RTI Biologics® - Pioneer® Surgical Technology Acquisition
Frequently Asked Questions

Financial

What investment banks are involved in the deal?
In connection with the transaction, Stephens Inc. is acting as a financial advisor to RTI Biologics and UBS is acting as a financial advisor to Pioneer.

Do you expect Hart-Scott-Radino/Federal Trade Commission concerns for the acquisition?
No.

Is the acquisition accretive to earnings?
The acquisition will be accretive to cash earnings per share\(^1\) and free cash flow, excluding one-time, transaction-related items in 2014.

How will the transaction being funded?
The transaction will be funded through a combination of cash on hand, a new credit facility and a concurrent private placement of convertible preferred equity from Water Street Healthcare Partners.

What is the new credit facility?
RTI has received a commitment from TD Bank, N.A. and Regions Bank for a 5-year, $80 million senior secured facility, which includes a $60 million term loan and a $20 million revolving credit facility.

What are the details of the private placement with Water Street?
RTI has agreed to a $50 million private placement of convertible preferred equity with Water Street.

The convertible preferred stock initially will be convertible into up to ____ shares of RTI common stock at $[ ] per share, subject to the satisfaction of certain conditions and certain adjustments to the conversion rate in connection with specified events.

The convertible preferred stock will also accrue dividends at a rate of 6 percent per year, subject to adjustment under specified conditions, payable as and when declared by the RTI board.

To formalize access to the proven industry experience of Water Street, RTI has agreed to appoint two directors designated by Water Street to the company’s board of directors, effective at the closing of the transaction.

\(^1\) Cash earnings per share excludes one-time transaction expenses and integration costs, GAAP inventory write-up, amortization of acquired intangibles and amortization of financing fees.
Why did the company choose to work with Water Street Healthcare Partners?
Water Street is a leading healthcare-focused private equity firm with extensive operating experience and industry knowledge.

The firm has a strong track record of leading transformational acquisitions that have created market-leading healthcare companies of greater long-term value.

How much money in synergies do you see for 2013?
While there may be some synergies realized through the combination of these companies, a specific dollar amount has not been targeted at this time. The benefit of this acquisition is that it creates a more diverse surgical implant company with global reach and immediate scale that pushes the company closer to its strategic goals.

Did you need this acquisition to be successful?
While RTI’s organic growth was enhanced by new products and direct distribution into new markets, the acquisition was made in accordance with RTI’s long-term strategic goals. This transaction complements the company’s organic growth and accelerates the path to reach its strategic goals.

How does this acquisition change RTI’s strategy?
Our strategy remains the same. The acquisition offers our existing distribution network opportunities for cross distribution.

Wall Street has revenue estimates of between $179.5 to $181.5 million and EPS of $0.17 to $0.19 for RTIX for 2013. What is management looking for with the combined company?
RTI will provide updated 2013 guidance at a later time after the transaction closes. In compliance with regulatory requirements, RTI and Pioneer will remain separate and independent companies, and joint activities between the two companies will be restricted until the completion of the transaction.

Should I continue to hold or sell RTI stock?
We cannot recommend any stock decision to you.

How will the combined distribution force be configured?
The combined company will have direct distribution forces serving the sports medicine and orthopedics, surgical specialties and spine markets. We will also provide spine, orthopedic, surgical specialties, trauma, dental and cardiothoracic implants through a variety of commercial distributors.

Do you anticipate taking any large charges/write offs?
There may be restructuring charges to the combined company in future years as the operations continue to be integrated.
Are RTI’s implants competitive with Pioneer’s?
There is very little overlap in the customers and markets between the two companies. RTI focuses on allograft and xenograft implants addressing the spine, sports medicine, surgical specialties, orthopedics and dental markets. Pioneer focuses on metals and synthetics and has a complementary focus on biologics, cardiothoracic and trauma markets, as well as implants addressing the spine market. Pioneer has been a distributor for RTI’s bone graft substitute implants since 2006.

Are any of your distribution agreements at risk with this merger? Any of their agreements?
We do not anticipate any changes to our distribution agreements at this time.

What will you do about expanding the combined company’s international position?
The combined company will offer implants in 47 countries. Combined European distribution platforms includes: Neunkirchen, Germany, and Houten, The Netherlands. Additionally, there is a growing China distribution footprint.

What does the new mix of direct distribution vs. commercial distribution look like?
In the pro forma revenues for the last 12 months ending March 31, 2013, 47 percent of our total revenues would have been attributed to direct distribution.

What does the product mix look like for the combined company?
The combined revenue product mix is estimated to be 31 percent spine, 18 percent sports medicine, 17 percent surgical specialties, 12 percent trauma and cardiothoracic, 11 percent BGS and general orthopedics, 8 percent dental and 3 percent other.

What does Pioneer bring to the table?
Pioneer brings a portfolio of metal and synthetic medical devices; including an attractive next generation synthetic biologics platform, which will complement RTI’s industry-leading allograft and xenograft biologics portfolio. Pioneer also brings a meaningful addition to RTI’s existing distribution network with opportunities for cross distribution of all implants across multiple channels.

How does the acquisition benefit the shareholders?
The acquisition will benefit shareholders by creating a more diverse surgical implant company with global reach and immediate scale that pushes the company closer to its strategic goals.
Forward Looking Statement

This communication contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management’s current expectations, estimates and projections about our industry, our management’s beliefs and certain assumptions made by our management. Words such as “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, except for historical information, any statements made in this communication about growth rates, new product introductions, future operational improvements and results or regulatory actions or approvals or changes to agreements with distributors also are forward-looking statements. These statements are not guarantees of future performance and are subject to risks and uncertainties, including the risks described in public filings with the U.S. Securities and Exchange Commission (SEC). In addition, these statements are subject to risks associated with the Pioneer’s financial condition, business and operations and the integration of Pioneer’s business with ours. Our actual results may differ materially from the anticipated results reflected in these forward-looking statements. Copies of the company’s SEC filings may be obtained by contacting the company or the SEC or by visiting RTI’s website at www.rtix.com or the SEC’s website at www.sec.gov.

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