

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 09, 2022

Surmodics, Inc.

(Exact name of Registrant as Specified in Its Charter)

Minnesota
(State or Other Jurisdiction
of Incorporation)

0-23837
(Commission File Number)

41-1356149
(IRS Employer
Identification No.)

9924 West 74th Street
Eden Prairie, Minnesota
(Address of Principal Executive Offices)

55344
(Zip Code)

Registrant's Telephone Number, Including Area Code: 952 500-7000

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|--------------------------------|------------------------------|--|
| Common Stock, \$0.05 par value | SRDX | NASDAQ Global Select Market |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On November 9, 2022, Surmodics, Inc. (the “Company”) issued a press release (the “Press Release”) announcing the Company’s financial results for the quarter ended September 30, 2022. A copy of the full text of the Press Release is furnished as Exhibit 99.1 to this report.

The information contained in this Item 2.02, including Exhibit 99.1, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall they be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

| Exhibit Number | Description |
|---------------------------|---|
| 99.1 | Press Release dated November 9, 2022 |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SURMODICS, INC.

Date: November 9, 2022

By: /s/ Timothy J. Arens
Timothy J. Arens
Senior Vice President of Finance and Chief Financial Officer

Surmodics Reports Fourth Quarter and Fiscal Year 2022 Financial Results; Introduces Fiscal Year 2023 Financial Guidance

November 9, 2022 07:00 Eastern Standard Time

EDEN PRAIRIE, Minn. – Surmodics, Inc. (Nasdaq: SRDX), a leading provider of medical device and in vitro diagnostic technologies to the healthcare industry, today reported financial results for its fourth quarter and fiscal year ended September 30, 2022, and introduced its financial outlook for the fiscal year ending September 30, 2023.

Fourth Quarter 2022 Financial Summary

- Total Revenue of \$26.0 million, an increase of 8% year-over-year
- GAAP Diluted EPS of \$(1.06), including \$(0.73) deferred tax valuation reserve, compared to \$(0.02) in the prior-year period
- Non-GAAP Diluted EPS of \$(0.26), compared to \$(0.10) in the prior-year period

Fiscal Year 2022 Financial Summary

- Total Revenue of \$100.0 million, a decrease of 5% year-over-year
- GAAP Diluted EPS of \$(1.96), including \$(0.73) deferred tax valuation reserve, compared to \$0.30 in the prior-year period
- Non-GAAP Diluted EPS of \$(0.95), compared to \$0.37 in the prior-year period

Business Highlights

- On October 11, 2022, Surmodics announced that six-month data from its SWING first-in-human study of the Company's Sundance™ Sirolimus drug-coated balloon was presented at the Amputation Prevention Symposium (AMP) in Lugano, Switzerland, with *Sundance* demonstrating an excellent safety profile and the lowest binary restenosis at six months, compared to relevant below-the-knee trials.
- On October 13, 2022, Surmodics submitted a complete response to FDA comments on its application for premarket approval of the SurVeil™ drug-coated balloon.
- On October 17, 2022, Surmodics announced that it has entered into a new, five-year credit agreement with MidCap Financial, consisting of up to \$100 million in term loans and a \$25 million revolving credit facility.
- On November 2, 2022, Surmodics announced that 24-month data from its TRANSCEND clinical trial of the Company's SurVeil™ drug-coated balloon was presented at the Vascular InterVentional Advances (VIVA) annual conference in Las Vegas, Nevada, with *SurVeil* demonstrating sustained durability of safety and efficacy endpoints.

“We are pleased to bring fiscal 2022 to a strong conclusion, delivering revenue performance that exceeded our expectations for the fourth quarter, while continuing to invest in our business and make progress on our strategic objectives,” said Gary Maharaj, President and CEO of Surmodics, Inc. “Our fourth quarter revenue performance was exclusively driven by Medical Device revenue, which increased 12% year-over-year, with stronger-than-anticipated product sales – including sales of our Pounce™ and Sublime™ products – and licensing fee revenue. From an operational standpoint, our regulatory team worked diligently to prepare a complete response to FDA comments on the PMA application for our *SurVeil* drug-coated balloon, which we are pleased to announce was submitted to the Agency on October 13th. We also made important progress with respect to the initial commercialization of our *Pounce* arterial thrombectomy and *Sublime* radial platforms, onboarding and training our recently hired territory managers, building our customer base, and generating early commercial traction.”

Mr. Maharaj continued, “With an established direct sales team, recent progress with respect to our *SurVeil*, *Pounce* and *Sublime* products, and an enhanced balance sheet to support our operations and growth initiatives, we are excited about our future prospects as we enter fiscal 2023. Looking ahead, we aim to build upon the momentum gained this past year by remaining focused on driving continued execution with respect to our strategic objectives. In doing so, we will position Surmodics to achieve strong, sustainable, long-term growth and generate enhanced future value for our shareholders.”

Fourth Quarter Fiscal 2022 Financial Results

| | Three Months Ended September 30, | | Increase (Decrease) | |
|----------------------|-------------------------------------|------------------|---------------------|------|
| | 2022 | 2021 | \$ | % |
| Revenue: | | | | |
| Medical Device | \$ 19,500 | \$ 17,395 | \$ 2,105 | 12 % |
| In Vitro Diagnostics | 6,488 | 6,576 | (88) | (1)% |
| Total revenue | <u>\$ 25,988</u> | <u>\$ 23,971</u> | <u>\$ 2,017</u> | 8 % |

Total revenue increased \$2.0 million, or 8%, to \$26.0 million, compared to \$24.0 million in the fourth quarter of fiscal 2021.

Medical Device revenue increased \$2.1 million, or 12%, to \$19.5 million, compared to \$17.4 million in the fourth quarter of fiscal 2021, driven by device product sales, as well as higher license fee revenue. Medical Device revenue in the fourth quarter of fiscal 2022 included \$2.1 million from the Company’s Development and Distribution Agreement with Abbott Vascular, Inc. (“Abbott”) for the *SurVeil* drug-coated balloon (“DCB”), compared to \$1.2 million in the prior-year period. In Vitro Diagnostics revenue decreased \$0.1 million, or 1%, to \$6.5 million, compared to \$6.6 million in the fourth quarter of fiscal 2021, driven primarily by strong product sales offset by unfavorable order timing for distributed antigen products.

Product gross profit (defined as product sales less product costs) increased \$0.4 million, or 5%, to \$8.8 million, compared to \$8.4 million in the fourth quarter of fiscal 2021. Product gross margin (defined as product gross profit as a percentage of product sales) was 61.1%, compared to 66.8% in the fourth quarter of fiscal 2021. Product gross margin in the fourth quarter of fiscal 2021 included a \$0.5 million benefit associated with the employee retention credit under the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”). Product gross margin in the fourth quarter of fiscal 2022 was adversely impacted relative to the prior year by a higher mix of recent product introductions, which have lower product gross margins due to low production volumes.

Operating costs and expenses, excluding product costs, increased \$6.7 million, or 33%, to \$27.0 million, compared to \$20.3 million in the fourth quarter of fiscal 2021. The increase was driven primarily by higher selling, general and administrative expenses associated with the expansion of the Company’s direct medical device salesforce. Operating costs and expenses in the fourth quarter of fiscal 2021 included a \$3.1 million benefit associated with the employee retention credit under the CARES Act.

GAAP net loss was \$(14.7) million, or \$(1.06) per diluted share, compared to \$(0.3) million, or \$(0.02) per diluted share in the fourth quarter of fiscal 2021. GAAP net loss in the quarter included a non-cash tax expense of \$(10.2) million, or \$(0.73) per diluted share, from a full valuation reserve against the Company’s U.S. deferred tax assets. The availability of the deferred tax assets to offset future U.S. tax liabilities was unaffected by the reserve. Non-GAAP net loss was \$(3.7) million, or \$(0.26) per diluted share, compared to \$(1.3) million, or \$(0.10) per diluted share in the fourth quarter of fiscal 2021.

Adjusted EBITDA loss was \$(2.5) million, compared to Adjusted EBITDA of \$0.5 million in the fourth quarter of fiscal 2021.

Fiscal Year 2022 Financial Results

| | Fiscal Year Ended September 30, | | Increase (Decrease) | |
|----------------------|------------------------------------|-------------------|---------------------|-------------|
| | 2022 | 2021 | \$ | % |
| Revenue: | | | | |
| Medical Device | \$ 72,389 | \$ 78,253 | \$ (5,864) | (7)% |
| In Vitro Diagnostics | 27,562 | 26,883 | 679 | 3% |
| Total revenue | <u>\$ 99,951</u> | <u>\$ 105,136</u> | <u>\$ (5,185)</u> | <u>(5)%</u> |

Total revenue decreased \$5.2 million, or 5%, to \$100.0 million, compared to \$105.1 million in fiscal 2021.

Medical Device revenue decreased \$5.9 million, or 7%, to \$72.4 million, compared to \$78.3 million in fiscal 2021, driven primarily by lower license fee revenue, partly offset by broad-based product sales growth. Medical Device license fee revenue in fiscal 2022 included \$5.7 million from the Company's Development and Distribution Agreement with Abbott for the *SurVeil* DCB, compared to \$16.0 million in the prior year. In Vitro Diagnostics revenue increased \$0.7 million, or 3%, to \$27.6 million, compared to \$26.9 million in fiscal 2021, driven by broad-based product sales growth.

GAAP net loss was \$(27.3) million, or \$(1.96) per diluted share, compared to GAAP net income of \$4.2 million, or \$0.30 per diluted share in fiscal 2021. GAAP net loss in fiscal 2022 included a non-cash tax expense of \$(10.2) million, or \$(0.73) per diluted share, from a full valuation reserve against the Company's U.S. deferred tax assets. Non-GAAP net loss was \$(13.2) million, or \$(0.95) per diluted share, compared to Non-GAAP net income of \$5.2 million, or \$0.37 per diluted share in fiscal 2021.

Adjusted EBITDA loss was \$(5.8) million, compared to Adjusted EBITDA of \$17.9 million in fiscal 2021.

Balance Sheet Summary

As of September 30, 2022, Surmodics reported cash and investments totaling \$19.0 million and \$10 million in outstanding borrowings on its \$25 million line of credit. Surmodics reported \$2.5 million of cash used in operating activities and \$0.6 million in capital expenditures in the fourth quarter of fiscal 2022.

On October 17, 2022, Surmodics entered into a new, five-year credit agreement with MidCap Financial ("MidCap"), comprised of up to \$100 million in term loans and a \$25 million revolving credit facility. The Company drew \$25 million on the term loan and \$5 million on the revolving credit facility at close. These proceeds were partially used to retire the Company's existing \$25 million revolving credit facility with Bridgewater Bank, of which \$10 million was outstanding. Upon closing, the Company's cash balance increased by \$19.5 million.

Fiscal Year 2023 Financial Guidance

Surmodics expects fiscal year 2023 total revenue to range from \$103 million to \$107 million, representing an increase of 3% to 7% compared to the prior year.

The Company expects fiscal 2023 GAAP diluted loss per share to range from \$(2.80) to \$(2.40). Non-GAAP diluted loss per share in fiscal 2023 is expected to range from \$(2.54) to \$(2.14), which reflects continued investment to support the commercialization of the Company's *Pounce* thrombectomy and *Sublime* radial access products.

Surmodics has the potential to receive up to a \$30 million milestone payment during fiscal 2023 pursuant to the Abbott Development and Distribution Agreement related to premarket approval ("PMA") by the U.S. Food and Drug Administration ("FDA") of the *SurVeil* DCB. The milestone payment is reduced to \$27 million if PMA is received after December 31, 2022, but before June 30, 2023, and to \$24 million if PMA is received on or after June 30, 2023. The Company does not expect to receive the PMA prior to January 1, 2023. The potential revenue during fiscal 2023 associated with the \$30 million, \$27 million or \$24 million milestone payment would be approximately \$27 million, \$25 million or \$22 million, respectively. As has been the Company's practice with past guidance, revenue from regulatory-related milestones is not included in guidance until after they are achieved.

Conference Call Today at 7:00 a.m. CT (8:00 a.m. ET)

Surmodics is hosting a live webcast at 7:00 a.m. CT (8:00 a.m. ET) today to discuss the fourth quarter and fiscal 2022 financial results and accomplishments and host a question-and-answer session. To access the webcast, navigate to upcoming events under the 'events and presentations' tab within the investor relations portion of the Company's website at <https://surmodics.gcs-web.com/events-and-presentations>. To listen to the live teleconference, dial 888-428-7458 (international callers may dial 862-298-0702) and provide access ID: 13733806.

An audio replay of the conference call will be available beginning at 11:00 a.m. CT on Wednesday, November 9th until 11:00 a.m. CT on Wednesday, November 23rd and can be accessed by dialing 877-660-6853 (international callers may dial 201-612-7415) and entering access ID: 13733806. In addition, the webcast and transcript will be archived on the Company's website following the call.

About Surmodics, Inc.

Surmodics is a leading provider of surface modification technologies for intravascular medical devices and chemical components for in vitro diagnostic immunoassay tests and microarrays. Surmodics is pursuing development and commercialization of highly differentiated medical devices that are designed to address unmet clinical needs and engineered to the most demanding requirements. This key growth strategy leverages the combination of the Company's expertise in proprietary surface technologies, along with enhanced device design, development, and manufacturing capabilities. The Company mission remains to improve the detection and treatment of disease. Surmodics is headquartered in Eden Prairie, Minnesota. For more information, visit www.surmodics.com. The content of Surmodics' website is not part of this press release or part of any filings that the Company makes with the Securities and Exchange Commission ("SEC").

Safe Harbor for Forward-looking Statements

This press release, and disclosures related to it, contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are not historical or current facts, including statements regarding our future prospects; statements regarding position Surmodics to achieve strong, sustainable long-term growth and generate enhanced future value for our shareholders; our revenue, expense and loss expectations for fiscal 2023 and beyond, including our fiscal 2023 financial guidance and related assumptions; our fiscal 2023 strategic objectives; the potential for receiving FDA approval of the PMA for our *SurVeil* DCB and the potential timing of that approval; the potential receipt of a PMA milestone payment from Abbott and the amount of revenue that would be recognized in fiscal 2023 on such a milestone payment; expectations regarding Abbott's commercialization plans, and the U.S. commercialization prospect, for the *SurVeil* DCB; expectation regarding the conduct, and anticipated benefits of, limited evaluations for the *Pounce* venous thrombectomy platform, as well as plans to complete process and manufacturing validation efforts to support broader commercialization efforts for the product; expectations regarding our Medical Device coating offerings and our IVD business continuing to generate meaningful operating income and support our growth initiatives in fiscal 2023; the ability of our credit facility with MidCap Financial to ensure we have the financial flexibility to support our long-term growth strategy, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties, and important factors could cause actual results to differ materially from those anticipated, including, without limitation: (1) our ability to successfully develop and commercialize our *SurVeil* DCB (including realization of the full potential benefits of our agreement with Abbott), *A vess*[™] DCB, *Sundance* DCB, and other proprietary products; (2) whether and when the FDA grants PMA to the *SurVeil* DCB; (3) our reliance on third parties (including our customers and licensees) and their failure to successfully develop, obtain regulatory approval for, market, and sell products incorporating our technologies; (4) possible adverse market conditions and possible adverse impacts on our cash flows; (5) our ability to successfully and profitably commercialize the *Pounce* arterial thrombectomy system; (6) current and future supply chain constraints; (7) whether our increased operating expenses are effective in generating profitable revenues; and (8) the factors identified under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2021 and subsequent SEC filings. These reports are available in the Investors section of our website at <https://surmodics.gcs-web.com> and at the SEC website at www.sec.gov. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update them in light of new information or future events.

Use of Non-GAAP Financial Information

In addition to reporting financial results in accordance with U.S. generally accepted accounting principles, or GAAP, Surmodics is reporting non-GAAP financial results including EBITDA and Adjusted EBITDA, non-GAAP operating (loss) income, non-GAAP operating (loss) income percentage, non-GAAP (loss) income before income taxes, non-GAAP net (loss) income, and non-GAAP diluted (loss) earnings per diluted share. We believe that these non-GAAP measures, when read in conjunction with the Company's GAAP financial statements, provide meaningful insight into our operating performance excluding certain event-specific matters, and provide an alternative perspective of our results of operations. We use non-GAAP measures, including those set forth in this release, to assess our operating performance and to determine payouts under our executive compensation programs. We also are providing guidance on a range of non-GAAP diluted loss per diluted share for fiscal 2023. We believe that presentation of certain non-GAAP measures allows investors to review our results of operations from the same perspective as management and our board of directors and facilitates comparisons of our current results of operations. The method we use to produce non-GAAP results is not in accordance with GAAP and may differ from the methods used by other companies. Non-GAAP results should not be regarded as a substitute for corresponding GAAP measures but instead should be utilized as a supplemental measure of operating performance in evaluating our business. Non-GAAP measures do have limitations in that they do not reflect certain items that may have a material impact on our reported financial results. As such, these non-GAAP measures should be viewed in conjunction with both our financial statements prepared in accordance with GAAP and the reconciliation of the supplemental non-GAAP financial measures to the comparable GAAP results provided for the specific periods presented, which are attached to this release.

Surmodics, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(Unaudited)

| | Three Months Ended September 30, | | Fiscal Year Ended September 30, | |
|---|----------------------------------|-----------------|---------------------------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Revenue: | | | | |
| Product sales | \$ 14,394 | \$ 12,509 | \$ 54,621 | \$ 46,478 |
| Royalties and license fees | 9,510 | 8,874 | 36,248 | 47,056 |
| Research, development and other | 2,084 | 2,588 | 9,082 | 11,602 |
| Total revenue | 25,988 | 23,971 | 99,951 | 105,136 |
| Operating costs and expenses: | | | | |
| Product costs | 5,597 | 4,159 | 20,342 | 17,177 |
| Research and development | 12,259 | 10,731 | 50,609 | 46,734 |
| Selling, general and administrative | 13,779 | 7,865 | 46,947 | 30,680 |
| Acquired intangible asset amortization | 966 | 1,117 | 4,150 | 2,793 |
| Acquisition transaction, integration and other costs | — | 588 | — | 1,049 |
| Total operating costs and expenses | 32,601 | 24,460 | 122,048 | 98,433 |
| Operating (loss) income | (6,613) | (489) | (22,097) | 6,703 |
| Other expense, net | (179) | (73) | (396) | (357) |
| (Loss) income before income taxes | (6,792) | (562) | (22,493) | 6,346 |
| Income tax (expense) benefit | (7,936) | 273 | (4,781) | (2,109) |
| Net (loss) income | \$ (14,728) | \$ (289) | \$ (27,274) | \$ 4,237 |
| Basic (loss) income per share | \$ (1.06) | \$ (0.02) | \$ (1.96) | \$ 0.31 |
| Diluted (loss) income per share | \$ (1.06) | \$ (0.02) | \$ (1.96) | \$ 0.30 |
| Weighted average number of shares outstanding: | | | | |
| Basic | 13,944 | 13,851 | 13,916 | 13,765 |
| Diluted | 13,944 | 13,851 | 13,916 | 13,989 |

Surmodics, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands)
(Unaudited)

| | September 30, | |
|--|---------------|------------|
| | 2022 | 2021 |
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 18,998 | \$ 31,153 |
| Available-for-sale securities | — | 7,717 |
| Accounts receivable, net | 10,452 | 9,169 |
| Contract assets — royalties and license fees | 7,116 | 7,091 |
| Inventories, net | 11,819 | 6,760 |
| Prepays and other | 9,202 | 8,365 |
| Total Current Assets | 57,587 | 70,255 |
| Property and equipment, net | 27,148 | 30,090 |
| Available-for-sale securities | — | 2,002 |
| Deferred income taxes | — | 5,867 |
| Intangible assets, net | 28,145 | 37,054 |
| Goodwill | 40,710 | 45,606 |
| Other assets | 4,769 | 3,718 |
| Total Assets | \$ 158,359 | \$ 194,592 |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities: | | |
| Short-term borrowings | 10,000 | 10,000 |
| Deferred revenue | 4,160 | 4,647 |
| Other current liabilities | 17,919 | 15,168 |
| Total Current Liabilities | 32,079 | 29,815 |
| Deferred revenue | 5,088 | 10,301 |
| Other long-term liabilities | 12,800 | 14,391 |
| Total Liabilities | 49,967 | 54,507 |
| Total Stockholders' Equity | 108,392 | 140,085 |
| Total Liabilities and Stockholders' Equity | \$ 158,359 | \$ 194,592 |

Surmodics, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

| | Fiscal Year Ended September 30, | |
|--|---------------------------------|------------------|
| | 2022 | 2021 |
| Operating Activities: | | |
| Net (loss) income | \$ (27,274) | \$ 4,237 |
| Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 9,142 | 8,017 |
| Stock-based compensation | 7,057 | 5,863 |
| Deferred taxes | 5,268 | 1,651 |
| Other | 860 | 478 |
| Change in operating assets and liabilities: | | |
| Accounts receivable and contract assets | (1,522) | (2,480) |
| Inventories | (5,060) | (818) |
| Prepays and other | (665) | (2,391) |
| Accounts payable | 1,608 | 264 |
| Accrued liabilities | 132 | 1,406 |
| Income taxes | (1,069) | 210 |
| Deferred revenue | (5,700) | (1,048) |
| Net cash (used in) provided by operating activities | <u>(17,223)</u> | <u>15,389</u> |
| Investing Activities: | | |
| Purchases of property and equipment | (3,370) | (5,279) |
| Payment for acquisition of intangible assets | — | (1,000) |
| Purchases of available-for-sale securities | — | (22,723) |
| Sales and maturities of available-for-sale securities | 9,600 | 43,317 |
| Purchase of business, net of acquired cash | — | (39,553) |
| Net cash provided by (used in) investing activities | <u>6,230</u> | <u>(25,238)</u> |
| Financing Activities: | | |
| Proceeds from short-term borrowings | — | 10,000 |
| Issuance of common stock | 1,246 | 3,128 |
| Payments for taxes related to net share settlement of equity awards | (1,121) | (2,751) |
| Payments for acquisition of in-process research and development | (500) | (150) |
| Net cash (used in) provided by financing activities | <u>(375)</u> | <u>10,227</u> |
| Effect of exchange rate changes on cash | (787) | (10) |
| Net change in cash and cash equivalents | <u>(12,155)</u> | <u>368</u> |
| Cash and Cash Equivalents: | | |
| Beginning of year | 31,153 | 30,785 |
| End of year | <u>\$ 18,998</u> | <u>\$ 31,153</u> |

Surmodics, Inc. and Subsidiaries
Supplemental Segment Information
(in thousands)
(Unaudited)

| | Three Months Ended September 30, | | Fiscal Year Ended September 30, | |
|-------------------------------------|----------------------------------|------------------|---------------------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Medical Device Revenue | | | | |
| Product sales | \$ 7,960 | \$ 6,313 | \$ 27,930 | \$ 21,777 |
| Royalties | 7,252 | 7,646 | 30,267 | 30,781 |
| License fees | 2,258 | 1,228 | 5,981 | 16,275 |
| Research, development and other | 2,030 | 2,208 | 8,211 | 9,420 |
| Medical Device revenue | 19,500 | 17,395 | 72,389 | 78,253 |
| In Vitro Diagnostics Revenue | | | | |
| Product sales | 6,434 | 6,196 | 26,691 | 24,701 |
| Research, development and other | 54 | 380 | 871 | 2,182 |
| In Vitro Diagnostics revenue | 6,488 | 6,576 | 27,562 | 26,883 |
| Total Revenue | <u>\$ 25,988</u> | <u>\$ 23,971</u> | <u>\$ 99,951</u> | <u>\$ 105,136</u> |

| | Three Months Ended September 30, | | Fiscal Year Ended September 30, | |
|--|----------------------------------|-----------------|---------------------------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Operating (Loss) Income: | | | | |
| Medical Device | \$ (6,211) | \$ (797) | \$ (22,923) | \$ 4,683 |
| In Vitro Diagnostics | 2,811 | 3,363 | 13,073 | 13,770 |
| Total segment operating (loss) income | (3,400) | 2,566 | (9,850) | 18,453 |
| Corporate | (3,213) | (3,055) | (12,247) | (11,750) |
| Total (Loss) Income from Operations | <u>\$ (6,613)</u> | <u>\$ (489)</u> | <u>\$ (22,097)</u> | <u>\$ 6,703</u> |

Surmodics, Inc. and Subsidiaries
Reconciliation of GAAP Measures to Non-GAAP Amounts
Schedule of EBITDA and Adjusted EBITDA
(in thousands)
(Unaudited)

| | Three Months Ended September 30, | | Fiscal Year Ended September 30, | |
|--|----------------------------------|-----------------|---------------------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net (Loss) Income | \$ (14,728) | \$ (289) | \$ (27,274) | \$ 4,237 |
| Income tax expense (benefit) | 7,936 | (273) | 4,781 | 2,109 |
| Depreciation and amortization | 2,240 | 2,407 | 9,142 | 8,017 |
| Investment income, net | (26) | (28) | (99) | (123) |
| Interest expense | 188 | 132 | 598 | 310 |
| EBITDA | (4,390) | 1,949 | (12,852) | 14,550 |
| Adjustments: | | | | |
| Stock-based compensation expense | 1,859 | 1,545 | 7,057 | 5,863 |
| Acquisition transaction, integration and other costs (1) | — | 588 | — | 1,049 |
| CARES Act Employee Retention Credit (2) | — | (3,577) | — | (3,577) |
| Adjusted EBITDA | \$ (2,531) | \$ 505 | \$ (5,795) | \$ 17,885 |

Surmodics, Inc. and Subsidiaries
Guidance Reconciliation: Estimated Non-GAAP Diluted EPS
For the Fiscal Year Ending September 30, 2023
(Unaudited)

| | Fiscal 2023 Full-Year Estimate | |
|--|--------------------------------|------------------|
| | Low | High |
| GAAP Diluted EPS | \$ (2.80) | \$ (2.40) |
| Amortization of acquired intangibles per diluted share (3) | 0.26 | 0.26 |
| Non-GAAP Diluted EPS | \$ (2.54) | \$ (2.14) |
| Diluted weighted average shares outstanding | 14,030 | |

Surmodics, Inc. and Subsidiaries
Net (Loss) Income and Diluted EPS GAAP to Non-GAAP Reconciliation
(in thousands, except per share data)
(Unaudited)

| | For the Three Months Ended September 30, 2022 | | | | | |
|--|---|-------------------|----------------|--------------------------------|-------------------|------------------|
| | Revenue | Operating Loss | | Loss Before Income Taxes | Net Loss (5) | Diluted EPS |
| GAAP | \$ 25,988 | \$ (6,613) | (25.4)% | \$ (6,792) | \$ (14,728) | \$ (1.06) |
| <u>Adjustments:</u> | | | | | | |
| Amortization of acquired intangible assets (3) | — | 966 | 3.7% | 966 | 906 | 0.07 |
| Tax expense from full valuation allowance against U.S. deferred tax assets (4) | — | — | — | — | 10,151 | 0.73 |
| Non-GAAP | <u>\$ 25,988</u> | <u>\$ (5,647)</u> | <u>(21.7)%</u> | <u>\$ (5,826)</u> | <u>\$ (3,671)</u> | <u>\$ (0.26)</u> |
| Diluted weighted average shares outstanding (6) | | | | | | 13,944 |

| | For the Three Months Ended September 30, 2021 | | | | | |
|--|---|-------------------|---------------|--------------------------------|-------------------|------------------|
| | Revenue | Operating Loss | | Loss Before Income Taxes | Net Loss (5) | Diluted EPS |
| GAAP | \$ 23,971 | \$ (489) | (2.0)% | \$ (562) | \$ (289) | \$ (0.02) |
| <u>Adjustments:</u> | | | | | | |
| Amortization of acquired intangible assets (3) | — | 1,117 | 4.7% | 1,117 | 1,014 | 0.07 |
| Acquisition transaction, integration and other costs (1) | — | 588 | 2.4% | 588 | 554 | 0.04 |
| CARES Act Employee Retention Credit (2) | — | (3,577) | (14.9)% | (3,577) | (2,617) | (0.19) |
| Non-GAAP | <u>\$ 23,971</u> | <u>\$ (2,361)</u> | <u>(9.8)%</u> | <u>\$ (2,434)</u> | <u>\$ (1,338)</u> | <u>\$ (0.10)</u> |
| Diluted weighted average shares outstanding (6) | | | | | | 13,851 |

Surmodics, Inc. and Subsidiaries
Net (Loss) Income and Diluted EPS GAAP to Non-GAAP Reconciliation (Continued)
(in thousands, except per share data)
(Unaudited)

| Fiscal Year Ended September 30, 2022 | | | | | | |
|--|-------------------|--------------------|----------------|-------------------------------------|--------------------|------------------|
| | Revenue | Operating Loss | (22.1)% | Loss Before Income Taxes | Net Loss (5) | Diluted EPS |
| GAAP | \$ 99,951 | \$ (22,097) | | \$ (22,493) | \$ (27,274) | \$ (1.96) |
| Adjustments: | | | | | | |
| Amortization of acquired intangible assets (3) | — | 4,150 | 4.1% | 4,150 | 3,888 | 0.28 |
| Tax expense from full valuation allowance against U.S. deferred tax assets (4) | — | — | — | — | 10,151 | 0.73 |
| Non-GAAP | <u>\$ 99,951</u> | <u>\$ (17,947)</u> | <u>(18.0)%</u> | <u>\$ (18,343)</u> | <u>\$ (13,235)</u> | <u>\$ (0.95)</u> |
| Diluted weighted average shares outstanding (6) | | | | | | 13,916 |
| Fiscal Year Ended September 30, 2021 | | | | | | |
| | Revenue | Operating Income | | Income Before Income Taxes | Net Income (5) | Diluted EPS |
| GAAP | \$ 105,136 | \$ 6,703 | 6.4% | \$ 6,346 | \$ 4,237 | \$ 0.30 |
| Adjustments: | | | | | | |
| Amortization of acquired intangible assets (3) | — | 2,793 | 2.7% | 2,793 | 2,600 | 0.19 |
| Acquisition transaction, integration and other costs (1) | — | 1,049 | 1.0% | 1,049 | 1,015 | 0.07 |
| CARES Act Employee Retention Credit (2) | — | (3,577) | (3.5)% | (3,577) | (2,617) | (0.19) |
| Non-GAAP | <u>\$ 105,136</u> | <u>\$ 6,968</u> | <u>6.6%</u> | <u>\$ 6,611</u> | <u>\$ 5,235</u> | <u>\$ 0.37</u> |
| Diluted weighted average shares outstanding (6) | | | | | | 13,989 |

- (1) Represents expenses specifically associated with the fiscal 2021 business acquisition of Vetex Medical Limited and associated tax impact. A significant proportion of the acquisition expenses were not tax deductible.
- (2) Represents the benefit recorded as a result of the employee retention credit that the Company filed for under the provisions of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") enacted in March 2020. The estimated tax impact reflected the combined impact of the statutory tax rate of 21% and a reduction in research and development tax credits.
- (3) Represents amortization of business acquisition-related intangible assets and associated tax impact. A significant portion of the business acquisition-related amortization is not tax deductible.
- (4) Represents the non-cash charge to income tax expense that resulted from the establishment of a full valuation allowance against U.S. net deferred tax assets in the fourth quarter of fiscal 2022. A valuation allowance is required to be recognized against deferred tax assets if, based on the available evidence, it is more likely than not (defined as a likelihood of more than 50%) that all or a portion of such assets will not be realized. The relevant guidance weighs available evidence such as historical cumulative taxable losses more heavily than future profitability. The valuation allowance has no impact on the availability of U.S. net deferred tax assets to offset future tax liabilities.
- (5) Net (loss) income includes the effect of the above adjustments on the income tax (expense) benefit, taking into account deferred taxes and non-deductible items. Income tax impacts were estimated using the applicable statutory rate (21% in the U.S. and 12.5% in Ireland).

- (6) Diluted weighted average shares outstanding used in the calculation of EPS was the same for GAAP EPS and Non-GAAP EPS. Potentially dilutive common shares resulting from dilutive common stock options and non-vested stock relating to restricted stock awards and restricted stock units have been excluded from the calculation of EPS as their effect was antidilutive for the three months ended September 30, 2022 and 2021 and for the fiscal year ended September 30, 2022 as a result of the net loss for these periods.

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