

# Aurora Spine Corporation Reports First Quarter 2021 Financial Results

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**Continued improvement in gross margin to 49% in the first quarter 2021 validates the Company's current strategy of introducing more proprietary products and the addition of the Pain division.**

CARLSBAD, Calif., May 27, 2021 — **Aurora Spine Corporation (TSXV: ASG) (OTCQB: ASAPF)**, a designer and manufacturer of innovative medical devices that improve spinal surgery outcomes, today announced financial results for the three-months ended March 31, 2021.

All figures are in US dollars unless otherwise stated.

### Summary of First Quarter 2021 Financial Results and Recent Accomplishments

- **Improved Margins** - While revenue was comparable to the first quarter 2020, margins increased to 49% in first quarter 2021 compared to 35% in first quarter 2020. The increased margin was due to the shift in sales from third-party lower margin products to higher margin proprietary products.
- **Payroll Protection Program Loan (PPP)** - The Company applied for and received a second PPP loan in the amount of \$350,140. This will be used for the intended purpose of supporting payroll for the covered period.
- **SiLO Posterior SI Joint Fusion System (SiLO)**- Aurora Spine released its innovative SI joint fusion system in first quarter 2021. The SiLO™ is designed specifically for posterior sacroiliac joint fusion.
- **Apollo System** - The Company has received U.S. Food and Drug Administration (FDA) 510(k) clearance for its proprietary APOLLO Anterior Cervical Plate (ACP) system, featuring a sleek 1.9mm design, with Hyper-Angulation™ variability in the Cephalad-Caudal screw angulation of 32° - Freedom to Angulate™.
- **IRB** - The Company has received Institutional Review Board (IRB) approval for its new multicenter study of its ZIP™ Interspinous Fixation device for patients suffering from back pain due to symptomatic degenerative disc disease. This multicenter study will involve 100 patients with results expected this year.
- **Training** - Aurora continued to conduct advanced training sessions and cadaver labs that introduced leading orthopedic, neurosurgical, and pain management physicians to the ZIP™ and SiLO™ implants.

- **OTCQB Listing in the United States** – Aurora Spine was listed on the OTCQB in the United States in first quarter 2021 making its stock more accessible to the American market.

“We were pleased with our proprietary product portfolio conversion and revenue accelerated as the first quarter progressed,” said Trent Northcutt, President and Chief Executive Officer. “Despite the headwinds we faced in January, February, and early March due to Covid-19 restrictions on elective surgeries, we exceeded our own internal expectations for the quarter with strong results in March as those surgery restrictions eased. The company made a proactive investment in cadaveric training and education that will continue with the announcement of our Multi-center ZIP-Screwless™ study. We are excited by the potential to generate additional revenue growth from our new Pain Care division and proprietary products.”

## **New Products**

### **SiLO**

“We are excited about the Si Joint market,” said Mr. Northcutt. “In the past few months, Aurora has been conducting advanced training sessions and cadaver labs that introduced leading neurosurgical, orthopedic and pain management physicians to the SiLO™ SI Fusion System. With many procedures already completed, the SiLO system has been safe and effective in an outpatient setting. The IRB approval allows Aurora to launch a multi-center prospective clinical study to investigate the efficacy of the SiLO device managing low back pain and improving quality of life in patients suffering from SI Joint pain.”

### **APOLLO**

“There are an estimated 180,000 cervical fusion procedures performed in the United States each year to relieve compression on the spinal cord or nerve roots. Receiving FDA 510(k) clearance for the APOLLO™ (ACP) system reflects Aurora Spine’s commitment to deliver innovative, modern technology for the anterior cervical spine and to support positive clinical outcomes,” said Trent Northcutt, President and CEO, at Aurora Spine. “The launch of APOLLO™ (ACP) is key to our long-term cervical implant strategy and represents a significant opportunity for growth, as cervical spine procedures comprise an approximately \$2.6 billion segment of the global spine market.”

Mr. Northcutt added, “This FDA clearance is an important piece to the puzzle for advancing Aurora Spine’s key initiative of bringing more proprietary-based products to the marketplace and decreasing our reliance on third-party products. Sales of cervical plates in fiscal 2019 represented approximately 10% of revenues for Aurora and the APOLLO plate will enable Aurora to convert another portion of the company’s revenue base into a proprietary product

and allow us to capture higher margins. This new product will also support sales of our TiNANO™ cervical cages and enable us to develop additional products around our DEXA™ patent, which matches implants to a patient’s bone density. This approval is a great step for Aurora in fiscal 2021 and we are hopeful to deliver several new key products throughout the year.”

## 2021 Outlook

While the Company does not issue formal guidance, it is expected that revenue will continue to improve in the following quarters as the pandemic improves and hinderances to elective surgery are removed. Aurora Spine will continue to develop and market new products throughout 2021 and 2022 to fill out its portfolio of spinal devices. The Company will continue to train surgeons and pain interventionalists on its minimally invasive products. We will continue to biomechanically test our proprietary products to prove their efficacy at providing fusion and reducing pain.

## Financial Results

### SELECTED BALANCE SHEET INFORMATION

The following table summarizes selected key financial data.

As at	March 31, 2021	December 31, 2020	December 31, 2019
	\$	\$	\$
Cash	1,175,638	1,710,146	444,741
Trade receivables	2,032,889	1,658,124	2,443,096
Prepaid expenses and deposits	297,001	231,256	262,217
Inventory	1,601,190	1,596,365	1,529,474
Current assets	5,106,718	5,195,891	4,679,528
Intangible assets	865,292	868,946	838,915
Property and equipment	1,055,574	1,090,312	1,155,249
Total assets	7,027,584	7,155,149	6,673,692
Current liabilities	1,797,782	1,561,470	2,523,223
Long-term liabilities	2,311,580	2,312,374	2,382,444
Share capital	22,007,747	22,007,747	20,669,713

### ANALYSIS OF FINANCIAL CONDITION AND FINANCIAL PERFORMANCE

Since inception, Aurora has focused on research and development followed by marketing and surgeon education to grow our business. The Company has expanded the range of products offered, applied for and received FDA approval for several products and increased the number of hospital approvals.

The Company has several FDA cleared products and procedures, all designed to improve

spine patient outcomes, drive continued surgeon interests, and provide benefits that deliver value to hospitals and patients. Inventory is on-hand to support future sales and hospital approvals have increased.

## SELECTED QUARTERLY INFORMATION

The Company's functional currency is the US dollar (USD). The functional currency of the Company's US subsidiary Aurora is USD.

Operating results for each quarter for the last two fiscal years are presented in the table below.

Quarters ended	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	<b>2,261,890</b>	2,437,228	2,368,692	1,580,450	<b>2,259,251</b>	2,632,649	2,530,602	3,260,247
Cost of goods sold	<b>(1,151,572)</b>	(1,533,983)	(1,230,824)	(934,058)	<b>(1,478,037)</b>	(2,550,418)	(1,518,986)	(1,971,382)
Gross profit	<b>1,110,318</b>	903,245	1,137,868	646,392	<b>781,214</b>	82,231	1,011,616	1,288,865
Operating expenses	<b>1,672,131</b>	1,400,165	1,146,672	831,239	<b>1,341,757</b>	669,399*	142,901	133,297
EBITDAC**	<b>(191,429)</b>	185,104	477,060	170,549	<b>(294,721)</b>	(837,587)	(116,189)	259,250
Net income (loss)	<b>(386,743)</b>	(42,181)	336,163	34,475	<b>(560,543)</b>	(587,168)	(417,399)	(44,105)
Basic and diluted income (loss) per share***	<b>(0.01)</b>	0.00	0.01	-	<b>(0.01)</b>	(0.03)	(0.01)	(0.00)

\* Adjusted by gains and (losses) on sale of equipment.

\*\* EBITDAC is a non-GAAP, non IFRS measure defined as Earnings before Interest, Tax, Depreciation, Amortization and Stock based compensation. This amount includes Gains (losses) on sale of property and equipment and Other income (expense).

\*\*\* Outstanding options and warrants have not been included in the calculation of the diluted loss per share as they would have the effect of being anti-dilutive.

*Since the Company has been in the development stage, quarterly operating results have varied in the past and may vary substantially in the future. Accordingly, the information above is not necessarily indicative of results for any future quarter.*

During the three months ended March 31, 2021 the Company generated revenue in the amount of \$2,261,890 compared to \$2,259,251 during the same period the previous year, an increase of approximately \$3k. January was particularly weak with concern over Covid-19 variants, but each successive month saw significant rising sales.

During the current quarter, cost of sales was \$1,151,572 and gross profit was \$1,110,318 as compared to \$1,478,037 and \$781,214, respectively in the comparable period last year. This represents a gross margin improvement of 14%, from 35% of revenues last year to 49% this year. Gross margin improved with the integration of new products, changing product mix towards more ZIP sales in the growing Pain division and conversion of third-party products.

The improvement in gross margin was largely offset by the increased spending on developing and introducing our new products into the pain market. Operating expenses during the current quarter were \$1,672,131 compared to \$1,341,757 during the comparable period, an increase of \$330,374. The principal driver was marketing expense which increased by \$189,380 most of which has been targeted towards the introduction of our ZIP and SiLO products and procedures to the pain market, including multi-day physician training sessions. R&D also increased by \$51,790 directly attributable to the development of our new SiLO FX and Dexa products. Similarly consulting fees rose as we engaged with partners in development and testing of our new products and associated tooling. The lifting of travel restrictions that were in place in 2020 also contributed to the increase in G&A.

During the current quarter, EBITDAC was (\$191,429), compared to (\$294,721) during the comparable period and reflects the above noted changes plus the Payroll Protection Program loan gain of \$175,070.

## **BUSINESS OF AURORA**

Aurora is focused on bringing new solutions to the spinal implant market through a series of innovative, minimally invasive, regenerative spinal implant technologies. The Company's goal is to improve patients' quality of life by developing and distributing spinal implant products that relieve back pain and preserve spinal bone structure and anatomy. Additional information can be accessed at [www.aurora-spine.com](http://www.aurora-spine.com) or [www.aurorapaincare.com](http://www.aurorapaincare.com).

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

## **Forward-Looking Statements**

*This news release contains forward-looking information that involves substantial known and unknown risks and uncertainties, most of which are beyond the control of Aurora Spine, including, without limitation, those listed under "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Information" in Aurora Spine's final prospectus (collectively, "forward-looking information"). Forward-looking information in this news release includes information concerning the proposed use and success of the company's products in surgical procedures. Aurora Spine cautions investors of Aurora Spine's securities about important factors that could cause Aurora Spine's actual results to differ materially from those*

*projected in any forward-looking statements included in this news release. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ unilaterally from those expressed in such forward-looking statements. No assurance can be given that the expectations set out herein will prove to be correct and, accordingly, prospective investors should not place undue reliance on these forward-looking statements. These statements speak only as of the date of this press release and Aurora Spine does not assume any obligation to update or revise them to reflect new events or circumstances.*

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