



Conference Call Q&A – Tuesday 7 April 2020

- 1. Please clarify differences between the press releases of Trendlines and OrthoPediatrics: On closing, which is 1 Apr 2020, ApiFix shareholders received an aggregate of 934,783 [vs 934,768] and US\$0.8m in cash [vs US\$2m].**

The correct number is the higher number of 934,783 shares, as we reported. US\$2 million is the sum paid to ApiFix in this “no-cash, no-debt” deal; the net sum for distribution to ApiFix’s shareholders, after paying deal expenses and liabilities of about \$1.2 million, is \$826,000, including \$100,000 held in escrow in the Sellers’ Representative fund. Trendlines is the Sellers’ Representative.

- 2. The sale was closed on 1 Apr 2020, when OrthoPediatrics’ share price was US\$37.63 but the share price used for the consideration was US\$39.64 on 31 March 2020. Which share price should we apply?**

The initial compensation at closing was US\$2 million in cash and 934,783 shares – the shares number was a negotiated fixed number and not determined based upon a share price formula. Any share price discussion is for illustrative purposes only. OrthoPediatrics closed yesterday (6 April 2020) at US\$ 41.22 per share. Using that price, the total initial compensation at closing was US\$ 40,531,755.

- 3. What is the apportionment of cash and stock for earnout proceeds? (25%/75%)**

Compensation paid at closing, if we assume a US\$41.22 PPS, was US\$38,531,755 in stock and \$2 million in cash. (5% cash and 95% stock). For each of the next three minimum payments, the ratio is a minimum of 25% cash, at the buyer’s discretion. For the earnout beyond this, payment is a minimum 25% cash with the balance in cash or stock as decided by the Sellers’ Representative, Trendlines.

- 4. According to the press release, Trendlines is entitled, at 18.62% interest in ApiFix, at closing, approximately US\$13.2 not including earnout proceeds, but my calculation yields US\$12.634m, based on US\$67.854m, please clarify.**

Compensation at closing was for a fixed number of shares and \$2million. Determination of value, of course, depends on what share price you choose to model; the shares are locked-up for 6 months. Additional shares were received by ApiFix as a result of the non-cash exercise of options by option holders; this is the reason you cannot do a simple calculation of the number of shares multiplied by 18.62%.

5. What is the moratorium for stock upon acquisition and for each anniversary and earnout proceeds?

All shares delivered are under 6 months lock-up. This lockup is because of Nasdaq rules, not the result of the deal negotiations.

6. Will IFRS 9 FVTPL (fair value through profit or loss) accounting be adopted for the sale of ApiFix?

The current value of Trendlines' holdings in ApiFix, will be converted to:

- FV of the earnout (IFRS 9 FVTPL)
- Cash (that was received)
- Long term receivables (the minimum cash to be received from future milestone payments)
- Short- and long-term investment (the shares portion to be received from future milestone payments), which will be valued on a periodic basis via P&L.

7. It was stated in the press release that the last valuation of ApiFix is US\$3.5m and in referring to Note 9(B)(2) of the annual report (page 143) as advised which is as follows. Should the valuation be US\$13,697 instead which is also consistent with your presentation on page 19 of the Q42019 Investor Presentation which states approx. US\$14m raised in three rounds, including from strategic investor B. Braun. Please clarify.

As it was stated in the press release of 3 April ,2020, the US\$3.5M valuation as at 30 September 2019, was prior to the start of the negotiations and is as determined by our 3rd party valuation firm. As in prior exits, the pre-deal valuation was significantly less than the exit value (the exit value, not including the earnout, is 3.8 times higher than our last pre-deal valuation). The US\$14M raised by the company is wholly unrelated to the value of our holdings in ApiFix.

8. Much of the return for Trendlines is spread over the next 4 years and hinges on the stock price of OrthoPediatrics. OrthoPediatrics currently has a very large market cap of US\$700+ million but has reported losses in the past 3 years. Thus, the current stock price does not look well supported. Unless OrthoPediatrics does much better earnings-wise in the next few years, the stock price may not be well supported. Can you comment on this vulnerability? The larger question is, how did Trendlines decide to go with this company into the ApiFix deal?

OrthoPediatrics is the only orthopedics company wholly focused on the pediatrics market; they in the scoliosis market with a complimentary product and, we believe, very well positioned to grow ApiFix into a substantial business. It may be valuable to read analysts' reports on OrthoPediatrics to gain more insights into the company's prospects.

9. Will the cash consideration be distributed as a dividend, as previously promised?

We continue to be committed to paying dividends. However, since the shares are locked up for six months, and since there is so much uncertainty in the markets at the moment, we think this is a question that should only be considered at the end of the year.

10. Is there any update on the 8 remaining on the list of 10 most valuable companies? In particular, what is the commercialization timeline for Leviticus Cardio which was established in 2010?

- Several of our companies have made good progress despite the current situation. The \$5 million raise for OrthoSpin's led by J&J, is a great example of that.
- Saturas, AgroScout, Hargol, and FruitSpec, four agrifood tech companies, all commenced sales efforts this quarter; while they are concerned about the pace of sales being possibly less than projected, all are taking steps to support their sales in this difficult period. In addition, AgroScout announced a US\$3 million funding close this month.
- BioFishency, a water treatment for aquaculture company, has extensive business in China and saw sales in the first quarter stall. As China is getting back to work now, BioFishency's activity there is picking up and, in fact. Last week they dedicated a new large large demonstration farm Pinghu.
- Leviticus is focused on talking to potential strategic partners. Those talks are progressing slower than expected, due to the disruptions caused by the virus, but continue.
- Another of our ten most valuable companies, liberDi, is rendered even more attractive to the market as the result of the pandemic. liberDi is focused on moving dialysis out of clinics and into the home. We believe that this will be a big post-pandemic trend and liberDi is will positioned to benefit from the trend.
- As mentioned on the call, we remain committed to supporting all of our companies in this challenging time. Recently, we collated [a list of resources](#) that can provide support for early-stage companies and have shared not only with our companies, but with the entire start-up ecosystem.

11. Any update on the business progress for Stimatix GI? What is the carrying value of Stimatix in Trendlines' books?

We would not be surprised if the Stimatix sales will be affected by the current pandemic in the first second quarters of this year. We will monitor the situation closely.