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, 2023

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	**87-2007795**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
10225 Westmoor Drive	
Westminster, CO	**80021**
(Address of principal executive offices)	**(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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
Emerging growth company	☐		

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

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 October 27, 2023 was 26,536,071.

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,” “track,” “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: 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 may be 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 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; 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; 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, 2022 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 Quarterly 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.

For additional information concerning factors that may cause actual results to vary materially from those stated in the forward-looking statements, see our reports on Form 10-K, 10-Q and 8-K filed with the U.S. Securities and Exchange Commission (the “SEC”) from time to time.

Table of Contents

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	For the Three Months Ended September 30, 2023	For the Three Months Ended September 30, 2022	For the Nine Months Ended September 30, 2023	For the Nine Months Ended September 30, 2022
Net Sales				
Third party, net	$ 202,872	$ 213,274	$ 652,856	$ 681,323
Related party, net	—	1,303	339	3,419
Total Net Sales	202,872	214,577	653,195	684,742
Cost of products sold, excluding intangible asset amortization	(65,248)	(58,311)	(210,466)	(223,332)
Related party cost of products sold, excluding intangible asset amortization	—	(1,319)	(328)	(3,177)
Intangible asset amortization	(20,615)	(19,357)	(61,787)	(60,178)
Research and development	(11,457)	(14,502)	(40,062)	(47,437)
Selling, general and administrative	(117,354)	(129,345)	(373,801)	(389,509)
Restructuring and other cost reduction initiatives	(2,432)	(689)	(15,851)	(6,486)
Acquisition, integration, divestiture and related	(1,945)	(7,727)	(5,024)	(25,455)
Operating Expenses	(219,051)	(231,250)	(707,319)	(755,574)
Operating Loss	(16,179)	(16,673)	(54,124)	(70,832)
Other (expense) income, net	(65)	615	(372)	977
Interest expense, net	(9,208)	(6,242)	(27,180)	(11,847)
Loss Before Income Taxes	(25,452)	(22,300)	(81,676)	(81,702)
Income tax benefit	20,363	23,131	23,246	48,165
Net (Loss) Income	$ (5,089)	$ 831	$ (58,430)	$ (33,537)
Net (Loss) Income Per Common Share - Basic	$ (0.19)	$ 0.03	$ (2.21)	$ (1.29)
Net (Loss) Income Per Common Share - Diluted	(0.19)	0.03	(2.21)	(1.29)

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

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

	For the Three Months Ended September 30, 2023	For the Three Months Ended September 30, 2022	For the Nine Months Ended September 30, 2023	For the Nine Months Ended September 30, 2022
Net (Loss) Income	$ (5,089)	$ 831	$ (58,430)	$ (33,537)
Other Comprehensive Loss:				
Foreign currency cumulative translation adjustments, net of tax	(18,027)	(36,863)	(6,930)	(97,203)
Total Other Comprehensive Loss	(18,027)	(36,863)	(6,930)	(97,203)
Comprehensive Loss	$ (23,116)	$ (36,032)	$ (65,360)	$ (130,740)

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

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

	As of	
	September 30, 2023	**December 31, 2022**
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 75,449	$ 89,601
Accounts receivable, net of allowance for credit losses of $15,012 and $15,026, respectively	153,947	168,961
Related party receivable	—	8,483
Inventories	213,738	233,854
Prepaid expenses and other current assets	54,481	36,964
Total Current Assets	497,615	537,863
Property, plant and equipment, net of accumulated depreciation of $395,857 and $392,888, respectively	121,431	148,439
Goodwill	259,138	259,999
Intangible assets, net	591,465	654,965
Other assets	38,272	40,790
Total Assets	$ 1,507,921	$ 1,642,056
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	$ 51,313	$ 43,998
Related party payable	—	13,176
Income taxes payable	1,769	14,356
Other current liabilities	118,135	145,779
Total Current Liabilities	171,217	217,309
Deferred income taxes	85,909	98,062
Lease liability	17,301	22,287
Other long-term liabilities	7,762	13,561
Non-current portion of debt	515,533	532,233
Total Liabilities	797,722	883,452
Commitments and Contingencies (Note 11)		
Stockholders' Equity:		
Common stock, $0.01 par value, 150,000 shares authorized Shares, issued and outstanding, of 26,534 and 26,222, respectively	265	262
Preferred stock, $0.01 par value, 15,000 shares authorized, 0 shares issued and outstanding	—	—
Additional paid in capital	913,980	897,028
Accumulated deficit	(105,962)	(47,532)
Accumulated other comprehensive loss	(98,084)	(91,154)
Total Stockholders' Equity	710,199	758,604
Total Liabilities and Stockholders' Equity	$ 1,507,921	$ 1,642,056

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

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

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Net Parent Company Investment	Accumulated Other Comprehensive Loss	Total Equity
Balance June 30, 2023	$ 265	$ 908,507	$ (100,873)	$ —	$ (80,057)	$ 727,842
Net loss	—	—	(5,089)	—	—	(5,089)
Share-based compensation expense	—	5,473	—	—	—	5,473
Employee stock purchase plan	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	(18,027)	(18,027)
Balance September 30, 2023	$ 265	$ 913,980	$ (105,962)	$ —	$ (98,084)	$ 710,199
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	$ 261	$ 890,686	$ (17,188)	$ —	$ (139,983)	$ 733,776

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Net Parent Company Investment	Accumulated Other Comprehensive Loss	Total Equity
Balance December 31, 2022	$ 262	$ 897,028	$ (47,532)	$ —	$ (91,154)	$ 758,604
Net loss	—	—	(58,430)	—	—	(58,430)
Stock activity under stock plans	3	(344)	—	—	—	(341)
Share-based compensation expense	—	16,129	—	—	—	16,129
Employee stock purchase plan	—	1,167	—	—	—	1,167
Other comprehensive loss	—	—	—	—	(6,930)	(6,930)
Balance September 30, 2023	$ 265	$ 913,980	$ (105,962)	$ —	$ (98,084)	$ 710,199
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	$ 261	$ 890,686	$ (17,188)	$ —	$ (139,983)	$ 733,776

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

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

	For the Nine Months Ended September 30, 2023	For the Nine Months Ended September 30, 2022
Cash flows provided by operating activities:		
Net loss	$ (58,430)	$ (33,537)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	95,088	92,469
Share-based compensation	16,129	24,982
Deferred income tax provision	(11,967)	(51,775)
Loss on disposal of fixed assets	2,411	2,817
Other non-cash items	2,762	900
Changes in operating assets and liabilities		
Income taxes	(34,061)	(113)
Accounts receivable	13,019	(18,408)
Related party receivable	8,483	(14,418)
Inventories	18,246	13,400
Prepaid expenses and other current assets	4,187	(18,534)
Accounts payable and accrued liabilities	(18,216)	12,562
Related party payable	(13,177)	24,172
Other assets and liabilities	(8,780)	(989)
Net cash provided by operating activities	15,694	33,528
Cash flows used in investing activities:		
Additions to instruments	(4,341)	(9,671)
Additions to other property, plant and equipment	(5,340)	(11,483)
Other investing activities	(2,762)	(1,950)
Net cash used in investing activities	(12,443)	(23,104)
Cash flows (used in) provided by financing activities:		
Net transactions with Zimmer Biomet	—	6,920
Dividend paid to Zimmer Biomet	—	(540,567)
Proceeds from debt	4,760	595,000
Payments on debt	(22,291)	(41,012)
Debt issuance costs	—	(5,170)
Payments related to tax withholding for share-based compensation	(419)	—
Proceeds from stock option activity	1,167	—
Other financing activities	—	37
Net cash (used in) provided by financing activities	(16,783)	15,208
Effect of exchange rates on cash and cash equivalents	(620)	(10,023)
(Decrease) increase in cash and cash equivalents	(14,152)	15,609
Cash and cash equivalents, beginning of year	89,601	100,399
Cash and cash equivalents, end of period	$ 75,449	$ 116,008
Supplemental cash flow information:		
Income taxes paid, net	$ 19,090	$ 9,189
Interest paid	26,198	9,467
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.

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" or "Parent") entered into a Separation and Distribution Agreement (the "Separation Agreement"), pursuant to which Zimmer Biomet agreed to spin off its dental and spine 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 initially 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. The distribution on March 1, 2022 resulted in ZimVie becoming a standalone, publicly traded company, and it was completed pursuant to the Separation 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 12 for further description of the impact of the distribution and post-spin activities with Zimmer Biomet. As of February 1, 2023, Zimmer Biomet had sold all of its 19.7% ownership in ZimVie and is no longer considered a related party.

Nature of Business

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

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.

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.

Basis of Presentation

Prior to March 1, 2022, we 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 carveout 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, or comparable to our financial position subsequent to March 1, 2022.

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, 2022 ("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 loss. NPI was primarily impacted by contributions from Zimmer Biomet that 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.

As of September 30, 2023 and December 31, 2022, we had $1.4 million and $1.5 million, respectively, in restricted cash. The restriction is on cash held in China as a result of ongoing litigation with a spine products distributor in China related to our decision to exit our spine products business in China (see Note 13 for further information).

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. Goodwill and Other Intangible Assets

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

	Dental	Spine	Total
Balance at December 31, 2022			
Goodwill, Gross	$ 401,999	$ 1,089,400	$ 1,491,399
Accumulated impairment losses	(142,000)	(1,089,400)	(1,231,400)
Goodwill, Net	259,999	—	259,999
Currency translation	(861)	—	(861)
Balance at September 30, 2023			
Goodwill, Gross	401,138	1,089,400	1,490,538
Accumulated impairment losses	(142,000)	(1,089,400)	(1,231,400)
Goodwill, Net	$ 259,138	$ —	$ 259,138

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

	Technology	Trademarks and Trade Names	Customer Relationships	Other	Total
As of December 31, 2022:					
Intangible assets subject to amortization:					
Gross carrying amount	$ 844,730	$ 137,785	$ 364,917	$ 53,955	$ 1,401,387
Accumulated amortization	(444,603)	(63,012)	(188,913)	(49,894)	(746,422)
Total identifiable intangible assets	$ 400,127	$ 74,773	$ 176,004	$ 4,061	$ 654,965
As of September 30, 2023:					
Intangible assets subject to amortization:					
Gross carrying amount	$ 841,249	$ 137,110	$ 361,936	$ 53,918	$ 1,394,213
Accumulated amortization	(476,465)	(69,127)	(206,284)	(50,873)	(802,748)
Total identifiable intangible assets	$ 364,784	$ 67,983	$ 155,652	$ 3,045	$ 591,465

Estimated annual amortization expense for the years ending December 31, 2023 through 2027 based on exchange rates in effect at December 31, 2022 is as follows (in millions):

For the Years Ending December 31,		
2023 (remaining)	$	14.1
2024		72.4
2025		70.6
2026		68.9
2027		63.6
Thereafter		301.9
Total	$	591.5

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 incurred $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.

ZimVie Awards

The ZimVie Inc. 2022 Stock Incentive Plan was originally established effective as of March 1, 2022, and was amended effective May 12, 2023 (as amended, the "2022 Plan"). A total of 6.0 million shares of common stock are authorized for issuance under the 2022 Plan. Shares issued pursuant to converted Zimmer Biomet share-based awards do not count against this limit. At September 30, 2023, 3.4 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.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Share-based compensation expense recognized in:				
Cost of products sold, excluding intangible asset amortization	$ 278	$ 118	$ 846	$ 2,204
Research and development	334	448	1,139	2,992
Selling, general and administrative	4,861	4,722	14,144	19,786
	5,473	5,288	16,129	24,982
Tax benefit related to awards	(1,374)	(1,328)	(4,053)	(5,918)
Total expense, net of tax	$ 4,099	$ 3,960	$ 12,076	$ 19,064

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.

Stock option activity was as follows:

	Period Ended September 30, 2023			
	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in Millions)
Outstanding at December 31, 2022	2,403,635	$ 26.74		
Granted	—	—		
Exercised	—	—		
Forfeited	(90,177)	24.14		
Outstanding at September 30, 2023	2,313,458	$ 26.84	6.3	$ —
Exercisable at September 30, 2023	1,598,522	$ 26.21	5.6	$ —

We used 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 then 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.

Aggregate intrinsic value was negligible at September 30, 2023. At September 30, 2023, we had unrecognized share-based compensation cost related to unvested stock options of $7.0 million, which is expected to be amortized over the remaining weighted average vesting period of approximately 1.5 years.

RSU activity was as follows:

	Period Ended September 30, 2023	
	Number of RSUs	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2022	1,382,500	$ 24.64
Granted	1,526,343	10.34
Vested	(227,507)	28.25
Forfeited	(146,547)	18.89
Outstanding at September 30, 2023	2,534,789	$ 17.01

RSUs granted in the nine months ended September 30, 2023 included 367,928 RSUs (at target) with performance-based vesting provisions ("PRSUs"). PRSUs may vest from 0-150% of target based on the level of achievement of pre-defined performance metrics. PRSUs are payable in common shares and do not have the right to vote until vested. Compensation expense related to PRSUs is recognized over a 36-month cliff vesting period, and is adjusted as needed for changes in the projected level of achievement of the performance metrics.

At September 30, 2023, we had unrecognized share-based compensation cost related to unvested RSUs of $22.5 million, which is expected to be amortized into net income over the remaining weighted average vesting period of approximately 1.5 years. The total fair value of RSUs granted or vested during the three months ended September 30, 2023 and 2022 was negligible. The total fair value of RSUs granted during the nine months ended September 30, 2023 and 2022 was $15.8 million and $30.1 million, respectively. The total fair value of RSUs vested during the nine months ended September 30, 2023 and 2022 was $6.4 million and $1.1 million, respectively.

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 net (loss) income 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,	
	2023	2022	2023	2022
Net (loss) income	$ (5,089)	$ 831	$ (58,430)	$ (33,537)
Weighted average shares outstanding for basic net (loss) income per common share	26,530	26,074	26,406	26,074
Effect of dilutive stock options and other equity awards (1)	—	76	—	—
Weighted average shares outstanding for diluted net (loss) income per common share	26,530	26,150	26,406	26,074
Basic net (loss) income per common share	$ (0.19)	$ 0.03	$ (2.21)	$ (1.29)
Diluted net (loss) income per common share	(0.19)	0.03	(2.21)	(1.29)

(1) Since we incurred a net loss in each of the three and nine months ended September 30, 2023 and in the nine months ended September 30, 2022, no dilutive stock options or other equity awards were included as diluted shares in those periods.

For the three months ended September 30, 2023 and 2022, a weighted average of 3.2 million and 3.8 million, respectively, and for the nine months ended September 30, 2023 and 2022, a weighted average of 3.3 million and 3.3 million, respectively, options to purchase shares of common stock were not included in the computation of diluted net (loss) income per share as the exercise prices of these options were greater than the average market price of the common stock.

5. Balance Sheet Details

Inventories consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Finished goods	$ 176,458	$ 200,098
Work-in-progress	22,709	21,199
Raw materials	14,571	12,557
Inventories	$ 213,738	$ 233,854

Amounts related 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 $6.2 million and $4.0 million in the three months ended September 30, 2023 and 2022, respectively, and were $7.3 million and $21.6 million in the nine months ended September 30, 2023 and 2022, respectively.

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

	September 30, 2023	December 31, 2022
Other current liabilities:		
Salaries, wages and benefits	$ 27,664	$ 47,812
License and service agreements	17,464	25,337
Lease liabilities	10,190	9,617
Other liabilities	62,817	63,013
Total other current liabilities	$ 118,135	$ 145,779

6. Fair Value Measurements of Assets and Liabilities

The fair value of foreign currency exchange forward contracts (see Note 8) are determined using Level 2 inputs. The carrying value of our debt (see Note 7) 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 September 30, 2023 and December 31, 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 3 to our consolidated 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, 2022	$ 13,250
Settlements	(3,451)
Balance September 30, 2023	$ 9,799

7. Debt

Our debt consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Term loan	$ 518,925	$ 536,456
Debt issuance costs	(3,392)	(4,223)
Total debt	515,533	532,233
Less: current portion	—	—
Total debt due after one year	$ 515,533	$ 532,233

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 (the “Term Loan” and, together with the Revolver, the “Credit Facility”).

On March 31, 2023, we made an optional prepayment on the Term Loan of $10.5 million, which represented the aggregate amount of the mandatory scheduled principal payments due on March 31, 2024 and June 30, 2024. On September 29, 2023, we made an optional prepayment on the Term Loan of $7.0 million, which represented the amount of the mandatory scheduled principal payment due on September 30, 2024. As of September 30, 2023, $518.9 million was outstanding on the Term Loan following such payments, and there were no outstanding borrowings under the Revolver.

As of September 30, 2023, our interest rate was the secured overnight financing rate plus the applicable margin of 1.75% for term 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 a maximum consolidated total net leverage ratio of 6.00 to 1.00. We were in compliance with all covenants as of September 30, 2023.

See Note 10 to our consolidated financial statements included in our Annual Report for additional information on our Credit Agreement.

In April 2023, we financed $4.8 million of our corporate insurance premium, all of which was repaid by June 30, 2023.

8. 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 (losses) gains is recorded in Other (expense) income, net. Outstanding contracts are recorded in our condensed consolidated balance sheet at fair value as of the end of the reporting period. The aggregate notional amounts of these contracts were $38.5 million as of September 30, 2023 and $69.1 million as of December 31, 2022.

Current derivative assets of $0.1 million and $0.6 million as of September 30, 2023 and December 31, 2022, respectively, were included in Prepaid expenses and other current assets on our condensed consolidated balance sheets. Current derivative liabilities of $0.4 million and $0.3 million as of September 30, 2023 and December 31, 2022, respectively, were included in Other current liabilities in our condensed consolidated balance sheets. Gains (losses) from these derivative instruments recognized in our condensed consolidated statements of operations in Other (expense) income, net were $0.6 million and $0.2 million for the three and nine months ended September 30, 2023, respectively, and $(1.9) million and $(3.3) million for the three and nine months ended September 30, 2022, respectively.

9. Income Taxes

Our effective tax rate ("ETR") on loss before income taxes was 80.0% and 103.7% for the three months ended September 30, 2023 and 2022, respectively, and 28.5% and 59.0% for the nine months ended September 30, 2023 and 2022, respectively. In the three and nine months ended September 30, 2023, the income tax benefit was higher than the 21% U.S. federal statutory rate due to profit in inventory recorded prior to the distribution that is non-taxable as the inventory is sold post-separation to third parties, resulting in a significant benefit to the foreign rate differential, partially offset by additional expense for increasing valuation allowances. In the three and nine months ended September 30, 2022, the additional income tax benefit compared to the 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. The benefit was further driven by the profit in inventory recorded prior to the distribution, as well as recognition of a Puerto Rico withholding tax receivable available to offset income taxes of $5.7 million.

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.

10. 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,	
	2023	2022	2023	2022
Dental	$ 105,311	$ 105,121	$ 22,808	$ 17,465
Spine	97,561	108,153	6,647	17,258
Segment Total	202,872	213,274	29,455	34,723
Related party transactions	—	1,303	—	(16)
Expenses related to Parent products	—	—	—	(275)
Intangible asset amortization	—	—	(20,615)	(19,357)
Restructuring and other cost reduction initiatives	—	—	(2,432)	(689)
Acquisition, integration, divestiture and related	—	—	(1,945)	(7,727)
Other	—	—	(20,642)	(23,332)
Total	$ 202,872	$ 214,577	$ (16,179)	$ (16,673)

	Net Sales		Operating Profit (Loss)	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Dental	$ 344,130	$ 343,839	$ 69,074	$ 68,097
Spine	308,726	337,484	25,418	29,619
Segment Total	652,856	681,323	94,492	97,716
Related party transactions	339	3,419	11	(11,777)
Expenses related to Parent products	—	—	—	(891)
Intangible asset amortization	—	—	(61,787)	(60,178)
Restructuring and other cost reduction initiatives	—	—	(15,851)	(6,486)
Acquisition, integration, divestiture and related	—	—	(5,024)	(25,455)
Other	—	—	(65,965)	(63,761)
Total	$ 653,195	$ 684,742	$ (54,124)	$ (70,832)

11. 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 \$2.6 million and \$9.5 million as of September 30, 2023 and December 31, 2022, 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.

12. 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 activities between us and Zimmer Biomet that are included in our condensed consolidated financial statements.

Prior to Distribution

<u>Corporate Overhead and Other Allocations from Zimmer Biomet</u>

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,	
	2023	2022	2023	2022
Cost of products sold	$ —	$ —	$ —	$ (78)
Selling, general & administrative	—	—	—	13,914

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 were 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 was $1.0 million for the nine months ended September 30, 2022. 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 $595.0 million under our Credit Agreement and subsequently distributed $561.0 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.

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 to Zimmer Biomet as related party transactions in periods in which Zimmer Biomet was a related party as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Related party net sales	$ —	$ 1,303	$ 339	$ 3,419
Related party cost of products sold, excluding intangible asset amortization	—	1,319	328	3,177

We will continue to sell these products to Zimmer Biomet in future periods pursuant to a transition manufacturing and supply agreement. As of February 1, 2023, Zimmer Biomet had sold all of its 19.7% ownership in ZimVie and is no longer considered a related party. As such, transactions with Zimmer Biomet subsequent to February 1, 2023 are reported as third party transactions.

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, 2023 and 2022, net transactions with Zimmer Biomet reflected in the cash flows pre-distribution were nil and $6.9 million, respectively. There were no net transactions with Zimmer Biomet reflected in the cash flows pre-distribution during the three months ended September 30, 2023 and 2022. Activities that impacted the net transfers from Zimmer Biomet include corporate overhead, share-based compensation, debt agreements between the parties and other allocations and centralized cash management. For the nine months ended September 30, 2023 and 2022, the total impact on NPI from these transactions was nil and $70.4 million, respectively. There were no activities that impacted the net transfers from Zimmer Biomet including corporate overhead, share-based compensation, debt agreements between the parties and other allocations and centralized cash management during the three months ended September 30, 2023 and 2022.

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 $79.0 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.

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 Agreement, the Transition Services Agreement, interim operating model agreements, the Tax Matters Agreement, the Employee Matters Agreement and transition manufacturing and supply agreements. As of February 1, 2023, Zimmer Biomet had sold all of its 19.7% ownership in ZimVie and is no longer considered a related party.

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

	September 30, 2023	December 31, 2022
Related party receivable	$ —	$ 8,483
Related party payable	—	13,176

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 transferred, the liabilities assumed and the contracts 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 are described in Note 18 to our consolidated financial statements included in our Annual Report.

13. Restructuring and Other Cost Reduction Initiatives

In April 2023, we initiated restructuring activities to better position our organization for future success based on the current business environment. In July 2023, we continued these activities and took additional actions. These activities have the objective of reducing our global cost structure and streamlining our organizational infrastructure across all regions, functions and levels. During the three and nine months ended September 30, 2023, we recorded pre-tax charges of $1.3 million and $9.9 million, respectively, related to these actions. The restructuring charges incurred in the three and nine months ended September 30, 2023 under this plan were primarily related to severance and professional fees. We anticipate total charges related to this plan of approximately $15-16 million will be incurred in 2023 and 2024, including projects in process or under final evaluation as of September 30, 2023.

In June 2022, we initiated a restructuring plan with the objective of reducing costs and optimizing our global footprint. In addition, the national volume-based procurement program for spine products in China took place in late September 2022, and we were not successful in our bid. After evaluating our alternatives, in the fourth quarter of 2022 we approved a plan to exit our spine products activities in China. During the three and nine months ended September 30, 2022, actions under the June 2022 plan resulted in pre-tax charges of $0.7 million and $2.4 million, respectively. During the three and nine months ended September 30, 2023, we recorded pre-tax charges of $1.1 million and $5.8 million, respectively, related to the actions under these plans. The restructuring charges incurred in the three and nine months ended September 30, 2023 under these plans were primarily related to accelerated depreciation, severance and impairment of assets. We have incurred pre-tax charges of $14.8 million from inception through September 30, 2023, and we anticipate total charges of approximately $18-19 million related to these plans. We anticipate incurring the remaining charges through the first half of 2024.

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 $4.1 million in the three and nine months ended September 30, 2022, respectively. The restructuring charges incurred under these plans primarily related to employee termination benefits, contract terminations and retention period compensation and benefits. We have not incurred and 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,		
	Employee Termination Benefits	Other	Total
Balance, December 31, 2022	$ 1,893	$ 2,173	$ 4,066
Additions	8,787	2,593	11,380
Cash payments	(5,445)	(3,793)	(9,238)
Balance, September 30, 2023	$ 5,235	$ 973	$ 6,208
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	$ 1,079	$ 2,029	$ 3,108

We do not include charges for restructuring and other cost reduction initiatives in the operating profit of our reportable segments.

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 Quarterly Report. 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 Quarterly Report and in our Annual Report, particularly in "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors."

OVERVIEW

As detailed in Note 1 to our condensed consolidated financial statements included in this Quarterly Report, ZimVie was incorporated on July 30, 2021 as a wholly owned subsidiary of Zimmer Biomet for the sole purpose of holding directly or indirectly the assets and liabilities associated with the dental and spine businesses of Zimmer Biomet for distribution. The distribution of the dental and spine businesses was completed on March 1, 2022, and resulted in ZimVie becoming a standalone, publicly traded company. Prior to March 1, 2022, ZimVie's financial statements were prepared on a carve-out basis and were derived from Zimmer Biomet's consolidated financial statements and accounting records.

Following the distribution, Zimmer Biomet initially retained 19.7% of the outstanding shares of ZimVie common stock, and all transactions between ZimVie and Zimmer Biomet from the distribution to February 1, 2023 were reported as related party transactions. As of February 1, 2023, Zimmer Biomet had sold all of its 19.7% ownership in ZimVie and is no longer considered a related party. As such, transactions with Zimmer Biomet subsequent to February 1, 2023 are reported as third party transactions.

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

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.

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.

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.

RESTRUCTURING AND OTHER COST REDUCTION INITIATIVES

Below is a summary of our restructuring and other cost reduction initiatives. For further information, refer to our discussion of expenses below under "Results of Operations - Three and Nine Months Ended September 30, 2023 and 2022 - Operating Expenses" and in Note 13 to our condensed consolidated financial statements included in this Quarterly Report.

2023 Programs

In April 2023, we initiated restructuring activities to better position our organization for future success based on the current business environment. In July 2023, we continued these activities and took additional actions. These activities have the objective of reducing our global cost structure and streamlining our organizational infrastructure across all regions, functions, and levels. As a result of these initiatives, we expect an approximate 6% reduction in our global workforce, in addition to reductions in discretionary spending.

2022 Programs

In June 2022, we initiated a restructuring plan with the objective of reducing costs and optimizing our global footprint. In addition, the national volume-based procurement ("VBP") program for spine products in China took place in late September 2022, and we were not successful in our bid. After evaluating our alternatives, in the fourth quarter of 2022 we approved a plan to exit our spine products activities in China. Annual 2022 spine product sales in China represented less than 1% of our consolidated annual sales.

The national VBP program for dental products in China took place in January 2023, and we were not successful in our bid. We plan to continue to operate our dental product activities in China by focusing on the private market. Annual 2022 dental product sales in China represented less than 1% of our consolidated annual sales.

RESULTS OF OPERATIONS

Three and Nine Months Ended September 30, 2023 and 2022

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,					
	2023	2022	Change %	Volume/Mix	Price	Foreign Exchange
Dental	$ 105,311	$ 105,121	0.2 %	(0.3)%	(0.9)%	1.4 %
Spine	97,561	108,153	(9.8)	(8.4)	(0.4)	(1.0)
Third Party Sales	202,872	213,274	(4.9)	(4.4)	(0.6)	0.1
Related Party	—	1,303	(100.0)	N/A	N/A	N/A
Total	$ 202,872	$ 214,577	(5.5)	N/A	N/A	N/A

	Nine Months Ended September 30,					
	2023	2022	Change %	Volume/Mix	Price	Foreign Exchange
Dental	$ 344,130	$ 343,839	0.1 %	1.0 %	(0.5)%	(0.4)%
Spine	308,726	337,484	(8.5)	(7.3)	(0.6)	(0.6)
Third Party Sales	652,856	681,323	(4.2)	(3.2)	(0.5)	(0.5)
Related Party	339	3,419	(90.1)	N/A	N/A	N/A
Total	$ 653,195	$ 684,742	(4.6)	N/A	N/A	N/A

Volume/Mix Trends

Volume in the dental products category decreased slightly in the three months ended September 30, 2023 compared to the same prior year period due to one less selling day ($1.6 million). Volume in the spine products category decreased in the three months ended September 30, 2023 compared to the same prior year period due to continued competition resulting in distributor turnover, the exit of our spine products activities in China ($3.7 million), and one less selling day ($1.6 million), partially offset by net spine product sales ($1.9 million) retained by Zimmer Biomet in the same prior year period in certain geographies where our separation and transition activities extended beyond the distribution date (for more information, see "After Distribution - Interim Operating Agreements" in Note 18 to our consolidated financial statements included in our Annual Report).

Volume in the dental products category increased in the nine months ended September 30, 2023 compared to the same prior year period, primarily due to higher demand for tooth replacement procedures combined with a growing digital dentistry market. Volume in the spine products category decreased in the nine months ended September 30, 2023 compared to the same prior year period due to continued competition resulting in distributor turnover and the exit of our spine products activities in China ($9.6 million) partially offset by net spine product sales ($7.5 million) retained by Zimmer Biomet in the same prior year periods in certain geographies where our separation and transition activities extended beyond the distribution date.

Pricing Trends

While the dental products category experienced price declines for the three and nine months ended September 30, 2023, the average implant price increased due to the success of new product launches. The spine products category continued to experience governmental healthcare cost pricing pressure efforts and similar efforts at local hospitals and health systems in the three and nine months ended September 30, 2023.

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 and Japanese Yen. For the three months ended September 30, 2023, foreign exchange fluctuations had a positive effect on year-over-year sales, while for the nine months ended September 30, 2023, foreign exchange fluctuations had a negative effect on year-over-year sales, mainly due to fluctuations of the U.S. Dollar against the Euro.

Expenses as a Percent of Net Sales

	Three Months Ended September 30,		
	2023	**2022**	**2023 vs. 2022 Change**
Cost of products sold, excluding intangible asset amortization	32.2 %	27.2 %	5.0 %
Related party cost of products sold, excluding intangible asset amortization	—	0.6	(0.6)
Intangible asset amortization	10.2	9.0	1.2
Research and development	5.6	6.8	(1.2)
Selling, general and administrative	57.8	60.3	(2.5)
Restructuring and other cost reduction initiatives	1.2	0.3	0.9
Acquisition, integration, divestiture and related	1.0	3.6	(2.6)
Operating Loss	(8.0)	(7.8)	0.2

	Nine Months Ended September 30,		
	2023	**2022**	**2023 vs. 2022 Change**
Cost of products sold, excluding intangible asset amortization	32.2 %	32.6 %	(0.4)%
Related party cost of products sold, excluding intangible asset amortization	0.1	0.5	(0.4)
Intangible asset amortization	9.5	8.8	0.7
Research and development	6.1	6.9	(0.8)
Selling, general and administrative	57.2	56.9	0.3
Restructuring and other cost reduction initiatives	2.4	0.9	1.5
Acquisition, integration, divestiture and related	0.8	3.7	(2.9)
Operating Loss	(8.3)	(10.3)	(2.0)

Cost of Products Sold and Intangible Asset Amortization

The increase in cost of products sold in dollars and as a percentage of net sales in the three months ended September 30, 2023 compared to the same prior year period was primarily due to the release of a spin-related contingent liability with Zimmer Biomet in the spine products category in the prior year period that did not recur, partially offset by an indemnification of legal expenses from Zimmer Biomet in the current year period ($2.8 million). The decrease in cost of products sold in dollars and as a percentage of net sales in the nine months ended September 30, 2023 compared to the same prior year period was primarily due to a reduction in inventory charges ($11.4 million) primarily in the spine product category, the legal indemnification noted above ($2.8 million) and incremental share-based compensation expense related to converted Zimmer Biomet awards ($1.8 million) recorded in the same prior year period that did not recur (for more information, see Note 3 to our condensed consolidated financial statements included in this Quarterly Report), partially offset by the release of a spin-related contingent liability with Zimmer Biomet in the spine products category in the prior year period that did not recur.

Intangible asset amortization increased slightly in dollars and as a percentage of net sales in the three and nine months ended September 30, 2023 as compared to the same prior year periods, due to the relatively fixed nature of amortization expense period over period.

Operating Expenses

Research and development ("R&D") expenses in dollars and as a percentage of net sales decreased in the three and nine months ended September 30, 2023 compared to the same prior year periods, primarily due to savings in the dental and spine product categories from the announced restructuring and other cost reduction initiatives. R&D expenses also decreased due to incremental share-based compensation expense related to converted Zimmer Biomet awards ($2.0 million) recorded in the same prior year period that did not recur (for more information, see Note 3 to our condensed consolidated financial statements included in this Quarterly Report).

Selling, general and administrative (“SG&A”) expenses decreased in dollars and as a percentage of net sales in the three months ended September 30, 2023 as compared to the same prior year period, generally due to savings from the announced restructuring and other cost reduction initiatives and reduced selling costs consisting of decreases of employee related expenses ($7.8 million), selling and marketing expenses ($3.7 million) and instrument expense ($1.3 million). SG&A expenses decreased in dollars in the nine months ended September 30, 2023 as compared to the same prior year period generally due to savings from the announced restructuring and other cost reduction initiatives and reduced selling costs, partially offset by an increase in general and administrative costs due to us being a standalone public company for the entire nine-month period ended September 30, 2023 compared to the seven-month period ended September 30, 2022. Specifically, we had decreases of selling related expenses ($5.7 million) and instrument expense ($1.5 million), as well as incremental share-based compensation expense related to converted Zimmer Biomet awards ($9.9 million) recorded in the same prior year period that did not recur (for more information, see Note 3 to our condensed consolidated financial statements included in this Quarterly Report). While SG&A expenses decreased in dollars, they increased as a percentage of net sales in the nine months ended September 30, 2023 as compared to the same prior year period due to the decrease in net sales.

Expenses related to restructuring and other cost reduction initiatives relate to our restructuring plans initiated in April 2023 and June 2022, our exit of our spine products activities in China and Zimmer Biomet's restructuring plans initiated in the fourth quarters of 2019 and 2021. We recognized expenses of $2.4 million and $0.7 million in the three months ended September 30, 2023 and 2022, respectively, and $15.9 million and $6.5 million in the nine months ended September 30, 2023 and 2022, respectively. These expenses primarily related to employee termination benefits, consulting fees and accelerated depreciation. For more information regarding these expenses, see Note 13 to our condensed consolidated financial statements included in this Quarterly Report.

Acquisition, integration, divestiture and related expenses include costs incurred to prepare for and complete the separation from our former parent (such as professional fees, transition services agreements, costs to stand up our corporate organization and infrastructure), changes in the fair value of contingent consideration for acquisitions closed prior to the separation date and costs related to the evaluation of strategic options for our portfolio. Acquisition, integration, divestiture and related expenses decreased by $5.8 million for the three months ended September 30, 2023 as compared to the same prior year period due primarily to decreases in separation-related professional fees ($3.6 million), separation-related lease costs ($2.6 million) and separation-related employee costs ($0.8 million), partially offset by increased costs related to the evaluation of strategic options for our portfolio ($1.5 million). Acquisition, integration, divestiture and related expenses decreased by $20.4 million for the nine months ended September 30, 2023 as compared to the same prior year period due primarily to decreases in separation-related professional fees ($8.8 million), separation-related employee costs ($5.0 million), separation-related lease costs ($3.2 million) and contingent consideration ($2.8 million), slightly offset by increased costs related to the evaluation of strategic options for our portfolio ($1.5 million).

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

Our other (expense) income, 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.

Interest expense, net, in the three and nine months ended September 30, 2023 increased compared to the same prior year periods, primarily due to increased interest rates.

Our effective tax rate (“ETR”) on loss before income taxes was 80.0% and 103.7% for the three months ended September 30, 2023 and 2022, respectively, and 28.5% and 59.0% for the nine months ended September 30, 2023 and 2022, respectively. In the three and nine months ended September 30, 2023, the income tax benefit was higher than the 21% U.S. federal statutory rate due to profit in inventory recorded prior to the distribution that is non-taxable as the inventory is sold post-separation to third parties, resulting in a significant benefit to the foreign rate differential, partially offset by additional expense for increasing valuation allowances. In the three and nine months ended September 30, 2022, the additional income tax benefit compared to the 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. The benefit was further driven by the profit in inventory recorded prior to the distribution as well as recognition of a Puerto Rico withholding tax receivable available to offset income taxes of $5.7 million.

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.

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

	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,	
(dollars in thousands)	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Dental	$ 105,311	$ 105,121	$ 22,808	$ 17,465	21.7 %	16.6 %
Spine	97,561	108,153	6,647	17,258	6.8	16.0

	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,	
(dollars in thousands)	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Dental	$ 344,130	$ 343,839	$ 69,074	$ 68,097	20.1 %	19.8 %
Spine	308,726	337,484	25,418	29,619	8.2	8.8

Sales in our dental products category in the three months ended September 30, 2023 increased slightly from the same prior year period, primarily due to the positive effect from foreign exchange rates, mostly offset by one less selling day in the current period ($1.6 million) and decreased pricing. Sales in our dental products category in the nine months ended September 30, 2023 increased from the same prior year period, primarily due to an increase in demand for tooth replacement procedures combined with a growing digital dentistry market, partially offset by decreased pricing and the negative effect of changes in foreign exchange rates.

Sales in our spine products category in the three months ended September 30, 2023 decreased from the same prior year period primarily due to continued competition resulting in distributor turnover, the exit of our spine products activities in China ($3.7 million), one less selling day in the current period ($1.6 million), the negative effect of changes in foreign exchange rates and decreased pricing, partially offset by net spine product sales ($1.9 million) retained by Zimmer Biomet in the same prior year period in certain geographies where our separation and transition activities extended beyond the distribution date (for more information, see "After Distribution - Interim Operating Agreements" in Note 18 to our consolidated financial statements included in our Annual Report). Sales in our spine products category in the nine months ended September 30, 2023 decreased from the same prior year period primarily due to continued competition resulting in distributor turnover, the exit of our spine products activities in China ($9.6 million), the negative effect of changes in foreign exchange rates and decreased pricing, partially offset by net spine product sales ($7.5 million) retained by Zimmer Biomet in the same prior year period in certain geographies where our separation and transition activities extended beyond the distribution date.

Operating profit in our dental products category increased for the three and nine months ended September 30, 2023 compared to the same prior year periods, primarily due to savings from announced restructuring and other cost reduction initiatives.

Operating profit in our spine products category decreased for the three months ended September 30, 2023 compared to the same prior year period due to decreased sales and the release of a spin-related contingent liability with Zimmer Biomet in the prior year period that did not recur, partially offset by savings from announced restructuring and other cost reduction initiatives and the indemnification of legal expenses from Zimmer Biomet ($2.8 million). Operating profit in our spine products category decreased for the nine months ended September 30, 2023 compared to the same prior year period due to decreased sales and the release of a spin-related contingent liability with Zimmer Biomet in the prior year period that did not recur, mostly offset by a reduction in inventory charges ($9.8 million) and savings from announced restructuring and other cost reduction initiatives.

Both products categories benefited from reduced incremental share-based compensation due to converted Zimmer Biomet awards recorded in the nine months ended September 30, 2022 that did not recur (for more information, see Note 3 to our condensed consolidated financial statements).

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2023 and December 31, 2022, we had $75.4 million and $89.6 million, respectively, in cash and cash equivalents.

Sources of Liquidity

Cash flows provided by operating activities were $15.7 million and $33.5 million in the nine months ended September 30, 2023 and 2022 respectively. Working capital for the nine months ended September 30, 2023 used cash of $21.5 million primarily due to income taxes, accounts payable and accrued liabilities and related party payable, partially offset by cash provided by inventories, accounts receivable, related party receivable and prepaid expenses and other current assets. Working capital for the nine months ended September 30, 2022 used cash of $1.3 million due to prepaid expenses, accounts receivable and related party receivable, mostly offset by cash provided by related party payable, inventories and accounts payable and accrued liabilities.

Cash flows used in investing activities were $12.4 million and $23.1 million in the nine months ended September 30, 2023 and 2022, respectively. The reduction in cash used in investing activities was primarily related to the reduction in expenditures for instruments and other property, plant and equipment due to efforts to optimize our product portfolio and manufacturing and logistics network.

Cash flows used in financing activities were $16.8 million in the nine months ended September 30, 2023 and cash flows provided by financing activities were $15.2 million in the nine months ended September 30, 2022. In the current year period, we made optional prepayments on the Term Loan of $17.5 million, which represented the aggregate amount of the mandatory scheduled principal payments due in the first nine months of 2024 (as discussed in Note 7 to our condensed consolidated financial statements included in this Quarterly Report). In the 2022 period, new borrowings under our Term Loan (as discussed in Note 7 to our condensed consolidated financial statements included in this Quarterly Report) were used primarily for a dividend paid to Zimmer Biomet at the time of the distribution.

Liquidity and Capital Resources

For additional information regarding our current debt arrangements, including the term loan amortization schedule, see Note 10 to our consolidated 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 available cash and cash equivalents, cash flows generated through operations and cash available under our revolving credit facility will be sufficient to meet our liquidity needs, including capital expenditures, for at least the next 12 months.

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 months ended September 30, 2023 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 included in this Quarterly Report 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, Swedish Krona, New Taiwan Dollars, Israeli Shekels, Australian Dollars and Japanese Yen. 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 (expense) income, 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, 2023, we had $518.9 million of floating rate debt potentially subject to the adjusted term secured overnight financing rate ("SOFR"). A hypothetical increase of 100 basis points in SOFR to our floating rate debt would, among other things, increase our annual interest expense by $5.2 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 are 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, 2023 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, 2023 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 11 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly 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 5. Other Information.

During the three months ended September 30, 2023, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act or any non-Rule 10b5-1 trading arrangement (as defined in the SEC's rules).

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., effective as of February 17, 2023 (incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K filed with the SEC on March 1, 2023).
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 1, 2023	By:	/s/ Richard Heppenstall
		Richard Heppenstall
		Executive Vice President, Chief Financial Officer and Treasurer
		(Principal Financial Officer)

Exhibit 21

Subsidiaries of ZimVie Inc.
As of September 30, 2023

Name of Subsidiary	Jurisdiction of Formation
Domestic subsidiaries:	
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 Spine & Bone Healing Technologies, LLC (*Forced*)	
dba EBI Bone Healing, LLC (*Forced*)	
dba EBI, LLC (IN) (*Forced*)	
dba EBI, LLC of Indiana (*Forced*)	
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
Foreign subsidiaries:	
Biomet 3i Australia Pty. Ltd.	Australia
ZimVie Austria GmbH	Austria
Biomet 3i Belgium N.V.	Belgium
ZimVie Brasil Comercio, Importacao e Exportacao de Produtos Medicos Ltda.	Brazil
Zimmer Biomet Dental Canada Inc.	Canada
ZimVie 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 Srl	Italy
Zimmer Dental Italy Srl	Italy
ZimVie Japan G.K.	Japan
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 (Representaçoes 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 Switzerland GmbH (Biomet 3i Schweiz GmbH)	Switzerland
ZimVie Taiwan Co Ltd.	Taiwan

Name of Subsidiary	Jurisdiction of Formation
Biomet 3i Turkey (Biomet 3i Diş Sağlığı Ürünleri Pazarlama, İthalat, İhracat ve Dış Ticaret Limited Şirketi)	Turkey
Biomet 3i UK Ltd.	United Kingdom

Exhibit 31.1

**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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (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 1, 2023

By: /s/ Vafa Jamali

Vafa Jamali
Chief Executive Officer

Exhibit 31.2

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (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 1, 2023

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

Exhibit 32.1

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, 2023 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 1, 2023	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, 2023 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 1, 2023

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