

# Lazard Snowbird Investor Conference

*February 2012*

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**Executive Vice President and**  
**Chief Financial Officer**

# Forward Looking Statement

*The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for certain forward-looking statements. The forward-looking statements contained in this document are subject to certain risks and uncertainties, such as our ability to maintain our existing strategic relationships, rapid technological changes, intense competition, negative publicity concerning our industry and/or significantly greater regulation by the FDA. Actual results could differ materially from current expectations.*

*The information contained herein is not a prospectus and does not constitute an offer to sell nor a solicitation of an offer to buy any security.*

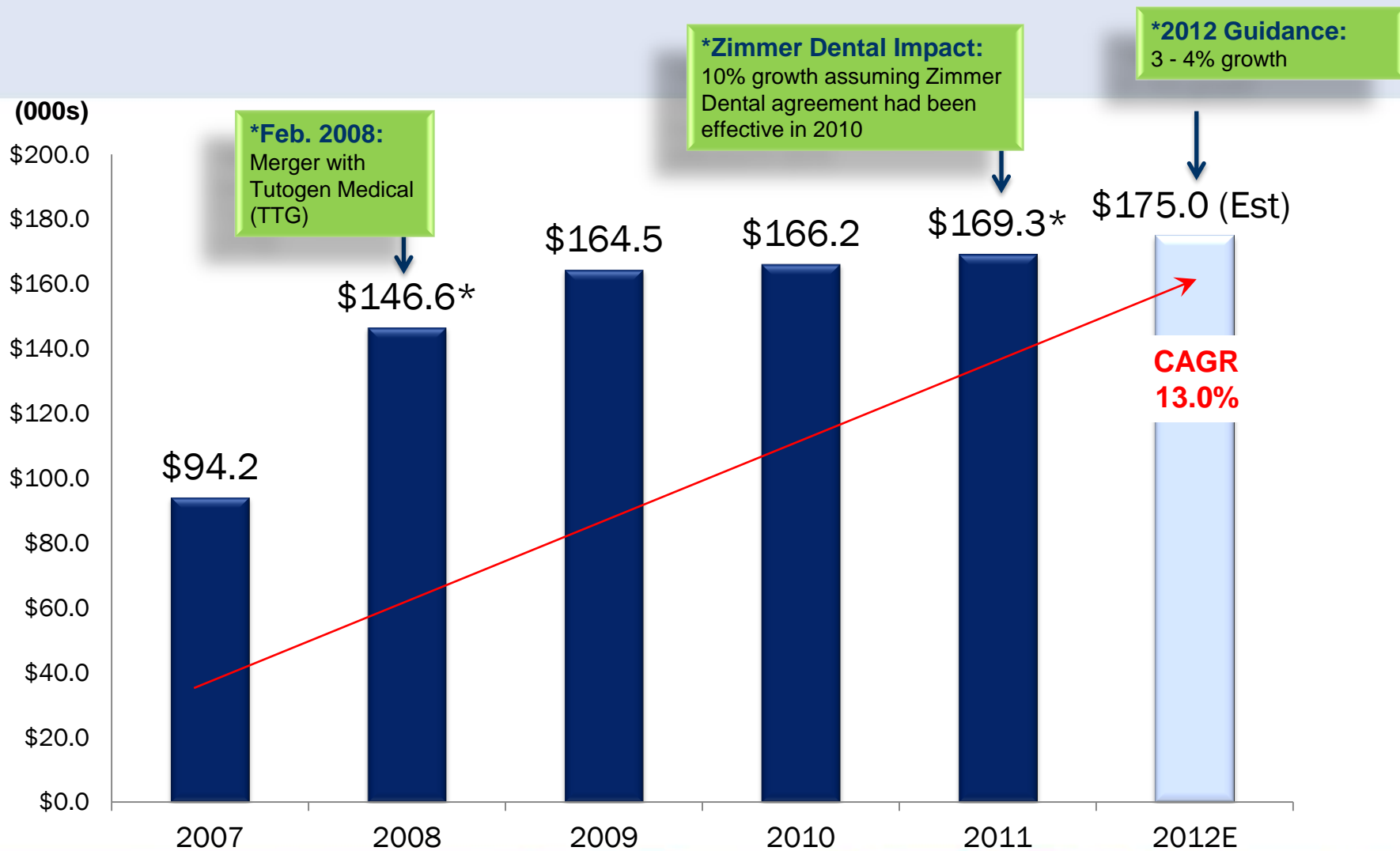


# About RTI Biologics

- Leading provider of sterile biologic implants for patients around the world
  - Design, develop, and market biologic implants from donated human tissues and animal tissue
- Diversified market approach through direct organization and commercial distributors
- International presence
- 690 Employees
- Founded in 1997
- Based in Gainesville, Florida



# 2007 – 2011 Annual Revenues



# Investment Highlights

- Participate in large and growing markets
- Well-developed tissue recovery relationships
- Clinically proven, industry-leading sterilization processes
- Diversified distribution and markets
- Innovation through robust R&D efforts
- Strong financial position
  - 2011 revenues - \$169.3 million
  - \$46.2 million in cash on balance sheet as of December 31, 2011
  - Strong cash flow generation with minimal debt



# Biologic Market Drivers

- Demographics – aging but active population
- Surgeon and patient preference for repair instead of replacement
- Technology advancements
- Proven surgical solution with long term, positive outcomes
- Increasing demand from developing economies



# Product Portfolio



- Broad, industry leading portfolio of regenerative implants
  - Participate in a variety of markets to effectively utilize incoming tissue
  - Leverage costs and maximize the use of the tissue
- Utilize direct distributors and commercial distributors



# Process Differentiator

*Broad-based sterilization technologies optimized for all types of implants*

## BIOCLEANSE® TISSUE STERILIZATION PROCESS

**Used on Musculoskeletal tissues**

- No irradiation
- Third-party validated
- FDA reviewed
- CDC studied
- NEJM June 2004

## TUTOPLAST®

**Used on Membrane tissues**

- 40 years of surgeon use
- Numerous publications
- Trusted name and brand recognition
- Acquired through Tutogen merger

## CANCELLE™ SP DBM STERILIZATION PROCESS

**Used on DBM-based pastes and putties**

- Designed to preserve protein activity

**We have distributed millions of sterile grafts –  
Zero incidence of allograft-associated infection**



# Market Approach

**DIRECT**

**Sports Medicine**

**40% of  
2011  
Revenue**

**Osteobiologics  
(BGS/GO)**



**DISTRIBUTOR**

**Spine**

*Medtronic, Zimmer,  
Stryker + others*

**Dental**

*Zimmer Dental*

**Surgical Specialties**

*Davol/ Bard, Coloplast, IOP*

**BGS/ GO**

*Stryker, Zimmer, Exactech,  
Medtronic + others*

**56% of  
2011  
Revenue**



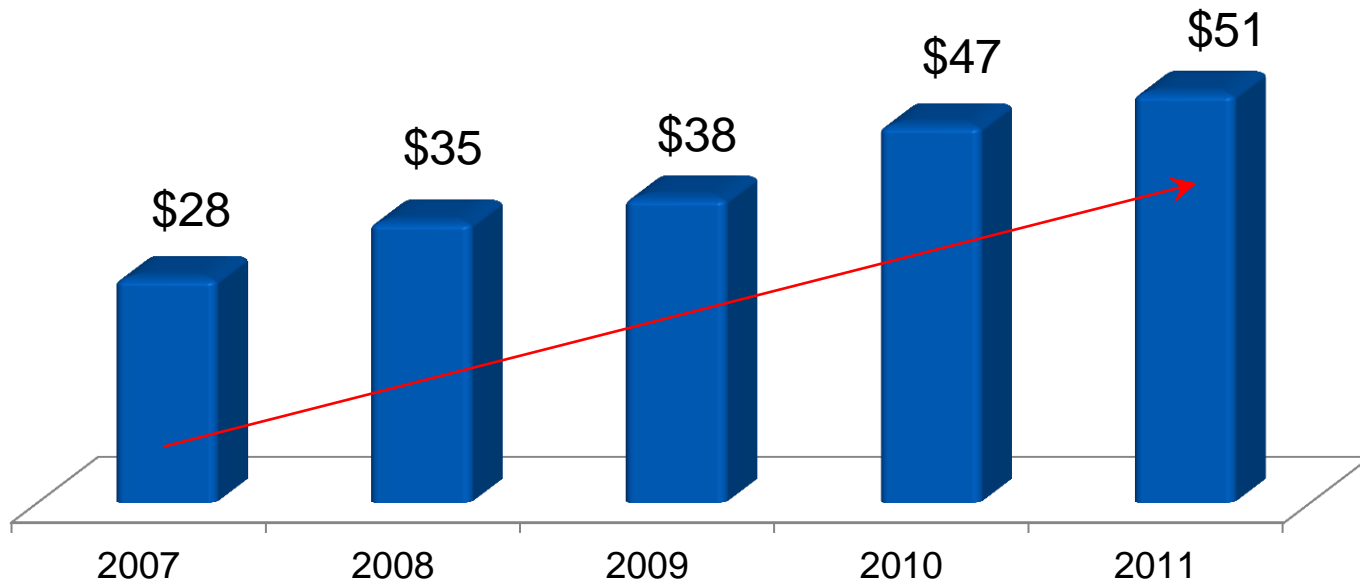
# Growth Strategy

- Grow direct distribution organization
- Expand international presence
- Introduce innovative technologies to new and existing markets
  - Organic product development
  - “Tuck-in” acquisitions



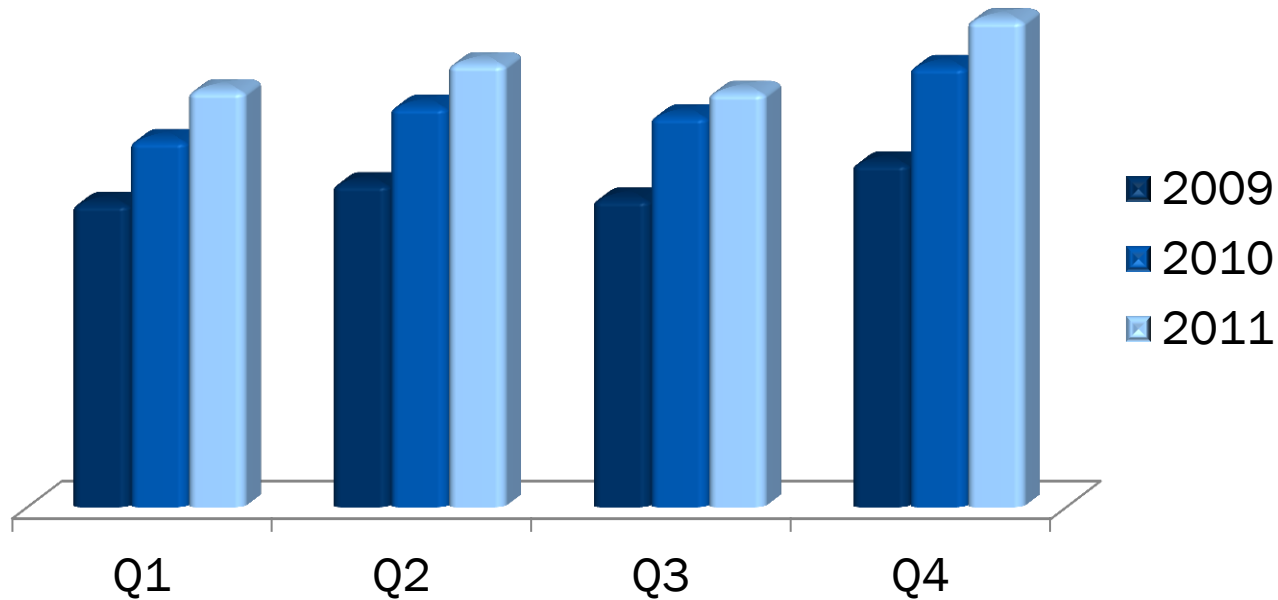
# Direct Organization Expansion

- Control our own destiny
- Relationships directly with surgeons
- Higher margins on direct business
- Have a proven track record
  - 16% CAGR in U.S. direct since 2007



# U.S. Direct Revenue Trend

- U.S. direct distribution revenues consistently growing.
  - 23% of total revenues in 2009
  - 30% of total revenues in 2011



# International Expansion

- International revenues currently 12.4% of total revenue
  - Room for growth over next 5 years in both developed countries and emerging markets
- Leadership in place with strong strategic and market development focus
- Making selective investments in both human resources and infrastructure to grow presence
  - Almost 75% of international revenues come through O.U.S. direct distribution



# New Technologies & Markets

- Active business development strategy in place
- Eighteen new products or product enhancements in 2011
  - Seven for direct distribution, eleven released to commercial distributors
- Active R&D projects include:

## Sports Medicine

- Xenograft tendon
- OC Grafts – 3 tissue forms
- Matrix HD – 2 line extensions
- Traditional allograft – 2 tissue forms

## Orthobiologics

- **MAPC**
- Spine – 9 tissue forms
- Traditional allograft - 2 tissue forms
- BGS – 1 line extension

## Surgical Specialties

- **Porcine Dermis**
- Bovine Pericardium – Dura Repair



# MAPC Technology

- Hold exclusive, long-term licensing agreement with Athersys Inc. to access MAPC-based technology
  - Technology can isolate and preserve cells that are found in cadaveric bone tissue – tissue we are already receiving
- Expands RTI's capabilities for accessing the fastest growing segment of the bone graft substitutes market
  - “Orthopedic Stem Cell Products” more than 30% growth rate
  - Underpenetrated by competitors
  - Can leverage RTI's expansive tissue supply
- Milestones:
  - Animal studies initiated and ongoing
  - MAPC technology-based implants implanted in human in 2012
  - Releasing to key surgeons in 2012, expanding distribution in 2013



# Porcine Dermis

- Surgical mesh derived from porcine dermis designed to be used in soft tissue repair
  - Acellular, virally inactive, terminally sterilized
  - Strong, biocompatible scaffold
- Distinctive advantages compared to Human Dermis
  - Lower cost, favorable margins
  - Improved product availability
  - Larger sizes available
- Milestones:
  - Animal studies ongoing
  - 510k filing expected in late 2012
  - Anticipate launch in 2013



# Achieving Financial Leverage



# 2012 Guidance

## Year ended December 31, 2011

Total Revenues	\$169.3 million
Fully Diluted EPS	\$0.14*

## 2012 Annual Guidance

Total Revenues	\$174 - \$176 million
Growth	3% at midpoint
Fully Diluted EPS**	\$0.15 - \$0.17
Growth	14% at midpoint

\* Excluding \$0.01 due to non-recurring tax reversal

\*\* Based on 55.8 million fully diluted shares outstanding



# 2012 Solid Earnings Growth

EPS Growing at ~5X Revenue (Inclusive of Key Investments for Future Growth)

	Guidance <u>2012</u>	Actual <u>2011</u>	<u>Growth</u>
<b>Revenue*</b>	<b>\$ 175.0</b>	<b>\$ 169.3</b>	<b>3%</b>
<b>Earnings per share*,**</b>	<b>\$ 0.16</b>	<b>\$ 0.14</b>	<b>14%</b>
Exclude investments in Key Growth Opportunities:			
Pre-clinical / clinical studies (1)	0.01	-	
Direct channel development (2)	0.01	-	
Total Incremental Investments	0.02	-	
<b>Adjusted Earnings per share</b>	<b>\$ 0.18</b>	<b>\$ 0.14</b>	<b>29%</b>

(1) Preclinical studies for MAPC, Porcine Dermis, Xeno-tendon

Clinical studies for MAPC

(2) Direct channel development for General Surgery sales force as well as Spine / Ortho in anticipation of product launches

\* 2012 represents mid-point of guidance

\*\* 2011 EPS excludes \$0.01 non-recurring favorable tax impact

**RTI Biologics Inc.**

**NASDAQ: RTIX**

**[www.rtix.com](http://www.rtix.com)**

