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 March 31, 2022

OR

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

Commission File Number: 001-37906

ORGANOGENESIS HOLDINGS INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**98-1329150**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
85 Dan Road Canton, MA	**02021**
(Address of principal executive offices)	**(Zip Code)**

(781) 575-0775
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.0001 par value	**ORGO**	**Nasdaq Capital Market**

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 Class A common stock outstanding as of May 1, 2022 was 129,130,179.

Organogenesis Holdings Inc.
Quarterly Report on Form 10-Q
For the Quarterly Period Ended March 31, 2022

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Form 10-Q") contains forward-looking statements. These statements may relate to, but are not limited to, expectations of our future results of operations, business strategies and operations, financing plans, potential growth opportunities, potential market opportunities and the effects of competition, as well as assumptions relating to the foregoing. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. These risks and other factors include, but are not limited to, those listed under "Risk Factors." In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expect," "plan," "anticipate," "believe," "estimate," "predict," "intend," "potential," "might," "would," "continue" or the negative of these terms or other comparable terminology. These forward-looking statements are based on our management's current expectations, estimates, forecasts and projections about our business and the industry in which we operate and our management's beliefs and assumptions. These forward-looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. As a result, any or all of our forward-looking statements in this Form 10-Q may turn out to be inaccurate. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under "Risk Factors" and discussed elsewhere in this Form 10-Q and in "Part I, Item 1A—Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021. These forward-looking statements speak only as of the date of this Form 10-Q. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future. You should, however, review the factors and risks we describe in the reports we will file from time to time with the SEC after the date of this Form 10-Q.

As used herein, except as otherwise indicated by context, references to "we," "us," "our," "the Company," "Organogenesis" and "ORGO" will refer to Organogenesis Holdings Inc. and its subsidiaries.

PART I—FINANCIAL INFORMATION

Item 1. Unaudited Consolidated Financial Statements.

ORGANOGENESIS HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
(unaudited)
(amounts in thousands, except share and per share data)

	March 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$107,897	$ 113,929
Restricted cash	605	599
Accounts receivable, net	79,477	82,460
Inventory, net	22,737	25,022
Prepaid expenses and other current assets	7,135	4,969
Total current assets	217,851	226,979
Property and equipment, net	84,268	79,160
Intangible assets, net	24,452	25,673
Goodwill	28,772	28,772
Operating lease right-of-use assets, net	47,468	49,144
Deferred tax asset, net	31,994	31,994
Other assets	1,467	1,537
Total assets	$436,272	$ 443,259
Liabilities and Stockholders' Equity		
Current liabilities:		
Deferred acquisition consideration	$ 1,436	$ 1,436
Current portion of term loan	3,126	2,656
Finance lease obligations	101	200
Current portion of operating lease obligations	11,775	11,785
Accounts payable	27,935	29,339
Accrued expenses and other current liabilities	32,419	36,589
Total current liabilities	76,792	82,005
Term loan, net of current portion	69,869	70,769
Operating lease obligations, net of current portion	45,323	46,893
Other liabilities	1,060	1,557
Total liabilities	193,044	201,224
Commitments and contingencies (Note 18)		
Stockholders' equity:		
Preferred stock, $0.0001 par value; 1,000,000 shares authorized; none issued	—	—
Common stock, $0.0001 par value; 400,000,000 shares authorized; 129,615,732 and 129,408,740 shares issued; 128,887,184 and 128,680,192 shares outstanding at March 31, 2022 and December 31, 2021, respectively.	13	13
Additional paid-in capital	303,261	302,155
Accumulated deficit	(60,046)	(60,133)
Total stockholders' equity	243,228	242,035
Total liabilities and stockholders' equity	$436,272	$ 443,259

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

ORGANOGENESIS HOLDINGS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(amounts in thousands, except share and per share data)

	Three Months Ended March 31,	
	2022	2021
Net revenue	$ 98,117	$ 102,552
Cost of goods sold	25,080	25,495
Gross profit	73,037	77,057
Operating expenses:		
Selling, general and administrative	63,578	58,232
Research and development	8,587	6,209
Total operating expenses	72,165	64,441
Income from operations	872	12,616
Other expense, net:		
Interest expense	(737)	(2,470)
Other expense, net	(3)	(3)
Total other expense, net	(740)	(2,473)
Net income before income taxes	132	10,143
Income tax expense	(45)	(200)
Net income	$ 87	$ 9,943
Net income, per share:		
Basic	$ 0.00	$ 0.08
Diluted	$ 0.00	$ 0.07
Weighted-average common shares outstanding		
Basic	128,788,721	127,870,065
Diluted	132,805,154	133,451,950

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

ORGANOGENESIS HOLDINGS INC.
CONSOLIDATED STATEMENTS STOCKHOLDERS' EQUITY
(unaudited)
(amounts in thousands, except share data)

	Three Months Ended March 31, 2022				
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance as of December 31, 2021	128,680,192	$ 13	$302,155	$ (60,133)	$ 242,035
Exercise of stock options	86,121	—	291	—	291
Vesting of RSUs, net of shares surrendered to pay taxes	120,871	—	(488)	—	(488)
Stock-based compensation expense	—	—	1,303	—	1,303
Net income	—	—	—	87	87
Balance as of March 31, 2022	128,887,184	13	303,261	(60,046)	243,228

	Three Months Ended March 31, 2021				
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance as of December 31, 2020	127,731,833	13	296,830	(155,035)	141,808
Exercise of stock options	285,344	—	984	—	984
Vesting of RSUs, net of shares surrendered to pay taxes	85,078	—	(417)	—	(417)
Stock-based compensation expense	—	—	698	—	698
Net income	—	—	—	9,943	9,943
Balance as of March 31, 2021	128,102,255	$ 13	$298,095	$ (145,092)	$ 153,016

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

ORGANOGENESIS HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(amounts in thousands)

	Three Months Ended March 31,	
	2022	2021
Cash flows from operating activities:		
Net income	$ 87	$ 9,943
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	1,347	1,010
Amortization of intangible assets	1,221	1,243
Amortization of operating lease right-of-use assets	1,847	1,129
Non-cash interest expense	108	72
Deferred interest expense	151	525
Provision recorded for doubtful accounts	40	921
Loss on disposal of property and equipment	—	239
Adjustment for excess and obsolete inventories	2,205	2,290
Stock-based compensation	1,303	698
Change in fair value of Earnout liability	—	(296)
Changes in operating assets and liabilities:		
Accounts receivable	2,942	(16,119)
Inventory	80	(4,212)
Prepaid expenses and other current assets	(2,165)	(622)
Operating leases	(1,751)	(1,210)
Accounts payable	(1,186)	1,842
Accrued expenses and other current liabilities	(4,828)	1,411
Other liabilities	10	(164)
Net cash provided by (used in) operating activities	1,411	(1,300)
Cash flows from investing activities:		
Purchases of property and equipment	(6,672)	(4,957)
Net cash used in investing activities	(6,672)	(4,957)
Cash flows from financing activities:		
Payments of term loan	(469)	—
Payments of withholding taxes in connection with RSUs vesting	(488)	(417)
Proceeds from the exercise of stock options	291	984
Principal repayments of finance lease obligations	(99)	(675)
Payment of deferred acquisition consideration	—	(483)
Net cash used in financing activities	(765)	(591)
Change in cash, cash equivalents, and restricted cash	(6,026)	(6,848)
Cash, cash equivalents, and restricted cash, beginning of period	114,528	84,806
Cash, cash equivalents, and restricted cash, end of period	$108,502	$ 77,958
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 627	$ 1,937
Cash paid for income taxes	$ 4	$ —
Supplemental disclosure of non-cash investing and financing activities:		
Purchases of property and equipment included in accounts payable and accrued expenses	$ 1,869	$ 306
Right-of-use assets obtained through operating lease obligations	$ 171	$ 310

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

ORGANOGENESIS HOLDINGS INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands, except share and per share data)

1. Nature of Business and Basis of Presentation

Organogenesis Holdings Inc. (formerly Avista Healthcare Public Acquisition Corp.) ("ORGO" or the "Company") is a leading regenerative medicine company focused on the development, manufacture, and commercialization of solutions for the Advanced Wound Care and Surgical & Sports Medicine markets. Several of the existing and pipeline products in the Company's portfolio have Premarket Application ("PMA") approval, or Premarket Notification 510(k) clearance from the United States Food and Drug Administration ("FDA"). The Company's customers include hospitals, wound care centers, government facilities, ambulatory service centers ("ASCs") and physician offices. The Company has one operating and reportable segment.

COVID-19 pandemic

The coronavirus (COVID-19) pandemic around the world, and particularly in the United States, continues to present risks to the Company. While the COVID-19 pandemic has not materially adversely affected the Company's financial results and business operations through March 31, 2022, the Company is unable to predict the impact that COVID-19 will have on its financial position and operating results because of the numerous uncertainties created by the unprecedented nature of the pandemic.

The Company is closely monitoring the evolving impact of the pandemic on all aspects of its business. The Company has implemented a number of measures designed to protect the health and safety of its employees, support its customers and promote business continuity.

2. Summary of Significant Accounting Policies

The Company's significant accounting policies are described in Note "2. Significant Accounting Policies" to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021, as amended (the "Annual Report"). There have been no material changes to the significant accounting policies previously disclosed in the Annual Report.

Unaudited Interim Financial Information

The accompanying unaudited consolidated financial statements have been prepared by management in accordance with GAAP and the rules and regulations of the Securities and Exchange Commission (the "SEC") regarding interim financial reporting. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. While we believe that the disclosures presented are adequate in order to make the information not misleading, these unaudited quarterly financial statements should be read in conjunction with the financial statements and notes thereto included in the Annual Report.

The unaudited consolidated financial statements include the accounts and results of operations of Organogenesis Holdings Inc. and its wholly-owned subsidiaries of Organogenesis Inc., including Organogenesis GmbH (a Switzerland corporation) and Prime Merger Sub, LLC. All intercompany balances and transactions have been eliminated in consolidation. The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. In the opinion of management, the unaudited consolidated financial statements reflect all adjustments of a normal recurring nature necessary for a fair presentation of the Company's financial position, results of operations and cash flows at the dates and for the periods indicated. The results for the three months ended March 31, 2022 are not necessarily indicative of the results to be expected for the year ending December 31, 2022, any other interim periods, or any future years or periods.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported results of operations during the reporting periods. In preparing the consolidated financial statements, the estimates and assumptions that management consider to be significant and that present the greatest amount of uncertainty include: revenue recognition; sales returns and credit losses; inventory reserve; recognition and measurement of current and deferred income tax assets and liabilities; the assessment of recoverability of long-lived and indefinite lived assets (including intangible assets); assessing impairment of goodwill; valuation of assets and liabilities that use unobservable inputs; and the valuation and recognition of stock-based compensation. Actual results and outcomes may differ significantly from those estimates and assumptions.

Recently Adopted Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2019-12, *Income Taxes— Simplifying the Accounting for Income Taxes*. The standard intends to simplify and reduce the cost of accounting for income taxes. The new guidance removes certain exceptions for recognizing deferred taxes for foreign investments, the incremental approach to performing intraperiod allocation, and calculating income taxes in interim periods for year to date losses that exceed anticipated full year losses. The standard also adds guidance to reduce complexity in certain areas, including accounting for franchise taxes that are partially based on income, transactions with a government that result with a step up in the tax basis of goodwill, changes in tax law enacted during interim periods, and allocating taxes to members of a consolidated group which are not subject to tax. For public business entities, the amendments in ASU 2019-12 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted for all periods in which financial statements have not yet been issued, including interim periods. The Company adopted this standard on January 1, 2021 and noted no impact to the financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). Subsequent to the issuance of ASU 2016-13, the FASB has issued the following updates: ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments- Credit Losses*, ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*, ASU 2019-05, *Financial Instruments—Credit Losses (Topic 326)—Targeted Transition Relief* and ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*. The objective of ASU 2016-13 and all the related updates is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments in this ASU replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 and the related updates are effective for fiscal years, and interim periods within those years, beginning after December 15, 2019 for public business entities excluding entities eligible to be smaller reporting companies and for fiscal years, and interim periods within those years, beginning after December 15, 2022 for all other entities. Early adoption is permitted. As the Company was a smaller reporting company when the standard was issued, the Company took advantage of the extended transition period and will adopt this standard and the related improvements on January 1, 2023 by recognizing a cumulative-effect adjustment to retained earnings for any impact. The Company is currently assessing the adoption of ASU 2016-13 and the related impact on the Company's consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"). ASU 2020-04 provides temporary optional expedients and exceptions to the US GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. In January 2021, the FASB issued ASU No. 2021-01, *Reference Rate Reform (Topic 848): Scope* ("ASU 2021-01"), to clarify certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting to apply to derivatives that are affected by the discounting transition. Both ASU 2020-04 and ASU 2021-01 are effective upon issuance through December 31, 2022. The Company's debt agreement that utilizes LIBOR has conventional LIBOR replacement language. Since the debt agreement has not discontinued the use of LIBOR, this ASU is not yet effective for the Company. To the extent the interest rate changes to the rate specified in the debt agreement, the Company will utilize the relief in this ASU. The Company evaluated the effects of adopting the provisions of ASU 2020-04 and ASU 2021-01 and does not expect a material impact on the Company's consolidated financial statements.

3. Acquisition

On September 17, 2020 (the "Acquisition Date"), the Company acquired certain assets and assumed certain liabilities of CPN Biosciences, LLC ("CPN") pursuant to an asset purchase agreement dated July 24, 2020. CPN offered a physician office management solution and advanced wound care products.

The aggregate consideration amounted to $19,024 as of the Acquisition Date, consisting of $6,427 in cash, 2,151,438 shares of the Company's Class A common stock with a fair value of $8,815, and contingent consideration (the "Earnout") with a fair value of $3,782. On the Acquisition Date, the Company paid $5,820 in cash and issued 1,947,953 shares of the Company's Class A common stock. The remaining consideration of $1,436 was held back and was released in April 2022 by the Company paying additional $739 in cash and issuing additional 203,485 shares of the Company's Class A common stock to the former equityholders of CPN.

The Company is obligated to pay the Earnout to CPN's former equityholders if CPN's legacy product revenue in the Earnout Period (July 1, 2021 to June 30, 2022), exceeds CPN's 2019 revenue. The amount of the Earnout, if any, will be equal to 70% of the excess and will be payable 60 days after the expiration of the Earnout Period. The Company recorded a non-current liability of $3,782 on the Acquisition Date for the fair value of the contingent consideration related to the expected Earnout. The Company assesses the fair value of the Earnout liability at each reporting period. As of March 31, 2022, the Earnout liability was estimated at $0 as a result of the Company's updated assessment of the near-term market for the CPN product portfolio. Subsequent changes in the estimated fair value of the liability are reflected in earnings until the liability is settled. See Note "5. Fair Value Measurement of Financial Assets and Liabilities".

4. Product and Geographic Sales

The Company generates revenue through the sale of Advanced Wound Care and Surgical & Sports Medicine products. There is a single performance obligation in all of the Company's contracts, which is the Company's promise to transfer the Company's products to customers based on specific payment and shipping terms in the arrangement. The entire transaction price reflects a single performance obligation. Product revenue is recognized when a customer obtains control of the Company's products which occurs at a point in time and may be upon shipment, procedure date, or delivery, based on the terms of the contract. Revenue is recorded net of a reserve for returns, discounts, and Group Purchasing Organization ("GPO") rebates, which represent a direct reduction to the revenue recognized. These reductions are accrued at the time revenue is recognized, based upon historical experience and specific circumstances. For the three months ended March 31, 2022 and 2021, the Company recorded GPO fees of $619 and $700, respectively, as a direct reduction of revenue.

The following tables set forth revenue by product category:

	Three Months Ended March 31,	
	2022	2021
Advanced Wound Care	$90,950	$ 90,708
Surgical & Sports Medicine	7,167	11,844
Total net revenue	$98,117	$102,552

For all periods presented, net revenue generated outside the United States represented less than 1% of total net revenue.

5. Fair Value Measurement of Financial Assets and Liabilities

As of March 31, 2022 and December 31, 2021, the Company's financial assets and liabilities measured at fair value on a recurring basis only included the Earnout liability as discussed below.

Earnout Liability

In connection with accounting for the CPN acquisition on September 17, 2020, the Company recorded an Earnout liability of $3,782 on the Acquisition Date, representing the fair value of contingent consideration payable upon the achievement of a certain revenue target. The Earnout liability is classified as a Level 3 measurement within the fair value hierarchy for which fair value is derived from inputs that are unobservable and significant to the overall fair value measurement. The fair value of such Earnout liability is estimated using a Monte Carlo simulation model that utilizes key assumptions including forecasted revenues and volatilities of the underlying financial metrics during the Earnout Period. The Company assesses the fair value of the Earnout liability at each reporting period. Any subsequent changes in the estimated fair value of the liability are reflected in selling, general and administrative expenses until the liability is settled. For more information about the Earnout liability, refer to Note "3. Acquisition". As of December 31, 2021 and March 31, 2022, the Earnout liability was $0 as a result of the Company's updated assessment of the near-term market for the CPN product portfolio. The following table provides a roll-forward of the fair value of the Company's Earnout liability, for which fair value is determined using Level 3 inputs:

	Three Months Ended March 31,	
	2022	2021
Beginning balance	$ —	$ 3,985
Change in fair value	—	(296)
Ending balance	$ —	$ 3,689

The Company did not have any financial assets and liabilities measured at fair value on a non-recurring basis as of March 31, 2022 or December 31, 2021.

6. Accounts Receivable, Net

Accounts receivable consisted of the following:

	March 31 2022	December 31, 2021
Accounts receivable	$84,604	$ 87,613
Less — allowance for doubtful accounts	(5,127)	(5,153)
	$79,477	$ 82,460

The Company's allowance for doubtful accounts was comprised of the following:

	Three Months Ended March 31,	
	2022	2021
Balance at beginning of period	$ 5,153	$ 2,669
Additions	40	921
Write-offs	(66)	(14)
Balance at end of period	$ 5,127	$ 3,576

7. Inventories

Inventories, net of related reserves for excess and obsolescence, consisted of the following:

	March 31, 2022	December 31, 2021
Raw materials	$ 9,524	$ 9,023
Work in process	995	991
Finished goods	12,218	15,008
	$ 22,737	$ 25,022

Raw materials include various components used in the Company's manufacturing process. The Company's excess and obsolete inventory review process includes analysis of sales forecasts and historical sales as compared to inventory level and working with operations to maximize recovery of excess inventory. During the three months ended March 31, 2022 and 2021, the Company charged $2,205 and $2,290, respectively, for inventory excess and obsolescence to cost of goods sold within the consolidated statements of operations.

8. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	March 31, 2022	December 31, 2021
Subscriptions	$ 2,685	$ 2,745
Conferences and marketing expenses	2,060	538
Deposits	1,344	1,216
Insurance	1,001	358
Other	45	112
	$ 7,135	$ 4,969

Deposits are funds held by vendors which are expected to be released within twelve months and therefore they are recorded as current assets.

9. Property and Equipment, Net

Property and equipment consisted of the following:

	March 31, 2022	December 31, 2021
Leasehold improvements	$ 33,973	$ 30,531
Buildings	4,943	4,943
Furniture, computers and equipment	54,822	53,959
	93,738	89,433
Accumulated depreciation and amortization	(59,075)	(57,729)
Construction in progress	49,605	47,456
	$ 84,268	$ 79,160

Depreciation expense was $1,347 and $1,010, for the three months ended March 31, 2022 and 2021, respectively.

Construction in progress primarily represents unfinished construction work on a purchased building located on the Company's Canton, Massachusetts campus and improvements at the Company's leased facilities in Canton and Norwood, Massachusetts.

10. Goodwill and Intangible Assets

Goodwill was $28,772 as of March 31, 2022 and December 31, 2021.

Identifiable intangible assets consisted of the following as of March 31, 2022:

	Original Cost	Accumulated Amortization	Net Book Value
Developed technology	$32,620	$ (18,573)	$14,047
Trade names and trademarks	2,080	(1,236)	844
Customer relationships	10,690	(1,648)	9,042
Independent sales agency network	4,500	(4,500)	—
Patent	7,623	(7,623)	—
Non-compete agreements	1,010	(491)	519
Total	$58,523	$ (34,071)	$24,452

Identifiable intangible assets consisted of the following as of December 31, 2021:

	Original Cost	Accumulated Amortization	Net Book Value
Developed technology	$32,620	$ (17,709)	$14,911
Trade names and trademarks	2,080	(1,183)	897
Customer relationship	10,690	(1,381)	9,309
Independent sales agency network	4,500	(4,500)	—
Patent	7,623	(7,623)	—
Non-compete agreements	1,010	(454)	556
Total	$58,523	$ (32,850)	$25,673

Amortization of intangible assets, calculated on a straight-line basis or using an accelerated method, was $1,221 and $1,243 for the three months ended March 31, 2022 and 2021, respectively.

11. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	March 31, 2022	December 31, 2021
Personnel costs	$ 23,060	$ 26,865
Royalties	3,190	3,458
Accrued but unpaid lease obligations and interest	3,981	3,963
Other	2,188	2,303
	$ 32,419	$ 36,589

The accrued but unpaid lease obligations and the interest accrual on these obligations are related to the buildings in Canton, Massachusetts. See Note “17. Leases”.

12. Restructuring

In order to reduce the Company’s cost structure and achieve operating efficiency, the Company is consolidating its manufacturing operations in various locations into Massachusetts facilities.

On October 21, 2020, the Company committed to a plan to restructure the workforce and operations in its La Jolla, California facilities. The restructuring involved approximately 65 employees and was substantially completed as of December 31, 2021, with certain facility and storage activities continuing through 2024.

On March 9, 2022, the Company committed to a plan to restructure the workforce and operations in its Birmingham facilities. The restructuring is expected to be completed by the end of 2022 and will result in a charge of approximately $3.0 million, of which approximately $2.0 million is attributable to the retention benefits associated with approximately 25 employees and the remaining $1.0 million is related to the other exit activities, including but not limited to contract termination, decommission and transportation of certain fixed assets. As employees are required to provide future services, employee retention and other benefit-related costs are expensed over the service period.

As a result of the restructuring activities, the Company incurred a pre-tax charge of $264 and $927 during the three months ended March 31, 2022 and 2021, respectively. These charges were included in selling, general and administrative expenses in the consolidated statements of operations. The liability related to the restructuring activities was $132 and $3,168 as of March 31, 2022 and December 31, 2021, respectively, and was included in accrued expenses and other current liabilities in the consolidated balance sheets. The following table provides a roll-forward of the restructuring liability.

	Employee	Other	Total
Liability balance as of December 31, 2021	$ 2,517	$ 651	$ 3,168
Expenses	115	149	264
Payments	(2,517)	(783)	(3,300)
Liability balance as of March 31, 2022	$ 115	$ 17	$ 132

13. Long-Term Debt Obligations

Long-term debt obligations consisted of the following:

	March 31, 2022	December 31, 2021
Line of credit	$ —	$ —
Term loan	73,593	74,062
Less debt discount and debt issuance cost	(598)	(637)
Term loan, net of debt discount, debt issuance cost	$ 72,995	$ 73,425

2021 Credit Agreement

In August 2021, the Company, as borrower, its subsidiaries, as guarantors, and Silicon Valley Bank ("SVB"), and the several other lenders thereto (collectively, the "Lenders") entered into a credit agreement (the "2021 Credit Agreement"), providing for a term loan facility not to exceed $75,000 (the "Term Loan Facility") and a revolving credit facility not to exceed $125,000 (the "Revolving Facility"). The Company's obligations to the Lenders are secured by substantially all of the Company's assets, including intellectual property. Capitalized terms used herein and not otherwise defined are defined as set forth in the 2021 Credit Agreement.

Advances made under the 2021 Credit Agreement may be either Eurodollar Loans or ABR Loans, at the Company's option. For Eurodollar Loans, the interest rate is a per annum interest rate equal to LIBOR plus an Applicable Margin between 2.00% to 3.25% based on the Total Net Leverage Ratio. For ABR Loans, the interest rate is equal to (1) the highest of (a) the Wall Street Journal Prime Rate, (b) the Federal Funds Rate plus 0.50% and (c) the LIBOR rate plus 1.0%, *plus* (2) an Applicable Margin between 1.00% to 2.25% based on the Total Net Leverage Ratio.

The 2021 Credit Agreement requires the Company to make consecutive quarterly installment payments equal to the following: (a) from September 30, 2021 through and including June 30, 2022, $469; (b) from September 30, 2022 through and including June 30, 2023, $938; (c) from September 30, 2023 through and including June 30, 2025, $1,406 and (d) from September 30, 2025 and the last day of each quarter thereafter until August 6, 2026 (the "Term Loan Maturity Date"), $1,875. The Company may prepay the Term Loan Facility, provided that any Term Loans prepaid prior to August 6, 2022 must be accompanied by a prepayment premium equal to 1.00% of the aggregate amount of Term Loans prepaid. Once repaid, amounts borrowed under the Term Loan Facility may not be re-borrowed.

The Company must pay in arrears, on the first day of each quarter prior to August 6, 2026 (the "Revolving Termination Date") and on the Revolving Termination Date, a fee for the Company's non-use of available funds (the "Commitment Fee"). The Commitment Fee rate is between 0.25% to 0.45% based on the Total Net Leverage Ratio. The Company may elect to reduce or terminate the Revolving Facility in its entirety at any time by repaying all outstanding principal, unpaid accrued interest and, with respect to any such reduction or termination of the Revolving Commitments made prior to August 6, 2022, 1.00% of the aggregate amount of the Revolving Commitments so reduced or terminated.

Under the 2021 Credit Agreement, the Company is required to comply with certain financial covenants including the Consolidated Fixed Charge Coverage Ratio and Consolidated Total Net Leverage Ratio, tested quarterly. In addition, the Company is also required to make representations and warranties and comply with certain non-financial covenants that are customary in loan agreements of this type, including restrictions on the payment of dividends, repurchase of stock, incurrence of indebtedness, dispositions and acquisitions.

The Company had outstanding borrowings of $73,593 and $74,062 under the Term Loan Facility and $0 under the Revolving Facility with $125,000 available for future revolving borrowings as of March 31, 2022 and December 31, 2021, respectively. The Company recorded additional debt issuance costs and related fees of $604 in connection with the Term Loan Facility, which are recorded as a reduction of the carrying value of the term loan on the Company's consolidated balance sheets. In connection with the Revolving Facility, the Company recorded debt issuance costs and related fees of $1,223, which are recorded as other assets. Both of these costs are being amortized to interest expense through the maturity date of the facilities.

Future payments of the 2021 Credit Agreement, as of March 31, 2022, are as follows for the calendar years ending December 31:

2022	$ 2,343
2023	4,687
2024	5,625
2025	6,563
2026	54,375
Total	$73,593

2019 Credit Agreement

In March 2019, the Company, its subsidiaries and SVB, and the several other lenders thereto entered into a credit agreement, as amended (the "2019 Credit Agreement"), providing for a term loan facility of $40,000 and a revolving credit facility of up to $60,000. Both facilities were set to mature in 2024. The interest rate for the term loan facility was a floating per annum interest rate equal to the greater of 3.75% above the Wall Street Journal Prime Rate and 9.25%. The interest rate for advances under the revolving facility was a floating per annum interest rate equal to the greater of the Wall Street Journal Prime Rate and 5.50%. If the Company elected to prepay the loan or terminate the facilities, the Company was required to pay a certain percentage of the outstanding principal as a prepayment fee. A final payment fee (the "Final Payment") of 6.5% multiplied by the original aggregate principal amount of term loan facility was due upon the earlier to occur of the maturity date of the term loan or prepayment of all outstanding principal.

In August 2021, upon entering into the 2021 Credit Agreement, the Company paid an aggregate amount of $70,559 due under the 2019 Credit Agreement, including unpaid principal, accrued interest, the Final Payment and a prepayment fee, with proceeds from the 2021 Credit Agreement, and the 2019 Credit Agreement was terminated. Upon termination of the 2019 Credit Agreement, the Company recognized $1,883 as loss on the extinguishment of the loan for the year ended December 31, 2021.

14. Stockholders' Equity

Common Stock

As of March 31, 2022, the issued shares of Class A common stock include 728,548 treasury shares that were reacquired in connection with the redemption of redeemable shares in March 2019.

As of March 31, 2022 and December 31, 2021, the Company reserved the following shares of Class A common stock for future issuance:

	March 31 2022	December 31, 2021
Shares reserved for issuance for outstanding options	7,924,792	6,596,969
Shares reserved for issuance for outstanding restricted stock units	1,496,853	764,871
Shares reserved for issuance for future grants	3,373,334	5,644,691
Total shares of authorized common stock reserved for future issuance	12,794,979	13,006,531

15. Stock-Based Compensation

Stock Incentive Plans-the 2018 Plan

On November 28, 2018, the Board of Directors of the Company adopted, and on December 10, 2018 the Company's stockholders approved, the Organogenesis 2018 Equity and Incentive Plan (the "2018 Plan"). The purposes of the 2018 Plan are to provide long-term incentives and rewards to the Company's employees, officers, directors and other key persons (including consultants), to attract and retain persons with the requisite experience and ability, and to more closely align the interests of such employees, officers, directors and other key persons with the interests of the Company's stockholders.

The 2018 Plan authorizes the Company's Board of Directors or a committee of not less than two independent directors (in either case, the "Administrator") to grant the following types of awards: non-statutory stock options; incentive stock options; restricted stock awards; restricted stock units; stock appreciation rights; unrestricted stock awards; performance share awards; and dividend equivalent rights. The 2018 Plan is administered by the Company's Board of Directors.

A total of 9,198,996 shares of Class A common stock have been authorized to be issued under the 2018 Plan (subject to adjustment in the case of any stock dividend, stock split, reverse stock split, or similar change in capitalization of the Company). There has been no change to the total authorized shares since the adoption of the 2018 Plan.

Stock Incentive Plans-the 2003 Plan

The Organogenesis 2003 Stock Incentive Plan (the "2003 Plan"), provides for the Company to issue restricted stock awards, or to grant incentive stock options or non-statutory stock options. Incentive stock options may be granted only to the Company's employees. Restricted stock awards and non-statutory stock options may be granted to employees, members of the Board of Directors, outside advisors and consultants of the Company.

Effective as of the closing of the Avista Merger on December 10, 2018, no additional awards may be made under the 2003 Plan and as a result (i) any shares in respect of stock options that are expired or terminated under the 2003 Plan without having been fully exercised will not be available for future awards; (ii) any shares in respect of restricted stock that are forfeited to, or otherwise repurchased by the Company, will not be available for future awards; and (iii) any shares of Class A common stock that are tendered to the Company by a participant to exercise an award will not be available for future awards.

Stock-Based Compensation Expense

Stock options awarded under the stock incentive plans expire 10 years after the grant date and typically vest over four or five years. Restricted stock units awarded typically vest over four years.

Stock-based compensation expense was $1,303 and $698 for the three months ended March 31, 2022 and 2021, respectively. The total amount of stock-based compensation expense was included within selling, general and administrative expenses on the consolidated statements of operations.

Restricted Stock Units (RSUs)

The Company granted 931,431 and 284,708 time-based restricted stock units to its employees, executives and the Board of Directors in the three months ended March 31, 2022 and 2021, respectively. Each restricted stock unit represents the contingent right to receive one share of the Company's Class A common stock. A majority of the restricted stock units will vest in four equal annual installments. The fair value of the restricted stock units was based on the fair market value of the Company's stock on the date of grant.

The activity of restricted stock units is set forth below:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2021	764,871	$ 7.52
Granted	931,431	7.59
Vested	(179,714)	7.81
Canceled/Forfeited	(19,735)	6.83
Unvested at March 31, 2022	1,496,853	$ 7.54

As of March 31, 2022, the total unrecognized compensation cost related to unvested restricted stock units expected to vest was $7,892 and the weighted average remaining recognition period for unvested awards was 3.19 years.

Stock Option Valuation

The stock options granted during the three months ended March 31, 2022 and 2021 were 1,418,224 and 1,037,099, respectively. The assumptions that the Company used to determine the grant-date fair value of stock options granted during these periods were as follows, presented on a weighted-average basis:

	Three Months Ended March 31,	
	2022	2021
Risk-free interest rate	1.92%	0.82%
Expected term (in years)	6.25	6.21
Expected volatility	50.66%	39.30%
Expected dividend yield	0.0%	0.0%
Exercise price	$ 8.03	$ 13.54
Underlying stock price	$ 7.87	$ 13.54

These assumptions resulted in an estimated weighted-average grant-date fair value per share of stock options granted during the three months ended March 31, 2022 and 2021 of $3.94 and $5.31, respectively.

Stock Option Activity

The following table summarizes the Company's stock option activity since December 31, 2021:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2021	6,596,969	$ 4.10	5.20	$ 38,524
Granted	1,418,224	8.03		
Exercised	(86,121)	3.38		441
Canceled / forfeited	(4,280)	2.69		
Outstanding as of March 31, 2022	7,924,792	4.82	5.83	29,053
Options exercisable as of March 31, 2022	4,600,567	2.52	3.57	25,113
Options vested or expected to vest as of March 31, 2022	7,215,073	$ 4.44	5.50	$ 28,567

The aggregate intrinsic value of stock options is calculated as the difference between the exercise price of the stock options and the fair value of the Company's Class A common stock for those stock options that have exercise prices lower than the fair value of the Company's Class A common stock.

The total fair value of options vested during the three months ended March 31, 2022 and 2021 was $1,612 and $143, respectively.

As of March 31, 2022, the total unrecognized stock compensation expense related to unvested stock options expected to vest was $7,579 and was expected to be recognized over a weighted-average period of 3.29 years.

16. Net Income per Share (EPS)

Basic EPS is calculated by dividing net income (loss) by the weighted-average number of shares outstanding during the period. Diluted EPS is calculated by dividing net income (loss) by the weighted-average number of shares outstanding plus the dilutive effect, if any, of outstanding equity awards using the treasury stock method which includes consideration of unrecognized compensation expenses as additional proceeds.

A reconciliation of the numerator and denominator used in the calculation of the basic and diluted net income attributable to the Class A common stockholders is as follows.

	Three Months Ended March 31,	
	2022	2021
Numerator:		
Net Income	$ 87	$ 9,943
Denominator:		
Weighted average common shares outstanding —basic	128,788,721	127,870,065
Dilutive effect of restricted stock units	264,075	527,658
Dilutive effect of options	3,752,358	5,054,227
Weighted-average common shares outstanding—diluted	132,805,154	133,451,950
Earnings per share—basic	$ 0.00	$ 0.08
Earnings per share—diluted	$ 0.00	$ 0.07

For the three months ended March 31, 2022 and 2021, outstanding stock-based awards of 155,207 and 1,202,193 were excluded from the diluted EPS calculation as they were anti-dilutive.

17. Leases

As of December 31, 2021 and March 31, 2022, the Company's contracts that contained a lease consisted primarily of real estate, equipment and vehicle leases.

The Company leases real estate for office, lab, warehouse and production space under noncancelable leases that expire at various dates through 2035, subject to the Company's options to terminate or renew certain leases for an additional five to ten years.

The Company leases vehicles under operating leases for certain employees and has fleet services agreements for service on these vehicles. The minimum lease term for each newly leased vehicle is 367 days with renewal options. The Company may terminate the vehicle lease after the minimum lease term upon thirty days' prior notice.

The Company also leases other equipment under noncancelable operating and finance leases that expire at various dates through 2025.

The Company determines if an arrangement is a lease at lease inception. The options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Company will exercise the options. Operating leases are included in operating lease right-of-use assets and operating lease obligations on the consolidated balance sheets. Finance lease right-of-use assets are included in property and equipment, net, and the related liabilities are included in finance lease obligations on the consolidated balance sheets.

Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized based on the present value of the fixed lease payments over the lease term at the commencement date. The right-of-use assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by lease incentives. The Company uses its incremental borrowing rate as the discount rate to determine the present value of the lease payments for leases that do not have a readily determinable implicit discount rate. The Company's incremental borrowing rate is the rate of interest that it would have to borrow on a collateralized basis over a similar term and amount in a similar economic environment. The Company determines the incremental borrowing rates for its leases by adjusting the risk-free interest rate with a credit risk premium corresponding to the Company's credit rating.

The Company records rent expense for its operating leases on a straight-line basis from the lease commencement date until the end of the lease term. The Company records finance lease cost as a combination of the depreciation expense for the right-of-use assets and interest expense for the outstanding lease liabilities using the discount rate discussed above. Variable lease payments are primarily related to the office and fleet leases which include but are not limited to taxes, insurance, common area maintenance and maintenance programs for leased vehicles. Variable lease payments are based on the occurrence or usage; therefore, they are not included as part of the initial right-of-use assets and liabilities calculation.

On January 1, 2013, the Company entered into finance lease arrangements with 65 Dan Road SPE, LLC, 85 Dan Road Associates, LLC, Dan Road Equity I, LLC and 275 Dan Road SPE, LLC for office and laboratory space in Canton, Massachusetts. 65 Dan Road SPE, LLC, 85 Dan Road Associates, LLC, Dan Road Equity I, LLC and 275 Dan Road SPE, LLC are related parties as the owners of these entities are also stockholders of the Company. Other than the lease with 275 Dan Road SPE, LLC which was terminated in August 2021 as discussed below, the remaining three leases were set to terminate on December 31, 2022 and each contained a renewal option for a five-year period with a rental rate at the greater of (i) rent for the last year of the prior term, or (ii) the then fair market value. The Company exercised the option to extend the leases for an additional five years in November 2021. These leases were reclassified from finance leases to operating leases upon the Company's reassessment of the lease classification according to ASC 842-10-25-1 *Lease Classification.* The related finance lease assets and liabilities were reclassified to operating lease right-of-use assets and operating lease obligations on the consolidated balance sheet as of December 31, 2021.

As of December 31, 2020, the Company owed an aggregate of $10,336 of accrued but unpaid lease obligations under the aforementioned leases. Effective April 1, 2019, the Company agreed to accrue interest on the accrued but unpaid lease obligations at an interest rate equal to the rate charged in the 2019 Credit Agreement. These accrued but unpaid lease obligations as well as the accrued interest on these obligations were subordinated to the 2019 Credit Agreement. With the termination of the 2019 Credit Agreement and the execution of the 2021 Credit Agreement (see Note "13. Long-Term Debt Obligations") in August 2021, these obligations are no longer subordinated to the Company's existing loans.

In August 2021, the Company purchased the building (the “275 Dan Road Building”) under the lease with 275 Dan Road SPE, LLC for $6,013 and the lease was terminated. The Company recorded an asset of $4,943 to buildings within fixed asset, net in accordance with ASC 842-20-40-2 *Purchase of the Underlying Asset* to account for the purchase of the leased asset. In connection with the purchase of the 275 Dan Road Building, the Company paid 50% of the accrued but unpaid lease obligations associated with this building and the accrued interest thereof. The remaining balance is being paid in five quarterly installments ending on January 3, 2023. The interest on the balance of the accrued but unpaid lease obligations associated with the 275 Dan Road Building was reduced to an annual simple rate of 4.5%.

The accrued but unpaid lease obligations as well as the related interest accruals are shown below.

	March 31 2022	December 31, 2021
Principal portion of rent in arrears	7,246	7,246
Unpaid operating and common area maintenance costs	52	558
Total accrued but unpaid lease obligations	7,298	7,804
Accrued interest on accrued but unpaid lease obligations	1,956	1,938

The principal portion of rent in arrears was included in the short-term portion of operating lease obligations other than the balance related to the 275 Dan Road Building that was included in accrued expenses and other current liabilities on the consolidated balance sheets as of March 31, 2022 and December 31, 2021. The unpaid operating and common area maintenance costs, and the accrued interest on the accrued but unpaid lease obligations were included in accrued expenses and other current liabilities on the consolidated balance sheets as of March 31, 2022 and December 31, 2021.

The components of lease cost were as follows:

		Three Months Ended March 31,	
	Classification	2022	2021
Finance lease			
Amortization of right-of-use assets	COGS and SG&A	$ 107	$ 299
Interest on lease liabilities	Interest Expense	5	349
Total Finance lease cost		112	648
Operating lease cost	COGS, R&D, SG&A	2,434	1,280
Short-term lease cost	COGS, R&D, SG&A	669	715
Variable lease cost	COGS, R&D, SG&A	918	1,363
Total lease cost		$ 4,133	$ 4,006

Supplemental balance sheet information related to finance leases was as follows:

	March 31, 2022	December 31, 2021
Property and equipment, gross	$ 1,174	$ 1,174
Accumulated depreciation	(1,067)	(961)
Property and equipment, net	$ 107	$ 213
Finance lease obligations	$ 101	$ 200

Supplemental cash flow information related to leases was as follows:

	Three Months Ended March 31,	
	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$ 2,337	$ 1,362
Operating cash flows for finance leases	$ 5	$ 523
Financing cash flows for finance leases	$ 99	$ 675
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	$ 171	$ 310
Finance leases	$ —	$ —

	March 31, 2022	December 31, 2021
Weighted-average remaining lease term		
Finance leases	0.21	0.45
Operating leases	8.04	8.22

	March 31, 2022	December 31, 2021
Weighted-average discount rate		
Finance leases	11.30%	11.30%
Operating leases	4.53%	4.51%

As of March 31, 2021, maturities of lease liabilities were as follows:

	Operating leases	Finance leases
2022	$ 11,873	$ 103
2023	8,104	—
2024	7,315	—
2025	7,526	—
2026	7,435	—
Thereafter	25,966	—
Total lease payments	68,219	103
Less: interest	(11,121)	(2)
Total lease liabilities	$ 57,098	$ 101

18. Commitments and Contingencies

Royalties

The Company entered into a license agreement with a university for certain patent rights related to the development, use and production of one of its advanced wound care products. Under this agreement, the Company incurred a royalty based on a percentage of net product sales, for the use of these patents until the patents expired, which was in November 2006. Accrued royalties totaled $1,187 as of March 31, 2022 and December 31, 2021, respectively, and were classified as part of accrued expenses and other current liabilities on the Company's consolidated balance sheets. There was no royalty expense incurred during the three months ended March 31, 2022 or 2021 related to this agreement.

In October 2017, the Company entered into a license agreement with a third party. Under the license agreement, the Company is required to pay royalties based on a percentage of net sales of the licensed product that occur, after December 31, 2017, through the expiration of the underlying patent in October 2026, subject to minimum royalty payment provisions. The Company recorded royalty expense of $1,601 and $1,220 during the three months ended March 31, 2022 and 2021, respectively, within selling, general and administrative expenses on the consolidated statements of operations.

Legal Matters

In conducting its activities, the Company, from time to time, is subject to various claims and also has claims against others. In management's opinion, the ultimate resolution of such claims would not have a material effect on the financial position, operating results or cash flows of the Company. The Company accrues for these claims when amounts due are probable and estimable. The Company accrued $150 as of March 31, 2022 and December 31, 2021 in relation to certain pending lawsuits.

19. Related Party Transactions

Lease obligations to affiliates, including accrued but unpaid lease obligations, and purchase of an asset under a finance lease with an affiliate are further described in Note "17. Leases".

During 2010, the Company's Board of Directors approved a loan program that permitted the Company to make loans to three executives of the Company (the "Employer Loans") to (i) provide them with liquidity ("Liquidity Loans") and (ii) fund the exercise of vested stock options ("Option Loans"). Two of the executives left the Company in 2014. The Employer Loans matured with all principal and accrued interest due on the tenth anniversary of the issuance date of each subject loan. Interest on the Employer Loans was at various rates ranging from 2.30% - 3.86% per annum, compounded annually. The Employer Loans were secured by shares of the Company's Class A common stock held by the former executives. With respect to the Liquidity Loans, the Company had no personal recourse against the borrowers beyond the pledged shares. As of December 31, 2020, Liquidity Loans and Option Loans to one former executive were outstanding with an aggregate principal balance of $100 and $334, respectively. During the three months ended March 31, 2021, this former executive paid off the outstanding principal balance of his Employer Loans and the related interest receivable. As a result, the Company recorded $179 as a recovery of the previously reserved related party receivables within selling, general and administrative expenses on the consolidated statement of operations for the year ended December 31, 2021. The $334 of the repaid principal balance of the Option Loans was recorded to equity.

20. Taxes

The Company is principally subject to taxation in the United States. The Company has a history of net operating losses both federally and in various states and began utilizing those losses to offset current taxable income in 2020. The Company's wholly owned Swiss subsidiary, Organogenesis Switzerland GmbH, is subject to taxation in Switzerland and has a transfer pricing arrangement in place with Organogenesis Inc., its U.S. parent and a wholly owned subsidiary of the Company.

The income tax rate for the three months ended March 31, 2022 varied from the U.S. statutory rate of 21% primarily due to the tax adjustments related to executive compensation, other permanent tax adjustments, and discrete items. Income tax expense for the three months ended March 31, 2022 was $45, which included a discrete tax expense of $10, and related primarily to federal and state taxes. Income tax expense for the three months ended March 31, 2021 was $200, which included a discrete expense of $10, and related primarily to state and foreign taxes.

The Company examines all positive and negative evidence to estimate whether sufficient future taxable income in the U.S. will be generated to permit the use of existing deferred tax assets. In the fourth quarter of 2021, the Company released the valuation allowance recorded against its U.S. deferred tax assets. Upon reviewing the positive evidence of net operating loss utilization, cumulative profits, and forecasted taxable income, the Company believed that it was more likely than not that these United States deferred tax assets will be utilized. There are no material deferred tax assets in the other jurisdictions. On a quarterly basis, the Company reassesses the need for a valuation allowance on deferred income tax assets, weighing positive and negative evidence to assess the recoverability of the deferred tax assets. After assessing both the positive and negative evidence, including net operating loss utilization, cumulative profits, and forecasted taxable income, the Company determined that it is more likely than not the U.S. deferred assets will be realized in full. As such, the Company has not recorded a valuation allowance against its U.S. deferred tax assets as of March 31, 2022 and December 31, 2021.

21. Subsequent Events

The Company has evaluated subsequent events through May 10, 2022, the date on which these consolidated financial statements were issued and has determined that there were no such events to report.

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

The following discussion and analysis should be read in conjunction with our financial statements and accompanying notes included in this Form 10-Q and the financial statements and accompanying notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed with the Securities and Exchange Commission, or the SEC, on March 1, 2022, as amended. Please refer to our note regarding forward-looking statements on page 3 of this Form 10-Q, which is incorporated herein by this reference.

Overview

Organogenesis is a leading regenerative medicine company focused on the development, manufacture, and commercialization of solutions for the Advanced Wound Care and Surgical & Sports Medicine markets. Our products have been shown through clinical and scientific studies to support and in some cases accelerate tissue healing and improve patient outcomes. We are advancing the standard of care in each phase of the healing process through multiple breakthroughs in tissue engineering and cell therapy. Our solutions address large and growing markets driven by aging demographics and increases in comorbidities such as diabetes, obesity, cardiovascular and peripheral vascular disease and smoking. We offer our differentiated products and in-house customer support to a wide range of health care customers including hospitals, wound care centers, government facilities, ambulatory service centers ("ASCs") and physician offices. Our mission is to provide integrated healing solutions that substantially improve medical outcomes and the lives of patients while lowering the overall cost of care.

We offer a comprehensive portfolio of products in the markets we serve that address patient needs across the continuum of care. We have and intend to continue to generate data from clinical trials, real-world outcomes and health economics research that validate the clinical efficacy and value proposition offered by our products. Several of our existing and pipeline products in our portfolio have PMA approval or 510(k) clearance from the FDA. Given the extensive time and cost required to conduct clinical trials and receive FDA approvals, we believe that our data and regulatory approvals provide us a strong competitive advantage. Our product development expertise and multiple technology platforms provide a robust product pipeline, which we believe will drive future growth.

In the Advanced Wound Care market, we focus on the development and commercialization of advanced wound care products for the treatment of chronic and acute wounds in various treatment settings. We have a comprehensive portfolio of regenerative medicine products, capable of supporting patients from early in the wound healing process through wound closure regardless of wound type. Our Advanced Wound Care products include Apligraf for the treatment of venous leg ulcers ("VLUs") and diabetic foot ulcers ("DFUs"); Dermagraft for the treatment of DFUs (manufacturing currently suspended pending transition to our Massachusetts based manufacturing facilities); PuraPly AM as an antimicrobial barrier for a broad variety of wound types; and the Affinity, Novachor and NuShield wound coverings to address a variety of wound sizes and types. We have a highly trained and specialized direct wound care sales force paired with comprehensive customer support services.

In the Surgical & Sports Medicine market, we focus on products that support the healing of musculoskeletal injuries, including degenerative conditions such as osteoarthritis and tendonitis. We are leveraging our regenerative medicine capabilities in this attractive, adjacent market. Our Surgical & Sports Medicine products include NuShield for surgical application in targeted soft tissue repairs; and Affinity, Novachor and PuraPly AM for management of open wounds in the surgical setting. We currently sell these products through independent agencies and our growing direct sales force.

For the three months ended March 31, 2022, we generated $98.1 million of net revenue and $0.1 million of net income compared to $102.6 million of net revenue and $9.9 million of net income for the three months ended March 31, 2021. While we reported net income for the most recent two years, we have incurred significant losses since inception and, we may incur operating losses in the future as we expend resources as part of our efforts to grow our organization to support the planned expansion of our business. As of March 31, 2022, we had an accumulated deficit of $60.0 million. Our primary sources of capital to date have been from sales of our products, borrowings from related parties and institutional lenders and proceeds from the sale of our Class A common stock. We operate as one segment of regenerative medicine.

COVID-19 pandemic

The emergence of the coronavirus (COVID-19) around the world, and particularly in the United States, continues to present risks to the Company. While the COVID-19 pandemic has not materially adversely affected our financial results and business operations through the first quarter ended March 31, 2022, we are unable to predict the impact that COVID-19 will have on our financial position and operating results because of the numerous uncertainties created by the unprecedented nature of the pandemic. We are closely monitoring the evolving impact of the pandemic on all aspects of our business. We have implemented a number of measures designed to protect the health and safety of our employees, support our customers and promote business continuity. We continue to evaluate the Company's liquidity position, communicate with and monitor the actions of our customers and suppliers, and review our near-term financial performance as we manage the Company through this period of uncertainty.

End of Enforcement Grace Period for ReNu and NuCel

On November 16, 2017, the FDA issued a final guidance document entitled, "Regulatory Considerations for Human Cells, Tissues, and Cellular and Tissue-Based Products: Minimal Manipulation and Homologous Use", or 361 HCT/P Guidance, which provided the FDA's thinking on how to apply the existing regulatory criteria for regulation as a Section 361 HCT/P. The 361 HCT/P Guidance clarified the FDA's views about the criteria that differentiate those products subject to regulation under Section 361 of the Public Health Service Act from those considered to be drugs, devices, and/or biological products subject to licensure under Section 351 and related regulations. The 361 HCT/P Guidance originally indicated that the FDA was providing a 36-month enforcement grace period to allow time for distributors of HCT/Ps to make any regulatory submissions and obtain any premarket approvals necessary to comply with the guidance. In July 2020, the FDA announced that the enforcement grace period would be extended until May 31, 2021 as a result of the challenges presented by the COVID-19 public health emergency. On April 21, 2021, the FDA reaffirmed that the enforcement grace period would end on May 31, 2021, at which time we ceased commercial distribution of ReNu and NuCel. We are continuing to conduct clinical studies of ReNu to support FDA approval of a Biologics License Application for the treatment of knee osteoarthritis and, based on favorable feasibility studies, we believe ReNu has potential as a treatment for additional osteoarthritis and tissue regeneration applications. Accordingly, we have decided to focus on clinical development of ReNu and we discontinued clinical development of NuCel.

Dermagraft

As part of our long-term plan to consolidate manufacturing operations in Massachusetts, manufacturing of Dermagraft was suspended in the fourth quarter of 2021 and sales of Dermagraft will be suspended in the second quarter of 2022. We currently plan to transition our Dermagraft manufacturing to our Massachusetts-based manufacturing facilities, which we expect will result in substantial long-term cost savings. In the period when Dermagraft is not available (possibly for a few years), we expect that customers will be willing to substitute Apligraf for Dermagraft and that the suspension of Dermagraft sales will not have a material impact on our net revenue. However, if we do not realize the expected substantial long-term cost savings or if customers are unwilling to substitute Apligraf for Dermagraft during the period in which Dermagraft is unavailable, it could have an adverse effect on our net revenue and results of operations.

Components of Our Consolidated Results of Operations

In assessing the performance of our business, we consider a variety of performance and financial measures. We believe the items discussed below provide insight into the factors that affect these key measures.

Revenue

We derive our net revenue from our portfolio of Advanced Wound Care and Surgical & Sports Medicine products. We primarily sell our Advanced Wound Care products through direct sales representatives who manage and maintain the sales relationships with hospitals, wound care centers, government facilities, ASCs and physician offices. We primarily sell our Surgical & Sports Medicine products through third party agencies. As of March 31, 2022, we had approximately 340 direct sales representatives and approximately 150 independent agencies.

We recognize revenue from sales of our Advanced Wound Care and Surgical & Sports Medicine products when the customer obtains control of our product, which occurs at a point in time and may be upon procedure date, shipment, or delivery, based on the contractual terms of a contract. We record revenue net of a reserve for returns, discounts and GPO rebates, which represent a direct reduction to the revenue we recognize.

Several factors affect our reported revenue in any period, including product, payer and geographic sales mix, operational effectiveness, pricing realization, marketing and promotional efforts, the timing of orders and shipments, regulatory actions including healthcare reimbursement scenarios, competition and business acquisitions.

Cost of goods sold and gross profit

Cost of goods sold includes personnel costs, product testing costs, quality assurance costs, raw materials and product costs, manufacturing costs, and the costs associated with our manufacturing and warehouse facilities. The increases in our cost of goods sold correspond with the increases in sales units driven by the expansion of our sales force and sales territories, expansion of our product portfolio offerings, and the number of healthcare facilities that offer our products. We expect our cost of goods sold to increase due primarily to the anticipated increase in sales volumes.

Gross profit is calculated as net revenue less cost of goods sold and generally increases as revenue increases. Our gross profit is affected by product and geographic sales mix, realized pricing of our products, the efficiency of our manufacturing operations and the costs of materials used and fees charged by third-party manufacturers to produce our products. Regulatory actions, including healthcare reimbursement scenarios, which may require costly expenditures or result in pricing pressures, may decrease our gross profit.

Selling, general and administrative expenses

Selling, general and administrative expenses generally include personnel costs for sales, marketing, sales support, customer support, and general and administrative personnel, sales commissions, incentive compensation, insurance, professional fees, depreciation, amortization, bad debt expense, royalties, information systems costs and costs associated with our administrative facilities. We generally expect our selling, general and administrative expenses to continue to increase due to increased investments in market development and the geographic expansion of our sales forces as we drive for continued revenue growth.

Research and development expenses

Research and development expenses include personnel costs for our research and development personnel, expenses related to improvements in our manufacturing processes, enhancements to our currently available products, and additional investments in our product and platform development pipeline. Our research and development expenses also include expenses for clinical trials. We expense research and development costs as incurred. We generally expect that research and development expenses will increase as we continue to conduct clinical trials on new and existing products, move products through the regulatory pathway (e.g., seek BLA approval), add personnel to support product enhancements as well as to bring new products to market, and enhance our manufacturing process and procedures.

Other expense, net

Interest expense—Interest expense consists of interest on our outstanding indebtedness, including amortization of debt discount and debt issuance costs, net of interest income recognized.

Income taxes

We account for income taxes using an asset and liability approach. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Valuation allowances are provided when necessary to reduce net deferred tax assets to an amount that is more likely than not to be realized.

In determining whether a valuation allowance for deferred tax assets is necessary, we analyze both positive and negative evidence related to the realization of deferred tax assets including projected future taxable income, recent financial results and estimates of future reversals of deferred tax assets and liabilities. In addition, we consider whether it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Based on a consideration of the factors discussed above, we have determined that our net U.S. deferred tax assets do not require a valuation allowance as of March 31, 2022 and December 31, 2021.

We account for uncertainty in income taxes recognized in the consolidated financial statements by applying a two-step process to determine the amount of tax benefit to be recognized. First, the tax position must be evaluated to determine the likelihood that it will be sustained upon external examination by the taxing authorities. If the tax position is deemed more-likely-than-not to be sustained, the tax position is then assessed to determine the amount of benefit to recognize in the consolidated financial statements. The amount of the benefit that may be recognized is the largest amount that has a greater than 50% likelihood of being realized upon ultimate settlement. The provision for income taxes includes the effects of any resulting tax reserves, or unrecognized tax benefits, that are considered appropriate as well as the related net interest and penalties.

Results of Operations

The following table sets forth, for the periods indicated, our results of operations:

	Three Months Ended March 31,	
	2022	2021
Net revenue	$98,117	$102,552
Cost of goods sold	25,080	25,495
Gross profit	73,037	77,057
Operating expenses:		
Selling, general and administrative	63,578	58,232
Research and development	8,587	6,209
Total operating expenses	72,165	64,441
Income from operations	872	12,616
Other expense, net:		
Interest expense	(737)	(2,470)
Other expense, net	(3)	(3)
Total other expense, net	(740)	(2,473)
Net income before income taxes	132	10,143
Income tax expense	(45)	(200)
Net income	$ 87	$ 9,943

EBITDA and Adjusted EBITDA

Our management uses financial measures that are not in accordance with generally accepted accounting principles in the United States, or GAAP, in addition to financial measures in accordance with GAAP to evaluate our operating results. These non-GAAP financial measures should be considered supplemental to, and not a substitute for, our reported financial results prepared in accordance with GAAP. Our management uses Adjusted EBITDA to evaluate our operating performance and trends and make planning decisions. Our management believes Adjusted EBITDA helps identify underlying trends in our business that could otherwise be masked by the effect of the items that we exclude. Accordingly, we believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results, enhancing the overall understanding of our past performance and future prospects, and allowing for greater transparency with respect to key financial metrics used by our management in its financial and operational decision-making.

The following is a reconciliation of GAAP net income to non-GAAP EBITDA and non-GAAP Adjusted EBITDA for each of the periods presented:

	Three Months Ended March 31,	
	2022	2021
Net income	$ 87	$ 9,943
Interest expense	737	2,470
Income tax expense	45	200
Depreciation	1,347	1,010
Amortization	1,221	1,243
EBITDA	3,437	14,866
Stock-based compensation expense	1,303	698
Recovery of certain notes receivable from related parties (1)	—	(179)
Change in fair value of Earnout (2)	—	(296)
Restructuring charge (3)	264	927
Adjusted EBITDA	$5,004	$16,016

(1) Amount reflects the collection of certain notes receivable from related parties previously reserved. See Note “19. Related Party Transactions”.
(2) Amount reflects the change in the fair value of the Earnout liability in connection with the CPN acquisition. See Note “3. Acquisition” and “5. Fair Value Measurement of Financial Assets and Liabilities”.
(3) Amount reflects employee retention and benefits as well as the facility-related cost related to the Company’s restructuring activities. See Note “12. Restructuring”.

Comparison of the Three Months Ended March 31, 2022 and 2021

Revenue

	Three Months Ended March 31,		Change	
	2022	2021	$	%
	(in thousands, except for percentages)			
Advanced Wound Care	$90,950	$ 90,708	$ 242	0%
Surgical & Sports Medicine	7,167	11,844	(4,677)	(39%)
Net revenue	$98,117	$102,552	$(4,435)	(4%)

Net revenue from our Advanced Wound Care products in the three months ended March 31, 2022 was $91.0 million, relatively consistent with the net revenue of $90.7 million in the three months ended March 31, 2021.

Net revenue from our Surgical & Sports Medicine products decreased by $4.7 million, or 39%, to $7.2 million in the three months ended March 31, 2022 from $11.8 million in the three months ended March 31, 2021. The decrease in Surgical & Sports Medicine net revenue was primarily due to the continued impact of the suspension of marketing of our ReNu and NuCel products in connection with the expiration of the FDA’s enforcement grace period on May 31, 2021 and, to a lesser extent, the impact of the COVID-19 pandemic on sales of our Affinity product.

Included within net revenue is PuraPly revenue of $53.3 million and $41.3 million for the three months ended March 31, 2022 and 2021, respectively. The continued increase in PuraPly revenue in the three months ended March 31, 2022 was due to our expanded sales force, expanded sites of care, and increased adoption, by existing and new customers, of our PuraPly line extensions.

Cost of goods sold and gross profit

	Three Months Ended March 31,		Change	
	2022	2021	$	%
	(in thousands, except for percentages)			
Cost of goods sold	$ 25,080	$ 25,495	$ (415)	(2%)
Gross profit	$ 73,037	$ 77,057	$ (4,020)	(5%)

Cost of goods sold decreased by $0.4 million, or 2%, to $25.1 million in the three months ended March 31, 2022 from $25.5 million in the three months ended March 31, 2021. The decrease in cost of goods sold was primarily due to decreased unit volumes in Surgical & Sports Medicine products.

Gross profit decreased by $4.0 million, or 5%, to $73.0 million in the three months ended March 31, 2022 from $77.1 million the three months ended March 31, 2021. The decrease in gross profit resulted primarily from decreased sales volume in Surgical & Sports Medicine products as well as increased manufacturing-related costs.

Research and Development Expenses

	Three Months Ended March 31,		Change	
	2022	2021	$	%
	(in thousands, except for percentages)			
Research and development	$ 8,587	$ 6,209	$ 2,378	38%

Research and development expenses increased by $2.4 million, or 38%, to $8.6 million in the three months ended March 31, 2022 from $6.2 million in the three months ended March 31, 2021. The increase in research and development expenses was primarily due to increased headcount associated with our existing Advanced Wound Care and Surgical & Sports Medicine products, an increase in product costs associated with our pipeline products not yet commercialized and an increase in the clinical study and related costs necessary to seek regulatory approvals for certain of our products.

Selling, General and Administrative Expenses

	Three Months Ended March 31,		Change	
	2022	2021	$	%
	(in thousands, except for percentages)			
Selling, general and administrative	$63,578	$58,232	$ 5,346	9%

Selling, general and administrative expenses increased by $5.3 million, or 9%, to $63.6 million in the three months ended March 31, 2021 from $58.2 million in the three months ended March 31, 2020. The increase in selling, general and administrative expenses was primarily due to a $4.1 million increase related to additional headcount, primarily in our direct sales force, and a $2.0 million increase related to increased travel and marketing programs amid the relaxed COVID-19 travel restrictions. These increases were partially offset by a $0.7 million decrease in restructuring costs due to the substantial completion of the restructuring activities associated with closing the La Jolla, California office.

Other Expense, net

	Three Months Ended March 31, 2022	2021	Change $	Change %
	(in thousands, except for percentages)			
Interest expense, net	$ (737)	$ (2,470)	$ 1,733	(70%)
Other expense, net	(3)	(3)	—	**
Total other expense, net	$ (740)	$ (2,473)	$ 1,733	(70%)

** not meaningful

Other expense, net, decreased by $1.7 million, or 70%, to $0.7 million in the three months ended March 31, 2022 from $2.5 million in the three months ended March 31, 2021. Interest expense decreased due to the reduced interest rate for borrowings under the 2021 Credit Agreement.

Income Tax Expense

	Three Months Ended March 31, 2022	2021	Change $	Change %
	(in thousands, except for percentages)			
Income tax expense	$ (45)	$ (200)	$ 155	(78%)

Income tax expense decreased by $0.2 million, or 78% to $0.0 million in the three months ended March 31, 2022 from $0.2 million in the three months ended March 31, 2021. The decrease in the provision is primarily attributed to the decrease in taxable income from $10.1 million in the three months ended March 31, 2021 to $0.1 million in the three months ended March 31, 2022. The decrease in taxable income is partially offset by the increase in the effective rate from 2.19% in the three months ended March 31, 2021 to 26.65% in the three months ended March 31, 2022 due to the release of the valuation allowance in the three months ended December 31, 2021.

Liquidity and Capital Resources

Since our inception, we have funded our operations and capital expenditures through cash flows from product sales, loans from affiliates and entities controlled by certain of our affiliates, third-party debt and proceeds from the sale of our capital stock. As of March 31, 2022, we had an accumulated deficit of $60.0 million and working capital of $141.1 million which included $107.9 million in cash and cash equivalents. We also had $125,000 available for future revolving borrowings under our Revolving Facility (see Note “13. Long-Term Debt Obligations”). For the three months ended March 31, 2022, we reported $98.1 million in net revenue, $0.1 million in net income and $1.4 million of cash flows from operating activities. We expect that our cash on hand and other components of working capital as of March 31, 2022, availability under the 2021 Credit Agreement, plus net cash flows from product sales, will be sufficient to fund our operating expenses, capital expenditure requirements and debt service payments for at least 12 months beyond the filing date of this quarterly report.

We continue to closely monitor ongoing developments in connection with the COVID-19 pandemic, which may negatively impact our commercial prospects, cash position and access to capital in fiscal 2022 or beyond. We will continue to assess our cash and other sources of liquidity and, if circumstances warrant, we will make appropriate adjustments to our operating plan.

Our primary uses of cash are working capital requirements, capital expenditure and debt service payments. Additionally, from time to time, we may use capital for acquisitions and other investing and financing activities. Working capital is used principally for our personnel as well as manufacturing costs related to the production of our products. Our working capital requirements vary from period to period depending on manufacturing volumes, the timing of shipments and the payment cycles of our customers and payers. Our capital expenditures consist primarily of building improvements, manufacturing equipment, and computer hardware and software.

To the extent additional funds are necessary to meet our long-term liquidity needs as we continue to execute our business strategy, we anticipate that they will be obtained through additional equity or debt financings, other strategic transactions or a combination of these potential sources of funds. There can be no assurance that we will be able to obtain additional funds on terms acceptable to us, on a timely basis or at all.

Cash Flows

The following table summarizes our cash flows for each of the periods presented:

	Three Months Ended March 31,	
	2022	2021
	(in thousands)	
Net cash provided by (used in) operating activities	$ 1,411	$(1,300)
Net cash used in investing activities	(6,672)	(4,957)
Net cash used in financing activities	(765)	(591)
Net change in cash, cash equivalents, and restricted cash	$(6,026)	$(6,848)

Operating Activities

During the three months ended March 31, 2022, net cash provided by operating activities was $1.4 million, resulting from our net income of $0.1 million and non-cash charges of $8.2 million, partially offset by cash used in connection with changes in our operating assets and liabilities of $6.9 million. Net cash used in changes in our operating assets and liabilities included an increase in prepaid expenses and other current assets of $2.2 million, a decrease in operating leases liability of $1.8 million, a decrease in accounts payable of $1.2 million, and a decrease in accrued expenses and other current liabilities of $4.8 million, all of which were partially offset by a decrease in accounts receivable of $2.9 million.

During the three months ended March 31, 2021, net cash used in operating activities was $1.3 million, resulting from our net cash used in connection with changes in our operating assets and liabilities of $19.1 million, partially offset by net income of $9.9 million and non-cash charges of $7.8 million. Net cash used in changes in our operating assets and liabilities included an increase in accounts receivable of $16.1 million, an increase in inventory of $4.2 million, an increase in prepaid expenses and other current assets of $0.6 million, and a decrease in operating leases and other liabilities of $1.4 million, all of which were partially offset by an increase in accounts payable of $1.8 million, and an increase of accrued expenses and other current liabilities of $1.4 million.

Investing Activities

During the three months ended March 31, 2022, we used $6.7 million of cash in investing activities consisting exclusively of capital expenditures.

During the three months ended March 31, 2021, we used $5.0 million of cash in investing activities consisting exclusively of capital expenditures.

Financing Activities

During the three months ended March 31, 2022, net cash used by financing activities was $0.8 million. This consisted primarily of the payment of term loan and finance lease obligations of $0.6 million, and net payment of $0.2 million in connection with the stock awards activities.

During the three months ended March 31, 2021, net cash used by financing activities was $0.6 million. This consisted primarily of the payment of finance lease obligations of $0.7 million, and the payment of $0.5 million related to the NuTech Medical deferred acquisition consideration, partially offset by net proceeds of $0.6 million in connection with the stock award activities.

Indebtedness

2021 Credit Agreement

In August 2021, we and our subsidiaries entered into a credit agreement with SVB and several other lenders, which we refer to as the 2021 Credit Agreement. The 2021 Credit Agreement provides for a term loan facility not to exceed $75,000 (the “Term Loan Facility”) and a revolving credit facility not to exceed $125,000 (the “Revolving Facility”).

Advances made under the 2021 Credit Agreement may be either Eurodollar Loans or ABR Loans, at our option. For Eurodollar Loans, the interest rate is a per annum interest rate equal to LIBOR plus an Applicable Margin based on the Total Net Leverage Ratio. For ABR Loans, the interest rate is equal to (1) the highest of (a) the Wall Street Journal Prime Rate, (b) the Federal Funds Rate plus 0.50% and (c) the LIBOR rate plus 1.0%, *plus* (2) an Applicable Margin based on the Total Net Leverage Ratio.

The 2021 Credit Agreement requires us to make consecutive quarterly installment payments of principal in an amount equal to between 0.625% to 2.50% of the original principal amount of the Term Loans starting from September 30, 2021 through August 6, 2026 (the "Term Loan Maturity Date"). We may prepay the Term Loan Facility, provided that any Term Loans prepaid prior to August 6, 2022, must be accompanied by a prepayment premium equal to 1.00% of the aggregate amount of Term Loans prepaid. Once repaid, amounts borrowed under the Term Loan Facility may not be re-borrowed.

We must pay a quarterly fee in arrears (the "Commitment Fee"), for the Company's non-use of available funds through August 6, 2026 (the "Revolving Termination Date"). The Commitment Fee rate is based on the Total Net Leverage Ratio. We may elect to reduce or terminate the Revolving Facility in its entirety at any time by repaying all outstanding principal, unpaid accrued interest and, with respect to any such reduction or termination of the Revolving Commitments made prior to August 6, 2022, 1.00% of the aggregate amount of the Revolving Commitments so reduced or terminated.

Under the 2021 Credit Agreement, we are required to comply with certain financial covenants including the Consolidated Fixed Charge Coverage Ratio and Consolidated Total Net Leverage Ratio, tested quarterly. In addition, we are also required to make representations and warranties and comply with certain non-financial covenants that are customary in loan agreements of this type, including restrictions on the payment of dividends, repurchase of stock, incurrence of indebtedness, dispositions and acquisitions.

As of March 31, 2022, we were in compliance with the covenants under the 2021 Credit Agreement. We had outstanding borrowings under the Revolving Facility and Term Loan Facility of the 2021 Credit Agreement of $0.0 million and $73.6 million, respectively.

2019 Credit Agreement

In March 2019, we, our subsidiaries and SVB, and the several other lenders thereto entered into a credit agreement, as amended (the "2019 Credit Agreement"), providing for a term loan facility of $40,000 and a revolving credit facility of up to $60,000. Both facilities were set to mature in 2024. The interest rate for the term loan facility was a floating per annum interest rate equal to the greater of 3.75% above the Wall Street Journal Prime Rate and 9.25%. The interest rate for advances under the revolving facility was a floating per annum interest rate equal to the greater of the Wall Street Journal Prime Rate and 5.50%. If we elected to prepay the loan or terminate the facilities, we were required to pay a certain percentage of the outstanding principal as a prepayment fee. A final payment fee (the "Final Payment") of 6.5% multiplied by the original aggregate principal amount of term loan facility was due upon the earlier to occur, the maturity date of the term loan or prepayment of all outstanding principal.

In August 2021, upon entering into the 2021 Credit Agreement, we paid an aggregate amount of $70.6 million due under the 2019 Credit Agreement, including unpaid principal, accrued interest, the Final Payment and a prepayment fee, with proceeds from the 2021 Credit Agreement, and the 2019 Credit Agreement was terminated. Upon termination of the 2019 Credit Agreement, the Company recognized $1.9 million as loss on the extinguishment of the loan for the year ended December 31, 2021.

Critical Accounting Policies and Significant Judgments and Estimates

Our unaudited consolidated financial statements have been prepared in accordance with GAAP. The preparation of our unaudited consolidated financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, and the disclosure at the date of the unaudited consolidated financial statements, as well as revenue and expenses recorded during the reporting periods. Management bases its estimates, assumptions and judgments on historical experience and on various other factors that it believes to be reasonable under the circumstances. Different assumptions and judgments would change the estimates used in the preparation of our unaudited consolidated financial statements, which, in turn, could materially change our results from those reported. Management evaluates its estimates, assumptions and judgments on an ongoing basis. Historically, our critical accounting estimates have not differed materially from actual results. However, if our assumptions change, we may need to revise our estimates or take other corrective actions, either of which may also have a material adverse effect on our consolidated statements of operations, liquidity and financial condition. See also our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 for information about these accounting policies as well as a description of our other significant accounting policies.

Off-Balance Sheet Arrangements

We did not have, during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Recently Issued Accounting Pronouncements

We have reviewed all recently issued standards as disclosed in Note "2. Summary of Significant Accounting Policies" to our consolidated financial statements included in this Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We are exposed to various market risks, including fluctuations in interest rates and variability in currency exchange rates. We have established policies, procedures and internal processes governing our management of market risk and the use of financial instruments to manage our exposure to such risk.

Interest Rate Risk

As of March 31, 2022, we had $73.6 million and no borrowings outstanding under our term loan facility and revolving credit facility, respectively. Borrowings under the term loan facility and revolving credit facility bear interest at variable rates. Based on the principal amounts outstanding as of March 31, 2022, an immediate 10% change in the interest rate would not have a material impact on our debt related obligations, financial position or results of operations.

Foreign Currency and Market Risk

The majority of our employees and our major operations are currently located in the United States. The functional currency of our foreign subsidiary in Switzerland is the U.S. dollar. We have, in the normal course of business, engaged in contracts with contractors or other vendors in a currency other than the U.S. dollar. To date, we have had minimal exposure to fluctuations in foreign currency exchange rates as the time period from the date that transactions are initiated and the date of payment or receipt of payment is generally of short duration. Accordingly, we believe we do not have a material exposure to foreign currency risk.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Material Weaknesses on Internal Control over Financial Reporting

The Company's management, with the participation of its principal executive officer and principal financial officer, evaluated the effectiveness of its disclosure controls and procedures as of March 31, 2022. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms promulgated by the Securities and Exchange Commission (the "SEC"). Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, even effective internal control over financial reporting can only provide reasonable assurance of achieving their control objectives.

Management assessed the effectiveness of the Company's internal control over financial reporting based on the criteria established in the SEC guidance on conducting such assessments as of the end of the period covered by this report. Management conducted the assessment based on certain criteria established in Internal Control— Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. As a result of this assessment, management concluded that, as of March 31, 2022, our internal control over financial reporting was not effective based on those criteria.

As disclosed in the Company's Annual Report for the fiscal year ended December 31, 2021, our management team identified the following material weakness in our internal control over financial reporting: we did not design and maintain formal accounting, business operations, and information technology policies, procedures and controls to achieve complete, accurate and timely financial accounting, reporting and disclosures, including (i) formalized policies and procedures for reviews over account reconciliations, journal entries, and other accounting analyses, memos and procedures to ensure completeness and accuracy of information used in these review controls and (ii) controls to support the objectives of proper segregation of the initiation of transactions, the recording of transactions, and the custody of assets.

Although management has made significant progress in remediating this material weakness, management concluded that the material weakness described above continued to exist as of March 31, 2022. Specifically, when validating the operating effectiveness of certain controls over financial reporting to gain assurance that such controls are present and functioning as designed, management identified deficiencies that indicate a lack of sustainability and inconsistent application of certain policies, procedures, and controls, including the proper segregation of duties, exacerbated in part by turnover within key positions during the past year.

Plans for Remediation of Material Weakness

Management has taken actions to remediate the deficiencies in its internal controls over financial reporting and implemented additional processes and controls designed to address the underlying causes associated with the above-mentioned material weakness. Management is committed to finalizing the remediation of the material weakness during 2022. Management's internal control remediation efforts include the following:

- We are planning the implementation of a new company-wide enterprise resource planning, or ERP, system to provide additional systematic controls and segregation of duties for our accounting processes. We anticipate that the ERP system will go live in 2022.
- We have continued to train and cross train our employees on their internal control responsibilities and how to best support the Company if personnel turnover issues within their departments occur. We have also supplemented our internal resources with third-party resources, where necessary.
- We have continued to engage an outside firm to assist management with performing control operating effectiveness testing throughout the year.
- We regularly reported the results of control testing to the key stakeholders across the organization, including the audit committee, on testing progress and defined corrective actions, and we monitored and reported on the results of control remediation. Through these actions, we have continued to strengthen our internal policies, processes, and reviews.

As management continues to evaluate and work to improve our internal control over financial reporting, management may determine it is necessary to take additional measures to address the material weakness. However, we believe the above actions will be effective in remediating the material weaknesses and we will continue to devote significant time and attention to these remediation efforts. Until the controls have been operating for a sufficient period of time and management has concluded, through testing, that these controls are executed consistently and operating effectively, the material weakness described above will continue to exist.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting other than those described above related to remediation efforts. However, as the implementation of the new ERP system continues, we will change our processes and procedures, which in turn, could result in changes to our internal control over financial reporting. As such changes occur, we will evaluate quarterly whether such changes materially affect our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are not a party to any material legal proceedings. From time to time, we may become involved in litigation or other legal proceedings relating to claims arising from the ordinary course of business. These matters may include intellectual property, employment and other general claims. With respect to our outstanding legal matters, based on our current knowledge, we believe that the amount or range of reasonably possible loss will not, either individually or in the aggregate, have a material adverse effect on our business, consolidated financial position, results of operations, or cash flows. However, the outcome of such legal matters is inherently unpredictable and subject to significant uncertainties.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. Our Annual Report on Form 10-K for the year ended December 31, 2021, as amended, includes a detailed discussion of our risk factors under the heading "Part I, Item 1A—Risk Factors." There have been no material changes from such risk factors during the quarter ended March 31, 2022. You should consider carefully the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2021, and all other information contained in or incorporated by reference in this Quarterly Report on Form 10-Q before making an investment decision. If any of the risks discussed in the Annual Report on Form 10-K for the year ended December 31, 2021 or herein actually occur, they may materially harm our business, financial condition, operating results, cash flows or growth prospects. As a result, the market price of our common stock could decline, and you could lose all or part of your investment. Additional risks and uncertainties that are not yet identified or that we think are immaterial may also materially harm our business, financial condition, operating results, cash flows or growth prospects and could result in a complete loss of your investment.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit number	Description
3.1	Certificate of Incorporation of Organogenesis Holdings Inc. (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-3/A (File No. 333-233621) filed with the SEC on September 16, 2019)
3.2	Bylaws of Organogenesis Holdings Inc. (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-3/A (File No. 333-233621) filed with the SEC on September 16, 2019)
31.1†	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of 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 Rule 13a-14(a) or Rule 15d-14(a) of 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 and 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†	XBRL Instance Document XBRL
101.SCH†	XBRL Taxonomy Extension Schema Document
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB†	XBRL Taxonomy Extension Label Linkbase Document
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

† *Filed herewith*
†† Furnished herewith
* Management contract or compensatory plan or arrangement

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.

Dated: May 10, 2022

Organogenesis Holdings Inc.

(Registrant)

/s/ David Francisco

David Francisco
Chief Financial Officer

(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO EXCHANGE ACT RULE 13a-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gary S. Gillheeney, Sr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Organogenesis Holdings 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 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 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 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: May 10, 2022

By: /s/ Gary S. Gillheeney, Sr.
Gary S. Gillheeney, Sr.
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO EXCHANGE ACT RULE 13a-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David Francisco, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Organogenesis Holdings 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 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 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 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: May 10, 2022

By: /s/ David Francisco
David Francisco
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned officers of Organogenesis Holdings Inc. (the "Company") certifies, to his knowledge and solely for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2022

By: /s/ Gary S. Gillheeney, Sr.
Gary S. Gillheeney, Sr.
Chief Executive Officer
(Principal Executive Officer)

Date: May 10, 2022

By: /s/ David Francisco
David Francisco
Chief Financial Officer
(Principal Financial and Accounting Officer)