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Investment Profile

Nasdaq: EXAC

January 28, 2010

Exactech Q3 Revenue Rises 12% to \$42.4M; Net Income Up 28% to \$2.7M or \$0.21 EPS. Hip Revenue Increases 24%; Shoulders Up 31%

Company Description

Exactech is a pure play orthopaedic competitor that is gaining market share in the rapidly expanding global biomedical device industry. The company's products are used in the restoration of bones and joints that have deteriorated as a result of injury or disease such as arthritis.

Exactech develops, manufactures, markets, distributes and sells its orthopaedic implant devices, including knee, shoulder, and hip implant systems, related surgical instrumentation, spine products and biologic services to hospitals and physicians in the United States and internationally in over 30 countries.

Founded and led by an orthopaedic surgeon, the company has built its success on its customer-centric culture. Feedback from its surgeon customers has helped Exactech develop a pipeline of innovative products that improve patient outcomes.

FDA-Cleared Products and Services

It is estimated that there are nearly one million knee replacement procedures performed worldwide each year. To help meet this demand, Exactech continues to develop next generation knee systems that respond to the needs of the hospital and surgical community. Its Optetrak® differentiated knee implant products provide about 41% of the company's revenue.

Representing about 13% of the company's current revenues, the Equinox® shoulder implant system is Exactech's fastest growing product line.

Hip products account for about 16% of company revenues, and use industry-leading materials such as ceramic bearing surfaces and enhanced polyethylene for superior wear performance.

EXAC - NASDAQ

Closing Price (1/28/10)	\$16.95
Market Cap.	\$216.98 mil.
52-Week Range	\$10.74 - \$19.24
Avg Daily Trading (3Mo.)	30,601
FY '08 EPS (diluted)	\$0.87
P/E Ratio (ttm)	19.99
Book Value per share	\$10.22
FY '08 Revenue	\$161.7mil.
FY '08 Net Income	\$11.1 mil.
Total Assets (09/30/09)	\$172.3 mil.
Total Debt (09/30/09)	\$17.4 mil.
Basic Shares*	12.8 mil.
Diluted Shares*	12.9 mil.
Est. Public Float	8.21 mil.
Insider Ownership	35.79%
Institutional Ownership	47.29%
Fiscal Year End	Dec. 31

*3-mos. weighted average number of shares outstanding

Exactech's biologic and spine products together represent about 15% of revenue. The company began distribution of biologic tissue materials in 1998, and entered the spine market with an acquisition of a spine products company in early 2008. Exactech offers a variety of allograft tissue material for grafting and repairing bone defects, and a spine platform that provides a portfolio of spine products with the potential to expand domestically and internationally.

Surgeon input and clinician feedback is an important aspect in developing innovative new designs in implant technology.

Highlights

01/25/2010

Exactech to Support Orthopaedic Research and Education Through OREF Clinician Development Program

10/27/09

Q3 Revenue Up 12% to \$42.4M; Net income \$2.7M, EPS \$0.21. Net income excluding DOJ inquiry costs was \$3.3 M or \$0.25 EPS.

09/02/09

Exactech to Present at Three Healthcare Conferences in Sept.

07/28/09

Q2 '09 revenue \$43.3M Net income \$2.6M or \$0.20 EPS. YTD Revenue Up 4% to \$86.6M

04/29/09

Q1 revenue up 9% to \$43.3M. Net income \$2.5M, EPS \$0.19. Net income ex- DOJ inquiry costs up 12% to \$3.3M or \$0.26 EPS

02/24/09

Exactech receives patent for Optetrak RBK rotating bearing knee system

02/18/09

FY '08 revenue up 30% to \$162M. FY'08 net income up 31% to \$11M, EPS \$.87. Q4 revenue \$40M, net income \$3M, EPS \$.24

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Q3 Segment Performance

- Net income increased 28% to \$2.7 million
- Net income excluding DOJ inquiry costs was \$3.3 million or \$0.25 EPS
- Hip implant revenue increased 24% to \$6.8 million from \$5.5 million
- Knee implant revenue increased 4% to \$17.3 million from \$16.6 million
- Biologic and spine revenue increased 7% to \$6.5 million from \$6.1 million
- Extremity implant revenue increased 31% to \$5.5 million from \$4.2 million
- Other products revenue increased 13% to \$6.3 million from \$5.5 million

The Outlook

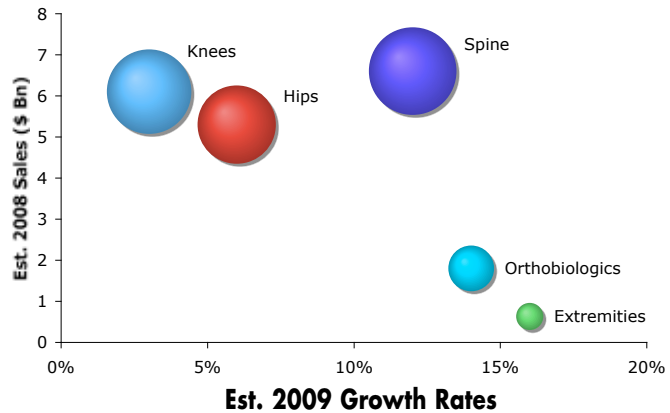
Total revenue for the third quarter of 2009 increased 12% to \$42.4 million from \$37.9 million in the third quarter of 2008. Diluted earnings per share for the quarter was \$0.21 based on net income of \$2.7 million. This compares with net income of \$2.1 million or \$0.16 diluted EPS a year ago. Net income for the quarter, excluding pre-tax legal expenses and costs of \$845,000 related to the ongoing Department of Justice (DOJ) inquiry, was \$3.3 million or \$0.25 EPS.

For the first nine months of 2009 revenue was \$129.0 million, an increase of 6% over \$121.4 million for the comparable period last year. Net income for the first nine months of 2009 was \$7.8 million representing a 2% decrease from the first nine months of 2008. Net income for the nine months, excluding pre-tax legal expenses and costs of \$3.4 million related to the ongoing Department of Justice (DOJ) inquiry, was \$10.0 million or \$0.77 diluted EPS.

Management said "Our seasonally slow third quarter produced year over year revenue growth in all segments – and stellar growth in two of our five reporting segments. In fact, on a sequential basis, revenue in the third quarter exceeded second quarter sales in hips, extremities and other products segments. Our innovative new products such as the new Novation Element® hip products, Equinox® shoulder and LPI Instrumentation are driving growth. We continue to make substantial investments in new product development as we see attractive opportunities ahead of us."

U.S. sales increased 15% to \$30.2 million in the quarter compared to \$26.3 million in the third quarter of 2008. International sales for the third quarter increased 5% to \$12.2 million compared to \$11.6 million a year ago. International sales represented 29% of total sales compared with 31% in the same quarter last year.

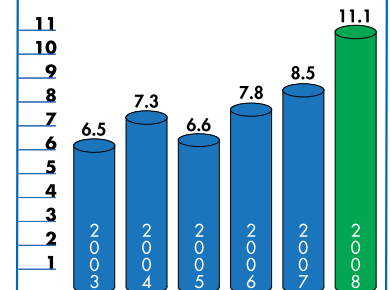
Targeting Highly Attractive Markets \$30 Billion Worldwide Market



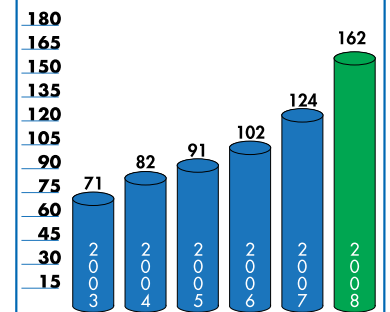
Exactech participates in the \$30 billion worldwide market for biomedical devices, targeting very large and growing market segments for hip (\$5.3 B) and knee implants (\$6.1 B) as well as the fastest growing segments, spine (\$6.6 B), biologics (\$1.8 B) and extremities (\$0.6 B). Source: 2008 Sales - Canaccord Adams "Life Sciences - Biomedical Devices and Services" (3/6/09); 2009 Growth – Company Estimates

Looking forward, Exactech increased its revenue targets for 2009 in the range of \$171 to \$174 million and now targets diluted EPS for the year 2009 in the range of \$1.00 to \$1.02. For Q4 ending Dec. 31, 2009, the company targets revenue in the range of \$42 to \$45 million and diluted EPS in the range of \$0.22 to \$0.24. These EPS target ranges exclude the impact of DOJ inquiry costs. The foregoing statements regarding targets for the quarter and full year are forward-looking and actual results may differ materially. These are the company's targets, not predictions of actual performance.

Net Income in \$ Millions



Revenue in \$ Millions



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Risk Factors

- Market acceptance of new products
- Significant resources of larger competitors
- New government taxes
- Partial dependency on third-party manufacturers
- Medical device industry DOJ investigation