Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
ANI Pharmaceuticals, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of ANI Pharmaceuticals, Inc. and Subsidiaries (the "Company") as of December 31, 2024 and 2023, and the related consolidated statements of operations, comprehensive income (loss), mezzanine equity and stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2024 and 2023, and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated February 28, 2025 expressed an unqualified opinion.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of the Chargeback Accrual

As described in Note 2 to the consolidated financial statements, the Company records variable consideration estimated at the time of sale, for chargebacks. The amount accrued for chargebacks as of December 31, 2024, is approximately $105.6 million. Management's estimate of the chargeback accrual is based on inventory levels in the distribution channel of wholesalers, impacted by the actual average selling price for each product and the wholesaler acquisition cost, utilized to estimate the expected chargeback provision and accrual.

We identified the chargeback accrual as a critical audit matter as there is especially challenging auditor judgment required with respect to the calculation of the chargeback accrual given certain assumptions used including purchasing trends of distributors and historical product sales used to predict future sales.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included assessing the design and testing the effectiveness of controls relating to the chargeback accrual, including management's control over the assumptions used to estimate the accrual. We evaluated the inventory levels in the distribution channel of wholesalers and considered the underlying contracts for the actual average selling price. We also validated the wholesaler acquisition costs for a selection of products. We evaluated the accrual for chargebacks by comparing historically recorded accruals to the actual amount that was ultimately claimed by the wholesalers. We analyzed year over year trends in the accrual in comparison with revenue trends to further evaluate reasonableness of the estimate and consistency with expectations.

Acquisition of Alimera – Valuation of Intangible Assets

As described in Note 3 to the consolidated financial statements, the Company acquired Alimera Sciences, Inc. ("Alimera") on September 16,2024 and the transaction was accounted for using the acquisition method of accounting for business combinations. The acquisition of Alimera was complex due to the significant estimates required by management to determine the fair value of identified intangible assets of $400.0 million. The determination of the fair value of the intangible assets acquired required management, to utilize the assistance of a third-party valuation specialist and to make significant estimates and assumptions including the estimated net revenue growth rate, gross profit margin, economic life and discount rate.

We identified the valuation of intangible assets resulting from the Alimera acquisition as a critical audit matter given the especially challenging auditor judgment required in evaluating the inputs and assumptions used in determining fair value off the intangible assets. The key assumptions include discount rates, projected revenues and gross profit margins. Changes in these significant assumptions could have a significant impact on the fair value of the intangible assets.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included assessing the design and testing the effectiveness of controls relating to the third-party valuation report which included management's review of the third-party valuation report for the completeness and mathematical accuracy of the data, and evaluating the reasonableness of assumptions used in the calculation such as economic life and discount rate. We utilized a valuation specialist to assist in evaluating the appropriateness of the Company's valuation models developed for acquired intangible assets and evaluating the reasonableness of the significant assumptions used including the estimated net revenue growth rate, gross margin percentages, economic life and discount rate as compared to industry and market data. We also examined the completeness and accuracy of the underlying data supporting the significant assumptions and estimates used in the third-party valuation report, including historical and projected financial information.

/s/ EisnerAmper LLP

We have served as the Company's auditor since 2013.

EISNERAMPER LLP
West Palm Beach, Florida
February 28, 2025

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
ANI Pharmaceuticals, Inc.

Opinion on Internal Control over Financial Reporting

We have audited ANI Pharmaceuticals, Inc. and Subsidiaries (the "Company") internal control over financial reporting as of December 31, 2024, based on criteria established in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in the Internal Control - Integrated Framework (2013) issued by COSO.

As described in Management's Annual Report on Internal Control over Financial Reporting, management's assessment of the effectiveness of internal control over financial reporting did not include the internal controls of Alimera Sciences, Inc. ("Alimera"), which was acquired on September 16, 2024, and whose financial statements represent approximately 5% of the Company's consolidated revenues for the year ended December 31, 2024 and assets associated with Alimera's operations represent approximately 1% of the Company's consolidated assets as of December 31, 2024. Accordingly, our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of Alimera.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of ANI Pharmaceuticals, Inc. and Subsidiaries as of December 31, 2024 and 2023, and the related consolidated statements of operations, comprehensive income (loss), mezzanine equity and stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2024 and the related notes and our report dated February 28, 2025 expressed an unqualified opinion.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process designed 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. An entity's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and directors of the entity; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ EisnerAmper LLP

EISNERAMPER LLP
West Palm Beach, Florida
February 28, 2025

ANI PHARMACEUTICALS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(in thousands, except share and per share amounts)

	December 31, 2024	December 31, 2023
Assets		
Current Assets		
Cash and cash equivalents	$ 144,861	$ 221,121
Restricted cash	33	—
Accounts receivable, net of $127,824 and $97,262 of adjustments for chargebacks and other allowances at December 31, 2024 and 2023, respectively	221,726	162,079
Inventories	136,782	111,196
Assets held for sale	—	8,020
Prepaid expenses and other current assets	17,975	17,400
Investment in equity securities	6,307	—
Total Current Assets	527,684	519,816
Non-current Assets		
Property and equipment, net	56,863	44,593
Deferred tax assets, net of deferred tax liabilities and valuation allowance	85,106	90,711
Intangible assets, net	541,834	209,009
Goodwill	59,990	28,221
Derivatives and other non-current assets	12,220	12,072
Total Assets	$ 1,283,697	$ 904,422
Liabilities, Mezzanine Equity, and Stockholders' Equity		
Current Liabilities		
Current debt, net of deferred financing costs	$ 9,172	$ 850
Accounts payable	45,656	36,683
Accrued royalties	22,626	16,276
Accrued compensation and related expenses	37,725	23,786
Accrued government rebates	18,714	12,168
Income taxes payable	6,749	8,164
Returned goods reserve	39,274	29,678
Current contingent consideration	29	12,266
Accrued expenses and other	13,735	5,606
Total Current Liabilities	193,680	145,477
Non-current Liabilities		
Non-current debt, net of deferred financing costs and current component	309,108	284,819
Non-current convertible notes, net of deferred financing costs	305,812	—
Accrued licensor payments due	20,961	—
Non-current contingent consideration, net of current	19,825	11,718
Other non-current liabilities	5,781	4,809
Total Liabilities	$ 855,167	$ 446,823
Commitments and Contingencies (Note 17)		
Mezzanine Equity		
Convertible Preferred Stock, Series A, $0.0001 par value, 1,666,667 shares authorized; 25,000 shares issued and outstanding at December 31, 2024 and 2023	24,850	24,850
Stockholders' Equity		
Common Stock, $0.0001 par value, 33,333,334 shares authorized; 21,537,707 shares issued and 21,108,152 outstanding at December 31, 2024; 20,730,896 shares issued and 20,466,953 shares outstanding at December 31, 2023	2	2
Class C Special Stock, $0.0001 par value, 781,281 shares authorized; 10,864 shares issued and outstanding at December 31, 2024 and 2023 respectively	—	—
Preferred Stock, $0.0001 par value, 1,666,667 shares authorized; 0 shares issued and outstanding at December 31, 2024 and 2023, respectively	—	—
Treasury stock, 429,555 shares of common stock, at cost, at December 31, 2024 and 263,943 shares of common stock, at cost, at December 31, 2023	(21,040)	(10,081)
Additional paid-in capital	519,653	514,103
Accumulated deficit	(100,279)	(80,132)
Accumulated other comprehensive income, net of tax	5,344	8,857
Total Stockholders' Equity	403,680	432,749
Total Liabilities, Mezzanine Equity, and Stockholders' Equity	$ 1,283,697	$ 904,422

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

ANI PHARMACEUTICALS, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(in thousands, except per share amounts)

	Years Ended December 31,		
	2024	**2023**	**2022**
Net Revenues	$ 614,376	$ 486,816	$ 316,385
Operating Expenses			
Cost of sales (excluding depreciation and amortization)	250,210	181,513	138,785
Research and development	44,581	34,286	22,318
Selling, general, and administrative	249,636	161,697	124,044
Depreciation and amortization	67,731	59,791	56,972
Contingent consideration fair value adjustment	(619)	1,426	3,758
Gain on sale of building	(5,347)	—	—
Restructuring activities	—	1,132	5,679
Intangible asset impairment charge	7,600	—	112
Total Operating Expenses, net	613,792	439,845	351,668
Operating Income (Loss)	584	46,971	(35,283)
Other Expense, net			
Unrealized gain on investment in equity securities	6,307	—	—
Interest expense, net	(17,602)	(26,940)	(28,052)
Other (expense) income, net	(4,033)	(159)	670
Loss on extinguishment of debt	(7,468)	—	—
(Loss) Income Before (Benefit) Expense for Income Taxes	(22,212)	19,872	(62,665)
Income tax (benefit) expense	(3,690)	1,093	(14,769)
Net (Loss) Income	$ (18,522)	$ 18,779	$ (47,896)
Dividends on Series A Convertible Preferred Stock	$ (1,625)	$ (1,625)	$ (1,625)
Net (Loss) Income Available to Common Shareholders	$ (20,147)	$ 17,154	$ (49,521)
Basic and Diluted (Loss) Income Per Share:			
Basic (Loss) Income Per Share	$ (1.04)	$ 0.86	$ (3.05)
Diluted (Loss) Income Per Share	$ (1.04)	$ 0.85	$ (3.05)
Basic Weighted-Average Shares Outstanding	19,318	18,001	16,260
Diluted Weighted-Average Shares Outstanding	19,318	18,194	16,260

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

ANI PHARMACEUTICALS, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)
(in thousands)

	Years Ended December 31,		
	2024	**2023**	**2022**
Net (loss) income	$ (18,522)	$ 18,779	$ (47,896)
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustment	(644)	44	(112)
(Loss) gain on interest rate swap	(2,869)	(3,355)	15,335
Total other comprehensive (loss) income, net of tax	(3,513)	(3,311)	15,223
Total comprehensive (loss) income, net of tax	$ (22,035)	$ 15,468	$ (32,673)

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

ANI PHARMACEUTICALS, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Mezzanine Equity and Stockholders' Equity
For the Years Ended December 31, 2024, 2023, and 2022
(in thousands)

	Mezzanine Equity Series A Convertible Preferred Stock	Mezzanine Equity Series A Convertible Preferred Stock Shares	Common Stock Par Value	Common Stock Shares	Class C Special Stock	Additional Paid-in Capital	Treasury Stock Shares	Treasury Stock	Accumulated Other Comprehensive (Loss) Gain Net of Tax	Accumulated Deficit	Total Mezzanine Equity and Stockholders' Equity
Balance, December 31, 2021	$ 24,850	25	$ 1	16,913	$ —	$ 387,844	83	$ (3,135)	$ (3,055)	$ (47,765)	$ 358,740
Stock-based Compensation Expense	—	—	—	—	—	14,599	—	—	—	—	14,599
Treasury Stock Purchases for Restricted Stock Vests	—	—	—	—	—	—	66	(1,959)	—	—	(1,959)
Issuance of Common Shares upon Stock Option and ESPP Exercise	—	—	—	52	—	1,458	—	—	—	—	1,458
Issuance of Restricted Stock Awards	—	—	—	748	—	—	—	—	—	—	—
Restricted Stock Awards Forfeitures	—	—	—	(69)	—	—	—	—	—	—	—
Dividends on Convertible Preferred Stock	—	—	—	—	—	—	—	—	—	(1,625)	(1,625)
Other comprehensive income	—	—	—	—	—	—	—	—	15,223	—	15,223
Net Loss	—	—	—	—	—	—	—	—	—	(47,896)	(47,896)
Balance, December 31, 2022	$ 24,850	25	$ 1	17,644	$ —	$ 403,901	149	$ (5,094)	$ 12,168	$ (97,286)	$ 338,540
Stock-based Compensation Expense	—	—	—	—	—	20,652	—	—	—	—	20,652
Treasury Stock Purchases for Restricted Stock Vests	—	—	—	—	—	—	115	(4,987)	—	—	(4,987)
Issuance of Common Shares upon Stock Option and ESPP Exercise	—	—	—	227	—	8,996	—	—	—	—	8,996
Issuance of Restricted Stock Awards	—	—	—	674	—	—	—	—	—	—	—
Issuance of Performance Stock Units	—	—	—	85	—	—	—	—	—	—	—
Restricted Stock Awards and Performance Stock Unit Forfeitures	—	—	—	(83)	—	(1)	—	—	—	—	(1)
Issuance of Common Stock in Public Offering, net of offering costs	—	—	1	2,184	—	80,555	—	—	—	—	80,556
Dividends on Convertible Preferred Stock	—	—	—	—	—	—	—	—	—	(1,625)	(1,625)
Other comprehensive loss	—	—	—	—	—	—	—	—	(3,311)	—	(3,311)
Net Income	—	—	—	—	—	—	—	—	—	18,779	18,779
Balance, December 31, 2023	$ 24,850	25	$ 2	20,731	$ —	$ 514,103	264	$ (10,081)	$ 8,857	$ (80,132)	$ 457,599
Stock-based Compensation Expense	—	—	—	—	—	29,344	—	—	—	—	29,344
Capped Call Transaction, net of tax	—	—	—	—	—	(30,281)	—	—	—	—	(30,281)
Treasury Stock Purchases for Restricted Stock Vests	—	—	—	—	—	—	166	(10,959)	—	—	(10,959)
Issuance of Common Shares upon Stock Option and ESPP Exercise	—	—	—	152	—	6,488	—	—	—	—	6,488
Issuance of Restricted Stock Awards	—	—	—	708	—	—	—	—	—	—	—
Issuance of Performance Stock Units	—	—	—	74	—	—	—	—	—	—	—

	Mezzanine Equity Series A Convertible Preferred Stock	Mezzanine Equity Series A Convertible Preferred Stock Shares	Common Stock Par Value	Common Stock Shares	Class C Special Stock	Additional Paid-in Capital	Treasury Stock Shares	Treasury Stock	Accumulated Other Comprehensive (Loss) Gain Net of Tax	Accumulated Deficit	Total Mezzanine Equity and Stockholders' Equity
Restricted Stock Awards and Performance Stock Units Forfeitures	—	—	—	(127)	—	(1)	—	—	—	—	(1)
Dividends on Series A Convertible Preferred Stock	—	—	—	—	—	—	—	—	—	(1,625)	(1,625)
Other comprehensive loss	—	—	—	—	—	—	—	—	(3,513)	—	(3,513)
Net Loss	—	—	—	—	—	—	—	—	—	(18,522)	(18,522)
Balance, December 31, 2024	$ 24,850	25	$ 2	21,538	$ —	$ 519,653	430	$ (21,040)	$ 5,344	$ (100,279)	$ 428,530

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

ANI PHARMACEUTICALS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2024	2023	2022
Cash Flows From Operating Activities			
Net (loss) income	$ (18,522)	$ 18,779	$ (47,896)
Adjustments to reconcile net (loss) income to net cash and cash equivalents provided by (used in) operating activities:			
Stock-based compensation	29,344	20,652	14,599
Deferred taxes	(21,913)	(11,740)	(15,253)
Depreciation and amortization	67,731	59,791	59,653
Unrealized gain on investment in equity securities	(6,307)	—	—
Acquired in-process research and development ("IPR&D")	—	—	1,151
Non-cash operating lease expense	1,526	1,269	—
Non-cash interest	642	3,922	3,961
Contingent consideration fair value adjustment	(619)	1,426	4,058
Gain on sale of building	(5,347)	—	—
Loss on extinguishment of debt	7,468	—	—
Amortization of inventory step up	13,599	—	—
Asset impairment charges	7,600	—	574
Gain on sale of ANDAs	—	—	(750)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable, net	(21,087)	3,359	(36,912)
Inventories	(21,287)	(5,841)	(23,626)
Prepaid expenses and other assets	2,129	(9,015)	(798)
Accounts payable	479	7,552	5,038
Accrued royalties	6,350	6,969	3,082
Income taxes	(1,415)	11,991	(160)
Accrued government rebates	6,160	1,296	5,380
Returned goods reserve	9,102	(3,722)	(2,399)
Accrued expenses, accrued compensation, and other	8,384	12,271	(905)
Net Cash and Cash Equivalents Provided by (Used in) Operating Activities	64,017	118,959	(31,203)
Cash Flows From Investing Activities			
Acquisition of Alimera, net of cash acquired	(401,280)	—	—
Acquisition of Novitium Pharma LLC, net of cash acquired	—	—	(33)
Acquisition of product rights, intangible assets, and other related assets	(717)	(9,643)	(7,579)
Acquisition of property and equipment, net	(16,236)	(8,868)	(8,876)
Proceeds from the sale of long-lived assets	—	—	750
Proceeds from the sale of building	13,514	—	—
Net Cash and Cash Equivalents Used in Investing Activities	(404,719)	(18,511)	(15,738)
Cash Flows From Financing Activities			
Proceeds from convertible notes	316,250	—	—
Proceeds from term loan	325,000	—	—
Purchase of capped call transaction	(40,575)	—	—
Proceeds from public offering	—	80,555	—
Payments on contingent consideration	(12,500)	(12,500)	—
Principal payments on borrowings under credit agreements	(3,531)	(3,000)	(3,000)
Debt issuance costs	(17,353)	—	—
Repayment on borrowings under credit agreement	(292,500)	—	—
Payment of accrued licensor payment	(3,750)	—	—
Series A convertible preferred stock dividends paid	(1,625)	(1,625)	(1,625)
Proceeds from stock option exercises and ESPP purchases	6,488	8,996	1,458
Treasury stock purchases for restricted stock vests	(10,959)	(4,987)	(1,959)
Net Cash and Cash Equivalents Provided by (Used in) Financing Activities	264,945	67,439	(5,126)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	(470)	—	—
Net Change in Cash, Cash Equivalents, and Restricted Cash	(76,227)	167,887	(52,067)
Cash and cash equivalents, beginning of year	221,121	53,234	105,301
Cash, cash equivalents and restricted cash, end of year	$ 144,894	$ 221,121	$ 53,234

	Year Ended December 31,		
	2024	2023	2022
Reconciliation of cash, cash equivalents, and restricted cash, beginning of year			
Cash and cash equivalents	$ 221,121	$ 48,228	$ 100,300
Restricted cash	—	5,006	5,001
Cash, cash equivalents, and restricted cash, beginning of year	$ 221,121	$ 53,234	$ 105,301
Reconciliation of cash, cash equivalents, and restricted cash, end of year			
Cash and cash equivalents	$ 144,861	$ 221,121	$ 48,228
Restricted cash	33	—	5,006
Cash, cash equivalents, and restricted cash, end of year	$ 144,894	$ 221,121	$ 53,234
Supplemental disclosure for cash flow information:			
Cash paid for interest, net of amounts capitalized	$ 24,379	$ 31,431	$ 21,477
Cash paid for income taxes	$ 19,061	$ 1,228	$ 288
Right-of-use assets obtained in exchange for lease obligations	$ —	$ 4,715	$ —
Supplemental non-cash investing and financing activities:			
Purchase consideration for Alimera Acquisition	$ (8,322)	$ —	$ —
Acquisition of product rights included in accounts payable	$ —	$ —	$ 1,000
Property and equipment purchased and included in accounts payable	$ 529	$ 328	$ 452

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

ANI Pharmaceuticals, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
For the years ended December 31, 2024, 2023, and 2022

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

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

On September 16, 2024, the Company completed its previously announced acquisition of Alimera Sciences, Inc. ("Alimera"), a Delaware corporation, pursuant to the terms of the Agreement and Plan of Merger (the "Merger Agreement"), dated as of June 21, 2024, by and among the Company, Alimera and ANIP Merger Sub INC., a Delaware corporation and wholly-owned subsidiary of the Company ("Merger Sub"). Pursuant to the Merger Agreement, Merger Sub merged with and into Alimera, with Alimera surviving the merger as a wholly-owned subsidiary of the Company. In connection with the acquisition, the Company added two new products, ILUVIEN® and YUTIQ®, both of which are indicated for the treatment of chronic retinal diseases. See Note 3 "Business Combination" in the notes to consolidated financial statements for further information on the acquisition.

The Company owns and operates three pharmaceutical manufacturing facilities, of which two are located in Baudette, Minnesota, and one is located in East Windsor, New Jersey, are together capable of producing oral solid dose products, as well as semi-solids, liquids and topicals, controlled substances, and potent products that must be manufactured in a fully-contained environment. The Company has ceased operations at the Oakville, Ontario, manufacturing facility as of March 31, 2023. This action was part of ongoing initiatives to capture operational synergies following the acquisition of Novitium Pharma LLC ("Novitium") in November 2021. The Company has fully completed the transition of the products manufactured or packaged at Oakville to one of the three U.S.-based manufacturing sites. In February 2024, the Company entered into an agreement for the sale of the Oakville site, for a price of $19.2 million Canadian Dollars, or approximately $14.2 million, based on the exchange rate at closing of such transaction. The sale closed on March 28, 2024 (Note 4).

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Any reference in these notes to applicable guidance is meant to refer to the authoritative GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Updates ("ASU") of the Financial Accounting Standards Board ("FASB").

Principles of Consolidation

The consolidated financial statements include the accounts of ANI Pharmaceuticals, Inc. and its subsidiaries. All intercompany accounts and transactions are eliminated in consolidation.

Foreign Currency

The Company currently has subsidiaries located in India, Ireland, Germany, and the United Kingdom. The India-based subsidiary generally conducts its transactions in Indian Rupees, which is also its functional currency. The Ireland and Germany locations generally conduct their transactions in Euros, which is also their functional currency. The United Kingdom subsidiary conducts its transactions in Euros and British Pounds, and their functional currency is Euros. The Company has ceased operations at its subsidiary in Oakville, Ontario, Canada as of March 31, 2023. The Canada-based subsidiary conducted its transactions in U.S. dollars and Canadian dollars, but its functional currency was the U.S. dollar.

The results of any non-U.S. dollar transactions and balances are remeasured in U.S. dollars at the applicable exchange rates during the period and resulting foreign currency transaction gains and losses are included in the determination of net (loss) income. The gain or loss on transactions denominated in foreign currencies and the translation impact of local currencies to U.S. dollars was immaterial for the years ended December 31, 2024, 2023, and 2022. Unless otherwise noted, all references to "$" or "dollar" refer to the U.S. dollar. The Company's asset and liability accounts are translated using the current exchange rate as of the balance sheet date, except for shareholders' equity accounts, which are translated using historical rates. Net revenues and expense accounts are translated using an average exchange rate over the period ended on the balance sheet date. Adjustments resulting from the translation of the financial statements of the Company's foreign subsidiaries into U.S. dollars are accumulated as a separate component of shareholders' equity within accumulated other comprehensive (loss) income, net of tax.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. In the consolidated financial statements, estimates are used for, but not limited to, variable consideration determined based on accruals for chargebacks, administrative fees and rebates, government rebates, returns and other allowances, income tax provision or benefit, deferred taxes and valuation allowance, stock-based compensation, revenue recognition, allowance for inventory obsolescence, valuation of financial instruments and intangible assets, accruals for contingent liabilities, including contingent consideration and contingent value rights in acquisitions, fair value of long-lived assets, determination of right-of-use assets and lease liabilities, allowance for credit losses, and the depreciable lives of long-lived assets. Because of the uncertainties inherent in such estimates, actual results may differ from those estimates. Management periodically evaluates estimates used in the preparation of the financial statements for reasonableness.

Business Combination and Goodwill

The Company accounted for its acquisition of Alimera using the acquisition method of accounting prescribed by ASC 805, *Business Combinations*, whereby the results of operations, including the revenues and earnings of Alimera, are included in the financial statements from the date of acquisition. Assets acquired and liabilities assumed as of the date of acquisition are recognized at their fair values based on widely accepted valuation techniques in accordance with ASC 820, *Fair Value Measurements*. Goodwill is recognized for the excess of the consideration transferred over the net fair values of assets acquired and liabilities assumed. Management's assessment of qualitative factors affecting goodwill for each acquisition includes estimates of market share at the date of purchase, ability to grow in the market, synergy with existing Company operations and the payor profile in the markets. The fair value assigned to the intangible assets was determined using the income approach, specifically the multi-period excess earnings methodology. The process for estimating fair values requires the use of significant estimates, assumptions and judgments, including determining the timing and estimates of future cash flows and developing appropriate discount rates. The estimates of fair value are based upon assumptions believed to be reasonable using the best information available. These assumptions are inherently uncertain and unpredictable and, as a result, actual results may differ materially from estimates.

ASC 805, *Business Combinations*, establishes a measurement period to provide the Company with a reasonable amount of time to obtain the information necessary to identify and measure various items in a business combination and cannot extend beyond one year from the acquisition date. Measurement period adjustments are recognized in the reporting period in which the adjustments are determined and calculated as if the accounting had been completed as of acquisition date. The Company expects to complete the final fair value determination of the assets acquired and liabilities assumed as soon as practicable within the measurement period, but not to exceed one year from the acquisition date.

Investment in Equity Securities

The Company accounts for its investment in equity securities with a readily determinable fair value in accordance with the guidance in ASC 321, *Investments – Equity Securities*. The Company presents unrealized gains and losses related to the equity securities, within Unrealized gain on investment in equity securities in its consolidated statements of operations. Fair values are obtained from quoted prices on the NASDAQ Stock Market, Inc. ("NASDAQ").

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Restructuring Activities

The Company defines restructuring activities to include costs directly associated with exit or disposal activities. Such costs include cash employee contractual severance and other termination benefits, one-time employee termination severance and benefits, contract termination charges, impairment and acceleration of depreciation associated with long-lived assets, and other exit or disposal costs. In general, the Company records involuntary employee- related exit and disposal costs when there is a substantive plan for employee severance and related payments are probable and estimable. For one-time termination benefits, including those with a service requirement, expense is recorded when the employees are entitled to receive such benefits and the amount can be reasonably estimated. Expense related to one-time termination benefits with a service requirement is recorded over time, as the service is completed. Contract termination fees and penalties, and other exit and disposal costs are generally recorded as incurred. Restructuring activities are recognized as an operating expense in the consolidated statements of operations.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. Revenue is recognized using the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price, including the identification and estimation of variable consideration;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when the Company satisfies a performance obligation.

The Company derives its revenues primarily from sales of generic, rare disease, and brands portfolio pharmaceutical products, royalties, and other pharmaceutical services. Revenue is recognized when obligations under the terms of contracts with customers are satisfied, which generally occurs when control of the products sold is transferred to the customer. Generally, the Company does not incur incremental costs to obtain contracts that would otherwise not have been incurred. The Company has not identified any agreements or arrangement that would qualify as a significant financing component.

Sales of pharmaceutical products are subject to variable consideration due to chargebacks, government rebates, returns, administrative and other rebates, and cash discounts. Estimates for these elements of variable consideration require significant judgment.

Revenue from Distribution Agreements

From time to time, the Company may enter into marketing and distribution agreements with third parties in which products are sold under Abbreviated New Drug Applications (“ANDAs”) or New Drug Applications (“NDAs”) owned or licensed by third parties. These products are sold under the ANI label. The Company controls the products sold under these marketing and distribution agreements and therefore are the principal for sales under each of these marketing and distribution agreements. As a result, revenue is recognized on a gross basis when control has passed to the customer and the performance obligation has been satisfied. Under these agreements, the Company pays third parties a specified percentage of the gross profit earned on sales of the products. These profit-sharing percentages are recognized in cost of sales in the consolidated statements of operations and are accrued in accrued royalties in the consolidated balance sheets until payment has occurred.

Contract Manufacturing Product Sales Revenue

Contract manufacturing arrangements consist of agreements in which pharmaceutical products are manufactured by the Company on behalf of a third party. The performance obligation is to manufacture and provide pharmaceutical products to customers, typically pharmaceutical companies. The products are sold at predetermined standalone selling prices and the performance obligation is considered to be satisfied when control of the product is transferred to the customer. Control is transferred to the customer when the product leaves the shipping dock to be shipped to the customer, as contract manufactured pharmaceutical products are sold on an FOB shipping point basis and the inventory risk and risk of ownership passes to the customer at that time. Payment terms for these sales are generally fewer than two months. Typically, there are no material returns for contract manufactured products.

Royalties from Licensing Agreements

From time to time, the Company enters into licensing agreements, under which the Company licenses to the seller the right to sell the acquired products. Because these royalties are sales-based, the Company recognizes the revenue when the underlying sales occur, based on sales and gross profit information received from the sellers. The Company may enter into agreements which include profit-sharing percentages on gross profits. The profit-sharing percentages are recorded in cost of sales in the consolidated statements of operations when the associated revenue is recognized and are recorded in accrued royalties in the consolidated balance sheets when the associated revenue is recognized and until payment has occurred.

Cash, Cash Equivalents, and Restricted Cash

All highly liquid investments with original maturities of three months or less from the date of purchase are classified as cash equivalents. Cash and cash equivalents consist of cash deposited in checking accounts, time deposits with original maturities of less than three months, and money market accounts with original maturities of three months or less at the date of purchase. Cash and cash equivalents include cash on-hand and money market funds which invest exclusively in high-quality, short-term securities that are issued or guaranteed by the U.S. government. Due to the short-term maturity of the funds invested in the money market accounts, the carrying amounts are a reasonable estimate of fair value. The majority of the Company's cash balances are held in interest bearing and non-interest bearing accounts in U.S.-based financial institutions which are guaranteed by the Federal Deposit Insurance Corporation (“FDIC”) up to $250 thousand. The majority of the Company's cash balances are in excess of FDIC coverage, which the Company considers to be a normal business risk. In addition, the Company has cash and cash equivalents held in international bank accounts that are denominated in various foreign currencies, specifically in the UK, Germany, Ireland, Portugal, and India.

Accounts Receivable

The Company extends credit to customers on an unsecured basis. Expected credit losses are measured at amortized cost, including trade and unbilled receivables, on a collective basis, based on their similar risk characteristics. Expected credit losses are based on historical credit loss experience, review of the current aging or status of accounts receivable and current and forward-looking views from an economic and industry perspective. Receivables are written off when it is determined that amounts are uncollectible. The allowance for credit losses was immaterial as of December 31, 2024 and 2023.

Inventories

Inventories consist of raw materials, packaging materials, work-in-progress, and finished goods. Inventories are stated at the lower of standard cost or net realizable value. The Company periodically reviews and adjusts standard costs, which generally approximate weighted average cost.

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Property and Equipment

Property and equipment are recorded at cost. Expenditures for repairs and maintenance are charged to expense as incurred. Depreciation is recorded on a straight-line basis over estimated useful lives as follows:

Classification	Years
Buildings and improvements	20 - 40 years
Leasehold improvements	Shorter of asset's useful life or remaining life of lease
Machinery, furniture, and equipment	3 - 10 years

Construction in progress consists of multiple projects, primarily related to new equipment and expansion of laboratory and manufacturing facilities to expand manufacturing capability as product lines grow. Construction in progress includes the cost of construction and other direct costs attributable to the construction, along with capitalized interest. Depreciation is not recorded on construction in progress until such time as the assets are placed in service.

The Company reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. No impairment loss related to property and equipment was recognized during the years ended December 31, 2024, 2023, and 2022.

Assets Held-for-Sale

The Company classifies assets held-for-sale if all held-for-sale criteria is met pursuant to ASC 360-10, *Property, Plant and Equipment*. Criteria include management commitment to sell the disposal group in its present condition and the sale being deemed probable of being completed within one year. Assets classified as held-for-sale are not depreciated and are measured at the lower of their carrying amount or fair value less cost to sell. The Company assesses the fair value of a disposal group, less any costs to sell, each reporting period it remains classified as held-for-sale and reports any subsequent changes as an adjustment to the carrying value of the disposal group, as long as the new carrying value does not exceed the initial carrying value of the disposal group. The Company determined that the Oakville, Ontario, Canada property met the held-for-sale criteria. As of December 31, 2023, approximately $8.0 million of assets held for sale were recorded on the consolidated balance sheets. See Note 4 "Restructuring Canada Operations" in the notes to the consolidated financial statements for additional information.

Leases

Operating lease right-of-use ("ROU") assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Rent expense is recognized on a straight-line basis over the lease term. Leases with an initial term of twelve months or less are not recorded on the consolidated balance sheet, and the Company does not separate lease and non-lease components of contracts. There are no material residual guarantees associated with any of the Company’s leases, and there are no significant restrictions or covenants included in the Company’s lease agreements. Operating lease ROU assets are included in other non-current assets and operating lease liabilities are included in accrued expenses and other and other non-current liabilities in the consolidated balance sheets. As of December 31, 2024, the Company had finance leases that consist of leases for automobiles. Finance leases are included in property and equipment, net, accrued expenses and other current liabilities, and other liabilities on our consolidated balance sheets. Finance lease assets are amortized on a straight-line basis over the shorter of the estimated useful lives of the assets or the lease terms.

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Intangible Assets

Intangible assets with definite lives are amortized based on their pattern of economic benefit over their estimated useful lives, or the straight-line amortization method if not materially different, and reviewed periodically for impairment. The definite-lived ANDAs, NDAs and product rights, marketing and distribution rights, customer relationships, and non-compete agreement are stated at cost, net of amortization, and generally amortized over their remaining estimated useful lives, ranging from seven to twelve years, based on the straight-line amortization method. In the case of certain NDA and product rights, an accelerated amortization method is used to better match the anticipated economic benefits expected to be provided. Management reviews definite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, in a manner similar to that for property and equipment. During the year ended December 31, 2024, $3.6 million of impairment charges were recognized on intangible assets. During the year ended December 31, 2023, no impairment charges were recognized on intangible assets. During the year ended December 31, 2022, the Company recognized an impairment charge of $0.1 million related to a definite-lived ANDA intangible asset.

Indefinite-lived intangible assets other than goodwill include in-process research and development ("IPR&D") projects. IPR&D intangible assets represent the fair value of technology acquired in a business combination for which the technology projects are incomplete but have substance. When an IPR&D project is completed (generally upon receipt of regulatory approval), the asset is then accounted for as a definite-lived intangible asset. Indefinite-lived intangibles are tested for impairment at least annually, as of October 31, and whenever events or changes in circumstances indicate that the carrying amount of the asset might not be recoverable. Judgment is used in determining when these events and circumstances arise. During the year ended December 31, 2024, $4.0 million of impairment charges were recognized on indefinite-lived intangible assets, respectively. During the year ended December 31, 2023, no impairment charges were recognized on indefinite-lived intangible assets.

Goodwill

Goodwill, which represents the excess of purchase price over the fair value of net assets acquired, is carried at cost, using the purchase method of accounting, and is related to past business combinations with BioSante Pharmaceuticals, Inc., WellSpring, Novitium, and Alimera. The Company is organized in three reporting units, Generics and Other, Brands, and Rare Disease. Goodwill is not amortized, but is subject to periodic review for impairment. All of the Company's goodwill is recorded in the Generics and Other reporting unit, except for goodwill recorded as a result of the Alimera acquisition, which is recorded in the Rare Disease reporting unit.

The Company reviews goodwill for impairment on a reporting unit basis annually, on October 31, and whenever events or changes in circumstances indicate the carrying value of goodwill might not be recoverable. Under the authoritative guidance issued by the FASB, the Company has the option to first assess the qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative goodwill impairment test. If the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the goodwill impairment test is performed. The goodwill impairment test requires the Company to estimate the fair value of the reporting unit and to compare the fair value of the reporting unit with its carrying amount. If the fair value exceeds the carrying amount, then no impairment is recognized. If the carrying amount recorded exceeds the fair value calculated, then an impairment charge is recognized for the difference. The judgments made in determining the projected cash flows used to estimate the fair value can materially impact the Company's financial condition and results of operations.

The Company assessed the assets qualitatively, and concluded it was more likely than not that the fair value of the reporting units are greater than their carrying value as of October 31, 2024 and 2023, and therefore no quantitative testing for impairment was required. No impairment loss related to goodwill was recognized in the years ended December 31, 2024, 2023, and 2022.

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Collaborative Arrangements

The Company may enter into collaborative arrangements with various commercial partners to further business opportunities. In collaborative arrangements revenues and costs generated by collaborative arrangements may be presented on a gross or net basis depending on the specific facts of the collaborative arrangement.

Research and Development Expenses

Research and development ("R&D") activities are expensed as incurred. R&D expenses primarily consist of direct and allocated expenses incurred with the process of formulation, clinical research, and validation associated with new product development.

Stock-Based Compensation

The Company issues stock options and restricted stock awards, which are awarded in exchange for employee and non-employee director services. From time to time, the Company may grant awards through an inducement grant outside of the incentive plan to induce prospective employees to accept employment with the Company. These grants are made pursuant to inducement grants outside of the shareholder approved equity plan as permitted under the Nasdaq Stock Market listing rules. Stock-based compensation cost for stock options is determined at the grant date using an option pricing model and stock-based compensation cost for restricted stock awards is based on the closing market price of the stock at the grant date. The value of the award is recognized as expense on a straight-line basis over the employee's requisite service period and classified where the underlying salaries are classified. Forfeitures are accounted for as they occur. Excess tax benefits or tax deficiencies are recognized as a component of the current period provision for income taxes.

Awards may also be issued in the form of Performance Stock Units ("PSUs") to certain employees of the Company. PSUs represent the right to receive a number of shares of Company common stock, contingent upon the achievement of specified performance objectives during a specified performance period. PSUs granted vest over a three-year performance period. Currently, the PSU's vesting is contingent upon the Company meeting certain total shareholder return ("TSR") levels as compared to a select peer group over the over three years, and contingent upon the Company meeting certain adjusted non-GAAP year-on-year earnings before interest, income taxes, depreciation, and amortization ("EBITDA") growth rates over the vesting term. The related share-based compensation expense is determined based on the estimated fair value of the underlying shares on the date of grant and is recognized straight-line over the vesting term.

The Company also administers an Employee Stock Purchase Plan ("ESPP"). The estimated fair value of stock-based compensation awards are recognized and classified in the expense where the underlying salaries are classified.

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

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that such tax rate changes are enacted. The measurement of a deferred tax asset is reduced, if necessary, by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

The Company is subject to taxation in various U.S. jurisdictions, Canada, Europe, and India, and all of our income tax returns remain subject to examination by tax authorities due to the availability of net operating loss carryforwards.

The Company uses a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Company has not identified any uncertain income tax positions that could have a material impact on the consolidated financial statements. The Company recognizes interest and penalties accrued on any unrecognized tax exposures as a component of income tax expense.

Derivative Instruments and Hedge Accounting

The Company uses interest rate swaps to hedge exposure to interest rate risk, as well as benefit from favorable conditions. The Company recognizes all derivative instruments as either assets or liabilities at fair value. For all of the Company's derivative positions that are designated and qualify as part of a cash flow hedging relationship, the effective portion of the gain or loss on the derivatives is reported as a component of other comprehensive (loss) income and reclassified into earnings in the same period or periods during which the hedged transactions affect earnings. Gains and losses on derivatives representing any ineffective component of the hedge are recognized in current earnings. All of the Company's cash flow hedges have been deemed effective as of December 31, 2024 and 2023 for both accounting and tax purposes. The Company has elected hedge accounting for both U.S. GAAP and tax purposes. The Company maintains formal documentation through a periodic memo and accounting analysis that cover what is being hedged, how it is being hedged, hedge effectiveness, the nature of the risk being hedged, among other required analyses. Company policy further includes a quarterly probability analysis covering hedge effectiveness.

Contingent Consideration

The terms of the acquisition agreement between ANI and Novitium Pharma LLC include the potential payment of future consideration that is contingent upon the achievement of certain regulatory and financial performance milestones. At the acquisition date, contingent consideration is recorded at fair value based on the additional consideration expected to be transferred, which is based on the estimate of probability-weighted future cash flows as discounted to present value. Significant inputs used in the measurement of the fair value include discount rates, probabilities of achievement of regulatory-based milestones and payments, and projected revenues and gross profits. The discount rates are derived using accepted valuation methodologies. The probability of achievement of regulatory milestones is based on historical and projected success rates. The projected revenues and gross profits are based on internal forecasts and long-term plans. The contingent consideration is remeasured each reporting period using Level 3 inputs. Changes in fair value, which incorporate changes in assumptions and the passage of time, are recognized as an operating expense in the consolidated statements of operations. As payments are not expected to be made shortly after the acquisition, any future payment of contingent consideration will be reported as a financing cash flow for amounts paid up to the acquisition-date fair value of the consideration, and as an operating cash outflow for any amounts in excess of the acquisition-date fair value in our consolidated statement of cash flows.

Accrued Licensor Payments

The terms of an agreement between the Company and EyePoint Pharmaceuticals, Inc. ("EyePoint") include the potential payment of future consideration that is contingent upon the achievement of annual U.S. net sales of certain products (including YUTIQ and ILUVIEN) in excess of certain thresholds, beginning at $70.0 million in 2025, increasing annually thereafter. Significant inputs used in the measurement of the fair value include discount rates and probabilities of achievement of net revenue. The discount rates are derived using accepted valuation methodologies. The projected net sales are based on internal forecasts and long-term plans. The contingent payments are remeasured each reporting period using Level 3 inputs. Changes in fair value, which incorporate changes in assumptions and the passage of time, are recognized as an operating expense in the consolidated statements of operations.

Contingent Value Rights

In connection with the acquisition of Alimera, the Company issued Contingent Value Rights ("CVRs"), which provided for the holders to receive future contingent milestone cash payments based on certain net revenue thresholds established for 2026 and 2027. See Note 12 "Fair Value" in the notes to the consolidated financial statements for more information relating to CVR obligations. The contingent value rights are remeasured each reporting period using Level 3 inputs. Changes in fair value, which incorporate changes in assumptions and the passage of time, are recognized as an operating expense in the consolidated statements of operations. There were no amounts due and payable during the year ended December 31, 2024.

Fair Value Measurements

Fair value is defined as the price that would be received from the sale of an asset or paid to transfer a liability assuming an orderly transaction in the most advantageous market at the measurement date. U.S. GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of observability of inputs used in measuring fair value. These tiers include:

- Level 1—Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2—Observable market-based inputs other than quoted prices in active markets for identical assets or liabilities.
- Level 3—Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The consolidated balance sheets include certain financial instruments (primarily cash and cash equivalents, prepaid expenses, accounts receivable, accounts payable, accrued expenses, and other current liabilities) that are carried at cost and that approximate fair values as of December 31, 2024, 2023 due to their short term nature. See Note 12 "Fair Value" in the notes to the consolidated financial statements.

Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements Not Yet Adopted

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies and are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on its financial position or results of operations upon adoption.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which includes guidance to expand the disclosure requirements for income taxes, specifically related to the rate reconciliation and income taxes paid. These amendments are effective for all public entities for fiscal periods beginning after December 15, 2024, with early adoption permitted. These amendments apply on a prospective basis, but entities have an option to apply it retrospectively for all periods presented. The Company is currently evaluating the impact that the adoption of ASU 2023-09 will have on the consolidated financial statements and disclosures and will adopt in the 2025 annual report on Form 10-K.

In November 2024, the FASB issued ASU 2024-03, *Disaggregation of Income Statement Expenses (DISE)*, which specifies additional disclosure requirements. The new guidance requires additional disclosures, including the composition of certain income expense line items (such as purchases of inventory, employee compensation, and "other expenses") and a separate disclosure for selling expenses. This change is effective for fiscal years beginning after December 15, 2026, and interim periods beginning after December 15, 2027, however, early adoption is permitted. The Company is currently evaluating the impact that the adoption of ASU 2024-03 will have on the consolidated financial statements and disclosures and anticipate adoption in the 2027 annual report on Form 10-K.

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Recently Adopted Accounting Pronouncements

In November 2023, the FASB issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which improves reportable segment disclosure requirements, primarily through enhanced disclosures related to significant segment expenses. The Company has adopted the provisions of ASU 2023-07 for the year ended December 31, 2024, and has applied this guidance to the disclosures for the year ended December 31, 2024, and retroactively for all previous periods presented. See Note 19 "Segment Reporting" in the notes to the consolidated financial statements.

2. REVENUE RECOGNITION AND RELATED ALLOWANCES

Revenue Recognition

Revenues are primarily derived from sales of generic, rare disease, and brands portfolio pharmaceutical products, royalties, and other pharmaceutical services. Revenue is recognized when obligations under the terms of contracts with customers are satisfied, which generally occurs when control of the products is transferred to the customer. Variable consideration is estimated after the consideration of applicable information that is reasonably available. The Company generally does not have incremental costs to obtain contracts that would otherwise not have been incurred. The Company does not adjust revenue for the promised amount of consideration for the effects of a significant financing component because our customers generally pay us within 100 days.

All revenue recognized in the accompanying consolidated statements of operations is considered to be revenue from contracts with customers. The following table depicts the disaggregation of revenue:

	Years Ended December 31,		
Products and Services (in thousands)	**2024**	**2023**	**2022**
Rare Disease and Brands			
Cortrophin Gel	$ 198,085	$ 112,117	$ 41,686
ILUVIEN and YUTIQ	31,514	—	—
Rare Disease total net revenues	$ 229,599	$ 112,117	$ 41,686
Brands	64,743	85,384	39,462
Rare Disease and Brands total net revenues	$ 294,342	$ 197,501	$ 81,148
Generics and Other			
Generic pharmaceutical products	$ 301,004	$ 269,449	$ 210,120
Royalties and other pharmaceutical services	19,030	19,866	25,117
Generics and Other total net revenues	$ 320,034	$ 289,315	$ 235,237
Total net revenue	$ 614,376	$ 486,816	$ 316,385

	Years Ended December 31,		
Timing of Revenue Recognition (in thousands)	**2024**	**2023**	**2022**
Performance obligations transferred at a point in time	$ 614,376	$ 486,441	$ 313,436
Performance obligations transferred over time	—	375	2,949
Total	$ 614,376	$ 486,816	$ 316,385

In the years ended December 31, 2024 or 2023, the Company did not incur, and therefore did not defer, any material incremental costs to obtain or fulfill contracts. As of December 31, 2024, there were no contract assets recorded which were related to revenue recognized based on percentage of completion but not yet billed.

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The Company recognized a decrease of $3.0 million of net revenue from performance obligations satisfied in prior periods during the year ended December 31, 2024, consisting primarily of revised estimates for variable consideration, including chargebacks, rebates, returns, and other allowances, related to prior period sales.

As of December 31, 2024, the aggregate amount of the transaction price allocated to the remaining performance obligations for all open contract manufacturing customer contracts was $0.7 million, which consists of firm orders for contract manufactured products. ANI will recognize revenue for these performance obligations as they are satisfied, which is anticipated within six months.

Variable Consideration

Sales of pharmaceutical products are subject to variable consideration due to chargebacks, government rebates, returns, administrative and other rebates, and cash discounts. Estimates for these elements of variable consideration require significant judgment.

Chargebacks

Chargebacks, primarily from wholesalers, result from arrangements with indirect customers establishing prices for products which the indirect customer purchases through a wholesaler. Alternatively, the Company may pre-authorize wholesalers to offer specified contract pricing to other indirect customers. Under either arrangement, the Company provides a chargeback credit to the wholesaler for any difference between the contracted price with the indirect customer and the wholesaler's invoice price, typically Wholesale Acquisition Cost ("WAC").

Prior period chargebacks claimed by wholesalers are analyzed to determine the actual average selling price ("ASP") for each product. This calculation is performed by product by wholesaler. ASPs can be affected by several factors such as:

- A change in customer mix
- A change in negotiated terms with customers
- A change in the volume of off-contract purchases
- Changes in WAC

As necessary, ASPs are adjusted based on anticipated changes in the factors above.

The difference between ASP and WAC is recorded as a reduction in both gross revenues in the consolidated statements of operations and accounts receivable in the consolidated balance sheets, at the time revenue is recognized from the product sale. The Company continually monitors chargeback activity and adjusts ASPs when the Company believes that actual selling prices will differ from current ASPs.

Government Rebates

Government rebates reserve consists of estimated payments due to governmental agencies for utilization of our products by beneficiaries under such governmental programs. The two largest government programs are Medicaid and Medicare.

The Company participates in the Medicaid Drug Rebate Program and pays rebates to the states related on Medicaid beneficiary utilization of the Company's products. Medicaid rebates are billed within 60-90 days of the end of the quarter in which the product was dispensed to a Medicaid beneficiary. Medicaid rebate amounts per product unit are established by law, based on the Average Manufacturer Price ("AMP"), which is reported on a monthly and quarterly basis, and, in the case of branded products, best price, which is reported on a quarterly basis. Medicaid reserves are based on expected claims from state Medicaid programs. Estimates for expected claims are driven by patient usage, sales mix, calculated AMP or best price, as well as inventory in the distribution channel that will be subject to a Medicaid rebate. As a result of the delay between selling the products, dispensing the products and rebate billing, the Medicaid rebate reserve includes both an estimate of outstanding claims for end-customer sales that have occurred but for which the related claim has not been billed, as well as an estimate for future claims that will be made when inventory in the distribution channel is sold through to plan participants.

Many of the products are also covered under Medicare. ANI participates in the Coverage Gap Discount Program in order for its branded drugs to be covered by Medicare Part D and must provide a rebate for any products sold under NDAs dispensed to Medicare Part D beneficiaries while the beneficiaries are in the Coverage Gap phase of the benefit. This applies to all products sold under NDAs, regardless of whether the products are marketed as branded or generic. Estimates for these discounts are based on historical experience with Medicare rebates for products. Medicare rebates are billed quarterly for drugs dispensed to Medicare beneficiaries in the prior quarter, which is typically 120 days after the product is shipped. As a result of the delay between selling the products, dispensing the products and rebate billing, Medicare rebate reserve includes both an estimate of outstanding claims for end-customer sales that have occurred but for which the related claim has not been billed, as well as an estimate for future claims that will be made when inventory in the distribution channel is sold through to Medicare Part D participants.

To evaluate the adequacy of the government rebate reserves, reserves are reviewed on a quarterly basis against actual claims data to ensure the liability is fairly stated. The Company continually monitors the government rebate reserve and adjusts estimates if it is expected that actual government rebates may differ from established accruals. Accruals for government rebates are recorded as a reduction to gross revenues in the consolidated statements of operations and as an increase to accrued government rebates in the consolidated balance sheets.

Returns

A returns policy is in place that allows customers to return product within a specified period prior to and subsequent to the expiration date. Generally, product may be returned for a period beginning six months prior to its expiration date to up to one year after its expiration date. Product returns are settled through the issuance of a credit to the customer. The estimate for returns is based upon historical experience with actual returns. While such experience has allowed for reasonable estimation in the past, history may not always be an accurate indicator of future returns. The Company continually monitors estimates for returns and make adjustments when it is expected that actual product returns may differ from the established accruals. Accruals for returns are recorded as a reduction to gross revenues in the consolidated statements of operations and as an increase to the return goods reserve in the consolidated balance sheets. Generally, the Company does not accept product returns in international markets, however, there is a limited history of returns in such areas.

Administrative Fees and Other Rebates

Administrative fees or rebates are offered to wholesalers, group purchasing organizations, and indirect customers. Fees and rebates are accrued, by product by wholesaler, at the time of sale based on contracted rates and ASPs.

To evaluate the adequacy of the administrative fee accruals, on-hand inventory counts are obtained from the wholesalers. The Company continually monitors administrative fee activity and adjust accruals when it is expected that actual administrative fees may differ from the accruals. Accruals for administrative fees and other rebates are recorded as a reduction in both gross revenues in the consolidated statements of operations and accounts receivable or accrued expenses in the consolidated balance sheets.

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Prompt Payment Discounts

Sales discounts may be granted to customers for prompt payment. The reserve for prompt payment discounts is based on invoices outstanding. Based on past experience, it is assumed that all available discounts will be taken. Accruals for prompt payment discounts are recorded as a reduction in both gross revenues in the consolidated statements of operations and accounts receivable in the consolidated balance sheets.

The following table summarizes activity in the consolidated balance sheets for accruals and allowances for the years ended December 31, 2024, 2023, and 2022:

	Accruals for Chargebacks, Returns, and Other Allowances				
(in thousands)	Chargebacks	Government Rebates	Returns	Administrative Fees and Other Rebates	Prompt Payment Discounts
Balance at December 31, 2022 (1)	$ 148,562	$ 10,872	$ 33,399	$ 9,442	$ 6,488
Accruals/Adjustments	586,511	23,915	18,360	55,798	22,932
Credits Taken Against Reserve	(650,865)	(22,619)	(22,081)	(53,828)	(24,555)
Balance at December 31, 2023 (1)	$ 84,208	$ 12,168	$ 29,678	$ 11,412	$ 4,865
Accruals/Adjustments	576,461	32,008	38,587	65,661	25,760
Credits Taken Against Reserve	(555,039)	(25,462)	(28,991)	(57,485)	(24,367)
Balance at December 31, 2024 (1)	$ 105,630	$ 18,714	$ 39,274	$ 19,588	$ 6,258

(1) Chargebacks are included as an offset to accounts receivable, net of chargebacks and other allowances in the consolidated balance sheets. Administrative Fees and Other Rebates and Prompt Payment Discounts are included as a reduction to accounts receivable, net of chargebacks and other allowances or accrued expenses and other in the consolidated balance sheets. Returns are included in returned goods reserve in the consolidated balance sheets. Government Rebates are included in accrued government rebates in the consolidated balance sheets.

Credit Concentration

ANI's customers are primarily wholesale distributors, chain drug stores, group purchasing organizations, pharmaceutical companies, hospitals, and healthcare providers.

During the years ended December 31, 2024 and 2023 four customers accounted for 10% or more of net revenues. During the year ended December 31, 2022, three customers accounted for 10% or more of net revenues. As of December 31, 2024, accounts receivable from these customers totaled 70% of accounts receivable, net.

The four customers represent the total percentage of net revenues as follows:

	Years Ended December 31,		
	2024	2023	2022
Customer 1	25 %	31 %	26 %
Customer 2	11 %	13 %	18 %
Customer 3	12 %	13 %	15 %
Customer 4	16 %	12 %	6 %

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3. BUSINESS COMBINATION

Summary

On September 16, 2024 (the "Closing Date"), the Company completed the previously announced acquisition of Alimera pursuant to the terms of the Agreement and Plan of Merger, dated as of June 21, 2024 (the "Merger Agreement"), by and among the Company, Alimera and ANIP Merger Sub INC., a Delaware corporation and wholly-owned subsidiary of the Company ("Merger Sub"). Pursuant to the Merger Agreement, Merger Sub merged with and into Alimera, with Alimera surviving the Merger as a wholly owned subsidiary of the Company.

At the effective time of the Merger, each share of common stock, par value $0.01 per share, of Alimera (the "Alimera Common Stock") outstanding, including each Alimera RSA (as defined below), but excluding any treasury shares or shares owned by the Company, Merger Subs or any other subsidiary of the Company or Alimera, was canceled and ceased to exist and was converted into the right to receive (i) $5.50 in cash ("Closing Cash Consideration"), and (ii) one contingent value right (a "CVR"), which represents the right to receive the milestone payments (as defined below) subject to the terms and conditions set forth in the CVR Agreement entered into on September 16, 2024 (collectively, the "Merger Consideration"). The CVRs have been remeasured to fair value as of December 31, 2024, see Note 12 "Fair Value" in the notes to the consolidated financial statements.

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

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

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This acquisition was accounted for as a business combination. Purchase consideration consisted of the following:

(In thousands, except share price and exchange ratio)	Purchase Consideration
Alimera common shares outstanding	$ 53,971
Alimera warrants outstanding after exercise	989
Alimera common shares and warrants outstanding	54,960
Cash consideration per share	5.50
Cash consideration for Alimera Common Stock	302,280
Repayment of Alimera Debt	78,540
Payment of Alimera transaction costs	20,172
Cash settlement for pre-acquisition equity awards	9,535
Fair value of CVRs	8,322
Total Merger Consideration	**$ 418,849**

The cash payment was funded through the New Credit Facility, see Note 6 “New Credit Agreement” in the notes to the consolidated financial statements, and also cash on-hand from the Company's balance sheet.

As part of the purchase consideration the Company paid approximately $78.5 million for the repayment of the outstanding term loan Alimera had with SLR Investment Corp., including interest payable, prepayment and end of term fees. Furthermore, the Company repaid $20.2 million of transaction costs incurred by Alimera.

In accordance with the terms of the Merger Agreement, the Company settled all outstanding equity awards held by Alimera employees, for a total cash amount of $19.3 million, of which, $1.3 million was paid in cash at the close of the Merger. Of the $19.3 million, $9.5 million was determined to be related to the pre-Merger services provided and as a result was allocated to the purchase consideration transferred. The remaining amounts were attributed to the post-Merger period and deemed to be for the benefit of the Company. As a result, $8.8 million was recognized as selling, general, and administrative and $1.0 million as research and development expense, respectively, for the year ended December 31, 2024.

The CVRs represent a form of contingent consideration and are included as part of the purchase consideration transferred. The CVRs represent the right to future cash payments for the former Alimera shareholders based on certain 2026 and 2027 revenue targets. Management determined the contingent consideration to be liability classified and will measure the liability at fair value each reporting period. The fair value of the CVRs have been estimated using a monte carlo simulation under an option pricing framework, $8.3 million of the total $8.7 million was related to the pre-combination period and recognized as consideration transferred. The remaining $0.4 million of the fair value of the CVR was allocated to post-merger period and recognized as selling, general, and administrative for the year ended December 31, 2024. The CVRs have been remeasured to fair value as of December 31, 2024, see Note 12 “Fair Value” in the notes to the consolidated financial statements.

The preliminary purchase price allocation, measurement period adjustments, and updated purchase price allocation of the fair value of the Alimera acquisition is shown in the table below. The allocation of the fair value will be finalized when the valuation is completed, and the differences will be trued up for the final allocated amounts.

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(in thousands)	Preliminary Purchase Price Allocation	Measurement Period Adjustment	Purchase Price Allocation
Cash and cash equivalents	$ 9,247	$ —	$ 9,247
Accounts receivable	38,605	(43)	38,562
Prepaid expenses and other assets	2,618	—	2,618
Inventories	19,457	(1,559)	17,898
Property and equipment	3,086	—	3,086
Intangible assets	400,000	—	400,000
Deferred tax asset, net of deferred tax liabilities and valuation allowance	198	(80)	118
Derivative and other non-current assets	1,224	—	1,224
Total assets	**$ 474,435**	**$ (1,682)**	**$ 472,753**
Accounts payable	$ 8,001	$ —	$ 8,001
Accrued expenses and other	11,396	96	11,492
Accrued government rebates	—	385	385
Returned goods reserve	3,095	(2,600)	495
Current accrued licensor payment	3,684	—	3,684
Deferred tax liability	37,932	—	37,932
Accrued licensor payment, net of current	21,316	—	21,316
Other non-current liabilities	2,364	—	2,364
Total liabilities	**$ 87,788**	**$ (2,119)**	**$ 85,669**
Total fair value of consideration transferred	**$ 418,849**	**$ —**	**$ 418,849**
Less: fair value of net acquired identifiable assets and liabilities	386,647	437	387,084
Goodwill	**$ 32,202**	**$ (437)**	**$ 31,765**

The net assets were recorded at their estimated fair value. In valuing acquired assets and liabilities, fair value estimates were based primarily on future expected cash flows, market rate assumptions for contractual obligations, and appropriate discount rates.

During the fourth quarter of 2024, the Company updated its inventories fair value, accounts receivable, returned goods reserve, accrued government rebates, and accrued expenses and other based upon new information that was not available to the Company at the acquisition date. The Company determined that the adjustments would be considered measurement period adjustments under the accounting guidance. The Company recorded a net decrease to goodwill of approximately $0.4 million, as a result of the adjustments identified in the table above.

The fair value of finished goods inventory utilizes a sales comparison approach which estimates the selling price of the inventory in completed condition less costs of disposal and a reasonable profit allowance for the selling effort.

As part of the Merger, the Company acquired the product rights to ILUVIEN and YUTIQ. The fair value of the acquired intangible assets was determined using an income approach, and more specifically, the multi-period excess earnings methodology.

The identifiable intangible assets acquired are amortized on a straight-line basis over their estimated useful lives. The following table summarizes the estimated fair value of identifiable intangible assets acquired and their remaining amortization period (in years):

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	Fair Value (in thousands)	Amortization Period
ILUVIEN	$ 230,000	12
YUTIQ	$ 170,000	12

The estimated deferred tax liability, recognized based on the estimated tax impact of the differences between the financial reporting and tax bases of the assets and liabilities acquired, is included in Deferred tax assets, net of deferred tax liabilities and valuation allowance in the consolidated balance sheet as of December 31, 2024.

Goodwill is calculated as the difference between the fair value of the preliminary aggregate purchase consideration and the values assigned to the identifiable tangible and intangible assets acquired and liabilities assumed. Goodwill represents the workforce acquired, as well as future operating efficiencies and cost savings. The actual amount of goodwill will depend upon the final determination of the fair value of the assets acquired and liabilities assumed and may differ materially from this preliminary determination. Goodwill established as a result of the acquisition is tax deductible in the U.S.

Alimera operations generated approximately $31.5 million of net revenue and recorded a net loss of approximately $14.4 million from the date of acquisition through December 31, 2024.

Transaction Costs

In conjunction with the acquisition, the Company incurred approximately $12.4 million in transaction costs during the year ended December 31, 2024, all of which were recognized as selling, general, and administrative expense in the consolidated statement of operations.

Pro Forma Consolidated Financial Information (unaudited)

The following unaudited pro forma financial information summarizes the results of operations for the periods indicated as if the acquisition had been completed as of January 1, 2023.

	Year Ended December 31,	
(in thousands)	**2024**	**2023**
Net revenues	$ 680,911	$ 567,570
Net loss	$ (24,338)	$ (71,552)

The unaudited pro forma financial information includes, where applicable, adjustments for (i) the amortization of the inventory step-up, (ii) additional amortization expense related to acquired intangible assets, (iii) transaction costs and other one-time non-recurring costs, (iv) additional interest expense for borrowings related to the Acquisition, and (v) associated tax-related impacts of adjustments. These pro forma adjustments are based on the available information as of the date hereof and upon assumptions that the Company believes are reasonable to reflect the impact of the Acquisition with the Company's historical financial information on a pro forma basis. Adjustments do not include costs related to integration activities, cost savings or synergies that have been or may be achieved by the combined business.

4. RESTRUCTURING CANADA OPERATIONS

On March 31, 2023 the Company ceased operations at the Oakville, Ontario, Canada manufacturing plant. This action was part of ongoing initiatives to capture operational synergies following the acquisition of Novitium in November 2021. ANI has fully completed the transition of the products manufactured or packaged in Oakville to one of the Company's three U.S.-based manufacturing sites.

For the year ended December 31, 2024, there were no restructuring activities recorded in the consolidated statements of operations or the consolidated balance sheets.

For the year ended December 31, 2023, restructuring activities resulted in expenses of $1.1 million. This included $0.2 million of severance and other employee benefit costs and $0.7 million of asset-related impairment and accelerated depreciation costs, and $0.2 million for other miscellaneous other costs.

For the year ended December 31, 2022, restructuring activities resulted in expenses of $5.7 million. This included $2.1 million of severance and other employee benefit costs and $3.1 million of asset-related impairment and accelerated depreciation costs, and $0.4 million for other miscellaneous other costs.

These costs were recorded as restructuring activities, an operating item, in the accompanying consolidated statements of operations. Certain of the severance and other employee benefit costs contain a service requirement, and as such, were accrued over time as they were earned.

In conjunction with the exit of the Canadian facility, the Company determined that the land and building at the Oakville, Ontario, Canada plant (the “Property”) will be sold together and met the criteria to be classified as held for sale as of December 31, 2023. The land and building had a net carrying value of approximately $8.0 million, which was presented as assets held for sale on the accompanying consolidated balance sheets as of December 31, 2023. These assets were part of the Generics and Other segment. As of December 31, 2024 these assets were sold.

On February 15, 2024, ANI Pharmaceuticals Canada Inc., a wholly owned subsidiary of the Company, entered into an agreement with 1540700 Ontario Limited for the sale of the Property for a total purchase price of $19.2 million Canadian Dollars, or approximately $14.2 million, based on the exchange rate at closing. On March 28, 2024 the Company completed the sale of the Property. After payment of commissions, real estate taxes, and other related costs of approximately $0.7 million, the Company received a net proceeds of approximately $13.5 million at closing. The gain on the sale of the Property was approximately $5.3 million, recorded in the consolidated statements of operations for the year ended December 31, 2024.

5. TRUIST CREDIT FACILITY

In connection with the acquisition of Novitium on November 19, 2021, the Company, as borrower, entered into a credit agreement (the “Credit Agreement”) with Truist Bank and other lenders, which provides for credit facilities consisting of (i) a senior secured term loan facility in an aggregate principal amount of $300.0 million (the “Term Facility”) and (ii) a senior secured revolving credit facility in an aggregate commitment amount of $40.0 million, which provided for revolving credit loans, swingline loans and letters of credit (the "Revolving Facility," and together with the Term Facility, the "Credit Facility").

The Company incurred $14.0 million in deferred debt issuance costs associated with the Credit Facility. Costs allocated to the Term Facility are classified as a direct reduction to the current and non-current portion of the borrowings, depending on their nature. Costs allocated to the Revolving Facility are classified as other current and other non-current assets, depending on their nature. A commitment fee of 0.5% per annum on any unused portion of the Revolving Facility.

The carrying value of the current and non-current components of the Term Facility as of the years ended December 31:

	Current	
(in thousands)	**2024**	**2023**
Current borrowing on debt	$ —	$ 3,000
Deferred financing costs	—	(2,150)
Current debt, net of deferred financing costs	$ —	$ 850

	Non-Current	
(in thousands)	**2024**	**2023**
Non-current borrowing on debt	$ —	$ 291,000
Deferred financing costs	—	(6,181)
Non-current debt, net of deferred financing costs and current component	$ —	$ 284,819

The following table sets forth the components of total interest expense related to the Term Facility recognized in the accompanying consolidated statements of operations for the years ended December 31:

(in thousands)	**2024**	**2023**	**2022**
Contractual coupon	$ 16,644	$ 30,692	$ 26,150
Amortization of deferred financing costs	1,477	2,364	2,363
	$ 18,121	$ 33,056	$ 28,513

Extinguishment of the Credit Facility

On August 13, 2024, the Company entered into an indenture with U.S. Bank Trust Company, National Association, as trustee, for the issuance of the 2.25% Convertible Senior Notes due 2029 (as described in Note 7 "2.25% Convertible Senior Notes" to the notes to consolidated financial statements). The proceeds of the Convertible Senior Notes and cash on-hand were used to repay the Credit Facility in its entirety, approximately $294.0 million, comprised of $292.5 million of unpaid principal, $1.2 million in accrued and unpaid interest, and $0.3 million of legal fees. In connection with the issuance of the Convertible Senior Notes, the Company recorded a loss on debt extinguishment in the consolidated statement of operations for the year ended December 31, 2024, amounting to approximately $7.5 million, comprised of the write-off unamortized deferred financing fees related to the Credit Facility as of August 13, 2024.

6. NEW CREDIT AGREEMENT

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

On September 16, 2024 (the "Closing Date"), ANIP drew the full $325.0 million of Term Loan A principal, with proceeds used to finance the acquisition of Alimera, including fees, costs and expenses incurred in connection with the acquisition. As of December 31, 2024, the TLA Revolver remains undrawn, and $75.0 million is available for borrowing. The TLA and the TLA Revolver mature on September 16, 2029. The New Credit Facility contains certain contingent acceleration clauses that could result in an earlier maturity date, none of which have been triggered as of December 31, 2024.

The cash interest rate and effective rate under the Term Loan A was approximately 6.98% and 7.34% per annum at December 31, 2024, respectively.

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The New Credit Facility is secured by a lien on substantially all of the Company's and its principal domestic subsidiary's assets and any future domestic subsidiary guarantors' assets. The New Credit Facility is subject to customary financial and nonfinancial covenants.

The Company is required to make quarterly principal payments, beginning on December 31, 2024, in the amount of (i) 0.625% of the original principal amount of the Term Loan A on each quarterly payment date on or prior to the one year anniversary of the Closing Date, (ii) 1.25% of the original principal amount of the Term Loan A on each quarterly payment date following the one year anniversary of the Closing Date and 1.875% of the original principal amount of the Term Loan A on each quarterly payment date following the three year anniversary of the Closing Date and with the remaining unpaid principal amount due on the maturity date of the Term Loan A. A commitment fee accrues on the unutilized commitments under the TLA Revolver and, from and after the date that is two months after the closing date of the New Credit Agreement, the TLA at a per annum rate equal between 0.25% and 0.40% depending on the Company's first lien net leverage ratio.

The Company incurred $5.0 million in deferred debt issuance costs associated with the TLA, which costs are classified as a direct reduction to the current and non-current portion of debt. The Company incurred $1.1 million in deferred debt issuance costs associated with the TLA Revolver. Of the $1.1 million of unamortized deferred debt issuance costs allocated to the TLA Revolver, $0.9 million is included in other non-current assets in the consolidated balance sheets, and $0.2 million is included in prepaid expenses and other current assets in the consolidated balance sheets.

The carrying value of the current and non-current components of the Term Loan A as of the years ended December 31:

	Current	
(in thousands)	**2024**	**2023**
Current borrowing on debt	$ 10,156	$ —
Deferred financing costs	(984)	—
Current debt, net of deferred financing costs	$ 9,172	$ —

	Non-Current	
(in thousands)	**2024**	**2023**
Non-current borrowing on debt	$ 312,813	$ —
Deferred financing costs	(3,705)	—
Non-current debt, net of deferred financing costs and current component	$ 309,108	$ —

The contractual maturity of the Term Loan A is as follows for the period ending:

(in thousands)	**New Term Facility**
2025	$ 10,156
2026	18,281
2027	24,375
2028	24,375
2029	245,782
Total	$ 322,969

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The following table sets forth the components of total interest expense, net recognized in the accompanying consolidated statements of operations for the years ended December 31:

(in thousands)	2024	2023	2022
Contractual coupon interest expense, Truist	$ 20,993	$ 33,270	$ 23,870
Contractual coupon interest expense, Term Loan A	7,264	—	—
Contractual coupon interest expense, Convertible Notes	2,747	—	—
Amortization of deferred financing costs	2,624	2,364	2,363
Interest expense on interest rate swap	—	—	2,280
Interest expense	33,628	35,634	28,513
Capitalized interest related to Construction in Progress	(492)	(588)	(95)
Interest and dividend income on bank balances	(9,268)	(5,528)	(366)
Interest income on interest rate swap	(6,266)	(2,578)	—
Interest income	(16,026)	(8,694)	(461)
Interest expense, net	$ 17,602	$ 26,940	$ 28,052

7. 2.25% CONVERTIBLE SENIOR NOTES

Offering of Convertible Senior Notes

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

On August 13, 2024 (the "Closing Date" or "Issue Date"), the Company completed an offering of $316.25 million aggregate principal amount of Notes. The Notes were issued pursuant to an indenture (the "Indenture") dated as of August 13, 2024 between the Company and U.S. Bank Trust Company, National Association ("Trustee"). The Notes are due September 1, 2029, unless earlier repurchased, redeemed, or converted. The Notes will accrue interest at a rate of 2.25% per annum, payable semi-annually in arrears on March 1 and September 1 of each year, beginning on March 1, 2025. After deducting the initial purchasers' discounts and commissions of approximately $9.5 million, but before deducting the Company's offering expenses, the net proceeds to the Company from the offering of the Notes was approximately $306.8 million. After payment of the cost of entering into the Capped Call Transactions (as defined below), the Company used the remainder of the net proceeds from the Notes offering, together with cash on hand, to repay the Company's existing senior secured credit agreement, dated as of November 19, 2021, by and among the Company, certain of the Company's subsidiaries, as guarantors, Truist Bank, as administrative agent, and other parties thereto, as amended, supplemented or otherwise modified from time to time (as amended, the "Credit Agreement"). Refer to Note 5 "Truist Credit Facility" to the notes to consolidated financial statements for the details of the extinguishment of the Credit Agreement.

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

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Conversion Options

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

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

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

The Notes will be redeemable, in whole or in part (subject to certain limitations described below), at the Company's option at any time, and from time to time, on or after September 1, 2027 and on or before the 61st scheduled trading day immediately before the maturity date, but only if (i) the notes are "Freely Tradable" (as defined in the Indenture) as of the date the Company sends the related redemption notice and all accrued and unpaid additional interest, if any, has been paid in full as of the first interest payment date occurring on or before the date the Company sends the related redemption notice; and (ii) the last reported sale price per share of the Company's common stock exceeds 130% of the conversion price on (1) each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date the Company sends such redemption notice; and (2) the trading day immediately before the date the Company sends such redemption notice. However, the Company may not redeem less than all of the outstanding Notes unless at least $75.0 million aggregate principal amount of Notes are outstanding and not called for redemption as of the time the Company sends the related redemption notice. The redemption price will be a cash amount equal to the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. In addition, calling any Note for redemption will constitute a Make-Whole Fundamental Change with respect to that Note, in which case the conversion rate applicable to the conversion of that Note will be increased in certain circumstances if it is converted with a conversion date that is on or after the date the Company sends the related redemption notice and on or before the second business day immediately before the related redemption date.

If certain corporate events that constitute a "Fundamental Change" (as defined in the Indenture) occur, then, subject to a limited exception for certain cash mergers, holders of the Notes may require the Company to repurchase their Notes at a cash repurchase price equal to the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date. The definition of Fundamental Change includes certain business combination transactions involving the Company and certain de-listing events with respect to the Company's common stock.

Events of Default

The Notes include customary provisions relating to the occurrence of "Events of Default" (as defined in the Indenture), including breaches of covenants, breaches of warranty, change of control, nonpayment, bankruptcy, assignment, foreclosure, cessation of business, and defaults under ancillary documents. Certain of the Events of Default are subject to notice and cure periods. As of December 31, 2024, the Company was in compliance with all covenants associated with the Notes.

Debt issuance costs related to the Notes totaled $11.2 million at inception and were comprised of discounts and commissions payable to the initial purchasers and third-party offering costs and will be amortized to interest expense using the effective interest method over the contractual term. As of December 31, 2024, the unamortized debt discount and debt issuance cost of the Notes was approximately $10.4 million on the consolidated balance sheets. The effective interest rate during the year ended December 31, 2024 was 3.01%.

During the year ended December 31, 2024, the Notes did not meet any of the circumstances that would allow for a conversion. The Notes were therefore not convertible as of December 31, 2024, and were classified as long-term debt on the Company's consolidated balance sheet as of December 31, 2024.

As of December 31, 2024, the total estimated fair value (which represents a Level 2 valuation) of the Notes is approximately $317.6 million.

The Company recognized $2.7 million of contractual coupon interest expense and $0.8 million of interest expense related to the amortization of deferred financing costs for the year ended December 31, 2024.

Capped Call Transactions

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

The Capped Calls are expected to generally reduce potential dilution to the Company's common stock upon any conversion of the Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of converted Notes. The Capped Calls cover, subject to anti-dilution adjustments, approximately 4.3 million shares of the Company's common stock.

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

8. DERIVATIVE FINANCIAL INSTRUMENT AND HEDGING ACTIVITY

In April 2020, the Company entered into an interest rate swap with Citizens Bank, N.A. to manage its exposure to changes in the London Interbank Offered Rate ("LIBOR")LIBOR-based interest rates underlying total borrowings under term facilities related to the prior credit agreement, and the interest rate swap matures in December 2026. The Company amended its Credit Agreement to transition from LIBOR to the Secured Overnight Financing Rate ("SOFR") due to the cessation of LIBOR in the third quarter of 2023, and accordingly, the interest rate swap transitioned from LIBOR to SOFR. The interest rate swap is used to manage changes in SOFR-based interest rates underlying a portion of the borrowing under the Term Facility. Concurrent with the termination of the prior credit agreement and entry into the Credit Agreement with Truist Bank, the interest rate swap with a notional value of $168.6 million at origin on November 21, 2021 was novated and Truist Bank became the new counterparty.

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On August 30, 2024, in connection with the New Credit Facility, the interest rate swap with a notional value of $139.4 million was transferred from Truist Bank to JPMorgan Chase Bank, N.A., as the new counterparty. The interest rate swap is used to manage changes in SOFR-based interest rates underlying a portion of the borrowing under the New Term Facility. The interest rate swap provides an effective fixed interest rate of 2.313% and is designated as an effective cash flow hedge and therefore qualifies for hedge accounting. As of December 31, 2024, the notional amount of the interest rate swap was $139.4 million, and will remain static until maturity in December 2026. As of December 31, 2024, the fair value of the interest rate swap asset recorded in other non-current assets in the consolidated balance sheets is $4.9 million. As of December 31, 2024, $6.1 million was recorded in accumulated other comprehensive (loss) income , net of tax in the consolidated balance sheets.

During the year ended December 31, 2024, the loss on fair value of the interest rate swaps, net of tax recorded in accumulated other comprehensive (loss) income in the consolidated statements of comprehensive income was approximately $2.9 million. Differences between the hedged SOFR rate and the fixed rate are recorded as interest expense in the same period that the related interest is recorded for the Term Facility based on the SOFR rate. In the years ended December 31, 2024 and 2023, the Company recorded a reduction in interest expense of $6.3 million and $2.6 million in relation to the interest rate swaps, respectively. Included in these amounts for the years ended December 31, 2024 and 2023 are reclassifications out of accumulated other comprehensive (loss) income of $0.8 million of interest income and $2.8 million of interest expense, respectively, related to terminated and de-designated cash flow hedges.

9. INVENTORIES

The following table shows the Company's inventory by asset class as of the years ended December 31:

(in thousands)	2024	2023
Raw materials	$ 67,174	$ 62,237
Packaging materials	9,977	9,617
Work-in-progress	1,665	3,144
Finished goods	57,966	36,198
Inventories	$ 136,782	$ 111,196

Note, Finished Goods as of December 31, 2024 does not include the inventory step-up from the acquisition of Alimera, as the step-up was fully amortized during 2024.

Vendor Concentration

Raw materials are sourced for products, including API, from both domestic and international suppliers. Generally, only a single source of API is qualified for use in each product due to the costs and time required to validate a second source of supply. As a result, the Company is dependent upon current vendors to reliably supply the API required for on-going product manufacturing. During the year ended December 31, 2024, approximately 12%, of our raw material inventory purchases were from one domestic supplier. During the year ended December 31, 2023, no single vendor represented more than 10% of our raw material inventory purchases. During the year ended December 31, 2022 approximately 19%, of our raw material inventory purchases were from one domestic supplier.

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10. PROPERTY AND EQUIPMENT, NET

The following tables show the Company's gross property and equipment by major asset class and accumulated depreciation as of the years ended December 31:

(in thousands)	2024	2023
Land	$ 1,582	$ 1,549
Buildings	24,438	17,875
Machinery, furniture, and equipment	68,697	50,412
Leasehold improvements	1,297	—
Finance leases	1,161	—
Construction in progress	4,568	7,692
	101,743	77,528
Less: accumulated depreciation	(44,880)	(32,935)
Property and equipment, net	$ 56,863	$ 44,593

Depreciation expense for the years ended December 31, 2024, 2023, and 2022 totaled $7.4 million, $7.5 million, and $7.4 million, respectively. During the years ended December 31, 2024, 2023, and 2022 there was $0.5 million, $0.6 million, and $0.1 million, respectively, of interest capitalized into construction in progress, respectively.

11. GOODWILL AND INTANGIBLE ASSETS

Goodwill

As of December 31, 2024, the Company has assigned its goodwill in three reporting units, Generics and Other, Brands, and Rare Disease reporting units. As a result of the 2013 merger with BioSante Pharmaceuticals, Inc., the Company recorded goodwill of $1.8 million. As a result of the acquisition of WellSpring Pharma Services Inc. in 2018, the Company recorded goodwill of $1.7 million. From the acquisition of Novitium in 2021, the Company recorded goodwill of $24.6 million. The goodwill from the transactions with BioSante Pharmaceuticals, Inc., WellSpring Pharma Services Inc., and Novitium is recorded in the Generics and Other reporting unit. As a result of the acquisition of Alimera, on September 16, 2024, the Company recorded goodwill of $31.8 million in the Rare Disease reporting unit. Refer to Note 3 "Business Combination" to the notes to the consolidated financial statements for further information related to the acquisition.

There have been no events or changes in circumstances that would have reduced the fair value of the reporting units below their carrying value during the year ended December 31, 2024 and 2023, and as a result, no impairment charges have been recognized. In addition to the qualitative impairment analysis performed at October 31, 2024, there were no events or changes in circumstances that would have reduced the fair value of the reporting unit below its carrying value from October 31, 2024 to December 31, 2024. No impairment loss was recognized during the years ended December 31, 2024, 2023, and 2022.

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Intangible Assets

The components of net definite-lived intangible assets and net indefinite-lived intangible assets other than goodwill are as follows:

	December 31, 2024			December 31, 2023			Remaining Weighted Average Amortization Period(1)
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Definite-Lived Intangible Assets:							
Acquired ANDA intangible assets	$ 210,497	$ (124,874)	$ 85,623	$ 209,780	$ (100,660)	$ 109,120	4.4 years
NDAs and product rights	641,271	(216,420)	424,851	244,871	(184,861)	60,010	10.9 years
Marketing and distribution rights	17,157	(15,233)	1,924	17,157	(14,271)	2,886	2.0 years
Customer relationships	24,900	(11,264)	13,636	24,900	(7,707)	17,193	3.8 years
Total Definite-Lived Intangible Assets	893,825	(367,791)	526,034	496,708	(307,499)	189,209	9.7 years
Indefinite-Lived Intangible Assets:							
In process research and development	15,800	—	15,800	19,800	—	19,800	Indefinite
Total Intangible Assets, net	$ 909,625	$ (367,791)	$ 541,834	$ 516,508	$ (307,499)	$ 209,009	

(1) Weighted average amortization period as of December 31, 2024.

Definite-lived intangible assets arising from business combinations and other asset acquisitions include intangibles such as Abbreviated New Drug Applications (“ANDAs”), New Drug Applications (“NDAs”) and product rights, marketing and distribution rights, customer relationships, and non-compete agreements. Definite-lived intangible assets are tested for impairment when events or changes in circumstances indicate that these asset might be impaired.

During the year ended December 31, 2024, the Company acquired Alimera, and as a result, acquired two intangible assets for ILUVIEN and YUTIQ, in the amount of $170.0 million and $230.0 million, respectively, which will be amortized over twelve years.

The Company recorded approximately $3.6 million of impairment losses during the three months ended December 31, 2024 related to definite-lived intangibles. There were no impairment losses recorded during the year ended December 31, 2023. During the year ended December 31, 2022, impairment losses of approximately $0.1 million, were recognized in relation to ANDA assets.

Amortization expense for definite-lived intangible assets was $60.3 million, $52.3 million, and $49.5 million for the years ended December 31, 2024, 2023, and 2022, respectively. See Note 12 "Fair Value" in the notes to the consolidated financial statements for more details on acquired definite-lived and indefinite-lived intangible assets.

Indefinite-lived intangible assets other than goodwill include primarily In-Process Research & Development (“IPR&D”) projects. IPR&D intangible assets represent the fair value of technology acquired in a business combination or asset acquisition for which the technology projects are incomplete but have substance or alternative future use. When an IPR&D project is completed (generally upon receipt of regulatory approval), then the IPR&D will be accounted for as a definite-lived intangible asset.

Indefinite-lived intangible assets are not amortized, and the Company tests for impairment of indefinite-lived intangible assets annually as of October 31, 2024, as well as with definite-lived intangibles when events or circumstances indicate that the carrying value of the assets may not be recoverable. The Company performed qualitative assessments to determine whether it was more likely than not that the assets were impaired in order to determine the necessity of performing a quantitative impairment test, under which management would calculate the asset's fair value. When performing the qualitative assessments, the Company evaluated events and circumstances that would affect the significant inputs used to determine the fair value of the assets.

The Company recorded $4.0 million of impairment losses on indefinite-lived intangible assets, more specifically, IPR&D during the three months ended December 31, 2024. No impairment charges were recorded during the years ended December 31, 2023 and 2022.

During 2023, definite-lived intangibles increased approximately $16.4 million, which includes $6.8 million which was reclassified from indefinite-lived IPR&D to acquired ANDA intangible assets upon completion of projects and launch of related products, and the Company added approximately $9.6 million of intangible assets, comprised of $7.1 million of ANDA intangible assets related to asset acquisitions with Slayback Pharma Limited Liability Company and Akorn Holding Company, $2.0 million in product rights related to the transaction with Alvogen, Inc., and other asset acquisitions. No amounts were reclassified from indefinite-lived IPR&D to intangible assets during the year ended December 31, 2024.

Expected future amortization expense is as follows for the years ending December 31:

(in thousands)		
2025	$	79,974
2026		66,489
2027		57,522
2028		51,532
2029		45,263
2030 and thereafter		225,254
Total	$	526,034

Expected amortization expense is an estimate. Actual amounts of amortization expense may differ due to timing of regulatory approvals related to IPR&D assets, additional intangible assets acquired, impairment of intangible assets, and other events.

12. FAIR VALUE

Fair value is the price that would be received from the sale of an asset or paid to transfer a liability assuming an orderly transaction in the most advantageous market at the measurement date. U.S. GAAP establishes a hierarchical disclosure framework that prioritizes and ranks the level of observability of inputs used in measuring fair value.

The inputs used in measuring the fair value of cash and cash equivalents are considered to be Level 1 in accordance with the three-tier fair value hierarchy. The fair market values are based on period-end statements supplied by the various banks and brokers that held the majority of our funds. The fair value of short-term financial instruments (primarily accounts receivable, prepaid expenses, accounts payable, accrued expenses, and other current liabilities) approximate their carrying values because of their short-term nature. The Term Facility, which was extinguished on August 13, 2024, and the New Credit Facility bear interest rates that fluctuates with the changes in SOFR and because the variable interest rates approximate market borrowing rates available to us, the Company believes the carrying values of these borrowings approximated their fair values at December 31, 2024 and 2023.

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Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

Alimera Contingent Value Rights Agreement

On September 16, 2024, prior to consummation of the Alimera Acquisition, the Company entered into a CVR pursuant to which holders of Alimera Common Stock, as well as holders of Alimera Warrants, Alimera Options, Alimera PSUs, Alimera RSAs and Alimera RSUs, may become entitled to contingent cash payments per CVR (each, a "Milestone Payment"), such payments being contingent upon, and subject to, the achievement of: (i) $140.0 million in net revenue (the "2026 Milestone") on third party sales of ILUVIEN and YUTIQ for the Company's 2026 fiscal year (the "2026 Net Revenue") and/or (ii) $160.0 million in net revenue (the "2027 Milestone" and together with the 2026 Milestone, the "Milestones") on third party sales of ILUVIEN and YUTIQ for the Company's 2027 fiscal year (the "2027 Net Revenue"). Each CVR entitles the holder (the "Holder") to receive a Milestone Payment upon satisfaction of the applicable Milestones. The Milestone Payment for each CVR will equal the product (rounded to the nearest 1/100 of $0.01) of (i) $0.25 multiplied by a fraction (not exceeding one), the numerator of which is the amount, if any, by which the 2026 Net Revenue exceeds $140.0 million and the denominator of which is $10.0 million (subject to adjustment for the exercise price of applicable Alimera Options) and/or (ii) $0.25 multiplied by a fraction (not exceeding one), the numerator of which is the amount, if any, by which the 2027 Net Revenue exceeds $160.0 million and the denominator of which is $15.0 million (subject to adjustment for the exercise price of applicable Alimera Options).

If Milestones are met, the distributions in respect of the CVRs will be made on or prior to the date that is fifteen (15) business days following the filing by the Company of its audited financial statements with the SEC on Form 10-K in respect of the applicable year in which such Milestones have been achieved, and will be subject to a number of deductions, exceptions and limitations, including, but not limited to, certain taxes.

The fair value of the CVR liability is based on significant unobservable inputs, which represent Level 3 measurements within the fair value hierarchy. The Company utilized a Monte Carlo simulation model to estimate the fair value of the CVR liability. For each simulated path of future revenue, the payments to the CVR holders were calculated based on the contractual terms of the rights. The average payments from all simulated paths were then discounted to present value at an estimated cost of debt. The CVR liability had an estimated fair value of approximately $9.0 million as of December 31, 2024, and is classified as non-current contingent consideration in the Company's consolidated balance sheet.

(in thousands)	Year Ended December 31, 2024
Beginning balance	$ —
CVR Agreement	8,700
Change in fair value	300
Ending balance	$ 9,000

Money Market Funds

Money market funds are readily convertible into cash and the net asset value of each fund on the last day of the reporting period is used to determine its fair value. Money market funds are included in Cash and cash equivalents within the Consolidated Balance Sheet, and is classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. The Company does not adjust the quoted market price for such financial instruments. The fair value of the money market funds as of December 31, 2024 was approximately $84.3 million.

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Interest Rate Swap

The fair value of the interest rate swap is estimated based on the present value of projected future cash flows using the SOFR forward rate curve. The fair value of the interest rate swap is estimated based on the present value of projected future cash flows using the SOFR forward rate curve (see Note 6 "New Credit Agreement" in the notes to the consolidated financial statements). The model used to value the interest rate swap includes inputs of readily observable market data, a Level 2 input. As described in further detail in Note 8 “Derivative Financial Instrument and Hedging Activity” to the notes to consolidated financial statements. As described in detail in Note 8, the fair value of the interest rate swap was a $4.9 million and $6.2 million at December 31, 2024 and 2023, respectively, and was classified as a non-current assets in the consolidated balance sheets.

CG Oncology Equity Securities

The Company currently holds 219,925 shares of common stock in CG Oncology (Nasdaq: CGON). The Company accounts for its investment in CG Oncology equity securities as an equity investment with a readily determinable fair value, as the securities are publicly traded on the Nasdaq Global Select Market. The fair value of the equity securities is based on its closing price on the Nasdaq and is classified within Level 1 of the fair value hierarchy because the equity securities are valued using quoted market prices. The Company does not adjust the quoted market price for such financial instruments. The fair value of the CG Oncology equity securities as of December 31, 2024 was approximately $6.3 million based on a closing market price of $28.68 on December 31, 2024. This amount is classified on the consolidated statements of operations as Unrealized gain on investment in equity securities for the year ended December 31, 2024. Between 2013 and 2023, CG Oncology securities held by the Company were valued at zero under U.S. GAAP.

Novitium Contingent Consideration

In connection with the acquisition of Novitium, the Company may pay up to $46.5 million in additional consideration related to the achievement of certain milestones, including milestones on gross profit of Novitium portfolio products over a 24-month period, regulatory filings completed during this 24-month period, and a percentage of net profits on certain products that are launched in the future.

The discounted cash flow method used to value this contingent consideration includes inputs of not readily observable market data, which are Level 3 inputs. As of the November 19, 2021 acquisition date, the contingent consideration had a fair value of $30.8 million.

Pursuant to the terms of the Agreement and Plan of Merger, on December 12, 2023, the Company paid $12.5 million of cash consideration to the Company Members, defined as the holders of Novitium ownership interests in the Agreement and Plan of Merger, as the holders of Novitium ownership interests, for the achievement of the "ANDA Filing Earn-Out," as defined in the Agreement (see Note 18 "Related Party Transactions" in the notes to the consolidated financial statements). Furthermore, on February 22, 2024, the Company paid $12.5 million to Company Members of Novitium upon the achievement of the "Gross Profit Earn-Out," as defined in the Agreement.

The fair value of the contingent consideration was approximately $10.9 million and $24.0 million as of December 31, 2024 and 2023, respectively, and is reflected as a current and non-current accrued contingent consideration liability in the consolidated balance sheets.

The recurring Level 3 fair value measurements of contingent consideration for which a liability is recorded include the following significant unobservable inputs as of December 31, 2024:

Payment Type	Valuation Technique	Unobservable Input	Assumptions
Profit-based milestone payments	Probability-weighted discounted cash flow	Discount rate	12.0%
		Projected fiscal year of payment	2025-2035

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The following table presents the changes in contingent consideration balances classified as Level 3 balances for the years ended December 31, 2024 and 2023:

	Year Ended December 31,	
(in thousands)	**2024**	**2023**
Beginning balance	$ 23,984	$ 35,058
Payment of Gross-Profit and ANDA Filing earn-out	(12,500)	(12,500)
Change in fair value	(630)	1,426
Ending balance	$ 10,854	$ 23,984

Accrued Licensor Payments

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

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

During the quarter ended December 31, 2024, the Company paid the final quarterly payment of $1.9 million. The present value of the remaining payments to EyePoint for years 2025 to 2028 will continue to be revalued at an appropriate discount rate for the Company at each reporting date until they are settled. The fair value of the remaining future payments as of December 31, 2024 was approximately $21.0 million.

The recurring Level 3 fair value measurements of the EyePoint royalty for which a liability is recorded include the following significant unobservable inputs as of December 31, 2024:

Payment Type	Valuation Technique	Unobservable Input	Assumptions
Annual royalty payments for US net revenues of sales of YUTIQ and ILUVIEN	Probability-weighted discounted cash flow	Discount rate	12.0%
		Projected fiscal year of payment	2025-2029

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The following table presents the changes in accrued licensor payments classified as Level 3 balances for the year ended December 31, 2024:

(in thousands)	Year Ended December 31, 2024
Beginning balance	$ —
Accrued licensor payments	25,000
Payments during 2024	(3,750)
Change in fair value	(289)
Ending balance	$ 20,961

The following table presents financial assets and liabilities accounted for at fair value on a recurring basis as of December 31, 2024 and December 31, 2023, by level within the fair value hierarchy:

(in thousands) Description	Fair Value at December 31, 2024	Level 1	Level 2	Level 3
Assets				
Money Market Fund	$ 84,277	$ 84,277	$ —	$ —
Interest rate swap	$ 4,897	$ —	$ 4,897	$ —
CG Oncology - Investment in equity securities	$ 6,307	$ 6,307	$ —	$ —
Liabilities				
Contingent consideration, Novitium	$ 10,854	$ —	$ —	$ 10,854
Contingent Value Rights, Alimera	$ 9,000	$ —	$ —	$ 9,000
Accrued licensor payment	$ 20,961	$ —	$ —	$ 20,961

(in thousands) Description	Fair Value at December 31, 2023	Level 1	Level 2	Level 3
Assets				
Money Market Fund	$ 191,841	$ 191,841	$ —	$ —
Interest rate swaps	$ 6,236	$ —	$ 6,236	$ —
Liabilities				
Contingent consideration	$ 23,984	$ —	$ —	$ 23,984

Financial Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

There are no financial assets and liabilities that are measured at fair value on a non-recurring basis.

Non-Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

There are no non-financial assets and liabilities that are measured at fair value on a recurring basis.

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Non-Financial Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

Long-lived assets, including property and equipment, ROU assets, intangible assets, and goodwill, are measured at fair value on a non-recurring basis. During the years ended December 31, 2024 and 2023 there were $7.6 million and $0 of impairment charges recognized related to non-financial assets and liabilities measured at fair value on a non-recurring basis, respectively. During the year ended December 31, 2022, impairment losses of approximately $0.1 million, were recognized in relation to ANDA assets.

Acquired Non-Financial Assets Measured at Fair Value

On September 16, 2024, the Company acquired ILUVIEN and YUTIQ in connection with the acquisition of Alimera. See Note 3 “Business Combination” in the notes to the consolidated financial statements.

On December 27, 2023, the Company acquired from Alvogen, Inc. the rights to certain pharmaceutical products for total cash consideration of $2.0 million (Note 8), which launched commercially in early 2024. The transaction was accounted for as an asset acquisition and there were no transaction costs directly related to the acquisition. Intangible assets amounted to $2.0 million as NDAs and product rights. The payment was allocated to the acquired intangible assets based on relative fair value, which was determined using Level 3 unobservable inputs. The intangible asset will be amortized in full over its useful life of seven years and will be tested for impairment when events or circumstances indicate that the carrying value of the asset may not be recoverable. No such triggering events were identified during the period from the date of acquisition to December 31, 2024.

On August 14, 2023, the Company acquired one ANDA and registered patents and pending patent applications from Slayback Pharma Limited Liability Company for total consideration of $3.0 million. The Company also acquired an NDA which has yet to be filed. The transaction was funded from cash on hand. The transaction was accounted for as an asset acquisition and the transaction costs directly related to the acquisition were capitalized. Intangible assets amounted to $2.8 million as acquired ANDA intangible assets. The payment was allocated to the acquired intangible assets based on relative fair value, which was determined using Level 3 unobservable inputs. The ANDA will be amortized in full over its useful life of seven years and will be tested for impairment when events or circumstances indicate that the carrying value of the asset may not be recoverable. No such triggering events were identified during the period from the date of acquisition to December 31, 2024, and therefore no impairment loss was recognized for the year ended December 31, 2024.

During the second quarter of fiscal 2023, the Company acquired two ANDAs and one pipeline product from the Chapter 7 Trustee for the estates of Akorn Holding Company and certain of its affiliates for total consideration of $4.8 million. The transaction was funded from cash on hand. This transaction was accounted for as an asset acquisition and the transaction costs directly related to the acquisition were capitalized. The product portfolio included two commercial products and one pipeline product. The Company recognized $4.3 million as acquired ANDA intangible assets. The payment was allocated to the acquired intangible assets and in-process research and development based on relative fair value, which was determined using Level 3 unobservable inputs. The ANDAs will be amortized in full over its useful life of seven years and will be tested for impairment when events or circumstances indicate that the carrying value of the asset may not be recoverable. No such triggering events were identified during the period from the date of acquisition to December 31, 2024, and therefore no impairment loss was recognized for the year ended December 31, 2024.

On July 21, 2022, ANI acquired four ANDAs from Oakrum Pharma, LLC for total consideration of $8.0 million plus an immaterial amount for the purchase of finished goods inventory. The transaction was funded from cash on hand. ANI accounted for this transaction as an asset acquisition and capitalized the transaction costs directly related to the acquisition. The product portfolio included one commercial product, one approved product with a launch completed in September 2022 and two filed products, with approval pending. ANI recognized $7.2 million as acquired ANDA intangible assets and $1.2 million as research and development expense because certain of the generic products have significant remaining work required in order to be commercialized and the products do not have an alternative future use. The payment was allocated to the acquired intangible assets and in-process research and development based on relative fair value, which was determined using Level 3 unobservable inputs. ANI used the present value of the estimated cash flows related to the products, using a discount rate of 13% to determine the fair value of the acquired intangible assets and in-process research and development. The inventory acquired was immaterial. Contingent liabilities are accrued when they are both estimable and probable. ANI accrued $0.2 million in contingent payments due to a third party upon the launch of a product completed in September 2022. This was accrued and recorded in the fair value of acquired intangible assets as it was probable at the acquisition date and has been paid in 2023. The ANDAs will be amortized in full over its useful life of seven years and will be tested for impairment when events or circumstances indicate that the carrying value of the asset may not be recoverable. No such triggering events were identified during the period from the date of acquisition to December 31, 2024, and therefore no impairment loss was recognized for the year ended December 31, 2024.

13. MEZZANINE AND STOCKHOLDERS' EQUITY

Stockholders' Equity

Authorized shares

The Company is authorized to issue up to 33.3 million shares of common stock with a par value of $0.0001 per share, 0.8 million shares of class C special stock with a par value of $0.0001 per share, and 1.7 million shares of undesignated preferred stock with a par value of $0.0001 per share at December 31, 2024 and 2023.

There were 21.5 million and 21.1 million shares of common stock issued and outstanding as of December 31, 2024, respectively, and 20.7 million and 20.5 million shares of common stock issued and outstanding as of December 31, 2023, respectively.

Public Offering

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

Class C Special Stock

There were 11 thousand shares of class C special stock issued and outstanding as of December 31, 2024 and 2023. Each share of class C special stock entitles its holder to one vote per share. Each share of class C special stock is exchangeable, at the option of the holder, for one share of the Company's common stock, at an exchange price of $90.00 per share, subject to adjustment upon certain capitalization events. Holders of class C special stock are not entitled to receive dividends or to participate in the distribution of the Company's assets upon liquidation, dissolution, or winding-up the Company. The holders of class C special stock have no cumulative voting, preemptive, subscription, redemption, or sinking fund rights.

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Mezzanine Equity

PIPE Shares

Concurrently with the acquisition of Novitium, and as financing for a portion of the acquisition, on March 8, 2021, the Company entered into an Equity Commitment and Investment Agreement with Ampersand 2020 Limited Partnership (the "PIPE Investor"), pursuant to which the PIPE Investor agreed to purchase, 25,000 shares of the Company's Series A Convertible Preferred Stock (the "PIPE Shares"), for a purchase price of $1,000 per share and an aggregate purchase price of $25.0 million on November 19, 2021. The PIPE Shares are classified as mezzanine equity because the shares are mandatorily redeemable for cash upon a change in control, an event that is not solely in the Company's control. The Company incurred $0.2 million in issuance costs associated with the transaction.

The PIPE Shares accrue dividends at 6.50% per year on a cumulative basis, payable in cash or in-kind, and will also participate, on a pro-rata basis, in any dividends that may be declared with respect to the Company's common stock. The PIPE Shares are convertible into the Company's common shares at the conversion price of $41.47 (i) beginning two years years after their issuance date, at the election of ANI (in which case the PIPE Investor must convert all of the PIPE Shares), if the volume-weighted average price of the Company's common stock for any 20 trading days out of 30 consecutive trading days exceeds 170% of the conversion price, and (ii) at any time after issuance, at the election of the PIPE Investor. As of December 31, 2024, the PIPE shares are currently convertible into a maximum of 602,901 shares of the Company's common stock.

In case of a liquidation event, the holder of the PIPE Shares will be entitled to receive, in preference to holders of the Company's common stock, the greater of (i) the PIPE Shares' purchase price plus any accrued and unpaid dividends thereon and (ii) the amount the holder of the PIPE Shares would have received in the liquidation event if it had converted its PIPE Shares into the Company's common stock. The PIPE Shares will have voting rights, voting as one series with the Company's common stock, on as-converted basis, and will have separate voting rights on any (i) amendment to the Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock (the "Certificate") that adversely amends and relates solely to the terms of the PIPE Shares and (ii) issuance of additional Series A convertible preferred stock. In case of a change of control of the Company, the PIPE Shares will be redeemed at the greater of (i) the PIPE Shares' purchase price plus any accrued and unpaid dividends thereon and (ii) the change of control transaction consideration that the holder of the PIPE Shares would have received if it had converted into the Company's common stock.

There were 25,000 shares of Series A convertible preferred stock outstanding as of December 31, 2024 and 2023.

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14. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted-average number of shares of common stock outstanding during the period.

For periods of net income, and when the effects are not anti-dilutive, the Company calculates diluted earnings (loss) per share by dividing net income available to common stockholders by the weighted-average number of shares outstanding plus the impact of all potential dilutive common shares, consisting primarily of common stock options, shares to be purchased under our ESPP, and performance stock units, using the more dilutive of the treasury stock or the two-class method. For periods of net loss, diluted loss per share is calculated similarly to basic loss per share.

Unvested restricted shares and Series A convertible preferred stock shares contain non-forfeitable rights to dividends, and therefore are considered to be participating securities; in periods of net income, the calculation of basic and diluted earnings (loss) per share excludes from the numerator net income (but not net loss) attributable to the unvested restricted shares and the common shares assumed converted from the preferred shares and excludes the impact of those shares from the denominator. The Company's participating securities do not have a contractual obligation to share in the Company's losses. As such, the net loss was attributed entirely to common stockholders. As the Company has reported a net loss for the year ended December 31, 2024, diluted net loss per share attributable to common shareholders is the same as basic net loss per share attributable to common shareholders for this period.

Earnings (loss) per share for the years ended December 31, 2024, 2023, and 2022 are calculated for basic and diluted earnings (loss) per share as follows:

(in thousands, except per share amounts)	Basic			Diluted		
	Years Ended December 31,			Years Ended December 31,		
	2024	2023	2022	2024	2023	2022
Net (loss) income available to common shareholders	$ (20,147)	$ 17,154	$ (49,521)	$ (20,147)	$ 17,154	$ (49,521)
Earnings allocated to participating securities	—	(1,679)	—	—	(1,663)	—
Net (loss) income available to common shareholders	$ (20,147)	$ 15,475	$ (49,521)	$ (20,147)	$ 15,491	$ (49,521)
Basic Weighted-Average Shares Outstanding	19,318	18,001	16,260	19,318	18,001	16,260
Dilutive effect of stock options, ESPP, and performance stock units				—	193	—
Diluted Weighted-Average Shares Outstanding				19,318	18,194	16,260
(Loss) earnings per share	$ (1.04)	$ 0.86	$ (3.05)	$ (1.04)	$ 0.85	$ (3.05)

The number of anti-dilutive shares, which have been excluded from the computation of diluted earnings (loss) per share, were 2.3 million, 2.4 million, and 2.6 million for the years ended December 31, 2024, 2023, and 2022, respectively. For the years ended December 31, 2024 and 2022, all potentially dilutive shares were anti-dilutive and excluded from the calculation of diluted loss per share because the Company reported a net loss.

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15. STOCK-BASED COMPENSATION

Employee Stock Purchase Plan

In July 2016, the Company commenced administration of the ANI Pharmaceuticals, Inc. 2016 ESPP. As of December 31, 2024, there are approximately 0.1 million shares of common stock available for issuance under the ESPP. Under the ESPP, participants can purchase shares of common stock at a 15% discount on the lowest share price on the first day of the purchase period or the last day of the purchase period.

Stock Incentive Plan

During the 2024 Annual Meeting of Stockholders held on May 21, 2024, the stockholders of the Company approved an amendment to the Amended and Restated Stock Incentive Plan (the "2022 Plan") (such amendment, the "2024 Stock Plan Amendment" and the 2022 Plan, after giving effect to the 2024 Stock Plan Amendment, the "Amended 2022 Stock Plan"). Subject to adjustment, the 2024 Stock Plan Amendment authorizes the issuance of an additional 1,610,000 shares.

As of December 31, 2024, approximately 2.0 million shares of common stock were available for issuance under the 2022 Plan.

Equity-based service awards are granted under the ANI Pharmaceuticals, Inc. Amended and Restated 2022 Stock Incentive Plan (the "2022 Plan"), which was approved by the Company's stockholders at the 2022 Annual Meeting of Stockholders (the "Annual Meeting") held on April 27, 2022. Prior to this approval, the Company granted equity-based incentive awards under the Sixth Amended and Restated 2008 Stock Incentive Plan (the "2008 Plan"), which was renamed, amended and restated to the 2022 Plan. The 2022 Plan, among other things, increased the number of shares reserved for issuance thereunder by 1,150,000 shares. On May 23, 2023, the Company's stockholders approved an amendment to the 2022 Plan (such amendment, the "2023 Stock Plan Amendment"). Subject to adjustment, the 2023 Stock Plan Amendment increased the number of shares reserved for issuance under the 2022 Plan by 750,000 shares.

From time to time, the Company may grant stock options to employees through an inducement grant outside of the 2022 Plan to induce prospective employees to accept employment with us (the "Inducement Grants"). The options are granted at an exercise price equal to the fair market value of a share of the common stock on the respective grant date and are generally exercisable in four equal annual installments beginning on the first anniversary of the respective grant date. The grants are made pursuant to inducement grants outside of the stockholder approved equity plan as permitted under the Nasdaq Stock Market listing rules.

The cost of equity-based service awards are measured based on the grant-date fair value of the award. The cost is recognized ratably over the period during which an employee is required to provide service in exchange for the award or the requisite service period. Stock-based compensation expense is recognized ratably over the vesting periods of the awards.

The following table summarizes stock-based compensation expense incurred for ESPP expense incurred under the 2016 Employee Stock Purchase Plan, stock options, restricted stock awards, performance-based restricted stock units, and Inducement Grants and included in the consolidated statements of operations:

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

Income tax benefits of approximately $2.8 million, $3.3 million, and $1.7 million were recognized for stock-based compensation-related tax deductions in the 2024, 2023, and 2022 consolidated statements of operations, respectively.

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Stock Options

Outstanding stock options granted to employees and consultants generally vest over a period of four years and have 10-year contractual terms. Outstanding stock options granted to non-employee directors generally vest over a period of one to four years and have 10-year contractual terms.

There were no grants of stock options during 2024. For 2023, and 2022, the fair value of each option grant was estimated using the Black-Scholes option-pricing model, using the following assumptions:

	Years Ended December 31,	
	2023	**2022**
Expected option life (years)	6.25	5.50 - 6.25
Risk-free interest rate	4.1%	1.7% - 2.8%
Expected stock price volatility	49.0%	48.4% - 50.0%
Dividend yield	—	—

The Company uses the simplified method to estimate the expected option life of options. The risk-free interest rate used is the yield on a U.S. Treasury note as of the grant date with a maturity equal to the estimated life of the option. The calculated estimated volatility rate is based on ANI's historical stock price. The Company has not issued a cash dividend on the common shares in the past nor does the Company have any current plans to do so in the future; therefore, an expected dividend yield of zero was used.

A summary of stock option activity under the 2022 Plan and Inducement Grants during the years ended December 31, 2024, 2023, and 2022 is presented below:

(in thousands, except per share and remaining term data)	**Option Shares**	**Weighted Average Exercise Price**	**Fair Value**	**Weighted Average Remaining Term (years)**	**Aggregate Intrinsic Value**
Outstanding December 31, 2021	988	$ 45.56		6.6	$ 6,786
Granted	36	34.52	$ 16.82		
Exercised	(23)	30.03			153
Forfeited	(47)	36.91			
Expired	(47)	55.07			
Outstanding December 31, 2022	907	$ 45.47		5.6	$ 3,868
Granted	3	41.84	$ 22.12		
Exercised	(189)	44.09			2,894
Forfeited	(21)	33.45			
Expired	(11)	55.15			
Outstanding at December 31, 2023	689	$ 46.05		4.9	$ 8,370
Exercised	(102)	43.80			2,001
Expired	(3)	50.88			
Outstanding at December 31, 2024	584	$ 46.42		3.9	$ 7,190
Exercisable at December 31, 2024	551	$ 47.15		3.8	$ 6,500

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As of December 31, 2024, there was $0.4 million of total unrecognized compensation cost related to non-vested stock options granted under the 2022 Plan and Inducement Grant. The cost is expected to be recognized over a weighted-average period of 0.50 years. During the year ended December 31, 2024, ANI received $4.5 million in cash from the exercise of stock options and recorded approximately $0.2 million tax provision related to these exercises. During the year ended December 31, 2023, ANI received $8.3 million in cash from the exercise of stock options and recorded a $0.2 million tax provision related to these exercises. During the year ended December 31, 2022, ANI received $0.7 million in cash from the exercise of stock options and recorded a $0.1 million tax provision related to these exercises.

Restricted Stock Awards

Restricted stock awards ("RSAs") granted to employees generally vest over a period of four years. RSAs granted to non-officer directors generally vest over a period of one year.

Shares of common stock delivered to employees and directors will be unrestricted upon vesting. During the vesting period, the recipient of the restricted stock has full voting rights as a stockholder and would receive dividends, if declared, even though the restricted stock remains subject to transfer restrictions and will generally be forfeited upon termination of the officer prior to vesting. The fair value of each RSA is based on the market value of the Company's stock on the date of grant.

A summary of RSA activity under the Plan during the years ended December 31, 2024, 2023, and 2022 is presented below:

(in thousands, except per share and remaining term data)	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Term (years)
Unvested at December 31, 2021	707	$ 36.52	2.8
Granted	748	32.76	
Vested	(245)	36.99	
Forfeited	(69)	38.08	
Unvested at December 31, 2022	1,141	$ 33.86	2.6
Granted	674	43.30	
Vested	(383)	34.59	
Forfeited	(81)	38.10	
Unvested at December 31, 2023	1,351	$ 38.11	2.4
Granted	708	57.22	
Vested	(485)	37.99	
Forfeited	(119)	45.05	
Unvested at December 31, 2024	1,455	$ 46.89	2.3

As of December 31, 2024, there was $55.7 million of total unrecognized compensation cost related to non-vested RSAs granted under the Plan, which is expected to be recognized over a weighted-average period of 2.3 years.

Performance-Based Restricted Stock Units

Awards may also be issued in the form of PSUs. PSUs represent the right to receive a number of shares of Company common stock, contingent upon the achievement of specified performance objectives during a specified performance period. PSUs granted to date vest over a three-year performance period.

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February 14, 2024 Performance-Based Restricted Stock Units Grant

On February 14, 2024, the Company granted 73,588 PSUs to officers and employees of the Company under the 2022 Plan (66,433 to officers of the Company). PSU performance will be measured over a three-year performance period from January 1, 2024 through December 31, 2026 and will cliff-vest contingent upon the achievement of specified performance objectives. Of these PSUs, 50% were MPRSUs, vesting of which is contingent upon the Company meeting certain TSR levels as compared to a select peer group over the over three years starting January 1, 2024, and 50% of the PSUs were PRSUs, vesting of which is contingent upon the Company meeting certain adjusted non-GAAP year-on-year EBITDA growth rates over the over three years starting January 1, 2024. Both the MPRSUs and the PRSUs have a maximum potential to vest at 200%. At each reporting period, the Company analyzes progress on the performance goals to assess the likelihood of achievement.

The estimated grant date fair value per share of the MPRSUs was $85.65 and was calculated using a Monte Carlo simulation model. Based on the Company's analysis, the MPRSUs are included at 100% of the estimate number of shares at the end of the three-year performance period and are reflected under “Granted” in the table below.

The estimated grant date fair value per share of the PRSUs was $56.10 based on the closing price of the stock on the date of grant. Based on the Company's analysis, the PRSUs are included at 100% of the estimated number of shares at the end of the three-year performance period and are reflected under “Granted” in the table below.

February 28, 2023 Performance-Based Restricted Stock Units Grant

On February 28, 2023, as part of the Company's equity compensation program, PSUs were granted to certain executives. Of these PSUs, 50% were market performance-based restricted stock units (“MPRSUs”), vesting of which is contingent upon the Company meeting certain total shareholder return (“TSR”) levels as compared to a select peer group over the over three years starting January 1, 2023. The MPRSUs are also subject to the recipient’s continued employment or service through December 31, 2025. The MPRSUs cliff vest at the end of the three-year period and have a maximum potential to vest at 200% (85,099 shares) based on TSR performance. The related share-based compensation expense is determined based on the estimated fair value of the underlying shares on the date of grant and is recognized straight-line over the vesting term. The estimated grant date fair value per share of the MPRSUs was $68.65 and was calculated using a Monte Carlo simulation model. The MPRSUs are included at 100% of the estimate number of shares at the end of the three-year performance period and are reflected under “Granted” in the table below.

The other 50% of the PSUs were performance based restricted stock units (“PRSUs”), vesting of which is contingent upon the Company meeting certain adjusted non-GAAP year-on-year EBITDA growth rates over the over three years starting January 1, 2023. The PRSUs are also subject to the recipient’s continued employment or service through December 31, 2025. The PRSUs cliff vest at the end of the three-year period and have a maximum potential to vest at 200% (85,099 shares) based on adjusted non-GAAP year-on-year EBITDA growth rates. The related share-based compensation expense is determined based on the estimated fair value of the underlying shares on the date of grant and is recognized straight-line over the vesting term. At each reporting period, the Company analyzes progress on the performance goals to assess the likelihood of achievement. The estimated grant date fair value per share of the PRSUs was $41.84 based on the closing price of the stock on the date of grant. The PRSUs are included at 100% of the estimated number of shares at the end of the three-year performance period and are reflected under “Granted” in the table below.

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A summary of PSU activity under the Plan during the years ended December 31, 2024 and 2023 is presented below:

(in thousands, except per share and remaining term data)	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Term (years)
Unvested at December 31, 2022	—	$ —	—
Granted	85	41.84	
Vested	—	—	
Forfeited	(1)	41.84	
Unvested at December 31, 2023	84	41.84	2.0
Granted	74	56.10	
Vested	—	—	
Forfeited	(8)	48.06	
Unvested at December 31, 2024	150	$ 48.52	1.6

As of December 31, 2024, there was $7.2 million of total unrecognized compensation cost related to non-vested PSUs granted under the Plan, which is expected to be recognized over a weighted-average period of 1.6 years.

16. INCOME TAXES

The foreign current and foreign deferred (benefits) expenses below represent our tax (benefit) expense from Canada, India, United Kingdom, Ireland, Portugal, and Germany jurisdictions.

The Company is required to establish a valuation allowance for deferred tax assets if, based on the weight of all available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers the projected future taxable income and tax planning strategies in making this assessment.

As of December 31, 2024 and 2023, the consolidated valuation allowance was $9.5 million and $0.4 million, respectively, primarily related to deferred tax assets for net operating losses in the UK and and U.S. state jurisdictions. The Company recorded a valuation allowance of approximately $7.5 million in connection with the acquisition of Alimera, and recorded an additional increase in the valuation allowance of approximately $1.5 million during the three months ended December 31, 2024.

(Loss) income before taxes consisted of the following:

	As of December 31,		
(in thousands)	2024	2023	2022
Domestic	$ (24,618)	$ 19,124	$ (64,913)
Foreign	2,406	748	2,248
(Loss) income before income tax (benefit) expense	$ (22,212)	$ 19,872	$ (62,665)

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Total income tax (benefit) expense for income taxes consists of the following for the years ended December 31:

	As of December 31,		
(in thousands)	**2024**	**2023**	**2022**
Current income tax expense			
Federal	$ 13,714	$ 9,117	$ 152
State	2,231	3,534	249
Foreign	1,876	26	66
Total	17,821	12,677	467
Deferred income tax benefit			
Federal	(17,876)	(7,601)	(13,382)
State	(3,906)	(3,946)	(1,722)
Foreign	(1,217)	(29)	(128)
Total	(22,999)	(11,576)	(15,232)
Change in valuation allowance	1,488	(8)	(4)
Total (benefit) expense for income taxes	$ (3,690)	$ 1,093	$ (14,769)

The difference between the expected income tax (benefit) expense from applying U.S. Federal statutory tax rates to the pre-tax (loss) income and actual income tax (benefit) expense relates primarily to the effect of the following:

	As of December 31,		
	2024	**2023**	**2022**
US Federal statutory rate	21.0 %	21.0 %	21.0 %
State taxes, net of Federal benefit	2.5 %	4.8 %	3.2 %
Foreign taxes	(3.0)%	0.0%	0.1 %
Change in valuation allowance	(6.7)%	0.0%	— %
Stock-based compensation	(6.5)%	10.8 %	(1.4)%
Non-deductible costs	(8.8)%	2.1 %	(0.5)%
Change in state apportionment factors, state and foreign rates	4.0 %	(11.8)%	(0.1)%
Research and experimentation and charitable credits	14.1 %	(19.0)%	1.4 %
Transfer pricing and other	— %	(2.4)%	(0.1)%
Effective income tax rate	16.6 %	5.5 %	23.6 %

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Deferred income taxes reflect the net tax effects of differences between the bases of assets and liabilities for financial reporting and income tax purposes. Deferred income tax assets and liabilities consisted of the following:

	As of December 31,	
(in thousands)	**2024**	**2023**
Deferred tax assets:		
Accruals and advances	$ 16,318	$ 12,470
Stock-based compensation	7,373	6,013
Accruals for chargebacks and returns	23,427	17,358
Inventories	5,234	4,569
Intangible assets	—	40,193
Net operating loss carryforwards	27,254	2,900
Capitalized research expenditures	19,836	11,294
Interest expense carryforwards	6,400	5,132
Debt instruments	9,590	—
Other assets	5,305	2,318
Total deferred tax assets	$ 120,737	$ 102,247
Deferred tax liabilities:		
Depreciation	$ (6,710)	$ (5,658)
Intangible assets	(12,537)	—
Other liabilities	(6,934)	(5,440)
Total deferred tax liabilities	$ (26,181)	$ (11,098)
Valuation allowance	(9,450)	(438)
Deferred tax assets, net of deferred tax liabilities and valuation allowance	$ 85,106	$ 90,711

As of December 31, 2024, U.S. federal net operating loss carryforwards were approximately $55.6 million and UK net operating losses of approximately $50.8 million, primarily arose as a result of the acquisition of Alimera and the 2013 merger with BioSante Pharmaceuticals, Inc. Net operating loss carryforwards related to the 2024 acquisition are indefinite lived. Net operating loss carryforwards related to the 2013 merger, if not used, expire in annual increments through 2033. All of the net operating loss carryforwards are limited on an annual basis as prescribed by Section 382 of the U.S. Internal Revenue Code; the current annual limitation is approximately $7.2 million per year. Additionally, as of December 31, 2024, the Company has total net operating losses in various states of $5.7 million which begin to expire through 2042.

The Company is subject to income taxes in numerous jurisdictions in the U.S. and certain foreign jurisdictions. Significant judgement is required in evaluating tax positions and determining the expense for income taxes. The Company established liabilities for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These liabilities are established when the Company believe that certain positions might be challenged despite our belief that our tax return positions are fully supportable. We adjusts these liabilities in light of changing facts and circumstances, such as the outcome of a tax audit. The expense for income taxes includes the impact of changes to the liability that is considered appropriate. The Company has not identified any material uncertain income tax positions as of December 31, 2024 and 2023.

The Company is subject to income tax audits in all jurisdictions for which tax returns are filed. Tax audits by their nature are often complex and can require several years to complete. All of the Company's income tax returns remain subject to examination by tax authorities due to the availability of net operating loss carryforwards.

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17. COMMITMENTS AND CONTINGENCIES

Operating Leases

The majority of the Company's leases as of December 31, 2024 are classified as operating leases. Leases with an initial term of twelve months or less are not recorded on the balance sheet, and the Company does not separate lease and non-lease components of contracts. The Company's lease agreements do not provide for determination of the interest rate implicit in the lease. Therefore, the Company used a benchmark approach to derive an appropriate incremental borrowing rate. The Company's incremental borrowing rate is the rate of interest that the lessee would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. The Company benchmarked itself against other companies of similar credit ratings and comparable quality and derived an incremental borrowing rate, which was used to discount its lease liabilities. Rent expense is recognized on a straight-line basis over the lease term. Operating lease ROU assets are included in other non-current assets and operating lease liabilities are included in accrued expenses and other and other non-current liabilities in the consolidated balance sheets. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In April 2023, the Company entered into an agreement to lease additional warehouse space in East Windsor, New Jersey. The lease has a term of five years, and is classified as an operating lease. Additionally, during October 2023, the Company entered into an amendment for the Middleton, Wisconsin location which expanded the Company's square footage and also extended the termination date to December 2028.

In connection with the acquisition of Alimera, the Company acquired operating leases for office space in Alpharetta, Georgia, which has a remaining term of approximately five years. The Company also entered into a new lease agreement in Princeton, New Jersey, for office space which is expected to have a commencement date during 2025. The Princeton, New Jersey lease will have a remaining term of approximately 10 years.

As of December 31, 2024, there are 15 operating leases for facilities and office equipment with remaining terms expiring from 2025 through 2029 and a weighted average remaining lease terms of 3.8 years and 3.9 years, as of December 31, 2024 and 2023, respectively. Many of the operating leases have fair value renewal options, none of which are considered certain of being exercised or included in the minimum lease term. The weighted average incremental borrowing rates as of December 31, 2024 and 2023 is 8.10% and 8.12%, respectively.

Lease expense consisted of the following for the years ended December 31:

(in thousands)	2024	2023	2022
Operating lease costs	$ 2,122	$ 2,031	$ 701
Finance lease costs	43	—	—
Variable lease costs	261	221	236
Total lease costs	$ 2,426	$ 2,252	$ 937

The table below reconciles the fixed component of the undiscounted cash flows for each of the first five years and the total remaining years to the operating lease liabilities recorded on the Consolidated Balance Sheet as of December 31, 2024:

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(in thousands)		
2025	$	2,084
2026		1,779
2027		1,793
2028		1,024
2029		534
Thereafter		—
Total minimum lease payments	$	7,214
Less: effects of discounting		(1,022)
Present value of future minimum lease payments		6,192
Less: current lease liability, included in accrued expenses and other		(1,799)
Non-current lease liability, included in other non-current liabilities	$	4,393

Finance Leases

In connection with the acquisition of Alimera, the Company acquired finance leases primarily consisting of automobiles. The automobiles are capitalized at the lesser of fair market value or the present value of the minimum lease payments at the inception of the leases using the Company's incremental borrowing rate. The Company's finance lease agreements do not contain any material residual value guarantees or material restrictive covenants. Finance lease ROU assets are included in other non-current assets, specifically in Property and equipment, net, and finance lease liabilities are included in accrued expenses and other and other non-current liabilities in the consolidated balance sheets.

As of December 31, 2024, a schedule of maturity of lease liabilities under finance leases, together with the present value of minimum lease payments is as follows:

(in thousands)		
Future payments:		
2025	$	302
2026		205
2027		24
Total minimum lease payments	$	531
Less: effects of discounting		(135)
Present value of future minimum lease payments		396
Less: current lease liability, included in accrued expenses and other		(240)
Non-current lease liability, included in other non-current liabilities	$	156

As of December 31, 2024, the weighted average remaining lease terms of the Company's financing leases was 1.7 years. As of December 31, 2024 the weighted average discount rate used to determine the financing lease liabilities was 10.7%.

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Government Regulation

The Company's products and facilities are subject to regulation by a number of federal and state governmental agencies, such as the Drug Enforcement Administration ("DEA"), the Food and Drug Administration ("FDA"), the Centers for Medicare and Medicaid Services ("CMS"), the Central Drugs Standard Control Organization ("CDSCO"), The Narcotics Control Bureau ("NCB"), and India's Ministry of Health and Family Welfare ("MoHFW"). The FDA, in particular, maintains oversight of the formulation, manufacture, distribution, packaging, and labeling of all of ANI's products. The DEA and NCB maintain oversight over products that are considered controlled substances.

Unapproved Products

Four products, Esterified Estrogen with Methyltestosterone ("EEMT"), Opium Tincture, Thyroid Tablets, and Hyoscyamine are marketed without approved NDAs or ANDAs. On December 27, 2023, the Company acquired from Alvogen, Inc. the rights to Hyoscyamine for total cash consideration of $2.0 million, which product was launched commercially in February 2024. During the years ended December 31, 2024, 2023, and 2022, net revenues from the commercial sales of these products totaled $22.4 million, $22.4 million, and $14.2 million, respectively. Before acquisition of Hyoscyamine, contract manufacturing revenues for Hyoscyamine, for the years ended December 31, 2024, 2023, and 2022 were $0.1 million, $1.9 million and $2.6 million, respectively.

The FDA's policy with respect to the continued marketing of unapproved products appears in the FDA's September 2011 Compliance Policy Guide Sec. 440.100 titled "Marketed New Drugs without Approved NDAs or ANDAs." Under this policy, the FDA has stated that it will follow a risk-based approach with regard to enforcement against marketing of unapproved products. The FDA evaluates whether to initiate enforcement action on a case-by-case basis, but gives higher priority to enforcement action against products in certain categories, such as those with potential safety risks or that lack evidence of effectiveness.

The Company believes that, so long as it complies with applicable manufacturing standards, the FDA will continue to operate on a risk-based approach and will not take action against us. However, the Company can offer no assurance that the FDA will continue to follow this approach or that it will not take a contrary position with any individual product or group of products. If the FDA were to move away from the risk-based approach to enforcement against marketing of unapproved products, ANI may be required to seek FDA approval for these products or withdraw such products from the market. If the Company decides to withdraw the products from the market, net revenues for generic pharmaceutical products could decline materially, and if the Company decides to seek FDA approval, it would face increased expenses and might need to suspend sales of the products until such approval was obtained, and there are no assurances that it would receive such approval.

Legal proceedings

The Company is involved, and from time to time may become involved, in various disputes, governmental and/or regulatory inquiries, investigations, government reimbursement related actions and litigation. These matters are complex and subject to significant uncertainties. While the Company believes that it have valid claims and/or defenses in the litigation and other matters described below, litigation is inherently unpredictable, particularly where the damages sought are substantial or indeterminate or when the proceedings, investigations or inquiries are in the early stages, and the outcome of the proceedings could result in losses, including substantial damages, fines, civil or criminal penalties and injunctive or administrative remedies. The Company intends to vigorously prosecute and/or defend these matters, as appropriate; however, from time to time, ANI may settle or otherwise resolve these matters on terms and conditions that it believes are in the Company's best interests. Resolution of any or all claims, investigations, and legal proceedings, individually or in the aggregate, could have a material adverse effect on our results of operations and/or cash flows in any given accounting period or on our overall financial condition.

Unless otherwise disclosed, the Company is unable to predict the outcome of the matter or to provide an estimate of the range of reasonably possible material losses. The Company records accruals for loss contingencies to the extent it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

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From time to time, the Company may also be involved in other pending proceedings for which, in our opinion based upon facts and circumstances known at the time, either the likelihood of loss is remote or any reasonably possible loss associated with the resolution of such proceedings is not expected to be material to our results, and therefore remain undisclosed. If and when any reasonably possible losses associated with the resolution of such other pending proceedings, in our opinion, become material, ANI will disclose such matters.

Furthermore, like many pharmaceutical manufacturers, the Company is periodically exposed to product liability claims. The prevalence of these claims could limit our coverage under future insurance policies or cause those policies to become more expensive, which could harm our business, financial condition, and operating results. Recent trends in the product liability and director and officer insurance markets is to exclude matters related to certain classes of drugs. Our policies have been subject to such exclusions which place further potential risk of financial loss on us.

Legal fees for litigation-related matters are expensed as incurred and included in the consolidated statements of operations under the selling, general, and administrative expense line item.

Commercial Litigation

On December 3, 2020, class action complaints were filed against the Company on behalf of putative classes of direct and indirect purchasers of the drug Bystolic. On December 23, 2020, six individual purchasers of Bystolic, CVS, Rite Aid, Walgreen, Kroger, Albertsons, and H-E-B, filed complaints against the Company. On March 15, 2021, the plaintiffs in these actions filed amended complaints. All amended complaints were substantively identical. The plaintiffs in these actions alleged that, beginning in 2012, Forest Laboratories, the manufacturer of Bystolic, entered into anticompetitive agreements when settling patent litigation related to Bystolic with seven potential manufacturers of a generic version of Bystolic: Hetero, Torrent, Alkem/Indchemie, Glenmark, Amerigen, Watson, and various of their corporate parents, successors, subsidiaries, and affiliates. ANI itself was not a party to patent litigation with Forest concerning Bystolic and did not settle patent litigation with Forest. The plaintiffs named the Company as a defendant based on the Company's January 8, 2020 Asset Purchase Agreement with Amerigen. Under the terms of the 2020 Asset Purchase Agreement, Amerigen agreed to indemnify ANI for certain liabilities relating to Bystolic, including liabilities that arose prior to closing of the asset purchase. The complaints alleged that the 2013 patent litigation settlement agreement between Forest and Amerigen violated federal and state antitrust laws and state consumer protection laws by delaying the market entry of generic versions of Bystolic. Plaintiffs alleged they paid higher prices as a result of delayed generic competition. Plaintiffs sought damages, trebled or otherwise multiplied under applicable law, injunctive relief, litigation costs and attorneys' fees. The complaints did not specify the amount of damages sought from the Company or other defendants and the Company. The cases were consolidated in the United States District Court for the Southern District of New York. On April 23, 2021, the Company and other defendants filed motions to dismiss the amended complaints. On January 24, 2022, the court dismissed all claims brought by the plaintiffs without prejudice. The court granted the plaintiffs until February 22, 2022 to file amended complaints, which were filed in federal court in the Southern District of New York, on that date. The newly amended complaints contained substantially similar claims. On April 19, 2022, the Company and other defendants filed motions to dismiss the newly amended complaints. After full briefing and oral argument, on February 21, 2023, the court granted the Company and the defendants' motion to dismiss all actions with prejudice. Plaintiffs filed an appeal in the Second Circuit. On May 13, 2024, the Second Circuit affirmed the district court's judgment, dismissing plaintiffs' claims with prejudice.

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On March 4, 2024, ANI commenced a civil action against CG Oncology, Inc. f/k/a Cold Genesys, Inc. ("CG Oncology") in the Superior Court of the State of Delaware ("Delaware Action"). ANI's complaint alleges that, under an Assignment and Technology Transfer Agreement dated as of November 15, 2010 (the "November 2010 Agreement"), CG Oncology is liable to pay ANI a running royalty of 5% of the worldwide net sales of cretostimogene made by CG Oncology or any affiliate or sublicensee thereof; and that in February 2024, CG Oncology wrongfully repudiated its royalty obligation to ANI. On April 2, 2024, CG Oncology filed an answer and counterclaim (the "CGON Answer and Counterclaim") and concurrently moved for judgment on the pleadings or, in the alternative, for partial summary judgment (the "Motion for Summary Judgment"). CG Oncology's Motion for Summary Judgment seeks judgment declaring that the November 2010 Agreement does not "oblige CGON to pay royalties after expiration of the latest-running assigned patent." CG Oncology also seeks judgment awarding compensatory damages and punitive damages on counterclaims for alleged breach of the November 2010 Agreement and for alleged misappropriation of trade secrets under federal and Delaware state law. On April 22 and 25, 2024, ANI filed its reply to CG Oncology's counterclaims, denying any liability to CG Oncology and asserting additional counterclaims against CG Oncology ("Reply Counterclaims") for alleged breach of the November 2010 Agreement and, in the alternative, for unjust enrichment. ANI's Reply Counterclaims seek judgment (i) declaring that, under Section 3.3 of the November 2010 Agreement, CG Oncology is contractually obligated to pay ANI 5% of the worldwide net sales of cretostimogene made by CG Oncology or any affiliate or sublicensee thereof; (ii) dismissing CG Oncology's counterclaims with prejudice; (iii) awarding ANI compensatory damages as provided by law, including damages grounded in restitution and unjust enrichment; (iv) in the event of a judgment in ANI's favor on ANI's fourth counterclaim for unjust enrichment, ordering CG Oncology to re-transfer to ANI ownership of all assets that ANI sold to CG Oncology under the November 2010 Agreement, including, without limitation, all data and documentation comprising IND 12154; and (v) in the event of a judgment in ANI's favor on ANI's fourth counterclaim for unjust enrichment, imposing a constructive trust on all fruits of CG0070-related assets that ANI sold to CG Oncology under the November 2010 Agreement including, without limitation, all data and documentation comprising IND 12154 and any other IND that CG Oncology may have for CG0070. On May 15, 2024, CG Oncology filed a reply to ANI's counterclaims, which generally maintains the positions in the CGON Answer and Counterclaim. The parties are currently engaged in pretrial fact discovery. On August 22, 2024, the court heard the parties' oral arguments in a hearing on CG Oncology's Motion for Summary Judgment. On November 18, 2024, the court issued its decision denying CG Oncology's Motion for Summary Judgment. The deadline for submitting amendments or supplements to the pleadings has passed. The court entered the case management order on January 16, 2025 and trial is scheduled to commence on July 21, 2025. ANI intends to vigorously pursue this matter.

On March 5, 2024, a complaint was filed against ANI by Acella Pharmaceuticals, LLC, in the United States District Court of Minnesota, asserting, among other things, false advertising under the Lanham Act, and unfair trade practices and false advertising under Minnesota law, relating to ANI's natural desiccated thyroid tablets USP. The complaint seeks injunctive relief, actual and consequential damages, disgorgement of profits, and attorneys' fees and costs. On April 16, 2024, ANI filed an answer to Acella's complaint, denying all claims, and asserting certain affirmative defenses, and counterclaims against Acella for false advertising of its thyroid product marketed as NP Thyroid® Tablets, under the Lanham Act, common law unfair competition and unfair and deceptive trade practices and false advertising under Minnesota and Georgia law. ANI seeks injunctive relief, compensatory damages, punitive damages and attorneys' fees and costs. On May 17, 2024, Acella filed a motion to dismiss ANI's counterclaims. On June 7, 2024, ANI filed an amended answer to Acella's complaint and counterclaims. Acella filed a motion to dismiss ANI's amended counterclaims on July 31, 2024. A hearing was held on September 11, 2024 on Acella's motion to dismiss. On December 18, 2024, the court issued an order denying Acella's motion. The parties have been unable to reach a settlement and have agreed to an extension for fact discovery until July 1, 2025. Trial is currently scheduled to begin as early as April 2026. ANI disputes any liability in this matter and intends to defend this lawsuit vigorously.

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Patent Litigation

On November 21, 2023, a complaint was filed against Novitium and certain other defendants in the case of Harmony Biosciences, LLC, Bioprojet Societe Civile de Recherche and Bioprojet Pharma SAS v. AET Pharma US, Inc., Annora Pharma Private Limited, Novitium Pharma LLC, Zenara Pharma Private Limited and Biophore India Pharmaceuticals Private Limited in the United States District Court for the District of Delaware, asserting, among other things, that Novitium's proposed pitolisant hydrochloride drug product, which is subject to Novitium's Abbreviated New Drug Application, infringes certain U.S. patents owned by the plaintiffs. The complaint seeks damages, injunctive relief, attorneys' fees and costs. On January 29, 2024, Novitium filed its answer, denying all allegations and asserting counterclaims of non-infringement and invalidity. On February 16, 2024, plaintiffs filed their answer, denying Novitium's counterclaims and asserting certain affirmative defenses against Novitium. On April 15, 2024, the court consolidated Novitium's case and two other cases brought by plaintiffs against Lupin Limited et al, and MSN Pharms. Inc. et al., into one consolidated matter filed in C.A. No. 23-1286-JLH. The case is currently in discovery. The court set a trial date for February 2026. Novitium disputes any liability in this matter.

On December 27, 2024, a complaint was filed against Novitium by Athena Bioscience, LLC ("Athena") in the United States District Court for the District of Delaware, asserting, among other things, that Novitium's proposed tramadol hydrochloride solution drug product, which is subject to Novitium's Abbreviated New Drug Application, infringes certain U.S. patents owned by Athena. The complaint seeks damages, injunctive relief, attorneys' fees and costs. Novitium disputes any liability in this matter.

Ranitidine Related Litigation

Federal Court Multi District Litigation

ANI and Novitium were named as defendants, along with numerous other brand and generic pharmaceutical manufacturers, wholesale distributors, retail pharmacy chains, and repackagers of ranitidine-containing products, in *In re: Zantac/Ranitidine NDMA Litigation* (MDL No, 2924), filed in the United States District Court for the Southern District of Florida (the "MDL Court"). Plaintiffs allege that defendants failed to disclose and/or concealed the alleged inherent presence of N-Nitrosodimethylamine (or "NDMA") in brand-name Zantac or generic ranitidine and the alleged associated risk of cancer. While ANI was initially a defendant, the lead plaintiff attorneys voluntarily dismissed ANI as a defendant in the Master Complaint. On July 8, 2021, the MDL Court dismissed all claims by all plaintiffs against the generic drug manufacturers with prejudice , on preemption grounds. The MDL Court also dismissed all claims by all plaintiffs against the brand manufacturers on summary judgment. Plaintiffs appealed the MDL Court's dismissals to the Eleventh Circuit Court of Appeals. On November 7, 2022, the Eleventh Circuit affirmed the MDL Court's dismissal of cases brought by third-party payors. The Eleventh Circuit raised questions in the appeals of the other cases about the finality of the MDL Court's judgments, which were resolved in September 2023. Plaintiffs filed opening briefs on April 10, 2024 and generics defendants filed their response on July 25, 2024.

ANI and Novitium dispute any liability in this matter.

State Court Personal Injury Litigation

ANI and Novitium have also been named as defendants in various state lawsuits.

California. The pending cases in California state court naming generic ranitidine manufacturers were transferred to an existing civil case coordination docket for pretrial proceedings (JCCP) in Alameda County. On September 21, 2023, plaintiffs filed a master complaint in the JCCP alleging strict liability, negligent failure to warn and general negligence, but not naming any generic defendants. Plaintiffs filed an amended master complaint on April 29, 2024 and filed a second amended master complaint on July 2, 2024. Defendants filed omnibus demurrers to the complaint. Novitium is named in one third wave case. The court heard arguments for the demurrers on August 22, 2024 and issued its final ruling on August 28, 2024, allowing some counts to survive. The surviving counts as to generic defendants include strict liability (manufacturing defect) and general negligence (storage and transport, failure to warn and product containers). Novitium filed its answer to the second amended master complaint on September 6, 2024. Discovery is currently ongoing.

In December 2023, the Keller Postman firm filed approximately 200 individual plaintiff short form complaints that name generic defendants. Novitium is named in 29 of the short form complaints which reference the claims for the master complaint, but Novitium has not been served. ANI is not named. On February 1, 2024, the generic defendants filed an omnibus demurrer challenging the sufficiency of the Keller Postman complaints, largely on the basis of preemption. On April 23, 2024, the California court sustained the demurrer in part, dismissing all design defect claims against the generic defendants with prejudice on preemption grounds, but the court otherwise granted plaintiffs an opportunity for leave to amend their other claims against the generic defendants. Plaintiffs filed amended short form complaints on September 20, 2024 and defendants filed responses on October 6, 2024. Pleadings are now closed and discovery is currently ongoing.

Pennsylvania. In September 2022, two complaints were filed naming Novitium as a defendant in Pennsylvania state court, Philadelphia County. On February 16, 2023, the Pennsylvania plaintiffs filed a consolidated long-form complaint against the generic defendants, Plaintiffs v. Actavis, et. al. Civil Action No. 1364. The long-form complaint names Novitium as a defendant. The long form complaint asserts causes of action for negligence, failure to warn, negligent storage and transportation, breach of express warranties, breach of implied warranties, negligent misrepresentation, fraud, strict products liability, wrongful death and survivor actions, and loss of consortium. The complaint includes a prayer for punitive damages. The generic defendants filed their preliminary objections to Plaintiffs' consolidated long-form generic complaint on March 20, 2023. The court dismissed all claims related to failure to warn/design defects on preemption grounds. The court also sustained the generics' preliminary objections relating to the counts of strict liability-design defect and breach of implied warranty to the extent Pennsylvania substantive law applies, effectively dismissing the generic defendants from the case unless and until a non-resident plaintiff names a generic in a short form complaint. Out of an abundance of caution, however, the generics, including Novitium, all filed answers to the long form complaint in June 2023. In January 2024, plaintiffs filed short form complaints naming generic defendants, including Novitium in one complaint. Generic defendants filed joint preliminary objections to the short form complaints based on preemption. The deadline for filing responses to these objections has passed. In addition, Novitium was not named in any amended short form complaint filed by plaintiffs

ANI and Novitium dispute any liability in these matters.

18. RELATED PARTY TRANSACTIONS

PIPE Shares

On March 8, 2021, the Company entered into an Equity Commitment and Investment Agreement with the PIPE Investor, pursuant to which 25,000 shares were purchased for $1,000 per share and an aggregate purchase price of $25.0 million on November 19, 2021. The Chairman of the Company's board of directors is an operating partner of Ampersand Capital Partners, an affiliate of the PIPE Investor.

Novitium

In connection with the acquisition of Novitium, the Company entered into employment agreements with the two executives and founders of Novitium, Muthusamy Shanmugam, Head of R&D and COO of NJ Operations of ANI, and Chad Gassert, Sr. Vice President, Corporate Development and Strategy of ANI. Both serve as executive officers of the Company and Mr. Shanmugam also serves on the Company's board of directors. Mr. Shanmugam holds a minority interest in Scitus Pharma Services ("Scitus"), which provides clinical research services to Novitium, a majority interest in SS Pharma LLC ("SS Pharma"), which acquires and supplies API to Novitium, a minority interest in Nuray Chemical Private Limited ("Nuray"), which manufactured and supplied API to Novitium in prior periods, a majority interest in Esjay Pharma LLC ("Esjay"), which provides research and development and facilities consulting services, and a minority interest in SThree Chemicals Pvt Ltd ("SThree"), which acquires and supplies API to Novitium.

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A summary of payments to related parties is presented below:

	Years Ended December 31,		
(in thousands)	**2024**	**2023**	**2022**
Scitus Pharma Services	$ 2,759	$ 3,646	$ 2,075
SS Pharma LLC	1,244	8,235	3,669
Esjay Pharma LLC	115	—	101
SThree Chemicals Pvt Ltd	11,428	—	—
Nuray Chemical Private Limited	—	—	1,110
	$ 15,546	$ 11,881	$ 6,955

As of December 31, 2024, the outstanding balances due to Scitus was $0.9 million. There was no outstanding balance due to SS Pharma, SThree, Nuray, or Esjay at December 31, 2024.

On December 12, 2023, the Company paid $12.5 million of cash consideration to the Company Members of Novitium for the achievement of the "ANDA Filing Earn-Out," as defined in the Novitium acquisition agreement, as discussed in Note 2. The Company paid Mr. Shanmugam and Esjay, and Mr. Gassert's company Chali Properties LLC, approximately $6.7 million and $1.9 million, respectively, for their portion of the cash consideration due to them as part of the Novitium acquisition.

On February 22, 2024, the Company paid $12.5 million of cash consideration to the Company Members of Novitium for the achievement of the "Gross Profit Earn-Out," as defined in the Novitium acquisition agreement, as discussed in Note 2. The Company paid Mr. Shanmugam and Esjay, and Mr. Gassert's company Chali Properties LLC, approximately $6.7 million and $1.9 million, respectively, for their portion of the cash consideration due to them as part of the Novitium acquisition.

19. SEGMENT REPORTING

An operating segment is defined as a component of an entity that engages in business activities from which it may recognize revenues and incur expense, its operating results are regularly reviewed by the entity’s chief operating decision maker (“CODM”) to make decisions about resources to be allocated to the segment and assess its performance, and its discrete financial information is available. The CODM for the Company is the Chief Executive Officer. The Company does not aggregate its operating segments for reporting purposes, and therefore, the reportable segments are the same as its operating segments.

Following the acquisition of Alimera and during the fourth quarter of 2024, the Company reorganized the segment information that is regularly provided to the chief operating decision maker which caused the identification of significant segment expenses to change. Therefore, the Company recasted prior period segment information to conform to the current-period presentation in accordance with the segment guidance at ASC 280-10-50-34.

The Company is now organized into two operating segments as follows:

- **Rare Disease and Brands** – Consists of two reporting units, Rare Disease and Brands. The Rare Disease unit consists of operations related to the development, manufacturing and marketing of proprietary branded pharmaceutical products, with a strategic focus on products used in the treatment of patients with rare disease conditions and consists of operations related to Cortrophin Gel, and from September 16, 2024, through December 31, 2024, ILUVIEN and YUTIQ. In addition, the Brands reporting unit includes a portfolio of approximately 16 brand products that are principally sold in highly genericized markets.

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- **Generics and Other** – Consists of operations related to the development, manufacturing, and marketing of generic pharmaceutical products including those sold through traditional wholesale and retail sales channels, sales of contract manufactured products, royalties on contract manufactured products, product development services, and other. As of December 31, 2024, this reporting segment was comprised of over 100 product families.

The CODM evaluates the performance of the Company as two operating segments based on revenues and Operating income (loss), exclusive of corporate expenses and other expenses not directly allocated or attributable to an operating segment. These expenses include, but are not limited to, certain management, legal, accounting, human resources, insurance, and information technology expenses, and transaction and integration expenses related to the acquisition of Alimera and other acquisitions.

The Company does not manage assets of the Company by operating segment and the CODM does not review asset information by operating segment. Accordingly, the Company does not present total assets by operating segment.

Financial information by reportable segment is as follows:

	Year Ended December 31, 2024			
	Generics and Other	Rare Disease and Brands	Corporate and Unallocated	Total
Net Revenues	$ 320,034	$ 294,342	$ —	$ 614,376
Cost of sales (excluding depreciation and amortization)	(168,371)	(81,839)	—	(250,210)
Research and Development	(30,519)	(14,062)	—	(44,581)
Selling, general, and administrative	(5,120)	(125,972)	(118,544)	(249,636)
Depreciation and amortization	—	—	(67,731)	(67,731)
Fair value adjustment	—	—	619	619
Gain on sale of building	—	—	5,347	5,347
Intangible asset impairment charge	—	—	(7,600)	(7,600)
Operating Income (Loss)	$ 116,024	$ 72,469	$ (187,909)	$ 584
Unrealized gain on investment in equity securities	$ —	$ —	$ 6,307	6,307
Interest expense, net	—	—	(17,602)	(17,602)
Other expense, net	—	—	(4,033)	(4,033)
Loss on extinguishment of debt	—	—	(7,468)	(7,468)
Income (Loss) Before Expense (Benefit) for Income Taxes	$ 116,024	$ 72,469	$ (210,705)	$ (22,212)

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	Year Ended December 31, 2023			
	Generics and Other	Rare Disease and Brands	Corporate and Unallocated	Total
Net Revenues	$ 289,314	$ 197,502	$ —	$ 486,816
Cost of sales (excluding depreciation and amortization)	(152,739)	(28,774)	—	(181,513)
Research and Development	(28,197)	(6,089)	—	(34,286)
Selling, general, and administrative	(2,451)	(73,466)	(85,780)	(161,697)
Depreciation and amortization	—	—	(59,791)	(59,791)
Fair value adjustment	—	—	(1,426)	(1,426)
Restructuring activities	—	—	(1,132)	(1,132)
Operating Income (Loss)	$ 105,927	$ 89,173	$ (148,129)	$ 46,971
Interest expense, net	—	—	(26,940)	(26,940)
Other expense, net	—	—	(159)	(159)
Income (Loss) Before Expense for Income Taxes	$ 105,927	$ 89,173	$ (175,228)	$ 19,872

	Year Ended December 31, 2022			
	Generics and Other	Rare Disease and Brands	Corporate and Unallocated	Total
Net Revenues	$ 235,237	$ 81,148	$ —	$ 316,385
Cost of sales (excluding depreciation and amortization)	(125,835)	(12,950)	—	(138,785)
Research and Development	(19,964)	(2,354)	—	(22,318)
Selling, general, and administrative	(3,963)	(55,306)	(64,775)	(124,044)
Depreciation and amortization	—	—	(56,972)	(56,972)
Fair value adjustment	—	—	(3,758)	(3,758)
Restructuring activities	—	—	(5,679)	(5,679)
Intangible asset impairment charge	—	—	(112)	(112)
Operating Income (Loss)	$ 85,475	$ 10,538	$ (131,296)	$ (35,283)
Interest expense, net	—	—	(28,052)	(28,052)
Other income, net	—	—	670	670
Income (Loss) Before Benefit for Income Taxes	$ 85,475	$ 10,538	$ (158,678)	$ (62,665)

Geographic Information

The following depicts the Company's total revenue according to geographic location. The Company has ceased operations at the Oakville, Ontario, Canada location as of March 31, 2023. The revenue from the acquisition of Alimera is also included in the year ended December 31, 2024 in the table below. The majority of the assets of the Company are located in the United States. The Company's operations are also located in the United Kingdom, Ireland, India, and Portugal.

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The following table depicts the Company's revenue by geographic operations during the following periods:

(in thousands)	Years Ended December 31,		
Location of Operations	**2024**	**2023**	**2022**
United States	$ 604,989	$ 486,251	$ 312,427
International	9,387	565	3,958
Total Revenue	$ 614,376	$ 486,816	$ 316,385

The following table depicts the Company's property, plant and equipment, net according to geographic location, which excludes the land and building at the Company's Canada facility, which was classified as held for sale as of December 31, 2023. These assets had a carrying value of approximately $8.0 million. The land and building at the Canada facility was sold on March 28, 2024, refer to Note 4 "Restructuring Canada Operations" to the notes to consolidated financial statements.

(in thousands)	December 31, 2024	December 31, 2023
United States	$ 54,730	$ 43,163
International	2,133	1,430
Total property and equipment, net	$ 56,863	$ 44,593

20. SUBSEQUENT EVENTS

On February 12, 2025, the Company granted RSA and PSU awards to officers and employees of the Company under the 2022 Plan. The Company granted 580,057 RSAs to employees and officers of the Company. These RSAs vest over four years. The Company granted 79,859 PSUs to employee and officers of the Company (74,421 to officers of the Company). PSU performance will be measured over three years from January 1, 2025 through December 31, 2027 and will cliff-vest contingent upon the achievement of specified performance objectives. PSUs granted to date vest over a three-year performance period. Additionally, on February 15, 2025, the Company granted 46,182 RSAs to new employees of the Company, which will vest over four years.

On February 27, 2025, the Company received written notice of non-renewal from EyePoint, effective May 31, 2025, of the YUTIQ Supply Agreement, dated May 17, 2023, by and among Alimera and EyePoint, under which EyePoint manufactures and supplies YUTIQ for ANI. The Company has submitted a PAS to the FDA seeking to add YUTIQ's indication of chronic NIU-PS to the ILUVIEN label.