Anika Reports Second Quarter Fiscal 2022 Financial Results

Second quarter revenue growth up 4%
X-Twist™ 510(k) clearance received; Limited market release on schedule for 2H 2022

BEDFORD, Mass., August 3, 2022 – Anika Therapeutics, Inc. (NASDAQ: ANIK), a global joint preservation company in early intervention orthopedics, today reported financial results for its second quarter ended June 30, 2022.

Second Quarter 2022 Financial Summary

- Revenue in the second quarter of 2022 was $39.7 million, up 4% compared with $38.1 million in the second quarter of 2021
  - OA Pain Management[1] revenue of $25.7 million, up 6%
  - Joint Preservation and Restoration revenue of $12.1 million, up 2%
  - Non-Orthopedic[1] revenue of $1.8 million, down 6%
- Gross margin was 63%, including $1.6 million of non-cash acquisition-related expenses; Adjusted gross margin[2] was 67%.
- Net loss was ($2.8) million, or ($0.20) per share, compared to net income of $6.5 million, or $0.45 per diluted share, in the prior year. Prior year net income included a $9.8 million, or $0.67 per share, tax-effected benefit due to the change in fair value of contingent consideration.
- Adjusted net loss[2] was ($1.6) million, or ($0.12) per share, compared to adjusted net income[2] of $1.4 million, or $0.09 per diluted share, in the prior year.
- Adjusted EBITDA[2] was $4.4 million, compared to adjusted EBITDA[2] of $6.1 million in the prior year.
- Operating cash flow was $3.1 million; cash balance was $91.4 million, with no outstanding debt

[1] OA Pain Management was previously referred to as Joint Pain Management; Non-Orthopedic was previously referred to as Other.
[2] See description of non-GAAP financial information contained in this release.

“Second quarter performance was solid as expected, and we are on track for achieving our stated full year guidance.” Cheryl R. Blanchard, Ph.D., Anika’s President and CEO, commented. “We are seeing continued momentum in our regenerative solutions portfolio, with Tactoset generating a lot of excitement, including recently receiving the ACE award for cutting-edge innovation from the American Orthopaedic Society for Sports Medicine (AOSSM). We are also very excited about the FDA 510(k) clearance we received for our X-Twist Fixation System which is ideal for key repairs in high-volume soft tissue sports medicine procedures. We are on track for a limited market release in the second half of this year, as our Joint Preservation and Restoration portfolio continues to take shape positioning us for accelerated growth in 2023 and beyond.”

Recent 2022 Business Highlights

- X-Twist Fixation System received FDA 510(k) clearance. X-Twist provides a simple and versatile suture anchor system ideal for key repairs in the shoulder, foot and ankle, as well as other extremities.
- Continued to ramp up medical education activities associated with Anika’s Joint Preservation and Restoration products, holding multiple in-person events in the U.S. since the beginning of the year with 270 surgeons trained on the safe and effective use of Anika’s products.
- Completed last patient follow-up in the Cingal® pilot study in June, with data readout expected in Fall 2022.
- Tactoset® Injectable Bone Substitute received the coveted ACE award for cutting-edge innovation from the American Orthopaedic Society for Sports Medicine in July 2022. The recognition from a prestigious sports

medicine society such as AOSSM underscores the innovative and versatile nature of using Tactoset for the augmentation of hardware, such as suture anchors, in soft tissue repairs.

Fiscal 2022 Outlook

The Company continues to expect its overall revenue for fiscal year 2022 to be toward the upper end of its guidance range of low to mid-single digit percent growth compared with 2021. Revenue ranges by product family are:

- Joint Preservation and Restoration up mid-single to low-double digit percent
- OA Pain Management up low-single digit percent
- Non-Orthopedic revenue down approximately 20% due largely to legacy product rationalization

There remains volatility and uncertainty in the global macroeconomic environment and the Company's outlook for fiscal 2022 is subject to the changing dynamics associated with staffing shortages, supply chain disruption, inflation and other direct and indirect impacts of the COVID pandemic.

Conference Call Information

Anika's management will hold a conference call and webcast to discuss its financial results and business highlights today, Wednesday August 3, 2022, at 5:00 pm ET. The conference call can be accessed by dialing 1-888-220-8474 (toll-free domestic) or 1-856-344-9221 (international) and providing the conference ID number 1507585. A live audio webcast will be available in the Investor Relations section of Anika's website, www.anika.com. A slide presentation with highlights from the conference call will be available in the Investor Relations section of the Anika website. A replay of the webcast will be available on Anika's website approximately two hours after the completion of the event.

Non-GAAP Financial Information

Non-GAAP financial measures should be considered supplemental to, and not a substitute for, the Company's reported financial results prepared in accordance with GAAP. Furthermore, the Company's definition of non-GAAP measures may differ from similarly titled measures used by others. Because non-GAAP financial measures exclude the effect of items that will increase or decrease the Company's reported results of operations, Anika strongly encourages investors to review the Company's consolidated financial statements and publicly filed reports in their entirety. The Company presents these non-GAAP financial measures because it uses them as supplemental measures in internally assessing the Company's operating performance, and, in the case of Adjusted EBITDA, it is set as a key performance metric to determine executive compensation. The Company also recognizes that these non-GAAP measures are commonly used in determining business performance more broadly and believes that they are helpful to investors, securities analysts, and other interested parties as a measure of comparative operating performance from period to period.

Adjusted Gross Margin

Adjusted gross margin is defined by the Company as adjusted gross profit divided by total revenue. The Company defines adjusted gross profit as GAAP gross profit excluding amortization of certain acquired assets, the impact of inventory fair-value step up associated with our recent acquisitions and non-cash product rationalization charges.

Adjusted EBITDA

Adjusted EBITDA is defined by the Company as GAAP net income (loss) excluding depreciation and amortization, interest and other income (expense), income taxes, stock-based compensation expense, acquisition related expenses, non-cash charges related to goodwill impairment and changes in the fair value of contingent consideration associated with the Company's recent acquisitions as a result of the COVID pandemic, and non-cash product rationalization charges.

Adjusted Net Income (Loss) and Adjusted EPS

Adjusted net income (loss) is defined by the Company as GAAP net income excluding acquisition related expenses, inclusive of the impact of purchase accounting, on a tax effected basis, and the non-cash product rationalization charges. In the context of adjusted net income (loss), the impact of purchase accounting includes amortization of inventory step up and intangible assets recorded as part of purchase accounting for acquisition transactions. The amortized assets contribute to revenue generation, and the amortization of such assets will recur in future periods until such assets are fully amortized. These assets include the estimated fair value of certain identified assets acquired in acquisitions in 2020 and beyond, including in-process research and development, developed technology, customer relationships and acquired tradenames. As a result of COVID, the Company is also specifically excluding the impacts of goodwill impairment charges and changes in the fair value of contingent consideration associated with the acquisition transactions, each on a tax effected basis. Adjusted diluted EPS is defined by the Company as GAAP diluted EPS excluding acquisition related expenses and the impact of purchase accounting, each on a tax-adjusted per share basis, and non-cash product rationalization charges. Again, the Company is also specifically excluding the impacts of goodwill impairment charges and changes in the fair value of contingent consideration associated with recent acquisition transactions, each on a tax effected basis if applicable.

A reconciliation of adjusted gross profit to gross profit (and the associated adjusted gross margin calculation), adjusted EBITDA to net income (loss), adjusted net income (loss) to net income (loss) and adjusted diluted EPS to diluted EPS, the most directly comparable financial measures calculated and presented in accordance with GAAP, is shown in the tables at the end of this release.

Forward-Looking Statements

*This press release may contain forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, concerning the Company's expectations, anticipations, intentions, beliefs or strategies regarding the future which are not statements of historical fact, including the subheading at the top of the press release with respect to the planned launch of the X-Twist, the first and final sentence of Dr. Blanchard's quote, and the statements made in the section titled Fiscal 2022 Outlook. These statements are based upon the current beliefs and expectations of the Company's management and are subject to significant risks, uncertainties, and other factors. The Company's actual results could differ materially from any anticipated future results, performance, or achievements described in the forward-looking statements as a result of a number of factors including, but not limited to, (i) the Company's ability to successfully commence and/or complete clinical trials of its products on a timely basis or at all; (ii) the Company's ability to obtain pre-clinical or clinical data to support domestic and international pre-market approval applications, 510(k) applications, or new drug applications, or to timely file and receive FDA or other regulatory approvals or clearances of its products; (iii) that such approvals will not be obtained in a timely manner or without the need for additional clinical trials, other testing or regulatory submissions, as applicable; (iv) the Company's research and product development efforts and their relative success, including whether we have any meaningful sales of any new products resulting from such efforts; (v) the cost effectiveness and efficiency of the Company's clinical studies, manufacturing operations, and production planning; (vi) the strength of the economies in which the Company operates or will be operating, as well as the political stability of any of those geographic areas; (vii) future determinations by the Company to allocate resources to products and in directions not presently contemplated; (viii) the Company's ability to successfully commercialize its products, in the U.S. and abroad; (ix) the Company's ability to provide an adequate and timely supply of its products to its customers; and (x) the Company's ability to achieve its growth targets. Additional factors and risks are described in the Company's periodic reports filed with the Securities and Exchange Commission, and they are available on the SEC's website at **www.sec.gov**. Forward-looking statements are made based on information available to the Company on the date of this press release, and the Company assumes no obligation to update the information contained in this press release.*

About Anika

Anika Therapeutics, Inc. (NASDAQ: ANIK), is a global joint preservation company that creates and delivers meaningful advancements in early intervention orthopedic care. Leveraging our core expertise in hyaluronic acid and implant solutions, we partner with clinicians to provide minimally invasive products that restore active living for people around the world. Our focus is on high opportunity spaces within orthopedics, including osteoarthritis pain management, regenerative solutions, sports medicine soft tissue repair and bone preserving joint technologies, and our products are efficiently delivered in key sites of care, including ambulatory surgery centers. Anika's global operations are headquartered outside of Boston, Massachusetts. For more information about Anika, please visit www.anika.com.

ANIKA, ANIKA THERAPEUTICS, CINGAL, TACTOSET, X-TWIST and the Anika logo are registered trademarks of Anika Therapeutics, Inc. or its subsidiaries.

For Investor Inquiries:
Anika Therapeutics, Inc.
Mark Namaroff, 781-457-9287
Vice President, Investor Relations, ESG and Corporate Communications
investorrelations@anika.com

Anika Therapeutics, Inc. and Subsidiaries
Consolidated Statements of Operations
(in thousands, except per share data)

(unaudited)

	For the Three Months Ended June 30, 2022	2021	For the Six Months Ended June 30, 2022	2021
Revenue	$ 39,657	$ 38,145	$ 76,350	$ 72,437
Cost of Revenue	14,795	17,333	29,684	30,651
Gross Profit	24,862	20,812	46,666	41,786
Operating expenses:				
Research and development	6,975	7,293	13,132	13,654
Selling, general and administrative	21,268	17,989	40,469	36,164
Change in fair value of contingent consideration	-	(13,650)	-	(18,470)
Total operating expenses	28,243	11,632	53,601	31,348
(Loss) income from operations	(3,381)	9,180	(6,935)	10,438
Interest and other income (expense), net	96	(50)	(58)	(93)
(Loss) income before income taxes	(3,285)	9,130	(6,993)	10,345
(Benefit from) provision for income taxes	(442)	2,599	(1,217)	976
Net (loss) income	$ (2,843)	$ 6,531	$ (5,776)	$ 9,369
Net (loss) income per share:				
Basic	$ (0.20)	$ 0.45	$ (0.40)	$ 0.65
Diluted	$ (0.20)	$ 0.45	$ (0.40)	$ 0.64
Weighted average common shares outstanding:				
Basic	14,555	14,393	14,511	14,368
Diluted	14,555	14,627	14,511	14,583

Anika Therapeutics, Inc. and Subsidiaries
Consolidated Balance Sheets
(in thousands, except per share data)

ASSETS	June 30, 2022	December 31, 2021
Current assets:		
Cash, cash equivalents and investments	$ 91,392	$ 94,386
Accounts receivable, net	32,172	29,843
Inventories, net	35,336	36,010
Prepaid expenses and other current assets	8,956	8,289
Total current assets	167,856	168,528
Property and equipment, net	48,087	47,602
Right-of-use assets	31,607	20,957
Other long-term assets	20,914	20,285
Intangible assets, net	78,490	82,382
Goodwill	7,169	7,781
Total assets	$ 354,123	$ 347,535
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 8,165	$ 7,633
Accrued expenses and other current liabilities	16,951	17,847
Contingent consideration	4,315	4,315

Total current liabilities	29,431	29,795
Other long-term liabilities	587	1,258
Deferred tax liability	8,220	10,157
Lease liabilities	29,732	19,240
Stockholders’ equity:		
Common stock, $0.01 par value	146	144
Additional paid-in-capital	72,851	67,081
Accumulated other comprehensive loss	(6,646)	(5,718)
Retained earnings	219,802	225,578
Total stockholders’ equity	286,153	287,085
Total liabilities and stockholders’ equity	$ 354,123	$ 347,535

Reconciliation of GAAP Gross Profit to Adjusted Gross Profit
(in thousands)
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Gross Profit	$ 24,862	$ 20,812	$ 46,666	$ 41,786
Product rationalization related charges	-	2,063	-	2,063
Acquisition related intangible asset amortization	1,562	1,562	3,124	3,124
Acquisition related inventory step up	-	2,208	-	4,786
Adjusted Gross Profit	$ 26,424	$ 26,645	$ 49,790	$ 51,759
Adjusted Gross Margin	67%	70%	65%	71%

Reconciliation of GAAP Net Income to Adjusted EBITDA
(in thousands)
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Net (loss) income	$ (2,843)	$ 6,531	$ (5,776)	$ 9,369
Interest and other expense, net	(96)	50	58	93
Benefit from income taxes	(442)	2,599	(1,217)	976
Depreciation and amortization	1,933	1,716	3,753	3,437
Stock-based compensation	4,081	2,797	6,626	5,056
Product rationalization	-	2,063	-	2,063
Acquisition related intangible asset amortization	1,787	1,787	3,574	3,574
Acquisition related inventory step up	-	2,208	-	4,786
Change in fair value of contingent consideration	-	(13,650)	-	(18,470)
Adjusted EBITDA	$ 4,420	$ 6,101	$ 7,018	$ 10,884

Reconciliation of GAAP Net Income to Adjusted Net Income
(in thousands)
(unaudited)

	For the Three Months Ended	For the Six Months Ended

	June 30,		June 30,	
	2022	2021	2022	2021
Net (loss) income	$ (2,843)	$ 6,531	$ (5,776)	$ 9,369
Product rationalization, tax effected	-	1,590	-	1,590
Acquisition related intangible asset amortization, tax effected	1,219	1,356	2,565	2,754
Acquisition related inventory step up, tax effected	-	1,675	-	3,688
Change in fair value of contingent consideration, tax effected	-	(9,789)	-	(15,287)
Adjusted net (loss) income	$ (1,624)	$ 1,363	$ (3,211)	$ 2,114

Reconciliation of GAAP Diluted Earnings Per Share to Adjusted Diluted Earnings Per Share
(per share data)
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Diluted (loss) earnings per share (EPS)	$ (0.20)	$ 0.45	$ (0.40)	$ 0.64
Product rationalization, tax effected	-	0.11	-	0.11
Acquisition related intangible asset amortization, tax effected	0.08	0.09	0.18	0.19
Acquisition related inventory step up, tax effected	-	0.11	-	0.25
Change in fair value of contingent consideration, tax effected	-	(0.67)	-	(1.05)
Adjusted diluted (loss) earnings per share (EPS)	$ (0.12)	$ 0.09	$ (0.22)	$ 0.14

Anika Therapeutics, Inc. and Subsidiaries
Revenue by Product Family
(in thousands, except percentages)
(unaudited)

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2022	2021	$ change	% change	2022	2021	$ change	% change
Joint Pain Management	$ 25,741	$ 24,321	$ 1,420	6%	$ 48,474	$ 43,637	$ 4,837	11%
Joint Preservation and Restoration	12,095	11,884	211	2%	24,234	24,103	131	1%
Non-Orthopedic	1,821	1,940	(119)	-6%	3,642	4,697	(1,055)	-22%
Revenue	$ 39,657	$ 38,145	$ 1,512	4%	$ 76,350	$ 72,437	$ 3,913	5%