Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Please read the following discussion in conjunction with Item 1A. ("Risk Factors") and our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. Some of the statements in the following discussion are forward-looking statements. See the discussion about forward-looking statements on page 1 of this Annual Report on Form 10-K.

This section of this Form 10-K generally discusses 2024 and 2023 items and year-to-year comparisons between 2024 and 2023. Discussions of 2022 items and year-to-year comparisons between 2023 and 2022 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the SEC on February 29, 2024.

Executive Overview

ANI Pharmaceuticals, Inc. and its consolidated subsidiaries (together, "ANI," the "Company," "we," "us," or "our") is a diversified bio-pharmaceutical company committed to its mission of "Serving Patients, Improving Lives" by developing, manufacturing, and commercializing innovative and high quality therapeutics.

On September 16, 2024, the Company completed its previously announced acquisition of Alimera Sciences, Inc., a Delaware corporation, pursuant to the terms of the Agreement and Plan of Merger, dated as of June 21, 2024 (the "Merger Agreement"), by and among the Company, Alimera and ANIP Merger Sub INC., a Delaware corporation and wholly-owned subsidiary of the Company ("Merger Sub"). Pursuant to the Merger Agreement, Merger Sub merged with and into Alimera, with Alimera surviving the merger as a wholly-owned subsidiary of the Company (the "Merger"). In connection with the Merger, the Company added a growing and durable franchise, ILUVIEN® (fluocinolone acetonide intravitreal implant) 0.19 mg, which has received marketing authorization and reimbursement in the United States ("U.S.") and 24 countries for the treatment of diabetic macular edema ("DME") and YUTIQ® (fluocinolone acetonide intravitreal implant) 0.18 mg, available in the U.S. for the treatment of non-infectious uveitis affecting the posterior segment of the eye ("NIU-PS"). In connection with the acquisition of Alimera, the Company has assessed its strategic goals and aligned its operational initiatives into two reportable segments, and the discussion of the historical results of operations below has been revised, as applicable, to be consistent with the presentation of the revised reportable segments (see Note 19 "Segment Reporting in the notes to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K).

Our three pharmaceutical manufacturing facilities, of which two are located in Baudette, Minnesota, and one is located in East Windsor, New Jersey, are together capable of producing oral solid dose products, as well as semi-solids, liquids and topicals, controlled substances, and potent products that must be manufactured in a fully-contained environment. We ceased operations at our subsidiary in Oakville, Ontario, Canada as of March 31, 2023. This action was part of ongoing initiatives to capture operational synergies following our acquisition of Novitium Pharma LLC ("Novitium") in November 2021. We have fully completed the transition of the products manufactured or packaged in Oakville to one of our three U.S. based manufacturing sites. In February 2024, our Canadian subsidiary entered into an agreement for the purchase and sale of the Oakville site, for a purchase price of $19.2 million Canadian Dollars, or approximately $14.2 million, based on the current exchange rate. The sale closed on March 28, 2024 (see Note 4 "Restructuring Canada Operations" in the notes to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K).

On August 13, 2024, the Company entered into a credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, and the financial institutions party thereto as lenders, (the "New Credit Agreement") which provides for aggregate principal commitments consisting of (i) a senior secured delayed-draw term loan facility in an aggregate principal amount of $325.0 million, and (ii) a senior secured revolving credit facility in an aggregate commitment amount of $75.0 million, which may be used for revolving credit loans, swingline loans and letters of credit.

On September 16, 2024, ANI drew the full $325.0 million of New Credit Agreement principal, with proceeds used to finance the acquisition of Alimera, including fees, costs and expenses incurred in connection with the acquisition. As of December 31, 2024, the revolving credit facility remains undrawn, and $75.0 million is available for borrowing, subject to the satisfaction of certain conditions. The New Credit Agreement and the revolving credit facility mature on September 16, 2029.

On August 13, 2024, the Company completed an offering of $316.25 million aggregate principal amount of the Company's Convertible Senior Notes due 2029 (the "Notes"). The Notes are due September 1, 2029, unless earlier repurchased, redeemed, or converted. After deducting the initial purchasers' discounts and commissions of approximately $9.5 million, but before deducting the Company's offering expenses, the net proceeds to the Company from the offering of the Notes was approximately $306.8 million. In connection with the offering of Notes, on August 7, 2024 and August 8, 2024, the Company entered into capped call transactions with certain financial institutions ("Capped Calls"). After payment of the cost of entering into the Capped Calls transactions, of approximately $40.6 million, the Company used the remainder of the net proceeds from the Notes offering, together with cash on hand, to repay the Company's existing senior secured credit agreement with Truist Bank, dated as of November 19, 2021.

In May 2023, through a public offering, the Company completed the issuance and sale of 2,183,545 shares of ANI common stock, resulting in net proceeds after issuance costs of $80.6 million.

Strategy

Our objective is to build a sustainable and growing biopharmaceutical company serving patients in need and creating long-term value for our investors. Our overall strategy is enabled by an empowered, collaborative, and purposeful team with high performance-orientation that seeks to deliver on our purpose of "Serving Patients, Improving Lives."

Our strategy is driven by the following key growth drivers:

Building a successful Rare Disease and Brands Segment

We have spent significant time, effort and resources in establishing and expanding our Rare Disease and Brands segment which consists of our Rare Disease and Brands portfolio of products. We plan to continue to expand our Rare Disease business, through a combination of organic growth and acquisition. While we execute against our strategic initiatives that we believe will result in the long-term, sustainable growth and value to our stockholders, we continue to evaluate potential acquisitions and other strategic transactions of businesses that we believe complement our existing portfolio, infrastructure and capabilities or provide us with the opportunity to expand our existing capabilities. The Brands portion of the segment is comprised of various branded products.

The acquisition of Alimera is anticipated to strengthen our Rare Disease business and expand our footprint beyond the U.S. with the addition of Alimera's direct marketing operations located in Germany, the United Kingdom, Portugal, and Ireland, as well as its partnerships in Europe, Asia, and the Middle East. ILUVIEN and YUTIQ are a durable franchise with high barriers to genericization which the Company believes have a clear role for patients in need of alternative therapeutic options. ANI sees the potential to unlock significant additional growth for the ILUVIEN and YUTIQ franchise through commercial synergies and execution.

Purified Cortrophin® Gel

We acquired the NDAs for Purified Cortrophin® Gel (Repository Corticotropin Injection USP) ("Cortrophin Gel") and Cortrophin-Zinc™ in January 2016 and executed long-term supply agreements with a supplier of our primary raw material for corticotrophin API, a supplier of corticotrophin API with whom we have advanced the manufacture of commercial scale batches of API, and a Cortrophin Gel fill/finish contract manufacturer. On October 29, 2021, the FDA approved the Company's Supplemental New Drug Application ("sNDA") for Cortrophin Gel for the treatment of certain chronic autoimmune disorders, including acute exacerbations of multiple sclerosis ("MS") and rheumatoid arthritis ("RA"), in addition to excess urinary protein due to nephrotic syndrome. Cortrophin Gel is an adrenocorticotropic hormone ("ACTH"), also known as purified corticotropin. On January 24, 2022, we announced the commercial launch of Cortrophin Gel in the U.S. as our foundational Rare Disease asset.

Throughout 2023 and 2024, we continued to build and invest in our infrastructure to support growth in new areas of opportunity, such as pulmonology, ophthalmology, and gout in the ACTH market. On October 2, 2023, we announced FDA approval and commercial availability of a 1-mLvial of Cortrophin Gel, appropriate for adjunctive treatment of certain patients with acute gouty arthritis flares.

During the first quarter of 2024, ANI launched a targeted ophthalmology-focused sales force for Cortrophin Gel. The team has continued to gain momentum in ophthalmology, driving significant growth in the number of new patient starts during 2024. Importantly, the addition of Alimera expands the reach of the ophthalmology sales team and we believe there will be significant overlap between high potential prescribers of Cortrophin Gel, ILUVIEN, and YUTIQ.

ILUVIEN and YUTIQ

ILUVIEN (fluocinolone acetonide intravitreal implant) 0.19 mg, was developed in the U.S. and internationally for the treatment of diabetic macular edema ("DME"), a leading cause of severe vision loss and blindness, and certain international markets for chronic non-infectious uveitis affecting the posterior segment of the eye ("NIU-PS"). We acquired exclusive commercialization rights to YUTIQ (fluocinolone acetonide intravitreal implant) 0.18 mg, in May 2023 from EyePoint Pharmaceuticals, Inc. ("EyePoint") for the treatment and prevention of NIU-PS worldwide except for Europe, the Middle East, Africa, (known as ILUVIEN in Europe, the Middle East and Africa) and certain Asian countries including China. ILUVIEN and YUTIQ are state-of-the-art sustained release intravitreal implants that respectively help patients maintain vision longer and reduce disease recurrence. ILUVIEN is being evaluated as baseline therapy in naïve or near naïve patients with early DME in combination with the current standard of care, anti-vascular endothelial growth factor ("VEGF") therapy in the NEW DAY clinical trial. YUTIQ is being further studied in the SYNCHRONICITY Clinical Trial, a prospective, open-label clinical trial evaluating the safety and efficacy of YUTIQ for the treatment and prevention of chronic NIU-PS and related intraocular inflammation.

Both ILUVIEN and YUTIQ treat patients by delivering a continuous microdose of the corticosteroid fluocinolone acetonide ("FAc") in the eye, for up to 36 months. ILUVIEN was developed internally and initially to treat DME, a disease of the retina that affects individuals with Type 1 or Type 2 diabetes and can lead to severe vision loss and blindness. ILUVIEN is sold to treat DME only in the U.S. YUTIQ is sold to treat NIU-PS only in the U.S. In certain European and Middle Eastern countries, ILUVIEN is approved and commercialized to treat DME and to prevent relapse in recurrent NIU-PS, an inflammatory disease of the uveal tract, which is comprised of the iris, ciliary body and choroid, that can lead to severe vision loss and blindness. We also have rights to commercialize ILUVIEN for NIU-PS in Africa.

ILUVIEN and YUTIQ are both intravitreal implants that are inserted into the back of the patient's eye in non-surgical procedures employing devices with 25-gauge needles, which allow for a self-sealing wounds. "Intravitreal" refers to the space inside the eye behind the lens that contains the jelly-like substance called vitreous. The implants, which are non-bioerodible, provide consistent delivery as a result of their constant surface area, permitting elution of FAc to the vitreous. We call this CONTINUOUS MICRODOSING™. This delivery mechanism provides lower daily and aggregate exposure to corticosteroids than any other intraocular dosage forms currently available, which we believe mitigates the typical risks associated with corticosteroid therapy. CONTINUOUS MICRODOSING delivery makes ILUVIEN and YUTIQ the only approved drug therapies for DME and NIU-PS that are designed to deliver consistent daily therapeutic levels of corticosteroid and reduce the recurrence of DME and uveitis for up to three years. Other therapies that physicians currently use to treat DME, such as anti-VEGF treatments and other corticosteroids, are acute (short-acting) therapies that provide a higher initial daily dose but then rapidly decline, requiring frequent reinjection by the physician to maintain an effective dose or reestablish the therapeutic effect after the disease has recurred.

FAc is a non-proprietary corticosteroid and the active compound in ILUVIEN (0.19mg) and YUTIQ (0.18mg). We believe that corticosteroids provide the best option in the treatment of DME and NIU-PS because they reduce the inflammatory aspects of both diseases. ILUVIEN and YUTIQ deliver continuous daily sub-microgram levels of FAc in in vivo release kinetic studies for up to 36 months. ILUVIEN and YUTIQ are the only single injection therapies available to treat retinal diseases consistently every day for up to three years, which may allow patients to see better, longer, with fewer injections.

Brands

We have grown our brands portfolio of products through acquisition. We have acquired the NDAs for and market Atacand, Atacand HCT, Arimidex, Casodex, Lithobid, Vancocin, Inderal LA, Inderal XL, InnoPran XL, Oxistat, and Veregen. We are innovating in our go-to-market strategy through creative partnerships and a sales force for these products.

Strengthening our Generics and Other segment through continued investment in our generic research and development capability and increased focus on niche opportunities

We have grown our generics business through a combination of market share gains on existing products and new product launches. We have also successfully acquired numerous ANDAs through business and asset acquisitions. Our most recent business acquisition in the Generics and Other segment was the acquisition of Novitium in 2021, which included its portfolio of commercial and pipeline generic products, manufacturing and development facilities and expert workforce. The Novitium acquisition significantly increased our generic pharmaceutical research and development and manufacturing capabilities. We have begun to increase our focus on niche lower competition opportunities such as injectables, Paragraph IV, and competitive generic therapy ("CGT") designation filings.

Additionally, we will continue to seek opportunities to enhance our capabilities through strategic partnerships and acquisitions of assets and businesses. During 2023, we acquired two ANDAs and one pipeline product from the Chapter 7 Trustee for the estates of Akorn Holding Company and certain of its affiliates, acquired an ANDA and registered patents and pending patent applications from Slayback Pharma Limited Liability Company, and acquired additional ANDAs and product rights for two products in the second half of 2023. During 2022, we completed an asset acquisition of four ANDAs from Oakrum Pharma, including two that were commercial at the time of acquisition.

Generic Product Development Considerations

We consider a variety of criteria in determining which products to develop. These criteria include:

- ***Formulation Complexity***. Our development and manufacturing capabilities enable us to manufacture pharmaceuticals that are differentiated and include high potency, modified release, combination, and hormonal products. This ability to manufacture a variety of differentiated products is a competitive strength that we intend to leverage in selecting products to develop and commercialize.

- ***Market Size and Patient Need***. When determining whether to develop or acquire an individual product, we review the current and expected market size for that product and competitive environment. We endeavor to pursue products with sufficient market size to enable us to enter the market with a strong likelihood of serving patients in need and thus being able to price our products both competitively and at a profit.

- ***Profit Potential.*** In determining the potential profit of a product, we forecast our anticipated market share, pricing, competitive environment and the estimated cost to manufacture the products.

- ***Manufacturing.*** We generally seek to develop and manufacture products at our own manufacturing plants to ensure quality control of our products, supply chain reliability and to more closely control the economic inputs and outputs of our products.

- ***Competition.*** When determining whether to develop or acquire a product, we research existing and expected competition. We seek to develop products for which we can obtain sufficient market share and may decline to develop a product if we anticipate significant competition. Our manufacturing facilities provide a means of entering niche markets, such as hormone therapies, in which fewer generic companies typically compete.

Fiscal 2024 Developments

Acquisition of Alimera Sciences, Inc.

On September 16, 2024, the Company completed our previously announced merger with Alimera (the "Closing"). At the effective time of the Merger (the "Effective Time"), each share of common stock, par value $0.01 per share, of Alimera (the "Alimera Common Stock") outstanding immediately prior to the Effective Time including each Alimera RSA, Alimera PSU, Alimera RSU, and Alimera Warrant (as defined below), but excluding any treasury shares or shares owned by the Company, Merger Subs or any other subsidiary of the Company or Alimera), was canceled and ceased to exist and was converted into the right to receive (i) $5.50 in cash ("Closing Cash Consideration"), and (ii) one contingent value right (a "CVR"), which represents the right to receive the milestone payments (as defined below) subject to the terms and conditions set forth in the CVR Agreement entered into on September 16, 2024 (clauses (i) and (ii) collectively, the "Merger Consideration"). The Company also repaid $72.5 million of Alimera debt.

Each CVR entitles the holder to receive milestone payments for 2026 and 2027. The milestone payments for each CVR equals the product (rounded to the nearest 1/100 of $0.01) of $0.25 multiplied by a fraction (which is no case will exceed one), and (i) for 2026, equals the amount, if any, by which the 2026 Net Revenue exceeds $140.0 million, divided by $10.0 million (subject to adjustment for the exercise price of eligible options), and (ii) for 2027, equals the amount, if any, by which the 2027 Net Revenue exceeds $160.0 million, divided by $15.0 million (subject to adjustment for the exercise price of applicable Alimera Options).

In addition to the amounts payable to the holders thereof in connection with the Closing, all of the outstanding awards of restricted stock with respect to shares of Alimera Common Stock (each, an "Alimera RSA"), each Alimera Performance Stock Unit ("Alimera PSU"), each Alimera Restricted Stock Unit ("Alimera RSU") and each Alimera Warrant that were outstanding immediately prior to the Effective Time were automatically canceled and converted into the right to receive one (1) CVR per share of Alimera Common Stock then underlying the applicable instrument.

Each stock option previously granted by Alimera to purchase Alimera Common Stock (each, an "Alimera Option") that was outstanding and unexercised as of the Effective Time and which had a per share exercise price that was less than the Closing Cash Consideration was, in addition to the amounts payable to the holders thereof in connection with the Closing, automatically canceled and converted into the right to receive one (1) CVR per share of Alimera Common Stock then underlying such Alimera Option. No other Alimera Options were cancelled and converted into the right to receive a CVR, provided that each Alimera Option with a per share exercise price greater than or equal to the Closing Cash Consideration but less than the Total Consideration (as defined in the Merger Agreement) may receive a payment in connection with the payout of the CVRs (if any).

During the year ended December 31, 2024, the Company incurred approximately $12.4 million in transaction costs related to the Merger Agreement, all of which were expensed. See Note 3 "Business Combination" to the notes to the consolidated financial statements for further information on the acquisition.

New Capital Structure

Refer to the Liquidity and Capital Resources below for further discussion of changes to our capital structure during 2024.

Restructuring

On February 15, 2024, ANI Pharmaceuticals Canada, Inc., a wholly owned subsidiary of the Company, entered into an agreement (the "Agreement") with 1540700 Ontario Limited ("Buyer") for the sale of ANI's Oakville, Ontario former manufacturing site (the "Property") for a total purchase price of $19.2 million Canadian Dollars, or approximately $14.2 million, based on the exchange rate at closing. During February 2024, and in accordance with the Agreement, the Buyer deposited a total of approximately $1.9 million Canadian Dollars, or approximately $1.4 million in refundable deposits in escrow as part of the total purchase price.

On March 28, 2024 the Company completed the sale of the Property. After payment of commissions, taxes, and other related costs of approximately $0.7 million, the Company received a net cash amount of approximately $13.5 million at closing. The gain on the sale of the Property was approximately $5.3 million, recorded in the consolidated statements of operations.

Product Launches

Refer to our website at www.anipharmaceuticals.com for information on the products, including indications/treatments.

General

Impacts to our 2024 and 2023 results of operations, including to net revenues, operating expenses, interest and other expense, net, and income taxes are described below.

The following table summarizes our results of operations for the periods indicated:

(in thousands)	Year Ended December 31, 2024	2023
Net Revenues	$ 614,376	$ 486,816
Operating Expenses		
Cost of sales (excluding depreciation and amortization)	250,210	181,513
Research and development	44,581	34,286
Selling, general, and administrative	249,636	161,697
Depreciation and amortization	67,731	59,791
Contingent consideration fair value adjustment	(619)	1,426
Gain on sale of building	(5,347)	—
Restructuring activities	—	1,132
Intangible asset impairment charge	7,600	—
Operating Income	584	46,971
Unrealized gain on investment in equity securities	6,307	—
Interest expense, net	(17,602)	(26,940)
Other expense, net	(4,033)	(159)
Loss on extinguishment of debt	(7,468)	—
(Loss) Income Before (Benefit) Expense for Income Taxes	(22,212)	19,872
Income tax (benefit) expense	(3,690)	1,093
Net (Loss) Income	$ (18,522)	$ 18,779

The following table sets forth, for the periods indicated, items in our consolidated statements of operations as a percentage of net revenues.

	Year Ended December 31, 2024	2023
Net Revenues	100.0 %	100.0 %
Operating Expenses		
Cost of sales (excluding depreciation and amortization)	40.7 %	37.3 %
Research and development	7.3 %	7.0 %
Selling, general, and administrative	40.6 %	33.2 %
Depreciation and amortization	11.0 %	12.3 %
Contingent consideration fair value adjustment	(0.1)%	0.3 %
Gain on sale of building	(0.9)%	— %
Restructuring activities	— %	0.2 %
Intangible asset impairment charge	1.2 %	— %
Operating Income	0.2 %	9.7 %
Unrealized gain on investment in equity securities	1.0 %	— %
Interest expense, net	(2.9)%	(5.5)%
Other expense, net	(0.7)%	— %
Loss on extinguishment of debt	(1.2)%	— %
(Loss) Income Before (Benefit) Expense for Income Taxes	(3.6)%	4.2 %
Income tax (benefit) expense	(0.6)%	0.2 %
Net (Loss) Income	(3.0)%	4.0 %

Results of Operations for the Years Ended December 31, 2024 and 2023

Net Revenue

(in thousands)	Year Ended December 31, 2024	2023	Change	% Change
Rare Disease and Brands				
Cortrophin Gel	$ 198,085	$ 112,117	$ 85,968	76.7 %
ILUVIEN and YUTIQ	31,514	—	31,514	100.0 %
Rare Disease total net revenues	$ 229,599	$ 112,117	$ 117,482	104.8 %
Brands	64,743	85,384	(20,641)	(24.2)%
Rare Disease and Brands total net revenues	$ 294,342	$ 197,501	$ 96,841	49.0 %
Generics and Other				
Generic pharmaceutical products	301,004	269,449	31,555	11.7 %
Royalties and other pharmaceutical services	19,030	19,866	(836)	(4.2)%
Generics and Other total net revenues	$ 320,034	$ 289,315	$ 30,719	10.6 %
Total net revenues	$ 614,376	$ 486,816	$ 127,560	26.2 %

We derive substantially all of our revenues from sales of rare disease, brands portfolio of pharmaceutical products, generics, and other sources of revenue such as royalties on net sales of certain products, and other pharmaceutical services. Essentially all of our generic products face competition from other generic products, as do many of our brands products, and we expect them to continue to face competition from generic products in the future. The primary means of competition among generic manufacturers are pricing, contract terms, service levels, and reliability. Increased competition generally results in decreased average selling prices of generic and brands products over time. In addition, due to strategic partnerships between wholesalers and pharmacy chains, we have experienced, and expect to continue to experience, increases in net sales to the wholesalers, with corresponding decreases in net sales to the pharmacy chains.

Net revenues for the year ended December 31, 2024 were $614.4 million compared to $486.8 million for the same period in 2023, an increase of $127.6 million, or 26.2%, primarily as a result of the following:

- Net revenues from Rare Disease and Brands, includes rare disease and brands portfolio of pharmaceutical products was $294.3 million during the year ended December 31, 2024, an increase of $96.8 million, compared to $197.5 million, for the same period in 2023.
    - Net revenues for rare disease pharmaceutical products, include Cortrophin Gel and a full quarter contribution from ILUVIEN and YUTIQ, were $229.6 million during the year ended December 31, 2024, an increase of $117.5 million from $112.1 million for the same period in 2023. This increase was driven by increased volume in this third year of launch of Cortrophin Gel (product was launched in late January 2022) from overall ACTH market growth and share growth, and a full quarter of sales from ILUVIEN and YUTIQ, as a result of the acquisition of Alimera on September 16, 2024.
    - Net revenues for brands portfolio of pharmaceutical products were $64.7 million during the year ended December 31, 2024, a decrease of $20.6 million compared to $85.4 million for the same period in 2023, driven by a net decrease in volume. During portions of the prior year and the first quarter and portions of the fourth quarter of 2024, we were successful in supplying incremental volume in markets that were experiencing supply chain disruptions for competing products. This incremental volume was not a significant factor in the second and third quarter of 2024. Incremental volume achieved toward the end of 2024 continued into the first half of the first quarter of 2025. The timing, magnitude and persistence of such market share gains are inherently difficult to predict and they may not persist in future reporting periods.

- Net revenues for generic and other pharmaceutical products were $320.0 million during the year ended December 31, 2024, an increase of 10.6% compared to $289.3 million for the same period in 2023, primarily a result of the following:
    - Generic pharmaceutical products net revenues were $301.0 million during the year ended December 31, 2024, an increase of $31.6 million over the prior year. This increase was driven by increased volumes on the base business, increased volumes from the full year benefit of 2023 launches in 2024 and 2024 new product launches. The Company launched a total of 17 new products in 2024. From a product perspective, the increase was principally driven by revenues from year over year increases in products such as Baclofen OS, Candesartan, Colestipol, Estradiol, Ketoconazole, L-Glutamine, Pentoxyifylline, Pirfenidone, Prednisone, Vancomycin, among others.
    - Net revenues from royalties and other pharmaceuticals was down modestly between December 31, 2024 and the prior year.

Cost of Sales (Excluding Depreciation and Amortization)

	Year Ended December 31,			
(in thousands)	2024	2023	Change	% Change
Cost of sales (excluding depreciation and amortization)	$ 250,210	$ 181,513	$ 68,697	37.8 %

Cost of sales consists of direct labor, including manufacturing and packaging, active and inactive pharmaceutical ingredients, freight costs, packaging components, royalties payable related to profit-sharing arrangements, and amortization of the inventory fair value step-up recognized in connection with the acquisition of Alimera. Cost of sales does not include depreciation and amortization expense, which is reported as a separate component of operating expenses on our consolidated statements of operations.

For the year ended December 31, 2024, cost of sales increased to $250.2 million from $181.5 million for the same period in 2023, an increase of $68.7 million or 37.8%. The increase is primarily due to significant net growth in sales volumes of pharmaceutical products, significant growth of royalty bearing products, including Cortrophin Gel, and the amortization of the inventory step up related to the acquisition of Alimera of approximately $13.6 million.

Cost of sales, as a percentage of net revenues, increased from 37.3% to 40.7% for the year ended December 31, 2024, compared to the same period in 2023, primarily due to a shift in product mix year over year, and increase in sales of products that bear a royalty payable.

During the year ended December 31, 2024, 12% of our raw material inventory purchases were from one domestic supplier. During the year ended December 31, 2023, no single vendor represented at least 10% of our raw material inventory purchases. During the year ended December 31, 2022 approximately 19%, of our raw material inventory purchases were from one domestic supplier.

Other Operating Expenses, net

(in thousands)	Year Ended December 31, 2024	2023	Change	% Change
Research and development	$ 44,581	$ 34,286	$ 10,295	30.0 %
Selling, general, and administrative	249,636	161,697	87,939	54.4 %
Depreciation and amortization	67,731	59,791	7,940	13.3 %
Contingent consideration fair value adjustment	(619)	1,426	(2,045)	(143.4)%
Restructuring activities	—	1,132	(1,132)	(100.0)%
Gain on sale of building	(5,347)	—	(5,347)	(100.0)%
Intangible asset impairment charge	7,600	—	7,600	100.0 %
Total other operating expenses	$ 363,582	$ 258,332	$ 105,250	40.7 %

For the year ended December 31, 2024, other operating expenses increased to $363.6 million from $258.3 million for the same period in 2023, an increase of $105.3 million, or 40.7%, primarily as a result of the following factors:

- Research and development expenses increased from $34.3 million to $44.6 million, an increase of 30.0%, primarily due to a higher level of activity associated with ongoing and new projects, including expenses related to the New Day and Synchronicity clinical trials during the year ended December 31, 2024.

- Selling, general, and administrative expenses increased from $161.7 million to $249.6 million, an increase of 54.4%, due to increased employment related costs, including incentive based compensation tied to record 2024 financial performance, investment in Rare Disease sales and marketing infrastructure and activities, legal expenses, transaction and integration expenses related to the acquisition of Alimera of approximately $18.2 million, severance expense of approximately $5.3 million and the settlement of all outstanding equity awards held by Alimera employees of approximately $9.2 million, and an overall increase in activities to support revenue growth in our Rare Disease and Brands segment.

- Depreciation and amortization expense was $67.7 million for the year ended December 31, 2024, compared to $59.8 million for the same period in 2023, an increase of approximately $7.9 million, primarily related to the amortization expense of the acquired intangible assets of ILUVIEN and YUTIQ of approximately $9.6 million. These assets were acquired on September 16, 2024 from Alimera.

- We recognized a gain of $0.6 million and loss of $1.4 million in the year ended December 31, 2024 and 2023, respectively, for the contingent consideration fair value adjustment. This financial statement line item consists of three components; the changes in fair value of (1) the Novitium contingent consideration; (2) the Alimera contingent value rights; and (3) the accrued Alimera licensor payments.

    - We recorded a gain of approximately $0.6 million related to the the decrease in the expected future payments related to Novitium contingent consideration, and a decrease in fair value of $0.3 million related to the decrease in expected future payments of the accrued licensor payments. The gain was offset by a loss related to the increase in fair value of $0.3 million related to the Alimera contingent value rights.

- We recognized restructuring activities expenses of $1.1 million of expense in the year ended December 31, 2023, In 2023 costs included severance and other employee benefits costs of $0.2 million, $0.7 million of accelerated depreciation costs, and $0.2 million for other miscellaneous costs. There were no restructuring expenses recognized in the year ended December 31, 2024.

- We recognized a gain related to the sale of the former Oakville, Ontario manufacturing site of approximately $5.3 million during the year ended December 31, 2024. There was no comparable sale in the year ended December 31, 2023.

- We recognized an impairment charge related to a portfolio of definite-lived intangible assets of $3.6 million and IPR&D of approximately $4.0 million during the three months ended December 31, 2024. There was no comparable intangible asset impairment charge in the year ended December 31, 2023.

Other Expense, net

(in thousands)	Year Ended December 31, 2024	2023	Change	% Change
Unrealized gain on investment in equity securities	$ 6,307	$ —	$ 6,307	100.0 %
Interest expense, net	(17,602)	(26,940)	9,338	(34.7)%
Other expense, net	(4,033)	(159)	(3,874)	2436.5 %
Loss on extinguishment of debt	(7,468)	—	(7,468)	(100.0)%
Total other expense, net	$ (22,796)	$ (27,099)	$ 4,303	(15.9)%

For the year ended December 31, 2024, we recognized total other expense, net of $22.8 million as compared to total other expense of $27.1 million for the same period in 2023, a decrease of $4.3 million.

- The unrealized gain on investment in equity securities of approximately $6.3 million is due to the mark to market to fair value of the equity securities held in CG Oncology as of the balance sheet date. There was no comparable gain on investment in the year ended December 31, 2023.
- Interest expense, for the year ended December 31, 2024 consists primarily of coupon interest expense on borrowings under our outstanding debt and amortization of deferred financings costs on these debt instruments, interest income earned on our bank balances, and interest earned on our interest rate swap. During 2023 and for the first 8 months of 2024, only the Credit Facility with Truist was outstanding, however, in Q3 2024 we entered into a New Credit Facility and Convertible Senior Notes in an aggregate principal amount of approximately $641.3 million. The decrease in interest expense, net, of $9.3 million is primarily attributable to favorable interest rates on the New Credit Facility, Convertible Notes, and favorable bank interest rates during 2024.
    - Interest expense decreased approximately $2.0 million compared to prior year primarily due to the favorable interest rates on the New Credit Facility. Interest expense related to our debt during 2024 was $33.6 million, as compared to $35.6 million in the prior year.
    - Interest income increased approximately $7.3 million compared to prior year, primarily due to interest and dividends earned on our bank balances and interest rate swap which increased to $16.0 million during 2024 from $8.7 million during 2023.
- Other expense, net, increased to approximately $4.0 million, primarily due to the fees paid to JPMorgan Chase Bank, N.A. and Blackstone Credit & Insurance of $2.8 million pursuant to the terms of the debt commitment letter, dated June 21, 2024, entered into in connection with the acquisition of Alimera.
- We recorded a loss on debt extinguishment of approximately $7.5 million, comprised of the write-off unamortized deferred financing fees related to the Credit Facility. On August 13, 2024, the Company entered into the 2.25% Convertible Senior Notes due 2029 (as described in Note 7 “2.25% Convertible Senior Notes” to the notes to consolidated financial statements). The proceeds of the Convertible Senior Notes were used to repay the Truist Credit Facility in its entirety, approximately $294.0 million, comprised of $292.5 million of unpaid principal, $1.2 million in accrued and unpaid interest, and $0.3 million of legal fees. There was no comparable transaction in the year ended December 31, 2023.

Income Tax (Benefit) Expense

(in thousands)	Year Ended December 31, 2024	2023	Change	% Change
Income tax (benefit) expense	$ (3,690)	$ 1,093	$ (4,783)	(437.6)%

Income tax (benefit) expense consists of current and deferred components, which include changes in our deferred tax assets, our deferred tax liabilities, and our valuation allowance. See Note 16 "Income Taxes" in the notes to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information.

For the year ended December 31, 2024, we recognized an income tax benefit of approximately $3.7 million, an effective tax rate of 16.6% of pre-tax loss reported in the period, as well as the net effect of certain discrete items for the year ended December 31, 2024 which impact our income tax expense in the period in which they occur. Discrete items occurring in 2024 include the U.S. federal research and development credit, permanent differences, and stock based compensation.

For the year ended December 31, 2023, we recognized an income tax expense of $1.1 million, an effective rate of 5.5% of pre-tax income reported in the period, as well as the net effects of certain discrete items occurring in 2023 which impact our income tax benefit in the period in which they occur. There were no material discrete items occurring during the year ended December 31, 2023.

Liquidity and Capital Resources

The following table highlights selected liquidity and working capital information from our consolidated balance sheets.

(in thousands)	December 31, 2024	December 31, 2023
Cash and cash equivalents	$ 144,861	$ 221,121
Restricted cash	33	—
Accounts receivable, net	221,726	162,079
Inventories	136,782	111,196
Assets held for sale	—	8,020
Prepaid expenses and other current assets	17,975	17,400
Investment in equity securities	6,307	—
Total current assets	$ 527,684	$ 519,816
Current debt, net of deferred financing costs	$ 9,172	$ 850
Accounts payable	45,656	36,683
Accrued royalties	22,626	16,276
Accrued compensation and related expenses	37,725	23,786
Accrued government rebates	18,714	12,168
Income taxes payable	6,749	8,164
Returned goods reserve	39,274	29,678
Current contingent consideration	29	12,266
Accrued expenses and other	13,735	5,606
Total current liabilities	$ 193,680	$ 145,477

As of December 31, 2024, we had $144.9 million in unrestricted cash and cash equivalents. On December 31, 2023, we had $221.1 million in unrestricted cash and cash equivalents.

We are focused on expanding our business and product pipeline through collaborations, and also through acquisitions of products and companies. We are continually evaluating potential asset acquisitions and business combinations. To finance such acquisitions, we might raise additional equity capital, incur additional debt, or both.

Our working capital ratio, defined as total current assets divided by total current liabilities, is 2.7 as of December 31, 2024. We believe that our financial resources, consisting of net current working capital of approximately $334.0 million, anticipated future operating revenue and corresponding collections from customers, and our New Credit Agreement, under which $75.0 million remains available for borrowing as of December 31, 2024, will be sufficient to enable us to meet our working capital requirements, debt obligations, and other liability obligations for at least the next 12 months from the date of filing of this report, and for the foreseeable future thereafter. If our assumptions underlying estimated revenue and expenses are wrong, or if our cash requirements change materially as a result of shifts in our business or strategy, we could require additional financing. If we are not able to continue to be profitable in future years or are not able to continue to generate cash from operations as anticipated and additional capital is needed to support operations, we may be unable to obtain such financing, or obtain it on favorable terms, in which case we may be required to curtail development of new products, limit expansion of operations, or accept financing terms that are not as attractive as desired.

Consolidation among wholesale distributors, chain drug stores, and group purchasing organizations has resulted in a smaller number of companies each controlling a larger share of pharmaceutical distribution channels. Our net revenues were concentrated among four customers representing 25%, 16%, 12%, and 11% of net revenues during the year ended December 31, 2024. As of December 31, 2024 accounts receivable from these four customers totaled approximately 70% of accounts receivable, net. Our net revenues were concentrated among four customers representing 31%, 13%, 13%, and 12% of net revenues during the year ended December 31, 2023. As of December 31, 2023, accounts receivable from these four customers totaled approximately 81% of accounts receivable, net. As a result, negotiated payment terms with these customers have a material impact on our liquidity and working capital.

Our Cortrophin Gel product accounted for approximately 32% and 23% of our net revenues in 2024 and 2023, respectively. We pay to Merck Sharpe & Dohme B.V. ("Merck") quarterly contingent consideration in the form of a perpetual, tiered royalty expressed as a percentage of Cortrophin Gel net sales. During the initial two years of commercialization (2022 and 2023) this royalty approximated 10% of net sales. During 2024, the blended Merck royalty rate was in the upper teens, and we currently anticipate the blended royalty rate to be in in the low 20 percent range in 2025.

Sources and Uses of Cash

Term Loan A

On August 13, 2024, the Company, as lead borrower, entered into a delayed-draw credit agreement (the “New Credit Agreement”) with JPMorgan Chase Bank, N.A., and other financial institutions (together, the “Lenders”), which provides for aggregate principal commitments consisting of (i) a senior secured term loan facility in an aggregate principal amount of $325.0 million (the “Term Loan A” or “TLA”), and (ii) a senior secured revolving credit facility in an aggregate commitment amount of $75.0 million, which may be used for revolving credit loans, swingline loans and letters of credit (the “TLA Revolver” and together with the TLA, the “New Credit Facility”).

The facilities are secured by a lien on substantially all of the personal property owned by the Company and its material wholly-owned domestic subsidiaries and is guaranteed by all of the Company’s material wholly-owned domestic subsidiaries. The New Credit Facility matures on the date that is five years following the closing date of the New Credit Agreement, provided that if any of the Notes (defined below) remain outstanding on the date that is 91 days prior to the maturity date of the Notes, the New Credit Facility will mature on such date unless certain terms are met.

At the Company’s option, loans under the New Credit Facility accrue interest at a per annum rate equal to (i) the alternate base rate or (ii) the adjusted term SOFR rate for an interest period of one, three or six months, plus a spread depending on the Company’s first lien net leverage ratio, between 1.25% and 2.00% in the case of ABR loans and between 2.25% and 3.00% in the case of adjusted term SOFR rate loans. A commitment fee accrues on the unutilized commitments under the TLA Revolver and, from and after the date that is two months after the closing date of the New Credit Agreement, the TLA at a per annum rate equal between 0.25% and 0.40% depending on the Company’s first lien net leverage ratio.

The New Credit Agreement contains usual and customary representations and warranties of the parties for credit facilities of this type, subject to customary exceptions and materiality standards. In addition, the Company is required to maintain a first lien net leverage ratio not to exceed 3.00:1.00 (provided, that the lead borrower under the New Credit Agreement may elect to increase the ratio to 3.50:1.00 for four consecutive fiscal quarters following the consummation of a material acquisition) and a minimum interest coverage ratio of 3.00 to 1.00.

The New Credit Agreement also contains certain customary covenants including but not limited to restrictions on the amount of debt the Company and its restricted subsidiaries may incur and payments the Company and its restricted subsidiaries may make, and events of default, as well as, in the event of an occurrence of an event of default, customary remedies for the Lenders, including the acceleration of any amounts outstanding under the New Credit Agreement.

On September 16, 2024 (the "Closing Date") the Company drew the full $325.0 million of Term Loan A principal on September 16, 2024, with proceeds used to finance the acquisition of Alimera, including fees, costs and expenses incurred in connection with the transaction. As of December 31, 2024, the TLA Revolver remains undrawn, and $75.0 million is available for borrowing, subject to certain conditions. The TLA and the TLA Revolver mature on September 16, 2029. The New Credit Facility contains certain contingent acceleration clauses, none of which have been triggered as of December 31, 2024. The cash interest rate and effective rate under the Term Loan A was approximately 6.98% at December 31, 2024.

2.25% Convertible Senior Notes Due 2029

On August 07, 2024, the Company entered into a purchase agreement (the "Purchase Agreement") with the initial purchasers (the "Initial Purchasers") relating to the issuance of the $275.0 million aggregate principal amount of the Company's Convertible Senior Notes due 2029 (the "Notes"). Pursuant to the terms of the Purchase Agreement, the Company granted the Initial Purchasers an option to purchase up to an additional $41.25 million aggregate principal amount of Notes (the "Option") for settlement at any time during the thirteen days beginning on, and including, August 7, 2024, which Option was exercised in full on August 8, 2024.

On August 13, 2024 (the "Closing Date" or "Issue Date"), the Company completed an offering of $316.25 million aggregate principal amount of Notes. The Notes were issued pursuant to an indenture (the "Indenture") dated as of August 13, 2024 between the Company and U.S. Bank Trust Company, National Association ("Trustee"). The Notes are due September 1, 2029, unless earlier repurchased, redeemed, or converted. The Notes will accrue interest at a rate of 2.25% per annum, payable semi-annually in arrears on March 1 and September 1 of each year, beginning on March 1, 2025. After deducting the initial purchasers' discounts and commissions of approximately $9.5 million, but before deducting the Company's offering expenses, the net proceeds to the Company from the offering of the Notes was approximately $306.8 million. After payment of the cost of entering into the Capped Call Transactions (as defined below), the Company used the remainder of the net proceeds from the Notes offering, together with cash on hand, to repay the Company's existing senior secured credit agreement, dated as of November 19, 2021, by and among the Company, certain of the Company's subsidiaries, as guarantors, Truist Bank, as administrative agent and other parties thereto, as amended, supplemented or otherwise modified from time to time (as amended, the "Credit Agreement").

The Notes are the Company's senior, unsecured obligations and are (i) equal in right of payment with the Company's existing and future senior, unsecured indebtedness; (ii) senior in right of payment to the Company's existing and future indebtedness that is expressly subordinated to the Notes; (iii) effectively subordinated to the Company's existing and future secured indebtedness, to the extent of the value of the collateral securing that indebtedness; and (iv) structurally subordinated to all existing and future indebtedness and other liabilities, including trade payables, and (to the extent the Company is not a holder thereof) preferred equity, if any, of the Company's subsidiaries.

Prior to the close of business on the business day immediately preceding June 1, 2029, holders of the Notes will have the right to convert their Notes only upon the occurrence of certain events as set forth in the Indenture. All or any portion of the Notes may be converted prior to June 1, 2029 at the holders' option upon the occurrence of any of the following: (i) during any calendar quarter (and only during such calendar quarter) commencing after the calendar quarter ending on September 30, 2024, if the last reported sale price per share of the Company's common stock exceeds 130% of the conversion price of the Notes for each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter; (ii) during the five consecutive business days immediately after any ten consecutive trading day period (such ten consecutive trading day period, the "measurement period") in which the trading price per $1,000 principal amount of Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of the Company's common stock on such trading day and the conversion rate of the Notes on such trading day; (iii) upon the occurrence of certain corporate events or distributions on the Company's common stock, as described in the Indenture; or (iv) if the Company calls such Notes for redemption.

On or after June 1, 2029 until the close of business on the second scheduled trading day immediately before the maturity date of the Notes, holders may convert all or any portion of their Notes at any time at their election. The initial conversion rate for the Notes is 13.4929 shares of the Company's common stock per $1,000 principal amount of Notes, which represents an initial conversion price of approximately $74.11 per share of the Company's common stock. The conversion rate and conversion price will be subject to customary adjustments upon the occurrence of certain events. In addition, if certain corporate events that constitute a "Make-Whole Fundamental Change" (as defined in the Indenture) occur, then the conversion rate will, in certain circumstances, be increased for holders that convert their Notes in connection with such Make-Whole Fundamental Change, as described in the Indenture.

Upon conversion of the Notes, the Company will pay cash up to the aggregate principal amount of the Notes to be converted and pay or deliver, as the case may be, cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's election, in respect of the remainder, if any, of the Company's conversion obligation.

Capped Call Transactions

In connection with the offering of Notes, on August 7, 2024 and August 8, 2024, the Company entered into capped call transactions with certain financial institutions ("Capped Calls"). The Capped Calls each have an initial strike price of $114.02, which represents a premium of 100% over the last reported sale price of the Company's common stock on August 7, 2024. The Company used approximately $40.6 million of the net proceeds from the offering of the Notes to pay premiums on the Capped Calls.

The Capped Calls are expected to generally to reduce potential dilution to the Company's common stock upon any conversion of the Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of converted Notes, as the case may be, with such reductions and/or offset subject to a cap, based on the cap price of the Capped Calls. The Capped Calls cover, subject to anti-dilution adjustments, approximately 4.3 million shares of the Company's common stock.

The Capped Calls will expire upon the maturity of the Notes. The Capped Calls are separate transactions entered into by the Company with the financial institution counterparties thereto, the Capped Calls are not part of the terms of the Notes and the Capped Calls do not change the holders' rights under the Notes. The Capped Calls do not meet the criteria for separate accounting as a derivative as they meet the criteria for equity classification, and the capped call transaction premiums are recorded as a reduction to Additional Paid-In Capital within Shareholders' Equity, net of deferred income taxes.

Debt Extinguishment

On November 19, 2021, the Company, as borrower, entered into a credit agreement (the "Credit Agreement") with Truist Bank and other lenders, which provided for credit facilities consisting of (i) a senior secured term loan facility in an aggregate principal amount of $300.0 million (the "Term Facility") and (ii) a senior secured revolving credit facility in an aggregate commitment amount of $40.0 million, which may be used for revolving credit loans, swingline loans and letters of credit (the "Revolving Facility," and together with the Term Facility, the "Credit Facility"). The Credit Facility was secured by substantially all our assets and the assets of our domestic subsidiaries. On August 13, 2024, the Company entered into the 2.25% Convertible Senior Notes due 2029. The proceeds of the Convertible Senior Notes were used to repay the Credit Facility in its entirety, approximately $294.0 million, comprised of $292.5 million of unpaid principal, $1.2 million in accrued and unpaid interest, and $0.3 million of legal fees. In connection with the issuance of the Convertible Senior Notes, the Company recorded a loss on debt extinguishment in the consolidated statement of operations for the year ended December 31, 2024, amounting to approximately $7.5 million, comprised of the write-off unamortized deferred financing fees related to the Credit Facility as of August 13, 2024.

Accrued Licensor Payments

On May 17, 2023, Alimera entered into the Product Rights Agreement with EyePoint which granted Alimera an exclusive and sublicensable right and license under EyePoint's and its affiliates' interest in certain of EyePoint's and its affiliates' intellectual property to develop, manufacture, sell, commercialize and otherwise exploit certain products, including YUTIQ, for the treatment and prevention of uveitis in the entire world, except Europe, the Middle East and Africa, where the Company already has such rights pursuant to the New Collaboration Agreement, and except for China, Hong Kong, Macau, Taiwan, Brunei, Burma (Myanmar), Cambodia, Timor-Leste, Indonesia, Laos, Malaysia, the Philippines, Singapore, South Korea, Thailand and Vietnam, where Ocumension holds a license from EyePoint. Pursuant to the agreement, Alimera paid EyePoint an upfront payment of an upfront payment of $75.0 million and has also made four quarterly guaranteed payments to EyePoint totaling $7.5 million during the year ended December 31, 2024.

The Company will also pay royalties to EyePoint from 2025 to 2028 at a percentage of mid-to-low double digits of annual U.S. net sales of certain products (including YUTIQ and ILUVIEN) in excess of certain thresholds, beginning at $70.0 million in 2025, increasing annually thereafter. Upon making the quarterly payments in the aggregate amount of $7.5 million in 2024, the licenses and rights granted to the Company will automatically become perpetual and irrevocable.

Equity Financing

In May 2023, through a public offering, we completed the issuance and sale of 2,183,545 shares of ANI common stock, resulting in net proceeds after issuance costs of approximately $80.6 million, which was used to acquire and invest in additional businesses, technologies, products or assets, to fund our commercialization efforts, including, but not limited to, sales and marketing and consulting expenses related thereto, and for general corporate purposes.

Uses of Cash

Our primary cash requirements are to fund operations of the rare disease portion of our Rare Disease and Brands segment, research and development programs and collaborations, to support general and administrative activities, to purchase equipment and machinery to expand our manufacturing capabilities as our product lines grow, and to expand our business and product pipeline through acquisitions of products and companies. We are continually evaluating potential asset acquisitions and business combinations. Our future capital requirements will depend on many factors, including, but not limited to:

- product mix and pricing for product sales and contract manufacturing;
- pricing and payment terms with customers;
- costs of raw materials and payment terms with suppliers;
- capital expenditures and equipment purchases to support product launches; and
- business and product acquisitions.

Discussion of Cash Flows

The following table summarizes the net cash and cash equivalents provided by (used in) operating activities, investing activities, and financing activities for the periods indicated:

	Year Ended December 31,	
(in thousands)	**2024**	**2023**
Operating Activities	$ 64,017	$ 118,959
Investing Activities	$ (404,719)	$ (18,511)
Financing Activities	$ 264,945	$ 67,439

Net Cash Provided by Operations

Net cash provided by operating activities was $64.0 million for the year ended December 31, 2024, compared to $119.0 million used in operating activities during the same period in 2023, a decrease of $54.9 million. The decrease in cash provided by operating activities primarily resulted from our net loss of $18.5 million adjusted for non-cash items, and an increase in working capital driven by the growth of our business, resulting in incremental accounts receivable and inventory.

Net Cash Used in Investing Activities

Net cash used in investing activities for the year ended December 31, 2024 was $404.7 million, principally due to the acquisition of Alimera of approximately $401.3 million and capital expenditures of approximately $16.2 million. These cash outflows were offset by proceeds received from the sale of Oakville, Ontario manufacturing site in March 2024 of approximately $13.5 million. Net cash used in investing activities for the year ended December 31, 2023 was $18.5 million, principally due to $8.9 million of capital expenditures and the consideration paid for asset acquisitions of ANDAs and other product rights totaling $9.6 million.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was $264.9 million for the year ended December 31, 2024, principally resulting from proceeds from the New Credit Facility of $325.0 million, proceeds from the offering of the Convertible Senior Notes of $316.3 million, tempered by the repayment of the Truist Credit Facility of $292.5 million, purchase of the capped calls of $40.6 million, payments of debt issuance costs related to the Convertible Senior Notes and New Credit Facility of $17.4 million, $12.5 million paid the the Company Members of Novitium, and $11.0 million of treasury stock purchase, and other items. Net cash provided by financing activities for the year ended December 31, 2023 was $67.4 million, principally due to the $80.6 million in net proceeds from the May 2023 public offering and $9.0 million from proceeds from stock option exercises and ESPP purchases. This was offset by cash used in financing activities related to $12.5 million to Company Members of Novitium, $3.0 million maturity payments on the Term Facility, $5.0 million of treasury stock purchased in relation to restricted stock vests, and $1.6 million convertible preferred stock dividends paid.

Contractual Obligations

We believe our available cash and cash equivalents along with our ability to generate operating cash flow and continued access to debt markets are sufficient to fund existing and planned cash requirements. Our contractual obligations and commitments as of December 31, 2024 are comprised of principal payments on debt, interest payments on debt, operating leases, purchase obligations, dividends, and contingent consideration.

New Credit Agreement

Our largest contractual obligation relates to our principal payments on our interest payments on our debt. As of December 31, 2024, the principal amount of our New Credit Agreement was approximately $323.0 million. At the Company's option, loans under the New Credit Facility accrue interest at a per annum rate equal to (i) the alternate base rate or (ii) the adjusted term SOFR rate for an interest period of one, three or six months, plus a spread depending on the Company's first lien net leverage ratio, between 1.25% and 2.00% in the case of ABR loans and between 2.25% and 3.00% in the case of adjusted term SOFR rate loans. A commitment fee accrues on the unutilized commitments under the TLA Revolver and, from and after the date that is two months after the closing date of the New Credit Agreement, the TLA at a per annum rate equal between 0.25% and 0.40% depending on the Company's first lien net leverage ratio. The cash interest rate under the Term Loan A was approximately 6.98% at December 31, 2024. See Note 6 "New Credit Agreement" in the notes to the consolidated financial statements in Part II, Item 8. of this Annual Report on Form 10-K for additional information and timing on our principal payments on debt.

An interest rate swap is used to manage changes in SOFR-based variable interest rates underlying a portion of the borrowing under the New Credit Agreement. Pursuant to the terms of the swap agreement, ANI pays the counterparty an effective fixed rate of 2.313%. As of December 31, 2024, the notional value of the interest rate swap was $139.4 million. See Note 8 "Derivative Financial Instruments and Hedging Activity" in the notes to the consolidated financial statements in Part II, Item 8. of this Annual Report on Form 10-K for additional information.

2.25% Convertible Senior Notes Due 2029

On August 13, 2024, the Company completed an offering of $316.25 million aggregate principal amount of Notes. The Notes were issued pursuant to an indenture (the "Indenture") dated as of August 13, 2024 between the Company and U.S. Bank Trust Company, National Association ("Trustee"). The Notes are due September 1, 2029, unless earlier repurchased, redeemed, or converted. The Notes will accrue interest at a rate of 2.25% per annum, payable semi-annually in arrears on March 1 and September 1 of each year, beginning on March 1, 2025. See Note 7 "2.25% Convertible Senior Notes Due 2029" in the notes to the consolidated financial statements in Part II, Item 8. of this Annual Report on Form 10-K for additional information and timing on our principal payments on debt.

Leases

Our operating leases are primarily for warehouse, office space, and office equipment. As leases expire, we do not anticipate difficulty in negotiating renewals or finding other satisfactory space if the premise becomes unavailable. See Note 17 "Commitments and Contingencies" in the notes to the consolidated financial statements in Part II, Item 8. of this Annual Report on Form 10-K for additional discussion and timing of payments related to these operating lease obligations.

PIPE Shares

Our convertible preferred stock ("PIPE Shares") accrue dividends at 6.50% per year on a cumulative basis, payable in cash or in-kind. Dividends are payable until the preferred stock is converted, either at the option of the PIPE investor, at any time, or the option of ANI, beginning two years after the November 19, 2021 issuance provided ANI's stock price reaches a certain level. See Note 13 "Mezzanine and Stockholders' Equity" in the notes to the consolidated financial statements in Part II, Item 8. of this Annual Report on Form 10-K for additional discussion of dividends.

Novitium Contingent Consideration

Consideration of the Novitium acquisition included $46.5 million in contingent future earn-out payments. The contingent consideration is based on the achievement of certain milestones, including milestones on gross profit of Novitium portfolio products over a 24-month period, regulatory filings completed during this 24-month period, and a percentage of net profits on certain products that are launched in the future. Pursuant to the terms of the Novitium Agreement and Plan of Merger, dated as of March 8, 2021, on December 12, 2023, the Company paid $12.5 million of cash consideration to the Company Members, defined as the holders of Novitium ownership interests in the Agreement and Plan of Merger, of Novitium for the achievement of the "ANDA Filing Earn-Out," as defined in the Agreement. On February 22, 2024, the Company paid $12.5 million to Novitium related to the achievement of the milestone. See Note 12 "Fair Value" in the notes to the consolidated financial statements in Part II, Item 8. of this Annual Report on Form 10-K for additional information on our contingent consideration.

Alimera Contingent Value Rights

In connection with the acquisition of Alimera, purchase consideration included $8.7 million in contingent value rights which provided for future contingent payments, based on the achievement of Net Revenue milestones in 2026 and 2027. The fair value of the contingent value rights as of December 31, 2024 was approximately $9.0 million. See Note 3 and Note 12 "Business Combination" and "Fair Value", respectively, in the notes to the consolidated financial statements in Part II, Item 8. of this Annual Report on Form 10-K for additional information on the contingent consideration.

Accrued Licensor Payments

The Company will also pay royalties to EyePoint from 2025 to 2028 at a percentage of mid-to-low double digits of annual U.S. net sales of certain products (including YUTIQ and ILUVIEN) in excess of certain thresholds, beginning at $70.0 million in 2025, increasing annually thereafter. Upon making the quarterly payments in the aggregate amount of $7.5 million in 2024, the licenses and rights granted to the Company will automatically become perpetual and irrevocable. The present value of the remaining payments to EyePoint for years 2025 to 2028 will continue to be revalued at an appropriate discount rate for the Company at each reporting date until they are settled. The fair value of the remaining future payments as of December 31, 2024 was approximately $21.0 million. See Note 12 "Fair Value" in the notes to the consolidated financial statements in Part II, Item 8. of this Annual Report on Form 10-K for additional information on the licensor payments.

We expect to continue to incur significant expenditures in support of our commercial launch of Cortrophin, including costs related to service contracts and increased headcount.

Critical Accounting Estimates

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles (“GAAP”) and the Company’s discussion and analysis of its financial condition and operating results require the Company’s management to make judgments, assumptions and estimates that affect the amounts reported. Our significant accounting policies are discussed in Note 1, "Description of Business and Summary of Significant Accounting Policies" of the Notes to the consolidated financial statements in Part II, Item 8. of this Form 10-K describes the significant accounting policies and methods used in the preparation of the Company's consolidated financial statements. On an ongoing basis, we evaluate these estimates and assumptions, including those described below. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. Due to the estimation processes involved, the following summarized accounting policies and their application are considered to be critical to understanding our business operations, financial condition, and operating results.

Revenue Recognition

Revenues are primarily derived from sales of generic, rare disease, and brands portfolio of pharmaceutical products, royalties, and other pharmaceutical services. Revenue is recognized when our obligations under the terms of our contracts with customers are satisfied, which generally occurs when control of the products we sell is transferred to the customer.

Variable consideration is estimated after the consideration of applicable information that is reasonably available. The Company generally does not have incremental costs to obtain contracts that would otherwise not have been incurred.

The Company does not adjust revenue for the promised amount of consideration for the effects of a significant financing component because our customers generally pay us within 100 days.

The Company's gross product revenue is subject to a variety of deductions, which are estimated and recorded in the same period that the revenue is recognized, and primarily represent chargebacks, rebates, prompt payment (cash) discounts, Medicaid and other government pricing programs, price protection and shelf stock adjustments, sales returns, and other potential adjustments. Those deductions represent estimates of rebates and discounts related to gross sales for the reporting period and, as such, knowledge and judgment of market conditions and practice are required when estimating the impact of these revenue deductions on gross sales for a reporting period.

Historically, the Company's changes of estimates reflecting actual results or updated expectations have not been material to our overall business. If any of our ratios, factors, assessments, experiences or judgments are not indicative or accurate predictors of our future experience, our results could be materially affected. The sensitivity of our estimates can vary by program, type of customer and geographic location. However, estimates associated with governmental allowances, Medicaid and other performance-based contract rebates are most at risk for material adjustment because of the extensive time delay between the recording of the accrual and its ultimate settlement, an interval that can generally range up to one year. Because of this time lag, in any given quarter, our adjustments to actual can incorporate revisions of several prior quarters.

Chargebacks

If actual results were not consistent with our estimates, the Company could be exposed to losses or gains that could be material, as changes to chargeback estimates could cause an increase or decrease in revenue recognized during the year and increase or decrease accounts receivable. If there were a 1% change in the chargeback estimates throughout the year, our net revenues would be affected by $5.8 million for the year ended December 31, 2024.

Government Rebates

If actual results were not consistent with our estimates as related to government rebates, the Company could be exposed to losses or gains that could be material, as changes to government rebate estimates could cause an increase or decrease in revenue recognized during the year and decrease or increase the government rebate reserve. If there were a 10% change in the government rebate estimates throughout the year, our net revenues would be affected by $3.2 million for the year ended December 31, 2024.

Returns

If actual results were not consistent with our estimates, the Company could be exposed to losses or gains that could be material, as changes to returns estimates could cause an increase or decrease in revenue recognized during the year and decrease or increase the returned goods reserve. If there were a 10% change in the returns estimates throughout the year, our net revenues would be affected by $3.9 million for the year ended December 31, 2024.

Administrative Fees and Other Rebates

If actual results were not consistent with our estimates, the Company could be exposed to losses or gains that could be material, as changes to these estimates could cause an increase or decrease in revenue recognized during the year and increase or decrease accounts receivable. If there were a 10% change in the administrative fees estimates throughout the year, our net revenues would be affected by $6.6 million for the year ended December 31, 2024.

Prompt Payment Discounts

If customers do not take 100% of available discounts as we estimate, the Company could need to re-adjust our methodology for calculating the prompt payment discount reserve. If there were a 10% decrease in the prompt payment discounts estimates throughout the year, our net revenues would increase by $2.6 million for the year ended December 31, 2024.

Impairment of Goodwill and Intangible Assets

Goodwill

The Company allocates goodwill to reporting units based on the reporting unit expected to benefit from the business combination. The Company evaluates its reporting units on an annual basis and, if necessary, reassign goodwill using a relative fair value allocation approach. Goodwill is tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis (October 31) and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. The estimates used to calculate the fair value of a reporting unit change from year to year based on operating results, market conditions, and other factors. Changes in these estimates and assumptions could materially affect the determination of fair value and goodwill impairment for each reporting unit.

The carrying value of goodwill at December 31, 2024 was approximately $60.0 million. As part of the Novitium acquisition on November 19, 2021, we acquired goodwill of $24.6 million in the Generics and Other reporting unit. As a result of the acquisition of Alimera, on September 16, 2024, the Company recorded goodwill of $31.8 million in the Rare Disease reporting unit. The Company believes it is unlikely that there will be a material change in the future estimates or assumptions used to test for impairment losses on goodwill. However, if actual results are not consistent with our estimates or assumptions, we could be exposed to an impairment charge that could be material.

Impairments of Long-Lived Assets

The Company reviews its long-lived assets, including intangible assets with finite lives, for recoverability whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Company evaluates assets for potential impairment by comparing estimated future undiscounted net cash flows to the carrying amount of the asset. If the carrying amount of the assets exceeds the estimated future undiscounted cash flows, impairment is measured based on the difference between the carrying amount of the assets and fair value which is generally an expected present value cash flow technique. The Company's policy in determining whether an impairment indicator exists comprises measurable operating performance criteria as well as other qualitative measures. Events giving rise to impairment are an inherent risk in the pharmaceutical industry and cannot be predicted. Factors that we consider in deciding when to perform an impairment review include significant under-performance of a product in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in our use of the assets. If the Company's assumptions are not correct, there could be an impairment loss in subsequent periods or, in the case of a change in the estimated useful life of the asset, a change in amortization expense.

Intangible assets with indefinite lives, including IPR&D, are tested for impairment if impairment indicators arise and, at a minimum, annually. However, an entity is permitted to first assess qualitative factors to determine if a quantitative impairment test is necessary. Further testing is only required if the entity determines, based on the qualitative assessment, that it is more likely than not that an indefinite-lived intangible asset’s fair value is less than its carrying amount. Otherwise, no further impairment testing is required. The indefinite-lived intangible asset impairment test consists of a one-step analysis that compares the fair value of the intangible asset with its carrying amount. If the carrying amount of an intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. We consider many factors in evaluating whether the value of its intangible assets with indefinite lives may not be recoverable, including, but not limited to the discount rate, terminal growth rates, general economic conditions, our outlook and market performance of our industry and recent and forecasted financial performance. We recognized an impairment loss of $4.0 million during the three months ended December 31, 2024 related to IPR&D which was acquired as part of the Novitium acquisition during 2021, and also recorded an impairment loss of $3.6 million on a basket of definite-lived intangible assets.

Contingent Consideration

Accrued Licensor Payments

The terms of the Product Rights Agreement between the Company and EyePoint include the potential payment of future consideration that is contingent upon the achievement of annual U.S. net sales of certain products (including YUTIQ and ILUVIEN) in excess of certain thresholds, beginning at $70.0 million in 2025, increasing annually thereafter. The fair value of the Accrued Licensor Payments was approximately $21.0 million at December 31, 2024. Significant inputs used in the measurement of the fair value include discount rates and probabilities of achievement of net revenue. Changes in fair value, which incorporate changes in assumptions and the passage of time, are recognized as an operating expense in the consolidated statements of operations.

Novitium Contingent Consideration

The fair value of the Novitium contingent consideration was $10.9 million and $24.0 million at December 31, 2024 and 2023, respectively. The fair value of contingent consideration is remeasured to the estimated fair value each reporting period with the change recognized as an operating expense in our consolidated statements of operations. Changes in fair value can result from changes in assumptions such as discount rates, probabilities or estimates of revenue and profits, and probability of achieving regulatory milestones, as well as the passage of time. These changes resulted in a decrease of the fair value of the liability of approximately $0.6 million and an increase of the fair value of the liability of $1.4 million during the years ended December 31, 2024 and 2023, respectively.

Alimera Contingent Value Rights

The fair value of the Alimera Contingent Value Rights consideration was $9.0 million at December 31, 2024. The fair value of Alimera Contingent Value Rights is remeasured to the estimated fair value each reporting period with the change recognized as an operating expense in our consolidated statements of operations. Changes in fair value can result from changes in assumptions such as discount rates, probabilities or estimates of future revenue and profits, as well as the passage of time. These changes resulted in charges of $0.3 million during the year ended December 31, 2024.

Stock-Based Compensation

Stock-based compensation cost for stock options is determined at the grant date using an option pricing model and stock-based compensation cost for restricted stock is based on the closing market price of the stock at the grant date. The value of the award is recognized as expense on a straight-line basis over the employee's requisite service period. Awards may also be issued in the form of Performance Stock Units ("PSUs") to certain employees of the Company. PSUs represent the right to receive an amount of cash, a number of shares of common stock or a combination of both, contingent upon the achievement of specified performance and market objectives during a specified performance period. The related share-based compensation expense is determined based on the estimated fair value of the underlying shares on the date of grant and is recognized straight-line over the vesting term.

Valuation of stock awards requires us to make assumptions and to apply judgment to determine the fair value of the awards. These assumptions and judgments include estimating the future volatility of our stock price and dividend yields. Changes in these assumptions can affect the fair value estimate.

The following table summarizes stock-based compensation and ESPP expense included in our consolidated statements of operations:

(in thousands)	**Years Ended December 31,**		
	2024	**2023**	**2022**
Selling, general, and administrative	$ 26,534	$ 19,036	$ 13,316
Research and development	1,533	910	751
Cost of sales	1,277	706	532
	$ 29,344	$ 20,652	$ 14,599

Stock-based compensation cost for stock options is determined at the grant date using an option pricing model and stock-based compensation cost for restricted stock is based on the closing market price of the stock at the grant date. The value of the award is recognized as expense on a straight-line basis over the employee's requisite service period.

Valuation of stock awards requires us to make assumptions and to apply judgment to determine the fair value of the awards. These assumptions and judgments include estimating the future volatility of our stock price and dividend yields. Changes in these assumptions can affect the fair value estimate.

Changes in estimates could affect compensation expense within individual periods. If there were to be a 10% change in our stock-based compensation expense for the year, our (Loss) Income Before (Benefit) Expense for Income Taxes would be affected by $2.9 million for the year ended December 31, 2024.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that such tax rate changes are enacted.

The Company uses a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Company has not identified any uncertain income tax positions that could have a material impact on the consolidated financial statements. The Company is subject to taxation in various U.S. jurisdictions, Canada, India, the United Kingdom, Ireland, Portugal, and Germany and all of its income tax returns remain subject to examination by tax authorities due to the availability of net operating loss carryforwards. To the extent the Company is required to pay amounts in excess of our established liability, our effective income tax rate in a given financial statement period could be materially affected. An unfavorable tax settlement generally would require use of our cash and may result in an increase in our effective income tax rate in the period of resolution.

The Company considers potential tax effects resulting from discontinued operations and gains and losses included in other comprehensive (loss) income and record intra-period tax allocations, when those effects are deemed material. Our effective income tax rate is also affected by changes in tax law, our level of earnings, and the results of tax audits.

Although the Company believes that the judgments and estimates discussed herein are reasonable, actual results could differ, and we may be exposed to losses or gains that could be material.

Legal and Other Contingencies

The outcomes of legal proceedings and claims brought against us are subject to significant uncertainty. An estimated loss from a loss contingency such as a legal proceeding or claim is accrued by a charge to income if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. In determining whether a loss should be accrued we evaluate, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Changes in these factors could materially impact our consolidated financial statements.

Recent Accounting Standards

For information on recent accounting standards, see Note 1 "Description of Business and Summary of Significant Accounting Policies" of the Notes to the consolidated financial statements in Part II, Item 8. of this Form 10-K.