

XTNT Earnings Call Transcript

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Quarter: 3

Operator: Good morning, everyone, and welcome to the Xtant Medical Holdings, Inc. Third Quarter 2025 financial results. At this time, all participants are in a listen-only mode. The floor will be open for questions following the presentation. If anyone should require operator assistance during this conference, please press. Please note this conference is being recorded. I will now turn the conference over to your host, Kevin Gardner of LifeSci Advisors. Kevin? The floor is yours.

Kevin Gardner: Thank you, Operator, and welcome to Xtant Medical Holdings, Inc.'s Third Quarter 2025 financial results call. Joining me today are Sean E. Browne, President and Chief Executive Officer, and Scott C. Neils, Chief Financial Officer. Today's call is being webcast and will be posted on the company's website for playback. During the course of this call, management may make certain forward-looking statements regarding future events and the company's expected future performance. These forward-looking statements reflect Xtant Medical Holdings, Inc.'s current perspective on existing trends and information and can be identified by such words as expect, plan, will, may, anticipate, believe, should, intend, and other words with similar meaning. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, including those noted in the risk factors section of the company's annual report on the Form 10-Ks filed with the SEC and in subsequent SEC reports and press releases. Actual results may differ materially. The company's financial results press release and today's discussion include certain non-GAAP financial measures. Please refer to the non-GAAP to GAAP reconciliations which appear in our press release and are otherwise available on our website. Note that the Form 8-Ks that we file with our financial results press releases provide detailed narratives that describe our use of such measures. For the benefit of those who may be listening to a replay, this call was held and recorded on November 11 at approximately 08:30 AM Eastern Time. The company declines any obligation to update its forward-looking statements except as required by applicable law. Now I'd like to turn the call over to Sean E. Browne, CEO. Sean?

Sean E. Browne: Thank you, Kevin, and good morning, and happy Veterans Day to all those who have served or are serving. One quick note, since today is Veterans Day, the PC is closed. Although, as you know, the market is open. And so we released our 10-Q last night. So with that behind us, thank you for joining our third quarter update call. As has been our practice, I will begin with a few prepared remarks about our operations, and then Scott will provide a deeper dive into the financials. We'll then open the call to your questions. We again turned in solid financial performance during the third quarter highlighted by 19% revenue growth over 2024. We again generated positive cash flow, adjusted EBITDA, and net income, and a continuation of the favorable trends that we've seen over the past few quarters. Before covering the quarter in detail, however, I would like to begin the morning with an update on the pending sale of our non-core Coflex and Cofix interlaminar stabilization implant assets and all international entities of Paradigm Spine to Companion Spine. The proceeds of the transaction, when completed, are anticipated to be \$19.2 million in total. We intend to use the proceeds to reduce our long-term debt and to provide additional cash liquidity. Importantly, as a result of this transaction, and the cash flow we are generating from operations, we do not expect to require additional external capital to fund our operations from this point forward. This transaction will be truly transformational for our company, as it will further enhance our focus on our core Biologics business, while strengthening our financial position. In terms of timing, we anticipate we'll close by the end of the year. It's worth

mentioning that the Scoliosis Brothers have already paid us approximately \$7.5 million, including a \$2.5 million payment just last week, toward the total consideration of this deal. So they are as committed as we are to ensuring its completion. As a reminder, the business included in the sale generates annual revenue to Xtant Medical Holdings, Inc. of approximately \$23.5 million. As previously mentioned, these products were modestly unprofitable on a standalone basis. So the effect of the sale on our margins and bottom line metrics is anticipated to be neutral to slightly positive in 2026 and beyond. In the meantime, until this transaction closes, we continue to support those products in the field, and we will benefit from the associated hardware revenue for an additional few months. So now turning now to our third quarter. I'm pleased to report that we delivered strong financial and operating results. Scott will cover the financials in detail in a moment. I'd like to begin by touching on a few highlights. First, our total revenue for the quarter was \$33.3 million, which represents a growth of more than 90% versus 2024. Notably, our third quarter 2025 revenue includes \$5.5 million of licensing revenue pursuant to the license agreement for Q Codes, and the SIMPLIMAX dual-layer amniotic membrane that we announced in the third quarter of last year. As we indicated in Q1, CMS has extended the local coverage determination for skin substitutes to 12/31/2025. Our biologics product family, which is our core business, grew 4% over the third quarter of last year. This was below our long-term expectation for growth in the Biologics product family. However, it's important to take a step back and recall that our focus over the past several quarters has been on prioritizing self-sustainability, particularly positive cash flows, as part of our long-term growth strategy. The strategic initiatives that we have implemented are sharpened focus on higher-margin biologics, our emphasis on in-house manufacturing to improve quality and control costs, and our more disciplined approach to operating expenses were all implemented with self-sustainability in mind. With those goals now achieved, we are turning our focus back to driving top-line growth in our orthobiologics business. We continue to invest in R&D; to bring innovation to surgeons and their patients. At the same time, we have started making investments in our commercial team to maximize the reach of our broad portfolio of orthobiologic solutions. From a new product launch perspective, since our last quarterly update, we also continue to innovate to bring new orthobiologic solutions to surgeons and their patients. Earlier this month, we announced the commercial launch of Collagen X, our bovine collagen particulate product for surgical wound closure, that is designed to promote healing, prevent adhesions, and help mitigate concerns related to surgical site infections. Collagen X complements our existing orthobiologics product line, as it represents a potential addition to every case type that our portfolio currently addresses as well as procedures performed in other surgical disciplines. This is the latest example of our commitment to innovation as we work to meet the diverse needs of our surgeons and patients. As a reminder, we now offer and internally produce solutions across all five major orthobiologic categories: demineralized biometrics, cellular allografts, synthetics, structural allografts, and now growth factors. Additionally, with our amino and collagen product lines, we are well-positioned to grow in the surgical repair and wound care markets. This positions us as the partner of choice in the field of regenerative medicine, a position that has been further solidified by the very positive feedback that we have received from surgeons on these recent innovations. Now turning to 2025 revenue guidance. Recall that last quarter, reflecting the heightened levels of license revenue from the previously noted QCO and embryonic membrane agreement, we are experiencing, we increased our full-year 2025 revenue guidance to a range of \$131 million to \$135 million, which represents growth of approximately 11% to 15% over 2024 revenue. With the sale of our non-core Coflex and Cofix spinal implant assets and OUS business to Companion Spine now anticipated to close closer to the end of the year, we are reiterating our 2025 revenue guidance at this time. We anticipate providing initial 2026 revenue guidance concurrent with our Q4 results in March. With that, I will turn the call over to Scott for a more detailed review of our financial results.

Scott C. Neils: Thank you, Sean, and good morning, everyone. Total revenue for 2025 was \$33.3 million compared to \$27.9 million for the same period in 2024. The 19% increase is attributed primarily to \$5.5 million of licensing revenue during 2025 that Sean alluded to earlier, as well as \$570,000 of additional biologics revenue, partially offset by a 6% or \$736,000 year-over-year decline in hardware product revenue. Gross margin for 2025 was 66.1% compared to 58.4% for the same period in 2024. The increase is primarily attributable to favorable sales mix and greater scale. Third quarter 2025 operating expenses were \$19.5 million compared to \$20.1 million in the same period a year ago. The

reduction in operating expenses is primarily attributable to reduced compensation and commission expenses, which were partially offset by an increase in professional fees related to sales and marketing. General and administrative expenses were \$7.1 million for the three months ended 09/30/2025, compared to \$7.5 million for the same period in 2024. The decrease is primarily attributable to half a million dollars reduced stock-based compensation expense and half a million dollars of reduced retention and severance expense, partially offset by a half-million-dollar increase in bonus expense. Sales and marketing expenses were \$11.7 million for the three months ended 09/30/2025, compared to \$11.9 million for the same quarter last year. The decrease is primarily due to reduced commission expense of \$700,000 resulting from revenue mix, partially offset by \$1 million of additional consulting fees during the current year period. Research and development expenses were \$634,000 for the three months ended 09/30/2025, a decrease from \$701,000 in 2024. Net income in 2025 was \$1.3 million, or 1¢ per share on a fully diluted basis, compared to a net loss of \$5 million or \$4 per share in the comparable 2024 period. Adjusted EBITDA for 2025 was \$4.5 million compared to an adjusted EBITDA loss of approximately \$1 million for the same period of '24. As a reminder, beginning in 2024, we no longer include the exclusion of the phasing of the bargain purchase gain on our sell-through of inventory acquired as part of our purchase of Surgi Line Holdings Hardware and Biologics business in our calculation of adjusted EBITDA. Prior periods have been recast to conform to the current calculation. The related effect on adjusted EBITDA was a reduction of \$773,000 in 2024 to arrive at the recast amount. As of 09/30/2025, we had \$10.6 million of cash, cash equivalents, and restricted cash. Net accounts receivable is \$25.6 million. Inventory was \$40.7 million. And we had \$5.7 million available under revolving credit facilities as of the end of the quarter. As a reminder, our cash balance as of the end of the third quarter does not take into account the anticipated remaining proceeds from the pending sale of certain assets to Companion Spine that we anticipate closing by year-end that Sean discussed earlier. Operator, you may now open the line for questions.

Operator: Thank you very much. We are now opening the floor for questions. If you would like to ask a question, please press 1 on your phone keypad now. A confirmation tone will indicate that your line is in the queue. You may press 2 if you would like to remove your question from the queue. For anyone using speaker equipment, it might be necessary to pick up your handset before you press the keys. Thank you. Thank you very much. Our first question is coming from Ryan Zimmerman of BTIG. Ryan, your line is live.

Ryan Zimmerman: Thank you, and good morning, everyone. So appreciate the commentary and everything. Maybe I want to start, Sean, you talked about making some investments in the commercial organization. It would be good just to know you want to get more feet on the street. I mean, is this refilling the pipeline? Maybe talk to us a little about kind of, you know, a little more color on kind of what that means. And then my second question, I'll just ask upfront. There's, you know, there's a lot of moving parts as we go into next year. I know you're not guiding for 2026, but maybe any early thoughts, you know, broad strokes around kind of, you know, where you think the orthobiologics business can grow, you know, when we strip out some of the other pieces that, you know, may be in flux. Thanks for taking the question.

Sean E. Browne: Sure. Okay. Let's I'll start off with the profitability question. Well, that's profitability question. Sales question. Scott's in profitability. So last year, really in the second half of the year, we started making decisions on how do we conserve cash because we knew that we were going to have a lot of revenue coming in from the Q Codes. We knew that we were gonna have actually a very good year just operationally. So in the fourth quarter of last year, we dramatically cut back the business overall. You can see it in our OpEx expense. With the idea of being profitable. As part of that, we reduced, you know, a fair number of our commercial not necessarily overly highly performing assets. And so over the course of the last, really, quarter, we've now been replacing a lot of those spots in areas that make more sense. And so just to give you the scale to which we're doing, so we had roughly four reps that were selling the Xtant branded products today. We've upped that, and we'll by the end of the year, we'll be at eight. So we'll double that. And then, again, in 2026, we expect to add probably four more. So this is a fixable problem or not a problem, but a fixable opportunity for us. So I feel really good about where we're going and even, you know, what I'm seeing from just having those new assets out in the field already. So it is something that was somewhat predicted or predictable when we made those

decisions last year and in the beginning of this year. To give you some guidance with respect to 2026, as you mentioned, we are not gonna be giving full guidance until really, the year completes because there's a lot going on, a lot of good things. And so if I were to give you some general guidance, we do expect still to be in the low double digits with respect to our overall orthobiologics growth. Then as for the hardware, we're still working through some things right now. But I would still say that that really that's that's what we can expect to see in 2026.

Ryan Zimmerman: That's very helpful. And, you know, even just the broad strokes, I think, give us a sense of what you can do. And then, you know, look, NASS is coming up. What, next week or this week, I should say.

Sean E. Browne: This Friday. Yeah. Monday through Sunday. Yeah. This Friday.

Ryan Zimmerman: So anything you want to highlight for people, you know, for NASS, or anything, you know, that you know, you'd say it's worth checking out at the booth?

Sean E. Browne: Yeah. Yeah. Thanks for asking. Thanks for the setup. Yes. Three things. First of all, our growth factor product, brand new, is outstanding. We're replacing another growth factor probably you're selling previously that someone else was making for us. This is our own this is our own product. We feel really good about it. We've done a great job of keeping the business that we once had, and we're now starting to grow. So that's absolutely something people should check out. Second of all, we've now created a new advanced DBM called Trivium, which is really a terrific product that we would encourage our surgeons and distributors to look at. Not only is the growth factor count and just basically the overall characterization of the product outstanding, but the handling is even better. Then the third thing is what we just rolled out this Collagen X product, which literally can be used in almost every procedure. And even procedures outside spine. So those would be three big things that we're feeling really, really good about. And just the fact that the entire portfolio of our product line are now things that we make we have a hand in, we control the supply chain, but also just in general, we just think we make really great products. So please stop by and we'd love to give you a rundown of our really exciting portfolio.

Ryan Zimmerman: Thanks, Sean.

Scott C. Neils: Thank you, Ryan.

Operator: Thank you very much. Our next question is coming from Chase Knickerbocker of Craig Hallum. Chase, your line is live.

Chase Knickerbocker: Good morning. Thanks for taking the questions. Sean, maybe just to start, if you could just help me kind of dive a little bit deeper into that 3% year-over-year growth in orthobiologics. Just as far as, you know, what supported growth in the quarter on a year-over-year basis, what detracted from it. On a kind of product-specific kind of basis, if we can riff on that for a second.

Sean E. Browne: Sure. Absolutely. So the actual is 4% growth year over year, which we had for our and, again, with the areas that we're still continuing to grow growing actually continue to bear stem cell business. Our again, the growth sector business is basically we're holding serve in that, which is good because, again, we released a brand new product line. The annual product line continues to be a nice product line, product growth area for us. And we realize there's gonna be some changes with respect to the wound care world. But some of and a good chunk of some of the growth that we've also seen is in the surgical side, which shouldn't change. And so those would be a couple of the areas that I would say that really helped. What hurt us this past quarter was maybe some of our old line demineralized bone products, and that's why the addition of things like Fibrex and Trivium these higher-end much, much better much higher not only from a handling perspective, but from a perspective and from, again, a growth factor characterization side of things. It is just outstanding products. So we really hope and we really see that those things will be helping offset maybe some of the slide that's been taking place from those old very still very good product lines, but yeah, you realize that, you know, OsteoSelect, OsteoSponge, and three to men think OsteoSelect started oh, no. OsteoSponge started in, like, 2008. OsteoSelect started in 2010, and I think three to it was 2013, 2013. So these are some of the products that that we're now finding upgrades to that we just believe that we've really, you know, knocked out of the park with with some of the new things. And they're just starting to get traction, those new products. And so matter of fact, for our if you look at the Trivium product, you know, it had one of its best months yet. Just recently. So we're really, really excited about where that's gonna take us.

Chase Knickerbocker: Just maybe on the on the kind of legacy DBM side, was it mainly kind of white label or direct channel that

Sean E. Browne: Definitely more direct channel. Definitely more direct channel. So as I mentioned, when we pulled those resources out of the field or at least eliminate them and really kind of reshuffling them now, it hurt us. I'm not gonna lie. It's something that that we knew what we were going into. Those were again, probably sub-optimal assets when we did it. That's part of the reason why we pulled it out and said, alright. Profitability is the most important thing we're gonna do right now. We feel we can hold serve for most of what we have for our business and with the growing orthobiologic portfolio, we really feel like okay. We might come across some rocky waters, which we have. And so now over the course of really the summer, we started adding back those resources in more strategically important areas. And then as I mentioned, we're gonna continue to add more in 2026.

Chase Knickerbocker: Got it. And then, maybe just on the on the Amnio side, you know, the changes that were announced in the final PFS, maybe just any thoughts as far as how it impacts your business as we take an eye into 2026? And then just last one for me, Sean, as I think about Collagen X, probably a bigger market for similar products than people realize. Just kind of speak to your plans for that even outside of spine. As far as how you plan to distribute that product into what is a fairly large market for those particulates.

Sean E. Browne: Yeah. Yeah. So let's start with Amnio. So we manufacture Amnio. Most of the people who sell the amnio care products today are not manufacturers. As a matter of fact, they need a fairly high price in order to be able to make real money. We, on the other side, are on the very low end of the value creation. When you think about what it costs for us to make something, it's quite low. And so when the price went to \$127 per square centimeter, it's a very good it's actually a very good price for us. As somebody who can actually serve the wound care or I should say the acute care market. If you recall and if you see what's happened in that in that world, this reimbursement opened the door for real real movement. From the Adehoffer or the acute care or the non-acute world into the acute or at least the outpatient clinics tied to the hospitals. We feel that we can do really well with the hospital contracts we have. There are many distributors out there today who don't have the level of hospital contracting we do, and they need it. So we think that there's an opportunity there. So we'll see what happens. I mean, this is something that we're just getting our arms around right now. I'm speaking to various people. Making sure our contracting is tight, but we, again, have a very, very robust contract portfolio. So it is something we're trying to leverage as we speak. So that's the Amnio side. Secondly, when you think about the collagen-based products, one of the things that we acquired through the Surgiline acquisition was a product called Nanos. And the basis of Nanos was an even more interesting product called eMatrix. And that eMatrix is a collagen-based product that had extraordinary clinical data behind it. Actually, the product was originally created, was created as a wound care product. As a matter of fact, it was going through its own PMA. And the company essentially was running out of money and said, okay. Let's create something that we can start generating money from, and then they created Nanos. Which was taking eMatrix and then putting in hydroxyapatite with it. So it became a product that was ultimately purchased by one of the predecessor companies of Surgilient. So we acquired eMatrix, which in itself is its own collagen-based product. So we see that as a really terrific platform for us moving forward. Because there's a number of other areas we think that we can touch with them. So there's more to follow on that, but it's a platform technology that we're really, really excited about and we've got some FDA work that we need to do. But we're really pretty pumped about where that's leading. So, hopefully, that answered your question there, Chase.

Chase Knickerbocker: Yeah. Thanks, Sean. Appreciate the questions, guys.

Operator: Thank you very much. Well, we appear to have reached the end of our question and answer session. And therefore, we have reached the end of the conference. So thank you very much. This does conclude today's conference, and you may disconnect your phone lines at this time. We thank you for your participation.