Strata Critical Medical - Fiscal Third Quarter ended September 30, 2025
Earnings Call Script - November 10, 2025 - 8:00 am

Operator Introduction: Good morning ladies and gentlemen, and welcome to the Strata Critical Medical Fiscal Third Quarter 2025 Earnings Release Conference call. At this time all participants are in a listen-only mode. Later we will conduct a question and answer session and instructions will follow at that time. If anyone should require operator assistance please press Star(*) then the zero (0) key on your touch-tone telephone. As a reminder, this call is being recorded. I would now like to turn the conference call over to Mat Schneider, Vice President of Finance and Investor Relations and CFO of Strata's Keystone Perfusion subsidiary. Mat, You may begin.

Mat Schneider (Vice President of Finance and Investor Relations and CFO of Strata's Keystone Perfusion subsidiary)

Thank you for standing by and welcome to Strata's conference call and webcast for the quarter ended September 30, 2025. We appreciate everyone joining us today.

Before we get started, I would like to remind you of the company's forward-looking statement and Safe Harbor language. Statements made in this conference call that are not historical facts, including statements about future time periods, may be deemed to constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties and actual future results may differ materially from those expressed or implied by the forward-looking statements. We refer you to our SEC filings, including our Annual Report on Form 10-K and our Quarterly Report on Form 10-Q, each as filed with the SEC, for a more detailed discussion of the risk factors that could cause these differences. Any forward-looking statements provided during this conference call are made only as of the date of this call. As stated in our SEC filings, Strata disclaims any intent or obligation to update or revise these forward-looking statements except as required by law.

During today's call, we will also discuss certain non-GAAP financial measures, which we believe may be useful in evaluating our financial performance. A reconciliation of the most directly historical comparable consolidated GAAP financial measures to those historical non-GAAP financial measures is provided in our earnings press release and investor presentation. Our press release, investor presentation and our Form 10-Q and

10-K filings are available on the investor relations section of our website at ir.stratacritical.com. These non-GAAP measures should not be considered in isolation or as substitute for financial results prepared in accordance with GAAP.

Hosting today's call are our Co-CEOs Will Heyburn and Melissa Tomkiel.

I will now turn the call over to Will.

Will Heyburn (Co-CEO and CFO)

Thank you Mat, and good morning everyone.

It's been an exciting few months as we closed two transformational transactions during the quarter, both the divestiture of our Passenger business and the acquisition of Keystone Perfusion, setting us up incredibly well for long term growth and value creation. We also rebranded the company as Strata Critical Medical and changed our ticker symbol to SRTA to reflect our sharpened focus on healthcare.

I'm happy to report that Strata is off to an exceptional start.

In Q3, year-over-year revenue growth accelerated to 29.0%, excluding Keystone, well above our expectation for mid-teens revenue growth in the second half of the year. This resulted in record Segment Adjusted EBITDA performance which saw 80% year-over year growth, excluding Keystone, this quarter.

This great profit improvement was driven both by volume and significant improvements in aircraft performance as we emerge from a period of particularly heavy maintenance on our owned fleet. This resulted in a Medical Segment Adjusted EBITDA margin increase to over 15% in Q3 2025, excluding Keystone, vs 10.8% in the prior year period and 12.5% in the first half of this year.

Our sequential growth in Q3 2025 versus Q2 2025 is particularly impressive in the backdrop of the seasonal sequential decline in industry transplant volumes, demonstrating the significant impact of Strata's continued market share gains and our customers' adoption of new services.

We’re also encouraged by the positive free cash flow from continuing operations in the quarter and we expect to consistently generate free cash flow moving forward.

Before I walk through the financial results in more detail, I’ll turn it over to Melissa.

Melissa Tomkiel (Co-CEO and General Counsel)

Thank you, Will. It’s an honor to be here as Co-CEO discussing this exceptional first quarter performance as Strata.

Our integration of Keystone, and our launch of Strata’s new clinical services division, is off to a fantastic start. With these new capabilities, we are now truly an end to end organ recovery platform and the team is focused on tailoring solutions that deliver operational efficiencies and cost savings to the transplant community broadly, starting with our existing customers.

Our go-to-market strategy uses the same playbook we’ve employed successfully in our core logistics business: locating resources closer to our customers. We are co-locating staff and equipment acquired through Keystone near our existing logistics hubs, enabling us to offer all-in lower costs to deliver these services.

We are also rolling out new offerings to reduce the cost of DCD dry run recoveries, a consistent pain point for our customers. By utilizing local surgical, NRP and air resources in strategic service areas, we enable our customers to avoid incurring what can be very significant air transportation costs and wasting their surgeons’ valuable time until we know the organ will be accepted. This is an industry first and we’re thrilled to have a way to make the transplant process more cost efficient for our customers. We hope it will enable centers to go after organs that otherwise may not have been worth the time and expense, increasing transplant volumes.

We continue to strategically focus on where the puck is going and industry data shows the market is heading in our direction. Industry-wide NRP adoption rates continued to increase during Q3 with transplants of organs that have undergone NRP approximately doubling versus the prior year. This is an encouraging validation of our strategy to increase exposure to the fastest growing sectors of the transplant ecosystem. It also further aligns our mission with that of our customers: enabling more reliable and lower-cost access to life-saving organs.

We’ve also seen great responses from our colleagues across the transplant industry. This was a particularly exciting quarter for our friends at OrganOx as they received FDA approval to perfuse livers with the metra device while in-flight. We’ve already done the work to support our customers who choose to utilize this technology, all part of our device-agnostic strategy. We still believe that the customer is always right and we will always do everything we can to support the rapidly broadening set of life-saving technologies driving growth in organ transplant volumes.

With that, I’ll turn it back over to Will.

Will Heyburn (Co-CEO and CFO)

Thanks, Melissa. I’ll now walk through the financial highlights from the quarter. All financial results discussed during this call reflect continuing operations only as the results of the Passenger business have been reclassified as discontinued operations for all periods.

Revenue rose 36.7% year-over-year to $49.3 million in Q3 2025. Excluding Keystone, revenue increased 29.0% versus the prior year period.

Despite the sequential seasonal decline of industry-wide heart, liver and lung transplants in Q3 of approximately 6%, our revenue **increased** 3.0% sequentially, excluding Keystone.

Organic revenue growth in Q3 was driven primarily by strength in Air Logistics where both new and existing customers contributed to the strong results in the quarter. We added one new OPO Air Logistics customer late in Q3.

I’d also highlight that Organ Placement Services revenue more than doubled year-over-year, albeit on a small base, as we continue to scale the business and acquire new customers. During the quarter, we added one new organ placement customer.

Revenue growth can be noisy quarter to quarter but our year to date growth rate, excluding Keystone, of 15.0% reflects strong outperformance relative to industry transplant volume growth of approximately 4.0%.

Keystone, which closed on September 16th, saw only a half month of revenue contribution during the quarter for a $2.8 million impact. For the full month of September, Keystone's revenue increased over 40% year-over-year.

Moving to margins, as expected we saw a significant sequential improvement in Medical Segment Adjusted EBITDA margins to 15.1% in Q3 2025, excluding Keystone, versus 12.5% in the first half of the year driven primarily by improved performance in our owned fleet.

Adjusted Unallocated Corporate Expenses of $3.3 million in Q3 2025 are down approximately 40% from our run rate prior to the Passenger divestiture, reflecting our significantly reduced corporate overhead as a purely Medical-focused business and came in ahead of our guidance for $3.5 million.

Turning to cash flow. There is a lot of noise this quarter given the unique transactions completed during the period and accounting that, unfortunately, is not particularly intuitive in our situation. As such, we'll take a minute to walk through all the nuances, but we'll start with the most important point: we now expect this business to be solidly free cash flow generative going forward and if you cut through all the noise, we generated approximately $2.0 million of free cash flow from continuing operations in the quarter and $2.7 million of free cash flow from continuing operations before aircraft and engine acquisitions.

Now we'll dive into the details:

Due to the unique nature of the Keystone's capital structure where employees participated in a phantom equity plan, a portion of the up front consideration was paid to employees participating in this plan through Keystone's payroll system, post close. As a result of this structure, accounting rules required us to recognize $44.3 million of the Keystone purchase consideration in operating cash flow instead of investing. While the underlying total cash consideration from the Keystone transaction is unchanged, this accounting treatment resulted in negative operating cash flow in the quarter.

The difference between Adjusted EBITDA of $4.2 million in the quarter and cash from operations of negative $(37.3) million was primarily driven by the $44.3 million impact from the Keystone acquisition consideration mentioned above and Joby transaction costs of $6.0 million, partially offset by operating cash flow from discontinued operations of approximately $8.0 million.

Capital expenditures, inclusive of capitalized software development costs, were $3.2 million in the quarter driven primarily by capitalized aircraft maintenance of approximately $2.5 million and capitalized software development of $0.3 million.

We ended the quarter with no debt and approximately $76 million of cash and short-term investments.

Before moving to the outlook, there are a few housekeeping items to review.

First, the sale of our Passenger business to Joby closed during the quarter. As a reminder, the total value of the transaction was up to $125 million consisting of an $80 million up front consideration in cash or stock, $35 million in two separate earn outs over a total of 18 months that can also be paid in cash or stock and a customary indemnity holdback of $10 million. Joby chose to pay the $80 million up front consideration in stock and we monetized the shares during the quarter for cash proceeds of approximately $70 million. The $10 million difference was driven by a significant decline in Joby's stock price during both the pre-close VWAP measurement period, which determined the number of shares we received, and immediately after we received the shares. We have clear capital deployment priorities and took a market neutral view as we liquidated the Joby shares.

Lastly, we booked a legal provision during the quarter for ongoing litigation regarding our go-public transaction that has been disclosed in our SEC filing over the last several years.

Moving to the outlook, due to the strong demand we saw in Q3 which continued into October, we are raising our 2025 revenue guidance range to $185-195 million. We are also reaffirming the Adjusted EBITDA guidance range of $13-14 million for 2025.

Medical Segment Adjusted EBITDA margins are expected to rise sequentially in Q4 vs Q3's 15.3% primarily due to the mix impact of the Keystone acquisition.

Adjusted Unallocated Corporate Expenses are expected to be approximately $3.5 million in Q4.

Finally, we're looking forward to Monday November 17th when we are hosting our inaugural investor day at the Nasdaq MarketSite in New York City at 2pm. There has been considerable change at Strata over the last few months and are excited to provide a deep dive into the business and share our plans for growth and value creation over the coming years. Leaders from across the business will participate in the event and will be on hand to answer questions. We will also introduce 2026 financial guidance and medium term financial targets during the event. We hope you can join us next week.

With that, I'll turn it back to the operator for Q&A.