UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2021

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

For the transition period from to

Commission File Number 001-14027

Anika Therapeutics, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**04-3145961**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

32 Wiggins Avenue, Bedford, Massachusetts 01730
(Address of Principal Executive Offices) (Zip Code)

(781) 457-9000
(Registrant's Telephone Number, Including Area Code)

N/A
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

Title of Each Class	*Trading Symbol*	*Name of Each Exchange on Which Registered*
Common Stock, par value $0.01 per share	ANIK	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒	Non-accelerated filer ☐	Smaller reporting company ☐	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of October 25, 2021, there were 14,436,773 outstanding shares of Common Stock, par value $0.01 per share.

ANIKA THERAPEUTICS, INC.
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References in this Quarterly Report on Form 10-Q to "we," "us," "our" and "our company," and other similar references refer to Anika Therapeutics, Inc. and its subsidiaries unless the context otherwise indicates.

Anika, Arthrosurface, Anika Therapeutics, Cingal, Hyaff, Monovisc, Orthovisc, Parcus Medical, Tactoset, Hyvisc and WristMotion are our registered trademarks that appear in this Quarterly Report on Form 10-Q. For convenience, these trademarks appear in this Quarterly Report on Form 10-Q without ® and ™ symbols, but that practice does not mean that we will not assert, to the fullest extent under applicable law, our rights to the trademarks. This Quarterly Report on Form 10-Q also contains trademarks and trade names that are the property of other companies and licensed to us.

PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Anika Therapeutics, Inc. and Subsidiaries
Consolidated Balance Sheets
(in thousands, except per share data)
(unaudited)

ASSETS	September 30, 2021	December 31, 2020
Current assets:		
Cash and cash equivalents	$ 90,976	$ 95,817
Investments		2,501
Accounts receivable, net of reserves of $1,358 and $1,523 at September 30, 2021 and December 31, 2020, respectively	32,352	24,102
Inventories, net	35,019	46,209
Prepaid expenses and other current assets	7,433	8,754
Total current assets	165,780	177,383
Property and equipment, net	49,111	50,613
Right-of-use assets	21,397	22,619
Other long-term assets	23,671	15,420
Intangible assets, net	85,021	91,157
Goodwill	7,950	8,413
Total assets	$ 352,930	$ 365,605
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,942	$ 8,984
Accrued expenses and other current liabilities	17,339	14,793
Contingent consideration – current portion	3,490	13,090
Total current liabilities	28,771	36,867
Other long-term liabilities	1,489	1,244
Contingent consideration	-	22,320
Deferred tax liability	12,972	11,895
Lease liabilities	19,638	20,879
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, $0.01 par value; 1,250 shares authorized, no shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	-	-
Common stock, $0.01 par value; 90,000 shares authorized, 14,436 and 14,329 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	144	143
Additional paid-in-capital	63,864	55,355
Accumulated other comprehensive loss	(5,319)	(4,542)
Retained earnings	231,371	221,444
Total stockholders' equity	290,060	272,400
Total liabilities and stockholders' equity	$ 352,930	$ 365,605

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

Anika Therapeutics, Inc. and Subsidiaries
Consolidated Statements of Operations and Comprehensive Income
(in thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue	$ 39,536	$ 31,694	$ 111,973	$ 97,769
Cost of revenue	16,513	14,351	47,164	45,487
Gross Profit	23,023	17,343	64,809	52,282
Operating expenses:				
Research and development	7,673	5,217	21,327	15,799
Selling, general and administrative	17,500	15,903	53,664	44,884
Goodwill impairment	-	-	-	18,144
Change in fair value of contingent consideration	(3,450)	4,150	(21,920)	(16,176)
Total operating expenses	21,723	25,270	53,071	62,651
Income (loss) from operations	1,300	(7,927)	11,738	(10,369)
Interest and other expense, net	(48)	(228)	(141)	(118)
Income (loss) before income taxes	1,252	(8,155)	11,597	(10,487)
Provision for (benefit from) income taxes	694	(1,744)	1,670	(2,161)
Net income (loss)	$ 558	$ (6,411)	$ 9,927	$ (8,326)
Net income (loss) per share:				
Basic	$ 0.04	$ (0.45)	$ 0.69	$ (0.59)
Diluted	$ 0.04	$ (0.45)	$ 0.68	$ (0.59)
Weighted average common shares outstanding:				
Basic	14,429	14,205	14,389	14,202
Diluted	14,647	14,205	14,588	14,202
Net income (loss)	$ 558	$ (6,411)	$ 9,927	$ (8,326)
Foreign currency translation adjustment	(467)	522	(777)	602
Comprehensive income (loss)	$ 91	$ (5,889)	$ 9,150	$ (7,724)

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

Anika Therapeutics, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
(in thousands)
(unaudited)

	Nine Months Ended September 30, 2021					
	Common Stock				Accumulated Other	Total
	Number of Shares	$.01 Par Value	Additional Paid in Capital	Retained Earnings	Comprehensive Loss	Stockholders' Equity
Balance, January 1, 2021	14,329	$ 143	$ 55,355	$ 221,444	$ (4,542)	$ 272,400
Issuance of common stock for equity awards	-	-	1	-	-	1
Vesting of restricted stock units	46	1	(1)	-	-	-
Stock-based compensation expense	-	-	2,259	-	-	2,259
Retirement of common stock for minimum tax withholdings	(9)	-	(333)	-	-	(333)
Net income	-	-	-	2,838	-	2,838
Other comprehensive income	-	-	-	-	(509)	(509)
Balance, March 31, 2021	14,366	$ 144	$ 57,281	$ 224,282	$ (5,051)	$ 276,656
Issuance of common stock for equity awards	18	-	640	-	-	640
Vesting of restricted stock units	35	-	-	-	-	-
Stock-based compensation expense	-	-	2,797	-	-	2,797
Retirement of common stock for minimum tax withholdings	(1)	-	(19)	-	-	(19)
Net income	-	-	-	6,531	-	6,531
Other comprehensive income	-	-	-	-	199	199
Balance, June 30, 2021	14,418	144	60,699	230,813	(4,852)	286,804
Issuance of common stock for equity awards	10	-	373	-	-	373
Vesting of restricted stock units	9	-	-	-	-	-
Stock-based compensation expense	-	-	2,863	-	-	2,863
Retirement of common stock for minimum tax withholdings	(1)	-	(71)	-	-	(71)
Net income	-	-	-	558	-	558
Other comprehensive income	-	-	-	-	(467)	(467)
Balance, September 30, 2021	14,436	144	63,864	231,371	(5,319)	290,060

	Nine Months Ended September 30, 2020					
	Common Stock				Accumulated Other	Total
	Number of Shares	$.01 Par Value	Additional Paid in Capital	Retained Earnings	Comprehensive Loss	Stockholders' Equity
Balance, January 1, 2020	14,308	$ 143	$ 48,707	$ 245,426	$ (5,898)	$ 288,378
Vesting of restricted stock units	42	-	-	-	-	-
Forfeiture of restricted stock awards	(9)	-	-	-	-	-
Stock-based compensation expense	-	-	(207)	-	-	(207)
Retirement of common stock for minimum tax withholdings	(4)	-	(141)	-	-	(141)
Repurchase of common stock	(139)	(1)	1	-	-	-
Net income	-	-	-	5,793	-	5,793
Other comprehensive loss	-	-	-	-	(129)	(129)
Balance, March 31, 2020	14,198	$ 142	$ 48,360	$ 251,219	$ (6,027)	$ 293,694
Issuance of common stock for equity awards	2	-	68	-	-	68
Vesting of restricted stock units	7	-	-	-	-	-
Stock-based compensation expense	-	-	2,240	-	-	2,240
Retirement of common stock for minimum tax withholdings	(3)	-	(59)	-	-	(59)
Net loss	-	-	-	(7,708)	-	(7,708)
Other comprehensive income	-	-	-	-	209	209
Balance, June 30, 2020	14,204	$ 142	$ 50,609	$ 243,511	$ (5,818)	$ 288,444
Vesting of restricted stock units	4	-	-	-	-	-
Stock-based compensation expense	-	-	1,920	-	-	1,920
Retirement of common stock for minimum tax withholdings	-	-	(24)	-	-	(24)
Net loss	-	-	-	(6,411)	-	(6,411)
Other comprehensive income	-	-	-	-	522	522
Balance, September 30, 2020	14,208	$ 142	$ 52,505	$ 237,100	$ (5,296)	$ 284,451

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

Anika Therapeutics, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Nine Months Ended September 30, 2021	2020
Cash flows from operating activities:		
Net income (loss)	$ 9,927	$ (8,326)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,702	4,545
Amortization of acquisition related intangible assets	5,885	5,418
Amortization of acquisition related inventory step-up	6,244	7,396
Non-cash operating lease cost	1,312	1,136
Goodwill impairment	-	18,144
Change in fair value of contingent consideration	(21,920)	(16,176)
Loss on disposal of fixed assets	831	287
Loss on impairment of intangible asset	-	1,025
Stock-based compensation expense	7,919	3,953
Deferred income taxes	1,018	(3,302)
Recovery for doubtful accounts	(60)	(482)
Provision for inventory	3,702	4,205
Other	(13)	(19)
Changes in operating assets and liabilities:		
Accounts receivable	(8,321)	7,811
Inventories	(7,117)	(8,840)
Prepaid expenses, other current and long-term assets	1,864	(989)
Accounts payable	(702)	(1,904)
Operating lease liabilities	(1,247)	(1,286)
Accrued expenses, other current and long-term liabilities	3,104	(2,340)
Contingent consideration	(2,780)	-
Income taxes	(423)	222
Net cash provided by operating activities	3,925	10,478
Cash flows from investing activities:		
Acquisition of Parcus Medical and Arthrosurface, net of cash acquired	(363)	(93,859)
Proceeds from maturities of investments	2,501	27,000
Purchases of investments	-	(20,035)
Purchases of property and equipment	(4,016)	(1,179)
Net cash used in investing activities	(1,878)	(88,073)
Cash flows from financing activities:		
Payments made on finance leases	(210)	(155)
Repayments of long term debt	-	(25,351)
Proceeds from long term debt	-	50,000
Cash paid for contingent consideration	(7,220)	-
Cash paid for tax withheld on vested restricted stock awards	(423)	(224)
Proceeds from exercises of equity awards	1,014	68
Net cash (used in) provided by financing activities	(6,839)	24,338
Exchange rate impact on cash and cash equivalents	(49)	10
Decrease in cash and cash equivalents	(4,841)	(53,247)
Cash and cash equivalents at beginning of period	95,817	157,463
Cash and cash equivalents at end of period	$ 90,976	$ 104,216
Supplemental disclosure of cash flow information:		
Non-cash Investing Activities:		
Purchases of property and equipment included in accounts payable and accrued expenses	$ 195	$ 44
Right of use assets	$ 220	$ -
Consideration for acquisitions included in accounts payable and accrued expenses	$ -	$ 1,209
Acquisition related contingent consideration	$ -	$ 69,076
Non-cash Financing Activities:		
Operating lease liabilities	$ 220	$ -

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

1. Nature of Business

Anika Therapeutics, Inc. (the "Company") is a global joint preservation company that creates and delivers meaningful advancements in early intervention orthopedic care, including in the areas of osteoarthritis ("OA") pain management, regenerative solutions, soft tissue repair and bone preserving joint technologies.

In early 2020, the Company expanded its overall technology platform through its strategic acquisitions of Parcus Medical, LLC ("Parcus Medical"), a sports medicine implant and instrumentation solutions provider focused on sports medicine and soft tissue repair, and Arthrosurface, Inc. ("Arthrosurface"), a company specializing in less invasive, bone preserving partial and total joint replacement solutions. These acquisitions broadened the Company's product portfolio, developed over its nearly 30 years of expertise in hyaluronic acid technology, into joint preservation and restoration, added high-growth revenue streams, increased its commercial capabilities, diversified its revenue base, and expanded its product pipeline and research and development expertise.

The Company is subject to risks common to companies in the life sciences industry including, but not limited to, development by the Company or its competitors of new technological innovations, dependence on key personnel, protection of proprietary technology, commercialization of existing and new products, and compliance with U.S. Food and Drug Administration ("FDA") and foreign regulations and approval requirements, as well as the ability to grow the Company's business through appropriate commercial strategies.

There continue to be uncertainties regarding the pandemic of the novel coronavirus ("COVID-19"), and the Company is closely monitoring the impact of COVID-19 on all aspects of its business, including how it will impact its customers, employees, suppliers, vendors, and business partners. The Company is unable to predict the specific impact that COVID-19 may have on its financial position and operations moving forward due to the numerous uncertainties. Any estimates made herein may change as new events occur and additional information is obtained, and actual results could differ materially from any estimates made herein under different assumptions or conditions. The Company will continue to assess the evolving impact of COVID-19.

2. Basis of Presentation

The accompanying unaudited consolidated financial statements and related notes have been prepared by the Company pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC") and in accordance with accounting principles generally accepted in the United States ("US GAAP"). The financial statements include the accounts of Anika Therapeutics, Inc. and its subsidiaries. Inter-company transactions and balances have been eliminated. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with US GAAP have been condensed or omitted from this report pursuant to SEC rules and regulations relating to interim financial statements. The December 31, 2020 balances reported herein are derived from the audited consolidated financial statements. In the opinion of management, these unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to fairly state the consolidated financial statements.

The accompanying unaudited consolidated financial statements and related notes should be read in conjunction with the Company's annual financial statements filed with its Annual Report on Form 10-K for the year ended December 31, 2020. The results of operations for the three- and nine-month periods ended September 30, 2021 are not indicative of the results to be expected for the year ending December 31, 2021.

Segment Information

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is its President and Chief Executive Officer as of September 30, 2021. Based on the criteria established by Accounting Standards Codification ("ASC") 280, *Segment Reportin*g, the Company has one operating and reportable segment.

Recent Accounting Adoptions

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12, *Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes*, to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify US GAAP for other areas of Topic 740 by clarifying and amending existing guidance. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years. The Company adopted ASU 2019-12 as of January 1, 2021. The adoption of this standard did not have a significant impact on the Company's consolidated financial statements and related disclosures.

3. Business Combinations

Parcus Medical, LLC

On January 24, 2020, the Company completed the acquisition of Parcus Medical pursuant to the terms of the Agreement and Plan of Merger, dated as of January 4, 2020 (the "Parcus Medical Merger Agreement"), by and among the Company, Parcus Medical, the Unitholder Representative, and Sunshine Merger Sub LLC, a Wisconsin limited liability company and a wholly owned subsidiary of the Company. At the closing date, Parcus Medical became a wholly owned subsidiary of the Company. Parcus Medical is a sports medicine implant and instrumentation solutions provider focused on surgical repair and reconstruction of soft tissue.

The acquisition of Parcus Medical has been accounted for as a business combination under ASC 805. Under ASC 805, *Business Combinations*, the assets acquired and liabilities assumed in a business combination must be recorded at their fair value as of the acquisition date. The Company's consolidated financial statements include results of operations for Parcus Medical from the January 24, 2020 acquisition date.

Consideration Transferred

Pursuant to the Parcus Medical Merger Agreement, the Company acquired all outstanding equity of Parcus Medical for estimated total purchase consideration of $75.1 million, as of January 24, 2020, which consisted of:

Cash consideration	$	32,794
Deferred consideration		1,642
Estimated fair value of contingent consideration		40,700
Estimated total purchase consideration	$	75,136

Contingent consideration represents additional payments that the Company may be required to make in the future, which could total up to $60.0 million depending on the level of net sales of Parcus Medical products generated in 2020 through 2022. The fair value of contingent consideration related to net sales as of January 24, 2020 was determined based on a Monte Carlo simulation model in an option pricing framework at the acquisition date, whereby a range of possible scenarios were simulated. There also was deferred consideration related to certain purchase price holdbacks, which was resolved within one year of the acquisition date in accordance with the Parcus Merger Agreement and was recorded in accounts payable as of December 31, 2020. There was no deferred consideration as of September 30, 2021. The liability for contingent and deferred consideration is included in current and long-term liabilities on the consolidated balance sheets and will be remeasured at each reporting period until the contingency is resolved. See Note 4, *Fair Value Measurements*, for additional discussion of contingent consideration as of September 30, 2021 and December 31, 2020.

Acquisition-related costs are not included as a component of consideration transferred but are expensed in the periods in which the costs are incurred. The Company incurred approximately $1.9 million in transaction costs related to the Parcus Medical acquisition during the three-month period ending March 31, 2020. The transaction costs subsequent to March 31, 2020 were immaterial. The transaction costs have been included in selling, general and administrative expenses in the consolidated statements of operations.

Fair Value of Net Assets Acquired

The estimate of fair value as of the acquisition date required the use of significant assumptions and estimates. Critical estimates included, but were not limited to, future expected cash flows, including projected revenues and expenses, and the applicable discount rates. These estimates were based on assumptions that the Company believes to be reasonable, however, actual results may differ from these estimates.

The allocation of purchase price to the identifiable assets acquired and liabilities assumed was based on estimates of fair value as of January 24, 2020, and is as follows:

Recognized identifiable assets acquired and liabilities assumed:		
Cash and cash equivalents	$	196
Accounts receivable		2,029
Inventories		10,968
Prepaid expenses and other current assets		364
Property and equipment, net		1,099
Right-of-use assets		944
Intangible assets		44,000
Accounts payable, accrued expenses and other current liabilities		(2,763)
Other long-term liabilities		(594)
Lease liabilities		(735)
Net assets acquired		55,508
Goodwill		19,628
Estimated total purchase consideration	$	75,136

The acquired intangible assets based on estimates of fair value as of January 24, 2020 are as follows:

Developed technology	$	41,100
Trade name		1,800
Customer relationships		1,100
Total acquired intangible assets	$	44,000

The fair value of the developed technology intangible assets has been estimated using the multi-period excess earnings method, which is based on the principle that the value of an intangible asset is equal to the present value of the incremental after-tax cash flow attributable to the asset, after charges for other assets employed by the business. The fair value of the customer relationships has been estimated using the avoided costs/lost profits method, which is based on the principle that the value of an intangible asset is based on consideration of the total costs that would be avoided by having this asset in place. The fair value of the trade name has been estimated using the relief from royalty method of the income approach, which is based on the principle that the value of an intangible asset is equal to the present value of the after-tax royalty savings attributable to owning the intangible asset. Key estimates and assumptions used in these models are projected revenues and expenses related to the asset, estimated contributory asset charges, estimated costs to recreate the asset, and a risk-adjusted discount rate used to calculate the present value of the future expected cash inflows or cash outflows avoided from the asset.

The fair value of developed technology will be amortized over a useful life of 15 years, the fair value of customer relationships over 10 years, and the fair value of the trade name over 5 years.

The excess of the purchase price over the fair value of the net assets acquired was recorded as goodwill and assigned to the newly established reporting unit for Parcus Medical and Arthrosurface. The goodwill is attributable to the workforce of the business and the value of future technologies expected to arise after the acquisition. Goodwill will not be amortized and is expected to be deductible for income tax purposes as the acquisition of the limited liability company is an asset purchase for tax purposes. See Note 7, *Goodwill*, for further discussion.

Arthrosurface, Inc.

On February 3, 2020, the Company completed the acquisition of Arthrosurface, pursuant to the terms of the Agreement and Plan of Merger, dated as of January 4, 2020 (the “Arthrosurface Merger Agreement”), by and among the Company, Arthrosurface, the Stockholder Representative, and Button Merger Sub, a Delaware corporation and a wholly owned subsidiary of the Company. At the closing date, Arthrosurface became a wholly owned subsidiary of the Company. Arthrosurface is a joint preservation technology company specializing in less invasive, bone-preserving partial and total joint replacement solutions.

The acquisition of Arthrosurface has been accounted for as a business combination under ASC 805. Under ASC 805, assets acquired and liabilities assumed in a business combination must be recorded at their fair values as of the acquisition date. The Company's consolidated financial statements include results of operations for Arthrosurface from the February 3, 2020 acquisition date.

Consideration Transferred

Pursuant to the Arthrosurface Merger Agreement, the Company acquired all outstanding equity of Arthrosurface for estimated total purchase consideration of $90.3 million, as of February 3, 2020, which consisted of:

Cash consideration	$	61,909
Estimated fair value of contingent consideration		28,376
Estimated total purchase consideration	$	90,285

Pursuant to the Arthrosurface Merger Agreement, the Company could be required to make future payments up to $40.0 million depending on the achievement of regulatory milestones and the level of net sales of Arthrosurface products in 2020 through 2021. The fair value of contingent consideration related to regulatory milestones as of February 3, 2020 was determined through a scenario-based discounted cash flow analysis using scenario probabilities and regulatory milestone dates. The fair value of contingent consideration related to net sales achievement as of February 3, 2020 was determined based upon a Monte Carlo simulation approach at acquisition date, whereby a range of possible scenarios were simulated. In October 2020 and July 2021, based upon the achievement of two distinct regulatory milestones, the Company paid $5.0 million and $10.0 million, respectively. The liability for contingent consideration is included in current and long-term liabilities on the consolidated balance sheets and will be remeasured at each reporting period until the contingency is resolved. See Note 4, *Fair Value Measurements*, for additional discussion of contingent consideration as of September 30, 2021 and December 31, 2020.

Acquisition-related costs are not included as a component of consideration transferred but are expensed in the periods in which the costs are incurred. The Company incurred approximately $2.2 million in transaction costs related to the Arthrosurface acquisition during the three-month period ending March 31, 2020. The transaction costs subsequent to March 31, 2020 were immaterial. The transaction costs have been included in selling, general and administrative expenses in the consolidated statements of operations.

Fair Value of Net Assets Acquired

The estimate of fair value required the use of significant assumptions and estimates. Critical estimates included, but were not limited to, future expected cash flows, including projected revenues and expenses, and the applicable discount rates. These estimates were based on assumptions that the Company believes to be reasonable. However, actual results may differ from these estimates.

The allocation of purchase price to the identifiable assets acquired and liabilities assumed was based on estimates of fair value as of February 3, 2020, as follows:

Recognized identifiable assets acquired and liabilities assumed:		
Cash and cash equivalents	$	1,072
Accounts receivable		5,368
Inventories		15,652
Prepaid expenses and other current assets		535
Property, plant and equipment		3,394
Other long-term assets		7,548
Intangible assets		48,900
Accounts payable, accrued expenses and other liabilities		(3,929)
Deferred tax liabilities		(11,147)
Net assets acquired		67,393
Goodwill		22,892
Estimated total purchase consideration	$	90,285

Intangible assets acquired consist of:		
Developed technology	$	37,000
Trade name		3,400
Customer relationships		7,900
IPR&D		600
Total acquired intangible assets	$	48,900

The fair value of the developed technology intangible assets has been estimated using the multi-period excess earnings method, which is based on the principle that the value of an intangible asset is equal to the present value of the incremental after-tax cash flow attributable to the asset, after charges for other assets employed by the business. The fair value of the customer relationships has been estimated using the avoided costs/lost profits method, which is based on the principle that the value of an intangible asset is based on consideration of the total costs that would be avoided by having this asset in place. The fair value of the trade name has been estimated using the relief from royalty method of the income approach, which is based on the principle that the value of an intangible asset is equal to the present value of the after-tax royalty savings attributable to owning the intangible asset. Key estimates and assumptions used in these models are projected revenues and expenses related to the asset, estimated contributory asset charges, estimated costs to recreate the asset, and a risk-adjusted discount rate used to calculate the present value of the future expected cash inflows or cash outflows avoided from the asset.

The fair value of developed technology will be amortized over an estimated useful life of 15 years, the fair value of customer relationships over 10 years, and the fair value of the trade name over 5 years. A total of $0.6 million represents the fair value of IPR&D with an indefinite useful life that will be evaluated for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

The excess of the purchase price over the fair value of the net assets acquired was recorded as goodwill and assigned to the newly established reporting unit for Parcus Medical and Arthrosurface. The goodwill is attributable to the workforce of the business and the value of future technologies expected to arise after the acquisition. Goodwill will not be amortized and is not expected to be deductible for income tax purposes as the acquisition of the corporation is a stock purchase for tax purposes See Note 7, *Goodwill*, for further discussion.

Pro Forma Information

The Parcus Medical and Arthrosurface acquisitions were both completed in the first quarter of 2020. Both acquired companies have similar businesses with all of their products in the Joint Preservation and Restoration product family, serving orthopedic surgeons, ambulatory surgical centers and hospitals. The Company has combined legacy Anika, Parcus Medical and Arthrosurface pro forma supplemental information as follows.

The unaudited pro forma information for the nine-month periods ended September 30, 2021 and 2020 was calculated after applying the Company's accounting policies and the impact of acquisition date fair value adjustments. The pro forma financial information presents the combined results of operations of Anika, Parcus Medical and Arthrosurface as if the acquisitions had occurred on January 1, 2019 after giving effect to certain pro forma adjustments. The pro forma adjustments reflected herein include only those adjustments that are factually supportable and directly attributable to the acquisitions.

These pro forma adjustments include: (i) a net increase in amortization expense to record amortization expense for the aforementioned acquired identifiable intangible assets, (ii) an adjustment to cost of revenue based on the preliminary inventory step-up and the anticipated inventory turnover, (iii) a net decrease in interest expense as a result of eliminating interest expense and interest income related to borrowings that were settled in accordance with the respective Parcus Medical Merger Agreement and Arthrosurface Merger Agreement, (iv) an adjustment to record the acquisition-related transaction costs in the period required, and (v) the tax effect of the pro forma adjustments using the anticipated effective tax rate. The effective tax rate of the combined company could be materially different from the effective rate presented in this unaudited pro forma combined financial information. As a result of the transaction, the combined company may be subject to annual limitations on its ability to utilize pre-acquisition net operating loss carryforwards to offset future taxable income. The amount of the annual limitation is determined based on the value of Anika immediately prior to the acquisition. As further information becomes available, any such adjustment described above could be material to the amounts presented in the unaudited pro forma combined financial statements. The pro forma information does not purport to be indicative of the results of operations that actually would have resulted had the combination occurred at the beginning of each period presented, or of future results of the consolidated entities.

The following table presents unaudited supplemental pro forma information:

	Nine Months Ended September 30, 2020
Total revenue	$ 101,722
Net loss	(7,328)

4. Fair Value Measurements

The Company held investments in U.S. treasury bills of $2.5 million as available-for-sale securities at December 31, 2020. Unrealized losses and the associated tax impact on the Company's available-for-sale securities were insignificant at December 31, 2020. There were no available-for-sale securities as of September 30, 2021.

The Company's investments are all classified within Level 1 of the fair value hierarchy and are valued based on quoted prices in active markets. For cash, current receivables, accounts payable, and interest accrual, the carrying amounts approximate fair value, because of the short maturity of these instruments, and therefore fair value information is not included in the table below. Contingent consideration related to the previously described business combinations are classified within Level 3 of the fair value hierarchy as the determination of fair value uses considerable judgement and represents the Company's best estimate of an amount that could be realized in a market exchange for the asset or liability.

The classification of the Company's cash equivalents and investments within the fair value hierarchy is as follows:

	September 30, 2021	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Amortized Cost
Cash equivalents:					
Money Market Funds	$ 67,042	$ 67,042	$ -	$ -	$ 67,042
Other current and long-term liabilities:					
Contingent Consideration - Short Term	$ 3,490	$ -	$ -	$ 3,490	$ -

	December 31, 2020	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Amortized Cost
Cash equivalents:					
Money Market Funds	$ 74,522	$ 74,522	$ -	$ -	$ 74,522
Investments:					
U.S. Treasury Bills	$ 2,501	$ 2,501	$ -	$ -	$ 2,524
Other current and long-term liabilities:					
Contingent Consideration - Short Term	$ 13,090	$ -	$ -	$ 13,090	$ -
Contingent Consideration - Long Term	22,320	-	-	22,320	-
Total other current and long-term liabilities	$ 35,410	$ -	$ -	$ 35,410	$ -

Contingent Consideration

The following table provides a rollforward of the contingent consideration related to business acquisitions discussed in Note 3, *Business Combinations*.

	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2021
Balance, beginning	$ 16,940	$ 35,410
Additions	-	-
Payments	(10,000)	(10,000)
Change in fair value	(3,450)	(21,920)
Balance, ending	$ 3,490	$ 3,490

Under the Parcus Medical Merger Agreement and Arthrosurface Merger Agreement, there are earn-out milestones totaling $100 million payable from 2020 to 2022. Parcus Medical has net sales earn-out milestones annually from 2020 to 2022, while Arthrosurface has both regulatory and net sales earn-out milestones annually in 2020 and 2021. Projected contingent payment amounts are discounted back to the current period using a discounted cash flow model or a Monte Carlo simulation approach. The unobservable inputs used in the fair value measurement of the Company's contingent consideration are the probabilities of successful achievement, the net sales estimates, the weighted average cost of capital used for the Monte Carlo simulation, discount rate and the periods in which the milestones are expected to be achieved. The discount rates used for the net sales milestones ranged from 3.2% - 3.3%. The weighted average cost of capital for Parcus increased from 11.4% as of December 31, 2020 to 11.6% as of September 30, 2021. Increases or decreases in the discount rate would result in a lower or higher fair value measurement, respectively. As of December 31, 2020, the probability of successful achievement of the regulatory earn-out milestones was determined to be in a range of 60%-75%. The Company achieved a regulatory milestone in June 2021. The probability of successful achievement of the remaining regulatory milestone was determined to be 0% as of September 30, 2021.

The overall fair value of the contingent consideration decreased by $3.5 million and $21.9 million during the three- and nine-month periods ended September 30, 2021, respectively, due primarily to the decrease in the likelihood that certain contingent milestones would be achieved. The fair value of remaining contingent consideration is assessed on a quarterly basis.

In October 2020, the Company made a regulatory-based milestone payment of $5.0 million pursuant to the terms of the Arthrosurface Merger Agreement as a result of regulatory clearance for the WristMotion Total Arthroplasty System. In June 2021, the Company received regulatory clearance for a reverse shoulder implant system, which triggered a $10.0 million regulatory milestone payment per the terms of the Arthrosurface Merger Agreement. This amount was paid in July 2021.

5. Inventories

Inventories consist of the following:

	September 30, 2021	December 31, 2020
Raw materials	$ 16,084	$ 14,852
Work-in-process	12,795	12,811
Finished goods	28,935	33,347
Total	$ 57,814	$ 61,010
Inventories	$ 35,019	$ 46,209
Other long-term assets	22,795	14,801

6. Intangible Assets

Intangible assets as of September 30, 2021 and December 31, 2020 consisted of the following:

	Nine Months Ended September 30, 2021				December 31, 2020	
	Gross Value	Less: Accumulated Currency Translation Adjustment	Less: Accumulated Amortization	Net Book Value	Net Book Value	Weighted Average Useful Life
Developed technology	$ 89,580	$ (1,562)	$ (16,435)	$ 71,583	$ 75,899	15
IPR&D	3,256	(969)	-	2,287	2,587	Indefinite
Customer relationships	9,000	-	(1,502)	7,498	8,173	10
Distributor relationships	4,700	(415)	(4,285)	-	-	5
Patents	1,000	(185)	(620)	195	259	16
Tradenames	5,200	-	(1,742)	3,458	4,239	5
Total	$ 112,736	$ (3,131)	$ (24,584)	$ 85,021	$ 91,157	13

The aggregate amortization expense related to intangible assets was $2.0 million and $1.9 million for the three-month periods ended September 30, 2021 and 2020, respectively, and $5.9 million and $5.4 million for the nine-month periods ended September 30, 2021 and 2020, respectively.

7. Goodwill

The Company assesses goodwill for impairment annually, or, under certain circumstances, more frequently, such as when events or changes in circumstances indicate there may be impairment.

Changes in the carrying value of goodwill for the nine months ended September 30, 2021 were as follows:

	Nine Months Ended September 30, 2021
Balance, beginning January 1, 2021	$ 8,413
Effect of foreign currency adjustments	(463)
Balance, ending September 30, 2021	$ 7,950

8. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consist of the following:

	September 30, 2021	December 31, 2020
Compensation and related expenses	$ 8,794	$ 7,345
Professional fees	2,046	3,438
Operating lease liability - current	1,542	1,437
Clinical trial costs	2,463	1,429
Other	2,494	1,144
Total	$ 17,339	$ 14,793

9. Commitments and Contingencies

In certain of its contracts, the Company warrants to its customers that the products it manufactures conform to the product specifications as in effect at the time of delivery of the specific product. The Company may also warrant that the products it manufactures do not infringe, violate, or breach any U.S. or international patent or intellectual property right, trade secret, or other proprietary information of any third party. On occasion, the Company contractually indemnifies its customers against any and all losses arising out of, or in any way connected with, any claim or claims of breach of its warranties or any actual or alleged defect in any product caused by the negligent acts or omissions of the Company. The Company maintains a products liability insurance policy that limits its exposure to these risks. Based on the Company's historical activity, in combination with its liability insurance coverage, the Company believes the estimated fair value of these indemnification agreements is immaterial. The Company had no accrued warranties as of September 30, 2021 and December 31, 2020 and has no history of claims paid.

The Company is also involved from time-to-time in various legal proceedings arising in the normal course of business. Although the outcomes of these legal proceedings are inherently difficult to predict, the Company does not expect the resolution of these occasional legal proceedings to have a material adverse effect on its financial position, results of operations, or cash flows.

On October 21, 2021, the Company received notice that the former unitholders of Parcus Medical had filed a request for arbitration regarding the earnout provisions agreed to in the Parcus Medical Merger Agreement. The Company is unable to estimate the potential liability with respect to this matter at this time. There are numerous factors that make it difficult to estimate reasonably possible loss or range of loss at this stage of the matter, including the significant number of legal and factual issues still to be resolved in the arbitration process. The Company intends to vigorously defend against the claims and believes it has strong defenses to the claims asserted.

10. Revenue

Revenue by product family was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Joint Pain Management	$ 26,153	$ 18,439	$ 69,790	$ 66,168
Joint Preservation and Restoration	11,193	11,715	35,296	26,233
Other	2,190	1,540	6,887	5,368
	$ 39,536	$ 31,694	$ 111,973	$ 97,769

Revenue from the Company's sole significant customer, DePuy Synthes Mitek Sports Medicine ("Mitek"), part of the Johnson & Johnson Medical Companies, as a percentage of the Company's total revenue was 51% and 48% for the three months ended September 30, 2021 and 2020, respectively, and 46% and 52% for the nine months ended September 30, 2021 and 2020, respectively.

We receive payments from our customers based on billing schedules established in each contract. Up-front payments are recorded as deferred revenue upon receipt or when due and may require deferral of revenue recognition to a future period until we perform our obligations under these arrangements. Amounts are recorded as accounts receivable when our right to consideration is unconditional. Deferred revenue was $0.9 million and $0.2 million as of September 30, 2021 and December 31, 2020, respectively.

Total revenue by geographic location was as follows:

	Three Months Ended September 30,			
	2021		2020	
	Total Revenue	Percentage of Revenue	Total Revenue	Percentage of Revenue
Geographic Location:				
United States	$ 30,910	78%	$ 26,409	84%
Europe	4,238	11%	2,954	9%
Other	4,388	11%	2,331	7%
Total	$ 39,536	100%	$ 31,694	100%

	Nine Months Ended September 30,			
	2021		2020	
	Total Revenue	Percentage of Revenue	Total Revenue	Percentage of Revenue
Geographic Location:				
United States	$ 85,984	77%	$ 77,848	80%
Europe	14,808	13%	11,140	11%
Other	11,181	10%	8,781	9%
Total	$ 111,973	100%	$ 97,769	100%

11. Equity Incentive Plan

The Anika Therapeutics, Inc. 2017 Omnibus Incentive Plan (the "2017 Plan") was approved by the Company's stockholders on June 13, 2017 and amended on June 16, 2020 and June 16, 2021 and provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights ("SARs"), restricted stock awards ("RSAs"), performance restricted stock units ("PSUs"), restricted stock units ("RSUs"), total shareholder return options ("TSRs") and performance options that may be settled in cash, stock, or other property. In accordance with the 2017 Plan approved by the Company's stockholders, including the amendments thereto, each share award other than stock options or SAR's will reduce the number of total shares available for grant by two shares. Subject to adjustment for specified types of changes in the Company's capitalization, no more than 4.6 million shares of common stock may be issued under the 2017 Plan. There are 1.9 million shares available for future grant at September 30, 2021.

The Company may satisfy the awards upon exercise, or upon fulfillment of the vesting requirements for other equity-based awards, with either newly issued shares or shares reacquired by the Company. Stock-based awards are granted with an exercise price equal to the market price of the Company's stock on the date of grant. Awards contain service conditions or service and performance conditions, and they generally become exercisable ratably over one to four years with a maximum contractual term of ten years.

The Company presents the expenses related to stock-based compensation awards in the same expense line items as cash compensation paid to each of its employees as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cost of revenue	$ 142	$ 202	$ 485	$ 564
Research and development	360	206	1,003	558
Selling, general and administrative	2,361	1,512	6,431	2,832
Total stock-based compensation expense	$ 2,863	$ 1,920	$ 7,919	$ 3,954

Stock Options

Stock options are granted to purchase common shares at prices that are equal to the fair market value of the shares on the date the options are granted. Options generally vest in equal annual installments over a period of three to four years and expire 10 years after the date of grant. The grant-date fair value of options is recognized as expense on a straight-line basis over the requisite service period, which is generally the vesting period.

The following summarizes the activity under the Company's stock option plans:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2020	896,819	$ 41.50		
Granted	493,628	$ 37.67		
Exercised	(27,851)	$ 34.62		$ 234
Forfeited and canceled	(177,604)	$ 44.32		
Outstanding as of September 30, 2021	1,184,992	$ 39.65	8.5	$ 4,654
Vested, September 30, 2021	304,172	$ 44.01	7.3	$ 812
Vested and expected to vest, September 30, 2021	1,184,992	$ 39.65	8.5	$ 4,654

Of the 493,628 stock options granted during the nine-month period ended September 30, 2021, 314,541 shares were premium-priced options which were granted with an exercise price at 110% of the market price of the Company's common stock on the date of grant.

The Company uses the Black-Scholes pricing model to determine the fair value of options granted. The calculation of the fair value of stock options is affected by the stock price on the grant date, the expected volatility of the Company's common stock over the expected term of the award, the expected life of the award, the risk-free interest rate and the dividend yield. The Company estimates the fair value of TSRs using Monte-Carlo simulation model. The actual number of TSR options that may be earned ranges from 0% to 150% of the target number, depending on the total shareholder return of the Company relative to the peer group over the vesting period of 2.7 years.

The assumptions used in the Black-Scholes pricing model for options granted during the nine months ended September 30, 2021 and 2020, along with the weighted-average grant-date fair values, were as follows:

	Nine Months Ended September 30,	
	2021	2020
Risk-free interest rate	0.30% – 0.68%	0.21% – 1.59%
Expected life of options (in years)	4.0 – 6.3	4.0 – 6.3
Dividend yield	-%	-%
Expected stock price volatility	54.80% –56.06%	46.48% –52.99%

As of September 30, 2021, there was $10.0 million of unrecognized compensation cost related to non-vested stock options. This cost is expected to be recognized over a weighted average period of 1.9 years.

Restricted Stock Units

RSUs generally vest in equal annual installments over a three or four year periods. The grant-date fair value of RSUs is recognized as expense on a straight-line basis over the requisite service period, which is generally the vesting period. The Company determines the fair value of restricted stock units based on the closing price of its common stock on the date of grant.

RSU activity is as follows:

	Number of Shares	Weighted Average Fair Value
Outstanding as of December 31, 2020	233,239	$ 37.50
Granted	308,243	35.42
Vested	(90,013)	37.63
Forfeited and cancelled	(48,624)	35.69
Outstanding as of September 30, 2021	402,845	$ 36.10

As of September 30, 2021, there was $11.3 million of unrecognized compensation cost related to time-based RSUs, which is expected to be recognized over a weighted-average period of 2.1 years.

Performance Stock Units

PSUs generally vest over a three or four year periods from the grant date and include both a service and performance component. The PSUs granted to employees contained performance conditions with business and financial targets. The business target, amounting to 40% of the total performance conditions, will be measured based on achievement in the 2020-2022 fiscal years, while the financial targets, amounting to 60% of the total performance conditions, will ultimately be measured with respect to the Company's operating results in the 2020-2022 fiscal years.

PSU activity is as follows:

	Number of Shares	Weighted Average Fair Value
Outstanding as of December 31, 2020	178,297	$ 35.93
Granted	-	-
Vested	-	-
Forfeited and cancelled	(18,500)	37.02
Outstanding as of September 30, 2021	159,797	$ 35.80

As of September 30, 2021, there was $0.1 million of unrecognized compensation cost related to PSUs, which is expected to be recognized over a weighted-average period of 0.4 years.

On November 4, 2021, the Anika Therapeutics, Inc. 2021 Inducement Plan (the "Inducement Plan") was adopted by the Company's board of directors. The Inducement Plan reserves 125,000 shares of common stock for issuance pursuant to equity-based awards granted under the Inducement Plan. Such awards may be granted only to an individual who was not previously the Company's employee or director, or who is returning to employment following a bona fide period of non-employment with the Company, in each case as an inducement material to the individual's entry into employment with the Company within the meaning of Rule 5635(c)(4) of the Nasdaq Listing Rules. The Inducement Plan provides for the grant of awards under terms substantially similar to the 2017 Plan (as amended).

12. Income Taxes

For the three- and nine-month periods ended September 30, 2021, the Company recorded an income tax provision of $0.7 million and $1.7 million, resulting in effective tax rates of 55.4% and 14.4%, respectively. For the three- and nine-month periods ended September 30, 2020, due to losses in those periods, the Company incurred benefits from income taxes of $1.7 million and $2.2 million, resulting in effective tax rates of 21.4% and 20.6%, respectively. The net increase in the effective tax rate for the three-month period ended September 30, 2021, as compared to the same period in 2020, was primarily due to stock option activity and an adjustment to the Foreign Derived Intangible Income ("FDII") deduction expected for 2021. The year-to-date net tax benefit on the change in the fair value of the contingent consideration, in the amount of $1.1 million in 2021, resulted in a net decrease in the effective tax rate for the nine-month period ended September 30, 2021, as compared to the same period in 2020.

The Company files income tax returns in the United States on a federal basis, in certain U.S. states, and in certain foreign jurisdictions. The associated tax filings remain subject to examination by applicable tax authorities for a certain length of time following the tax year to which those filings relate.

In connection with the preparation of the financial statements, the Company assessed whether it is more likely than not that it will be able to utilize, in future periods, the deferred income taxes to offset future taxable income. The Company has concluded that it is more likely than not that the majority of its deferred tax assets will be realized through consideration of both the positive and negative evidence.

13. Earnings Per Share ("EPS")

Basic EPS is calculated by dividing net income by the weighted average number of shares outstanding during the period. Unvested restricted shares, although legally issued and outstanding, are not considered outstanding for purposes of calculating basic EPS. Diluted EPS is calculated by dividing net income by the weighted average number of shares outstanding plus the dilutive effect, if any, of outstanding share-based awards using the treasury stock method.

The following table provides share information used in the calculation of the Company's basic and diluted EPS (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Shares used in the calculation of basic EPS	14,429	14,205	14,389	14,202
Effect of dilutive securities:				
Share based awards	218	-	199	-
Diluted shares used in the calculation of EPS	14,647	14,205	14,588	14,202

Stock options of 1.0 million shares were outstanding for each of the three-month periods ended September 30, 2021 and 2020 and were not included in the computation of diluted EPS because the awards' impact on EPS would have been anti-dilutive. Stock options of 1.1 million and 0.8 million shares were outstanding for the nine-month periods ended September 30, 2021 and 2020 and were not included in the computation of diluted EPS because the awards' impact on EPS would have been anti-dilutive.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with our financial statements and related notes appearing elsewhere in this report and our audited consolidated financial statements and related notes contained in our Annual Report on Form 10-K for the year ended December 31, 2020, or our 2020 Form 10-K. In addition to historical information, this report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 concerning our business, consolidated financial condition, and results of operations. The Securities and Exchange Commission, or the SEC, encourages companies to disclose forward-looking statements so that investors can better understand a company's prospects and make informed investment decisions. Forward-looking statements are subject to risks and uncertainties, many of which are outside our control, which could cause actual results to differ materially from these statements. Therefore, you should not rely on any of these forward-looking statements. Forward-looking statements can be identified by such words as "will," "likely," "may," "believe," "expect," "anticipate," "intend," "seek," "designed," "develop," "would," "future," "can," "could," "estimate," "potential," and other expressions that are predictions of or indicate future events and trends and that do not relate to historical matters. All statements other than statements of historical facts included in this report regarding our strategies, prospects, financial condition, operations, costs, plans, and objectives are forward-looking statements. Examples of forward-looking statements include, among others, statements regarding the effect of COVID-19 and related impacts on our business, operations, and financial results, expected future operating results, expectations regarding the timing and receipt of regulatory results, anticipated levels of capital expenditures, and expectations of the effect on our financial condition of claims, litigation, and governmental and regulatory proceedings.

Please also refer to those factors described in "Part I, Item 1A. Risk Factors" of our 2020 Form 10-K for important factors that we believe could cause actual results to differ materially from those in our forward-looking statements. Any forward-looking statement made by us in this report is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

Management Overview

We are a global joint preservation company that creates and delivers meaningful advancements in early intervention orthopedic care. Based on our collaborations with clinicians to understand what they need most to treat their patients, we develop minimally invasive products that restore active living for people around the world. We are committed to leading in high opportunity spaces within orthopedics, including osteoarthritis, or OA, pain management, regenerative solutions, soft tissue repair and bone preserving joint technologies.

We have over thirty years of global expertise developing, manufacturing and commercializing products based on our hyaluronic acid, or HA, technology platform. HA is a naturally occurring polymer found throughout the body that is vital for proper joint health and tissue function. Our proprietary technologies for modifying the HA molecule allow product properties to be tailored specifically to multiple uses, including enabling longer residence time to support OA pain management and creating a solid form of HA called HYAFF, which is the platform for our regenerative solutions portfolio.

In early 2020, we expanded our overall technology platform and significantly enhanced our commercial infrastructure, especially in the United States, through our strategic acquisitions of Parcus Medical, LLC, or Parcus Medical, a sports medicine implant and instrumentation solutions provider focused on sports medicine and soft tissue repair, and Arthrosurface, Inc., or Arthrosurface, a company specializing in bone preserving partial and total joint replacement solutions. Through these acquisitions, we have transformed our company. We expanded our addressable market from the over $1 billion global OA pain management market to the over $8 billion joint preservation market (which includes the faster growing sports medicine and extremities segments), improved our commercial capabilities, and expanded our product pipeline and research and development expertise in our target markets.

As we look towards the future, our business is positioned to capture value within our target market of joint preservation. We believe our success will be driven by our:

- Decades of experience in HA-based regenerative solutions and early intervention orthopedics combined under new seasoned leadership with a strong financial foundation for future investment in meaningful solutions for our customers;
- Robust network of stakeholders in our target markets to identify evolving unmet patient treatment needs;
- Prioritized investment in differentiated pipeline of regenerative solutions, bone preserving implants and soft tissue solutions;
- Leveraging global commercial expertise to drive growth across the portfolio;
- Opportunity to pursue strategic inorganic growth opportunities, including potential partnerships and tuck-in acquisitions, leveraging our strong financial foundation and operational capabilities; and
- Energized and experienced team focused on strong values, talent, and culture.

Key Developments during the Three Months Ended September 30, 2021

- We completed the launch activities for WristMotion Total Wrist Arthroplasty System. The product is a modular joint preservation system that replaces both the radial and carpal sides of the wrist joint for patients suffering from rheumatoid arthritis, osteoarthritis, or post-traumatic arthritis.

- We received 510(k) clearance for Tactoset Injectable Bone Substitute for hardware augmentation. This product is indicated for filling bone voids or defects of the skeletal system (i.e. extremities and pelvis) that are not intrinsic to the stability of bony structure.

COVID-19 Pandemic

In March 2020, the World Health Organization declared the spread of the COVID-19 virus a global pandemic. This pandemic has caused an economic downturn on a global scale, as well as significant volatility in the financial markets. There has been significant volatility in our results on a quarterly basis due to the worldwide cancellation or delay of elective procedures, as well as the impact on timelines associated with certain clinical studies. While elective procedure volume had a limited recovery after the initial pandemic impacts seen in the early parts of second quarter of 2020 due to the easing of COVID-19 related restrictions in certain jurisdictions, areas of the United States and other countries have recently seen, and continue to see, fluctuating infection rates increasing as the result of emerging variants of COVID-19.Continuing fluctuations in infection rates in the United States and other countries make future results difficult to predict despite recent advances in the vaccination rates of certain parts of the population. In this time of uncertainty as a result of the COVID-19 pandemic, we have taken many precautions to provide a safe work environment for our employees and customers, including the establishment and implementation of a work from home policy, where possible. While increasing vaccination rates and the loosening of restrictions, especially in the United States, have resulted in a return to a more normalized business environment, the pandemic continues to have an impact on our business in certain jurisdictions and a resurgence of COVID-19 as a result of emerging variants or other factors, as is currently occurring in certain jurisdictions, could result in additional government lockdowns, quarantine requirements, or other restrictions that could impact our business and operations. We may also have to take further actions that we determine are in the best interests of our employees or as required by federal, state, or local authorities. To date, we do not anticipate disruption to our ability to supply products to our customers. Our commercial day-to-day operations have been impacted due to the worldwide cancellations and/or delays of elective procedures, and timelines associated with certain clinical studies and research and development programs have been delayed. While the impact has been limited to these items to date, we caution that there continues to be a possibility for potential future implementation of certain additional restrictions in certain jurisdictions. The impact of these restrictions on our operations, if implemented, is currently unknown, but could be significant.

Products

Joint Pain Management

Our Joint Pain Management product family consists of:

- Monovisc and Orthovisc, our single- and multi-injection, HA-based viscosupplement offerings indicated to provide pain relief from OA conditions. Our Joint Pain Management products are generally administered to patients in an office setting. In the United States, Monovisc and Orthovisc are marketed exclusively by DePuy Synthes Mitek Sports Medicine, part of the Johnson & Johnson Medical Companies, or Mitek, and have been the market leaders, based on combined overall revenue in the viscosupplement market, since 2018. Internationally, we market our Joint Pain Management products through a worldwide network of commercial distributors.

- Cingal, our novel, third-generation, single-injection OA product consisting of our proprietary cross-linked HA material combined with a steroid, is designed to provide both short- and long-term pain relief. Cingal is CE Mark approved and has been sold outside the United States in over 35 countries through our network of distributors for several years. In the United States, Cingal is a pipeline product undergoing clinical trial and is not available for commercial sale.

- Hyvisc, our high molecular weight injectable HA veterinary product for the treatment of joint dysfunction in horses due to non-infectious synovitis associated with equine OA. Hyvisc is distributed by Boehringer Ingelheim Vetmedica, Inc., in the United States.

Joint Preservation and Restoration

Our Joint Preservation and Restoration product family consists of:

- Bone Preserving Joint Technologies. Our portfolio of more than 150 bone preserving joint technologies, including partial joint replacement, joint resurfacing, and minimally invasive and bone sparing implants, is designed to treat upper and lower extremity orthopedic conditions as well as knee and hip conditions caused by trauma, injury and arthritic disease. These products span multiple joints including the shoulder, foot/ankle, wrist, knee and hip and are generally intended to mimic a patient's natural anatomy to the extent feasible. These products are often used to treat patients with OA progression beyond where our Joint Pain Management products can allow the patients to retain an active lifestyle, when early surgical intervention becomes preferable. We commercialize these products in the United States by selling to hospitals and surgery centers through an independent network of sales representatives and distributors, and utilize our distributor network for sales in certain international markets.

- Soft Tissue Repair. Our line of soft tissue repair solutions is used by surgeons to repair and reconstruct damaged ligaments and tendons resulting from sports injuries, trauma and disease. These more traditional sports medicine solutions include screws, sutures, suture anchors, and other surgical systems that facilitate surgical procedures on the shoulder, knee, hip, upper and lower extremities, and other soft tissues. We commercialize these products in the United States by selling to hospitals and surgery centers through an independent network of sales representatives and distributors, and utilize our distributor network for sales in over 60 international markets.

- Regenerative Solutions. Our portfolio of orthopedic regenerative solutions based on our proprietary technologies based on HA and Hyaff, which is a solid form of HA. These products include Tactoset Injectable Bone Substitute, an HA-enhanced injectable bone repair therapy designed to treat insufficiency fractures and for augmenting suture anchor fixation that we commercialize only in the United States, and Hyalofast, a biodegradable support for human bone marrow mesenchymal stem cells used for cartilage regeneration and as an adjunct for microfracture surgery. Hyalofast is CE Mark approved and currently available in Europe, South America, Asia, and certain other international markets. In the United States, Hyalofast is a pipeline product under clinical trial and is not available for commercial sale.

Other

Our Other product family consists of legacy HA-based products that do not fit into one of our other primary product categories. These products include Hyalobarrier, an anti-adhesion barrier indicated for use after abdomino-pelvic surgeries, and Hyalomatrix, which is used for the treatment of complex wounds such as burns and ulcers, products used in connection with the treatment of ears, nose and throat disorders, and ophthalmic products, including injectable, high molecular weight HA products used as viscoelastic agents in ophthalmic surgical procedures such as cataract extraction and intraocular lens implantation.

Results of Operations

Three and Nine Months Ended September 30, 2021 Compared to Three and Nine Months Ended September 30, 2020.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
	(in thousands, except percentages)				(in thousands, except percentages)			
Revenue	$ 39,536	$ 31,694	$ 7,842	25%	$ 111,973	$ 97,769	$ 14,204	15%
Cost of revenue	16,513	14,351	2,162	15%	47,164	45,487	1,677	4%
Gross profit	23,023	17,343	5,680	33%	64,809	52,282	12,527	24%
Gross margin	58%	55%			58%	53%		
Operating expenses:								
Research and development	7,673	5,217	2,456	47%	21,327	15,799	5,528	35%
Selling, general and administrative	17,500	15,903	1,597	10%	53,664	44,884	8,780	20%
Goodwill impairment	-	-			-	18,144	(18,144)	(100%)
Change in fair value of contingent consideration	(3,450)	4,150	(7,600)	(183%)	(21,920)	(16,176)	(5,744)	36%
Total operating expenses	21,723	25,270	(3,547)	(14%)	53,071	62,651	(9,580)	(15%)
Income (loss) from operations	1,300	(7,927)	9,227	116%	11,738	(10,369)	22,107	213%
Interest and other expense, net	(48)	(228)	(180)	(79%)	(141)	(118)	23	19%
Income (loss) before income taxes	1,252	(8,155)	9,407	115%	11,597	(10,487)	22,084	211%
Provision for (benefit from) income taxes	694	(1,744)	2,438	140%	1,670	(2,161)	3,831	177%
Net income (loss)	$ 558	$ (6,411)	$ 6,969	109%	$ 9,927	$ (8,326)	$ 18,253	219%

Revenue

Revenue for the three-month period ended September 30, 2021 was $39.5 million, an increase of $7.9 million as compared to $31.7 million for the three-month period ended September 30, 2020. Revenue for the nine-month period ended September 30, 2021 was $112.0 million, an increase of $14.2 million as compared to $97.8 million for the nine-month period ended September 30, 2020. For the three- and nine-month periods ended September 30, 2021, the increases in revenue were primarily driven by partial recovery from the initial impact of the COVID-19 pandemic on sales volumes and related strategic partner ordering patterns. The increase for the nine-month period ended September 30, 2021, was also in part due to inclusion of full first quarter results of Parcus Medical and Arthrosurface, which we acquired on January 24, 2020 and February 3, 2020, respectively.

The following tables present product revenue by product family:

	Three Months Ended September 30,			
	2021	2020	$ change	% change
	(in thousands, except percentages)			
Joint Pain Management	$ 26,153	$ 18,439	$ 7,714	42%
Joint Preservation and Restoration	11,193	11,715	(522)	(4%)
Other	2,190	1,540	650	42%
	$ 39,536	$ 31,694	$ 7,842	25%

	Nine Months Ended September 30,			
	2021	2020	$ change	% change
	(in thousands, except percentages)			
Joint Pain Management	$ 69,790	$ 66,168	$ 3,622	6%
Joint Preservation and Restoration	35,296	26,233	9,063	35%
Other	6,887	5,368	1,519	28%
	$ 111,973	$ 97,769	$ 14,204	15%

Revenue from our Joint Pain Management product family increased 42% and 6% for the three- and nine-month periods ended September 30, 2021, respectively, as compared to the same periods in 2020 due primarily to partial recovery from the initial impact of the COVID-19 pandemic on sales volumes and related strategic partner ordering patterns. In 2020, customer ordering patterns delayed a portion of the initial impact of the COVID-19 pandemic on this product family from the second quarter into the second half of 2020.

Revenue from our Joint Preservation and Restoration product family decreased 4% for the three-month period ended September 30, 2021 as compared to the same period in 2020, due primarily to the impact of the COVID-19 pandemic, including rolling suspensions of elective procedures by hospitals in certain regions as well as the limitations on access to customers during the period. For the nine-month period ended September 30, 2021, revenue from our Joint Preservation and Restoration product family increased 35% as compared to the same period in 2020 due primarily to organic growth as the initial impact of the COVID-19 pandemic on elective procedures begins to lift in various worldwide jurisdictions, especially in the United States during the first half of 2021, as well as due to the inclusion of full quarter results from Parcus Medical and Arthrosurface in the first quarter.

Revenue from our Other product family increased 42% for the three-month period ended September 30, 2021, as compared to the same period in 2020 primarily due to timing of distributor sales. For the nine-month period ended September 30, 2021 revenue increased 28% as compared to the same period in 2020 primarily due to timing of distributor sales as well as due to the sell through of legacy wound care products during the first quarter.

Gross Profit and Margin

Gross profit for the three- and nine-month periods ended September 30, 2021 increased $5.7 million and $12.5 million to $23.0 million and $64.8 million, respectively, representing 58% of revenue for each of the periods. Gross profit for the three- and nine-month periods ended September 30, 2020 was $17.3 million and $52.3 million, respectively, or 55% and 53% of revenue for the periods, respectively. The increase in gross profit for the three- and nine-month periods ended September 30, 2021, primarily resulted from increased revenue. The increase for the nine-month period ended September 30, 2021 was partially offset by product rationalization charges in the second quarter of 2021. Gross margins include the impact of inventory step-up associated with the Arthrosurface and Parcus Medical acquisitions, as well as acquisition-related amortization expenses. These expenses together increased cost of revenue by $3.0 million, or 8 points of gross margin, and $10.9 million, or 10 points of gross margin, for the three- and nine-month periods ended September 30, 2021, respectively, as compared to increased cost of revenue of $4.8 million, or 15 points of gross margin, and $11.7 million, or 12 points of gross margin, respectively, for the same periods in 2020.

Research and Development

Research and development expenses for the three- and nine-month periods ended September 30, 2021 were $7.7 million and $21.3 million, representing an increase of $2.5 million and $5.5 million, respectively, as compared to the same periods in 2020. The increase in research and development expense for the three- and nine-month periods ended September 30, 2021 was primarily due to product development activities associated with the development of new product candidates in our research and development pipeline, execution of the CINGAL Pilot study and certain European post-market clinical studies. Research and development activities were curtailed in the three- and nine-months ended September 30, 2020 due to cost optimization in the light of the early stages of the COVID-19 pandemic.

Selling, General and Administrative

Selling, general and administrative, or SG&A expenses, for the three- and nine-month periods ended September 30, 2021 were $17.5 million and $53.7 million, an increase of $1.6 million and $8.8 million, respectively, as compared to the same periods in 2020. The increase in SG&A expenses for the three-month period ended September 30, 2021 was primarily related to an increase in share-based compensation expense due largely to forfeitures of unvested shares during the comparable period and higher sales and marketing activities and events during 2021 which had been suspended in 2020 due to the impact of the COVID-19 pandemic.

The increase in SG&A expenses for the nine-month period ended September 30, 2021 was primarily related to full period expenses from Parcus Medical and Arthrosurface, increased spending to support our commercial capability in the United States and expanded marketing activities, and a non-cash loss on disposal of fixed assets, partially offset by the absence of transaction costs incurred in 2020 related to acquisitions of Parcus and Arthrosurface. Certain activities were curtailed in the three- and nine-months ended September 30, 2020 due to cost optimization in light of the early stages of the COVID-19 pandemic.

Goodwill Impairment Charge

We assess goodwill for impairment annually, as of end of November, or, under certain circumstances, more frequently, such as when events or changes in circumstances indicate there may be impairment. U.S. and other country government policy responses to the COVID-19 pandemic and the resulting changes in healthcare guidelines caused a temporary suspension of domestic elective surgical procedures. As a result of these events, during the three-month period ended March 31, 2020, we performed a quantitative assessment of goodwill impairment related to the Parcus and Arthrosurface reporting unit as of March 31, 2020. The results of these interim impairment tests indicated that the estimated fair value of this reporting unit was less than its carrying value. Consequently, a non-cash goodwill impairment charge of $18.1 million was recorded in the three-month period ended March 31, 2020. The decline in fair value was primarily due to a decrease in immediate term revenue and related cash flows as a result of the temporary suspension of domestic elective procedures, which directly impacted the Parcus and Arthrosurface reporting units. There were no goodwill impairment charges during the three- and nine-month period ended September 30, 2021.

Contingent Consideration Fair Value Change

We recorded a $3.5 million and $21.9 million net benefit related to changes in the fair value of contingent consideration for the three- and nine-month periods ended September 30, 2021, respectively. We recorded a $4.2 million net expense and $16.2 million net benefit related to changes in the fair value of contingent consideration for the three- and nine-month periods ended September 30, 2020, respectively. The increase in net benefit in the three- and nine-month periods ended September 30, 2021 compared to the same period in 2020 is due primarily to the decrease in the likelihood that certain contingent milestones would be achieved.

Income Taxes

For the three- and nine-month periods ended September 30, 2021, the provision for income taxes was $0.7 million and $1.7 million, resulting in effective tax rates of 55.1% and 14.3%, respectively. For the three- and nine-month periods ended September 30, 2020, due to losses in those periods, we incurred benefits from income taxes of $1.7 million and $2.2 million, resulting in effective tax rates of 21.4% and 20.6%, respectively. The net increase in the effective tax rate for the three-month period ended September 30, 2021, as compared to the same period in 2020, was primarily due to stock option activity and an adjustment to the Foreign Derived Intangible Income (FDII) deduction expected for 2021. The year-to-date net tax benefit on the change in the fair value of the contingent consideration, in the amount of $1.1 million in 2021, resulted in a net decrease in the effective tax rate for the nine-month period ended September 30, 2021, as compared to the same period in 2020.

Non-GAAP Financial Measures

We present certain information with respect to adjusted gross profit and adjusted gross margin, adjusted Earnings Before Interest, Tax, Depreciation and Amortization, or (EBITDA), adjusted net income, adjusted diluted earnings per share or adjusted EPS, which are financial measures not based on any standardized methodology prescribed by accounting principles generally accepted in the United States, or GAAP, and is not necessarily comparable to similarly titled measures presented by other companies.

We have presented adjusted gross profit and adjusted gross margin, adjusted EBITDA, adjusted net income, adjusted EPS, because they are key measures used by our management and board of directors to understand and evaluate our operating performance and to develop operational goals for managing our business. We believe these financial measures help identify underlying trends in our business that could otherwise be masked by the effect of the expenses that we exclude. In particular, we believe that the exclusion of these items in calculating these measures can provide a useful tool for period-to-period comparisons of our core operating performance. Accordingly, we believe that these measures provide useful information to investors and others in understanding and evaluating our operating results, enhancing the overall understanding of our past performance and future prospects and allowing for greater transparency with respect to key financial metrics used by our management in its financial and operational decision-making.

Adjusted Gross Profit and Adjusted Gross Margin

We define adjusted gross profit as our gross profit excluding amortization of certain acquired assets, the impact of inventory fair-value step up associated with our recent acquisitions and product rationalization charges. The amortized assets contribute to revenue generation, and the amortization of such assets will recur in future periods until such assets are fully amortized. These assets include fair value of certain identified assets acquired in acquisitions, including developed technology and acquired tradenames. We define adjusted gross margin as adjusted gross profit divided by total revenue.

The following is a reconciliation of adjusted gross profit to gross profit for the three- and nine-month periods ended September 30, 2021 and 2020, respectively:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Gross profit	$ 23,023	$ 17,343	$ 64,809	$ 52,282
Product rationalization charges	-	-	2,063	1,920
Acquisition related intangible asset amortization	1,562	1,562	4,686	4,283
Acquisition related inventory step up	1,458	3,273	6,244	7,396
Adjusted gross profit	$ 26,043	$ 22,178	$ 77,802	$ 65,881
Adjusted gross margin	66%	70%	69%	67%

Adjusted gross profit for the three- and nine-month periods ended September 30, 2021 increased $3.9 million and $11.9 million to $26.0 million and $77.8 million, respectively, representing 66% and 69% of revenue. Adjusted gross profit for the three- and nine-month periods ended September 30, 2020 was $22.2 million and $65.9 million, respectively, or 70% and 67% of revenue for the periods, respectively. This increase in adjusted gross profit for the three-month period ended September 30, 2021 as compared with the same period in 2020, primarily resulted from organic growth of Joint Pain Management revenue as COVID-19 pandemic related restrictions started lifting in various worldwide jurisdictions, especially in the United States. The decrease in adjusted gross margin for the three-month period ended September 30, 2021 as compared with the same period in 2020, is due primarily to unfavorable revenue mix and lower production volumes based on timing related to the COVID-19 pandemic.

This increase in adjusted gross profit and adjusted gross margin for the nine-month period ended September 30, 2021 as compared with the same period in 2020, primarily resulted from higher revenue due to the inclusion of full period results from Parcus Medical and Arthrosurface in 2021 as we acquired these businesses in early 2020 and organic growth of Joint Pain Management revenue as COVID-19 pandemic related restrictions started lifting in various worldwide jurisdictions, especially in the United States.

Adjusted EBITDA

We present information below with respect to adjusted EBITDA, which we define as our net income (loss) excluding interest and other income, net, income tax benefit (expense), depreciation and amortization, stock-based compensation, product rationalization, and acquisition related expenses. In light of the COVID-19 pandemic, we have also excluded the impacts of goodwill impairment charges and changes in the fair value of contingent consideration associated with our acquisition transactions in early 2020.

Adjusted EBITDA is not prepared in accordance with US GAAP, and should not be considered in isolation of, or as an alternative to, measures prepared in accordance with US GAAP. There are a number of limitations related to the use of adjusted EBITDA rather than net income (loss), which is the nearest US GAAP equivalent. Some of these limitations are:

- adjusted EBITDA excludes depreciation and amortization, and, although these are non-cash expenses, the assets being depreciated or amortized may have to be replaced in the future, the cash requirements for which are not reflected in adjusted EBITDA;
- we exclude stock-based compensation expense from adjusted EBITDA although (a) it has been, and will continue to be for the foreseeable future, a significant recurring expense for our business and an important part of our employee compensation strategy and (b) if we did not pay out a portion of our compensation in the form of stock-based compensation, the cash salary expense included in operating expenses likely would be higher, which would affect our cash position;
- we exclude acquisition related expenses, including transaction costs and other related expenses, amortization and depreciation of acquired assets in recent acquisitions, and the impact of inventory fair-value step up on cost of revenue;
- we exclude certain impairment charges, including certain product rationalization charges as a result of managing our financial position in light of our recent acquisitions, the impact of COVID-19 and changing regulatory requirements;
- we exclude goodwill impairment charges and changes in the fair value of contingent consideration;
- the expenses and other items that we exclude in our calculation of adjusted EBITDA may differ from the expenses and other items, if any, that other companies may exclude from adjusted EBITDA when they report their operating results;
- adjusted EBITDA does not reflect changes in, or cash requirements for, working capital needs;
- adjusted EBITDA does not reflect provision for (benefit from) income taxes or the cash requirements to pay taxes; and
- adjusted EBITDA does not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments.

The following is a reconciliation of adjusted EBITDA to net income (loss) for the three- and nine-month periods ended September 30, 2021 and 2020, respectively:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(in thousands)			
Net income (loss)	$ 558	$ (6,411)	$ 9,927	$ (8,326)
Interest and other expense, net	48	228	141	118
Provision for (benefit) from income taxes	694	(1,744)	1,670	(2,161)
Depreciation and amortization	1,789	1,718	5,226	5,132
Stock-based compensation	2,863	1,920	7,919	3,953
Product rationalization charges	-	-	2,063	2,892
Acquisition related expenses	-	-	-	4,157
Acquisition related intangible asset amortization	1,787	1,760	5,361	4,831
Acquisition related inventory step up	1,458	3,273	6,244	7,396
Goodwill impairment	-	-	-	18,144
Change in fair value of contingent consideration	(3,450)	4,150	(21,920)	(16,176)
Adjusted EBITDA	$ 5,747	$ 4,894	$ 16,631	$ 19,960

Adjusted EBITDA for the three-month period ended September 30, 2021, increased $0.9 million as compared with the same periods in 2020. The increase in adjusted EBITDA for the period was primarily due to higher revenues as COVID-19 pandemic related restrictions started lifting in various worldwide jurisdictions, especially in the United States, partially offset by an increase in operating expenses primarily attributable to the increase in clinical trial activity. In 2020, customer ordering patterns delayed a portion of the initial impact of the COVID-19 pandemic on this product family from the second quarter into the second half of 2020.

Adjusted EBITDA for the nine-month period ended September 30, 2021, decreased $3.3 million as compared with the same period in 2020. The decrease in adjusted EBITDA for the period was primarily due to an increase in operating expenses primarily attributable to expansion of our commercial capability in the United States, increase in clinical trial activity, as well as a non-cash impairment charge related to fixed assets during the first quarter of 2021, partially offset by an increase in revenue.

Adjusted Net Income and Adjusted EPS

We present information below with respect to adjusted net income and adjusted EPS. We define adjusted net income as our net income excluding acquisition-related expenses, amortization and depreciation of acquired assets, the impact of inventory fair-value step up on cost of revenue and the impacts of goodwill impairment charges and changes in the fair value of contingent consideration, as well as certain impairment charges, including product rationalization charges, on a tax effected basis. Acquisition related expenses are those that we would not have incurred except as a direct result of acquisition transactions. Acquisition related expenses consist of investment banking, legal, accounting, and other professional and related expenses. The amortized assets contribute to revenue generation, and the amortization of such assets will recur in future periods until such assets are fully amortized. These assets include the estimated fair value of certain identified assets acquired in acquisitions, including in-process research and development, developed technology, customer relationships and acquired tradenames. We define adjusted EPS as US GAAP diluted earnings (loss) per share excluding the above adjustments to net income used in calculating adjusted net income, each on a per share and tax effected basis.

The following is a reconciliation of adjusted net income to net income (loss) for the three- and nine-month periods ended September 30, 2021 and 2020, respectively:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(in thousands)			
Net income (loss)	$ 558	$ (6,411)	$ 9,927	$ (8,326)
Product rationalization charges, tax effected	-	-	1,590	2,377
Acquisition related expenses, tax effected	-	-	-	3,174
Acquisition related intangible asset amortization, tax effected	1,146	1,340	3,898	3,688
Acquisition related inventory step up, tax effected	935	2,492	4,626	5,646
Goodwill impairment, tax effected	-	-	-	15,773
Change in fair value of contingent consideration, tax effected	(1,865)	3,336	(17,152)	(13,873)
Adjusted net income	$ 774	$ 757	$ 2,889	$ 8,459

The following is a reconciliation of adjusted EPS to diluted earnings (loss) per share for the three- and nine-month periods ended September 30, 2021 and 2020:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Diluted earnings (loss) per share	$ 0.04	$ (0.45)	$ 0.68	$ (0.59)
Product rationalization charges, tax effected	-	-	0.11	0.17
Acquisition related expenses per share, tax effected	-	-	-	0.22
Acquisition related intangible asset amortization, tax effected	0.08	0.09	0.27	0.26
Acquisition related inventory step up, tax effected	0.06	0.18	0.32	0.40
Goodwill impairment, tax effected	-	-	-	1.11
Change in fair of value contingent consideration, tax effected	(0.13)	0.23	(1.18)	(0.98)
Adjusted EPS	$ 0.05	$ 0.05	$ 0.20	$ 0.59

Adjusted net income in the three- month period ended September 30, 2021 was unchanged from the same period in 2020 as the increase in gross profit was offset by an increase in operating expenses due to higher research and development expenses and increased marketing efforts. Adjusted net income for the period increased in 2021 due to higher revenues as COVID-19 pandemic related restrictions started lifting in various worldwide jurisdictions, especially in the United States. This was offset by an increase in operating expenses primarily attributable to an increase in research and development expenses, sales and marketing expenses and share based compensation expenses.

Adjusted net income in the nine-month period ended September 30, 2021, decreased $5.6 million as compared with the same period in 2020. The decrease in adjusted net income for the period was primarily due to an increase in selling and marketing expenses primarily attributable to increased cost to support our commercial capability in the United States, an increase in research and development expenses, an increase in share-based compensation expense due to forfeitures of unvested shares during the comparable period, a non-cash impairment charge related to fixed assets in the first quarter of 2021 and an increase in tax expenses.

Liquidity and Capital Resources

We require cash to fund our operating expenses and to make capital expenditures and other investments in the business. We expect that our requirements for cash to fund these uses will increase as our operations expand. Historically we have generated positive cash flow from operations, which, together with our available cash, cash equivalents, investments, and debt, have met our cash requirements. Cash, cash equivalents, and investments aggregated $91.0 million and $98.3 million, and working capital totaled $137.0 million and $140.5 million as of September 30, 2021 and December 31, 2020, respectively. We are closely monitoring our liquidity and capital resources for any potential impact that the COVID-19 pandemic may have on our operations.

Cash provided by operating activities was $3.9 million for the nine-month period ended September 30, 2021, as compared to cash provided by operating activities of $10.5 million for the same period in 2020. The change was primarily attributable to timing of collections, timing of certain state tax payments and change in contingent consideration and a decrease in cash outflows related to acquisition related expenses for the nine-month period ended September 30, 2021. In July 2021, the Company paid contingent consideration in the amount of $10.0 million, $2.8 million of which was classified within operating activities and the remaining $7.2 million was classified within financing activities.

Cash used in investing activities was $1.9 million for the nine-month period ended September 30, 2021, as compared to cash used in investing activities of $88.1 million for the same period in 2020. The change was primarily due to the consideration paid for the acquisitions of Parcus Medical and Arthrosurface in the nine-month period ended September 30, 2020.

Cash used in financing activities was $6.8 million for the nine-month period ended September 30, 2021, as compared to cash provided by financing activities of $24.3 million for the same period in 2020. The change was primarily due to a drawdown of $50.0 million from our existing credit facility in the nine-month period ended September 30, 2020 and the portion of the contingent consideration payment related to financing activities, as described above, in the nine-month period ended September 30, 2021.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with US GAAP requires management to use judgment in making estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. We believe that our accounting policies for revenue recognition, accounts receivable and allowance for credit losses, goodwill, acquired in-process research and development, inventory and contingencies are based on, among other things, judgments and assumptions made by management that include inherent risks and uncertainties. There have been no significant changes to the above critical accounting policies or in the underlying accounting assumptions and estimates used in such policies from those disclosed in our annual consolidated financial statements and accompanying notes included in our 2020 Form 10-K for the year ended December 31, 2020. We monitor our estimates on an ongoing basis for changes in facts and circumstances, and material changes in these estimates could occur in the future. Changes in estimates are recorded in the period in which they become known. We base our estimates on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from our estimates, if past experience or other assumptions do not turn out to be substantially accurate.

Recent Accounting Pronouncements

A discussion of Recent Accounting Pronouncements is included in our 2020 Form 10-K and is updated in the Notes to the consolidated financial statements included in this report.

Contractual Obligations and Other Commercial Commitments

Our contractual obligations and other commercial commitments are summarized in the section captioned "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Contractual Obligations and Other Commercial Commitments" in our 2020 Form 10-K. There were no material changes to our contractual obligations reported in our 2020 Form 10-K during the nine months ended September 30, 2021. For additional discussion, see Note 9 to the consolidated financial statements included in this report.

To the extent that funds generated from our operations, together with our existing capital resources, are insufficient to meet future requirements, we will be required to obtain additional funds through equity or debt financings, strategic alliances with corporate partners and others, or through other sources. No assurance can be given that any additional financing will be made available to us or will be available on acceptable terms should such a need arise.

Off-Balance Sheet Arrangements

We do not use special purpose entities or other off-balance sheet financing techniques that we believe have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, or capital resources.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our market risks and the ways we manage them are summarized in the section captioned "Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K. There have been no material changes in the first nine months of 2021 to our market risks or to our management of such risks.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, we carried out an evaluation under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the chief executive officer and chief financial officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in SEC rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by our company in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure. On an on-going basis, we review and document our disclosure controls and procedures, and our internal control over financial reporting, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that our systems evolve with our business.

(b) Changes in internal controls over financial reporting.

There were no material changes in our internal control over financial reporting during the quarter ended September 30, 2021, that have materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved from time-to-time in various legal proceedings arising in the normal course of business. Although the outcomes of these legal proceedings are inherently difficult to predict, we do not expect the resolution of these occasional legal proceedings to have a material adverse effect on our financial position, results of operations, or cash flow, as described in Note 9 to the consolidated financial statements in this report. There have been no material changes to the information provided in the section captioned “Part I, Item 3. Legal Proceedings” in our 2020 Form 10-K, other than the matter described below.

On October 21, 2021, we received notice that the former unitholders of Parcus Medical had filed a request for arbitration regarding the earnout provisions agreed to in the Parcus Medical Merger Agreement. We are unable to estimate the potential liability with respect to this matter at this time. There are numerous factors that make it difficult to estimate reasonably possible loss or range of loss at this stage of the matter, including the significant number of legal and factual issues still to be resolved in the arbitration process. We intend to vigorously defend against the claims, and we believe that we have strong defenses to the claims asserted.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors described in the section captioned “Part I, Item 1A. Risk Factors” in our 2020 Form 10-K and updated in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021. In addition to the other information set forth in this report, you should carefully consider the factors discussed in the section captioned “Part I, Item 1A. Risk Factors” in our 2020 Form 10-K and Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021, which could materially affect our business, financial condition, or future results. The risks described in our 2020 Form 10-K and our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may have a material adverse effect on our business, financial condition, and/or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases and Withholding of Equity Securities

Under our equity compensation plans, and subject to the approval of the Compensation Committee of our Board of Directors, employee grantees have the option of electing to satisfy tax withholding obligations at the time of vesting or exercise by allowing us to withhold shares of stock otherwise issuable to the grantee. During the three-month period ended September 30, 2021, we withheld 1,461 shares to satisfy grantee tax withholding obligations on restricted stock award and restricted stock unit vesting events.

Following is a summary of stock repurchases for the three-month period ended September 30, 2021 (in thousands, except share data):

Period	Total Number of Shares Withheld (1)	Average Price per Share	Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs (2)
July 1 to 30, 2021	731	$ 43.24	$ 20,000
August 1 to 31, 2021	436	$ 41.76	$ 20,000
September 1 to 30, 2021	294	$ 39.41	$ 20,000
Total	1,461		

(1) 1,461 shares were withheld by us to satisfy grantee tax withholding obligations on restricted stock unit vesting events in the third quarter of 2021. These shares were not acquired pursuant to a publicly announced share repurchase program.

(2) On May 2, 2019, we announced that our Board of Directors approved a $50.0 million share repurchase program with $30.0 million to be utilized for an accelerated share repurchase program, which was completed in January 2020, and $20.0 million reserved for open market repurchases. No open market repurchases were made during the three-month period ended September 30, 2021.

ITEM 5: OTHER

(a)

On November 4, 2021, our Board of Directors adopted the Anika Therapeutics, Inc. 2021 Inducement Plan, or the Inducement Plan, to be effective immediately, and, subject to the adjustment provisions of the Inducement Plan, reserved 125,000 shares of common stock for issuance pursuant to equity awards granted under the Inducement Plan. Awards under the Inducement Plan may be granted only to an individual who was not previously our employee or director, or who is returning to employment following a bona fide period of non-employment with us, in each case as an inducement material to the individual's entry into employment with us within the meaning of Rule 5635(c)(4) of the Nasdaq Listing Rules. In accordance with Rule 5635(c)(4), we did not seek approval of the Inducement Plan by our stockholders.

The Inducement Plan provides for the grant of equity-based awards, including non-qualified stock options, stock appreciation rights, restricted stock awards, performance restricted stock units, restricted stock units, total shareholder return options and performance options, and its terms are substantially similar to the Anika Therapeutics, Inc. 2017 Omnibus Incentive Plan (as amended), including with respect to treatment of equity awards in the event of a "Change in Control" as defined under both the 2017 Omnibus Incentive Plan and the Inducement Plan.

The foregoing description of the Inducement Plan is qualified in its entirety by reference to the full text of the Inducement Plan, which is attached to this Quarterly Report on Form 10-Q as Exhibit 10.1 and which is incorporated herein by reference.

ITEM 6. EXHIBITS

Exhibit No.	Description
†10.1	Anika Therapeutics, Inc. 2021 Inducement Plan
†10.2	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934
(31)	Rule 13a-14(a)/15d-14(a) Certifications
*31.1	Certification of Dr. Cheryl R. Blanchard, pursuant to Rules 13a-15(e) and 15d-15(e), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Michael Levitz, pursuant to Rules 13a-15(e) and 15d-15(e), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32)	Section 1350 Certifications
**32.1	Certification of Dr. Cheryl R. Blanchard, and Michael Levitz, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(101)	XBRL
*101	The following materials from Anika Therapeutics, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 as filed with the SEC on November 4, 2021, formatted in Inline XBRL (eXtensible Business Reporting Language), as follows:

i. Consolidated Balance Sheets as of September 30, 2021 (unaudited) and December 31, 2020 (unaudited)
ii. Consolidated Statements of Operations and Comprehensive Income for the Three and Nine Months Ended September 30, 2021 and September 30, 2020 (unaudited)
iii. Consolidated Statements of Stockholders' Equity for the Nine Months Ended September 30, 2021 and September 30, 2020 (unaudited)
iv. Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2021 and September 30, 2020 (unaudited)
v. Notes to Consolidated Financial Statements (unaudited)

104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
* Filed herewith.
** Furnished herewith.
† Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ANIKA THERAPEUTICS, INC.

Date: November 4, 2021

By: /s/ MICHAEL LEVITZ
Michael Levitz
Executive Vice President, Chief Financial Officer and Treasurer
(Authorized Officer and Principal Financial Officer)

ANIKA THERAPEUTICS, INC.
2021 INDUCEMENT PLAN
(As adopted by the Board of Directors November 4, 2021)

Anika Therapeutics, Inc. sets forth herein the terms of its 2021 Inducement Plan.

1. PURPOSE

The Plan is intended to enhance the ability of the Company and its Affiliates to attract and retain Eligible Individuals by providing an inducement material to Eligible Individuals to enter into employment with the Company or an Affiliate, by providing to such persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Company. To this end, the Plan provides for the grant of stock options, stock appreciation rights ("**SARs**"), restricted stock, restricted stock units ("**RSUs**"), unrestricted stock, other share-based awards and cash awards. Any of these awards may, but need not, be made as performance incentives to reward attainment of performance goals in accordance with the terms hereof.

2. DEFINITIONS

For purposes of interpreting the Plan and related documents (including Award Agreements), the following definitions shall apply:

"Acquiror" shall have the meaning set forth in **Section 15.2.1**.

"Affiliate" means any company or other trade or business that "controls," is "controlled by" or is "under common control with" the Company within the meaning of Rule 405 of Regulation C under the Securities Act, including any Subsidiary. The Board, or Committee (as applicable), will have the authority to determine the time or times at which Affiliate status is determined within the foregoing definition.

"Award" means a grant under the Plan of an Option, SAR, Restricted Stock, RSU, Other Share-based Award or cash award. Each Award under the Plan is intended to qualify as an employment inducement award in accordance with the Inducement Award Rules or to qualify under the exception relating to plans or arrangements relating to an acquisition or merger under the Inducement Award Rules.

"Award Agreement" means a written agreement between the Company and a Participant, or notice from the Company or an Affiliate to a Participant that evidences and sets out the terms of an Award.

"Board" means the Board of Directors of the Company**.**

"Business Combination" shall have the meaning set forth in **Section 15.2.2**.

"Cause" shall be defined as that term is defined in the Participant's offer letter or other applicable employment agreement; or, if there is no such definition, "Cause" means, as determined by the Company in its sole discretion and unless otherwise provided in the applicable Award Agreement: (i) any material breach by the Participant of any agreement between the Participant and the Company; (ii) the conviction of or plea of nolo contendere by the Participant to a felony or a crime involving moral turpitude; or (iii) any material misconduct or willful and deliberate non-performance (other than by reason of disability) by the Participant of the Participant's duties to the Company. A Separation from Service for Cause shall be deemed to include a determination by the Company in its sole discretion following a Participant's Separation from Service that circumstances existing prior to such Separation from Service would have entitled the Company or an Affiliate to have terminated the Participant's service for Cause. All rights a Participant has or may have under the Plan shall be suspended automatically during the pendency of any investigation by the Company, or during any negotiations between the Company and the Participant, regarding any actual or alleged act or omission by the Participant of the type described in the applicable definition of Cause.

"Change in Control" shall have the meaning set forth in **Section 15.2.2**.

"Code" means the Internal Revenue Code of 1986, as amended, including any applicable regulations and guidance thereunder.

"Committee" means the Compensation Committee of the Board, or such other committee as determined by the Board. The Compensation Committee of the Board may designate a subcommittee of its members to serve as the Committee (to the extent the Board has not designated another person, committee or entity as the Committee). The Board will cause the Committee to satisfy the applicable requirements of any securities exchange on which the Common Stock may then be listed. For purposes of Awards to Participants who are subject to Section 16 of the Exchange Act, Committee means all of the members of the Compensation Committee who are "non-employee directors" within the meaning of Rule 16b-3 adopted under the Exchange Act.

"Company" means Anika Therapeutics, Inc., a Delaware corporation, or any successor corporation.

"Common Stock" means the common stock of the Company.

"Disability" shall be defined as that term is defined in the Participant's offer letter or other applicable employment agreement; or, if there is no such definition, "Disability" means, as determined by the Company in its sole discretion and unless otherwise provided in the applicable Award Agreement, the Participant is unable to perform each of the essential duties of such Participant's position by reason of a medically determinable physical or mental impairment which is potentially permanent in character or which can be expected to last for a continuous period of not less than 12 months.

"Effective Date" means November 4, 2021, the date the Plan was approved by the Board.

"Eligible Individuals" means any employee (including any employee officer or employee director) of the Company or an Affiliate and any Prospective Employee to whom Awards are granted in connection with an offer of future employment with the Company. For the avoidance of doubt, a person who already is serving as a member of the Board prior to becoming an employee will not be eligible to be granted an Award under the Plan unless permitted by the Inducement Award Rules. The Company will determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an employee of the Company or an Affiliate and the effective date of such individual's employment or termination of employment, as the case may be. For purpose of an individual's rights, if any, under the Plan as of the time of the Company's determination, all such determinations by the Company will be final, binding and conclusive, notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Fair Market Value" means, as of any date, the value of the Common Stock as determined below. If the Common Stock is listed on any established stock exchange or a national market system, including without limitation, the New York Stock Exchange or the NASDAQ Stock Market, the Fair Market Value shall be the closing price of a share of Common Stock (or if no sales were reported the closing price on the date immediately preceding such date) as quoted on such exchange or system on the day of determination. In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Board (in a manner that complies with Sections 409A or 422 of the Code, to the extent applicable) and such determination shall be conclusive and binding on all persons.

"Family Member" means a person who is a spouse, former spouse, child, stepchild, grandchild, parent, stepparent, grandparent, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother, sister, brother-in-law or sister-in-law, including adoptive relationships, of the applicable individual, any person sharing the applicable individual's household (other than a tenant or employee), a trust in which any one or more of these persons have more than 50% of the beneficial interest, a foundation in which any one or more of these persons (or the applicable individual) control the management of assets, and any other entity in which one or more of these persons (or the applicable individual) own more than 50% of the voting interests.

"Grant Date" means the latest to occur of (i) the date as of which an Award is approved, (ii) the date on which the recipient of an Award first becomes eligible to receive an Award under **Section 6** or (iii) such other date as may be specified by the Board in the Award Agreement.

"Incumbent Directors" shall have the meaning set forth in **Section 15.2.2**.

"Inducement Award Rules" means the standards for inducement grants under Nasdaq Marketplace Rule 5635(c)(4) or 5635(c)(3), if applicable, and the related guidance under Nasdaq IM 5635-1 (together with any analogous rules or guidance effective after the date hereof).

"New Shares" shall have the meaning set forth in **Section 15.1**.

"Nonqualified Stock Option" means an option that is granted pursuant to **Section 8** of the Plan that is not intended to be an "incentive stock option" within the meaning of Code Section 422.

"Option" means an option to purchase one or more Shares pursuant to the Plan. No options other than Nonqualified Stock Options may be granted under the Plan.

"Option Price" means the exercise price for each Share subject to an Option.

"Other Share-based Awards" means Awards consisting of Share units, or other Awards, valued in whole or in part by reference to, or otherwise based on, Shares.

"Participant" shall mean a person who, as an Eligible Individual, has been granted an Award under the Plan; *provided*, *however*, that in the case of the death or Disability of a Participant, the term "Participant" refers to the Participant's estate or other legal representative acting in a fiduciary capacity on behalf of the Participant under applicable state law and court supervision.

"Performance Award" means an Award made subject to the attainment of performance goals (as described in **Section 12**) over a performance period established by the Committee.

"Plan" means this Anika Therapeutics, Inc. 2021 Inducement Plan.

"Policy" shall have the meaning set forth in **Section 3.2.2**.

"Prospective Employee" means any individual who has committed to become an employee of the Company or an Affiliate within sixty (60) days from the date an Award is granted to such individual.

"Purchase Price" means the purchase price for each Share pursuant to a grant of Restricted Stock.

"Restricted Stock" means restricted Shares, awarded to a Participant pursuant to **Section 10**.

"Restricted Stock Unit" or "**RSU**" means a bookkeeping entry representing the equivalent of Shares, awarded to a Participant pursuant to **Section 10**.

"SAR Exercise Price" means the per Share exercise price of a SAR granted to a Participant under **Section 9**.

"SEC" means the United States Securities and Exchange Commission.

"Section 409A" means Code Section 409A.

"Securities Act" means the Securities Act of 1933, as amended.

"Separation from Service" means the termination of the applicable Participant's employment with, or performance of services for, the Company and each Affiliate. A Participant shall not be deemed to incur a Separation from Service as a result of change in the capacity in which the Participant renders services to the Company or an Affiliate as an employees, a non-employee member of the Board, or a consultant or independent advisor. A Participant employed by, or performing services for, an Affiliate or a division of the Company or an Affiliate shall not be deemed to incur a Separation from Service if such Affiliate or division ceases to be an Affiliate or division of the Company, as the case may be, and the Participant immediately thereafter becomes an employee of, or performs services for, the Company or an Affiliate or a successor company or an affiliate or subsidiary thereof. Approved temporary absences from employment because of illness, vacation or leave of absence and transfers among the Company and its Affiliates shall not be considered Separations from Service. Notwithstanding the foregoing, with respect to any Award that constitutes nonqualified deferred compensation under Section 409A, "Separation from Service" shall mean a "separation from service" as defined under Section 409A.

"Service Period" shall have the meaning set forth in **Section 10.1**.

"Share" means a share of Common Stock.

"Stock Appreciation Right" or "**SAR**" means a right granted to a Participant pursuant to **Section 9**.

"Stockholders" means the stockholders of the Company.

"Subsidiary" means any "subsidiary corporation" of the Company within the meaning of Code Section 424(f).

"Substitute Award" means any Award granted in assumption of or in substitution for an award of a company or business acquired by the Company or an Affiliate or with which the Company or an Affiliate combines.

"Termination Date" means the date that is 10 years after the Effective Date, unless the Plan is earlier terminated by the Board under **Section 5.2**.

"Voting Securities" shall have the meaning set forth in **Section 15.2.2**.

3. ADMINISTRATION OF THE PLAN

3.1. General

The Board shall have such powers and authorities related to the administration of the Plan as are consistent with the Company's certificate of incorporation and bylaws and applicable law. The Board shall have the power and authority to delegate its responsibilities hereunder to the Committee, which shall have full authority to act in accordance with its charter, and with respect to the power and authority of the Board to act hereunder, all references to the Board shall be deemed to include a reference to the Committee, unless such power or authority is specifically reserved by the Board. Notwithstanding the foregoing or anything in the Plan to the contrary, Awards granted under the Plan must be approved and may only be granted by either a majority of the Company's "***Independent Directors***" (as such term is defined in Nasdaq Marketplace Rule 5605(a)(2)) or the Committee, provided that the Committee is comprised solely of Independent Directors, in order to comply with the exemption from the stockholder approval requirement for "inducement grants" provided under the Inducement Award Rules. Except as specifically provided herein or as otherwise may be required by applicable law, regulatory requirement or the certificate of incorporation or the bylaws of the Company, the Board shall have full power and authority to take all actions and to make all determinations required or provided for under the Plan, any Award or any Award Agreement, and shall have full power and authority to take all such other actions and make all such other determinations not inconsistent with the specific terms and provisions of the Plan that the Board deems to be necessary or appropriate to the administration of the Plan. The Committee shall administer the Plan; *provided*, *however*, the Board shall retain the right to exercise the authority of the Committee to the extent consistent with applicable law and the applicable requirements of any securities exchange on which the Common Stock may then be listed. All actions, determinations and decisions by the Board or the Committee under the Plan or any Award Agreement, or with respect to any Award, shall be in the sole discretion of the Board and shall be final, binding and conclusive on all persons. Without limitation, the Board shall have full and final power and authority, subject to the other terms of the Plan, to:

(i) designate Participants;

(ii) determine the type or types of Awards to be made to Participants;

(iii) determine the number of Shares to be subject to an Award;

(iv) establish the terms of each Award (including the Option Price of any Option, the nature and duration of any restriction or condition (or provision for lapse thereof) relating to the vesting, exercise, transfer or forfeiture of an Award or the Shares subject thereto);

(v) subject to applicable law, delegate its authority and duties with respect to the granting of Awards;;

(vi) prescribe the form of each Award Agreement; and

(vii) amend, modify or supplement the terms of any outstanding Award including the authority, in order to effectuate the purposes of the Plan, to modify Awards to foreign nationals or individuals who are employed outside the United States to recognize differences in local law, tax policy or custom.

The Board may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the Board' delegate or delegates that were consistent with the terms of the Plan.

3.2. Separation from Service for Cause; Clawbacks

3.2.1. Separation from Service for Cause

The Company may annul an Award if the Participant incurs a Separation from Service for Cause.

3.2.2. Clawbacks

All awards, amounts or benefits received or outstanding under the Plan shall be subject to clawback, cancellation, recoupment, rescission, payback, reduction or other similar action in accordance with the terms of any Company clawback or similar policy (the "**Policy**") or any applicable law related to such actions, as may be in effect from time to time. A Participant's acceptance of an Award shall be deemed to constitute the Participant's acknowledgement of and consent to the Company's application, implementation and enforcement of any applicable Policy that may apply to the Participant, whether adopted prior to or following the Effective Date, and any provision of applicable law relating to clawback, cancellation, recoupment, rescission, payback or reduction of compensation, and the Participant's agreement that the Company may take such actions as may be necessary to effectuate any such policy or applicable law, without further consideration or action.

3.3. Deferral Arrangement

The Board may permit or require the deferral of any Award payment into a deferred compensation arrangement, subject to such rules and procedures as it may establish and in accordance with Section 409A, which may include provisions for the payment or crediting of interest or dividend equivalents as provided in **Section 17.10**, including converting such credits into deferred Share units.

3.4. No Liability

No member of the Board or of the Committee shall be liable for any action or determination made in good faith with respect to the Plan, any Award or Award Agreement.

3.5. Book Entry

Notwithstanding any other provision of the Plan to the contrary, the Company may elect to satisfy any requirement under the Plan for the delivery of stock certificates through the use of book entry.

3.6. No Repricing

Notwithstanding any provision herein to the contrary, the repricing of Options or SARs is prohibited without prior approval of the Stockholders. For this purpose, a "repricing" means any of the following (or any other action that has the same effect as any of the following): (i) changing the terms or conditions of an Option or SAR to lower its Option Price or SAR Exercise Price; (ii) any other action that is treated as a "repricing" under generally accepted accounting principles; and (iii) repurchasing for cash or canceling an Option or SAR at a time when its Option Price or SAR Exercise Price is greater than the Fair Market Value of the underlying Shares in exchange for another Award, unless the cancellation and exchange occurs in connection with a change in capitalization or similar change under **Section 15**. A cancellation and exchange under clause (iii) would be considered a "repricing" regardless of whether it is treated as a "repricing" under generally accepted accounting principles and regardless of whether it is voluntary on the part of the Participant.

4. STOCK SUBJECT TO THE PLAN

4.1. Authorized Number of Shares

Subject to adjustment under **Section 15**, the total number of Shares that may be awarded under the Plan shall not exceed 125,000shares. The grant of an Option or SAR shall be deemed, for purposes of determining the number of Shares available for issuance under this **Section 4.1**, as an Award for one (1) Share for each such Share actually subject to the Award. Any Shares returned to the Plan pursuant to **Section 4.2** shall be returned to the reserved pool of Shares under the Plan in the same manner. Shares issued under the Plan may consist in whole or in part of authorized but unissued Shares, treasury Shares or Shares purchased on the open market or otherwise.

4.2. Share Counting

4.2.1. Any Award settled in cash shall not be counted as issued Shares for any purpose under the Plan.

4.2.2. If any Award expires, or is terminated, surrendered or forfeited, in whole or in part, the unissued Shares covered by such Award shall again be available for the grant of Awards.

4.2.3. If Shares issued pursuant to the Plan are repurchased by, or are surrendered or forfeited to the Company at no more than cost, such Shares shall again be available for the grant of Awards.

4.2.4. If Shares issuable upon exercise, vesting or settlement of an Award, or Shares owned by a Participant (which are not subject to any pledge or other security interest), are surrendered or tendered to the Company in payment of the Option Price or Purchase Price of an Award or any taxes required to be withheld in respect of an Award, in each case, in accordance with the terms of the Plan and any applicable Award Agreement, such surrendered or tendered Shares shall not be available again for the grant of Awards.

4.2.5. Substitute Awards shall not be counted against the number of Shares available for the grant of Awards.

5. EFFECTIVE DATE, DURATION AND AMENDMENTS

5.1. Term

The Plan shall be effective as of the Effective Date. The Plan shall terminate automatically on the 10-year anniversary of the Effective Date and may be terminated on any earlier date as provided in **Section 5.2**.

5.2. Amendment and Termination of the Plan

The Board may, at any time and from time to time, amend, suspend or terminate the Plan as to any Awards which have not been made. An amendment shall be contingent on approval of the Stockholders to the extent stated by the Board, required by applicable law or required by applicable securities exchange listing requirements. No Awards shall be made after the Termination Date. The applicable terms of the Plan, and any terms applicable to Awards granted prior to the Termination Date, shall survive the termination of the Plan and continue to apply to such Awards. No amendment, suspension or termination of the Plan shall, without the consent of the Participant, materially impair rights or obligations under any Award theretofore awarded.

6. AWARD ELIGIBILITY AND LIMITATIONS

6.1. Eligible Individuals

Subject to this **Section 6**, Awards may be made to any Eligible Individual based on their importance to the business of the Company, pursuant to the terms of the Plan, so long as (i) the Eligible Individual was not previously an employee or member of the Board, or the Eligible Individual is to become employed by the Company or an Affiliate following a bona-fide period of non-employment and non-service; and (ii) the grant of the Award or Awards to the Eligible Individual is an inducement material to the Eligible Individual's entering into employment with the Company (or an Affiliate) in accordance with the requirements of the Inducement Award Rules.

6.2. Successive Awards

An eligible person may receive more than one Award, subject to such restrictions as are provided herein.

6.3. Stand-Alone, Additional, Tandem, and Substitute Awards

Awards may be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, any Affiliate or any business entity to be acquired by the Company or an Affiliate, or any other right of a Participant to receive payment from the Company or any Affiliate. Such additional, tandem or substitute or exchange Awards may be granted at any time. If an Award is granted in substitution or exchange for another award, the Board shall have the right to require the surrender of such other award in consideration for the grant of the new Award. Subject to the requirements of applicable law, the Board may make Awards in substitution or exchange for any other award under another plan of the Company, any Affiliate or any business entity to be acquired by the Company or an Affiliate. In addition, Awards may be granted in lieu of cash compensation, including in lieu of cash amounts payable under other plans of the Company or any Affiliate, in which the value of Shares subject to the Award is equivalent in value to the cash compensation (for example, RSUs or Restricted Stock).

6.4. Minimum Vesting

Notwithstanding any other provision of the Plan to the contrary, Share-based Awards granted under the Plan shall vest no earlier than the first anniversary of the date the Award is granted, excluding, for this purpose, any (i) Substitute Awards and (ii) Shares delivered in lieu of fully vested cash Awards; provided, that, the Board may grant Share-based Awards without regard to the foregoing minimum vesting requirement with respect to a maximum of five percent (5%) of the available share reserve authorized for issuance under the Plan pursuant to **Section 4.1** (subject to adjustment under **Section 15**); and, provided further, for the avoidance of doubt, that the foregoing restriction does not apply to the Committee's discretion to provide for accelerated exercisability or vesting of any Award, including in cases of retirement, death, disability or a Change in Control, in the terms of the Award or otherwise.

7. AWARD AGREEMENT

The grant of any Award may be contingent upon the Participant executing an appropriate Award Agreement, in such form or forms as the Board shall from time to time determine. Without limiting the foregoing, an Award Agreement may be provided in the form of a notice which provides that acceptance of the Award constitutes acceptance of all terms of the Plan and the notice. Award Agreements granted from time to time or at the same time need not contain similar provisions but shall be consistent with the terms of the Plan.

8. TERMS AND CONDITIONS OF OPTIONS

8.1. Option Price

The Option Price of each Option shall be fixed by the Board and stated in the related Award Agreement. The Option Price of each Option (except those that constitute Substitute Awards) shall be at least the Fair Market Value on the Grant Date. In no case shall the Option Price of any Option be less than the par value of a Share.

8.2. Vesting

Subject to **Section 8.3**, each Option shall become exercisable at such times and under such conditions (including performance requirements) as stated in the Award Agreement.

8.3. Term

Each Option shall terminate, and all rights to purchase Shares thereunder shall cease, upon the expiration of the Option term stated in the Award Agreement not to exceed 10 years from the Grant Date, or under such circumstances and on such date prior thereto as is set forth in the Plan or as may be fixed by the Board and stated in the related Award Agreement.

8.4. Limitations on Exercise of Option

Notwithstanding any other provision of the Plan, in no event may any Option be exercised, in whole or in part, after the occurrence of an event which results in termination of the Option.

8.5. Method of Exercise

An Option that is exercisable may be exercised by the Participant’s delivery of a notice of exercise to the Company, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares. To be effective, notice of exercise must be made in accordance with procedures established by the Company from time to time.

8.6. Rights of Holders of Options

Unless otherwise provided in the applicable Award Agreement, an individual holding or exercising an Option shall have none of the rights of a Stockholder (for example, the right to direct the voting of the subject Shares) until the Shares covered thereby are fully paid and issued to him or her. An individual holding an Option shall not have the right to receive cash or dividend payments or distributions attributable to the subject Shares until the Option has been exercised and the Shares covered thereby are fully paid and issued to him or her. Except as provided in **Section 15** or the related Award Agreement, no adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date of such issuance.

8.7. Delivery of Stock Certificates

Subject to **Section 3.5**, promptly after the exercise of an Option by a Participant and the payment in full of the Option Price, such Participant shall be entitled to the issuance of a stock certificate which evidences, or electronic notice of a book entry which records, his or her ownership of the Shares subject to the Option.

9. TERMS AND CONDITIONS OF STOCK APPRECIATION RIGHTS (SARs)

9.1. Right to Payment

A SAR shall confer on the Participant a right to receive, upon exercise thereof, the excess of (i) the Fair Market Value on the date of exercise over (ii) the SAR Exercise Price, as determined by the Board. The Award Agreement for a SAR (except those that constitute Substitute Awards) shall specify the SAR Exercise Price, which shall be fixed on the Grant Date as not less than the Fair Market Value on that date. SARs may be granted alone or in conjunction with all or part of an Option or at any subsequent time during the term of such Option or in conjunction with all or part of any other Award. A SAR granted in tandem with an outstanding Option following the Grant Date of such Option shall have a grant price that is equal to the Option Price; *provided*, *however*, that the SAR's grant price may not be less than the Fair Market Value on the Grant Date of the SAR to the extent required by Section 409A.

9.2. Other Terms

The Board shall determine at the Grant Date or thereafter, the time or times at which and the circumstances under which a SAR may be exercised in whole or in part (including based on achievement of performance goals or future service requirements), the time or times at which SARs shall cease to be or become exercisable following Separation from Service or upon other conditions, the method of exercise, whether or not a SAR shall be in tandem or in combination with any other Award and any other terms of any SAR.

9.3. Term of SARs

The term of a SAR granted under the Plan shall be determined by the Board; *provided*, *however*, that such term shall not exceed 10 years.

9.4. Payment of SAR Amount

Upon exercise of a SAR, a Participant shall be entitled to receive payment from the Company (in cash or Shares, as set forth in the Award Agreement) in an amount determined by multiplying:

(i) the difference between the Fair Market Value on the date of exercise over the SAR Exercise Price; by

(ii) the number of Shares with respect to which the SAR is exercised.

10. TERMS AND CONDITIONS OF RESTRICTED STOCK AND RESTRICTED STOCK UNITS (RSUs)

10.1. Restrictions (applicable to Restricted Stock and RSUs)

At the time of grant, the Board may establish a period of time (a "**Service Period**") and any additional restrictions including the satisfaction of corporate or individual performance objectives applicable to an Award of Restricted Stock or RSUs. Each Award of Restricted Stock or RSUs may be subject to a different Service Period and additional restrictions. Neither Restricted Stock nor RSUs may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of during the Service Period or prior to the satisfaction of any other applicable restrictions.

10.2. Delivery of Shares (applicable to Restricted Stock and RSUs)

Subject to **Section 3.5**, upon the expiration or termination of any Service Period and the satisfaction of any other conditions prescribed by the Board, the restrictions applicable to Shares of Restricted Stock or RSUs settled in Shares shall lapse, and, unless otherwise provided in the applicable Award Agreement, a stock certificate for such Shares shall be delivered, free of all such restrictions, to the Participant or the Participant's beneficiary or estate, as the case may be.

10.3. Rights of Holders of Restricted Stock (applicable to Restricted Stock, not RSUs)

Unless otherwise provided in the applicable Award Agreement, holders of Restricted Stock shall have rights as Stockholders, including voting and dividend rights; *provided*, *however*, any dividends with respect to the Restricted Stock shall be withheld by the Company for the Participant's account, and interest may be credited on the amount of the dividends withheld at a rate and subject to such terms as determined by the Committee. The dividends so withheld by the Committee and attributable to any particular share of Restricted Stock (and earnings thereon, if applicable) shall be distributed to the Participant in cash or, at the discretion of the Committee, in Shares having a Fair Market Value equal to the amount of such dividends, if applicable, upon the release of restrictions on such Share and, if such Share is forfeited, the Participant shall have no right to such dividends.

10.4. Purchase of Restricted Stock (applicable to Restricted Stock, not RSUs)

The Participant shall be required, to the extent required by applicable law, to purchase the Restricted Stock from the Company at a Purchase Price equal to the greater of (i) the aggregate par value of the Shares represented by such Restricted Stock or (ii) the Purchase Price, if any, specified in the related Award Agreement. If specified in the Award Agreement, the Purchase Price may be deemed paid by services already rendered. The Purchase Price shall be payable in a form described in **Section 11** or, if so determined by the Board, in consideration for past services rendered.

10.5. Restricted Stock Certificates (applicable to Restricted Stock, not RSUs)

Subject to **Section 3.5**, the Company shall issue, in the name of each Participant to whom Restricted Stock has been granted, stock certificates or other evidence of ownership representing the total number of Shares of Restricted Stock granted to the Participant, as soon as reasonably practicable after the Grant Date. The Board may provide in an Award Agreement that either (i) the Secretary of the Company shall hold any stock certificates for the Participant's benefit until such time as the Restricted Stock is forfeited to the Company or the restrictions lapse or (ii) such certificates shall be delivered to the Participant; *provided*, *however*, that such certificates shall bear a legend or legends that comply with the applicable securities laws and regulations and make appropriate reference to the restrictions imposed under the Plan and the Award Agreement.

10.6. Rights of Holders of RSUs (applicable to RSUs, not Restricted Stock)

10.6.1. Settlement of RSUs

RSUs may be settled in cash or Shares, as set forth in the Award Agreement. The Award Agreement shall also set forth whether the RSUs shall be settled (i) within the time period specified in Section 409A for short-term deferrals or (ii) otherwise within the requirements of Section 409A, in which case the Award Agreement shall specify upon which events such RSUs shall be settled.

10.6.2. Voting and Dividend Rights

Unless otherwise provided in the applicable Award Agreement, holders of RSUs shall not have rights as Stockholders, including voting or dividend or dividend equivalents rights. Dividend equivalent rights may be granted with respect to RSUs pursuant to **Section 17.10**.

10.6.3. Creditor's Rights

A holder of RSUs shall have no rights other than those of a general creditor of the Company. RSUs represent an unfunded and unsecured obligation of the Company, subject to the terms of the applicable Award Agreement.

11. FORM OF PAYMENT FOR OPTIONS AND RESTRICTED STOCK

11.1. General Rule

Payment of the Option Price for the Shares purchased pursuant to the exercise of an Option or the Purchase Price for Restricted Stock shall be made in cash or in cash equivalents acceptable to the Company, except as provided in this **Section 11**.

11.2. Surrender of Shares

To the extent the Award Agreement so provides, payment of the Option Price for Shares purchased pursuant to the exercise of an Option or the Purchase Price for Restricted Stock may be made all or in part through the tender to the Company of Shares, which Shares shall be valued, for purposes of determining the extent to which the Option Price or Purchase Price for Restricted Stock has been paid thereby, at their Fair Market Value on the date of exercise or surrender.

11.3. Cashless Exercise

With respect to an Option only (and not with respect to Restricted Stock), to the extent permitted by law and to the extent the Award Agreement so provides, payment of the Option Price may be made all or in part by delivery (on a form acceptable to the Company) of an irrevocable direction to a licensed securities broker acceptable to the Company to sell Shares and to deliver all or part of the sales proceeds to the Company in payment of the Option Price and any withholding taxes described in **Section 17.3**.

11.4. Other Forms of Payment

To the extent the Award Agreement so provides, payment of the Option Price or the Purchase Price for Restricted Stock may be made in any other form that is consistent with applicable laws, regulations and rules, including the Company's withholding of Shares otherwise due to the exercising Participant.

12. TERMS AND CONDITIONS OF PERFORMANCE AWARDS

12.1. Performance Conditions

The right of a Participant to exercise or receive a grant or settlement of any Award, and the timing thereof, may be subject to such performance conditions as may be specified by the Board. The Board may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may reduce the amounts payable under any Award subject to performance conditions.

12.2. Performance Goals Generally

The performance goals for Performance Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Board consistent with this **Section 12.2**. Performance goals shall be objective, including the requirement that the level or levels of performance targeted by the Board result in the achievement of performance goals being "substantially uncertain." The Board may determine that Performance Awards shall be granted, exercised or settled upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a condition to grant, exercise or settlement of the Performance Awards. Performance goals may be established on a Company-wide basis, or with respect to one or more business units, divisions, Affiliates or business segments, as applicable. The Committee may determine at the time that goals under this **Section 12** are established the extent to which measurement of performance goals may exclude the impact of charges for restructuring, discontinued operations, extraordinary items, debt redemption or retirement, asset write downs, litigation or claim judgments or settlements, acquisitions or divestitures, foreign exchange gains and losses and other extraordinary, unusual or non-recurring items, and the cumulative effects of tax or accounting changes (each as defined by generally accepted accounting principles and as identified in the Company's financial statements or other SEC filings). Performance goals may differ for Performance Awards granted to any one Participant or to different Participants.

12.3 Business Criteria

One or more of the following business criteria for the Company, on a consolidated basis, or specified Affiliates or business units of the Company (except with respect to the total stockholder return and earnings per share criteria), shall be used exclusively by the Board in establishing performance goals for Performance Awards: (i) cash flow; (ii) earnings per share, as adjusted for any stock split, stock dividend or other recapitalization; (iii) earnings measures; (iv) return on equity; (v) total stockholder return; (vi) share price performance, as adjusted for any stock split, stock dividend or other recapitalization; (vii) return on capital; (viii) revenue; (ix) income; (x) profit margin; (xi) return on operating revenue; (xii) brand recognition or acceptance; (xiii) customer satisfaction; (xiv) productivity; (xv) expense targets; (xvi) market share; (xvii) cost control measures; (xviii) balance sheet metrics; (xix) strategic initiatives; (xx) implementation, completion or attainment of measurable objectives with respect to recruitment or retention of personnel or employee satisfaction; (xxi) regulatory body approval for commercialization of a product; (xxii) implementation or completion of critical projects; or (xxiii) any other business criteria established by the Board; *provided*, *however*, that such business criteria shall include any derivations of business criteria listed above (*e.g.*, income shall include pre-tax income, net income and operating income).

12.3.1. Timing for Establishing Performance Goals

Performance goals shall be established not later than 90 days after the beginning of any performance period applicable to Performance Awards.

12.3.2. Settlement of Performance Awards; Other Terms

Settlement of Performance Awards may be in cash, Shares, other Awards or other property. The Board may reduce the amount of a settlement otherwise to be made in connection with such Performance Awards.

12.4. Written Determinations

To the extent permitted, the Board may delegate any responsibility relating to Performance Awards.

13. OTHER SHARE-BASED AWARDS

13.1. Grant of Other Share-based Awards

Other Share-based Awards may be granted either alone or in addition to or in conjunction with other Awards. Other Share-based Awards may be granted in lieu of other cash or other compensation to which an Eligible Individual is entitled from the Company or may be used in the settlement of amounts payable in Shares under any other compensation plan or arrangement of the Company, including any other Company incentive compensation plan. The Board shall have the authority to determine the persons to whom and the time or times at which such Awards will be made, the number of Shares to be granted pursuant to such Awards, and all other terms of such Awards. Unless the Board determines otherwise, any such Award shall be confirmed by an Award Agreement, which shall contain such provisions as the Board determines to be necessary or appropriate to carry out the intent of the Plan with respect to such Award.

13.2. Terms of Other Share-based Awards

Any Common Stock subject to Awards made under this **Section 13** may not be sold, assigned, transferred, pledged or otherwise encumbered prior to the date on which the Shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses.

14. REQUIREMENTS OF LAW

14.1. General

The Company shall not be required to sell or issue any Shares under any Award if the sale or issuance of such Shares would constitute a violation by the Participant, any other individual exercising an Option or the Company of any provision of any law or regulation of any governmental authority, including any federal or state securities laws or regulations. If at any time the Board determines that the listing, registration or qualification of any Shares subject to an Award upon any securities exchange or under any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance or purchase of Shares hereunder, no Shares may be issued or sold to the Participant or any other individual exercising an Option pursuant to such Award unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company, and any delay caused thereby shall in no way affect the date of termination of the Award. Specifically, in connection with the Securities Act, upon the exercise of any Option or the delivery of any Shares underlying an Award, unless a registration statement under such Act is in effect with respect to the Shares covered by such Award, the Company shall not be required to sell or issue such Shares unless the Board has received evidence satisfactory to it that the Participant or any other individual exercising an Option may acquire such Shares pursuant to an exemption from registration under the Securities Act. The Company may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Securities Act. The Company shall not be obligated to take any affirmative action in order to cause the exercise of an Option or the issuance of Shares pursuant to the Plan to comply with any law or regulation of any governmental authority. As to any jurisdiction that expressly imposes the requirement that an Option shall not be exercisable until the Shares covered by such Option are registered or are exempt from registration, the exercise of such Option (under circumstances in which the laws of such jurisdiction apply) shall be deemed conditioned upon the effectiveness of such registration or the availability of such an exemption. The Committee may require the Participant to sign such additional documentation, make such representations and furnish such information as it may consider appropriate in connection with the grant of Awards or issuance or delivery of Shares in compliance with applicable laws, rules and regulations.

14.2. Rule 16b-3

During any time when the Company has a class of equity security registered under Section 12 of the Exchange Act, it is the intent of the Company that Awards and the exercise of Options will qualify for the exemption provided by Rule 16b-3 under the Exchange Act. To the extent that any provision of the Plan or action by the Board or Committee does not comply with the requirements of Rule 16b-3, it shall be deemed inoperative to the extent permitted by law and deemed advisable by the Board, and shall not affect the validity of the Plan. In the event that Rule 16b-3 is revised or replaced, the Board may modify the Plan in any respect necessary to satisfy the requirements of, or to take advantage of any features of, the revised exemption or its replacement.

15. EFFECT OF CHANGES IN CAPITALIZATION

15.1. Adjustments for Changes in Capital Structure

Subject to any required action by the Stockholders, in the event of any change in the Common Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the Stockholders in a form other than Shares (excepting normal cash dividends) that has a material effect on the Fair Market Value, appropriate and proportionate adjustments shall be made in the number and class of shares subject to the Plan and to any outstanding Awards, and in the Option Price, SAR Exercise Price or Purchase Price per Share of any outstanding Awards in order to prevent dilution or enlargement of Participants' rights under the Plan. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." If a majority of the Shares which are of the same class as the Shares that are subject to outstanding Awards are exchanged for, converted into, or otherwise become (whether or not pursuant to a Change in Control) shares of another corporation (the "**New Shares**"), the Board may unilaterally amend the outstanding Awards to provide that such Awards are for New Shares. In the event of any such amendment, the number of Shares subject to, and the Option Price, SAR Exercise Price or Purchase Price per Share of, the outstanding Awards shall be adjusted in a fair and equitable manner. Any fractional share resulting from an adjustment pursuant to this **Section 15.1** shall be rounded down to the nearest whole number and the Option Price, SAR Exercise Price or Purchase Price per share shall be rounded up to the nearest whole cent. In no event may the exercise price of any Award be decreased to an amount less than the par value, if any, of the stock subject to the Award. The Board may also make such adjustments in the terms of any Award to reflect, or related to, such changes in the capital structure of the Company or distributions as it deems appropriate. Adjustments determined by the Board pursuant to this **Section 15.1** shall be made in accordance with Section 409A to the extent applicable.

15.2. Change in Control

15.2.1. Consequences of a Change in Control

Subject to the requirements and limitations of Section 409A if applicable, the Board may provide for any one or more of the following in connection with a Change in Control, which such actions need not be the same for all Participants:

(a) **Accelerated Vesting**. The Board may provide in any Award Agreement, or in the event of a Change in Control may take such actions as it deems appropriate to provide, for the acceleration of the exercisability, vesting or settlement in connection with such Change in Control of each or any outstanding Award or portion thereof and Shares acquired pursuant thereto upon such terms, including a Participant's Separation from Service prior to, upon, or following such Change in Control, to such extent as determined by the Board.

(b) **Assumption, Continuation or Substitution**. In the event of a Change in Control, the surviving, continuing, successor or purchasing corporation or other business entity or parent thereof, as the case may be (the "**Acquiror**"), may, without the consent of any Participant, either assume or continue the Company's rights and obligations under each or any Award or portion thereof outstanding immediately prior to the Change in Control or substitute for each or any such outstanding Award or portion thereof a substantially equivalent award with respect to the Acquiror's stock, as applicable. For purposes of this **Section 15.2.1**, an Award denominated in Shares shall be deemed assumed if, following the Change in Control, the Award confers the right to receive, subject to the terms of the Plan and the applicable Award Agreement, for each Share subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a Stockholder on the effective date of the Change in Control was entitled; *provided, however*, that if such consideration is not solely common stock of the Acquiror, the Board may, with the consent of the Acquiror, provide for the consideration to be received upon the exercise or settlement of the Award, for each Share subject to the Award, to consist solely of common stock of the Acquiror equal in Fair Market Value to the per Share consideration received by Stockholders pursuant to the Change in Control. If any portion of such consideration may be received by Stockholders pursuant to the Change in Control on a contingent or delayed basis, the Board may determine such Fair Market Value as of the time of the Change in Control on the basis of the Board's estimate of the present value of the probable future payment of such consideration. Any Award or portion thereof which is neither assumed or continued by the Acquiror in connection with the Change in Control nor exercised or settled as of the time of consummation of the Change in Control shall terminate and cease to be outstanding effective as of the time of consummation of the Change in Control.

(c) **Cash-Out of Awards.** The Board may, without the consent of any Participant, determine that, upon the occurrence of a Change in Control, each or any Award or a portion thereof outstanding immediately prior to the Change in Control and not previously exercised or settled shall be canceled in exchange for a payment with respect to each vested Share (and each unvested Share, if so determined by the Board) subject to such canceled Award in (i) cash, (ii) stock of the Company or of a corporation or other business entity that is a party to the Change in Control or (iii) other property which, in any such case, shall be in an amount having a Fair Market Value equal to the Fair Market Value of the consideration to be paid per Share in the Change in Control, reduced by the exercise or purchase price per Share, if any, under such Award. If any portion of such consideration may be received by Stockholders pursuant to the Change in Control on a contingent or delayed basis, the Board may determine such Fair Market Value as of the time of the Change in Control on the basis of the Board's estimate of the present value of the probable future payment of such consideration. In the event such determination is made by the Board, the amount of such payment (reduced by applicable withholding taxes, if any) shall be paid to Participants in respect of the vested portions of their canceled Awards as soon as practicable following the date of the Change in Control and in respect of the unvested portions of their canceled Awards in accordance with the vesting schedules applicable to such Awards. For avoidance of doubt, if the amount determined pursuant to this **Section 15.2.1(c)** for an Option or SAR is zero or less, the affected Option or SAR may be cancelled without any payment therefore.

15.2.2. Change in Control Defined

Unless otherwise provided in the applicable Award Agreement, a "**Change in Control**" means the consummation of any of the following events:

(a) the acquisition, other than from the Company, by any individual, entity or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act), other than the Company or any subsidiary, affiliate (within the meaning of Rule 144 promulgated under the Securities Act) or employee benefit plan of the Company, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 50% of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "**Voting Securities**"); or

(b) a reorganization, merger, consolidation or recapitalization of the Company (a "**Business Combination**"), other than a Business Combination in which more than 50% of the combined voting power of the outstanding voting securities of the surviving or resulting entity immediately following the Business Combination is held by the persons who, immediately prior to the Business Combination, were the holders of the Voting Securities; or

(c) a complete liquidation or dissolution of the Company, or a sale of all or substantially all of the assets of the Company; or

(d) during any period of 12 consecutive months, the Incumbent Directors cease to constitute a majority of the Board; "**Incumbent Directors**" means individuals who were members of the Board at the beginning of such period or individuals whose election or nomination for election to the Board by the Stockholders was approved by a vote of at least a majority of the then Incumbent Directors (but excluding any individual whose initial election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors).

Notwithstanding the foregoing, if it is determined that an Award is subject to the requirements of Section 409A and payable upon a Change in Control, the Company will not be deemed to have undergone a Change in Control for purposes of the Plan unless the Company is deemed to have undergone a "change in control event" pursuant to the definition of such term in Section 409A.

15.3. Adjustments

Adjustments under this **Section 15** related to Shares or other securities of the Company shall be made by the Board. No fractional Shares or other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole Share.

16. NO LIMITATIONS ON COMPANY

The making of Awards shall not affect or limit in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge, consolidate, dissolve or liquidate, or to sell or transfer all or any part of its business or assets.

17. TERMS APPLICABLE GENERALLY TO AWARDS

17.1. Disclaimer of Rights

No provision in the Plan or in any Award Agreement shall be construed to confer upon any individual the right to remain in the employ of the Company or any Affiliate, or to interfere in any way with any contractual or other right or authority of the Company or any Affiliate either to increase or decrease the compensation or other payments to any individual at any time, or to terminate any employment or other relationship between any individual and the Company or any Affiliate. In addition, notwithstanding anything contained in the Plan to the contrary, unless otherwise provided in the applicable Award Agreement, no Award shall be affected by any change of duties or position of the Participant, so long as such Participant continues to be an Eligible Individual. The obligation of the Company to pay any benefits pursuant to the Plan shall be interpreted as a contractual obligation to pay only those amounts described herein, in the manner and under the conditions prescribed herein. The Plan shall in no way be interpreted to require the Company to transfer any amounts to a third party trustee or otherwise hold any amounts in trust or escrow for payment to any Participant or beneficiary under the terms of the Plan.

17.2. Nonexclusivity of the Plan

The adoption of the Plan shall not be construed as creating any limitations upon the right or authority of the Board or its delegate to adopt such other compensation arrangements as the Board or its delegate determines desirable.

17.3. Withholding Taxes

The Company or an Affiliate, as the case may be, shall have the right to deduct from payments of any kind otherwise due to a Participant any federal, state or local taxes of any kind required by law to be withheld (i) with respect to the vesting of or other lapse of restrictions applicable to an Award, (ii) upon the issuance of any Shares upon the exercise of an Option or SAR or (iii) otherwise due in connection with an Award. At the time of such vesting, lapse or exercise, the Participant shall pay to the Company or the Affiliate, as the case may be, any amount that the Company or the Affiliate may reasonably determine to be necessary to satisfy such withholding obligation. In addition, the Board may provide one or more Participants with the right to direct the Company to withhold, from the Shares otherwise issuable upon the exercise of an Option or Stock Appreciation Right or upon the issuance of fully-vested Shares (whether pursuant to Restricted Stock, RSUs, Other Share-based Awards, or otherwise), a portion of those Shares with an aggregate Fair Market Value equal to the percentage of the applicable withholding taxes (not to exceed one hundred percent (100%)) designated by the Participant; *provided*, *however*, that the amount of any Shares so withheld shall not exceed the amount necessary to satisfy the Company's required tax withholding obligations using not more than the applicable maximum statutory withholding rates (or such other rates as required to avoid adverse accounting treatment as determined by the Board). The Fair Market Value of the Shares used to satisfy such withholding obligation shall be determined by the Company or the Affiliate as of the date that the amount of tax to be withheld is to be determined. A Participant who has made an election pursuant to this **Section 17.3** may satisfy his or her withholding obligation only with Shares that are not subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements.

17.4. Other Provisions; Legends

Each Award Agreement may contain such other terms not inconsistent with the Plan as may be determined by the Board. Any stock certificates for any Shares issued under the Plan shall be subject to such stop-transfer orders and other restrictions as the Company in its sole discretion may deem advisable under the rules, regulations and other requirements of the SEC, any securities exchange on which the Common Stock may then be listed and any applicable federal or state securities law, and the Company in its sole discretion may cause a legend or legends to be placed on such certificates to make appropriate reference to such restrictions.

17.5. Severability

If any provision of the Plan or any Award Agreement shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction.

17.6. Governing Law

The Plan shall be governed by and construed in accordance with the internal laws of the Commonwealth of Massachusetts without regard to the principles of conflicts of law thereof or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the Commonwealth of Massachusetts. For purposes of resolving any dispute that arises directly or indirectly in connection with the Plan, each Participant, by virtue of receiving an Award, shall be deemed to have submitted to and consented to the exclusive jurisdiction of the Commonwealth of Massachusetts and to have agreed that any related litigation shall be conducted solely in the courts of Middlesex County, Massachusetts or the United States District Court for the District of Massachusetts, where the Plan is made and to be performed, and no other courts.

17.7. Section 409A

The Plan is intended to comply with Section 409A, and, accordingly, to the maximum extent permitted, the Plan shall be interpreted and administered to be in compliance therewith. Any payments described in the Plan that are due within the "short-term deferral period" as defined in Section 409A shall not be treated as deferred compensation unless applicable laws require otherwise. Notwithstanding anything to the contrary in the Plan, to the extent required to avoid accelerated taxation and tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to the Plan during the six-month period immediately following the Participant's Separation from Service shall instead be paid on the first payroll date after the six-month anniversary of the Participant's Separation from Service (or the Participant's death, if earlier). Notwithstanding the foregoing, neither the Company nor the Committee shall have any obligation to take any action to prevent the assessment of any excise tax or penalty on any Participant under Section 409A and neither the Company nor the Board shall have any liability to any Participant for such tax or penalty.

17.8. Separation from Service

The Board shall determine the effect of a Separation from Service upon Awards, and such effect shall be set forth in the applicable Award Agreement. Without limiting the foregoing, the Board may provide in the Award Agreements at the time of grant, or any time thereafter with the consent of the Participant, the actions that will be taken upon the occurrence of a Separation from Service, including accelerated vesting or termination, depending upon the circumstances surrounding the Separation from Service.

17.9. Transferability of Awards

17.9.1. Transfers in General

Except as provided in **Section 17.9.2**, no Award shall be assignable or transferable by the Participant to whom it is granted, other than by will or the laws of descent and distribution, and, during the lifetime of the Participant, only the Participant personally (or the Participant's personal representative) may exercise rights under the Plan.

17.9.2. Family Transfers

If authorized in the applicable Award Agreement, a Participant may transfer, not for value, all or part of an Award to any Family Member. For the purpose of this **Section 17.9.2**, a "not for value" transfer is a transfer which is (i) a gift, (ii) a transfer under a domestic relations order in settlement of marital property rights or (iii) a transfer to an entity in which more than 50% of the voting interests are owned by Family Members (or the Participant) in exchange for an interest in that entity. Following a transfer under this **Section 17.9.2**, any such Award shall continue to be subject to the same terms as were applicable immediately prior to transfer. Subsequent transfers of transferred Awards are prohibited except to Family Members of the original Participant in accordance with this **Section 17.9.2** or by will or the laws of descent and distribution.

17.10. Dividends and Dividend Equivalent Rights

If specified in the Award Agreement, the recipient of an Award may be entitled to receive, currently or on a deferred basis, dividends or dividend equivalents with respect to the Common Stock or other securities covered by an Award; *provided*, *however*, that no dividends or dividend equivalents may be paid or granted with respect to an Option or SAR or the Shares subject thereto until such Award has been exercised. The terms of dividend equivalent rights may be set forth in the Award Agreement, which shall not be inconsistent with the terms and conditions of the underlying securities to which they relate. Dividend equivalents credited to a Participant may be paid currently or may be deemed to be reinvested in additional Shares or other securities of the Company at a price per unit equal to the Fair Market Value on the date that such dividend was paid to Stockholders. Notwithstanding the foregoing, in no event will dividends or dividend equivalents on any Award that is subject to vesting conditions (including the achievement of performance criteria) be payable before the Award has become vested.

17.11. Data Protection

A Participant's acceptance of an Award shall be deemed to constitute the Participant's acknowledgement of and consent to the collection and processing of personal data relating to the Participant so that the Company and the Affiliates can fulfill their obligations and exercise their rights under the Plan and generally administer and manage the Plan. This data shall include data about participation in the Plan and Shares offered or received, purchased or sold under the Plan and other appropriate financial and other data (such as the date on which the Awards were granted) about the Participant and the Participant's participation in the Plan.

17.12. Plan Construction

In the Plan, unless otherwise stated, the following uses apply: (i) references to a statute or law refer to the statute or law and any amendments and any successor statutes or laws, and to all valid and binding governmental regulations, court decisions and other regulatory and judicial authority issued or rendered thereunder, as amended, or their successors, as in effect at the relevant time; (ii) in computing periods from a specified date to a later specified date, the words "from" and "commencing on" (and the like) mean "from and including," and the words "to," "until" and "ending on" (and the like) mean "to and including"; (iii) indications of time of day shall be based upon the time applicable to the location of the principal headquarters of the Company; (iv) the words "include," "includes" and "including" (and the like) mean "include, without limitation," "includes, without limitation" and "including, without limitation" (and the like), respectively; (v) all references to articles and sections are to articles and sections in the Plan; (vi) all words used shall be construed to be of such gender or number as the circumstances and context require; (vii) the captions and headings of articles and sections have been inserted solely for convenience of reference and shall not be considered a part of the Plan, nor shall any of them affect the meaning or interpretation of the Plan or any of its provisions; (viii) any reference to an agreement, plan, policy, form, document or set of documents, and the rights and obligations of the parties under any such agreement, plan, policy, form, document or set of documents, shall mean such agreement, plan, policy, form, document or set of documents as amended from time to time, and any and all modifications, extensions, renewals, substitutions or replacements thereof; and (ix) all accounting terms not specifically defined shall be construed in accordance with GAAP.

Exhibit 10.2

DESCRIPTION OF SECURITIES
Registered Pursuant to Section 12 of the Securities Exchange Act of 1934

We have one class of securities registered under Section 12 of the Securities Exchange Act of 1934 (the "*Exchange Act*"): common stock, $0.01 par value per share ("*Common Stock*").

Authorized Capital Stock

We are authorized to issue two classes of capital stock to be designated as the Common Stock and as preferred stock, par value $0.01 per share ("*Preferred Stock*"). The total number of shares of capital stock that we are authorized to issue is 91,250,000, of which 90,000,000 shares shall be Common Stock and 1,250,000 shares shall be Preferred Stock.

Description of Common Stock

The following is a description of the material terms and provisions relating to Common Stock. Because it is a summary, the following description is not complete and is subject to and qualified in its entirety by reference to our Certificate of Incorporation, our Bylaws and provisions of Delaware General Corporation Law (the "*DGCL*") that define the rights of our stockholders.

Voting Rights

Under our Certificate of Incorporation, each holder of Common Stock will be entitled to one vote for each share held on matters submitted to a vote of stockholders. Under the DGCL and our Certificate of Incorporation, the holders of Common Stock will not have cumulative voting rights in the election of directors.

Dividends

Under our Bylaws, dividends on Common Stock may be declared by the board of directors and are subject to any preferential dividend or other rights of any then-outstanding Preferred Stock and to applicable requirements of the DGCL.

Liquidation

Upon our dissolution or liquidation, holders of Common Stock will be entitled to receive all assets of our company available for distribution to its stockholders, subject to any preferential rights of then-outstanding Preferred Stock.

Number and Classification of Directors

Our Certificate of Incorporation and Bylaws provide that the board of directors is to be divided into three classes, with the classes serving for staggered three-year terms and until successors are elected and qualified. Pursuant to our Certificate of Incorporation and Bylaws, the number of directors will not be less than three nor more than nine, as determined by a majority of the authorized directors, and may be decreased either by the stockholders or a majority of the board of directors, but only to eliminate vacancies.

Other Rights and Preferences

Other than as described herein, holders of Common Stock have no preemptive, conversion or subscription rights, and there are no redemption or sinking fund provisions applicable to Common Stock. The rights, preferences and privileges of the holders of Common Stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of Preferred Stock that we may designate and issue.

Description of Preferred Stock

Our Certificate of Incorporation provides that the board of directors is authorized to fix the designation and number of any series of Preferred Stock and to determine the rights, powers, preferences, qualifications, limitations, restrictions, voting powers, and the relative, participating, optional or other special rights of such Preferred Stock.

Nasdaq Global Select Market

Common Stock is traded on The Nasdaq Global Select Market under the symbol “ANIK.”

Transfer Agent and Registrar

The transfer agent and registrar for the Common Stock is American Stock Transfer & Trust Co.

Anti-Takeover Effects of Provisions of Our Certificate of Incorporation, Our Bylaws and the DGCL

Certain provisions of our Certificate of Incorporation and Bylaws and the DGCL contain provisions that may delay, defer or discourage another party from acquiring control of our company. We expect that these provisions, which are summarized below, will discourage coercive takeover practices or inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with the board of directors, which we believe may result in an improvement of the terms of any such acquisition in favor of our stockholders. However, they also give the board of directors the power to discourage acquisitions that some stockholders may favor.

Authorized but Unissued Shares

The authorized but unissued shares of Common Stock and Preferred Stock are available for future issuance without stockholder approval, subject to any limitations imposed by the listing standards of The Nasdaq Stock Market LLC. These additional shares may be used for a variety of corporate finance transactions, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved Common Stock and Preferred Stock could make more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Staggered Board of Directors

Our Certificate of Incorporation provides that our board of directors will be classified into three classes of directors of approximately equal size. As a result, in most circumstances, a person can gain control of the board of directors only by successfully engaging in a proxy contest at two or more annual meetings.

Delaware Law

Section 203 of the DGCL prevents some Delaware corporations from engaging, under some circumstances, in a business combination that includes a merger or sale of at least 10% of a corporation’s assets with any interested stockholder, meaning a stockholder who, together with affiliates and associates, owns (or, within three years prior to the determination of interested stockholder status, owned) 15% or more of the corporation’s outstanding voting stock, unless:

- the transaction is approved by the board of directors prior to the time that the interested stockholder becomes an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder’s becoming an interested stockholder, the interested stockholder owned at least 85% of the corporation’s voting stock outstanding at the time the transaction commenced, excluding stock owned by directors who are also officers of the corporation; or
- subsequent to the time the stockholder became an interested stockholder, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders by at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

A Delaware corporation may “opt out” of these provisions with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from a stockholders’ amendment approved by at least a majority of the outstanding voting shares. We have not opted out of these provisions. As a result, mergers or other takeover or change in control attempts of us may be discouraged or prevented.

Stockholder Action by Written Consent

Pursuant to Section 228 of the DGCL, any action required to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote if a consent or consents in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of our stock entitled to vote thereon were present and voted, unless the corporation’s certificate of incorporation provides otherwise. Our Certificate of Incorporation prohibits stockholder action by written consent (and, thus, requires that all stockholder actions be taken at a meeting of our stockholders).

Exhibit 31.1

Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Cheryl Blanchard, certify that:

1. I have reviewed this report on Form 10-Q for the quarterly period ended September 30, 2021 of Anika Therapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d- 15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2021

/s/ CHERYL BLANCHARD
Cheryl R. Blanchard, Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael Levitz, certify that:

1. I have reviewed this report on Form 10-Q for the quarterly period ended September 30, 2021 of Anika Therapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d- 15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2021

/s/ MICHAEL LEVITZ
Michael Levitz
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

Exhibit 32.1

Certification of Principal Executive Officer and Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned officers of Anika Therapeutics, Inc. (the "Company") hereby certify to their knowledge and in their respective capacities that the Company's quarterly report on Form 10-Q to which this certification is attached (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2021

/s/ CHERYL BLANCHARD
Cheryl R. Blanchard, Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

/s/ MICHAEL LEVITZ
Michael Levitz
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

This certification shall not be deemed "filed" for any purpose, nor shall it be deemed to be incorporated by reference into any filing, under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.