

Q2 2022 Earnings and Business Update Call



Sanara
MedTech
Evidence Based Healing

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Commentary on Q2 2022

- **Financial Update**

- Highest sales quarter (\$9.7 million) in the Company's history; first quarter in which the Company generated >\$3 million in sales in every month in the quarter
- Net loss of \$3.3 million for Q2 2022
- Net loss compared to Q2 2021 impacted by increased SG&A (+\$3.9 million) as well as higher R&D costs (+\$1.0 million) related to our acquisition of Precision Healing Inc. and several other new development projects

- **Precision Healing Merger**

- Technology currently under development at Precision Healing is expected to be a key component of our strategy to offer a comprehensive wound and dermatology solution for Medicare Advantage, at-risk payors, and other types of healthcare at-risk models

- **Scendia Biologics Acquisition**

- We believe that this acquisition added a significant portfolio of advanced biologic products that are complimentary to our current surgical product offering.
- We also believe the acquisition will expand our ability to provide new health systems a more comprehensive suite of surgical products.

Surgical Overview

- 35 field sales managers
- CellerateRX Surgical sold in 590 hospitals/ASCs in the TTM
- CellerateRX Surgical sold in hospitals/ASCs across 27 states⁽¹⁾ in the TTM
- CellerateRX Surgical approved to be sold in 1,580 hospitals/ASCs
- Total estimated available market in the United States:
 - 6,090 hospitals⁽²⁾
 - 5,700 ASCs⁽³⁾



(1) Number based on a minimum of \$50,000 revenue in the TTM.

(2) American Hospital Association. Fast Facts on U.S. Hospitals, 2021.

(3) Becker's ASC Review dated June 19, 2020 referencing CMS data from May 2020 as reported by ASCA.

Scendia Biologics Acquisition

Overview

• **Additional Product Portfolio**

- We believe Scendia products could be beneficial to physicians who already use Cellerate products
- Primary focus on four key products (though other products are still offered):
 - AMPLIFY™ Verified Inductive Bone Matrix
 - ALLOCYTE™ Advanced Cellular Bone Matrix
 - BiFORM® Bioactive Moldable Matrix
 - TEXAGEN™ Amniotic Membrane Allograft

• **Geographic Expansion Opportunity**

- Prior to the acquisition, Scendia generated revenue in 8 states at or above \$50,000 per year where Sanara did the same. We believe that there is an opportunity to expand Scendia's sales into the additional 18 states where Sanara generated revenue above that level.
- Our ultimate goal is to expand the geographic footprint for all of Sanara and Scendia's products across all 50 states.

• **Scendia Historical Financial Results**

- Scendia's unaudited full-year 2021 revenue was \$8.3 million and unaudited trailing twelve-month revenue was \$11.0 million (as of May 31, 2022).
- Over the same trailing twelve-month period (as of May 31, 2022), sales of Sanara products to Scendia equaled \$1.5 million.
- We expect the acquisition to be accretive to Sanara's EPS in Q3 of 2022.

• **Purchase Price**

- The initial purchase price for Scendia was \$7.4 million comprised of \$1.4 million in cash and \$6 million in stock.
- There are two earnout payments payable in cash or stock at Sanara's election based on the achievement of certain sales thresholds in years one and two following the acquisition.

Precision Healing Merger

Capabilities and Strategic Rationale

• **Key Features**

- The imager is intended to be integrated with Sanara's proprietary EMR system and virtual consult capability, with the goal of giving the Company the ability to diagnose, treat, track, collect, and further analyze data on the healing progression of wounds across the continuum of care.
- We believe that data collected by the Precision Healing platform will help clinicians to rapidly and accurately diagnose the root cause of a patient's wound and develop tailored treatment protocols that can be adjusted as more information is gathered.
- The platform is expected to enable the Company to further develop evidence-based treatment algorithms for use as suggested clinical practice guidelines.

• **Strategic Rationale**

- Sanara expects that this will help to improve wound healing efficacy and time to heal while lowering the overall cost of healing.

• **510(k) Submission**

- The Precision Healing imager 510(k) is being prepared for submission to the FDA and is expected to be filed early in Q4.

Q2 2022 Financial Highlights

Overview

- **Revenue**
 - For the three months ended June 30, 2022, we generated net revenues of \$9.7 million compared to net revenues of \$6.3 million for the three months ended June 30, 2021, representing a 54% increase from the prior year period.
 - For the six months ended June 30, 2022, net revenues totaled \$17.5 million compared to net revenues of \$11.3 million for the six months ended June 30, 2021, representing a 55% increase from the prior year period.
 - The higher revenues in 2022 were primarily due to increased sales of surgical wound care products as a result of our increased market penetration and geographic expansion, and our continuing strategy to expand our independent distribution network in both new and existing U.S. markets.
- **SG&A**
 - SG&A expenses for the three months ended June 30, 2022, were \$10.4 million, as compared to \$6.6 million for the three months ended June 30, 2021.
 - SG&A expenses for the six months ended June 30, 2022, were \$19.8 million compared to SG&A expenses of \$12.0 million for the six months ended June 30, 2021.
 - The higher SG&A expenses in 2022 were primarily due to higher direct sales and marketing expenses.
 - The increase in 2022 SG&A expenses were also partly attributable to increased noncash equity compensation, higher travel and in-person promotional activities expenses, and higher payroll costs related to the mid-year addition of the Rochal workforce in July 2021.
- **Net Loss**
 - We had a net loss of \$3.3 million for the three months ended June 30, 2022, compared to a net loss of \$1.2 million for the three months ended June 30, 2021.
 - For the six months ended June 30, 2022, we had a net loss of \$6.4 million, compared to net loss of \$2.4 million for the six months ended June 30, 2021.
- **Cash Balances at end of quarter (in millions)**
 - \$27.3 (Q1-21), \$24.4 (Q2-21), \$22.4 (Q3-21), \$18.7 (Q4-21), \$16.1 (Q1-22), \$12.7 (Q2-22)

Questions



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