



The Leader in Hallux Valgus Surgery™

Q1 2023 Earnings Supplemental Materials

MAY 8, 2023



Use of Non-GAAP Financial Measures

To supplement the financial results presented in accordance with GAAP, this earnings release presents Adjusted EBITDA, which the Company defines as net loss before depreciation and amortization expense, share-based compensation expense, interest income, interest expense, and taxes. As of March 31, 2023, in its calculation of Adjusted EBITDA, the Company is subtracting interest income from net loss as interest income is more significant this quarter and is expected to be significant for the full year 2023. Prior period results for Adjusted EBITDA have been updated to be consistent with the current quarter's presentation. Non-GAAP financial measures such as Adjusted EBITDA are presented in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. Management uses these non-GAAP financial measures to evaluate the Company's operating performance and trends, as well as for making planning decisions. The Company believes that Adjusted EBITDA helps to identify underlying trends in the Company's business that may otherwise be masked by the effect of the income and expenses and other items that it excludes in its calculation of Adjusted EBITDA. Accordingly, the Company believes these non-GAAP financial measures provide useful information to investors and others in understanding and evaluating the Company's operating results, enhancing the overall understanding of its past performance and future prospects, and allowing for greater transparency with respect to key financial metrics used by the Company's management in their financial and operational decision-making. The Company also presents these non-GAAP financial measures because it believes investors, analysts and rating agencies consider them to be a useful metrics in measuring the Company's performance against other companies and its ability to meet its debt service obligations.

There are limitations related to the use of non-GAAP financial measures such as Adjusted EBITDA because they are not prepared in accordance with GAAP, may exclude significant income and expenses required by GAAP to be recognized in the Company's financial statements, and may not be comparable to non-GAAP financial measures used by other companies. The Company encourages investors to carefully consider its results under GAAP, as well as its supplemental non-GAAP information and the reconciliation between these presentations, to more fully understand its business. Reconciliations between GAAP and non-GAAP results are presented below.

Statements of Operations and Comprehensive Loss



Treace Medical Concepts, Inc. Statements of Operations and Comprehensive Loss (in thousands, except share and per share amounts) Unaudited						
	Full Year 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Full Year 2022
Revenue	\$ 94,419	\$ 29,047	\$ 29,967	\$ 33,055	\$ 49,769	\$ 141,838
Cost of goods sold	16,888	5,130	5,291	6,090	9,021	25,532
Gross profit	77,531	23,917	24,676	26,965	40,748	116,306
Operating expenses						
Sales and marketing	65,405	22,299	26,610	25,568	30,090	104,567
Research and development	10,204	3,052	2,984	3,799	3,749	13,584
General and administrative	18,432	6,662	7,015	8,916	10,406	32,999
Total operating expenses	94,041	32,013	36,609	38,283	44,245	151,150
Loss from operations	(16,510)	(8,096)	(11,933)	(11,318)	(3,497)	(34,844)
Interest income	17	9	131	420	753	1,313
Interest expense	(4,060)	(951)	(946)	(1,190)	(1,311)	(4,398)
Debt extinguishment loss	-	-	(4,483)	-	-	(4,483)
Other income, net	1	2	(3)	(45)	(357)	(403)
Other non-operating expense, net	(4,042)	(940)	(5,301)	(815)	(915)	(7,971)
Net loss	(20,552)	(9,036)	(17,234)	(12,133)	(4,412)	(42,815)
Convertible preferred stock cumulative and undeclared dividends	(196)	-	-	-	-	-
Net loss attributable to common stockholders	(20,748)	(9,036)	(17,234)	(12,133)	(4,412)	(42,815)
Other comprehensive loss:						
Unrealized loss on marketable securities	-	-	-	-	(27)	(27)
Comprehensive loss	\$ (20,748)	\$ (9,036)	\$ (17,234)	\$ (12,133)	\$ (4,439)	\$ (42,842)
Net loss per share attributable to common stockholders, basic and diluted	(0.43)	(0.16)	(0.31)	(0.22)	(0.08)	(0.77)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	48,415,679	54,827,665	55,308,273	55,429,211	55,558,364	55,276,834
\$ impact of reclass (Note 1)	\$938	\$376	\$360	\$534	\$721	\$1,991
Gross margin as reported	81.1%	81.0%	81.1%	80.0%	80.4%	80.6%
Gross margin adjusted	82.1%	82.3%	82.3%	81.6%	81.9%	82.0%
Percentage change to Gross Margin	1.0%	1.3%	1.2%	1.6%	1.4%	1.4%

Note 1: An adjustment has been made to the Statement of Operations and Comprehensive Loss for all the periods presented above to reclassify surgical instrument expense from cost of goods sold to sales and marketing expense, to conform with the current year's presentation.

Adjusted EBITDA



Treace Medical Concepts, Inc.
Reconciliation of GAAP Net Loss to EBITDA & Adjusted EBITDA
(in thousands)

	Full Year 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Full Year 2022
Net loss	\$ (20,552)	\$ (9,036)	\$ (17,234)	\$ (12,133)	\$ (4,412)	\$ (42,815)
Adjustments:						
Interest income	(17)	(9)	(131)	(420)	(753)	(1,313)
Interest expense	4,060	951	946	1,190	1,311	4,398
Taxes	-	-	-	-	-	-
Depreciation & Amortization	685	334	423	459	917	2,133
EBITDA	\$ (15,824)	\$ (7,760)	\$ (15,996)	\$ (10,904)	\$ (2,937)	\$ (37,597)
Share-based compensation expense	3,409	1,409	1,963	2,269	2,470	8,111
Debt extinguishment loss	-	-	4,483	-	-	4,483
Adjusted EBITDA	<u>\$ (12,415)</u>	<u>\$ (6,351)</u>	<u>\$ (9,550)</u>	<u>\$ (8,635)</u>	<u>\$ (467)</u>	<u>\$ (25,003)</u>

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