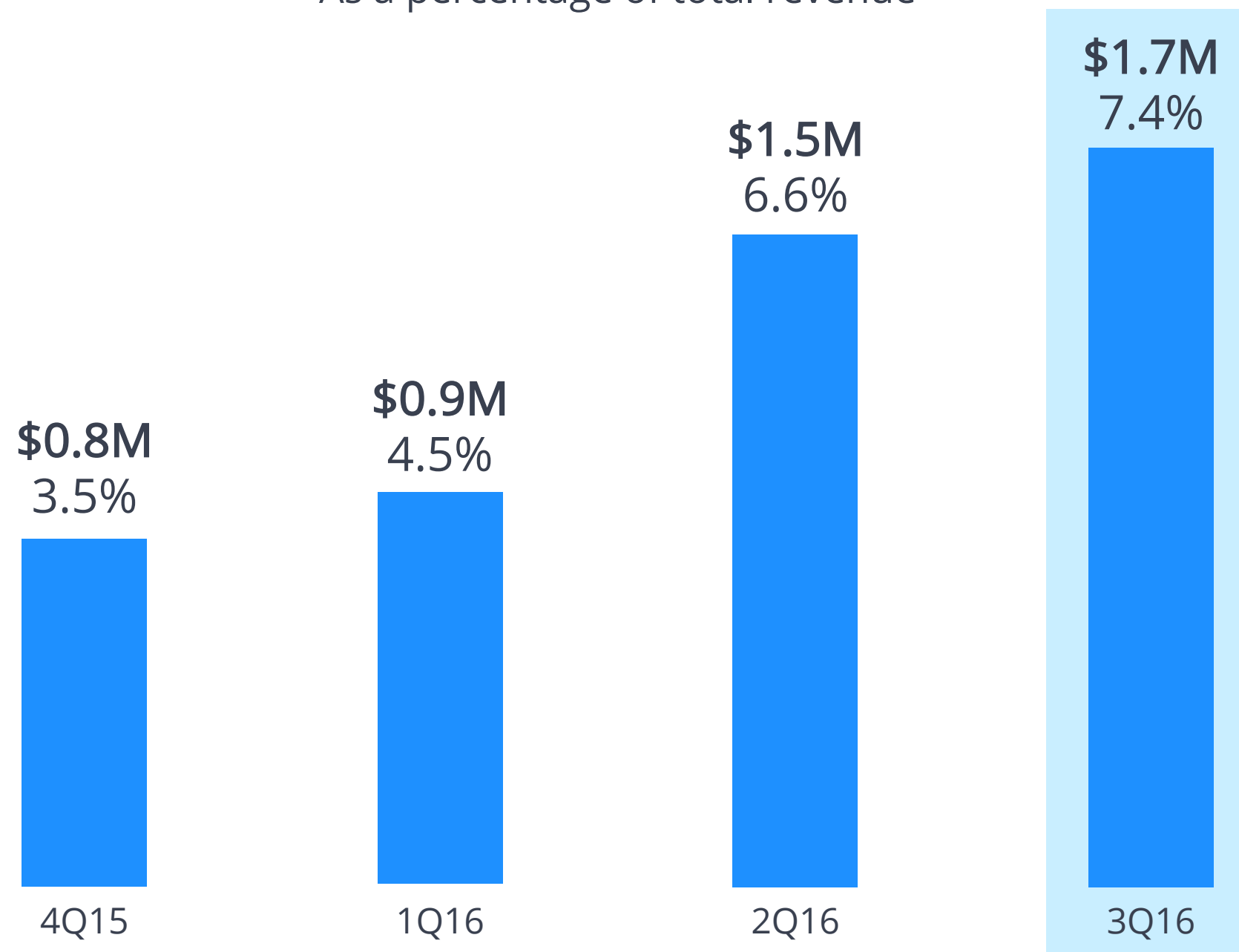
Xtant Field Sales  
Assets

Management goal for  
portfolio selling

# 10-12%

Of revenue in 2017

## Portfolio Sales Revenue As a percentage of total revenue



# New Products

**OsteoSelect<sup>®</sup> PLUS**  
DBM PUTTY  
Approximate TAM: \$400M

**ARANAX**  
CERVICAL PLATING SYSTEM  
Approximate TAM: \$160M

**Atrix·C**<sup>™</sup>  
Cervical Allograft Interbody Spacer  
Approximate TAM: \$282M

**Xspan**<sup>™</sup>  
Laminoplasty Fixation System  
Approximate TAM: \$110M

**OsteoVive**<sup>™</sup>  
Approximate TAM: \$252M

3Q16 Revenue Contribution  
From New Products announced  
in the last 12 months

**\$563,000**

**2.5%**

Of Total 3Q16 Revenue



# FINANCIAL OVERVIEW

# Financial Overview

Third Quarter 2016 Summary (\$000's)

(000's)	3Q16	3Q15*
Revenue	\$23,094	\$20,901
Gross Profit	\$15,980	\$13,693
Gross Margin	69.2%	65.5%
Net Gain (Loss) From Operations	(\$1,904)	(\$5,018)
Net Income (Loss)	(\$4,898)	(\$6,869)
Adjusted EBITDA** Gain (Loss)	\$768	(\$915)

**10.5%**  
Y/Y Revenue  
Growth

**370 bps**  
Y/Y Expansion

**1.8X**  
Increase to  
Positive EBITDA

\*Results listed under "3Q15" are on a pro forma basis

\*\*The Company defines earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") as net income/loss from operations before depreciation, amortization, impairment charges and non-cash stock-based compensation.

# Reconciliation of Adjusted EBITDA

(000's)	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015*
Net Loss from Operations	(\$1,904)	(\$5,018)
Impairment of Assets	\$0	\$234
Acquisition and Integration related expenses	\$517	\$3,857
Gain from the Extinguishment of Debt	\$0	(\$2,345)
Non-Cash Compensation	\$252	\$187
Depreciation & Amortization	\$1,902	\$2,171
Adjusted EBITDA Gain (Loss)	\$768	(\$915)







# Balance Sheet; Cash Position

Consolidated Balance Sheet, (\$000's) • Actual Results

	As of September 30, 2016*	As of December 31, 2015
Cash & Cash Equivalents	\$1,409	\$6,368
Total Current Assets	\$45,768	\$45,040
Total Assets	\$142,449	\$141,027
Total Liabilities	\$147,548	\$132,151
Total Stockholders' Equity (Deficit)	(\$5,099)	\$8,877

# Incremental Revenue Flow Through

## Non-GAAP Profitability & Break Even

-  Non-GAAP profitability is defined as EBITDA less cash based interest expense
-  Guidance for full year 2016 non-GAAP profitability is (\$2.8M) to (\$2.0M)
-  2017 Break Even revenues occur at approximately \$24.7M per quarter
-  After break even, on an incremental basis the Company anticipates approximately 42% of profitable contribution margin

(\$000's)	Break Even	Incremental
Quarterly Revenue	\$24,670	\$1,000
Gross Profit	\$17,269	\$750
Gross Margin	70.0%	75.0%
Commissions	\$8,141	\$330
All Other Operations & Cash-Based Interest Expense	\$9,128	\$0
Income From Operations	-	\$420
Operating Margin	0%	42%

# Path to Free Cash Flow

- Increase quarterly revenues from \$23.1 million (3Q16) to \$24.7 million to achieve non-GAAP profitability break even
- Continued discipline in reducing operating expenses to drive efficiencies of the business model
- Strong controls over inventory and instrument purchases to ensure that working capital investments are in line with revenue expectations
- Continued timely collection of accounts receivable with minimal bad debts

# Raising 4Q16 Expectations; 2017 Outlook

## Raising 2016 Guidance

(\$000's)	Full Year 2016 Guidance		Full Year 2017 Guidance			
Revenue	\$89,000	-	\$91,000	\$98,000	-	\$102,000
Adjusted EBITDA**	\$2,000	-	\$2,800	\$7,700	-	\$9,200
Cash Based Interest Expense	\$4,835	-	\$4,835	\$8,430	-	\$8,430
Non-GAAP Profitability	(\$2,835)	-	(\$2,035)	(\$700)	-	\$800

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# Growth Drivers

Tremendous Growth Ahead of Us

- Increasing portfolio selling contribution from 7% to 10%-12% of revenue
- Revenue acceleration from New Products announced in the last 12 months
- Pipeline of new product announcements in the next 12 months

# CONTACT US

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