

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-41242

ZIMVIE INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
10225 Westmoor Drive
Westminster, CO
(Address of principal executive offices)

87-2007795
(I.R.S. Employer
Identification No.)

80021
(Zip Code)

Registrant's telephone number, including area code: (303) 443-7500

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, par value \$0.01 per share	ZIMV	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the Registrant's Common Stock outstanding as of November 4, 2022 was 26,088,272.

ZIMVIE INC.
QUARTERLY REPORT
Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report contains forward-looking statements within the meaning of federal securities laws, including, among others, any statements about our expectations, plans, intentions, strategies or prospects. We generally use the words “may,” “will,” “expects,” “believes,” “anticipates,” “plans,” “estimates,” “projects,” “assumes,” “guides,” “targets,” “forecasts,” “sees,” “seeks,” “should,” “could,” “would,” “predicts,” “potential,” “strategy,” “future,” “opportunity,” “work toward,” “intends,” “guidance,” “confidence,” “positioned,” “design,” “strive,” “continue,” “look forward to” and similar expressions to identify forward-looking statements. All statements other than statements of historical or current fact are, or may be deemed to be, forward-looking statements. Such statements are based upon the current beliefs, expectations and assumptions of management and are subject to significant risks, uncertainties and changes in circumstances that could cause actual outcomes and results to differ materially from the forward-looking statements. These risks, uncertainties and changes in circumstances include, but are not limited to: the effects of the COVID-19 global pandemic and other adverse public health developments on the global economy, our business and operations and the business and operations of our suppliers and customers, including the deferral of elective procedures and our ability to collect accounts receivable; dependence on new product development, technological advances and innovation; shifts in the product category or regional sales mix of our products and services; supply and prices of raw materials and products; pricing pressures from competitors, customers, dental practices and insurance providers; changes in customer demand for our products and services caused by demographic changes or other factors; challenges relating to changes in and compliance with governmental laws and regulations affecting our United States (“U.S.”) and international businesses, including regulations of the U.S. Food and Drug Administration and foreign government regulators, such as more stringent requirements for regulatory clearance of products; competition; the impact of healthcare reform measures; reductions in reimbursement levels by third-party payors; cost containment efforts sponsored by government agencies, legislative bodies, the private sector and healthcare group purchasing organizations, including the volume-based procurement process in China; control of costs and expenses; dependence on a limited number of suppliers for key raw materials and outsourced activities; the ability to obtain and maintain adequate intellectual property protection; breaches or failures of our information technology systems or products, including by cyberattack, unauthorized access or theft; the ability to retain the independent agents and distributors who market our products; our ability to attract, retain and develop the highly skilled employees we need to support our business; the effect of mergers and acquisitions on our relationships with customers, suppliers and lenders and on our operating results and businesses generally; a determination by the Internal Revenue Service that the distribution or certain related transactions should be treated as taxable transactions; financing transactions undertaken in connection with the separation and risks associated with additional indebtedness; the impact of the separation on our businesses and the risk that the separation and the results thereof maybe more difficult, time consuming and/or costly than expected, which could impact our relationships with customers, suppliers, employees and other business counterparties; restrictions on activities following the distribution in order to preserve the tax-free treatment of the distribution; the ability to form and implement alliances; changes in tax obligations arising from tax reform measures, including European Union (“EU”) rules on state aid, or examinations by tax authorities; product liability, intellectual property and commercial litigation losses; changes in general industry and market conditions, including domestic and international growth rates; changes in general domestic and international economic conditions, including inflation and interest rate and currency exchange rate fluctuations; and the impact of the ongoing financial and political uncertainty on countries in the Euro zone on the ability to collect accounts receivable in affected countries.

See also Part I, Item 1A, “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2021 for further discussion of certain risks and uncertainties that could cause actual results and events to differ materially from the forward-looking statements. Readers of this report are cautioned not to rely on these forward-looking statements, since there can be no assurance that these forward-looking statements will prove to be accurate. Forward-looking statements speak only as of the date they are made, and we expressly disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

You are also advised to consult any further disclosures we make on related subjects in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. This cautionary note is applicable to all forward-looking statements contained in this report.

Table of Contents

	<u>Page</u>	
PART I.	<u>FINANCIAL INFORMATION</u>	3
Item 1.	<u>Financial Statements (Unaudited)</u>	3
	<u>Condensed Consolidated Statements of Operations</u>	3
	<u>Condensed Consolidated Statements of Comprehensive Income (Loss)</u>	3
	<u>Condensed Consolidated Balance Sheets</u>	4
	<u>Condensed Consolidated Statements of Stockholders' Equity</u>	5
	<u>Condensed Consolidated Statements of Cash Flows</u>	6
	<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	7
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	19
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	24
Item 4.	<u>Controls and Procedures</u>	25
PART II.	<u>OTHER INFORMATION</u>	25
Item 1.	<u>Legal Proceedings</u>	25
Item 1A.	<u>Risk Factors</u>	25
Item 6.	<u>Exhibits</u>	26
	<u>Signatures</u>	27

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

ZIMVIE INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Net Sales				
Third party, net	\$ 213,274	\$ 238,681	\$ 681,323	\$ 748,234
Related party, net	1,303	938	3,419	4,842
Total Net Sales	214,577	239,619	684,742	753,076
Cost of products sold, excluding intangible asset amortization	(58,311)	(90,549)	(223,332)	(256,397)
Related party cost of products sold, excluding intangible asset amortization	(1,319)	(789)	(3,177)	(3,506)
Intangible asset amortization	(19,357)	(21,527)	(60,178)	(65,041)
Research and development	(14,502)	(15,064)	(47,437)	(43,929)
Selling, general and administrative	(129,345)	(135,990)	(389,509)	(405,065)
Restructuring	(689)	(914)	(6,486)	(2,291)
Acquisition, integration, divestiture and related	(7,727)	(5,053)	(25,455)	(12,011)
Operating Expenses	(231,250)	(269,886)	(755,574)	(788,240)
Operating Loss	(16,673)	(30,267)	(70,832)	(35,164)
Other income (expense), net	615	(119)	977	(392)
Interest expense, net	(6,242)	(114)	(11,847)	(308)
Loss Before Income Taxes	(22,300)	(30,500)	(81,702)	(35,864)
Income tax benefit	23,131	251	48,165	1,301
Net Income (Loss)	\$ 831	\$ (30,249)	\$ (33,537)	\$ (34,563)
Income (Loss) Per Common Share - Basic	\$ 0.03	\$ (1.16)	\$ (1.29)	\$ (1.33)
Income (Loss) Per Common Share - Diluted	0.03	(1.16)	(1.29)	(1.33)

The accompanying notes are an integral part of these condensed consolidated financial statements.

ZIMVIE INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Net Income (Loss)	\$ 831	\$ (30,249)	\$ (33,537)	\$ (34,563)
Other Comprehensive Loss:				
Foreign currency cumulative translation adjustments, net of tax	(36,863)	(12,874)	(97,203)	(33,942)
Total Other Comprehensive Loss	(36,863)	(12,874)	(97,203)	(33,942)
Comprehensive Loss	\$ (36,032)	\$ (43,123)	\$ (130,740)	\$ (68,505)

The accompanying notes are an integral part of these condensed consolidated financial statements.

ZIMVIE INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 116,008	\$ 100,399
Accounts receivable, net of allowance for credit losses of \$14,749 and \$16,545, respectively	156,858	164,241
Related party receivable	15,870	—
Inventories	224,232	246,832
Prepaid expenses and other current assets	33,255	25,380
Total Current Assets	<u>546,223</u>	<u>536,852</u>
Property, plant and equipment, net of accumulated depreciation of \$382,411 and \$418,191, respectively	150,293	180,243
Goodwill	254,403	267,810
Intangible assets, net	639,544	766,175
Other assets	38,898	75,656
Total Assets	<u>\$ 1,629,361</u>	<u>\$ 1,826,736</u>
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	\$ 41,075	\$ 45,026
Related party payable	19,893	—
Income taxes payable	6,365	6,278
Other current liabilities	136,136	133,280
Current portion of long-term debt	14,025	—
Total Current Liabilities	<u>217,494</u>	<u>184,584</u>
Deferred income taxes, net	104,883	129,475
Lease liability	23,739	45,317
Other long-term liabilities	14,014	15,983
Non-current portion of debt	535,455	—
Total Liabilities	<u>895,585</u>	<u>375,359</u>
Commitments and Contingencies (Note 14)		
Stockholders' Equity:		
Common stock, \$0.01 par value, 150,000 shares authorized		
Shares, issued and outstanding, of 26,088 and 0, respectively	261	—
Preferred stock, \$0.01 par value, 15,000 shares authorized, 0 shares issued and outstanding	—	—
Additional paid in capital	890,686	—
Accumulated deficit	(17,188)	—
Net parent company investment	—	1,494,157
Accumulated other comprehensive loss	(139,983)	(42,780)
Total Stockholders' Equity	<u>733,776</u>	<u>1,451,377</u>
Total Stockholders' Equity	<u>733,776</u>	<u>1,451,377</u>
Total Liabilities and Stockholders' Equity	<u>\$ 1,629,361</u>	<u>\$ 1,826,736</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

ZIMVIE INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Net Parent Company Investment	Accumulated Other Comprehensive Loss	Total Equity
Balance June 30, 2022	\$ 261	\$ 885,435	\$ (18,019)	\$ —	\$ (103,120)	\$ 764,557
Net Income	—	—	831	—	—	831
Stock activity under stock plans	—	54	—	—	—	54
Share-based compensation expense	—	5,197	—	—	—	5,197
Other comprehensive loss	—	—	—	—	(36,863)	(36,863)
Balance September 30, 2022	<u>\$ 261</u>	<u>\$ 890,686</u>	<u>\$ (17,188)</u>	<u>\$ —</u>	<u>\$ (139,983)</u>	<u>\$ 733,776</u>
Balance June 30, 2021	\$ —	\$ —	\$ —	\$ 1,464,106	\$ (16,491)	\$ 1,447,615
Net loss	—	—	—	(30,249)	—	(30,249)
Net transactions with Zimmer Biomet Holdings, Inc.	—	—	—	(2,183)	—	(2,183)
Other comprehensive loss	—	—	—	—	(12,874)	(12,874)
Balance September 30, 2021	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,431,674</u>	<u>\$ (29,365)</u>	<u>\$ 1,402,309</u>
					Accumulated Other Comprehensive (Loss) Income	
	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Net Parent Company Investment		Total Equity
Balance December 31, 2021	\$ —	\$ —	\$ —	\$ 1,494,157	\$ (42,780)	\$ 1,451,377
Net loss	—	—	(17,188)	(16,349)	—	(33,537)
Net transactions with Zimmer Biomet Holdings, Inc., including separation adjustments	—	—	—	(70,430)	—	(70,430)
Net consideration paid to Zimmer Biomet Holdings, Inc. in connection with distribution	—	—	—	(540,567)	—	(540,567)
Reclassification of net parent company investment to additional paid-in capital	261	866,550	—	(866,811)	—	—
Stock activity under stock plans	—	50	—	—	—	50
Share-based compensation expense	—	24,086	—	—	—	24,086
Other comprehensive loss	—	—	—	—	(97,203)	(97,203)
Balance September 30, 2022	<u>\$ 261</u>	<u>\$ 890,686</u>	<u>\$ (17,188)</u>	<u>\$ —</u>	<u>\$ (139,983)</u>	<u>\$ 733,776</u>
Balance December 31, 2020	\$ —	\$ —	\$ —	\$ 1,485,978	\$ 4,577	\$ 1,490,555
Net loss	—	—	—	(34,563)	—	(34,563)
Net transactions with Zimmer Biomet Holdings, Inc.	—	—	—	(19,741)	—	(19,741)
Other comprehensive loss	—	—	—	—	(33,942)	(33,942)
Balance September 30, 2021	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,431,674</u>	<u>\$ (29,365)</u>	<u>\$ 1,402,309</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

ZIMVIE INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Nine Months Ended September 30,	
	2022	2021
Cash flows provided by operating activities:		
Net loss	\$ (33,537)	\$ (34,563)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	92,469	95,667
Share-based compensation	24,982	2,932
Deferred income tax provision	(51,775)	(13,087)
Loss on disposal of fixed assets	2,817	—
Other non-cash items	900	—
Changes in operating assets and liabilities		
Income taxes	(113)	(1,046)
Accounts receivable	(18,408)	19,820
Related party receivables	(14,418)	—
Inventories	13,400	6,400
Accounts payable and accrued liabilities	12,562	(22,213)
Related party payables	24,172	—
Other assets and liabilities	(19,523)	(11,025)
Net cash provided by operating activities	33,528	42,885
Cash flows used in investing activities:		
Additions to instruments	(9,671)	(19,820)
Additions to other property, plant and equipment	(11,483)	(14,428)
Other investing activities	(1,950)	(3,677)
Net cash used in investing activities	(23,104)	(37,925)
Cash flows provided by (used in) financing activities:		
Net transactions with Zimmer Biomet Holdings, Inc.	6,920	1,304
Dividend paid to Zimmer Biomet Holdings, Inc.	(540,567)	—
Proceeds from term loans	595,000	—
Payments on term loans	(41,012)	—
Debt issuance costs	(5,170)	—
Repayments of debt due to Zimmer Biomet Holdings, Inc.	—	(8,048)
Other financing activities	37	(800)
Net cash provided by (used in) financing activities	15,208	(7,544)
Effect of exchange rates on cash and cash equivalents	(10,023)	(761)
Increase (decrease) in cash and cash equivalents	15,609	(3,345)
Cash and cash equivalents, beginning of year	100,399	27,418
Cash and cash equivalents, end of period	\$ 116,008	\$ 24,073
Supplemental schedule of noncash investing and financing activities:		
Derecognition of right-of-use assets	\$ (14,174)	\$ —
Derecognition of lease liabilities	15,303	—

The accompanying notes are an integral part of these condensed consolidated financial statements.

ZIMVIE INC.
Notes to Unaudited Condensed Consolidated Financial Statements

1. Background, Nature of Business and Basis of Presentation

Background

On March 1, 2022, ZimVie Inc. ("ZimVie," "we," "us" and "our") and Zimmer Biomet Holdings, Inc. ("Zimmer Biomet") entered into a Separation and Distribution Agreement, pursuant to which Zimmer Biomet agreed to spin off its spine and dental businesses into ZimVie, a new, publicly traded company. Zimmer Biomet effected the separation through a *pro rata* distribution of 80.3% of the outstanding shares of common stock of ZimVie. Following the distribution on March 1, 2022, Zimmer Biomet stockholders as of the record date for the distribution owned 80.3% of the outstanding shares of ZimVie common stock; Zimmer Biomet retained 19.7% of the outstanding shares of ZimVie common stock. The distribution is intended to qualify as generally tax-free to Zimmer Biomet stockholders for United States ("U.S.") federal income tax purposes, except for any cash received by stockholders in lieu of fractional shares. ZimVie is now a standalone publicly traded company and, on March 1, 2022, regular-way trading of our common stock commenced on the Nasdaq Stock Market under the symbol "ZIMV." The distribution was completed pursuant to the Separation and Distribution Agreement and other agreements with Zimmer Biomet related to the distribution, including, but not limited to a tax matters agreement, an employee matters agreement, a transition services agreement and transition manufacturing agreements. See Note 13 for further description of the impact of the distribution and ongoing activities with Zimmer Biomet.

Nature of Business

ZimVie is a leading medical technology company dedicated to enhancing the quality of life for spine and dental patients worldwide. We develop, manufacture and market a comprehensive portfolio of products and solutions designed to treat a wide range of spine pathologies and support dental tooth replacement and restoration procedures. Our broad portfolio addresses all areas of spine with market leadership in cervical disc replacement and vertebral body tethering to treat pediatric scoliosis, and we are well-positioned in the growing global dental implant and biomaterials market with market leadership in oral reconstruction. Our operations are principally managed on a products basis and include two operating segments, 1) the spine products segment, and 2) the dental products segment.

In the spine products market, our core services include designing, manufacturing and distributing medical devices and surgical instruments to deliver comprehensive solutions for individuals with back or neck pain caused by degenerative conditions, deformities or traumatic injury of the spine. We also provide devices that promote bone healing. Other differentiated products in our spine portfolio include Mobi-C® Cervical Disc, a motion-preserving alternative to fusion for patients with cervical disc disease, and The Tether™, a novel non-fusion device for treatment of pediatric scoliosis.

In the dental products market, our core services include designing, manufacturing and distributing dental implant solutions. Dental reconstructive implants are for individuals who are totally without teeth or are missing one or more teeth, dental prosthetic products are aimed at providing a more natural restoration to resemble the original teeth, and dental regenerative products are for soft tissue and bone rehabilitation. Our key products include the T3® Implant, Tapered Screw-Vent Implant System, Trabecular Metal™ Dental Implant, BellaTek Encode Impression System, and Puros Allograft Particulate.

Basis of Presentation

We have historically existed and functioned as part of the consolidated business of Zimmer Biomet. The accompanying condensed consolidated financial statements are prepared on a standalone basis and, for periods prior to March 1, 2022, were prepared on a carve-out basis from Zimmer Biomet's consolidated financial statements and accounting records, and, accordingly, may not be indicative of the financial position, results of operations or cash flows had we operated as a standalone company during those periods.

On March 1, 2022, ZimVie became a standalone publicly traded company, and our financial statements are now presented on a consolidated basis. The unaudited financial statements for all periods presented, including our historical results prior to March 1, 2022, are now referred to as "Condensed Consolidated Financial Statements," and have been prepared pursuant to the rules and regulations for reporting on Form 10-Q. Accordingly, certain information and disclosures required by U.S. generally accepted accounting principles ("GAAP") for complete consolidated financial statements are not included herein. In our opinion, all adjustments necessary for a fair statement of these interim statements have been included and are of a normal and recurring nature. These interim statements should be read in conjunction with the audited financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2021 ("Annual Report"). The results of operations of any interim period are not necessarily indicative of the results of operations for the full year.

Prior to the distribution, our equity balance in these condensed consolidated financial statements represented the excess of total assets over liabilities including the due to/from balances between us and Zimmer Biomet (referred to as "net parent investment" or "NPI") and

accumulated other comprehensive income (loss). NPI was primarily impacted by contributions from Zimmer Biomet which were the result of treasury activities and net funding provided by or distributed to Zimmer Biomet.

Following the distribution, certain functions that Zimmer Biomet provided to us prior to the distribution either continue to be provided to us by Zimmer Biomet under a transition services agreement or are being performed using our own resources or third-party service providers. Additionally, under manufacturing and supply agreements, we manufacture certain products for Zimmer Biomet and Zimmer Biomet manufactures certain products for us. We have incurred, and expect to continue to incur, certain costs to establish ourselves as a standalone public company, as well as ongoing additional costs associated with operating as an independent, publicly traded company.

Accounting Pronouncements Recently Issued

There are no recently issued accounting pronouncements that we have not yet adopted that are expected to have a material effect on our financial position, results of operations or cash flows.

2. Restructuring

In June 2022, we initiated a restructuring plan with the objective of reducing costs and optimizing our global footprint. During the three and nine months ended September 30, 2022, we approved and committed to undertake actions under this plan that resulted in a pre-tax charge of \$0.7 million and \$2.4 million, respectively, in those periods. We anticipate total charges related to this program of approximately \$5-6 million, including projects in process or under final evaluation. The restructuring charges incurred in the three and nine months ended September 30, 2022 under this plan were primarily related to employee termination benefits. We anticipate incurring the remaining charges throughout 2022 and 2023.

In December 2019 and December 2021, Zimmer Biomet initiated restructuring plans (the "ZB Restructuring Plans") with an objective of reducing costs to allow further investment in higher priority growth opportunities. We incurred pre-tax charges related to the ZB Restructuring Plans of less than \$0.1 million and \$0.9 million for the three months ended September 30, 2022 and 2021, respectively, and \$4.1 million and \$2.3 million for the nine months ended September 30, 2022 and 2021, respectively. The restructuring charges incurred under these plans primarily related to employee termination benefits, contract terminations and retention period compensation and benefits. We do not expect to incur material expenses from the ZB Restructuring Plans after June 30, 2022.

The following table summarizes the liabilities directly attributable to us that were recognized under the plans discussed above and excludes non-cash charges (in thousands):

	Nine Months Ended September 30, 2022		
	Employee Termination Benefits	Other	Total
Balance, December 31, 2021	\$ 1,099	\$ 1,150	\$ 2,249
Additions	1,777	2,923	4,700
Non-cash adjustments	—	(320)	(320)
Cash payments	(1,797)	(1,724)	(3,521)
Balance, September 30, 2022	<u>\$ 1,079</u>	<u>\$ 2,029</u>	<u>\$ 3,108</u>

We do not include restructuring charges in the operating profit of our reportable segments.

3. Share-Based Compensation

Conversion Awards

Zimmer Biomet has share-based compensation plans under which it granted stock options, restricted stock units ("RSUs") and performance-based RSUs. In connection with the distribution, ZimVie employees with outstanding Zimmer Biomet share-based awards received replacement share-based awards. The ratio used to convert the Zimmer Biomet share-based awards was designed to preserve the aggregate intrinsic value of the award immediately after the distribution when compared to the aggregate intrinsic value of the award immediately prior to the distribution. Outstanding RSUs and performance-based RSUs were converted into 0.3 million ZimVie RSUs at a weighted average fair value of \$31.55, and outstanding stock options were converted into 2.1 million ZimVie stock options at a weighted average fair value of \$14.76. Due to the conversion, ZimVie will incur \$21.3 million of incremental share-based compensation expense. Of this amount, \$10.3 million was related to unvested and/or unexercised share-based awards and was recognized at the distribution date. The remaining \$11.0 million is being recognized over the remainder of the share-based awards' weighted average vesting period of 2.5 years from the date of the distribution.

Effective March 1, 2022, ZimVie established the ZimVie Inc. 2022 Stock Incentive Plan (the "2022 Plan"). A total of 3.0 million shares of common stock are authorized for future grants and awards under the 2022 Plan. Shares issued pursuant to converted Zimmer Biomet share-based awards do not count against this limit. At September 30, 2022, 1.5 million shares were available for future grants and awards under the 2022 Plan. The 2022 Plan provides for the grant of various types of awards including stock options, stock appreciation rights, performance shares, performance units, restricted stock and RSUs. Generally, awards have a three-year vesting period and stock options have a term of ten years. Vesting may accelerate upon retirement after the first anniversary date of the award if certain criteria are met. We recognize expense on a straight-line basis over the requisite service period, less awards expected to be forfeited using estimated forfeiture rates. Stock options are granted with an exercise price equal to the market price of our common stock on the date of grant, except in limited circumstances where local law may dictate otherwise.

For periods prior to the distribution, we specifically identified employees who were associated with our historical operations and calculated expense based upon the awards received under the Zimmer Biomet plans, as well as expense related to corporate or shared employees allocated to us on a proportional cost allocation method, primarily based on revenue.

Share-based compensation expense was as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Share-based compensation expense recognized in:				
Cost of products sold, excluding intangible asset amortization	\$ 118	\$ 145	\$ 2,204	\$ 402
Research and development	448	221	2,992	655
Selling, general and administrative	4,722	1,452	19,786	4,110
	5,288	1,818	24,982	5,167
Tax benefit related to awards	(1,328)	(426)	(5,918)	(1,211)
Total expense, net of tax	\$ 3,960	\$ 1,392	\$ 19,064	\$ 3,956

We use a Black-Scholes option-pricing model to determine the fair value of our stock options. For new awards granted after the distribution: expected volatility of 52.29% was derived from a peer group's combined historical volatility that was de-levered and re-levered for ZimVie as ZimVie does not have sufficient historical volatility based on the expected term of the underlying options; the expected term of the stock options of 6.0 years was determined using the simplified method; and the risk-free interest rate of 1.94% was determined using the implied yield currently available for zero-coupon U.S. government issues with a remaining term approximating the expected life of the options. The dividend yield was zero as ZimVie has no plans to pay a dividend for the foreseeable future.

Stock option activity was as follows:

	Period Ended September 30, 2022			
	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in Millions)
Outstanding at March 1, 2022	2,125,548	\$ 27.32		
Granted	484,650	23.87		
Exercised	(12,949)	17.28		
Forfeited	(122,607)	26.55		
Outstanding at September 30, 2022	2,474,642	\$ 26.73	7.1	\$ -
Exercisable at September 30, 2022	1,220,143	\$ 25.35	5.6	\$ -

Aggregate intrinsic value was negligible at September 30, 2022. At September 30, 2022, we had unrecognized share-based compensation cost related to unvested stock options of \$13.0 million, which is expected to be amortized over the remaining weighted average vesting period of approximately 2.0 years.

RSU activity was as follows:

	Period Ended September 30, 2022	
	Number of RSUs	Weighted Average Grant Date Fair Value
Outstanding at March 1, 2022	264,420	\$ 31.55
Granted	1,270,934	23.66
Vested	(33,980)	31.55
Forfeited	(100,578)	24.91
Outstanding at September 30, 2022	1,400,796	\$ 24.84

At September 30, 2022, we had unrecognized share-based compensation cost related to unvested RSUs of \$23.8 million, which is expected to be amortized into net income over the remaining weighted average vesting period of approximately 2.4 years. The total fair value of RSUs that vested during the period ended September 30, 2022 was \$1.1 million.

4. Earnings Per Share

On March 1, 2022, 26.1 million ZimVie common shares were distributed in connection with the distribution. For comparative purposes, and to provide a more meaningful calculation for weighted average shares, this amount was assumed to be outstanding throughout all periods presented up to and including March 1, 2022 in the calculation of basic weighted average shares. For periods prior to the distribution, it was assumed that there were no dilutive equity instruments, as there were no equity awards of ZimVie outstanding prior to the distribution.

The calculation of weighted average shares for the basic and diluted share earnings per common share is as follows (in thousands, except per share data):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 831	\$ (30,249)	\$ (33,537)	\$ (34,563)
Weighted average shares outstanding for basic net earnings per share	26,074	26,050	26,074	26,050
Effect of dilutive stock options and other equity awards ⁽¹⁾	76	—	—	—
Weighted average shares outstanding for dilutive net earnings per share	<u>26,150</u>	<u>26,050</u>	<u>26,074</u>	<u>26,050</u>
Basic income (loss) per common share	\$ 0.03	\$ (1.16)	\$ (1.29)	\$ (1.33)
Diluted income (loss) per common share	\$ 0.03	\$ (1.16)	\$ (1.29)	\$ (1.33)

(1) Since we incurred a net loss in the nine months ended September 30, 2022 and in the three and nine months ended September 30, 2021, no dilutive stock options or other equity awards were included as diluted shares in those periods.

For the three and nine months ended September 30, 2022, a weighted average of 3.8 million and 3.3 million, respectively, options to purchase shares of common stock would not have been in the computation of diluted earnings per share as the exercise prices of these options were greater than the average market price of the common stock.

5. Inventories

Inventories consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Finished goods	\$ 187,595	\$ 199,553
Work-in-progress	22,396	26,700
Raw materials	14,241	20,579
Inventories	<u>\$ 224,232</u>	<u>\$ 246,832</u>

Amounts charged to cost of products sold in the condensed consolidated statements of operations for excess and obsolete ("E&O") inventory, including certain product lines we intend to discontinue, were \$4.0 million and \$11.2 million in the three months ended September 30, 2022 and 2021, respectively, and were \$21.6 million and \$25.6 million in the nine months ended September 30, 2022 and 2021, respectively.

6. Goodwill and Other Intangible Assets

The following table summarizes the changes in the carrying amount of goodwill by historical reportable segment (in thousands):

	Spine	Dental	Total
Balance at December 31, 2021			
Goodwill, Gross	\$ 1,089,400	\$ 409,810	\$ 1,499,210
Accumulated impairment losses	(1,089,400)	(142,000)	(1,231,400)
Goodwill, Net	—	267,810	267,810
Currency translation	—	(13,407)	(13,407)
Balance at September 30, 2022			
Goodwill, Gross	1,089,400	396,403	1,485,803
Accumulated impairment losses	(1,089,400)	(142,000)	(1,231,400)
Goodwill, Net	<u>\$ —</u>	<u>\$ 254,403</u>	<u>\$ 254,403</u>

The components of identifiable intangible assets were as follows (in thousands):

	Technology	Trademarks and Trade Names	Customer Relationships	Other	Total
As of December 31, 2021:					
Intangible assets subject to amortization:					
Gross carrying amount	\$ 873,913	\$ 143,187	\$ 379,967	\$ 56,839	\$ 1,453,906
Accumulated amortization	(409,839)	(56,233)	(171,576)	(50,083)	(687,731)
Total identifiable intangible assets	<u>\$ 464,074</u>	<u>\$ 86,954</u>	<u>\$ 208,391</u>	<u>\$ 6,756</u>	<u>\$ 766,175</u>
As of September 30, 2022:					
Intangible assets subject to amortization:					
Gross carrying amount	\$ 808,183	\$ 131,021	\$ 348,975	\$ 54,090	\$ 1,342,269
Accumulated amortization	(420,090)	(58,375)	(175,605)	(48,655)	(702,725)
Total identifiable intangible assets	<u>\$ 388,093</u>	<u>\$ 72,646</u>	<u>\$ 173,370</u>	<u>\$ 5,435</u>	<u>\$ 639,544</u>

Estimated annual amortization expense for the years ending December 31, 2022 through 2026 based on exchange rates in effect at December 31, 2021 is as follows (in millions):

For the Years Ending December 31,	
2022 (remaining)	\$ 20.9
2023	80.4
2024	78.0
2025	75.2
2026	72.6
Thereafter	312.4
Total	<u>\$ 639.5</u>

7. Other Current Liabilities

Other current liabilities consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Other current liabilities:		
License and service agreements	\$ 23,123	\$ 31,154
Salaries, wages and benefits	38,384	40,986
Lease liabilities	9,450	12,628
Accrued liabilities	65,179	48,512
Total other current liabilities	<u>\$ 136,136</u>	<u>\$ 133,280</u>

8. Fair Value Measurements of Assets and Liabilities

The fair value of foreign currency exchange forward contracts (see Note 10) are determined using Level 2 inputs. The carrying value of our debt (see Note 9) approximates fair value as it bears interest at floating rates. The carrying amounts of other financial instruments (i.e., cash and cash equivalents, restricted cash, bank time deposits, accounts receivable, net, and accounts payable) approximated their fair values at December 31, 2021 and September 30, 2022 due to their short-term nature.

The fair values of acquisition-related contingent payments are estimated using Level 3 inputs. Contingent payments related to acquisitions consist of sales-based payments, and are valued using discounted cash flow techniques. The fair value of sales-based payments is based upon probability-weighted future revenue estimates, and increases as revenue estimates increase. See Note 10 to our combined financial statements included in our Annual Report for additional information regarding contingent payments related to acquisitions.

The following table provides a reconciliation of the beginning and ending balances of items measured at fair value on a recurring basis that used significant unobservable inputs (Level 3) (in thousands):

	Level 3 - Liabilities
Contingent payments related to acquisitions	
Balance December 31, 2021	\$ 10,181
Change in estimate	2,750
Foreign currency impact	319
Balance September 30, 2022	<u>\$ 13,250</u>

9. Debt

Our debt consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Term loan	\$ 553,987	\$ —
Debt issuance costs	(4,507)	—
Total debt	549,480	—
Less: current portion	(14,025)	—
Total debt due after one year	<u>\$ 535,455</u>	<u>\$ —</u>

We entered into a Credit Agreement, dated as of December 17, 2021 (the “Credit Agreement”), with JP Morgan Chase Bank, N.A., as administrative agent and syndication agent, and the lenders and issuing banks named therein. The Credit Agreement provides for revolving loans of up to \$175.0 million (the “Revolver”) and term loan borrowings of up to \$595.0 million.

On February 28, 2022 we borrowed the entire \$595.0 million of available term loan borrowings (the “Original Term Loan Borrowing”) and on March 1, 2022, we prepaid \$34.0 million of the Original Term Loan Borrowing (the \$561.0 million of term borrowings following such prepayment being referred to as the “Term Loan” and, together with the Revolver, the “Credit Facility”). The Credit Facility has an initial term of five years. On each of June 30, 2022 and September 30, 2022, we made a \$3.5 million scheduled principal payment on the Term Loan. As of September 30, 2022, \$554.0 million was outstanding on the Term Loan following such payments, and there were no outstanding borrowings under the Revolver.

Following the reduction as a result of the \$34.0 million prepayment of the Original Term Loan Borrowing on March 1, 2022, the Term Loan will amortize in equal quarterly installments in an aggregate amount equal to (i) 2.5% per annum of the original principal amount of the Original Term Loan Borrowing for the first two years of the facility, commencing at the end of the fiscal quarter ended June 30, 2022, (ii) 5.0% per annum of the original principal amount of the Original Term Loan Borrowing for the following year of the facility and (iii) 10.0% per annum of the original principal amount of the Original Term Loan Borrowing for the last two years of the facility, with the unpaid balance due in full on the maturity date. We are permitted to voluntarily prepay the loans under the Credit Facility at any time without premium or penalty, other than breakage fees.

Borrowings under the Revolver and the Term Loan bear interest, in the case of each term benchmark borrowing, at the adjusted term secured overnight financing rate (“SOFR”) for the interest period in effect for such borrowing, plus an applicable margin, which will range from 1.50% to 1.75%, based on ZimVie's consolidated total net leverage ratio. Borrowings under the Credit Facility that are not term benchmark borrowings bear interest at a per annum rate equal to (a) the greatest of (i) the prime rate in effect on such day, (ii) the Federal Reserve Bank of New York rate in effect on such day plus $\frac{1}{2}$ of 1% and (iii) the adjusted term SOFR for a one month interest period as published two U.S. government securities business days prior to such day (or if such day is not a business day, the immediately preceding business day) plus 1%, plus (b) an applicable margin, which may range from 0.50% to 0.75%, based on ZimVie's consolidated total net leverage ratio. As of September 30, 2022, the applicable margin was 1.75% for term benchmark borrowings and 0.75% for benchmark borrowings. Commitments under the Revolver are subject to a commitment fee on the unused portion of the Revolver of 25 basis points.

Borrowings under the Credit Facility are collateralized by substantially all of our personal property, including intellectual property, and certain real property and we, along with our subsidiaries party to the Credit Facility, pledged our equity interests in our subsidiaries, subject to materiality thresholds and certain limitations with respect to foreign subsidiaries. The Credit Facility contains various covenants that restrict our ability to take certain actions, including incurrence of indebtedness, creation of liens, mergers or consolidations, dispositions of assets, making certain investments, prepayments or redemptions of subordinated debt, or making certain restricted payments. In addition, the Credit Facility contains financial covenants that require us to maintain at the end of any of our fiscal quarters commencing with the fiscal quarter ending June 30, 2022, a maximum consolidated total net leverage ratio of 6.00 to 1.00. We were in compliance with all covenants as of September 30, 2022.

See Note 13 to our combined financial statements included in our Annual Report for additional information on our Credit Agreement.

10. Derivatives

We enter into foreign currency exchange forward contracts with terms of one to three months in order to manage currency exposures related to monetary assets and liabilities denominated in a currency other than an entity's functional currency. Any foreign currency remeasurement gains or losses recognized in earnings are generally offset with gains or losses on the foreign currency exchange forward contracts in the same reporting period. The amount of these gains (losses) is recorded in Other income (expense), net. Outstanding contracts are recorded on the condensed consolidated balance sheet at fair value as of the end of the reporting period. The notional amounts of these contracts were \$47.5 million as of September 30, 2022.

Current derivative assets of \$0.7 million as of September 30, 2022 are included in Prepaid expenses and other current assets on our condensed consolidated balance sheets. Current derivative liabilities of \$0.7 million as of September 30, 2022 are included in Other current liabilities in our condensed consolidated balance sheets. Losses from these derivative instruments recognized on our condensed consolidated statements of operations in Other income (expense), net were \$1.9 million and \$3.3 million for the three and nine months ended September 30, 2022, respectively, and negligible for each of the three and nine months ended September 30, 2021.

We had no outstanding derivatives as of December 31, 2021 and no activity for the nine months ended September 30, 2021.

11. Income Taxes

Our effective tax rate (“ETR”) on loss before income taxes was 103.7% and 0.8%, for the three months ended September 30, 2022 and 2021, respectively, and 59.0% and 3.6% for the nine months ended September 30, 2022 and 2021, respectively. In the nine months ended September 30, 2022, the additional income tax benefit compared to the 21% statutory rate was driven by the impact of losses recorded prior to the distribution that were calculated on a “carve-out” basis, which applied the accounting guidance as if we filed income tax returns on a standalone, separate return basis and are not reflective of the tax results we expect to generate in the future. Additionally, for the three and nine months ended September 30, 2022, profit in inventory recorded prior to the distribution is non-taxable as the inventory is sold post-separation to third parties, resulting in a significant benefit to the foreign rate differential. The benefit was further driven by the recognition of a Puerto Rico withholding tax receivable available to offset income taxes, state tax benefits and tax credits, partially offset by other permanent items. In the nine months ended September 30, 2021, the income tax benefit was lower than the statutory tax rate driven by unfavorable jurisdictional mix in addition to expense for increasing valuation allowances.

During the nine months ended September 30, 2022, income tax balances were adjusted to reflect the income tax positions after distribution, including those related to tax loss and credit carryforwards, other deferred tax assets and liabilities and valuation allowances. These separation-related adjustments resulted in a \$3.9 million increase to the net deferred tax liability, primarily due to inventory and intangible assets transferred in the separation, tax rate changes and changes to the permanent reinvestment assertion in the post-separation environment. The increase in the net deferred tax liability was offset by a corresponding decrease in NPI.

12. Segment Data

Net sales and operating profit (loss) by segment are as follows (in thousands):

	Net Sales		Operating Profit (Loss)	
	Three Months Ended September 30,		Three Months Ended September 30,	
	2022	2021	2022	2021
Spine	\$ 108,153	\$ 129,298	\$ 17,258	\$ 11,563
Dental	105,121	109,383	17,465	19,156
Segment Total	213,274	238,681	34,723	30,719
Related party transactions	1,303	938	(16)	(12,782)
Expenses related to Parent products	—	—	(275)	(792)
Intangible asset amortization	—	—	(19,357)	(21,527)
Restructuring	—	—	(689)	(914)
Acquisition, integration, divestiture and related	—	—	(7,727)	(5,053)
Other	—	—	(23,332)	(19,918)
Total	\$ 214,577	\$ 239,619	\$ (16,673)	\$ (30,267)

	Net Sales		Operating Profit (Loss)	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Spine	\$ 337,484	\$ 405,159	\$ 29,619	\$ 46,037
Dental	343,839	343,075	68,097	67,520
Segment Total	681,323	748,234	97,716	113,557
Related party transactions	3,419	4,842	(11,777)	(48,047)
Expenses related to Parent products	—	—	(891)	(1,147)
Intangible asset amortization	—	—	(60,178)	(65,041)
Restructuring	—	—	(6,486)	(2,291)
Acquisition, integration, divestiture and related	—	—	(25,455)	(12,011)
Other	—	—	(63,761)	(20,184)
Total	\$ 684,742	\$ 753,076	\$ (70,832)	\$ (35,164)

13. Related Party Transactions

Prior to the distribution, we did not operate as a standalone business and had various relationships with Zimmer Biomet whereby Zimmer Biomet provided services to us. Following the distribution, certain functions that Zimmer Biomet provided to us prior to the distribution either continue to be provided to us by Zimmer Biomet under a transition services agreement or are being performed using our own resources or third-party service providers. The following disclosures summarize activity between us and Zimmer Biomet that are included in our condensed consolidated financial statements.

Prior to Distribution

Corporate Overhead and Other Allocations from Zimmer Biomet

Zimmer Biomet provided certain services, which included, but were not limited to, executive oversight, treasury, finance, legal, human resources, tax planning, internal audit, financial reporting, information technology and other corporate departments. The expenses related to these services have been allocated based on direct usage or benefit where specifically identifiable, with the remainder allocated on a proportional cost allocation method based primarily on net trade sales, as applicable. When specific identification is not practicable, a proportional cost method was used primarily based on sales.

Corporate allocations reflected in the condensed consolidated statements of operations are as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Cost of products sold	\$ -	\$ 536	\$ (78)	\$ 526
Selling, general & administrative	-	12,395	13,914	48,857

Management believes that the methods used to allocate expenses to ZimVie are a reasonable reflection of the utilization of services provided to, or the benefit derived by, ZimVie during the periods presented. However, the allocations may not necessarily reflect the condensed consolidated financial position, results of operations and cash flows in the future or what they would have been had ZimVie been a separate, standalone entity during the periods presented.

Share-Based Compensation

As discussed in Note 3, our employees participated in Zimmer Biomet's share-based compensation plans, the costs of which have been allocated and recorded in cost of products sold, R&D, and selling, general and administrative expenses in the condensed consolidated statements of operations. Share-based compensation benefit related to our employees prior to the distribution were \$0.4 million for the three months ended September 30, 2021, and \$1.0 million and \$2.9 million for the nine months ended September 30, 2022 and 2021, respectively. There were no share-based compensation costs allocated during the three months ended September 30, 2022.

In connection with the distribution, the awards held by employees were modified and resulted in incremental compensation expense as discussed in Note 3.

Centralized Cash Management

Zimmer Biomet used a centralized approach to cash management and financing of operations. The majority of our subsidiaries were party to Zimmer Biomet's cash pooling arrangements with several financial institutions to maximize the availability of cash for general operating and investing purposes. Under these cash pooling arrangements, cash balances were swept regularly from our accounts. Cash transfers to and from Zimmer Biomet's cash concentration accounts and the resulting balances at the end of each reporting period were reflected in NPI and net transactions with Zimmer Biomet in the condensed consolidated balance sheets and statements of cash flows, respectively.

Prior to the distribution, we borrowed \$595 million under our borrowing agreement (see Note 9) and subsequently distributed \$561 million of the proceeds to Zimmer Biomet. After this distribution and the impact of various transactions between the parties related to the separation, we had approximately \$100 million of cash at distribution to operate as a standalone company. This includes approximately \$10 million that will be payable to Zimmer Biomet upon the termination of certain interim operating model agreements as described below.

Manufacturing Services to Zimmer Biomet

We have certain manufacturing facilities that also produce orthopedic products that continue to be sold by Zimmer Biomet after the separation. The condensed consolidated statements of operations reflect the sales of these orthopedic products with Zimmer Biomet (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Related party net sales	\$ 1,303	\$ 938	\$ 3,419	\$ 4,842
Related party cost of products sold, excluding intangible asset amortization	1,319	789	3,177	3,506

We will continue to sell these products to Zimmer Biomet in future periods pursuant to a transition manufacturing and supply agreement as described below.

Net Parent Company Investment

As discussed in Note 1, NPI is primarily impacted by contributions from Zimmer Biomet, which are the result of treasury activity and net funding provided by or distributed to Zimmer Biomet. For the nine months ended September 30, 2022 and 2021, net transactions with Zimmer Biomet reflected in the cash flows pre-distribution were \$6.9 million and \$1.3 million, respectively. Activities that impacted the net transfers from Zimmer Biomet include corporate overhead, stock based compensation, debt agreements between the parties and other allocations and centralized cash management. For the nine months ended September 30, 2022 and 2021, the total impact on NPI from these transactions were \$70.4 million and \$19.7 million, respectively.

For all periods prior to the distribution, transfers between ZimVie and Zimmer Biomet affiliates were recognized in Net transactions with Zimmer Biomet. In connection with the distribution, certain net assets of approximately \$79 million that were included in our pre-distribution balance sheet were retained by Zimmer Biomet, with the offset of the non-cash transaction reflected as a distribution within NPI. Separation-related adjustments were also recognized in Net transactions with Zimmer Biomet.

During the three months ended September 30, 2021, we legally entered into a \$24.4 million debt agreement with Zimmer Biomet. This debt was subsequently terminated in October 2021 without any cash being exchanged between a ZimVie subsidiary and Zimmer Biomet.

After Distribution

In connection with the distribution, ZimVie entered into various agreements that govern activity between the parties, including, but not limited to, the Separation and Distribution Agreement (the "Separation Agreement"), the Transition Services Agreement, interim operating model ("IOM") agreements, the Tax Matters Agreement, the Employee Matters Agreement and transition manufacturing and supply agreements.

The amount due from and to Zimmer Biomet under the various agreements described below are included in related party receivable or payable, as applicable, in our condensed consolidated balance sheets as follows (in thousands):

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Related party receivable	\$ 15,870	\$ —
Related party payable	19,893	—

The Separation Agreement sets forth our agreements with Zimmer Biomet regarding the principal actions taken in connection with the separation and the distribution. It also sets forth other agreements that govern aspects of our relationship with Zimmer Biomet following the separation and the distribution. The Separation Agreement provides for, among other things, (i) the assets to be transferred, the liabilities to be assumed and the contracts to be assigned to each of us and Zimmer Biomet as part of the separation, (ii) cross-indemnities principally designed to place financial responsibility for the obligations and liabilities of the ZimVie businesses with us and financial responsibility for the obligations and liabilities of Zimmer Biomet's remaining businesses with Zimmer Biomet, (iii) procedures with respect to claims subject to indemnification and related matters and governing our and Zimmer Biomet's obligations and allocations of liabilities with respect to ongoing litigation matters and (iv) the allocation between us and Zimmer Biomet of rights and obligations under existing insurance policies with respect to occurrences prior to completion of the distribution.

The Separation Agreement also provides that, in order to obtain certain requisite governmental approvals, or for other business reasons, following the distribution date, Zimmer Biomet and certain of its affiliates will continue to operate certain activities relating to the ZimVie businesses in certain jurisdictions until the requisite approvals have been received or the occurrence of all other actions permitting the legal transfer of such activities, and we will receive, to the greatest extent possible, all of the economic benefits and burdens of such activities.

The agreements that we entered into with Zimmer Biomet that govern aspects of ZimVie's relationship with Zimmer Biomet following the distribution include:

Transition Services Agreement - Pursuant to the Transition Services Agreement, we and Zimmer Biomet provide certain services to one another, on an interim, transitional basis following the separation and the distribution. The services provided include certain regulatory services, commercial services, operational services, tax services, clinical affairs services, information technology services, finance and accounting services and human resource and employee benefits services. The agreed-upon charges for such services are generally intended to allow the providing company to recover all costs and expenses of providing such services and are included in Selling, general and administrative in our condensed consolidated statements of operations. The Transition Services Agreement terminates on the expiration of the term of the last service provided thereunder, which will generally be no later than March 31, 2025. Subject to certain exceptions in the case of willful misconduct or fraud, the liability of each of Zimmer Biomet and us under the Transition Services

Agreement for the services it provides will be limited to the aggregate service fees paid to it in the immediately preceding one-year period.

Interim Operating Agreements - Zimmer Biomet and ZimVie entered into a series of IOM agreements pursuant to which Zimmer Biomet and certain of its affiliates that held licenses, permits and other rights in connection with marketing, import and/or distribution of ZimVie products in various jurisdictions prior to the distribution will continue to market, import and distribute such products until such time as the relevant licenses and permits are transferred to ZimVie or its affiliates, while permitting ZimVie (or Zimmer Biomet, as applicable) to recognize revenue relating to the sale of its respective products, to the extent practicable. Under such IOM agreements and in accordance with the Separation Agreement, the relevant Zimmer Biomet entity will continue operations in the affected market on behalf of ZimVie, with ZimVie receiving all of the economic benefits and burdens of such activities. ZimVie began receiving these economic benefits as of March 1, 2022. Based on the terms of the IOM agreements, ZimVie determined it is the principal under this arrangement when: ZimVie holds all risks and rewards of ownership inclusive of risk of loss, market risk and benefits related to the inventory; ZimVie has latitude in pricing; ZimVie has the ability to direct Zimmer Biomet regarding decisions over inventory; and ZimVie is responsible for all credit and collections risks and losses associated with the related receivables. ZimVie is the principal in the majority of the IOM agreements and recognizes those sales on a gross basis. In limited jurisdictions, ZimVie is not the principal and recognizes revenue on a net basis. Upon exit of certain IOM agreements, we expect to pay approximately \$10 million for the purchase of accounts receivable and inventory from Zimmer Biomet. Through September 30, 2022, we have paid Zimmer Biomet \$5.4 million of the total expected \$10 million related to the exit of certain IOM agreements.

Tax Matters Agreement - The Tax Matters Agreement governs the respective rights, responsibilities and obligations of us and Zimmer Biomet after the distribution with respect to taxes (including taxes arising in the ordinary course of business and taxes, if any, incurred as a result of any failure of the distribution and certain related transactions to qualify as tax-free for U.S. federal income tax purposes), tax attributes, the preparation and filing of tax returns, tax elections, the control of audits and other tax proceedings and assistance and cooperation in respect of tax matters.

The Tax Matters Agreement also imposes certain restrictions on us and our subsidiaries (including, among others, restrictions on share issuances, business combinations, sales of assets and similar transactions) designed to preserve the tax-free status of the distribution and certain related transactions. The Tax Matters Agreement provides special rules that allocate tax liabilities in the event the distribution, together with certain related transactions, does not qualify as tax-free. In general, under the Tax Matters Agreement, each party is expected to be responsible for any taxes imposed on Zimmer Biomet or us, as the case may be, that arise from the failure of the distribution, together with certain related transactions, to qualify as a transaction that is generally tax-free under Sections 355 and 368(a)(1)(D) and certain other relevant provisions of the Internal Revenue Code of 1986, to the extent that the failure to so qualify is attributable to actions, events or transactions relating to such party's respective stock, assets or business, or a breach of the relevant representations or covenants made by that party in the Tax Matters Agreement. However, if such failure was the result of any acquisition of our shares or assets, or of any of our representations, statements or undertakings being incorrect, incomplete or breached, we generally will be responsible for all taxes imposed as a result of such acquisition or breach.

Employee Matters Agreement - The Employee Matters Agreement allocates liabilities and responsibilities relating to employment matters, employee compensation and benefits plans and programs and other related matters. The Employee Matters Agreement governs certain compensation and employee benefits obligations with respect to the current and former employees and non-employee directors of each party. The Employee Matters Agreement provides that, except as otherwise specified, Zimmer Biomet is generally responsible for liabilities associated with employees who will remain employed by Zimmer Biomet and former employees whose last employment was with Zimmer Biomet's businesses, and we are generally responsible for liabilities associated with employees who are or will be employed by us and former employees whose last employment was with the ZimVie businesses. The Employee Matters Agreement provided for the conversion of the outstanding awards granted under Zimmer Biomet's equity compensation programs into adjusted awards relating to shares of Zimmer Biomet and/or ZimVie common stock in a manner intended to preserve the aggregate intrinsic value of the original awards. The adjusted awards are subject to substantially similar terms, vesting conditions, post-termination exercise rules and other restrictions that applied to the original Zimmer Biomet awards immediately before the separation.

Transition Manufacturing and Supply Agreement and Reverse Transition Manufacturing and Supply Agreement - Pursuant to the Transition Manufacturing and Supply Agreement and the Reverse Transition Manufacturing and Supply Agreement, we or Zimmer Inc., a wholly-owned subsidiary of Zimmer Biomet, as the case may be, will manufacture or cause to be manufactured certain products for the other party, on an interim, transitional basis. Pursuant to such agreements, we or Zimmer, Inc., as the case may be, will be required to purchase certain minimum amounts of products from the other party. The Transition Manufacturing and Supply Agreement and the Reverse Transition Manufacturing and Supply Agreement will terminate on the expiration of the term of the last product manufactured by us or Zimmer, Inc., as the case may be, pursuant to such agreements, which will generally be no later than March 1, 2027.

Other agreements include the Intellectual Property Matters Agreement and the Transitional Trademark License Agreement.

14. Commitments and Contingencies

We are subject to contingencies, such as various claims, legal proceedings and investigations regarding product liability, intellectual property, commercial and other matters that arise in the normal course of business. On a quarterly and annual basis, we review relevant information with respect to loss contingencies and update our accruals, disclosures and estimates of reasonably possible losses or ranges of loss based on such reviews. We record liabilities for loss contingencies when it is probable that a loss has been incurred and the amount can be reasonably estimated. For matters where a loss is believed to be reasonably possible, but not probable, no accrual has been made. Legal defense costs expected to be incurred in connection with a loss contingency are accrued when probable and reasonably estimable. The recorded accrual balance for loss contingencies was \$4.8 million and \$5.9 million as of September 30, 2022 and December 31, 2021, respectively. Initiation of new legal proceedings or a change in the status of existing proceedings may result in a change in the estimated loss accrued.

Subject to certain exceptions specified in the Separation Agreement, we assumed the liability for, and control of, all pending and threatened legal matters related to our business, including liabilities for any claims or legal proceedings related to products that had been part of our business, but were discontinued prior to the distribution, as well as assumed or retained liabilities, and will indemnify Zimmer Biomet for any liability arising out of or resulting from such assumed legal matters.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following information should be read in conjunction with the interim condensed consolidated financial statements and related notes, included elsewhere in this Form 10-Q. Certain percentages presented in this discussion and analysis are calculated from the underlying whole-dollar amounts and therefore may not recalculate from the rounded numbers used for disclosure purposes. The following discussion may contain forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include those factors discussed in this Form 10-Q and in our Annual Report, particularly in “Cautionary Note Regarding Forward-Looking Statements” and “Risk Factors.”

OVERVIEW

On March 1, 2022, ZimVie Inc. (“ZimVie,” “we,” “us” and “our”) and Zimmer Biomet Holdings Inc. (“Zimmer Biomet”) entered into a Separation and Distribution Agreement, pursuant to which Zimmer Biomet agreed to spin off its spine and dental businesses into ZimVie, a new, publicly traded company. ZimVie is now a standalone publicly traded company and, on March 1, 2022, regular-way trading of our common stock commenced on the Nasdaq Stock Market under the symbol “ZIMV.” The distribution was completed pursuant to the Separation and Distribution Agreement and other agreements with Zimmer Biomet related to the distribution, including, but not limited to a tax matters agreement, an employee matters agreement, a transition services agreement and transition manufacturing agreements. The accompanying condensed consolidated financial statements are prepared on a standalone basis and, for periods prior to March 1, 2022, were prepared on a carve-out basis from Zimmer Biomet’s consolidated financial statements and accounting records, and accordingly, may not be indicative of our financial position, results of operations or cash flows had we operated as a standalone company during those periods.

ZimVie is a leading medical technology company dedicated to enhancing the quality of life for spine and dental patients worldwide. We develop, manufacture and market a comprehensive portfolio of products and solutions designed to treat a wide range of spine pathologies and support dental tooth replacement and restoration procedures. Our broad portfolio addresses all areas of spine with market leadership in cervical disc replacement (“CDR”) and vertebral body tethering to treat pediatric scoliosis, and we are well-positioned in the growing global dental implant and biomaterials market with market leadership in oral reconstruction. Our operations are principally managed on a products basis and include two operating segments, 1) the spine products segment, and 2) the dental products segment.

In the spine products market, our core services include designing, manufacturing and distributing a full suite of spinal surgery solutions to treat patients with back or neck pain caused by degenerative conditions, deformities, tumors or traumatic injury of the spine. We also provide devices that promote bone healing.

In the dental products market, our core services include designing, manufacturing and distributing a comprehensive portfolio of dental implant solutions, biomaterials and digital dentistry solutions. Dental reconstructive implants are for individuals who are totally without teeth or are missing one or more teeth, dental prosthetic products are aimed at providing aesthetic and functional restoration to resemble the original teeth, and dental regenerative products are for soft tissue and bone rehabilitation.

We have a broad geographic revenue base, with meaningful exposure to both established and emerging markets. We have six manufacturing site locations, and a global presence in approximately 25 countries.

Impact of the China Volume-Based Procurement

The national volume-based procurement (“VBP”) program for spine products in China took place in late September of 2022 and we were not successful in our bid. We are evaluating the impact of the VBP results on our China business and reviewing our strategic alternatives. Annual spine product sales in China represent less than 1% of our consolidated annual sales.

Impact of the COVID-19 Global Pandemic

Our results have been impacted by the COVID-19 global pandemic. The vast majority of our net sales are derived from products used in elective surgical procedures. As COVID-19 rapidly started to spread throughout the world in early 2020, our net sales decreased as countries took precautions to prevent the spread of the virus with lockdowns and stay-at-home measures and as hospitals deferred elective surgical procedures. Although we began to see some recovery of elective surgical procedures as various lockdowns and stay-at-home measures were lifted during 2021, resurgences and highly-transmissible variants resulted in further deferrals of elective surgical procedures in the second half of 2021 and in the first nine months of 2022.

Our business is seasonal in nature to some extent, as many of our products are used in elective procedures, which typically decline during the summer months and can increase at the end of the year once annual deductibles have been met on health insurance plans in the U.S. However, typical seasonal patterns have been, and could continue to be, different as a result of COVID-19.

With the deferral of elective surgical procedures, we have taken prudent measures in an effort to maintain an adequate financial profile to have access to capital to fund the business during these unprecedented times. In continued response to the COVID-19 pandemic, we have taken a cautious approach to discretionary spending such as travel, meetings and other project spend that can be delayed with limited long-term detriment to the business. To date we have not experienced significant disruptions in our supply chain, or in our ability to meet our customer demands.

RESULTS OF OPERATIONS

Three and Nine Months Ended September 30, 2022 and 2021

Net Sales by Product Category

The following tables present net sales by product category and the components of the percentage changes (dollars in thousands):

	Three Months Ended September 30,		% Inc (Dec)	Volume/Mix	Price	Foreign Exchange
	2022	2021				
Spine	\$ 108,153	\$ 129,298	(16.4)%	(14.2)%	0.3%	(2.4)%
Dental	105,121	109,383	(3.9)	(0.8)	2.4	(5.5)
Third Party Sales	213,274	238,681	(10.6)	(8.1)	1.2	(3.7)
Related Party	1,303	938	38.9	N/A	N/A	N/A
Total	\$ 214,577	\$ 239,619	(10.5)	N/A	N/A	N/A

	Nine Months Ended September 30,		% Inc (Dec)	Volume/Mix	Price	Foreign Exchange
	2022	2021				
Spine	\$ 337,484	\$ 405,159	(16.7)%	(15.4)%	0.3%	(1.7)%
Dental	343,839	343,075	0.2	1.7	2.9	(4.3)
Third Party Sales	681,323	748,234	(8.9)	(7.2)	1.2	(2.9)
Related Party	3,419	4,842	(29.4)	N/A	N/A	N/A
Total	\$ 684,742	\$ 753,076	(9.1)	N/A	N/A	N/A

Demand (Volume/Mix) Trends

Demand in the spine product category was negatively impacted in both the three and nine months ended September 30, 2022 compared to the same prior year periods by markets exited in connection with the discontinuation of products and brands rationalized in late 2021 and increased competition. Additionally, for the nine-month period, distributor bulk orders in the first quarter of 2021 that did not recur and the surge in COVID-19 cases in the first half of 2022 related to the Omicron variant. Additionally, under the transition services agreement with Zimmer Biomet certain markets recognize only a net benefit of operating profit passed through from Zimmer Biomet, rather than a gross presentation that includes revenue. This will be a gross presentation going forward. In the dental product category, there was decreased demand in the three months ended September 30, 2022, primarily due to a slowdown in July and August from reduced procedure volume driven by longer than typical vacation schedules. There was increased demand in the dental product category for all product types in the nine months ended September 30, 2022, with the strongest growth in implants. Within the dental product category, the positive volume/mix in the nine-month period reflected higher demand for tooth replacement procedures combined with a growing market of digital dentistry and biomaterials.

Pricing Trends

The spine product category continued to experience governmental healthcare cost pricing pressure efforts and similar efforts at local hospitals and health systems. The dental product category experienced price improvement in certain geographic regions, including North America and Europe.

Foreign Currency Exchange Rates

In countries where we have a subsidiary, we sell to customers in their local currencies. Accordingly, our net sales as reported in U.S. Dollars are affected by changes in foreign currency exchange rates. We are primarily exposed to foreign currency exchange rate risk with respect to net sales denominated in Euros, Chinese Renminbi, Israeli Shekel, New Zealand Dollar, Japanese Yen, Canadian Dollar and Swedish Krona. For the three and nine months ended September 30, 2022, foreign exchange fluctuations had a negative effect on year-over-year sales, mainly due to the strengthening of the U.S. Dollar against the Euro.

Expenses as a Percent of Net Sales

	Three Months Ended September 30,		
	2022	2021	2022 vs. 2021 % Inc (Dec)
Cost of products sold, excluding intangible asset amortization	27.2%	37.8%	(10.6)%
Related party cost of products sold, excluding intangible asset amortization	0.6	0.3	0.3
Intangible asset amortization	9.0	9.0	-
Research and development	6.8	6.3	0.5
Selling, general and administrative	60.3	56.8	3.5
Restructuring	0.3	0.4	(0.1)
Acquisition, integration, divestiture and related	3.6	2.1	1.5
Operating Loss	(7.8)	(12.6)	4.8

	Nine Months Ended September 30,		
	2022	2021	2022 vs. 2021 % Inc (Dec)
Cost of products sold, excluding intangible asset amortization	32.6%	34.0%	(1.4)%
Related party cost of products sold, excluding intangible asset amortization	0.5	0.5	-
Intangible asset amortization	8.8	8.6	0.2
Research and development	6.9	5.8	1.1
Selling, general and administrative	56.9	53.8	3.1
Restructuring	0.9	0.3	0.6
Acquisition, integration, divestiture and related	3.7	1.6	2.1
Operating Loss	(10.3)	(4.7)	(5.6)

Cost of Products Sold and Intangible Asset Amortization

The decrease in cost of products sold in dollars and as a percentage of net sales in the three months ended September 30, 2022 compared to the three months ended September 30, 2021 was primarily due to a reduction in inventory charges, \$5.0 million of brand rationalization charges in the prior year period that did not recur and a release in the current quarter of a spin-related contingent liability with Zimmer Biomet, all in the spine product category. The decrease in cost of products sold in dollars and as a percentage of net sales in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 was primarily due to the \$5.0 million of brand rationalization charges in the prior year period that did not recur and a release in the current period of a spin-related contingent liability, both in the spine product category. In the nine months ended September 30, 2022, this decrease was partially offset by an incremental expense of \$1.8 million in share-based compensation expense due to converted Zimmer Biomet awards (for more information, see Note 3 to our condensed consolidated financial statements).

Intangible asset amortization as a percentage of net sales was flat and increased slightly in the three and nine months ended September 30, 2022 as compared to the three and nine months ended September 30, 2021, respectively, due to the relatively fixed nature of amortization expense period over period.

Operating Expenses

Research and development ("R&D") expenses as a percentage of net sales increased in the three months ended September 30, 2022 compared to the same 2021 period, primarily due to a decrease in net sales. R&D expenses as a percentage of net sales increased in the nine months ended September 30, 2022 compared to the same 2021 period, primarily as a result of a decrease in net sales and an incremental \$2.0 million in share-based compensation expense due to converted Zimmer Biomet awards (for more information, see Note 3 to our condensed consolidated financial statements).

Selling, general and administrative ("SG&A") expenses increased as a percentage of sales in the three and nine months ended September 30, 2022 as compared to the three and nine months ended September 30, 2021, primarily as a result of an incremental \$0.9

million and \$9.9 million, respectively, in share-based compensation expense due to converted Zimmer Biomet awards (for more information, see Note 3 to our condensed consolidated financial statements), and the decrease in net sales. Additionally, increases in travel and conferences expenses were partially offset by decreases in variable selling and distribution expenses resulting from decreased sales. SG&A expenses in terms of dollars decreased in the three and nine months ended September 30, 2022 compared to the same prior year periods, primarily due to cost containments, sales volume decrease, our 2021 brand rationalization and netting costs arrangements related to our interim operating agreements with Zimmer Biomet (for more information, see Note 13 to our condensed consolidated financial statements).

Restructuring expense is related to our restructuring plan initiated in June 2022 with the objective of reducing costs and optimizing our global footprint, primarily within our spine segment, and Zimmer Biomet's restructuring plans initiated in the fourth quarters of 2019 and 2021 to reduce costs and to allow investment in higher priority growth opportunities. We recognized expenses of \$0.7 million and \$0.9 million in the three months ended September 30, 2022 and 2021, respectively, and \$6.5 million and \$2.3 million in the nine months ended September 30, 2022 and 2021, respectively, related to these restructuring plans. The restructuring costs primarily related to employee termination benefits, contract terminations and retention period compensation and benefits. For more information regarding these expenses, see Note 2 to our condensed consolidated financial statements.

Acquisition, integration, divestiture and related expenses increased in the three and nine months ended September 30, 2022 as compared to the three and nine months ended September 30, 2021, due to the increased costs related to the March 1, 2022 distribution and costs incurred in connection with building out capabilities necessary to becoming a standalone, public company, as well as a change to expected contingent payments (for more information, see Note 8 to our condensed consolidated financial statements).

Other Income (Expense), net, Interest Expense, net, and Income Taxes

Our non-operating other income (expense), net, primarily relates to the remeasurement of monetary assets and liabilities that are denominated in a currency other than the subsidiary's functional currency. Therefore, the income or expense varies based upon the volatility of foreign currency exchange rates.

Our interest expense, net, in the three and nine months ended September 30, 2022 was related to our Credit Agreement (for more information, see Note 9 to our condensed consolidated financial statements). Interest expense, net, in the three and nine months ended September 30, 2021 was related to debt due to Zimmer Biomet and was insignificant.

Our effective tax rate ("ETR") on loss before income taxes was 103.7% and 0.8% for the three months ended September 30, 2022 and 2021, respectively, and 59.0% and 3.6% for the nine months ended September 30, 2022 and 2021, respectively. In the nine months ended September 30, 2022, the additional income tax benefit compared to the 21% statutory rate was driven by the impact of losses recorded prior to the distribution that were calculated on a "carve-out" basis, which applied the accounting guidance as if we filed income tax returns on a standalone, separate return basis and are not reflective of the tax results we expect to generate in the future. Additionally, for the three and nine months ended September 30, 2022, profit in inventory recorded prior to the distribution is non-taxable as the inventory is sold post-separation to third parties, resulting in a significant benefit to the foreign rate differential. The benefit was further driven by the recognition of a Puerto Rico withholding tax receivable available to offset income taxes, state tax benefits and tax credits, partially offset by other permanent items. In the nine months ended September 30, 2021, the income tax benefit was lower than the statutory rate driven by unfavorable jurisdictional mix in addition to expense for increasing valuation allowances.

During the nine months ended September 30, 2022, income tax balances were adjusted to reflect the income tax positions after distribution, including those related to tax loss and credit carryforwards, other deferred tax assets and liabilities and valuation allowances. These separation-related adjustments resulted in a \$3.9 million increase to the net deferred tax liability, primarily due to inventory and intangible assets transferred in the separation, tax rate changes and changes to the permanent reinvestment assertion in the post-separation environment. The increase in the net deferred tax liability was offset by a corresponding decrease in net parent investment.

Our ETR in future periods could also potentially be impacted by: changes in our mix of pre-tax earnings; changes in tax rates, tax laws or their interpretation; the outcome of various federal, state and foreign audits; and the expiration of certain statutes of limitations. Currently, we cannot reasonably estimate the impact of these items on our financial results.

Segment Operating Profit

(dollars in thousands)	Net Sales		Operating Profit		Operating Profit as a Percentage of Net Sales	
	Three Months Ended September 30,		Three Months Ended September 30,		Three Months Ended September 30,	
	2022	2021	2022	2021	2022	2021
Spine	\$ 108,153	\$ 129,298	\$ 17,258	\$ 11,563	16.0%	8.9%
Dental	105,121	109,383	17,465	19,156	16.6	17.5

(dollars in thousands)	Net Sales		Operating Profit		Operating Profit as a Percentage of Net Sales	
	Nine Months Ended September 30,		Nine Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021	2022	2021
Spine	\$ 337,484	\$ 405,159	\$ 29,619	\$ 46,037	8.8%	11.4%
Dental	343,839	343,075	68,097	67,520	19.8	19.7

In the three and nine months ended September 30, 2022, our spine segment's net sales declined compared to the three and nine months ended September 30, 2021 due to markets exited in connection with the discontinuation of products and brands rationalized in late 2021, increased competition, distributor bulk orders in the first quarter of 2021 that did not recur, the surge in COVID-19 cases in the first half of 2022 related to the Omicron variant, and changes in foreign currency exchange rates. In the three months ended September 30, 2022, our dental segment's net sales decreased compared to the three months ended September 30, 2021, due primarily to the negative impact of changes in foreign currency exchange rates and slightly decreased volume, which more than offset the impact of price increases. In the nine months ended September 30, 2022, our dental segment's net sales increased compared to the nine months ended September 30, 2021 due to price increases and increased sales in all product types, with the highest growth experienced in implants and digital products, and price increases.

In our spine segment, operating profit increased in the three months ended September 30, 2022 compared to the same prior year period, driven by \$7.7 million in inventory charges related to the insourcing of a distribution center in the prior year period that did not recur, partially offset by a decline in sales and increased pricing pressure on our cost of products sold, as well as an decrease in E&O charges in the current period. Operating profit in our spine segment decreased in the nine months ended September 30, 2022 compared to the same prior year period, driven by a decline in sales and increased pricing pressure on our cost of products sold. In our dental segment, operating profit decreased for the three months ended September 30, 2022 compared to the same prior year period, primarily due to increased sales and product mix, partially offset by increased costs due to COVID restrictions in the prior year not repeating. In our dental segment, operating profit increased in the nine months ended September 30, 2022 compared to the same prior year period, primarily due to increased sales and product mix, as well as a decrease in selling costs.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2022 and December 31, 2021, we had \$116.0 million and \$100.4 million, respectively, in cash and cash equivalents.

Sources of Liquidity

Cash flows provided by operating activities were \$33.5 million in the nine months ended September 30, 2022 compared to \$42.9 million in the nine months ended September 30, 2021, due primarily to decreased accounts receivables and other assets and liabilities, including the impact of increased prepaid insurance for policies that became effective after the distribution, partially offset by increased net related party balances and decreased cash flows from accounts payable and accrued liabilities and inventories.

Cash flows used in investing activities were \$23.1 million in the nine months ended September 30, 2022 compared to \$37.9 million in the nine months ended September 30, 2021. The decrease in cash used in investing activities was primarily related to the decrease in expenditures for instruments due to management's optimization of our product portfolio and manufacturing and logistics network.

Cash flows provided by financing activities were \$15.2 million in the nine months ended September 30, 2022 compared to cash flows used in financing activities of \$7.5 million in the nine months ended September 30, 2021. In the 2022 period, new borrowings under our term loan (as discussed in Note 9) were used primarily for a dividend to Zimmer Biomet at the time of the distribution. Additionally, we made principal repayments on the term loan in the aggregate amount of \$41.0 million.

Post-Distribution Liquidity and Capital Resources

Subsequent to the distribution, we no longer participate in the centralized treasury management of Zimmer Biomet. Our ability to fund our operations and capital needs depends upon our ability to generate ongoing cash from operations and to access the capital markets. Our principal uses of cash in the future will be primarily to fund our operations, working capital needs, capital expenditures, repayment of borrowings and strategic business development transactions.

On February 28, 2022 we borrowed \$595.0 million of available term loan borrowings and on March 1, 2022, we repaid \$34.0 million of the term loan borrowing. We transferred \$540.6 million of the proceeds from such borrowing to Zimmer Biomet. We make interest payments on the term loan borrowings quarterly, and we commenced quarterly principal payments on June 30, 2022. For additional information regarding our current debt arrangements, including the term loan amortization schedule, see Note 13 to our combined financial statements included in our Annual Report. In addition, for information regarding our other material estimated future cash requirements under our contractual obligations and certain other commitments, see "Material Cash Requirements" in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report. There have been no

material changes to such information except as set forth herein. We believe that future cash from operations will provide us the opportunity to enter into financing arrangements and access capital markets to provide adequate resources to fund our future cash flow needs, but we cannot assure you that we will be able to enter into such arrangements or transactions on satisfactory terms or at all.

CRITICAL ACCOUNTING ESTIMATES

Our financial results are affected by the selection and application of accounting policies and methods and require us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Critical accounting estimates are those that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition and results of operations. There were no changes in the nine-month period ended September 30, 2022 to the application of our critical accounting estimates as described in our Annual Report.

ACCOUNTING DEVELOPMENTS

See Note 1 to our condensed consolidated financial statements for information on how recent accounting pronouncements have affected or may affect our financial position, results of operations or cash flows.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market Risk

We are exposed to certain market risks as part of our ongoing business operations, including risks from changes in foreign currency exchange rates, interest rates and commodity prices that could affect our financial condition, results of operations and cash flows.

Foreign Currency Exchange Risk

We operate on a global basis and are exposed to the risk that our financial condition, results of operations and cash flows could be adversely affected by changes in foreign currency exchange rates. We are primarily exposed to foreign currency exchange rate risk with respect to transactions and net assets denominated in Euros, Chinese Renminbi, Israeli Shekel, New Zealand Dollar, Japanese Yen, Canadian Dollar and Swedish Krona. We manage our foreign currency exposure centrally, on a combined basis, which allows us to net exposures and to take advantage of any natural offsets. To reduce the uncertainty of foreign currency exchange rate movements on transactions denominated in foreign currencies, we enter into derivative financial instruments in the form of foreign currency exchange forward contracts with major financial institutions. These forward contracts are designed to reduce the foreign exchange impact monetary assets and liabilities in non-functional currencies have on our financial results. Realized and unrealized gains and losses on these contracts are recognized in other income (expense), net.

Commodity Price Risk

We purchase raw material commodities such as cobalt chrome, titanium, tantalum, polymer and sterile packaging. We enter into supply contracts generally with terms of 12 to 24 months, where available, on these commodities to alleviate the effect of market fluctuations in prices. As part of our risk management program, we perform sensitivity analyses related to potential commodity price changes. A 10% price change across all these commodities would not have a material effect on our condensed consolidated financial position, results of operations or cash flows.

Interest Rate Risk

Our interest expense and related risks as reported in our condensed consolidated statements of operations are growing due to the Credit Agreement. As of September 30, 2022 we had \$554.0 million of floating rate debt potentially subject to SOFR. A hypothetical increase of 100 basis points in SOFR to our floating rate debt would, among other things, decrease our annual pre-tax earnings by \$5.5 million.

Credit Risk

Financial instruments, which potentially subject us to concentrations of credit risk, are primarily cash and cash equivalents, derivative instruments and accounts receivable.

We place our cash and cash equivalents with highly rated financial institutions and limit the amount of credit exposure to any one entity. We believe we do not have any significant credit risk on our cash and cash equivalents.

Our concentrations of credit risks with respect to trade accounts receivable is limited due to the large number of customers and their dispersion across a number of geographic areas and by frequent monitoring of the creditworthiness of the customers to whom credit is granted in the normal course of business. Substantially all of our trade receivables are concentrated in the public and private hospital and dental practices in the healthcare industry in the U.S. and internationally or with distributors or dealers who operate in international markets and, accordingly, are exposed to their respective business, economic and country specific variables. Our ability to collect accounts receivable in some countries depends in part upon the financial stability of these hospital and healthcare sectors and the respective countries' national economic and healthcare systems. Most notably, in Europe healthcare is typically sponsored by the government. Since we sell products to public hospitals in those countries, we are indirectly exposed to government budget constraints. To the extent the respective governments' ability to fund their public hospital programs deteriorates, we may have to record significant bad debt expenses in the future.

While we are exposed to risks from the broader healthcare industry in Europe and around the world, there is no significant net exposure due to any individual customer. Exposure to credit risk is controlled through credit approvals, credit limits and monitoring procedures, and we believe that reserves for losses are adequate.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures as defined under Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act"). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2022 to provide reasonable assurance that information required to be disclosed in our reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are subject to various claims, legal proceedings and investigations regarding product liability, intellectual property, commercial and other matters that arise in the normal course of business. We currently do not expect the outcome of these matters to have a material adverse impact on our results of operations, cash flows or financial position. However, the outcome of such matters is unpredictable, our assessment of them may change, and resolution of them could have a material adverse effect on our financial position, results of operations or cash flows.

For additional information related to our contingencies, see Note 14 to our condensed consolidated financial statements included in Part I, Item 1 of this report, which is incorporated herein by reference.

Item 1A. Risk Factors.

You should carefully consider the factors discussed in Part I, Item 1A, "Risk Factors" of our Annual Report, which could materially affect our business, financial condition and results of operations. There have been no material changes in those risk factors. The risks described in our Annual Report are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or results of operations. In addition, the COVID-19 pandemic could exacerbate or trigger other risks discussed in our Annual Report, any of which could materially affect our business, financial condition and results of operations.

Item 6. Exhibits.

Exhibit Index

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of ZimVie Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on March 1, 2022).
3.2	Amended and Restated Bylaws of ZimVie Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on March 1, 2022).
21	List of Subsidiaries.
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
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 thereunto duly authorized.

ZimVie Inc.

Date: November 9, 2022

By: _____
/s/ Richard Heppenstall
Richard Heppenstall
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

**Subsidiaries of ZimVie Inc.
As of September 30, 2022**

<u>Name of Subsidiary</u>	<u>Jurisdiction of Formation</u>
<u>Domestic subsidiaries:</u>	
Biomet 3i, LLC	Florida
dba Zimmer Biomet Dental	
dba ZimVie Dental	
EBI Holdings, LLC	Delaware
EBI Medical Systems, LLC	Delaware
EBI, LLC	Indiana
dba Biomet Healing Technologies (<i>Forced</i>)	
dba Biomet Spine (<i>Forced</i>)	
dba Biomet Spine & Bone Healing Technologies, LLC (<i>Forced</i>)	
dba Biomet Spine & Bone Healing Technologies, Biomet Bracing and Biomet Osteobiologics, LLC (<i>Forced</i>)	
dba Biomet Trauma, Biomet Spine (<i>Forced</i>)	
dba Biomet Trauma, Biomet Spine, Biomet Bracing and Biomet Osteobiologics, LLC (<i>Forced</i>)	
dba EBI, LLC (IN) (<i>Forced</i>)	
dba EBI, LLC of Indiana (<i>Forced</i>)	
dba ZimVie	
Electro-Biology, LLC	Delaware
Implant Concierge, LLC	Texas
Zimmer Biomet Spine, Inc.	Delaware
dba Lanx	
dba Zimmer Spine	
dba ZimVie	
dba ZimVie Spine	
Zimmer Dental Inc.	Delaware
dba ZimVie Dental	
ZimVie Holdings US 1 LLC	Delaware
ZimVie Holdings US 2 LLC	Delaware
<u>Foreign subsidiaries:</u>	
Biomet 3i Australia Pty. Ltd.	Australia
ZimVie Austria GmbH	Austria
Biomet 3i Belgium N.V.	Belgium
Biomet 3i Benelux Holdings N.V.	Belgium
ZimVie Brasil Comercio, Importacao e Exportacao de Produtos Medicos Ltda.	Brazil
Zimmer Biomet Dental Canada Inc.	Canada
Zimmer Dental Chile Spa	Chile
Zimmer Dental (Shanghai) Medical Device Co. Ltd.	China
IC Guided Surgery, SRL	Costa Rica
LDR Médical S.A.S.	France
Zimmer Dental SAS	France
Zimmer Spine SAS	France
Zfx GmbH	Germany
Zimmer Dental GmbH	Germany
ZB Dental India Private Limited	India
Zimmer Dental Ltd.	Israel
3DIEMME Srl	Italy
Zfx Innovation GmbH	Italy
Zimmer Dental Italy Srl	Italy
ZimVie Japan G.K.	Japan

Name of Subsidiary**Jurisdiction of Formation**

ZimVie Korea Co Ltd.	Korea
JERDS Luxembourg Holding S.ar.l	Luxembourg
Biomet 3i Mexico S.A. de C.V.	Mexico
Biomet 3i Netherlands B.V.	Netherlands
ZimVie Netherlands Global Holding B.V.	Netherlands
ZimVie Netherlands Holding B.V.	Netherlands
Biomet 3i Portugal (Representações de Produtos Dentarios Sociedade Unipessoal, Lda.)	Portugal
EBI Patient Care, Inc.	Puerto Rico
ZimVie Singapore Pte. Ltd.	Singapore
Biomet 3i Dental Iberica SLU	Spain
Biomet 3i Nordic AB	Sweden
Biomet 3i Switzerland GmbH (Biomet 3i Schweiz GmbH)	Switzerland
ZimVie Taiwan Co Ltd.	Taiwan
Biomet 3i Turkey (Biomet 3i Dış Sağlık Ürünleri Pazarlama, İthalat, İhracat ve Dış Ticaret Limited Şirketi)	Turkey
Biomet 3i UK Ltd.	United Kingdom

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Vafa Jamali, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ZimVie Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) N/A;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2022

By: _____
 /s/ Vafa Jamali
Vafa Jamali
Chief Executive Officer

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Richard Heppenstall, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ZimVie Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) N/A;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2022

By: _____ /s/ Richard Heppenstall
Richard Heppenstall
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of ZimVie Inc. (the "Company") on Form 10-Q for the period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 9, 2022

By: _____
/s/ Vafa Jamali
Vafa Jamali
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of ZimVie Inc. (the "Company") on Form 10-Q for the period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 9, 2022

By: _____ /s/ Richard Heppenstall
Richard Heppenstall
Chief Financial Officer
