# Q1 2024
# Earnings and Business Update Call
## May 14, 2024

Sanara MedTech
*Evidence Based Healing*

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# Executive Summary

- **CEO**
  - Former CEO Zach Fleming resigned on May 10, 2024, and Ron Nixon has been appointed CEO by the Company's Board of Directors.
- **Financial Update**
  - Highest net revenue quarter in the Company's history ($18.5 million)
    - Tenth consecutive record revenue quarter
  - Net loss of $1.8 million in Q1
  - Positive Adjusted EBITDA(1) of $0.3 million in Q1
- **Sanara Partnership Initiatives with InfuSystem**
  - Distribution of Sanara products, including our BIAKŌS™ Antimicrobial Cleanser and Hycol Gel, as well as NPWT products into long-term care, skilled nursing, and wound care facilities
  - Exploring additional channel distribution opportunities
  - Tissue Health Plus
- **Tissue Health Plus Update**
- **CellerateRX® Surgical Update**

(1) Adjusted EBITDA is a non-GAAP financial measure. See the discussion and reconciliation in the appendix for additional information.

# Surgical Sales

**<u>Sales Overview (Unaudited)</u>**

- Sanara products were sold in over 1,080 hospitals/ASCs across 34 states plus the District of Columbia(1) in the TTM

- Sanara products were contracted or approved to be sold in more than 3,000 hospitals/ASCs as of March 31, 2024.

- BIASURGE® sales and hospital approvals continue to grow each month

- Sales of soft tissue repair products were $16.1 million in the first quarter of 2024 (CellerateRX®, FORTIFY TRG® Tissue Repair Graft, FORTIFY FLOWABLE® Extracellular Matrix, and TEXAGEN® Amniotic Membrane Allograft) compared to $12.9 million in the first quarter of 2023.

- Sales of bone fusion products were $2.5 million in the first quarter of 2024 (BiFORM® Bioactive Moldable Matrix, ACTIGEN™ Verified Inductive Bone Matrix, and ALLOCYTE® Advanced Cellular Bone Matrix) compared to $2.6 million in the first quarter of 2023.


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

# CRG Facility

**Strategic Rationale**

- Non-dilutive to equity holders and it provides growth/acquisition capital as well as strengthens our cash position.
- Flexible capital that can be drawn at the Company’s option.
- Allows for Sanara to enter into a separate $10.0 million revolver backed by A/R and inventory.

**Term Loan Overview**

- $55 Million in aggregate potential proceeds structured as a senior secured term loan with a five-year term
- $15 million drawn at close
- Up to $40 million available, at Sanara’s option, to be drawn before June 30th, 2025

# Q1 2024 Financial Highlights

- **Revenue**
  - For the three months ended March 31, 2024, Sanara generated net revenue of $18.5 million compared to net revenue of $15.5 million for the three months ended March 31, 2023, a 19% increase from the prior year period.
  - The higher net revenue for the three months ended March 31, 2024 was primarily due to increased sales of soft tissue repair products, including CellerateRX, as a result of our increased market penetration, 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 March 31, 2024, were $16.2 million compared to SG&A expenses of $13.0 million for the three months ended March 31, 2023.
  - The higher SG&A expenses for the three months ended March 31, 2024 were primarily due to higher direct sales and marketing expenses, which accounted for approximately $2.2 million, or 69%, of the increases compared to the prior year period.
  - The higher direct sales and marketing expenses for the three months ended March 31, 2024 were primarily attributable to an increase in sales commissions of $1.6 million as a result of higher product sales and $0.6 million of increased costs as a result of sales force expansion and operational support.

# Q1 2024 Financial Highlights (Continued)

- **R&D Expenses**
  - R&D expenses for the three months ended March 31, 2024, were $0.9 million compared to $1.3 million for the three months ended March 31, 2023.
  - The lower R&D expenses for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 were primarily due to lower costs associated with the Precision Healing diagnostic imager and LFA.
- **Net Loss**
  - Sanara had a net loss of $1.8 million for the three months ended March 31, 2024, compared to a net loss of $1.2 million for the three months ended March 31, 2023.
  - The higher net loss in the three months ended March 31, 2024 was due to higher SG&A costs and higher amortization of our acquired intangible assets partially offset by higher gross profit and lower R&D expenses.
- **Cash Balances at End of Quarter (in millions)**
  - $7.3 (Q1-23), $6.1 (Q2-23), $6.2 (Q3-23), $5.1 (Q4-23), $2.8 (Q1-24)

# Questions

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# Appendix

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# Non-GAAP Financial Measure

**Use of Non-GAAP Financial Measure**

To supplement the Company’s financial information presented in accordance with generally accepted accounting principles in the United States (“GAAP”), we present certain non-GAAP financial measures in this press release and on the related teleconference call, including Adjusted EBITDA. The Company’s management uses these non-GAAP financial measures, both internally and externally, to assess and communicate the financial performance of the Company. The Company defines Adjusted EBITDA as net loss excluding interest expense/income, provision/benefit for income taxes, depreciation and amortization, non-cash share-based compensation expense, change in fair value of earnout liabilities, and gains/losses from the disposal of property and equipment. The Company’s believes Adjusted EBITDA is useful to investors because it facilitates comparisons of its core business operations across periods on a consistent basis. Accordingly, the Company adjusts for items such as change in fair value of earnout liabilities when calculating Adjusted EBITDA because the Company believes that it is not related to the Company’s core business operations.

The Company’s non-GAAP financial measures are not in accordance with, nor an alternative for, measures conforming to GAAP and may be different from non-GAAP financial measures used by other companies. In addition, these non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles. The Company continues to provide all information required by GAAP, but it believes that evaluating its ongoing operating results may not be as useful if an investor or other user is limited to reviewing only GAAP financial measures. The Company does not, nor does it suggest that investors should, consider these non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Material limitations associated with the use of such measures include that they do not reflect all costs included in operating expenses and may not be comparable with similarly named financial measures of other companies. Furthermore, these non-GAAP financial measures are based on subjective determinations of management regarding the nature and classification of events and circumstances. The Company presents these non-GAAP financial measures to provide investors with information to evaluate the Company’s operating results in a manner similar to how management evaluates business performance. To compensate for any limitations in such non-GAAP financial measures, management believes that it is useful in understanding and analyzing the results of the business to review both GAAP information and the related non-GAAP financial measures. Whenever the Company uses a non-GAAP financial measure, it provides a reconciliation of the non-GAAP financial measure to the most directly comparable GAAP financial measure. Investors are encouraged to review and consider these reconciliations.

# Reconciliation of GAAP to Non-GAAP Financial Measures

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**Reconciliation of Net Loss to Adjusted EBITDA (Unaudited):**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2024** | **2023** |
| Net Loss | $ (1,764,184) | $ (1,177,900) |
| Adjustments | | |
| Interest expense and other | 267,336 | 6 |
| Depreciation and amortization | 1,105,420 | 778,875 |
| Noncash share-based compensation | 803,386 | 597,305 |
| Change in fair value of earnout liabilities | (65,678) | (452,687) |
| Noncontrolling interest | (34,859) | (38,429) |
| **Adjusted EBITDA** | $ 311,421 | $ (292,830) |