

REFINITIV

DELTA REPORT

10-Q

PCRX - PACIRA BIOSCIENCES, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1471

█ CHANGES 221

█ DELETIONS 675

█ ADDITIONS 575

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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended **September 30, 2023** **March 31, 2024**

OR

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

For the transition period from **to**
Commission File Number: 001-35060



PACIRA BIOSCIENCES, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

51-0619477

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

5401 West Kennedy Boulevard, Suite 890
Tampa, Florida 33609

(Address and Zip Code of Principal Executive Offices)

(813) 553-6680
(Registrant's Telephone Number, Including Area Code)

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

| Title of each class | Trading symbol | Name of each exchange on which registered |
|---|-----------------------|--|
| Common Stock, par value \$0.001 per share | PCRX | Nasdaq Global Select Market |

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

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

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

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

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

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

As of November 1, 2023 May 6, 2024, 46,437,704 46,546,148 shares of the registrant's common stock, \$0.001 par value per share, were outstanding.

PACIRA BIOSCIENCES, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2023 MARCH 31, 2024

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PART I — FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (Unaudited)

PACIRA BIOSCIENCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)
(Unaudited)

| September | December |
|-----------|----------|
| 30, | 31, |
| 2023 | 2022 |

| | | March 31, 2024 | | March 31, 2024 | | December 31, 2023 | |
|--|--|---|-------------|----------------------|--|----------------------|--|
| ASSETS | | ASSETS | | | | | |
| Current assets: | | | | | | | |
| Current assets: | | | | | | | |
| Current assets: | Current assets: | | | | | | |
| Cash and cash equivalents | Cash and cash equivalents | \$ 99,119 | \$ 104,139 | | | | |
| Short-term available-for-sale investments | Short-term available-for-sale investments | 136,069 | 184,512 | | | | |
| Accounts receivable, net | Accounts receivable, net | 96,956 | 98,397 | | | | |
| Inventories, net | Inventories, net | 96,520 | 96,063 | | | | |
| Prepaid expenses and other current assets | Prepaid expenses and other current assets | 18,591 | 15,223 | | | | |
| Total current assets | Total current assets | 447,255 | 498,334 | | | | |
| Noncurrent available-for-sale investments | Noncurrent available-for-sale investments | — | 37,209 | | | | |
| Fixed assets, net | Fixed assets, net | 175,783 | 183,512 | | | | |
| Right-of-use assets, net | Right-of-use assets, net | 63,394 | 70,877 | | | | |
| Goodwill | Goodwill | 163,243 | 163,243 | | | | |
| Intangible assets, net | Intangible assets, net | 497,580 | 540,546 | | | | |
| Deferred tax assets | Deferred tax assets | 151,660 | 160,309 | | | | |
| Investments and other assets | Investments and other assets | 35,547 | 27,170 | | | | |
| Total assets | Total assets | \$1,534,462 | \$1,681,200 | | | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | | | |
| Current liabilities: | | Current liabilities: | | Current liabilities: | | | |
| Accounts payable | Accounts payable | \$ 16,511 | \$ 15,220 | | | | |
| Accrued expenses | Accrued expenses | 59,884 | 89,785 | | | | |
| Lease liabilities | Lease liabilities | 8,625 | 9,121 | | | | |
| Current portion of convertible senior notes, net | Current portion of convertible senior notes, net | 8,641 | — | | | | |
| Current portion of long-term debt, net | Current portion of long-term debt, net | — | 33,648 | | | | |
| Total current liabilities | | | | | | | |
| Total current liabilities | | | | | | | |
| Total current liabilities | Total current liabilities | 93,661 | 147,774 | | | | |
| Convertible senior notes, net | Convertible senior notes, net | 397,976 | 404,767 | | | | |

| | | | | |
|---|---|-----------|-----------|---|
| Long-term debt, net | Long-term debt, net | 117,965 | 251,056 | |
| Lease liabilities | Lease liabilities | 57,089 | 64,802 | |
| Contingent consideration | Contingent consideration | 24,275 | 28,122 | |
| Contingent consideration | | | | |
| Contingent consideration | | | | |
| Other liabilities | | | | |
| Other liabilities | | | | |
| Other liabilities | Other liabilities | 11,945 | 9,669 | |
| Total liabilities | Total liabilities | 702,911 | 906,190 | |
| Commitments and contingencies (Note 15) | Commitments and contingencies (Note 15) | | | Commitments and contingencies (Note 15) |
| Stockholders' equity: | Stockholders' equity: | | | Stockholders' equity: |
| Preferred stock, par value \$0.001; 5,000,000 shares authorized; none issued and outstanding at September 30, 2023 and December 31, 2022 | — | — | | |
| Common stock, par value \$0.001; 250,000,000 shares authorized; 46,426,836 and 45,927,790 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively | 46 | 46 | | |
| Preferred stock, par value \$0.001; 5,000,000 shares authorized; none issued and outstanding at March 31, 2024 and December 31, 2023 | | | | |
| Common stock, par value \$0.001; 250,000,000 shares authorized; 46,517,410 and 46,481,174 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively | | | | |
| Additional paid-in capital | Additional paid-in capital | 963,181 | 924,095 | |
| Accumulated deficit | Accumulated deficit | (131,666) | (148,751) | |
| Accumulated other comprehensive loss | | (10) | (380) | |
| Accumulated other comprehensive income | | | | |

| | | | |
|--|--|-------------|-------------|
| Total stockholders' equity | Total stockholders' equity | 831,551 | 775,010 |
| Total liabilities and stockholders' equity | Total liabilities and stockholders' equity | \$1,534,462 | \$1,681,200 |

See accompanying notes to condensed consolidated financial statements.

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PACIRA BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

| | | Three Months Ended | | Nine Months Ended | | | | | | |
|---|--|--------------------|---------------|-------------------|---------------|---------------------|--|--|--|--|
| | | September 30, | September 30, | September 30, | September 30, | | | | | |
| Three Months Ended | | | | | | | | | | |
| March 31, | | | | | | | | | | |
| Three Months Ended | | | | | | | | | | |
| March 31, | | | | | | | | | | |
| Three Months Ended | | | | | | | | | | |
| March 31, | | | | | | | | | | |
| | | 2023 | 2022 | 2023 | 2022 | | | | | |
| Revenues: | Revenues: | | | | | Revenues: | | | | |
| Net product sales | Net product sales | \$163,583 | \$166,560 | \$492,481 | \$492,563 | | | | | |
| Royalty revenue | Royalty revenue | 343 | 906 | 1,253 | 2,305 | | | | | |
| Total revenues | Total revenues | 163,926 | 167,466 | 493,734 | 494,868 | | | | | |
| Total revenues | | | | | | | | | | |
| Total revenues | | | | | | | | | | |
| Operating expenses: | Operating expenses: | | | | | Operating expenses: | | | | |
| Cost of goods sold | Cost of goods sold | 39,750 | 50,678 | 136,977 | 137,379 | | | | | |
| Research and development | Research and development | 20,830 | 19,405 | 56,794 | 67,292 | | | | | |
| Selling, general and administrative | Selling, general and administrative | 67,947 | 61,283 | 203,640 | 190,546 | | | | | |
| Amortization of acquired intangible assets | Amortization of acquired intangible assets | 14,322 | 14,322 | 42,966 | 42,966 | | | | | |
| Contingent consideration charges (gains), restructuring charges and other | | 3,356 | 489 | (1,150) | (13,232) | | | | | |
| Contingent consideration (gains) charges, restructuring charges and other | | | | | | | | | | |

| | | | | | |
|--|---|-----------|-----------|-----------|-------------------------|
| Total operating expenses | Total operating expenses | 146,205 | 146,177 | 439,227 | 424,951 |
| Income from operations | | 17,721 | 21,289 | 54,507 | 69,917 |
| Other (expense) income: | | | | | |
| Income (loss) from operations | | | | | |
| Other income (expense): | | | | | Other income (expense): |
| Interest income | Interest income | 2,766 | 1,234 | 8,019 | 1,757 |
| Interest expense | Interest expense | (3,464) | (9,856) | (16,918) | (28,935) |
| Loss on early extinguishment of debt | Loss on early extinguishment of debt | — | — | (16,926) | — |
| Other, net | Other, net | (422) | (10,598) | (701) | (11,369) |
| Total other expense, net | | (1,120) | (19,220) | (26,526) | (38,547) |
| Income before income taxes | | 16,601 | 2,069 | 27,981 | 31,370 |
| Income tax expense | | (5,743) | (2,762) | (10,896) | (5,359) |
| Total other income (expense), net | | | | | |
| Income (loss) before income taxes | | | | | |
| Income tax (expense) benefit | | | | | |
| Net income (loss) | Net income (loss) | \$ 10,858 | \$ (693) | \$ 17,085 | \$ 26,011 |
| Net income (loss) per share: | Net income (loss) per share: | | | | |
| Basic net income (loss) per common share | | \$ 0.23 | \$ (0.02) | \$ 0.37 | \$ 0.57 |
| Diluted net income (loss) per common share | | \$ 0.23 | \$ (0.02) | \$ 0.37 | \$ 0.56 |
| Net income (loss) per share: | | | | | |
| Net income (loss) per share: | | | | | |
| Basic and diluted net income (loss) per common share | | | | | |
| Weighted average common shares outstanding: | | | | | |
| Weighted average common shares outstanding: | | | | | |
| Weighted average common shares outstanding: | Weighted average common shares outstanding: | | | | |
| Basic | Basic | 46,416 | 45,831 | 46,151 | 45,400 |
| Basic | | | | | |
| Basic | | | | | |
| Diluted | Diluted | 52,067 | 45,831 | 46,343 | 52,220 |

See accompanying notes to condensed consolidated financial statements.

PACIRA BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (In thousands)
 (Unaudited)

| | | Three Months Ended September 30, | | Nine Months Ended September 30, | | | |
|---|--|----------------------------------|---------|---------------------------------|----------|------------------------------|------|
| | | Three Months Ended March 31, | | Three Months Ended March 31, | | Three Months Ended March 31, | |
| | | 2023 | 2022 | 2023 | 2022 | 2024 | 2023 |
| Net income (loss) | Net income (loss) | \$10,858 | \$(693) | \$17,085 | \$26,011 | | |
| Other comprehensive income (loss): | Other comprehensive income (loss): | | | | | | |
| Net unrealized gain (loss) on investments, net of tax | | 146 | (163) | 362 | (1,056) | | |
| Net unrealized (loss) gain on investments, net of tax | | | | | | | |
| Foreign currency translation adjustments | Foreign currency translation adjustments | 17 | 98 | 8 | 219 | | |
| Total other comprehensive income (loss) | | 163 | (65) | 370 | (837) | | |
| Total other comprehensive (loss) income | | | | | | | |
| Comprehensive income (loss) | Comprehensive income (loss) | \$11,021 | \$(758) | \$17,455 | \$25,174 | | |

See accompanying notes to condensed consolidated financial statements.

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PACIRA BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED SEPTEMBER 30, MARCH 31, 2024 AND 2023 AND 2022
(In thousands)
(Unaudited)

| | Common Stock | Additional | Accumulated | Accumulated Other |
|-------------|--------------|------------|-------------|-------------------|
| (Unaudited) | | | | |

| | Shares | Amount | Paid-In Capital | Deficit | Comprehensive Loss | Total |
|--------------------------------------|---------------|--------------|-------------------|---------------------|--------------------|-------------------|
| Balance at June 30, 2023 | 46,409 | \$ 46 | \$ 950,626 | \$ (142,524) | \$ (173) | \$ 807,975 |
| Exercise of stock options | 1 | — | 25 | — | — | 25 |
| Vested restricted stock units | 17 | — | — | — | — | — |
| Stock-based compensation | — | — | 12,530 | — | — | 12,530 |
| Other comprehensive income (Note 10) | — | — | — | — | 163 | 163 |
| Net income | — | — | — | 10,858 | — | 10,858 |
| Balance at September 30, 2023 | 46,427 | \$ 46 | \$ 963,181 | \$ (131,666) | \$ (10) | \$ 831,551 |

| | Common Stock | | Additional | | Accumulated Other | | Total |
|--------------------------------------|---------------|--------------|-------------------|---------------------|--------------------|-------------------|-------|
| | Shares | Amount | Paid-In Capital | Deficit | Comprehensive Loss | | |
| | | | | | | | |
| Balance at June 30, 2022 | 45,802 | \$ 46 | \$ 895,151 | \$ (137,956) | \$ (605) | \$ 756,636 | |
| Exercise of stock options | 37 | — | 1,563 | — | — | 1,563 | |
| Vested restricted stock units | 25 | — | — | — | — | — | |
| Stock-based compensation | — | — | 12,682 | — | — | 12,682 | |
| Other comprehensive loss (Note 10) | — | — | — | — | (65) | (65) | |
| Net loss | — | — | — | (693) | — | (693) | |
| Balance at September 30, 2022 | 45,864 | \$ 46 | \$ 909,396 | \$ (138,649) | \$ (670) | \$ 770,123 | |

| | Common Stock | | Additional | | Accumulated | | Total |
|---|---------------|--------------|-------------------|---------------------|---------------------|-------------------|-------|
| | Shares | Amount | Paid-In Capital | Accumulated Deficit | Other Comprehensive | | |
| | | | | | | | |
| Balance at December 31, 2023 | 46,481 | \$ 46 | \$ 976,633 | \$ (106,796) | \$ 247 | \$ 870,130 | |
| Vested restricted stock units | 36 | 1 | — | — | — | 1 | |
| Common stock withheld for employee withholding tax liabilities on vested restricted stock units | — | — | (4) | — | — | (4) | |
| Stock-based compensation | — | — | 13,151 | — | — | 13,151 | |
| Other comprehensive loss (Note 10) | — | — | — | — | (95) | (95) | |
| Net income | — | — | — | 8,979 | — | 8,979 | |
| Balance at March 31, 2024 | 46,517 | \$ 47 | \$ 989,780 | \$ (97,817) | \$ 152 | \$ 892,162 | |

| | Common Stock | | Additional | | Accumulated | | Total |
|--------------------------------------|---------------|--------------|-------------------|---------------------|---------------------|-------------------|-------|
| | Shares | Amount | Paid-In Capital | Accumulated Deficit | Other Comprehensive | | |
| | | | | | | | |
| Balance at December 31, 2022 | 45,928 | \$ 46 | \$ 924,095 | \$ (148,751) | \$ (380) | \$ 775,010 | |
| Exercise of stock options | 12 | — | 334 | — | — | 334 | |
| Vested restricted stock units | 30 | — | — | — | — | — | |
| Stock-based compensation | — | — | 11,990 | — | — | 11,990 | |
| Other comprehensive income (Note 10) | — | — | — | — | 243 | 243 | |
| Net loss | — | — | — | (19,536) | — | (19,536) | |
| Balance at March 31, 2023 | 45,970 | \$ 46 | \$ 936,419 | \$ (168,287) | \$ (137) | \$ 768,041 | |

See accompanying notes to condensed consolidated financial statements.

Pacira BioSciences, Inc. | Q3 2023 Q1 2024 Form 10-Q | Page 7

PACIRA BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

| (In thousands) (Unaudited) | | | | | | |
|--|---------------------|---------------|---|--------------------------------|---|-------------------|
| | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total |
| | Shares | Amount | | | | |
| Balance at December 31, 2022 | 45,928 | \$ 46 | \$ 924,095 | \$ (148,751) | \$ (380) | \$ 775,010 |
| Exercise of stock options | 63 | — | 1,939 | — | — | 1,939 |
| Vested restricted stock units | 386 | — | — | — | — | — |
| Common stock issued under employee stock purchase plan | 50 | — | 1,672 | — | — | 1,672 |
| Stock-based compensation | — | — | 35,475 | — | — | 35,475 |
| Other comprehensive income (Note 10) | — | — | — | — | 370 | 370 |
| Net income | — | — | — | 17,085 | — | 17,085 |
| Balance at September 30, 2023 | 46,427 | \$ 46 | \$ 963,181 | \$ (131,666) | \$ (10) | \$ 831,551 |
| | | | | | | |
| | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive (Loss) | Total |
| | Shares | Amount | | | | |
| Balance at December 31, 2021 | 44,734 | \$ 45 | \$ 942,091 | \$ (211,895) | \$ 167 | \$ 730,408 |
| Reclassification of the equity component of convertible senior notes to liabilities upon adoption of Accounting Standards Update 2020-06 (1) | — | — | (96,468) | 47,235 | — | (49,233) |
| Exercise of stock options | 667 | 1 | 23,497 | — | — | 23,498 |
| Vested restricted stock units | 324 | — | — | — | — | — |
| Common stock issued under employee stock purchase plan | 37 | — | 1,821 | — | — | 1,821 |
| Stock-based compensation | — | — | 35,415 | — | — | 35,415 |
| Issuance of common stock upon conversion of 2022 convertible senior notes | 102 | — | 3,040 | — | — | 3,040 |
| Other comprehensive loss (Note 10) | — | — | — | — | (837) | (837) |
| Net income | — | — | — | 26,011 | — | 26,011 |
| Balance at September 30, 2022 | 45,864 | \$ 46 | \$ 909,396 | \$ (138,649) | \$ (670) | \$ 770,123 |

(1) Effective January 1, 2022, the Company adopted Accounting Standards Update 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity* (Subtopic 815-40) on a modified retrospective method of transition. As a result, the Company no longer separately presents in equity an embedded conversion feature for its convertible debt.

See accompanying notes to condensed consolidated financial statements.

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PACIRA BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

| Nine Months Ended September 30, | | Three Months Ended March 31, | | Three Months Ended March 31, | |
|------------------------------------|--|---------------------------------|------|---------------------------------|------|
| | | 2023 | 2022 | 2024 | 2023 |
| | | | | | |

| Operating activities: | | Operating activities: | | Operating activities: |
|--|--|-----------------------|-----------|--|
| Net income | | \$ 17,085 | \$ 26,011 | |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Net income (loss) | | | | |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | Adjustments to reconcile net income (loss) to net cash provided by operating activities: |
| Deferred taxes | Deferred taxes | 9,014 | 2,895 | |
| Depreciation of fixed assets and amortization of intangible assets | Depreciation of fixed assets and amortization of intangible assets | 57,089 | 61,095 | |
| Amortization of debt issuance costs | Amortization of debt issuance costs | 2,311 | 2,957 | |
| Amortization of debt discount | Amortization of debt discount | 728 | 2,107 | |
| Loss on early extinguishment of debt | Loss on early extinguishment of debt | 16,926 | — | |
| Stock-based compensation | Stock-based compensation | 35,475 | 35,415 | |
| Stock-based compensation | | | | |
| Stock-based compensation | | | | |
| Changes in contingent consideration | Changes in contingent consideration | (3,847) | (23,394) | |
| Impairment of investment | | — | 10,000 | |
| Other losses | | 2,415 | 377 | |
| Other net losses (gains) | | | | |
| Other net losses (gains) | | | | |
| Other net losses (gains) | | | | |
| Changes in operating assets and liabilities: | Changes in operating assets and liabilities: | | | Changes in operating assets and liabilities: |
| Accounts receivable, net | Accounts receivable, net | 1,440 | 2,847 | |
| Inventories, net | Inventories, net | (457) | 1,751 | |
| Prepaid expenses and other assets | Prepaid expenses and other assets | (6,986) | (568) | |
| Accounts payable | Accounts payable | 1,988 | 4,681 | |

| | | | |
|--|---|-----------|------------------------------|
| Accrued expenses and income taxes payable | Accrued expenses and income taxes payable | (26,156) | (23,560) |
| Other liabilities | Other liabilities | 40 | 623 |
| Net cash provided by operating activities | Net cash provided by operating activities | 107,065 | 103,237 |
| Net cash provided by operating activities | | | |
| Net cash provided by operating activities | | | |
| Investing activities: | Investing activities: | | Investing activities: |
| Purchases of fixed assets | Purchases of fixed assets | (13,363) | (24,584) |
| Purchases of fixed assets | | | |
| Purchases of fixed assets | | | |
| Purchases of available-for-sale investments | Purchases of available-for-sale investments | (111,682) | (319,426) |
| Sales of available-for-sale investments | Sales of available-for-sale investments | 200,970 | 152,636 |
| Payment of contingent consideration | | — | (32,000) |
| Purchases of equity and debt investments | | (6,758) | (13,000) |
| Purchases of debt investments | | | |
| Purchases of debt investments | | | |
| Net cash provided by (used in) investing activities | | 69,167 | (236,374) |
| Net cash (used in) provided by investing activities | | | |
| Net cash (used in) provided by investing activities | | | |
| Net cash (used in) provided by investing activities | | | |
| Financing activities: | Financing activities: | | Financing activities: |
| Proceeds from exercises of stock options | Proceeds from exercises of stock options | 1,939 | 23,482 |
| Proceeds from shares issued under employee stock purchase plan | | 1,672 | 1,820 |
| Payment of employee withholding taxes on restricted stock unit vests | | | |
| Payment of employee withholding taxes on restricted stock unit vests | | | |

| | | |
|--|--|---------------------|
| Payment of employee withholding taxes on restricted stock unit vests | | |
| Proceeds from Term loan A facility | Proceeds from Term loan A facility | 149,550 |
| Repayment of 2022 convertible senior notes | | — (156,960) |
| Repayment of 2024 convertible senior notes | | — (192,609) |
| Repayment of Term loan B facility | | |
| Repayment of Term loan B facility | | |
| Repayment of Term loan B facility | Repayment of Term loan B facility | (296,875) (18,750) |
| Repayment of Term loan A facility | Repayment of Term loan A facility | (30,625) — |
| Debt extinguishment costs | Debt extinguishment costs | (5,750) — |
| Debt extinguishment costs | | |
| Debt extinguishment costs | | |
| Payment of debt issuance and financing costs | Payment of debt issuance and financing costs | (1,163) — |
| Net cash used in financing activities | Net cash used in financing activities | (181,252) (343,017) |
| Net decrease in cash and cash equivalents | | (5,020) (476,154) |
| Net cash used in financing activities | | |
| Net cash used in financing activities | | |
| Net increase (decrease) in cash and cash equivalents | | |
| Cash and cash equivalents, beginning of period | Cash and cash equivalents, beginning of period | 104,139 585,578 |
| Cash and cash equivalents, end of period | Cash and cash equivalents, end of period | \$ 99,119 \$109,424 |
| Supplemental cash flow information: | Supplemental cash flow information: | |
| Supplemental cash flow information: | | |

| Supplemental cash flow information: | |
|---|---|
| Cash paid for interest | Cash paid for interest \$ 24,931 \$ 23,620 |
| Cash paid for income taxes, net of refunds | \$ 2,072 \$ 4,216 |
| Cash paid for interest | |
| Cash paid for interest | |
| Net cash (received) paid for income taxes | |
| Non-cash investing and financing activities: | Non-cash investing and financing activities: |
| Issuance of common stock from conversion of 2022 convertible senior notes | \$ — \$ 3,040 |
| Fixed assets included in accounts payable and accrued liabilities | Fixed assets included in accounts payable and accrued liabilities \$ 1,470 \$ 5,486 |
| Fixed assets included in accounts payable and accrued liabilities | |
| Fixed assets included in accounts payable and accrued liabilities | |

See accompanying notes to condensed consolidated financial statements.

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PACIRA BIOSCIENCES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1—DESCRIPTION OF BUSINESS

Business Overview

Pacira BioSciences, Inc. and its subsidiaries (collectively, the "Company" or "Pacira") is the **industry therapeutic area leader in its commitment to non-opioid pain management and with a stated corporate mission of providing non-opioid pain management options to as many patients as possible to redefine and redefining the role of opioids as for rescue therapy only. The Company is also developing innovative interventions to address debilitating conditions involving the sympathetic nervous system, such as cardiac electrical storm, chronic pain and spasticity.** The Company's long-acting, local analgesic, EXPAREL® (bupivacaine liposome injectable suspension), was commercially launched in the United States, or U.S., in April 2012 and approved in select European countries and the United Kingdom, or U.K., in November 2021. EXPAREL utilizes the Company's proprietary multivesicular liposome, (pMVL) or pMVL, drug delivery technology that encapsulates drugs without altering their molecular structure and releases them over a desired period of time. In November 2021, the Company acquired Flexion Therapeutics, Inc., or Flexion (the "Flexion Acquisition"), and added ZILRETTA® (triamcinolone acetonide extended-release injectable suspension) to its product portfolio. ZILRETTA is the first and only extended-release, intra-articular (meaning in the joint) injection indicated for the management of osteoarthritis, or OA, knee pain. In April 2019, the Company added iovera® to its commercial offering with the acquisition of MyoScience, Inc., or MyoScience (the "MyoScience Acquisition"). The iovera® system is a handheld cryoanalgesia device used to deliver a precise, controlled application of cold temperature to targeted nerves.

Pacira is subject to risks common to companies in similar industries and stages, including, but not limited to, competition from larger companies, reliance on revenue from three products, reliance on a limited number of wholesalers, reliance on a limited number of manufacturing sites, new technological innovations, dependence on key personnel, reliance on third-party service providers and sole source suppliers, protection of proprietary technology, compliance with government regulations and risks related to cybersecurity.

The Company is managed and operated as a single business focused on the development, manufacture, marketing, distribution and sale of non-opioid pain management and regenerative health solutions. The Company is managed by a single management team, and consistent with its organizational structure, the Chief Executive Officer—who is the Company's chief operating decision maker—manages and allocates resources at a consolidated level. **Accordingly, Effective January 2, 2024, the Company appointed a new Chief Executive Officer. Consistent with the Company's predecessor chief operating decision maker, the Company views its business as one reportable operating segment to evaluate its performance, allocate resources, set operational targets and forecast its future financial results.**

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

These interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America, or GAAP, and in accordance with the rules and regulations of the United States Securities and Exchange Commission (the "SEC"), for interim reporting. Pursuant to these rules and regulations, certain information and footnote disclosures normally included in complete annual financial statements have been condensed or omitted. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and notes thereto included in the Company's [Annual Report on Form 10-K for the year ended December 31, 2022](#) [December 31, 2023](#) (the "2022/2023 Annual Report").

The condensed consolidated financial statements at [September 30, 2023](#) [March 31, 2024](#), and for the [three and nine-month](#) [three-month](#) periods ended [September 30, 2023](#) [March 31, 2024](#) and [2022](#) [2023](#), are unaudited, but include all adjustments (consisting of only normal recurring adjustments) which, in the opinion of management, are necessary to present fairly the financial information set forth herein in accordance with GAAP. The condensed consolidated balance sheet at [December 31, 2022](#) [December 31, 2023](#) is derived from the audited consolidated financial statements included in the Company's [2022](#) [2023](#) Annual Report. The condensed consolidated financial statements as presented reflect certain reclassifications from previously issued financial statements to conform to the current year presentation. The accounts of wholly-owned subsidiaries are included in the condensed consolidated financial statements. Intercompany accounts and transactions have been eliminated in consolidation.

The results of operations for these interim periods are not necessarily indicative of results that may be expected for any other interim periods or for the full year.

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Concentration of Major Customers

The Company sells EXPAREL through a drop-ship program under which orders are processed through wholesalers (including AmerisourceBergen Health Corporation, Cardinal Health, Inc. and McKesson Drug Company), but shipments of the product are sent directly to individual accounts, such as hospitals, ambulatory surgery centers and individual doctors. The Company also sells EXPAREL directly to ambulatory surgery centers and physicians. The Company sells ZILRETTA primarily to specialty distributors and specialty pharmacies, who then subsequently resell ZILRETTA to physicians, clinics and certain medical centers or hospitals. The Company also contracts directly with healthcare providers and intermediaries such as Group Purchasing Organizations, or GPOs. The Company sells its bupivacaine liposome injectable suspension for veterinary use to a third-party licensee in the U.S. and sells Iovera® directly to end users.

The table below includes the percentage of revenues comprised by the Company's three largest wholesalers in each period presented:

| | Three | Nine | | |
|---------------------------|-----------------------------------|-----------------------------------|------|------|
| | Months | Months | | |
| | Ended | Ended | | |
| | September | September | | |
| | 30, | 30, | | |
| | 2023 | 2022 | 2023 | 2022 |
| Largest wholesaler | Three Months Ended March 31, 2024 | Three Months Ended March 31, 2023 | 2024 | 2023 |
| Second largest wholesaler | Second largest wholesaler | Second largest wholesaler | 36% | 32% |
| Third largest wholesaler | Third largest wholesaler | Third largest wholesaler | 23% | 24% |

| | | | | | | | | |
|--------------------------|--------------------------|-----|-----|-----|-----|--------------------------|-----|-----|
| Third largest wholesaler | Third largest wholesaler | 19% | 22% | 20% | 22% | Third largest wholesaler | 20% | 23% |
| Total | Total | 76% | 75% | 77% | 76% | Total | 79% | 79% |

Recent Accounting Pronouncements Not Adopted as of March 31, 2024

In November 2023, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2023-07, *Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures*. The ASU amendment improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses on an interim and annual basis. The new segment disclosure requirements apply for entities with a single reportable segment. The ASU's amendments are effective for fiscal years beginning after December 15, 2023 and interim periods thereafter, with early adoption permitted. The ASU amendment will require adoption on a retrospective basis. The Company is currently evaluating the impact of adopting ASU 2023-07 on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740), Improvements to Income Tax Disclosures*. The ASU amendment addresses investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The ASU's amendments are effective for fiscal years beginning after December 15, 2024 and may be adopted on a prospective or retrospective basis. The Company is currently evaluating the impact of adopting ASU 2023-09 on its consolidated financial statements.

NOTE 3—REVENUE

Revenue from Contracts with Customers

The Company's net product sales consist of (i) EXPAREL in the U.S., the European Union, or E.U., and the U.K.; (ii) ZILRETTA in the U.S.; (iii) iovera® in the U.S., Canada and the E.U. Europe and (iv) sales of its bupivacaine liposome injectable suspension for veterinary use. Royalty revenues are related to a collaborative licensing agreement from the sale of its bupivacaine liposome injectable suspension for veterinary use. The Company does not consider revenue from sources other than sales of EXPAREL and ZILRETTA to be material sources of its consolidated revenue. As such, the following disclosure is limited to revenue associated with net product sales of EXPAREL and ZILRETTA.

Net Product Sales

The Company sells EXPAREL through a drop-ship program under which orders are processed through wholesalers based on orders of the product placed by end-users, namely hospitals, ambulatory surgery centers and healthcare provider offices. EXPAREL is delivered directly to the end-user without the wholesaler ever taking physical possession of the product. The Company primarily sells ZILRETTA to specialty distributors and specialty pharmacies, who then subsequently resell ZILRETTA to physicians, clinics and certain medical centers or hospitals. The Company also contracts directly with healthcare providers and intermediaries such as group purchasing organizations, or GPOs. Product revenue is recognized when control of the promised goods are transferred to the customers, customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for transferring those goods. EXPAREL and ZILRETTA revenues are recorded at the time the products are transferred to the customer.

Revenues from sales of products are recorded net of returns allowances, prompt payment discounts, service fees, government rebates, volume rebates and chargebacks. These reserves are based on estimates of the amounts earned or to be claimed on the related sales. These amounts are treated as variable consideration, estimated and recognized as a reduction of the transaction price at the time of the sale, using the most likely amount method, except for returns, which is based on the expected

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value method. The Company includes these estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized for such transaction will not occur, or when the uncertainty associated with the variable consideration is resolved.

Chargebacks for fees and discounts to qualified government healthcare providers represent the estimated obligations resulting from contractual commitments to sell products to qualified Department of Veteran Affairs hospitals, participating GPO members and 340B entities at prices lower than the list prices charged to other customers. The 340B Drug Discount Program is a U.S. federal government program that requires participating drug manufacturers to provide outpatient drugs to eligible health care organizations and covered entities at reduced prices. Customers charge the Company for the difference between the product payment and the statutory selling price to the qualified entity. Reserves are established in the same period that the related revenue is recognized, resulting in a reduction of product revenue and trade receivables, net. Chargeback amounts are generally determined at the time of sale to the qualified government healthcare provider by customers, and the Company generally issues credits for such

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amounts within weeks of the customer's notification to the Company of the sale. Reserves for chargebacks consist of credits that the Company expects to issue for units that the Company expects will be sold to qualified healthcare providers, and chargebacks that customers have claimed, but for which the Company has not yet issued a credit.

The calculation for some of these items requires management to make estimates based on sales data, historical return data, contracts, statutory requirements and other related information that may become known in the future. The adequacy of these provisions is reviewed on a quarterly basis.

Accounts Receivable

The majority of accounts receivable arise from product sales and represent amounts due from wholesalers, hospitals, ambulatory surgery centers, specialty distributors, specialty pharmacies and individual physicians. Payment terms generally range from zero to four months from the date of the transaction, and accordingly, there is no significant financing component.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in Accounting Standards Codification, or ASC, 606. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

At contract inception, the Company assesses the goods promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a good that is distinct. When identifying individual performance obligations, the Company considers all goods promised in the contract regardless of whether explicitly stated in the customer contract or implied by customary business practices. The Company's contracts with customers require it to transfer an individual distinct product, which represents a single performance obligation. The Company's performance obligation with respect to its product sales is satisfied at a point in time, which transfers control upon delivery of EXPAREL and ZILRETTA to its customers. The Company considers control to have transferred upon delivery because the customer has legal title to the asset, physical possession of the asset has been transferred, the customer has significant risks and rewards of ownership of the asset and the Company has a present right to payment at that time.

Disaggregated Revenue

The following table represents disaggregated net product sales in the periods presented as follows (in thousands):

| | | Three Months Ended September 30, | | Nine Months Ended September 30, | | | |
|--|--|-------------------------------------|------------|------------------------------------|------------|------|--|
| | | 2023 | 2022 | 2023 | 2022 | | |
| | | Three Months Ended March 31, | | | | | |
| | | Three Months Ended March 31, | | | | | |
| | | Three Months Ended March 31, | | | | | |
| Net product sales: | Net product sales: | 2024 | | | | 2024 | |
| EXPAREL | EXPAREL | EXPAREL | | | | 2023 | |
| ZILRETTA | ZILRETTA | | | | | | |
| iovera° | iovera° | | | | | | |
| Bupivacaine liposome injectable suspension | Bupivacaine liposome injectable suspension | | | | | | |
| Total net product sales | Total net product sales | \$ 163,583 | \$ 166,560 | \$ 492,481 | \$ 492,563 | | |

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NOTE 4—INVENTORIES

The components of inventories, net are as follows (in thousands):

| | | September 30, | December 31, | | |
|---------------|---------------|------------------|-----------------|-----------|--------------|
| | | 2023 | 2022 | | |
| | | | | March 31, | December 31, |
| | | | | 2024 | 2023 |
| Raw materials | Raw materials | \$ 49,196 | | \$ 39,810 | |

| | | | |
|-----------------|-----------------|-----------|-----------|
| Work-in-process | Work-in-process | 23,765 | 28,853 |
| Finished goods | Finished goods | 23,559 | 27,400 |
| Total | Total | \$ 96,520 | \$ 96,063 |

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NOTE 5—FIXED ASSETS

Fixed assets, net, summarized by major category, consist of the following (in thousands):

| | September 30, 2023 | December 31, 2022 | |
|------------------------------------|---------------------------------|-------------------|-------------------|
| Machinery and equipment | \$120,481 | \$118,684 | |
| | March 31, 2024 | March 31, 2024 | December 31, 2023 |
| Machinery and equipment (1) | | | |
| Leasehold improvements | Leasehold improvements | 61,508 | 61,302 |
| Computer equipment and software | Computer equipment and software | 16,242 | 15,360 |
| Office furniture and equipment | Office furniture and equipment | 2,543 | 2,420 |
| Construction in progress | Construction in progress | 106,383 | 103,226 |
| Total | Total | 307,157 | 300,992 |
| Less: accumulated depreciation | (131,374) | (117,480) | |
| Less: accumulated depreciation (1) | | | |
| Fixed assets, net | Fixed assets, net | \$175,783 | \$183,512 |

(1) During the three months ended March 31, 2024, the Company disposed of \$19.0 million of fully depreciated machinery and equipment associated with its 45-liter EXPAREL manufacturing process at the Thermo Fisher Scientific Pharma Services facility located in Swindon, England. The Company continues to operate its 200-liter EXPAREL manufacturing process at the same facility.

For the three months ended September 30, 2023 March 31, 2024 and 2022, depreciation expense was \$4.1 million and \$5.8 million \$5.3 million, respectively. For the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, there was \$0.7 million and \$1.1 million of capitalized interest on the construction of manufacturing sites, respectively.

For the nine months ended September 30, 2023 and 2022, depreciation expense was \$14.1 million and \$18.0 million, respectively. For the nine months ended September 30, 2023 and 2022, there was \$2.8 \$0.7 million and \$2.9 \$1.4 million of capitalized interest on the construction of manufacturing sites, respectively.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, total fixed assets, net, includes manufacturing process equipment and leasehold improvements located in Europe in the amount of \$38.3 million \$34.3 million and \$44.7 \$36.8 million, respectively.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had asset retirement obligations of \$4.0 \$3.9 million and \$3.3 \$4.3 million, respectively, included in accrued expenses and other liabilities on its condensed consolidated balance sheets, for costs associated with returning leased spaces to their original condition upon the termination of certain of its lease agreements.

NOTE 6—LEASES

The Company leases all of its facilities, including its EXPAREL and iovera® handpiece manufacturing facility at its Science Center Campus in San Diego, California. The Company also has two embedded leases with Thermo Fisher Scientific Pharma Services for the use of their manufacturing facility in Swindon, England for the production of EXPAREL and ZILRETTA. A portion of the associated monthly base fees has been allocated to the lease components based on a relative fair value basis.

Since July 2022 and February 2023, the Company has been recognizing sublease income for laboratory space leased in Woburn, Massachusetts and a portion of office space leased in Burlington, Massachusetts, respectively, from leases that were assumed as part of the Flexion Acquisition.

During **In February 2024**, the third quarter of 2023, the Company partially exited its Burlington, Massachusetts office space lease that had been assumed as part of the Flexion Acquisition through a one-time termination fee of \$0.8 million, which released its obligation of \$1.6 million in future cash payments and sublease term concluded for the respective proportion of square footage exited. The partial lease termination resulted in laboratory space in a nominal gain which was recorded within contingent consideration charges (gains), restructuring charges and other in the condensed consolidated statements of operations. Woburn, Massachusetts.

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The operating lease costs for the facilities include lease and non-lease components, such as common area maintenance and other common operating expenses, along with executory costs such as insurance and real estate taxes. Total operating lease expense, net is as follows (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 |
| | 2023 | 2022 | 2023 | 2022 |
| Three Months Ended | | | | |
| Three Months Ended | | | | |
| Three Months Ended | | | | |
| Three Months Ended | | | | |
| Three Months Ended | | | | |
| March 31, | | | March 31, | |
| 2024 | | | 2024 | 2023 |
| Fixed lease costs | Fixed lease costs | \$3,559 | \$3,440 | \$10,818 |
| Variable lease costs | Variable lease costs | 499 | 540 | 1,444 |
| Sublease income | Sublease income | (167) | (169) | (489) |
| Total | Total | \$3,891 | \$3,811 | \$11,773 |
| | | | | \$11,860 |

Supplemental cash flow information related to operating leases is as follows (in thousands):

| | Nine Months Ended | |
|--|-------------------|----------|
| | September 30, | |
| | 2023 | 2022 |
| Cash paid for operating lease liabilities, net of lease incentives | \$ 11,055 | \$ 9,922 |

| | Three Months Ended | |
|--|--------------------|----------|
| | March 31, | |
| | 2024 | 2023 |
| Cash paid for operating lease liabilities, net of lease incentives | \$ 3,219 | \$ 3,763 |

The Company has elected to net the amortization of the right-of-use asset and the reduction of the lease liability principal in other liabilities in the condensed consolidated statements of cash flows.

The Company has measured its operating lease liabilities at an estimated discount rate at which it could borrow on a collateralized basis over the remaining term for each operating lease. The weighted average remaining lease terms and the weighted average discount rates are summarized as follows:

| | | September 30, | | | |
|--|--|---------------|------------|---------------------------------------|------------|
| | | 2023 | 2022 | | |
| | | March 31, | | | |
| Weighted average remaining lease term | Weighted average remaining lease term | 6.26 years | 7.11 years | Weighted average remaining lease term | 5.81 years |
| Weighted average discount rate | Weighted average discount rate | 7.03 | % | Weighted average discount rate | 7.01 |
| | | | | | 6.61 years |
| | | | | | 7.03 |
| | | | | | % |

Maturities of the Company's operating lease liabilities are as follows (in thousands):

| Year | Year | Aggregate Minimum Payments | | Aggregate Minimum Payments Due |
|-----------------------------------|-----------------------------------|----------------------------|------|--------------------------------|
| | | Due | Year | |
| 2023 (remaining three months) | | \$ 3,249 | | |
| 2024 | | 13,038 | | |
| 2024 (remaining nine months) | | | | |
| 2025 | 2025 | 12,775 | | |
| 2026 | 2026 | 12,814 | | |
| 2027 | 2027 | 12,587 | | |
| 2028 | | | | |
| Thereafter | Thereafter | 27,351 | | |
| Total future lease payments | Total future lease payments | 81,814 | | |
| Less: imputed interest | Less: imputed interest | (16,100) | | |
| Total operating lease liabilities | Total operating lease liabilities | \$ 65,714 | | |

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NOTE 7—GOODWILL AND INTANGIBLE ASSETS

Goodwill

The Company's goodwill results from the acquisition of Pacira Pharmaceuticals, Inc. (the Company's California operating subsidiary) from SkyePharma Holding, Inc., or Skyepharma, (now Vectura Group Limited, a subsidiary of Vectura Group plc) Philip Morris International, Inc. in 2007, (the "Skyepharma Acquisition"), the MyoScience Acquisition in 2019 and the Flexion Acquisition in 2021. The goodwill balance at each of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 was \$163.2 million. The Skyepharma Acquisition occurred in March 2007, prior to the requirements to record contingent consideration at fair value under ASC 805-30. In connection with the Skyepharma Acquisition, the Company agreed to certain milestone payments for DepoBupivacaine products, including EXPAREL. The final Skyepharma milestone payment of \$32.0 million when annual net sales collected reached \$500.0 million was achieved in the fourth quarter of 2021 and paid during the first quarter of 2022.

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Intangible Assets

Intangible assets, net, consists of the in-process research and development, or IPR&D, and developed technology from the Flexion Acquisition and developed technology and customer relationships from the MyoScience Acquisition and are summarized as follows (dollar amounts in thousands):

| | Weighted- | | | | March 31, 2024 | March 31, 2024 | Weighted- | | | |
|---|---|---|------------------------|----------------------------|----------------------|----------------------|----------------------------|-----------------------------|---------------------------|-------------------------------|
| | Gross Carrying Value | Intangible Accumulated Amortization | Assets, Net | Average Useful Lives | | | Gross Carrying Value | Accumulated Amortization | Intangible Assets, Net | Average Useful Lives |
| September 30, 2023 | | | | | | | | | | |
| Developed technologies | Developed technologies | 10 years, 5 months | Developed technologies | 10 years, 5 months | \$ 590,000 | \$ (127,336) | \$ 462,664 | \$ (155,975) | \$ 434,025 | 10 years, 5 months |
| Customer relationships | Customer relationships | 10 years | Customer relationships | 10 years | 90 | (40) | 50 | (45) | 45 | 10 years |
| Total finite-lived intangible assets, net | Total finite-lived intangible assets, net | 590,090 | (127,376) | 462,714 | | | | | | |
| Acquired IPR&D | Acquired IPR&D | 34,866 | — | 34,866 | | | | | | |
| Acquired IPR&D | Acquired IPR&D | | | | | | | | | |
| Total intangible assets, net | | | | | | | | | | |
| Total intangible assets, net | | | | | | | | | | |
| Total intangible assets, net | Total intangible assets, net | \$ 624,956 | \$ (127,376) | \$ 497,580 | | | | | | |
| | Weighted- | | | | December 31, 2022 | December 31, 2023 | Weighted- | | | |
| | Gross Carrying Value | Intangible Accumulated Amortization | Assets, Net | Average Useful Lives | | | Gross Carrying Value | Accumulated Amortization | Intangible Assets, Net | Weighted-Average Useful Lives |
| December 31, 2022 | | | | | | | | | | |
| Developed technologies | Developed technologies | 10 years, 5 months | Developed technologies | 10 years, 5 months | \$ 590,000 | \$ (84,376) | \$ 505,624 | \$ (141,655) | \$ 448,345 | 10 years, 5 months |
| Customer relationships | Customer relationships | 10 years | Customer relationships | 10 years | 90 | (34) | 56 | (43) | 47 | 10 years |
| Total finite-lived intangible assets, net | Total finite-lived intangible assets, net | 590,090 | (84,410) | 505,680 | | | | | | |
| Acquired IPR&D | Acquired IPR&D | 34,866 | — | 34,866 | | | | | | |
| Acquired IPR&D | Acquired IPR&D | | | | | | | | | |
| Total intangible assets, net | Total intangible assets, net | \$ 624,956 | \$ (84,410) | \$ 540,546 | | | | | | |
| Total intangible assets, net | | | | | | | | | | |
| Total intangible assets, net | | | | | | | | | | |

Amortization expense on intangible assets was \$14.3 million for both the three months ended **September 30, 2023** **March 31, 2024** and **2022** and \$43.0 million for both the nine months ended **September 30, 2023** and **2022, 2023**.

Assuming no changes in the gross carrying amount of these intangible assets, the future estimated amortization expense on the finite-lived intangible assets will be \$14.3 \$43.0 million for the remaining **three nine** months of **2023, 2024**, \$57.3 million each year from **2024 2025** to 2030, \$37.4 million in 2031, \$7.9 million in 2032 and \$2.2 million in 2033.

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NOTE 8—DEBT

The carrying value of the Company's outstanding debt is summarized as follows (in thousands):

| | September 30, 2023 | December 31, 2022 | | March 31, 2024 | March 31, 2024 | December 31, 2023 |
|---|---|----------------------|------------------|-------------------|-------------------|----------------------|
| Term loan | Term loan | | | | | |
| A facility maturing March 2028 | A facility maturing March 2028 | | | | | |
| | \$117,965 | \$ — | | | | |
| Term loan B facility maturing December 2026 ⁽¹⁾ | — | 284,704 | | | | |
| 0.750% Convertible senior notes due August 2025 | 0.750% Convertible senior notes due August 2025 | | | 397,976 | 396,126 | |
| 3.375% Convertible senior notes due May 2024 | 8,641 | 8,641 | | | | |
| 3.375% Convertible senior notes due May 2024 ⁽¹⁾ | | | | | | |
| Total | Total | \$524,582 | \$689,471 | | | |

(1) The **TLB Term Loan** (as defined below) was refinanced **3.375%** convertible senior notes due May 2024 matured and were repaid on **March 31, 2023** as discussed below. **May 1, 2024**.

2028 Term Loan A Facility

On March 31, 2023, the Company entered into a credit agreement (the "TLA Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent, and certain lenders, to refinance the indebtedness outstanding under the Company's then-existing TLB Credit Agreement (as defined and discussed below). The term loan issued under the TLA Credit Agreement (the "TLA Term Loan") was issued at a 0.30% discount and provides for a single-advance term loan A facility in the principal amount of \$150.0 million, which is secured by substantially all of the Company's and any subsidiary guarantor's assets. Subject to certain conditions, the Company may, at any time, on one or more occasion, add one or more new classes of term facilities and/or increase the principal amount of the loans of any existing class by requesting one or more incremental term facilities. The net proceeds of the TLA Term Loan were approximately \$149.6 million after deducting an original issue discount of \$0.4 million.

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The total debt composition of the TLA Term Loan is as follows (in thousands):

| | September 30, 2023 | |
|--|-----------------------|----------------------|
| Term loan A facility maturing March 2028 | \$ 119,375 | |
| Deferred financing costs | (1,013) | |
| Discount on debt | (397) | |
| Total debt, net of debt discount and deferred financing costs | \$ 117,965 | |
| | March 31, 2024 | December 31, 2023 |
| Term loan A facility maturing March 2028 | \$ 113,750 | \$ 116,563 |
| Deferred financing costs | (924) | (988) |
| Discount on debt | (349) | (373) |
| Total debt, net of debt discount and deferred financing costs | \$ 112,477 | \$ 115,202 |

The TLA Term Loan matures on March 31, 2028 and the TLA Credit Agreement requires quarterly repayments of principal in the amount of \$2.8 million which commenced on June 30, 2023, increasing to \$3.8 million commencing March 31, 2025, with a remaining balloon payment of approximately \$85.3 million due at maturity. Due to voluntary principal prepayments of \$27.8 million made, during the three months ended September 30, 2023, the Company is not required to make further principal payments for until March 2026, although the remainder of 2023 and 2024. Company retains the option to do so.

The TLA Credit Agreement requires the Company to, among other things, maintain (i) a Senior Secured Net Leverage Ratio (as defined in the TLA Credit Agreement), determined as of the last day of each fiscal quarter, of no greater than 3.00 to 1.00 and (ii) a Fixed Charge Coverage Ratio (as defined in the Credit Agreement), determined as of the last day of each fiscal quarter, of no less than 1.50 to 1.00. The TLA Credit Agreement requires the Company to maintain an unrestricted cash and cash equivalents balance of at least \$500.0 million less any prepayments of the 2025 Notes (as defined below) at any time from 91 days prior to the maturity date through the earlier of (i) the latest maturity date of the 2025 Notes and (ii) the date on which there is no outstanding principal amount of the 2025 Notes. The TLA Credit Agreement also contains customary affirmative and negative covenants, financial covenants, representations and warranties, events of default and other provisions. As of September 30, 2023 March 31, 2024, the Company was in compliance with all financial covenants under the TLA Credit Agreement.

The Company may elect to borrow either (i) alternate base rate borrowings or (ii) term benchmark borrowings or daily simple SOFR (as defined in the TLA Credit Agreement) borrowings. Each term loan borrowing that is an alternate base rate borrowing bears interest at a rate per annum equal to (i) the Alternate Base Rate (as defined in the TLA Credit Agreement), plus (ii) a spread based on the Company's Senior Secured Net Leverage Ratio ranging from 2.00% to 2.75%. Each term loan borrowing that is a term benchmark borrowing or daily simple SOFR borrowing bears interest at a rate per annum equal to (i) the Adjusted Term SOFR Rate or Adjusted Daily Simple SOFR (as each is defined in the Credit Agreement), plus (ii) a spread based on the Company's Senior Secured Net Leverage Ratio ranging from 3.00% to 3.75%. During the nine months ended September 30, 2023 March 31, 2024, the Company made a \$2.8 million voluntary principal prepayment. During the year ended December 31, 2023, the Company made a scheduled principal payment of \$2.8 million as well as \$27.8 \$30.6 million of voluntary principal prepayments. As of September 30, 2023 March 31, 2024, borrowings under the TLA Term Loan consisted entirely of term benchmark borrowings at a rate of 8.47% 8.41%.

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2026 Term Loan B Facility

In December 2021, the Company entered into a term loan credit agreement (the "TLB Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent and the initial lender. The term loan issued under the TLB Credit Agreement (the "TLB Term Loan") was issued at a 3.00% discount and allowed for a single-advance term loan B facility in the principal amount of \$375.0 million, which was secured by substantially all of the Company's and each subsidiary guarantor's assets. The net proceeds of the TLB Term Loan were approximately \$363.8 million after deducting an original issue discount of \$11.2 million.

During the three months ended March 31, 2023, the Company repaid the outstanding \$296.9 million principal on the TLB Term Loan, which resulted in a \$16.9 million loss on early extinguishment of debt.

On March 31, 2023, the Company used the \$149.6 million of net borrowings under the TLA Credit Agreement and cash on hand to repay the indebtedness outstanding under the TLB Credit Agreement and concurrently terminated the TLB Credit Agreement. The Company incurred a prepayment fee of 2.00% of the outstanding principal balance of the TLB Term Loan in connection with the termination.

The total debt composition of the TLB Term Loan was as follows (in thousands):

| | September 30, 2023 | December 31, 2022 |
|--|-----------------------|----------------------|
| Term loan B facility maturing December 2026 | \$ — | \$ 296,875 |
| Deferred financing costs | — | (3,919) |
| Discount on debt | — | (8,252) |
| Total debt, net of debt discount and deferred financing costs | \$ — | \$ 284,704 |

During the nine months ended September 30, 2023, the Company made a scheduled principal payment of \$9.4 million and repaid the outstanding \$287.5 million principal on the TLB Term Loan, which resulted in a \$16.9 million loss on early extinguishment of debt.

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Convertible Senior Notes Due 2025

In July 2020, the Company completed a private placement of \$402.5 million in aggregate principal amount of its 0.750% convertible senior notes due 2025, or 2025 Notes, and entered into an indenture with Computershare Corporate Trust, N.A. (formerly Wells Fargo Bank, N.A.), or 2025 Indenture, with respect to the 2025 Notes. The 2025 Notes accrue interest at a fixed rate of 0.750% per year, payable semiannually in arrears on February 1st and August 1st of each year. The 2025 Notes mature on August 1, 2025.

The total debt composition of the 2025 Notes is as follows (in thousands):

| | September 30, | | December 31, | |
|--|-------------------|-------------------|--------------|--|
| | 2023 | 2022 | | |
| 0.750% convertible senior notes due August 2025 | \$ 402,500 | \$ 402,500 | | |
| Deferred financing costs | (4,524) | (6,374) | | |
| Total debt, net of debt discount and deferred financing costs | \$ 397,976 | \$ 396,126 | | |

The net proceeds from the issuance of the 2025 Notes were approximately \$390.0 million, after deducting commissions and the offering expenses paid by the Company. A portion of the net proceeds from the 2025 Notes was used by the Company to repurchase \$185.0 million in aggregate principal amount of its then-outstanding 2.375% convertible senior notes due 2022 in privately-negotiated transactions for a total of \$211.1 million of cash (including accrued interest).

| | March 31, | | December 31, | |
|--|-------------------|-------------------|--------------|--|
| | 2024 | 2023 | | |
| 0.750% convertible senior notes due August 2025 | \$ 402,500 | \$ 402,500 | | |
| Deferred financing costs | (3,290) | (3,906) | | |
| Total debt, net of deferred financing costs | \$ 399,210 | \$ 398,594 | | |

Holders may convert the 2025 Notes at any time prior to the close of business on the business day immediately preceding February 3, 2025, only if certain circumstances are met, including if during the previous calendar quarter, the last reported sales price of the Company's common stock was greater than 130% of the conversion price then applicable for at least 20 out of the last 30 consecutive trading days of the quarter. During the quarter ended **September 30, 2023** **March 31, 2024**, the conditions for conversion were not met.

On or after February 3, 2025, until the close of business on the second scheduled trading day immediately preceding August 1, 2025, holders may convert their 2025 Notes at any time.

Upon conversion, holders will receive the principal amount of their 2025 Notes and any excess conversion value, calculated based on the per share volume-weighted average price for each of the 40 consecutive trading days during the observation period (as more fully described in the 2025 Indenture). For both the principal and excess conversion value, holders may receive 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 option. The initial conversion rate for the 2025 Notes is 13.9324 shares of common stock per \$1,000

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principal amount, which is equivalent to an initial conversion price of \$71.78 per share of the Company's common stock. The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. The initial conversion price of the 2025 Notes represents a premium of approximately 32.5% to the closing sale price of \$54.17 per share of the Company's common stock on the Nasdaq Global Select Market on July 7, 2020, the date that the Company priced the private offering of the 2025 Notes.

As of **September 30, 2023** **March 31, 2024**, the 2025 Notes had a market price of \$909 \$953 per \$1,000 principal amount. In the event of conversion, holders would forgo all future interest payments, any unpaid accrued interest and the possibility of further stock price appreciation. Upon the receipt of conversion requests, the settlement of the 2025 Notes will be paid pursuant to the terms of the 2025 Indenture. In the event that all of the 2025 Notes are converted, the Company would be required to repay the \$402.5 million in principal value and any conversion premium in any combination of cash and shares of its common stock (at the Company's option).

Beginning on **Since August 1, 2023** (but, in the case of a redemption of less than all of the outstanding 2025 Notes, no later than the 40th scheduled trading day immediately before the maturity date), the Company may redeem for cash all or part of the 2025 Notes if the last reported sale price (as defined in the 2025 Indenture) of the Company's common stock has been at least 130% of the conversion price then in effect for (i) each of at least 20 trading days (whether or not consecutive) during any 30 consecutive trading days ending on, and including, the trading day immediately before the date the Company sends the related notice of redemption and (ii) the trading day immediately before the date the Company sends such notice. The redemption price will equal the sum of (i) 100% of the principal amount of the 2025 Notes being redeemed, plus (ii) accrued and unpaid

interest, including additional interest, if any, to, but excluding, the redemption date. In addition, calling the 2025 Notes for redemption will constitute a "make-whole fundamental change" (as defined in the 2025 Indenture) and will, in certain circumstances, increase the conversion rate applicable to the conversion of such notes if it is converted in connection with the redemption. No sinking fund is provided for the 2025 Notes.

While the 2025 Notes are currently classified on the Company's condensed consolidated balance sheet at **September 30, 2023** **March 31, 2024** as long-term debt, the future convertibility and resulting balance sheet classification of this liability is monitored at each quarterly reporting date and is analyzed dependent upon market prices of the Company's common stock during the prescribed measurement periods. In the event that the holders of the 2025 Notes have the election to convert the 2025 Notes at any time during the prescribed measurement period, the 2025 Notes would then be considered a current obligation and classified as such.

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Convertible Senior Notes Due 2024 Assumed from the Flexion Acquisition

Prior to the Flexion Acquisition, on May 2, 2017, in May 2017, Flexion issued an aggregate of \$201.3 million principal amount of 3.375% convertible senior notes due 2024 (the "Flexion 2024 Notes"), pursuant to the indenture, dated as of May 2, 2017 (the "Original Flexion Indenture"), between Flexion and Computershare Corporate Trust, N.A. (formerly Wells Fargo Bank, N.A.), as trustee (the "Flexion Trustee"), as supplemented by the First Supplemental Indenture, dated as of November 19, 2021, between Flexion and the Flexion Trustee (the "First Supplemental Flexion Indenture" and, together with the Original Flexion Indenture, the "Flexion Indenture"). The Flexion 2024 Notes mature on May 1, 2024, are unsecured, and accrue interest at a rate of 3.375% per annum, payable semi-annually on May 1st and November 1st of each year. Upon the Flexion Acquisition, the principal was assumed and recorded at fair value by the Company.

As a result of the Flexion Acquisition, and in connection with a Fundamental Change Company Notice and Offer to Purchase (the "Notice") to the holders of the Flexion 2024 Notes in accordance with the Flexion Indenture, holders of the Flexion 2024 Notes became entitled to certain Flexion Acquisition-related conversion and repurchase rights. On December 6, 2021, as a result of the Flexion Acquisition and in accordance with the Flexion Indenture, the Company offered to repurchase for cash all of the outstanding Flexion 2024 Notes, at a repurchase price in cash equal to 100% of the principal amount of the Flexion 2024 Notes being repurchased, plus accrued and unpaid interest thereon to, but excluding, January 7, 2022, subject to the terms and conditions set forth therein. Any holder that did not exercise its repurchase right in accordance with the terms of the Notice retained the conversion rights associated with such holder's Flexion 2024 Notes under the Flexion Indenture as well as the right to receive interest payments on the Flexion 2024 Notes.

On January 7, 2022, following the expiration of the offer to purchase, the Company accepted the \$192.6 million aggregate principal amount of Flexion 2024 Notes that were validly tendered (and not validly withdrawn). No Flexion 2024 Notes were converted in connection with the Notice. At **September 30, 2023** **March 31, 2024**, the remaining principal outstanding **is** **was** \$8.6 million.

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Convertible Senior Notes Due 2022

In March 2017, the Company completed a private placement of \$345.0 million, in aggregate principal amount of 2.375% convertible senior notes due 2022, or 2022 Notes, and entered into an indenture with respect to the 2022 Notes. On April 1, 2022, the 2022 Notes matured and the Company settled the remaining outstanding principal balance of \$160.0 million and a conversion premium of \$4.8 million through a cash payment of \$156.9 million and the issuance of 101,521 shares of the Company's common stock, which increased additional paid-in capital by \$3.0 million. was repaid upon its maturity on May 1, 2024.

Interest Expense

The following table sets forth the total interest expense recognized in the periods presented (dollar amounts in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | | |
|------------------------------------|-------------------------------------|---------|------------------------------------|----------|----------|
| | 2023 | 2022 | 2023 | 2022 | |
| | Three Months Ended March 31, | | Three Months Ended March 31, | | |
| 2024 | Three Months Ended March 31, | | | | 2024 |
| Contractual interest expense | Contractual interest expense | \$3,471 | \$9,343 | \$16,670 | \$26,724 |

| | | | | | |
|---|---------------------------------------|---------|---------|----------|----------|
| Amortization of debt issuance costs | Amortization of debt issuance costs | 683 | 903 | 2,311 | 2,956 |
| Amortization of debt discount | Amortization of debt discount | 25 | 695 | 728 | 2,107 |
| Capitalized interest and other (Note 5) | | (715) | (1,085) | (2,791) | (2,852) |
| Capitalized interest (Note 5) | | | | | |
| Total | Total | \$3,464 | \$9,856 | \$16,918 | \$28,935 |
| Effective interest rate on total debt | Effective interest rate on total debt | 2.98 % | 5.42 % | 3.96 % | 5.66 % |
| Effective interest rate on total debt | | | | | |
| Effective interest rate on total debt | | | | 2.96 % | 5.36 % |

NOTE 9—FINANCIAL INSTRUMENTS

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or be paid to transfer a liability in the principal or most advantageous market in an orderly transaction. To increase consistency and comparability in fair value measurements, the **Financial Accounting Standards Board (FASB)** FASB established a three-level hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of fair value measurements are:

- **Level 1:** Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- **Level 2:** Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.
- **Level 3:** Unobservable inputs that are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The carrying value of financial instruments including cash and cash equivalents, accounts receivable and accounts payable approximate their respective fair values due to the short-term nature of these items. The fair value of the Company's convertible

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senior notes and its TLA Term Loan are calculated utilizing market quotations from an over-the-counter trading market for these notes (Level 2). The fair value of the Company's acquisition-related contingent consideration is reported at fair value on a recurring basis (Level 3). The carrying amounts of equity investments and convertible notes receivable without readily determinable fair values have not been adjusted for either an impairment or upward or downward adjustments based on observable transactions.

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At **September 30, 2023** **March 31, 2024**, the carrying values and fair values of the following financial assets and liabilities were as follows (in thousands):

| | | Fair Value Measurements Using | | | | | Fair Value Measurements Using | | |
|--|--|-------------------------------|----------------|---------|--|--|-------------------------------|---------|---------|
| | | Carrying Value | Level 1 | Level 2 | | | Carrying Value | Level 1 | Level 2 |
| | | | Carrying Value | Level 1 | | | | Level 2 | Level 3 |
| | | | | | | | | | |

| | |
|---|---|
| Financial Assets and Financial Liabilities Measured at Fair Value on a Recurring Basis: | Financial Assets and Financial Liabilities Measured at Fair Value on a Recurring Basis: |
| Financial Assets: | Financial Assets: |
| Financial Assets: | Financial Assets: |
| Equity investments | Equity investments |
| Equity investments | Equity investments |
| Convertible notes receivable | Convertible notes receivable |
| Financial Liabilities: | Financial Liabilities: |
| Acquisition-related contingent consideration | Acquisition-related contingent consideration |
| Acquisition-related contingent consideration | Acquisition-related contingent consideration |
| Financial Liabilities Measured at Amortized Cost: | Financial Liabilities Measured at Amortized Cost: |
| Financial Liabilities Measured at Amortized Cost: | Financial Liabilities Measured at Amortized Cost: |
| Term loan A facility due March 2028 | Term loan A facility due March 2028 |
| Term loan A facility due March 2028 | Term loan A facility due March 2028 |
| 0.750% convertible senior notes due 2025 (1) | 0.750% convertible senior notes due 2025 (1) |
| 3.375% convertible senior notes due 2024 (2) | 3.375% convertible senior notes due 2024 (2) |

(1) The closing price of the Company's common stock as reported on the Nasdaq Global Select Market was \$30.68 \$29.22 per share at September 30, 2023 March 31, 2024 compared to a conversion price of \$71.78 per share. At September 30, 2023 March 31, 2024, as the conversion price was above the stock price, the requirements for conversion have not been met. The maximum conversion premium that could have been due on the 2025 Notes is 5.6 million shares of the Company's common stock, which assumes no increase in the conversion rate for certain corporate events.

(2) The 3.375% convertible senior notes due May 2024 matured and were repaid on May 1, 2024.

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

Equity and Convertible Note Investments

The Company holds strategic investments in clinical and preclinical stage privately-held biotechnology companies in the form of equity and convertible note investments. The following investments have no readily determinable fair value and are recorded at cost minus impairment, if any, plus or minus observable price changes of identical or similar

investments (in thousands):

| | | Convertible Notes | | | |
|-------------------------------|------------------------------|--------------------|------------|------------------------------|-------|
| | | Equity Investments | Receivable | Total | |
| Balance at December 31, 2021 | \$ 14,127 | \$ 4,132 | \$ 18,259 | | |
| Purchases | 11,750 | 1,250 | 13,000 | | |
| Impairment | (10,000) | — | (10,000) | | |
| Foreign currency adjustments | — | (67) | (67) | | |
| | | | | | |
| | | | | | |
| | | | | | |
| Equity Investments | | Equity Investments | | Convertible Notes Receivable | Total |
| Balance at December 31, 2022 | Balance at December 31, 2022 | 15,877 | 5,315 | 21,192 | |
| Purchases | Purchases | — | 6,758 | 6,758 | |
| Foreign currency adjustments | Foreign currency adjustments | — | (135) | (135) | |
| Balance at September 30, 2023 | \$ 15,877 | \$ 11,938 | \$ 27,815 | | |
| Foreign currency adjustments | | | | | |
| Foreign currency adjustments | | | | | |
| Balance at December 31, 2023 | | | | | |
| Foreign currency adjustments | | | | | |
| Foreign currency adjustments | | | | | |
| Foreign currency adjustments | | | | | |
| Balance at March 31, 2024 | | | | | |

Acquisition-Related Contingent Consideration

The Company has recognized contingent consideration related to the Flexion Acquisition and the MyoScience Acquisition in the amount of \$24.3 million and \$28.1 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. For more information, see Note 14, *Contingent Consideration Charges (Gains), Restructuring Charges and Other*.

The Company's contingent consideration obligations are recorded at their estimated fair values and are revalued each reporting period if and until the related contingencies are resolved. The Company has measured the fair value of its contingent consideration using a probability-weighted discounted cash flow approach that is based on unobservable inputs and a Monte Carlo simulation. These inputs include, as applicable, estimated probabilities and the timing of achieving specified commercial and regulatory milestones, estimated forecasts of revenue and costs and the discount rates used to calculate the present value of estimated future payments.

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Significant changes may increase or decrease the probabilities of achieving the related commercial and regulatory events, shorten or lengthen the time required to achieve such events, or increase or decrease estimated forecasts.

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In November 2021, the Company completed the Flexion Acquisition, which provided for contingent consideration related to contingent value rights that were issued to Flexion shareholders and certain equity award holders which could aggregate up to a total of \$372.3 million if certain regulatory and commercial milestones are met. The aggregate amount was initially \$425.5 million prior to the Company's September 2022 decision to formally discontinue further development of Flexion's product candidate, PCRX-301. The Company's obligation to make milestone payments is limited to those milestones achieved through December 31, 2030, and are to be paid within 60 days of the end of the fiscal quarter of achievement. During the three months ended **September 30, 2023** **March 31, 2024**, the Company recorded charges a gain of **\$2.8** **\$3.8** million primarily due to market volatility which affects the liability's present value. During the nine months ended **September 30, 2023**, the Company recorded gains of **\$3.8** million due to adjustments to long-term forecasts which reduced an adjustment reflecting the probability of meeting achieving the sales-based contingent consideration milestones remaining regulatory milestone by December 31, 2030, the expiration date for achieving date. During the milestones. The gains recognized during the nine **three** months ended **September 30, 2023** were partially offset by **March 31, 2023**, the Company recorded a charge of **\$11.6** million, which was due to a decrease in to the assumed discount rate that is utilized in calculating the liability's present value, based on a significant improvement in the Company's incremental borrowing rate resulting from the TLA Credit Agreement entered into in March 2023. During the three and nine months ended **September 30, 2022**, the Company recorded gains of **\$0.5** million and **\$13.8** million, respectively, primarily due to adjustments to near-term forecasts for the earnout period of the contingent consideration. These adjustments were recorded as within contingent consideration (gains) charges, (gains), restructuring charges and other in the condensed consolidated statements of operations. At **September 30, 2023** **March 31, 2024**, the weighted average discount rate was **10.6%** and the probability of payment for the achievement of the remaining regulatory milestone by the expiration date was **12.5%** **8.6%**. As of September 30, 2023 and December 31, 2022, a contingent consideration liability related to the Flexion Acquisition was recognized in the amount of **\$24.3** million and **\$28.1** million, respectively.

In April 2019, the Company completed the MyoScience Acquisition pursuant to the terms of an Agreement and Plan of Merger, which provided for contingent milestone payments of up to an aggregate of \$100.0 million upon the achievement of certain regulatory and commercial milestones. The Company's obligation to make milestone payments is limited to those milestones achieved through December 31, 2023, and are to be paid within 60 days of the end of the fiscal quarter of achievement. As of September 30, 2023, the maximum potential remaining milestone payments to be paid are \$43.0 million. At September 30, 2023, the probability of success for the regulatory milestone that has not yet been met was assessed as zero. As of September 30, 2023 and December 31, 2022, a contingent consideration liability related to the MyoScience Acquisition has been assessed as zero. During the three and nine months ended **September 30, 2022**, the Company recognized contingent consideration gains of \$0.5 million and \$9.6 million, respectively, due to the reduced probability of meeting the contingent consideration milestones by December 31, 2023, the expiration date for achieving the milestones.

The following table includes the key assumptions used in the valuation of the Company's contingent consideration:

| Assumption | Flexion Ranges Utilized as of | September 30, 2023 | March 31, 2024 |
|--|-------------------------------|--------------------|----------------|
| Discount rates | 10.1% | 8.0% to 11.1% | 9.3% |
| Probabilities Probability of payment for remaining regulatory milestones | 0% to 12.5% | | |

The change in the Company's contingent consideration recorded at fair value using Level 3 measurements is as follows (in thousands):

| | Contingent Consideration | Fair Value |
|---|--------------------------|------------|
| Balance at December 31, 2021 December 31, 2022 | \$ 57,598 | 28,122 |
| Fair value adjustments and accretion | (29,476) | (3,424) |
| Balance at December 31, 2022 December 31, 2023 | 28,122 | 24,698 |
| Fair value adjustments and accretion | (3,847) | (3,806) |
| Balance at September 30, 2023 March 31, 2024 | \$ 24,275 | 20,892 |

Available-for-Sale Investments

Short-term investments consist of asset-backed securities collateralized by credit card receivables, investment grade commercial paper and corporate, federal agency and government bonds with maturities greater than three months, but less than one year. Noncurrent investments consist of federal agency bonds asset-backed securities collateralized by credit card receivables and government bonds with contain maturities greater than one year but less than three years. Net unrealized gains and losses (excluding credit losses, if any) from the Company's short-term investments are reported in other comprehensive income (loss). At **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, all of the

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Company's short-term and noncurrent investments are classified as available-for-sale investments and are determined to be Level 2 instruments, with the exception of U.S. government bonds, which are measured at fair value using standard industry models with observable inputs. The fair value of the commercial paper is measured based on a standard industry model that uses the three-month U.S. Treasury bill rate as an observable input. The fair value of the asset-backed securities and corporate bonds is principally measured or corroborated by trade data for identical issues in which related trading activity is not sufficiently frequent to be considered a Level 1 input or that of comparable securities. The fair value of U.S. government bonds is based on level 1 trading activity. At the time of purchase, all available-for-sale investments had an "A" or better rating by Standard & Poor's.

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The following summarizes the Company's short-term and noncurrent available-for-sale investments at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** (in thousands):

| September 30, 2023 Investments | | Gross | | Gross | | Fair Value (Level 2) | | |
|--------------------------------|---------------------------|-------------------------------|------------------|-------------------|----------------------|----------------------|----------------------|----------------------|
| | | Cost | Unrealized Gains | Unrealized Losses | Fair Value (Level 2) | | | |
| March 31, 2024 Investments | | March 31, 2024 Investments | | Cost | Unrealized Gains | Unrealized Losses | Fair Value (Level 1) | Fair Value (Level 2) |
| Current: | Current: | | | | | | | |
| Asset-backed securities | Asset-backed securities | \$ 15,473 | \$ — | \$ (32) | \$ 15,441 | | | |
| Asset-backed securities | Asset-backed securities | | | | | | | |
| Commercial paper | Commercial paper | 65,781 | 1 | (110) | 65,672 | | | |
| Corporate bonds | Corporate bonds | | | | | | | |
| U.S. federal agency bonds | U.S. federal agency bonds | 40,332 | \$ — | (116) | 40,216 | | | |
| U.S. government bonds | U.S. government bonds | 14,797 | \$ — | (57) | 14,740 | | | |
| Total | Total | \$136,383 | \$ 1 | \$ (315) | \$136,069 | | | |
| Total | Total | | | | | | | |
| December 31, 2022 Investments | | Gross | | Gross | | Fair Value (Level 2) | | |
| | | Cost | Unrealized Gains | Unrealized Losses | Fair Value (Level 2) | | | |
| December 31, 2023 Investments | | December 31, 2023 Investments | | Cost | Unrealized Gains | Unrealized Losses | Fair Value (Level 1) | Fair Value (Level 2) |
| Current: | Current: | | | | | | | |
| Asset-backed securities | Asset-backed securities | | | | | | | |
| Asset-backed securities | Asset-backed securities | | | | | | | |
| Commercial paper | Commercial paper | 134,423 | 23 | (386) | 134,060 | | | |
| U.S. federal agency bonds | U.S. federal agency bonds | 41,971 | \$ — | (337) | 41,634 | | | |
| U.S. federal agency bonds | U.S. federal agency bonds | | | | | | | |
| U.S. government bonds | U.S. government bonds | 2,003 | \$ — | (18) | 1,985 | | | |

| | | | | | |
|---------------------------|----------|-----------|-------|----------|-----------|
| Subtotal | Subtotal | \$185,233 | \$ 23 | \$ (744) | \$184,512 |
| Noncurrent: Noncurrent: | | | | | |
| Asset-backed securities | | | | | |
| Asset-backed securities | | | | | |
| Asset-backed securities | | | | | |
| U.S. federal agency bonds | 22,783 | 2 | (66) | 22,719 | |
| U.S. government bonds | 14,499 | — | (9) | 14,490 | |
| Subtotal | | | | | |
| Subtotal | | | | | |
| Subtotal | Subtotal | 37,282 | 2 | (75) | 37,209 |
| Total | Total | \$222,515 | \$ 25 | \$ (819) | \$221,721 |

At **September 30, 2023** **March 31, 2024**, there were no investments available for sale that were materially less than their amortized cost.

The Company elects to recognize its interest receivable separate from its available-for-sale investments. At **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the interest receivable from its available-for-sale investments recognized in prepaid expenses and other current assets was **\$0.1 million** and **\$0.4 million**, and **\$0.8 million**, respectively.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, short-term and long-term available-for-sale investments and accounts receivable. The Company maintains its cash and cash equivalents with high-credit quality financial institutions. Such amounts may exceed federally-insured limits.

As of **September 30, 2023** **March 31, 2024**, three wholesalers each accounted for over 10% of the Company's accounts receivable, at 39%, 19% and 16%. At **December 31, 2023**, three wholesalers each accounted for over 10% of the Company's accounts receivable, at 37%, 18% and 15%. At **December 31, 2022**, three wholesalers each accounted for over 10% of the Company's accounts receivable, at 34%, 19% and 18% 16%. For additional information regarding the Company's wholesalers, see Note 2, *Summary of Significant Accounting Policies*. EXPAREL and ZILRETTA revenues are primarily derived from major wholesalers and specialty distributors that generally have significant cash resources. The Company performs ongoing credit evaluations of its customers as warranted and generally does not require collateral. Allowances for credit losses on the Company's accounts receivable are maintained based on historical payment patterns, current and estimated future economic conditions, aging of accounts receivable and its write-off history. As of **September 30, 2023** and **December 31, 2022** **March 31, 2024**, there were \$0.1 million of allowances for credit losses on its accounts receivable associated with iovera®. As of **December 31, 2023**, the Company did not deem any allowances for credit losses on its accounts receivable necessary.

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NOTE 10—STOCKHOLDERS' EQUITY

Accumulated Other Comprehensive Loss/Income (Loss)

The following tables illustrate the changes in the balances of the Company's accumulated other comprehensive loss/income (loss) for the periods presented (in thousands):

| | Net Unrealized Gain (Loss) From Available-For-Sale Investments | Unrealized Foreign Currency Translation | Accumulated Other Comprehensive Loss |
|---|--|--|---|
| Balance at December 31, 2022 | \$ (523) | \$ 143 | \$ (380) |
| Net unrealized gain on investments, net of tax ⁽¹⁾ | 362 | — | 362 |
| Foreign currency translation adjustments | — | 8 | 8 |
| Balance at September 30, 2023 | \$ (161) | \$ 151 | \$ (10) |

| | Net Unrealized Gain (Loss) From Available-For-Sale Investments | Unrealized Foreign Currency Translation | Accumulated Other Comprehensive Income |
|---|--|--|---|
| Balance at December 31, 2023 | \$ 124 | \$ 123 | \$ 247 |
| Net unrealized loss on investments, net of tax ⁽¹⁾ | (108) | — | (108) |
| Foreign currency translation adjustments | — | 13 | 13 |

| | | | |
|---------------------------|-------|--------|--------|
| Balance at March 31, 2024 | \$ 16 | \$ 136 | \$ 152 |
|---------------------------|-------|--------|--------|

| | Net Unrealized (Loss) Gain From Available-For-Sale Investments | Unrealized Foreign Currency Translation | Accumulated Other Comprehensive (Loss) Income |
|---|--|--|--|
| Balance at December 31, 2021 | \$ 139 | \$ 28 | \$ 167 |
| Net unrealized loss on investments, net of tax ⁽¹⁾ | (1,056) | — | (1,056) |
| Foreign currency translation adjustments | — | 219 | 219 |
| Balance at September 30, 2022 | \$ (917) | \$ 247 | \$ (670) |

| | Net Unrealized Gain (Loss) From Available-For-Sale Investments | Unrealized Foreign Currency Translation | Accumulated Other Comprehensive Loss |
|---|--|--|---|
| Balance at December 31, 2022 | \$ (523) | \$ 143 | \$ (380) |
| Net unrealized gain on investments, net of tax ⁽¹⁾ | 251 | — | 251 |
| Foreign currency translation adjustments | — | (8) | (8) |
| Balance at March 31, 2023 | \$ (272) | \$ 135 | \$ (137) |

(1) Net of a nominal tax benefit and \$0.2 million tax expense and \$0.3 million tax benefit for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

Share Repurchase Program

On May 7, 2024, the Company announced that its Board of Directors has approved a new share repurchase program, effective immediately, which authorizes the Company to purchase up to an aggregate of \$150.0 million of the Company's outstanding common stock. Repurchases under this program may be made at management's discretion on the open market or through privately negotiated transactions. The share repurchase program may be suspended or discontinued at any time by the Company and has an expiration date of December 31, 2026.

NOTE 11—STOCK PLANS

Stock Incentive Plans

The Company's Amended and Restated 2011 Stock Incentive Plan, or 2011 Plan, was originally adopted by its board of directors and approved by its stockholders in June 2011 and was amended and restated in June 2014, June 2016, June 2019, June 2021 and June 2023. In June 2023, the Company's stockholders approved the amendment and restatement which increased the number of shares of common stock authorized for issuance as equity awards under the 2011 Plan by 3,300,000 shares. The 2011 Plan allows the granting of incentive stock options, non-statutory stock options, restricted stock units and other stock-based awards.

Stock-Based Compensation

The Company recognized stock-based compensation expense in the periods presented as follows (in thousands):

| | Three Months Ended | | Nine Months Ended | | | |
|---------------------------------------|-----------------------|----------|-------------------|----------|------|--|
| | September 30, | | September 30, | | | |
| | 2023 | 2022 | 2023 | 2022 | | |
| Three Months Ended March 31, | | | | | | |
| Three Months Ended March 31, | | | | | | |
| Three Months Ended March 31, | | | | | | |
| 2024 | | | 2024 | | 2023 | |
| Cost of goods sold | \$ 1,272 | \$ 1,599 | \$ 4,432 | \$ 4,429 | | |

| | | | | | |
|---|-------------------------------------|----------|----------|----------|----------|
| Research and development | Research and development | 2,220 | 1,783 | 5,817 | 4,761 |
| Selling, general and administrative | Selling, general and administrative | 9,038 | 9,300 | 25,226 | 26,225 |
| Contingent consideration (gains) charges, restructuring charges and other | | | | | |
| Total | Total | \$12,530 | \$12,682 | \$35,475 | \$35,415 |
| Stock-based compensation | Stock-based compensation | | | | |
| from: | from: | | | | |
| Stock-based compensation | | | | | |
| from: | | | | | |
| Stock-based compensation | | | | | |
| from: | | | | | |
| Stock options | | | | | |
| Stock options | | | | | |
| Stock options | Stock options | \$ 5,957 | \$ 6,711 | \$18,163 | \$20,038 |
| Restricted stock units | Restricted stock units | 6,373 | 5,758 | 16,592 | 14,588 |
| Employee stock purchase plan | Employee stock purchase plan | 200 | 213 | 720 | 789 |
| Total | Total | \$12,530 | \$12,682 | \$35,475 | \$35,415 |

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Equity Awards

The following tables contain information about the Company's stock option and restricted stock unit, or RSU, activity for the **nine** **three** months ended **September 30, 2023** **March 31, 2024**:

| Stock Options | Stock Options | Number of Stock Options | Exercise Price (Per Share) | Number of Stock Options | Weighted Average Exercise Price (Per Share) |
|----------------------------------|---------------|-------------------------|----------------------------|-------------------------|---|
| Outstanding at December 31, 2022 | | 6,272,994 | \$ 52.38 | | |
| Outstanding at December 31, 2023 | | | | | |
| Granted | Granted | 1,435,143 | 39.13 | | |
| Exercised | | (62,680) | 30.93 | | |
| Forfeited | | | | | |
| Forfeited | | | | | |
| Forfeited | Forfeited | (195,249) | 53.65 | | |
| Expired | Expired | (339,565) | 53.15 | | |

| Outstanding at September 30, 2023 | | 7,110,643 | 49.82 | | |
|--|------------------------------|--|--|--|--|
| Outstanding at March 31, 2024 | | | | | |
| Restricted Stock Units | Restricted Stock Units | Weighted Average Grant Date Fair Value (Per Share) | Number of Restricted Stock Units | Number of Restricted Stock Units | Weighted Average Grant Date Fair Value (Per Share) |
| | | Restricted Stock Units | Number of Restricted Stock Units | | |
| Unvested at December 31, 2022 | 1,149,462 | \$ 57.26 | | | |
| Unvested at December 31, 2023 | | | | | |
| Granted | Granted | 774,462 | 39.20 | | |
| Vested | Vested | (385,732) | 55.05 | | |
| Forfeited | Forfeited | (143,866) | 55.39 | | |
| Unvested at September 30, 2023 | 1,394,326 | 48.01 | | | |
| Unvested at March 31, 2024 | | | | | |

The weighted average fair value of stock options granted during the **nine three** months ended **September 30, 2023** was **\$16.21** **March 31, 2024** was **\$13.65** per share. The fair values of stock options granted were estimated using the Black-Scholes option valuation model with the following weighted average assumptions:

| | Nine Three Months Ended | September 30, 2023 | March 31, |
|--|--------------------------------|---------------------------|------------------|
| | 2024 | | |
| Black-Scholes Weighted Average Assumption | | | |
| Expected dividend yield | | None | |
| Risk-free interest rate | 4.00% | 3.92% | |
| Expected volatility | 41.32% | 40.94% | |
| Expected term of options | 4.86 | 5.28 years | |

Employee Stock Purchase Plan

The Company's Amended and Restated 2014 Employee Stock Purchase Plan, or ESPP, features two six-month offering periods per year, running from January 1 to June 30 and July 1 to December 31. Under the ESPP, employees may elect to contribute after-tax earnings to purchase shares at 85% of the closing fair market value of the Company's common stock on either the offering date or the purchase date, whichever is lesser. During the **nine three** months ended **September 30, 2023** **March 31, 2024**, **50,634** **no** shares were purchased and issued through the ESPP.

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NOTE 12—NET INCOME (LOSS) PER SHARE

Basic and diluted net income (loss) per common share is calculated by dividing the net income (loss) attributable to common shares by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per common share is calculated by dividing the net income (loss) attributable to common shares by the weighted average number of common shares outstanding plus dilutive potential common shares outstanding during the period.

Potential common shares include the shares of common stock issuable upon the exercise of outstanding stock options, the vesting of RSUs and the purchase of shares from the ESPP (using the treasury stock method), if applicable. Potential common shares associated with convertible notes are treated under the if-converted method, adjustments are made to the diluted net income (loss) per common share calculation as if the Company had converted the convertible debt on the first day of each period presented. Adjustments to the numerator are made to add back the interest expense associated with the convertible debt on a post-tax basis. Adjustments to the denominator reflect the number of shares assumed to be convertible at the beginning of the period.

Potential common shares are excluded from the diluted net income (loss) per common share computation to the extent they would be antidilutive.

The following table sets forth the computation of basic and diluted net income (loss) per common share for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (in thousands, except per share amounts):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|---------------|------------------------------------|---------------|
| | 2023 | 2022 | 2023 | 2022 |
| Numerator: | | | | |
| Net income (loss)—basic | \$ 10,858 | \$ (693) | \$ 17,085 | \$ 26,011 |
| ASU 2020-06 convertible notes if-converted method adjustment | 1,029 | — | — | 3,112 |
| Adjusted net income (loss)—diluted | \$ 11,887 | \$ (693) | \$ 17,085 | \$ 29,123 |
| Denominator: | | | | |
| Weighted average common shares outstanding—basic | 46,416 | 45,831 | 46,151 | 45,400 |
| Computation of diluted securities: | | | | |
| ASU 2020-06 convertible notes if-converted method adjustment | 5,608 | — | — | 5,608 |
| Dilutive effect of stock options | 20 | — | 68 | 937 |
| Dilutive effect of RSUs | 23 | — | 122 | 272 |
| Dilutive effect of ESPP purchase options | — | — | 2 | 3 |
| Weighted average common shares outstanding—diluted | <u>52,067</u> | <u>45,831</u> | <u>46,343</u> | <u>52,220</u> |
| Net income per share: | | | | |
| Basic net income (loss) per common share | \$ 0.23 | \$ (0.02) | \$ 0.37 | \$ 0.57 |
| Diluted net income (loss) per common share | \$ 0.23 | \$ (0.02) | \$ 0.37 | \$ 0.56 |

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| | Three Months Ended March 31, | |
|--|---------------------------------|--------------------|
| | 2024 | 2023 |
| Numerator: | | |
| Net income (loss)—basic | \$ 8,979 | \$ (19,536) |
| ASU 2020-06 convertible notes if-converted method adjustment | 1,029 | — |
| Adjusted net income (loss)—diluted | <u>\$ 10,008</u> | <u>\$ (19,536)</u> |
| Denominator: | | |
| Weighted average common shares outstanding—basic | 46,499 | 45,949 |
| Computation of diluted securities: | | |
| ASU 2020-06 convertible notes if-converted method adjustment | 5,608 | — |
| Dilutive effect of stock options | 1 | — |
| Dilutive effect of RSUs | 85 | — |
| Weighted average common shares outstanding—diluted | <u>52,193</u> | <u>45,949</u> |
| Net income (loss) per share: | | |
| Basic and diluted net income (loss) per common share | \$ 0.19 | \$ (0.43) |

The following table summarizes the outstanding stock options, RSUs, ESPP purchase options and convertible senior notes that were excluded from the diluted net income (loss) per common share calculation because the effects of including these potential shares were antidilutive in the periods presented (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------|------------------------------------|------|
| | 2023 | 2022 | 2023 | 2022 |
| Three Months Ended March 31, | | | | |
| Three Months Ended March 31, | | | | |
| Three Months Ended March 31, | | | | |
| Three Months Ended March 31, | | | | |

| | 2024 | | | | 2023 | | | |
|--|--|--------|--------|-------|-------|-------|-------|-----|
| Weighted average number of stock options | Weighted average number of stock options | | | | | | | |
| Convertible senior notes | 7,057 | 6,344 | 5,953 | 2,439 | — | 5,608 | 5,608 | 797 |
| Convertible senior notes ⁽¹⁾ | | | | | | | | |
| Weighted average number of RSUs | Weighted average number of RSUs | | | | | | | |
| Weighted average ESPP purchase options | 1,349 | 1,180 | 956 | 277 | 39 | — | 13 | — |
| Total | 8,445 | 13,132 | 12,530 | 3,513 | Total | | | |

For (1) The convertible senior notes were antidilutive for the three months ended September 30, 2022 and nine months ended September 30, 2023 March 31, 2023, in conjunction with a \$1.0 million if-converted method adjustment to the antidilutive impact numerator that adds back the interest expense associated with the Company's convertible senior notes would have included an interest expense add-back to net income of \$1.0 million and \$3.1 million, respectively, on a post-tax basis.

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NOTE 13—INCOME TAXES

Income (loss) before income taxes and income tax expense (benefit) are as follows (dollar amounts in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | | 2024 | 2023 | | |
|-------------------------------------|----------------------------------|----------|---------------------------------|----------|----------|------|--|--|
| | 2023 | 2022 | 2023 | 2022 | | | | |
| Three Months Ended March 31, | | | | | | | | |
| Three Months Ended March 31, | | | | | | | | |
| Three Months Ended March 31, | | | | | | | | |
| Income (loss) before income taxes: | | | | | | | | |
| Domestic | Domestic | \$16,631 | \$9,230 | \$29,047 | \$39,610 | | | |
| Domestic | Domestic | | | | | | | |
| Foreign | Foreign | (30) | (7,161) | (1,066) | (8,240) | | | |
| Total income before income taxes | | \$16,601 | \$2,069 | \$27,981 | \$31,370 | | | |

| | | | | | | |
|---|--------------------|----------|-----------|----------|------|--------------------|
| Total income (loss) before income taxes | | | | | | |
| Income tax expense | \$ 5,743 | \$ 2,762 | \$ 10,896 | \$ 5,359 | | |
| Income tax expense (benefit) | | | | | | |
| Income tax expense (benefit) | | | | | | |
| Income tax expense (benefit) | | | | | | |
| Effective tax rate | Effective tax rate | 35 % | 133 % | 39 % | 17 % | Effective tax rate |
| | | | | | 34 % | 26 % |

The Company's income tax expense (benefit) represents the estimated annual effective tax rate applied to the year-to-date domestic operating results adjusted for certain discrete tax items.

The Company's effective tax rates rate for the three and nine months ended September 30, 2023 March 31, 2024 include costs related to non-deductible stock-based compensation and non-deductible executive compensation, partially offset by tax credits and a fair value adjustment for Flexion contingent consideration.

The Company's effective tax rates rate for the three and nine months ended September 30, 2022 include March 31, 2023 includes costs related to non-deductible executive compensation, valuation allowances recorded against non-U.S. operating results and U.S. capital losses, partially offset by benefits for a first quarter Skypharma milestone payment, a fair value adjustment for to Flexion contingent consideration and the impact of a valuation allowance recorded against non-U.S. results, partially offset by tax credits and stock-based compensation adjustments. benefits.

Pacira BioSciences, Inc. | Q3 2023 Form 10-Q | Page 26 As of March 31, 2024 and December 31, 2023, the Company has an income tax payable balance of \$1.0 million that is included in other liabilities within the condensed consolidated balance sheets.

NOTE 14—CONTINGENT CONSIDERATION (GAINS) CHARGES, (GAINS), RESTRUCTURING CHARGES AND OTHER

Contingent consideration (gains) charges, (gains), restructuring charges and other for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 summarized below (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|--------|-------------------|-------------|
| | September 30, | | September 30, | |
| | 2023 | 2022 | 2023 | 2022 |
| Severance-related expenses | \$ — | \$ 194 | \$ — | \$ 4,259 |
| Acquisition-related fees | 390 | 905 | 1,588 | 4,918 |
| Other acquisition expenses | — | 433 | — | 985 |
| Total acquisition-related charges | 390 | 1,532 | 1,588 | 10,162 |
| Flexion contingent consideration | 2,793 | (520) | (3,847) | (13,837) |
| MyoScience contingent consideration | — | (523) | — | (9,557) |
| Restructuring charges | 173 | — | 1,109 | — |
| Total contingent consideration charges (gains), restructuring charges and other | \$ 3,356 | \$ 489 | \$ (1,150) | \$ (13,232) |

| | Three Months Ended | |
|---|--------------------|-----------|
| | March 31, | |
| | 2024 | 2023 |
| Flexion contingent consideration | \$ (3,806) | \$ 11,618 |
| Restructuring charges | 5,535 | — |
| Acquisition-related fees | 174 | 489 |
| Total contingent consideration (gains) charges, restructuring charges and other | \$ 1,903 | \$ 12,107 |

Flexion Acquisition and Contingent Consideration

The Company recognized acquisition-related costs of \$0.4 million and \$1.6 million during the three and nine months ended September 30, 2023 and March 31, 2024, respectively, primarily related to vacant and underutilized Flexion leases. The Company recognized acquisition-related costs of \$1.5 and \$3.8 million and \$10.2 million during contingent consideration gain. During the three and nine months ended September 30, 2022, respectively, primarily related to severance, legal fees, third-party services and other one-time charges.

The Company recognized \$2.8 million of contingent consideration charges and \$3.8 million of contingent consideration gains during the three and nine months ended September 30, 2023, respectively. The Company recognized \$0.5 million and \$13.8 million of contingent consideration gains during the three and nine months ended September 30, 2022, respectively. See Note 9, *Financial Instruments*, for information regarding the method and key assumptions used in the fair value measurements of contingent consideration and more information regarding the changes in fair value.

MyoScience Contingent Consideration

The Company recognized \$0.5 million and \$9.6 million of contingent consideration gains during the three and nine months ended September 30, 2022, respectively. See Note 9, *Financial Instruments*, for information regarding the method, key assumptions used in the fair value measurements of contingent consideration and more information regarding the changes in fair value.

Restructuring Charges

In June 2023, the Company implemented a restructuring plan in an effort to improve its operational efficiencies, ensure it is well positioned for long-term growth. The restructuring plan includes: (i) reshaping the Company's executive team, (ii) reallocating efforts and resources from the Company's ex-U.S. and certain early-stage development programs to its commercial portfolio in the U.S. market and (iii) reprioritizing investments to focus on commercial readiness for the implementation of separate Medicare reimbursement for EXPAREL at average sales price plus 6 percent in outpatient settings beginning in January 2025 and broader commercial initiatives in key areas, such as strategic national accounts, marketing and market access and reimbursement. The Company recognized \$5.5 million of restructuring charges are predominantly for the three months ended March 31, 2024 related to one-time employee termination benefits, through a reduction of headcount, such as the acceleration of share-based compensation, severance, and, related to a lesser extent, other employment-related

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termination costs, as well as contract termination costs. During The Company's restructuring charges as of March 31, 2024, including the three beginning and ending liability balances, nine months ended September 30, 2023, are summarized below (in thousands):

| | Employee Termination Benefits (1) | Contract Termination Costs | Total |
|------------------------------|-----------------------------------|----------------------------|----------|
| Balance at December 31, 2023 | \$ — | \$ — | \$ — |
| Charges incurred | 2,567 | 733 | 3,300 |
| Cash payments made / settled | (386) | — | (386) |
| Balance at March 31, 2024 | \$ 2,181 | \$ 733 | \$ 2,914 |

(1) During the three months ended March 31, 2024, there was \$2.2 million of employee termination benefits related to share-based compensation excluded from the table above as they are non-cash and recorded against additional paid-in capital.

Acquisition-Related Fees

The Company recognized acquisition-related costs of \$0.2 million and \$1.1 million during the three months ended of restructuring charges, of which substantially all has been paid. March 31, 2024 and 2023, respectively, primarily related to vacant and underutilized Flexion leases that were assumed from the Flexion Acquisition.

NOTE 15—COMMITMENTS AND CONTINGENCIES

From time to time, the Company has been and may again become involved in legal proceedings arising in the ordinary course of its business, including those related to its patents and intellectual property, product liability and government investigations. Except as described below, the Company is not presently a party to any legal proceedings that it believes to be material, and is not aware of any pending or threatened litigation against the Company which it believes could have a material adverse effect on its business, operating results, financial condition or cash flows.

MyoScience Milestone Litigation

In August 2020, the Company and its subsidiary, Pacira CryoTech, Inc. ("Pacira CryoTech"), filed a lawsuit in the Court of Chancery of the State of Delaware against Fortis Advisors LLC ("Fortis"), solely in its capacity as representative for the former securityholders of MyoScience, and certain other defendants, seeking declaratory judgment with respect to certain terms of the merger agreement for the MyoScience Acquisition (the "MyoScience Merger Agreement"), specifically related to the achievement of certain milestone payments under the MyoScience Merger Agreement. In addition, the Company and Pacira

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CryoTech sought general, special and compensatory damages against the other defendants related to breach of fiduciary duties in connection with the purported achievement of milestone payments under the MyoScience Merger Agreement, and breach of the MyoScience Merger Agreement and certain other agreements with the defendants. In October 2020, Fortis filed an answer and counterclaim against the Company and Pacira CryoTech seeking to recover certain milestone payments under the MyoScience Merger Agreement. The total remaining value of these milestones is \$30.0 million, plus attorneys' fees.

A trial was conducted in September 2023, and a decision is expected in the second half of 2024. The Company is unable to predict the outcome of this action at this time.

eVenus Pharmaceutical Laboratories Litigations

In October 2021, the Company received a Notice Letter advising that eVenus Pharmaceutical Laboratories, Inc., or eVenus, of Princeton, New Jersey, submitted to the FDA an Abbreviated New Drug Application, or ANDA with a Paragraph IV certification seeking authorization for the manufacturing and marketing of a generic version of EXPAREL (266 mg/20 mL) in the U.S. prior to the expiration of U.S. Patent No. 11,033,495 (the '495 patent).

In November 2021, the Company filed a patent infringement suit against eVenus and its parent company in the U.S. District Court for the District of New Jersey (21-cv-19829) asserting infringement of the '495 patent. This triggered an automatic 30-month stay of final approval of the eVenus ANDA which expires on July 1, 2024. On January 6, 2022, eVenus filed an Answer with counterclaims to the Complaint, alleging the '495 patent is invalid and/or not infringed through the manufacture, sale, or offer for sale of the product described in product described in eVenus's ANDA submission.

In December 2021, the Company received a second Notice Letter advising that eVenus submitted to the FDA an amendment to its ANDA with a Paragraph IV Certification seeking authorization for the manufacturing and marketing of a generic version of EXPAREL (133 mg/10 mL) in the U.S. prior to the expiration of the '495 patent. In the second Notice Letter, eVenus also advised that it submitted a Paragraph IV Certification to the FDA seeking authorization for the manufacturing and marketing of a generic version of EXPAREL (266 mg/20 mL and 133 mg/10 mL) in the U.S. prior to the expiration of U.S.

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Patent No. 11,179,336 (the '336 patent). eVenus further alleges in the Notice Letter that both the '495 patent and the '336 patent are invalid and/or not infringed.

In February 2022, the Company filed a second patent infringement suit against eVenus and its parent company in the U.S. District Court for the District of New Jersey (22-cv-00718) asserting that the 133 mg/10 mL ANDA product will infringe the '495 and '336 patents and that the 266 mg/20 mL ANDA product will infringe the '336 patent. This filing triggered a second automatic 30-month stay of final approval for the 133 mg/10 mL ANDA product which expires on July 1, 2024. The first and second patent infringement suits were consolidated.

In February 2023, eVenus filed its first amended answer to the first amended complaint, alleging patent invalidity, non-infringement and inequitable conduct. The Company has denied the allegations in eVenus's first amended answer. The Company has subsequently voluntarily dismissed its claims with respect to the '336 Patent. A The trial on the remaining claims is currently scheduled for claim was conducted in February 2024 with a decision expected in the coming months.

In April 2023, the Company filed a third patent infringement suit against eVenus, its parent company, and Fresenius Kabi USA, LLC, in the U.S. District Court for the District of New Jersey (23-cv-2367) asserting that the 133 mg/10 mL and 266 mg/20 mL ANDA products will infringe U.S. Patent No. 11,426,348 (the '348 patent). In July 2023, eVenus filed its answer with claims for declaratory judgment, alleging patent invalidity, non-infringement and inequitable conduct with respect to the '348 patent as well as the Company's other patents, U.S. Patent Nos. 11,278,494; 11,304,904; 11,311,486; 11,357,727 and 11,452,691. The parties have subsequently dismissed all patents other than the '348 patent from this litigation.

The Company is unable to predict the outcome of this litigation these litigations at this time.

Research Development Foundation

Pursuant to an agreement with the Research Development Foundation, or RDF, the Company was required to pay RDF a low single-digit royalty on the collection of revenues from certain products, for as long as certain patents assigned to the Company under the agreement remain valid. RDF has the right to terminate the agreement for an uncured material breach by the Company, in connection with its bankruptcy or insolvency or if it directly or indirectly opposes or disputes the validity of the assigned patent rights. The Company's '495 patent was issued on June 15, 2021. Thereafter, RDF asserted that the issuance of that patent extends the Company's royalty obligations under the agreement until 2041. The Company believes that the royalty period under the agreement ended on December 24, 2021 with the expiration of its U.S. Patent No. 9,585,838. Because of the disagreement over the interpretation of the agreement, in December 2021, the Company filed a declaratory judgment

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lawsuit in the U.S. District Court for the District of Nevada (21-cv-02241). The lawsuit seeks a declaration from the court that the Company owes no royalties to RDF with respect to its EXPAREL product after December 24, 2021.

On August 8, 2023, the United States U.S. District Court, District of Nevada, granted the Company's motion for partial summary judgment in respect to the Company's claim for a declaration that it no longer owes royalties for EXPAREL made under the 45-liter manufacturing process as of December 24, 2021. As a result, the Company expects to receive

\$14.5 million from RDF, representing the royalties that the Company paid to RDF under protest after December 24, 2021 for EXPAREL made from the 45-liter manufacturing process. Once it becomes probable that the settlement amount will be received, the Company will record a settlement gain within other operating expenses income (expense), net in the condensed consolidated statement of operations. In November 2023, the U.S. District Court, District of Nevada conducted a mediation that did not result in a settlement. During the pendency of the remaining lawsuit, the Company will continue to pay royalties associated with the 200-liter EXPAREL manufacturing process to RDF under protest. A trial is currently scheduled for September 2024. The Company is unable to predict the outcome of this action at this time.

Other Commitments and Contingencies

Pediatric Trial Commitments

The FDA, as a condition of EXPAREL approval, has required the Company to study EXPAREL for infiltration and as a brachial plexus block in the pediatric setting. The Company was granted deferrals for the required pediatric trials until after the indications were approved in adults. Similarly, in Europe, the Company agreed with the European Medicines Agency, or EMA, on a Pediatric Investigation Plan as a prerequisite for submitting a Marketing Authorization Application (MAA) in the E.U. Despite the U.K.'s withdrawal from the E.U., the agreed pediatric plan is applicable in the U.K.

In December 2019, the Company announced positive results for its extended pharmacokinetic and safety study ("PLAY") for local analgesia in children aged six to 17 undergoing cardiovascular or spine surgeries. Those positive results were the basis for the submission of a supplemental New Drug Application, or sNDA, in the U.S. to include use in patients six years of age and older for single-dose infiltration to produce postsurgical local analgesia. In March 2021, the Company announced that the FDA approved the sNDA in the U.S. In the E.U. and U.K., the Company also submitted the results of the PLAY study as Type II variations in the E.U. and U.K. to include the use of EXPAREL in children aged six years or older as a field block for treatment of somatic post-operative pain for small- to medium-sized wounds. The EMA and the Medicines and Healthcare Products Regulatory Agency, or MHRA, in the U.K. both approved the variations in their respective regions in November 2022. The Company received notification from the FDA in October 2023 that its pediatric studies requirement had been waived for the indication of brachial plexus interscalene nerve block to produce postsurgical regional analgesia in pediatric patients. The Company is still working with the FDA, EMA and MHRA to finalize the regulatory pathways for its remaining pediatric commitments.

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Contingent Milestone Payments

Refer to Note 9, *Financial Instruments*, for information on potential contingent milestone payments related to the Flexion Acquisition and MyoScience Acquisition.

PCRX-201

PCRX-201, a novel, intra-articular gene therapy product candidate that produces the anti-inflammatory protein interleukin-1 receptor antagonist (IL-1Ra) treating OA pain in the knee, was added to the Company's portfolio as part of the Flexion Acquisition in November 2021. Prior to the Flexion Acquisition, in February 2017, Flexion entered into an agreement with GQ Bio Therapeutics GmbH (formerly named GeneQuine Biotherapeutics GmbH) to acquire the global rights to PCRX-201, a gene therapy product candidate. As part of the agreement, up to an aggregate of \$56.0 million of payments could become due upon the achievement of certain development and regulatory milestones, including up to \$4.5 million through initiation of a Phase 2 proof of concept clinical trial and, following successful proof of concept, up to an additional \$51.5 million in development and global regulatory approval milestone payments.

In February 2024, the FDA granted a Regenerative Medicine Advanced Therapy (RMAT) designation to PCRX-201 for the treatment of OA pain of the knee.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) and in accordance with the rules and regulations of the United States Securities and Exchange Commission, or SEC.

This Quarterly Report on Form 10-Q and certain other communications made by us contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995, including, without limitation, statements related to: the Flexion Acquisition (as defined below) and the costs and benefits thereof, our growth and future operating results and trends, our strategy, plans, objectives, expectations (financial or otherwise) and intentions, future financial results and growth potential, including our plans with respect to the repayment of our indebtedness, anticipated product portfolio, development programs, patent terms, development of products, strategic alliances and intellectual property, property and any other statements that are not historical facts. For this purpose, any statement that is not a statement of historical fact should be considered a forward-looking statement. We often use the words "anticipate," "believe," "anticipate," "can," "plan," "could," "estimate," "expect," "intend," "may," "plan," "project," "should," "will," "would," "could," "can" "would" and similar expressions to help identify forward-looking statements. We cannot assure you that our estimates, assumptions and expectations will prove to have been correct. Actual results may differ materially from those indicated by such forward-looking statements as a result of various important factors, including risks relating to, among others: the successful transition integration of our new chief executive officer and chairman, officer, risks associated with acquisitions, such as the risk that the acquired businesses will not be integrated successfully, that such integration may be more difficult, time-consuming or costly than expected or that the expected benefits of the transaction will not occur; the lingering impact of the COVID-19 pandemic on elective surgeries, our

manufacturing and supply chain, global and United States, or U.S., economic conditions (including inflation and rising interest rates), and our business, including our revenues, financial condition, cash flows and results of operations; the success of our sales and manufacturing efforts in support of the commercialization of EXPAREL® (bupivacaine liposome injectable suspension), ZILRETTA® (triamcinolone acetonide extended-release injectable suspension) and iovera®; the rate and degree of market acceptance of EXPAREL, ZILRETTA and iovera®; the size and growth of the potential markets for EXPAREL, ZILRETTA and iovera® and our ability to serve those markets; our plans to expand the use of EXPAREL, ZILRETTA and iovera® to additional indications and opportunities, and the timing and success of any related clinical trials for EXPAREL, ZILRETTA and iovera®; the commercial success of EXPAREL, ZILRETTA and iovera®; the related timing and success of United States Food and Drug Administration, or FDA, supplemental New Drug Applications, or sNDAs, and premarket notification 510(k)s; the related timing and success of European Medicines Agency, or EMA, Marketing Authorization Applications, or MAAs; our plans to evaluate, develop and pursue additional product candidates utilizing our proprietary multivesicular liposome, or pMVL, drug delivery technology; the approval of the commercialization of our products in other jurisdictions; clinical trials in support of an existing or potential pMVL-based product; our commercialization and marketing capabilities; our ability to successfully complete an EXPAREL capacity expansion project in San Diego, California; our ability to successfully complete a ZILRETTA capital project in Swindon, England; projects; the outcome of any litigation; the ability to successfully integrate any future acquisitions into our existing business; the recoverability of our deferred tax assets; and assumptions associated with contingent consideration payments; payments; and the anticipated funding or benefits of our share repurchase program.

Important factors could cause our actual results to differ materially from those indicated or implied by forward-looking statements, and as such we anticipate that subsequent events and developments will cause our views to change. Except as required by applicable law, we undertake no intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, and readers should not rely on the forward-looking statements as representing our views as of any date subsequent to the date of the filing of this Quarterly Report on Form 10-Q.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by these statements. These factors include items mentioned herein and the matters discussed and referenced in Part I-Item 1A. "Risk Factors" included in our [Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023](#) (the "2022" "2023 Annual Report") and in other reports as filed with the SEC.

Unless the context requires otherwise, references to "Pacira," "we," the "Company," "our," "us" and "our" "we" in this Quarterly Report on Form 10-Q refer to Pacira BioSciences, Inc. and its subsidiaries.

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Overview

Pacira is the industry therapeutic area leader in our commitment to non-opioid pain management and with a stated corporate mission of providing non-opioid pain management options to as many patients as possible to redefine and redefining the role of opioids as for rescue therapy only. We are also developing innovative interventions to address debilitating conditions involving the sympathetic nervous system, such as cardiac electrical storm, chronic pain and spasticity. Our long-acting, local analgesic EXPAREL® (bupivacaine liposome injectable suspension) utilizes our unique pMVL drug delivery technology that encapsulates drugs without altering their molecular structure and releases them over a desired period of time. In the U.S., EXPAREL is a long-acting, non-opioid option proven to manage postsurgical pain. EXPAREL is the only opioid-free, long-acting product indicated for local and regional analgesic approved for analgesia via infiltration field blocks and interscalene brachial plexus nerve block to produce local or regional postsurgical analgesia. EXPAREL is also approved for infiltration in pediatric patients aged six years and older and regional analgesia via interscalene brachial plexus nerve block, sciatic nerve block in the U.S. popliteal fossa and adductor canal block in adults. In Europe, EXPAREL is approved as a brachial plexus block or femoral nerve block for treatment of post-operative pain in adults, and as a field block for treatment of somatic post-operative pain from small- to medium-sized surgical wounds in adults and children aged six years and older. Since its initial approval in 2011, more than 13 14 million patients have been treated with EXPAREL. We drop-ship EXPAREL directly to end-users based on orders placed to wholesalers or directly to us, and there is no product held by wholesalers. With the acquisition of Flexion Therapeutics, Inc., or Flexion, in November 2021 (the "Flexion Acquisition"), we acquired ZILRETTA® (triamcinolone acetonide extended-release injectable suspension), the first and only extended-release, intra-articular, or IA, therapy that can provide major relief for osteoarthritis, or OA, knee pain for three months and has the potential to become an alternative to hyaluronic acid, platelet rich plasma injections or other early intervention treatments. With the acquisition of MyoScience, Inc., or MyoScience, in April 2019 (the "MyoScience Acquisition"), we acquired iovera®, a handheld cryoanalgesia device used to deliver a precise, controlled application of cold temperature to targeted nerves, which we sell directly to end users. EXPAREL, ZILRETTA and the iovera® system are highly complementary products as long-acting, non-opioid therapies that alleviate pain.

We expect to continue to pursue the expanded use of EXPAREL, ZILRETTA and iovera® in additional procedures; progress our earlier-stage product candidate pipeline; advance regulatory activities for EXPAREL, ZILRETTA, iovera®, PCRX-201 and our other product candidates; invest in sales and marketing resources for EXPAREL, ZILRETTA and iovera®; expand and enhance our manufacturing capacity for EXPAREL, ZILRETTA and iovera®; invest in products, businesses and technologies; and support legal matters.

Global Economic Conditions

Direct and indirect effects of global economic conditions have in the past, and may continue to, negatively impact our business, financial condition and results of operations. Such impacts may include but are not limited to, the effect of prolonged periods of inflation on which could, among other things, result in higher costs for labor, raw materials and services; cause patients to defer or cancel medical procedures, thereby adversely impacting our customers' revenues; and negatively impact our suppliers and which could result in longer lead-times or the inability to secure a sufficient supply of materials. The current macroeconomic environment remains dynamic and subject to rapid and possibly material changes. Additional negative impacts may also arise that we are unable to foresee. The nature and extent of such impacts are subject to material change, and will depend on future developments, which are dynamic, highly uncertain and cannot be predicted.

Recent Highlights

- In October 2023, we announced February 2024, the appointments FDA approved our sNDA for a 200-liter EXPAREL manufacturing suite at our Science Center Campus in San Diego, California. We expect to start selling commercial product manufactured in this 200-liter suite later this year, which could help drive a more favorable cost of Marcelo Bigal, MD, PhD, Abraham Ceesay, Michael Yang commercial product sold and Alethia Young to our Board of Directors. Each of the new directors adds diversity of experience and background to the Pacira board of directors, while also enhancing racial and gender diversity. Following these director appointments, Pacira now has 12 experienced directors, all with relevant industry experience. benefit EXPAREL gross margins over time.
- In October 2023, we announced February 2024, the FDA granted a grant of \$2.5 million Regenerative Medicine Advanced Therapy, or RMAT, designation to the American Society of Anesthesiologists, or ASA, Charitable Foundation, to advance the medical specialty of anesthesiology and pain medicine; facilitate best-in-class clinician education and improve patient care. We also joined ASA's Industry Supporter Program to support the Society's more than 56,000 physician anesthesiologist members to improve patient care and reduce reliance on opioids PCRX-201 (enekinragene inzadenovec), our novel IA helper-dependent adenovirus (HAd) gene therapy product candidate that codes for interleukin-1 receptor antagonist (IL-1Ra) for the treatment of postsurgical OA pain of the knee. The RMAT application was supported by the preliminary safety and efficacy findings from a Phase 1 open-label, proof-of-concept, single ascending dose trial that enrolled 72 patients in two three-dose cohorts: a co-administered IA steroid cohort and a cohort that did not receive a steroid. PCRX-201 was well tolerated, with efficacy observed through at least 52 weeks at all doses and cohorts. Established under the 21st Century Cures Act, RMAT designation is a dedicated program designed to expedite the development and review processes for promising therapies—including genetic therapies—that are intended to treat, modify, reverse, or chronic pain. As cure a serious or life-threatening disease or condition, and for which preliminary clinical evidence indicates that the drug or therapy has the potential to address an Industry Supporter, Pacira is helping to establish a strong, mutually beneficial relationship with the anesthesiology community, strengthen collaboration between physician anesthesiologists and industry, and add to the value the Society provides to patients and the public, while providing invaluable year-round support of ASA programs and priorities related to non-opioid alternatives and postsurgical care, unmet medical need.

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- In March 2024, the United States Patent and Trademark Office issued Patent No. 11,925,706 (the '706 patent) claiming composition of matter, Patent No. 11,918,565 (the '565 patent) claiming method of use as a sciatic nerve block in the popliteal fossa and Patent No. 11,931,459 (the '459 patent) claiming method of use in pediatric patients. Each of these EXPAREL patents are listed in the FDA's "Approved Drug Products with Therapeutic Equivalence Evaluations" (the "Orange Book"). The '706 patent has an expiration date of January 22, 2041 and the '459 and '565 patents have expiration dates of March 17, 2042 and February 2, 2043, respectively.
- In April 2024, investigators presented encouraging preliminary results from a 72-patient study of PCRX-201 data at the Osteoarthritis Research Society International, or OARSI, 2024 World Congress in Vienna, Austria. The data showed that a single IA injection of PCRX-201 demonstrated sustained clinical effect as assessed by patient-reported outcomes at all dose levels for at least one-year post-injection. Importantly, PCRX-201 was shown to be well-tolerated with a favorable safety profile. We expect to submit updated data demonstrating PCRX-201's effectiveness through two years for presentation at a medical meeting in the second half of 2024.
- On May 7, 2024, we announced that the Board of Directors has approved a new share repurchase program—effective immediately—which authorizes us to purchase up to an aggregate of \$150.0 million of our outstanding common stock. Repurchases under this program may be made at management's discretion on the open market or through privately negotiated transactions. The share repurchase program may be suspended or discontinued at any time by the Company and has an expiration date of December 31, 2026. We expect to fund the share repurchase program using a combination of existing cash reserves and future cash flows.

EXparel

In the U.S., EXPAREL is currently indicated for single-dose local analgesia via infiltration in patients aged six years and older to produce postsurgical local and regional analgesia and in adults as an via interscalene brachial plexus nerve block, to produce postsurgical regional analgesia, sciatic nerve block in the popliteal fossa, and adductor canal block in adults. Safety and efficacy have not been established in other nerve blocks. In Europe, EXPAREL is approved as a brachial plexus block or femoral nerve block for treatment of post-operative pain in adults, and as a field block for treatment of somatic post-operative pain from small- to medium-sized surgical wounds in adults and in children aged six years or older as a field block for treatment of somatic post-operative pain from small- to medium-sized surgical wounds, and older.

EXparel Label and Global Expansion Activities

- **Lower extremity nerve block.** The FDA is currently reviewing our sNDA seeking expansion of the Launching EXPAREL label to include in two new lower extremity nerve block procedures with a Prescription Drug User Fee Act, or PDUFA, action date of November 13, 2023. Our application is based on positive results from indications. In February 2024, we launched EXPAREL in two Phase 3 registration studies. The first study, which evaluated EXPAREL admixed with bupivacaine HCl as a femoral key lower extremity nerve block in the blocks—namely an adductor canal in patients undergoing total knee arthroplasty, or TKA, achieved the primary endpoint, demonstrating a statistically significant reduction in cumulative pain scores from 0 to 96 hours compared with bupivacaine HCl ($p<0.01$). EXPAREL admixed with bupivacaine HCl also achieved a statistically significant reduction in postsurgical opioid consumption through 96 hours ($p<0.01$) compared with bupivacaine HCl, a key secondary endpoint. The second study, which evaluated EXPAREL as block and a sciatic nerve block in the popliteal fossa. We believe these two key nerve blocks provide the opportunity to significantly expand EXPAREL utilization within surgeries of the knee, lower leg, and foot and ankle procedures. The launch is supported by two successful head-to-head Phase 3 studies in patients undergoing bunionectomy, achieved the primary endpoint by demonstrating a statistically significant reduction in cumulative pain scores from 0 which EXPAREL demonstrated four days of superiority to 96 hours compared with bupivacaine HCl ($p<0.00001$). EXPAREL achieved a statistically significant reduction in

postsurgical opioid consumption ($p<0.00001$) and a statistically significant percentage of opioid-free subjects ($p<0.001$) through 96 hours compared with bupivacaine HCl, which were key secondary endpoints. EXPAREL was well tolerated with a safety profile consistent with bupivacaine HCl/bupivacaine.

- **Pediatrics.** We expect to initiate are launching a Phase 1 pharmacokinetic study after which we would initiate of EXPAREL as a registration study to support expansion of the EXPAREL single-dose post-surgical infiltration label to include administration in patients under six years of age. If successful, we expect this study, followed by a larger Phase 3 registration study, will support expansion of the EXPAREL labels in the U.S. and E.U. We are also discussing with the FDA, EMA and Medicines and Healthcare Products Regulatory Agency (MHRA) our regulatory strategy for EXPAREL administered as a nerve block in the pediatric setting. The Company We received notification from the FDA in October 2023 that its our pediatric studies requirement had been waived for the indication of brachial plexus interscalene nerve block to produce postsurgical regional analgesia in pediatric patients.
- **Stellate ganglion block.** Planning is underway for a multicenter EXPAREL Phase 3 registration study of EXPAREL program as a stellate ganglion block for preventing postoperative atrial fibrillation after cardiothoracic surgery. We are working worked with a steering committee of Key Opinion Leaders, or KOLs, in regional anesthesia and stellate ganglion blocks to help finalize design our program and we are awaiting FDA feedback on study design. We are also working to align with the FDA on our plan to expand the EXPAREL label to include stellate ganglion block in the event that the results of the Phase 3 study are sufficiently positive. We believe a stellate ganglion block utilizing EXPAREL will be critical in an unmet need with post-operative ventricular atrial fibrillation, or POAF. POAF is a common and atrial dysrhythmias, costly complication after cardiothoracic surgery, occurring after up to 40% of cardiac procedures and 20% of thoracic procedures, and often results in an extended intensive care unit and/or hospital stay, as well as higher long-term risk. A stellate ganglion block is a sympathetic nerve block which can stabilize the heart. Since POAF typically occurs around the third day after surgery, a long-acting block with EXPAREL provided at the time of surgery may enhance current prophylactic measures.

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EXPAREL Clinical Benefits

We believe EXPAREL can replace the use of bupivacaine delivered via elastomeric pumps as the foundation of a multimodal regimen for long-acting postsurgical pain management. Based on our clinical data, EXPAREL:

- Global expansion, provides long-lasting local or regional analgesia;
- In Europe, is a ready-to-use formulation;
- expands easily with saline or lactated Ringer's solution to reach a desired volume;
- can be administered for local analgesia via infiltration and for regional analgesia via field block, as well as brachial plexus nerve block, sciatic nerve block in the popliteal fossa and adductor canal block; and
- facilitates treatment of a variety of surgical sites.

We believe EXPAREL is approved a key component of long-acting postsurgical pain management regimens that reduce the need for opioids. Based on the clinical data from our Phase 3 and Phase 4 clinical studies as a brachial plexus block or femoral nerve block for treatment of post-operative well as data from retrospective health outcomes studies, EXPAREL significantly reduces opioid usage while improving postsurgical pain in adults and as a field block for treatment of somatic post-operative pain from small- to medium-sized surgical wounds in adults, and as a field block for treatment of somatic post-operative pain from small- to medium-sized surgical wounds in children aged six years or older. We launched EXPAREL in the U.K. and targeted E.U. countries in 2021. In Latin America, we have a distribution agreement with Eurofarma Laboratories S.A., or Eurofarma, for the development and commercialization of EXPAREL. Eurofarma has the exclusive right to market and distribute EXPAREL in 19 countries in Latin America, including Argentina, Brazil, Colombia and Mexico. In addition, Eurofarma will be responsible for regulatory filings for EXPAREL in these countries. We will receive royalties and are also eligible to receive regulatory- and commercial-based milestone payments that are triggered by the achievement of certain events.

management.

ZILRETTA

ZILRETTA is the first and only extended-release, intra-articular therapy for OA knee pain. ZILRETTA employs a proprietary microsphere technology combining triamcinolone acetonide, or TA, a commonly administered, immediate-release corticosteroid, with a poly lactic-co-glycolic acid, or PLGA, matrix to provide extended pain relief. PLGA is a proven extended-release delivery vehicle that is metabolized to carbon dioxide and water as it releases drug in the intra-articular space

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and is used in other approved drug products and surgical devices. The ZILRETTA microspheres slowly and continuously release triamcinolone acetonide into the knee to provide significant pain relief for 12 weeks, with some people experiencing pain relief through 16 weeks. ZILRETTA was approved by the FDA in October 2017 and launched in the U.S. shortly thereafter.

We believe ZILRETTA's extended-release profile may also provide effective treatment for OA pain of the shoulder, and we intend to initiate a Phase 3 trial investigating ZILRETTA in shoulder OA in the first half of 2024. In addition, we are evaluating a study in knee OA patients comparing ZILRETTA to immediate release TA in patients with Type 2 diabetes. shoulder.

ZILRETTA Clinical Benefits

ZILRETTA combines TA, a commonly administered steroid, TA, with PLGA, delivering a 32 mg dose of TA proprietary, extended-release microsphere technology to provide administer extended therapeutic concentrations in the joint and persistent analgesic effect.

Based on the strength of its pivotal and other clinical trials, we believe that ZILRETTA represents an important treatment option for the millions of patients in the U.S. in need of safe and effective extended relief from OA knee pain. The pivotal Phase 3 trial showed that ZILRETTA significantly reduced OA knee pain for 12 weeks, with some people experiencing pain relief through 16 weeks. Both the magnitude and duration of pain relief provided by ZILRETTA in clinical trials were clinically meaningful with the magnitude of pain relief among the largest seen to date in OA clinical trials. The overall frequency of treatment-related adverse events in these trials was similar to those observed with placebo, and no drug-related serious adverse events were reported. We believe that ZILRETTA holds the potential to become the corticosteroid of choice given its safety and efficacy profile, and the fact that it is the first and only extended-release corticosteroid on the market. In September 2021, the American Association of Orthopaedic Surgeons, or AAOS, updated its evidence-based clinical practice guidelines, finding ZILRETTA can improve patient outcomes over traditional immediate-release corticosteroids.

Planning is underway for In 2024, we launched a multicenter Phase 3 registration study to evaluate the safety and efficacy of ZILRETTA for the treatment management of glenohumeral OA. We received agreement from OA pain of the FDA shoulder. If the study is successful, we plan to move forward with that study, and we plan seek approval to expand the ZILRETTA label to include OA pain of the shoulder in the event that the results of the Phase 3 study are sufficiently positive. shoulder.

iovera°

The iovera° system is a non-opioid handheld cryoanalgesia device used to produce precise, controlled doses of cold temperature to targeted nerves. It is FDA 510(k) cleared in the U.S., has a CE mark in the E.U. and is cleared for marketing in Canada for the blocking of pain. We believe the iovera° system is highly complementary to EXPAREL and ZILRETTA as a non-opioid therapy that alleviates pain using a non-pharmacological nerve block to disrupt pain signals being transmitted to the brain from the site of injury or surgery. It is also indicated for the relief of pain and symptoms associated with arthritis of the knee for up to 90 days.

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iovera° Clinical Benefits

There is a growing body of clinical data demonstrating success with iovera° treatment for a wide range of chronic pain conditions. Some of our strongest data relates directly to the improvement of OA pain of the knee. Surgical intervention is typically a last resort for patients suffering from OA pain of the knee. In one study, the majority of the patients suffering from OA pain of the knee experienced pain relief up to 150 days after being treated with iovera°.

Preliminary findings demonstrated reductions in opioids, including:

- The daily morphine equivalent consumption in the per protocol group analysis was significantly lower at 72 hours (p<0.05), 6 weeks (p<0.05) and 12 weeks (p<0.05).
- Patients who were administered iovera° were far less likely to take opioids six weeks after surgery. The number of patients taking opioids six weeks after total knee arthroplasty, or TKA, in the control group was three times the number of patients taking opioids in the cryoanalgesia group (14% (14 percent vs. 44%, 44 percent, p<0.01).
- Patients in the iovera° group demonstrated a statistically significant reduction in pain scores from their baseline pain scores at 72 hours (p<0.05) and at 12 weeks (p<0.05).

We believe these data validate iovera° as a clinically meaningful non-opioid alternative for patients undergoing TKA, and that iovera° offers the opportunity to provide patients with non-opioid pain control well in advance of any necessary surgical intervention through a number of key product attributes:

- iovera° is safe and effective with immediate pain relief that can last for months as the nerve regenerates over time;

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- iovera° is repeatable; repeatable, with no diminishing effectiveness over time and repeat use;
- The iovera° technology does not risk damage to the surrounding tissue;
- iovera° is a convenient handheld device with a single-use procedure-specific Smart Tip; and
- iovera° can be delivered precisely using ultrasound guidance or an anatomical landmark.

A study published in 2021 that included 267 patients (169 who underwent cryoneurolysis with iovera° compared to 98 patients who did not receive iovera° treatment) showed that

patients who were treated with iovera® had 51% lower daily morphine milligram equivalents during their hospital stay and a 22% lower mean pain score versus those who were not. In addition, the iovera® group had greater function at discharge, a shorter length of hospital stay and received significantly fewer opioids, including discharge prescriptions at week 2 and week 6 after surgery.

In September 2021, the AAOS updated its evidence-based clinical practice guidelines, reporting that denervation therapy—including cryoneurolysis—may reduce knee pain and improve function in patients with symptomatic OA of the knee.

We are also encouraged by usage of iovera® in other areas. Key Opinion Leaders in orthopedics, spine and anesthesia are interested in replacing heat-based radiofrequency ablation with iovera® cold therapy. There is interest across a wide range of treatment opportunities such as low back pain, spine, spasticity and rib fracture. We intend to use investigator-initiated studies and grants to develop data across these areas.

iovera® Global Expansion

In July 2021, we entered into a licensing agreement with Verve Medical Products, Inc. for the distribution of iovera® in Canada. We began selling iovera® in Canada in the fourth quarter of 2021. Additionally, we began selling iovera® in the E.U. through a contracted sales force in the first quarter of 2022.

The Osteoarthritis Market

OA is the most common form of arthritis. It is also called degenerative joint disease and occurs most frequently in the hands, hips and knees. With OA, the cartilage within a joint begins to break down and the underlying bone begins to change. These changes usually develop slowly and worsen over time. OA can cause pain, stiffness and swelling. In some cases, it also causes reduced function and disability—some people are no longer able to do daily tasks or work. According to the Centers for Disease Control and Prevention (CDC), OA affects over 32.5 million adults in the U.S.

The lifetime risk of developing symptomatic knee OA is 45 percent according to the Arthritis Foundation. The prevalence of symptomatic knee OA increases with each decade of life, with the annual incidence of knee OA being highest between age 55 and 64 years old. There are 14 million individuals in the U.S. who have symptomatic knee OA, and nearly two million are under the age of 45. Surgical intervention is typically a last resort for patients suffering from OA of the knee.

With the addition of ZILRETTA, to our product offering, we can now offer clinicians the flexibility to individualize OA knee pain treatment with either ZILRETTA or a drug-free nerve block with iovera® based on patient factors and preference, physician training, site of care and reimbursement considerations.

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Clinical Development Programs

PCRX-201

PCRX-201 is a novel, IA gene therapy product candidate that produces the anti-inflammatory protein, IL-1Ra, for treating OA pain in the knee. Based upon compelling initial Phase 1 efficacy and safety data for PCRX-201, we are preparing to initiate a second Phase 1 study in OA of the knee and intend to request a Regenerative Medicine Advanced Therapy, or RMAT, designation. PCRX-201 was added to our product development portfolio as part of the Flexion Acquisition. PCRX-201 is a novel, helper-dependent adenoviral vector expressing interleukin-1 receptor antagonist (IL-1Ra). After injection, the vector enters joint cells and turns them into factories to produce sustained therapeutic levels of IL-1Ra and inhibit the IL-1 pathway to manage pain and mitigate OA-related joint damage while remaining localized to the joint space. In a Phase 1 proof-of-concept study of patients with moderate to severe OA of the knee, PCRX-201 was well tolerated with improvements in knee pain observed across all doses. In February 2024, the FDA granted PCRX-201 an RMAT designation. Our RMAT application was supported by the preliminary safety and efficacy findings from a Phase 1 open-label, proof-of-concept, single ascending dose trial that enrolled 72 patients in two three-dose cohorts: a co-administered IA steroid cohort and a cohort that did not receive a steroid. PCRX-201 was well tolerated, with efficacy observed through at least 52 weeks at all doses and cohorts. The highest level of efficacy was achieved in the co-administered steroid group, which showed a greater percentage of patients with at least a 50% improvement in Western Ontario and McMaster Universities Osteoarthritis Index (WOMAC) pain and stiffness scores, as well as a meaningful improvement in (Knee Injury and Osteoarthritis Outcomes Score) KOOS functional assessment. The 52-week data were presented at the Osteoarthritis Research Society International (OARSI) 2024 World Congress in April 2024 and we expect to submit the 104-week efficacy and safety data for presentation at a medical meeting later this year.

pMVL-Based Clinical Programs Program

Given the proven safety, flexibility and customizability of our pMVL drug delivery technology platform for acute, sub-acute and chronic pain applications, we have several another pMVL-based products product in clinical development. Following data readouts from preclinical and feasibility studies, for these candidates, we have prioritized three programs for clinical development: (i) PCRX-401, a dexamethasone-pMVL for low back pain; (ii) PCRX-501, a high potency bupivacaine-pMVL for longer-lasting pain relief (20.0 mg/mL) and (iii) EXPAREL for intrathecal analgesia (13.3 mg/mL). We initiated a second Phase 1 study of EXPAREL for intrathecal analgesia in June 2023.

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External Innovation

In parallel to our internal clinical programs, our business development team is we are pursuing innovative acquisition targets that are complementary to EXPAREL, ZILRETTA and iovera[®] and are of great interest to the surgical and anesthesia audiences we are already calling on today. We are using a combination of strategic investments, in-licensing and acquisition transactions to buildout a pipeline of innovation to improve patients' journeys along the neural pain pathway. The strategic investments we have made to support promising early stage early-stage platforms are summarized below:

| Company | Development Stage | Description of Platform Technology | Potential Therapeutic Areas |
|--------------------------|-------------------|---|---|
| CarthroniX, Inc. | Phase 1-Ready | CX-011, a small molecule modulator of gp130 formulated as an intra-articular IA injection designed to slow joint degeneration by mediating IL-6 cytokines | Knee OA |
| Genascence Corporation | Phase 1b | Adeno-associated virus (AAV) based gene therapy engineered to deliver Interleukin-1 Receptor Antagonist (IL-1Ra) to target cells in joint(s) | Knee OA |
| GQ Bio Therapeutics GmbH | Preclinical | High capacity adenovirus (HCAd) based gene therapy engineered to deliver DNA to target cells in joint(s) and intervertebral disc(s) | Knee OA and degenerative disc disease (DDD) |
| Spine BioPharma, LLC | Phase 3 | SB-01, a 7-amino acid chain peptide that binds to and induces down regulation of transforming growth factor, beta 1 (TGFβ1) | Degenerative disc disease (DDD) |

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Product Portfolio and Internal Pipeline

Our current product portfolio and internal product candidate pipeline, along with anticipated milestones over the next 12 to 18 months, are summarized in the table below:



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Pacira Training Facilities

We maintain and operate two training Pacira Innovation and Training, or PIT, facilities—one in Tampa, Florida and one in Houston, Texas. These sites were constructed with a singular goal in mind: to advance education on best practice techniques to effectively manage acute pain while reducing or eliminating the need for opioids. These facilities provide clinicians with flexible, state-of-the-art environments for interactive, hands-on instruction on the latest and most innovative local, regional and field block approaches for managing pain, improving patient care and enabling patient migration to the 23-hour stay environment.

Tampa, Florida

In October 2020, we opened the Pacira Innovation and Training, or Each of our PIT Center of Tampa. We designed this facility to help advance clinician understanding of the latest local, regional and field block approaches for managing pain. The PIT of Tampa provides an unparalleled training environment for healthcare providers working to reduce or eliminate patient exposure to opioids. The PIT of Tampa supports a full range of educational events to advance clinician understanding of the latest local, regional, and field block approaches for managing pain and reducing or eliminating exposure to opioids. Our principal executive offices and corporate headquarters are also located at the PIT of Tampa.

The PIT of Tampa consists of approximately 13,000 square-feet of fully adaptable space and is equipped with state-of-the-art technology and audio/visual capabilities and features several facilities feature distinct training spaces, including a simulation lab labs equipped with seven ultrasound scanning stations; a lecture hall featuring a 4½-foot tall by 24-foot wide walls that feature liquid crystal display video wall walls to support live, virtual and even global presentations; and a green-screen broadcast studio designed studios to livestream content with single or multiple hosts.

In addition to our EXPAREL programs, we are hosting ongoing workshops to train new users on best practice techniques for iovera[®] administration at the The PIT of Tampa. Led by healthcare professionals, these labs include didactic lectures and hands-on trainings including live model nerve scanning and identification using ultrasound and peripheral nerve stimulation.

At no fee to the organization, the PIT of Tampa also serves as a venue for national anesthesia provider organizations to host their own workshops and training sessions to educate healthcare providers.

Houston, Texas

In January 2023, we opened our second training facility, the Houston Pacira Innovation and Training Center, in Houston, Texas. This 19,000 square-foot state-of-the-art facility features a 125-seat adaptive lecture hall featuring the same liquid crystal display video wall that the PIT of Tampa has a broadcast studio and both wet and dry lab space for cadaver

and other interactive workshops. A simulation lab is equipped with eight advanced ultrasound machines equipped with artificial intelligence and 3-D training software in addition to professional medical lighting and in-ceiling cameras. The PIT of Houston is core to developing both Tampa also houses our physician champions principal executive offices and community-based clinicians who want to stay on the forefront of opioid-sparing pain management. With this new training facility, we have doubled our capacity and ability to host programs for EXPAREL, ZILRETTA and iovera[®], corporate headquarters.

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Results of Operations

Comparison of the Three and Nine Months Ended September 30, 2023 March 31, 2024 and 2022

Revenues

Total revenues Net product sales consist of sales of (i) EXPAREL in the U.S., E.U., and U.K.; (ii) ZILRETTA in the U.S.; (iii) iovera[®] in the U.S., Canada and the E.U. Europe and (iv) sales of and royalties on, our bupivacaine liposome injectable suspension for veterinary use. Royalty revenues are related to a collaborative licensing agreement from the sale of our bupivacaine liposome injectable suspension for veterinary use.

The following table provides information regarding our revenues during the periods indicated, including percent changes (dollar amounts in thousands):

| | Three Months Ended March 31, | | Three Months Ended March 31, | | Three Months Ended September 30, | | Nine Months Ended September 30, | | | | |
|--|--|-----------|------------------------------|-------|----------------------------------|-----------|---------------------------------|--|-----------|---------|---------|
| | | | | | | | | | | | |
| | 2023 | 2022 | 2023 | 2022 | (Decrease) | 2022 | 2023 | 2022 | | | |
| Net product sales: | | | | | | | | | | | |
| Net product sales: | | | | | | | | | | | |
| Net product sales: | | | | | | | | | | | |
| EXPAREL | | | | | | | | | | | |
| EXPAREL | EXPAREL | \$128,667 | \$132,642 | (3)% | \$394,202 | \$398,854 | (1)% | \$132,430 | \$130,408 | 2% | 2% |
| ZILRETTA | ZILRETTA | 28,798 | 26,494 | 9% | 82,393 | 77,546 | 6% | ZILRETTA | 25,839 | 24,334 | 24,334 |
| iovera [®] | iovera [®] | 5,260 | 4,467 | 18% | 13,645 | 10,694 | 28% | iovera [®] | 5,030 | 4,001 | 4,001 |
| Bupivacaine liposome injectable suspension | Bupivacaine liposome injectable suspension | 858 | 2,957 | (71)% | 2,241 | 5,469 | (59)% | Bupivacaine liposome injectable suspension | 2,525 | 688 | 688 |
| Total net product sales | Total net product sales | 163,583 | 166,560 | (2)% | 492,481 | 492,563 | (0)% | Total net product sales | 165,824 | 159,431 | 159,431 |
| Royalty revenue | Royalty revenue | 343 | 906 | (62)% | 1,253 | 2,305 | (46)% | Royalty revenue | 1,293 | 910 | 910 |
| Total revenues | Total revenues | \$163,926 | \$167,466 | (2)% | \$493,734 | \$494,868 | (0)% | | | | |
| Total revenues | | | | | | | | | | | |
| Total revenues | | | | | | | | | | | |

EXPAREL revenue decreased 3% and 1% increased 2% in the three and nine months ended September 30, 2023 March 31, 2024 versus 2022, respectively, 2023. Components of the increase included a 3% increase in gross vial volume, which was offset by a shift in product mix. EXPAREL revenue was also impacted by a 2% increase in selling price per unit related to a January 2024 price increase, which was partially offset by sales related allowances as a result of group purchasing organization contracting.

ZILRETTA revenue increased 6% in the three months ended March 31, 2024 versus 2023 primarily due to decreases of 4% a 7% increase in net selling price per unit in each period related to enrolling EXPAREL in the 340B drug pricing program increases of gross selling price per unit and expanding other contracting activities, favorable sales related allowances, partially offset by a January 2023 price increase. EXPAREL revenue was also impacted by increases 1% decrease in gross vial volumes of 2% and 4% in the three and nine months ended September 30, 2023 versus 2022, respectively, and reduced by 1% due to a shift in sales mix in both periods.

ZILRETTA revenue increased 9% and 6% in the three and nine months ended September 30, 2023 versus 2022, respectively, primarily due to increases of 6% in gross kit volume in both periods and increases of 2% and 1% in net selling price per unit during the applicable periods.

Net product sales of iovera® increased 18% and 28% 26% in the three and nine months ended September 30, 2023 March 31, 2024 versus 2022, respectively, 2023 primarily due to increases an increase of 22% and 31% 34% in Smart Tip volume, and increases of partially offset by a 2% and 3% decrease in selling price per Smart Tip respectively, partially offset by a higher returns allowance due to increased sales to clinics.

Bupivacaine liposome injectable suspension net product sales decreased 71% and 59% revenue increased more than 100% in the three and nine months ended September 30, 2023 March 31, 2024 versus 2022, respectively. Its 2023 and its related royalties decreased 62% and 46% in the three and nine months ended September 30, 2023 versus 2022, respectively, increased 42% primarily due to the timing and product sales mix of vial sizes and the timing of orders and related sales made by Aratana Therapeutics, Inc. placed for veterinary use.

The following tables provide a summary of activity with respect to our sales related allowances and accruals related to EXPAREL and ZILRETTA for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 (in thousands):

| September 30, 2023 | Returns | | Prompt | | Volume | | Government | | Total |
|-------------------------------|------------|-----------|----------|----------|-------------------------|-----------|------------|--|-------|
| | Allowances | Discounts | Service | Fees | Rebates and Chargebacks | Rebates | | | |
| Balance at December 31, 2022 | \$ 1,691 | \$ 1,187 | \$ 3,193 | \$ 5,452 | \$ 786 | \$ 12,309 | | | |
| Provision | 1,710 | 8,835 | 13,414 | 69,982 | 1,588 | 95,529 | | | |
| Payments / Adjustments | (1,287) | (8,874) | (13,218) | (68,676) | (1,460) | (93,515) | | | |
| Balance at September 30, 2023 | \$ 2,114 | \$ 1,148 | \$ 3,389 | \$ 6,758 | \$ 914 | \$ 14,323 | | | |

| March 31, 2024 | Returns | | Prompt | | Volume | | Government | | Total |
|------------------------------|------------|-----------|----------|----------|-------------------------|-----------|------------|--|-------|
| | Allowances | Discounts | Service | Fees | Rebates and Chargebacks | Rebates | | | |
| Balance at December 31, 2023 | \$ 1,868 | \$ 1,308 | \$ 3,697 | \$ 5,870 | \$ 1,175 | \$ 13,918 | | | |
| Provision | 76 | 3,057 | 4,771 | 25,800 | 636 | 34,340 | | | |
| Payments / Adjustments | (175) | (3,087) | (5,064) | (26,320) | (333) | (34,979) | | | |
| Balance at March 31, 2024 | \$ 1,769 | \$ 1,278 | \$ 3,404 | \$ 5,350 | \$ 1,478 | \$ 13,279 | | | |

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| September 30, 2022 | Returns | | Prompt | | Volume | | Government | | Total |
|-------------------------------|------------|-----------|----------|----------|-------------------------|-----------|------------|--|-------|
| | Allowances | Discounts | Service | Fees | Rebates and Chargebacks | Rebates | | | |
| Balance at December 31, 2021 | \$ 3,361 | \$ 1,178 | \$ 3,636 | \$ 3,494 | \$ 761 | \$ 12,430 | | | |
| Provision | 953 | 8,213 | 12,358 | 30,122 | 1,162 | 52,808 | | | |
| Payments / Adjustments | (2,802) | (8,286) | (13,069) | (29,092) | (1,181) | (54,430) | | | |
| Balance at September 30, 2022 | \$ 1,512 | \$ 1,105 | \$ 2,925 | \$ 4,524 | \$ 742 | \$ 10,808 | | | |

| March 31, 2023 | Returns | | Prompt | | Volume | | Government | | Total |
|------------------------------|------------|-----------|----------|----------|-------------------------|-----------|------------|--|-------|
| | Allowances | Discounts | Service | Fees | Rebates and Chargebacks | Rebates | | | |
| Balance at December 31, 2022 | \$ 1,691 | \$ 1,187 | \$ 3,193 | \$ 5,452 | \$ 786 | \$ 12,309 | | | |
| Provision | 465 | 2,938 | 4,277 | 22,549 | 412 | 30,641 | | | |

| | | | | | | |
|---------------------------|----------|----------|----------|----------|--------|-----------|
| Payments / Adjustments | (328) | (2,921) | (4,162) | (22,689) | (396) | (30,496) |
| Balance at March 31, 2023 | \$ 1,828 | \$ 1,204 | \$ 3,308 | \$ 5,312 | \$ 802 | \$ 12,454 |

Total reductions of gross product sales from sales-related allowances and accruals were \$95.5 million \$34.3 million and \$52.8 million \$30.6 million, or 16.3% 17.1% and 9.7% 16.2% of gross product sales, for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. The overall 6.6% 0.9% increase in sales-related allowances and accruals as a percentage of gross product sales was primarily related to accruals as a result of enrolling EXPAREL in the 340B drug pricing program and higher chargeback-related allowances, allowances from expanded contracting efforts.

Cost of Goods Sold

Cost of goods sold primarily relates to the costs to produce, package and deliver our products to customers. These expenses include labor, raw materials, manufacturing overhead and occupancy costs, depreciation of facilities, royalty payments, quality control and engineering.

The following table provides information regarding our cost of goods sold and gross margin during the periods indicated, including percent changes (dollar amounts in thousands):

| | | Three Months Ended March 31, | | Three Months Ended March 31, | | Three Months Ended September 30, | | Nine Months Ended September 30, | | % Increase / (Decrease) | |
|--------------------|-----------|------------------------------|-------|------------------------------|------------|----------------------------------|-----------|---------------------------------|------|-------------------------|------|
| | | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Cost of goods sold | | | | | | | | | | | |
| Cost of goods sold | \$ 39,750 | \$ 50,678 | (22)% | \$ 136,977 | \$ 137,379 | (0)% | \$ 47,416 | \$ 49,020 | (3)% | | |
| Gross margin | 76 | 70 | % | 72 | 72 | % | | | | | |

Gross margin increased six three percentage-points in the three months ended September 30, 2023 March 31, 2024 versus 2022, mainly 2023 primarily due to lower royalty expense due to no longer owing royalties for EXPAREL made under the 45-liter manufacturing process (as further discussed below) and lower inventory reserves. These increases were partially offset by an increase in sales-related allowances and accruals as a result of enrolling EXPAREL in the 340B drug pricing program which resulted in a lower net selling price in the period. Also offsetting were higher ZILRETTA product cost sold in the period.

Gross margin remained flat in the nine months ended September 30, 2023 versus 2022, mainly due to higher EXPAREL product cost and sales-related allowances and accruals lower royalty expense as a result of enrolling EXPAREL in the 340B drug pricing program, which resulted in a lower net selling price in the period. This was discussed below, partially offset by higher costs in 2022 for the transition of iovera® manufacturing sites and next-generation handheld devices. inventory reserves.

On August 8, 2023, the United States U.S. District Court, District of Nevada, concluded we are no longer obligated to pay royalties to the Research and Development Foundation for EXPAREL made under the 45-liter manufacturing process. For more information, see Note 15, *Commitments and Contingencies*, to our condensed consolidated financial statements included herein.

Research and Development Expenses

Research and development expenses primarily consist of costs related to clinical trials and related outside services, product development and other research and development costs, including trials that we are conducting to generate new data for EXPAREL, ZILRETTA and iovera® and stock-based compensation expense. Clinical and preclinical development expenses include costs for clinical personnel, clinical trials performed by third-parties, toxicology studies, materials and supplies, database management and other

third-party fees. Product development and manufacturing capacity expansion expenses include development costs for our products, which include personnel, research equipment, materials and contractor costs for process development and product candidates, development costs related to significant scale-ups of our manufacturing capacity and facility costs for our research space. Regulatory and other expenses include regulatory activities related to unapproved products and indications, medical information expenses, registry expenses and related personnel. Stock-based compensation expense relates to the costs of stock option grants, awards of restricted stock units, or RSUs, and our employee stock purchase plan, or ESPP.

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The following table provides a breakout of our research and development expenses during the periods indicated, including percent changes (dollar amounts in thousands):

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| | Three Months Ended March 31, | | Three Months Ended March 31, | | Three Months Ended September 30, | | Nine Months Ended September 30, | | % Increase / (Decrease) | |
|--|--|-----------|--|-----------|--|-----------|------------------------------------|-----------|-------------------------------|--|
| | Three Months Ended March 31, | | Three Months Ended September 30, | | % Increase / (Decrease) | | Nine Months Ended September 30, | | | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | | |
| | 2024 | | 2024 | | 2024 | | 2024 | | | |
| | 2024 | | 2024 | | 2024 | | 2024 | | | |
| Clinical and preclinical development | | | | | | | | | | |
| Clinical and preclinical development | | | | | | | | | | |
| Clinical and preclinical development | \$ 6,808 | \$ 8,384 | (19)% | \$ 17,263 | \$ 39,558 | (56)% | \$ 6,346 | \$ 5,261 | 21% | |
| Product development and manufacturing capacity expansion | Product development and manufacturing capacity expansion | 9,419 | 7,245 | 30% | 26,396 | 17,318 | 52% | 7,395 | 7,672 (4)% | |
| Regulatory and other | Regulatory and other | 2,383 | 1,993 | 20% | 7,318 | 5,655 | 29% | 2,694 | 2,332 16% | |
| Stock-based compensation | Stock-based compensation | 2,220 | 1,783 | 25% | 5,817 | 4,761 | 22% | 1,803 | 1,875 (4)% | |
| Total research and development expense | Total research and development expense | \$ 20,830 | \$ 19,405 | 7% | \$ 56,794 | \$ 67,292 | (16)% | \$ 18,238 | \$ 17,140 6% | |
| % of total revenues | % of total revenues | 13 | % 12 | % | 12 | % | 14 | % | | |

Total research and development expense increased 7% and decreased 16% in the three and nine months ended **September 30, 2023** **March 31, 2024** versus 2022, respectively. 2023.

Clinical and preclinical development expense decreased 19% and 56% increased 21% in the three and nine months ended **September 30, 2023** **March 31, 2024** versus 2022, respectively, 2023 due to the completion of two start-up and enrollment in a ZILRETTA shoulder trial and an EXPAREL lower extremity nerve block trials pediatric trial, and start-up activities in bunionectomy and TKA in the third quarter of 2022, toxicology studies that are near completion for product candidates, an iovera® spasticity trial. These increases were partially offset by start-up costs the winding down of a PCRX-201 Phase 1 study for both ZILRETTA shoulder knee OA as follow-up visits of subjects were completed in November 2023, and iovera® spasticity trials, the completion of toxicology studies for product candidates.

Product development and manufacturing capacity expansion expense increased 30% and 52% decreased 4% in the three and nine months ended **September 30, 2023** **March 31, 2024** versus 2022, respectively, mainly 2023, primarily attributable to the continued near-completion of pre-commercial scale-up activities of our EXPAREL manufacturing capacity at our Science Center Campus in San Diego, California (for which a prior approval supplement was submitted to the California. The FDA in October 2023 with approved an anticipated PDUFA action date sNDA for our 200-liter EXPAREL manufacturing suite in February 2024), as well as new 2024. This decrease is partially offset by ongoing product development costs related to gene therapy, PCRX-201 and an iovera® medial branch Smart Tip.

Regulatory and other expense increased 20% and 29% 16% in the three and nine months ended **September 30, 2023** **March 31, 2024** versus 2022, respectively, 2023 due to increased enrollment and additional sites related to an observational iovera® registry study which tracks patients' symptoms and experience with pain management related to OA of the knee, and increased medical information publications, knee.

Stock-based compensation increased 25% and 22% decreased 4% in the three and nine months ended **September 30, 2023** **March 31, 2024** versus 2022, respectively, 2023 primarily due to greater equity awards outstanding the impact of a February 2024 restructuring program which resulted in accelerated stock-based compensation for research those impacted being recorded in contingent consideration (gains) charges, restructuring charges and development personnel, partially offset by a lower fair value of newer equity awards granted. other.

Selling, General and Administrative Expenses

Sales and marketing expenses primarily consist of compensation and benefits for our sales force and personnel that support our sales, marketing, medical and scientific affairs operations, expenses related to communicating the health outcome benefits of our products, investments in provider-level market access and patient reimbursement support and educational programs for our customers. General and administrative expenses consist of compensation and benefits for legal, finance, regulatory activities related to approved products and indications, compliance, information technology, human resources, business development, executive management and other supporting personnel. It also includes professional fees for legal, audit, tax and consulting services. Stock-based compensation expense relates to the costs of stock option grants, RSU awards and our ESPP.

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The following table provides information regarding our selling, general and administrative expenses during the periods indicated, including percent changes (dollar amounts in thousands):

| | | Three Months Ended March 31, | | Three Months Ended March 31, | | Three Months Ended September 30, | | Nine Months Ended September 30, | | % Increase / (Decrease) | |
|----------------------------|-------------|---------------------------------|------|---------------------------------------|------------|---|----------------------------|------------------------------------|------|-------------------------------|-------------------------------|
| | | Three Months Ended March 31, | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | % Increase / (Decrease) |
| Sales and marketing | | | | | | | | | | | |
| Sales and marketing | | | | | | | | | | | |
| Sales and marketing | \$ 38,261 | \$ 33,706 | 14% | \$ 117,302 | \$ 109,000 | 8% | \$ 39,435 | \$ 41,579 | (5)% | | |
| General and administrative | 20,648 | 18,277 | 13% | 61,112 | 55,321 | 10% | General and administrative | 24,606 | | 20,873 | 18% |
| Stock-based | Stock-based | | | | | | Stock-based | | | | |

| | | | | | | | | | | | | |
|---|---|-----------|-----------|------|------------|------------|------|---|-----------|-----------|-------|------|
| compensation | compensation | 9,038 | 9,300 | (3)% | 25,226 | 26,225 | (4)% | compensation | 7,985 | 7,985 | 8,391 | (5)% |
| Total selling, general and administrative expense | Total selling, general and administrative expense | \$ 67,947 | \$ 61,283 | 11% | \$ 203,640 | \$ 190,546 | 7% | Total selling, general and administrative expense | \$ 72,026 | \$ 70,843 | 2% | |
| % of total revenues | % of total revenues | 41 | % 37 | % | 41 | % | 39 | % | | | | |

Total selling, general and administrative expense increased 11% and 7% 2% in the three and nine months ended September 30, 2023 March 31, 2024 versus 2022, respectively. 2023.

Sales and marketing expense increased 14% and 8% decreased 5% in the three and nine months ended September 30, 2023 March 31, 2024 versus 2022, respectively, driven by an increase in marketing investments in our products, including educational initiatives and programs related 2023, which is attributable to the impact of opioids a February 2024 restructuring program. These measures involved reallocating resources and postsurgical pain management prioritizing investing in programs to drive awareness and education for our national advocacy campaign designed to educate patients about non-opioid treatment options. In 2023, we also invested customers and enhance our marketing, market access and reimbursement teams and value creation for the implementation of separate Medicare reimbursement for EXPAREL at average sales price plus 6 percent in strategic partnerships with sports organizations, such as the Ladies Professional Golf Association (LPGA) and National Football League Alumni Association (NFLA), outpatient settings beginning in January 2025. We expect investments in these programs to increase awareness of the availability and benefits of non-opioid options to manage acute and chronic pain for athletes, including postsurgical pain and knee OA. We also expanded our investment in clinician training in the use remaining nine months of EXPAREL and iovera® at our training facility in Tampa, as well as the opening of a second training facility in Houston, Texas in January 2023. We also announced a new grant to the ASA's Charitable Foundation to advance the medical specialty of anesthesiology and pain medicine, facilitate best in-class clinician education and improve patient care. 2024.

General and administrative expense increased 13% and 10% 18% in the three and nine months ended September 30, 2023 March 31, 2024 versus 2022, respectively. 2023 primarily driven by legal fees primarily attributable to ongoing litigation. We also incurred compensatory costs associated with the transition to our new Chief Executive Officer effective January 2, 2024, which include compensation related to the current Chief Executive Officer and to the former Chief Executive Officer who remains employed by the Company in an advisory role, and, to a lesser extent, third-party consulting. For more information on our ongoing litigation, see Note 15, *Commitments and Contingencies*, to our condensed consolidated financial statements included herein.

Stock-based compensation decreased 3% and 4% 5% for the three and nine months ended September 30, 2023 March 31, 2024 versus 2022, respectively. 2023 primarily due to a decrease the impact from the February 2024 restructuring program which resulted in the number of equity awards outstanding accelerated stock-based compensation for selling, general those impacted being recorded in contingent consideration (gains) charges, restructuring charges and administrative personnel, other.

Amortization of Acquired Intangible Assets

The following table provides a summary of the amortization of acquired intangible assets during the periods indicated, including percent changes (dollar amounts in thousands):

| | Three Months Ended | | | Nine Months Ended | | | % Increase / (Decrease) |
|--|--------------------|-----------|-------------------------|-------------------|-----------|-------------------------|-------------------------|
| | September 30, | | % Increase / (Decrease) | September 30, | | % Increase / (Decrease) | |
| | 2023 | 2022 | | 2023 | 2022 | | |
| Amortization of acquired intangible assets | \$ 14,322 | \$ 14,322 | —% | \$ 42,966 | \$ 42,966 | —% | |
| | | | | | | | |
| Three Months Ended | | | | | | | |
| March 31, | | | | | | % Increase / (Decrease) | |
| | | 2024 | 2023 | | | | |
| Amortization of acquired intangible assets | | \$ 14,322 | \$ 14,322 | —% | | | |

As part of the Flexion Acquisition and the MyoScience Acquisition, we acquired intangible assets consisting of developed technology intangible assets and customer relationships, with estimated useful lives between 9 and 14 years. For more information, see Note 7, *Goodwill and Intangible Assets*, to our condensed consolidated financial statements included herein.

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Contingent Consideration Charges (Gains), Restructuring Charges and Other

The following table provides a summary of the costs related to the contingent consideration, acquisition-related charges and restructuring charges during the periods indicated, including percent changes (dollar amounts in thousands):

| | Three Months Ended | | | Nine Months Ended | | | % Increase / (Decrease) | |
|---|--------------------|----------|-------------------------|-------------------|-------------|-------------------------|-------------------------|--|
| | September 30, | | % Increase / (Decrease) | September 30, | | % Increase / (Decrease) | | |
| | 2023 | 2022 | | 2023 | 2022 | | | |
| Contingent consideration | 2,793 | (1,043) | N/A | (3,847) | (23,394) | (84)% | | |
| Acquisition-related charges | \$ 390 | \$ 1,532 | (75)% | \$ 1,588 | \$ 10,162 | (84)% | | |
| Restructuring charges | 173 | — | N/A | 1,109 | — | N/A | | |
| Total contingent consideration charges (gains), restructuring charges and other | \$ 3,356 | \$ 489 | 100% + | \$ (1,150) | \$ (13,232) | (91)% | | |

| | Three Months Ended | | | % Increase / (Decrease) | |
|---|--------------------|-----------|------------|-------------------------|--|
| | March 31, | | 2024 | | |
| | 2024 | 2023 | | | |
| Flexion contingent consideration | \$ (3,806) | \$ 11,618 | \$ (3,806) | N/A | |
| Restructuring charges | 5,535 | — | 5,535 | N/A | |
| Acquisition-related fees | 174 | 489 | 174 | (64)% | |
| Total contingent consideration (gains) charges, restructuring charges and other | \$ 1,903 | \$ 12,107 | \$ 1,903 | (84)% | |

Total contingent consideration (gains) charges, (gains), restructuring charges and other increased by more than 100% decreased 84% in the three months ended September 30, 2023 March 31, 2024 versus 2022 and decreased 91% in the nine months ended September 30, 2023 versus 2022, 2023.

During the three months ended September 30, 2023 March 31, 2024, we recognized a contingent consideration charges (gains), restructuring charges and other gain of \$3.4 million in charges, which were primarily driven by an increase in the contingent consideration milestones for the Flexion Acquisition due to market volatility which affects the liability's present value.

During the nine months ended September 30, 2023, we recognized contingent consideration charges (gains), restructuring charges and other of \$1.2 million in gains. These gains were \$3.8 million primarily due to adjustments to long-term forecasts which reduced an adjustment reflecting the probability of meeting achieving the sales-based contingent consideration milestones for the remaining Flexion Acquisition regulatory milestone by December 31, 2030, the expiration date for achieving date.

During the milestones. The three months ended March 31, 2023, we recognized a contingent consideration gain charge of \$11.6 million, which was partially offset by due to a decrease in to the assumed discount rate that is utilized in calculating the liability's present value, based on a significant improvement in our incremental borrowing rate. Partially offsetting these gains were acquisition-related charges primarily related to vacant and underutilized Flexion leases. In addition, rate resulting from the TLA Credit Agreement (as defined below) entered into in June 2023, we implemented a restructuring plan in an effort to improve our operational efficiencies and recognized one-time employee termination benefits through a reduction of headcount. March 2023.

During the three months ended September 30, 2022 March 31, 2024, we recognized contingent consideration charges (gains), restructuring charges and other of \$0.5 million in charges. These charges are primarily \$5.5 million related to employee termination benefits, such as the acceleration of share-based compensation, severance, and, to a lesser extent, other employee related employment-related termination costs, legal and other professional fees, third-party services and other one-time charges associated with the Flexion Acquisition, which were partially offset by gains from changes in the fair value of contingent consideration related to the Flexion Acquisition and MyoScience Acquisition.

During the nine months ended September 30, 2022, we recognized contingent consideration charges (gains), restructuring charges and other of \$13.2 million in gains. These gains were primarily driven by reductions in acquisition contingent consideration liabilities due to adjustments to near-term forecasts for the applicable period during which the Flexion contingent consideration may be achieved under the Flexion merger agreement and due to the reduced probability of meeting the MyoScience contingent consideration milestones by December 31, 2023, the expiration date for achieving those milestones. These gains were partially offset by severance and other employee related costs, legal and other professional fees, third-party services and other one-time charges associated with the Flexion Acquisition, as well as contract termination costs.

For more information, see Note 9, *Financial Instruments* and Note 14, *Contingent Consideration Charges (Gains), Restructuring Charges and Other*, to our condensed consolidated financial statements included herein.

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Other Expense, Income (Expense), Net

The following table provides information regarding other expense, income (expense), net during the periods indicated, including percent changes (dollar amounts in thousands):

| | Three Months Ended | Three Months Ended |
|--|--------------------|--------------------|
| | March 31, | March 31, |
| | | |

| | | Three Months Ended March 31, | | Ended March 31, Months Ended September 30, | | | | | | | | | | |
|--------------------------------------|--------------------------------------|------------------------------|------------------------|--|------|--------------------------|------------|--------------------------|---------------------|--|--|--------------------------------------|------------|-----|
| | | | | | | | | | | | | % | | |
| | | | | | | | | | | | | Increase / (Decrease) | | |
| | | 2023 | 2022 | | 2023 | | (Decrease) | 2022 | | | | % Increase / (Decrease) | | |
| | | 2024 | | | 2024 | | | 2024 | | | | | | |
| | | 2024 | | | 2024 | | | 2024 | | | | | | |
| Interest income | | | | | | | | | | | | | | |
| Interest income | | | | | | | | | | | | | | |
| Interest income | | | | | | | | | | | | | | |
| Interest expense | Interest expense | \$(3,464) | \$9,856 | (65)% | | \$16,918 | | \$28,935 | (42)% | | | \$3,903 | \$3,142 | 24% |
| | | 100% | | | | | | | | | | | | |
| Interest income | | 2,766 | 1,234 | + | | 8,019 | | 1,757 | 100%+ | | | | | |
| Loss on early extinguishment of debt | Loss on early extinguishment of debt | — | — | N/A | | (16,926) | | — | N/A | | | Loss on early extinguishment of debt | | |
| Other, net | Other, net | (422) | (10,598) | (96)% | | (701) | | (11,369) | (94)% | | | Other, net | | |
| Total other expense, net | | <u><u>\$(1,120)</u></u> | <u><u>(19,220)</u></u> | <u><u>(94)%</u></u> | | <u><u>\$(26,526)</u></u> | | <u><u>\$(38,547)</u></u> | <u><u>(31)%</u></u> | | | | | |
| Total other income (expense), net | | | | | | | | | | | | Total other income (expense), net | | |
| | | | | | | | | | | | | \$ 428 | \$(23,383) | N/A |

Total other income, net was \$0.4 million in the three months ended March 31, 2024. Total other expense, net decreased 94% and 31% was \$23.4 million in the three and nine months ended September 30, 2023 versus 2022, respectively, March 31, 2023.

The 65% and 42% decrease in interest expense during the three and nine months ended September 30, 2023, respectively, was primarily driven by entering into the TLA Term Loan (as defined below) in March 2023 in order to retire our term loan B and related credit agreement (the "TLB Term Loan"), and, to a lesser extent, the absence of our 2.375% convertible senior notes that matured in April 2022. Retiring our TLB Term Loan is expected to significantly further reduce our 2023 full-year interest expense as our new TLA Term Loan carries approximately \$140.0 million less principal and an interest rate that is 400 basis points lower than the interest rate applicable under the retired TLB Term Loan.

The **24%** increase in interest income in the three and nine months ended **September 30, 2023** **March 31, 2024** versus the comparable periods in 2022 were **2023** was due to higher interest rates and overall investment balances.

The 65% decrease in interest expense during the three months ended March 31, 2024 versus 2023 was primarily driven by lower principal outstanding associated with the TLA Term Loan (as defined below) that was entered into on March 31, 2023 which replaced our then-outstanding TLB Term Loan (as defined below) that had a higher principal balance and interest rates.

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In conjunction with the entry into the TLA Credit Agreement, (as defined below), we incurred a \$16.9 million loss on early extinguishment of debt recognized as a result of the retirement of \$287.5 million aggregate principal of our TLB Term Loan (as defined below) in the nine three months ended September 30, 2023 March 31, 2023. For more information, see Note 8, *Debt*, to our condensed consolidated financial statements included herein.

Other, net expense during the three and nine months ended September 30, 2022 included a \$10.0 million impairment related to an equity investment.

Income Tax Expense (Benefit)

The following table provides information regarding our income tax expense (benefit) during the periods indicated, including percent changes (dollar amounts in thousands):

Three Months Ended **Three**
March 31, **Months**

| | Three Months Ended March 31, | | Ended Three Months Ended September 30, | | % | Nine Months Ended September 30, | | % Increase / (Decrease) |
|------------------------------|------------------------------|---------|--|------------|---|---------------------------------|----------------|-------------------------|
| | 2023 | 2022 | 2023 | (Decrease) | | 2022 | 2022 | |
| Income tax expense | \$5,743 | \$2,762 | 100% | +\$10,896 | | \$5,359 | 100% + | |
| | 2024 | 2024 | | | | | | |
| | 2024 | | | | | | | |
| Income tax expense (benefit) | | | | | | | | |
| Income tax expense (benefit) | | | | | | | | |
| Income tax expense (benefit) | | | | | | \$ 4,661 | \$ (6,938) N/A | |
| Effective tax rate | 35 % | 133 % | | 39 % | | 17 % | | |
| tax rate | | | | | | | | |

The effective tax rates were 35% 34% and 39% 26% for the three and nine months ended September 30, 2023, respectively. The effective tax rates were 133% March 31, 2024 and 17% for the three and nine months ended September 30, 2022, 2023, respectively. Income tax expense represents the estimated annual effective tax rate applied to the year-to-date domestic operating results adjusted for certain discrete tax items.

The effective tax rate for the three and nine months ended September 30, 2023 March 31, 2024 include costs related to non-deductible stock-based compensation and non-deductible executive compensation, partially offset by tax credits and a fair value adjustment for the Flexion contingent consideration.

The effective tax rates rate for the three and nine months ended September 30, 2022 include March 31, 2023 includes costs related to non-deductible executive compensation, valuation allowances recorded against non-U.S. operating results and U.S. capital losses, partially offset by benefits for a first quarter milestone payment to SkyePharma Holding, Inc. (now a subsidiary of Vectura Group plc).

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or Skypharma, a fair value adjustment for to Flexion contingent consideration, and the impact of a valuation allowance recorded against non-U.S. results, offset by tax credits and stock-based compensation adjustments. benefits.

Liquidity and Capital Resources

Since our inception in 2006, we have devoted most of our cash resources to manufacturing, research and development and selling, general and administrative activities related to the development and commercialization of EXPAREL. In addition, we acquired ZILRETTA as part of the Flexion Acquisition in November 2021 and iovera® as part of the MyoScience Acquisition in April 2019. We are primarily dependent on the commercial success of EXPAREL and ZILRETTA. We have financed our operations primarily with the proceeds from the sale of convertible senior notes and other debt, common stock, product sales and collaborative licensing and milestone revenue. As of September 30, 2023 March 31, 2024, we had an accumulated deficit of \$131.7 million \$97.8 million, cash and cash equivalents and available-for-sale investments of \$235.2 million \$325.9 million and working capital of \$353.6 million \$449.7 million.

We expect that our cash and cash equivalents and available-for-sale investments on hand will be adequate to cover our short-term liquidity needs, and that we would be able to access other sources of financing should the need arise.

Summary of Cash Flows

The following table summarizes our cash flows from operating, investing and financing activities for the periods indicated (in thousands):

| Nine Months Ended September 30, | Three Months Ended March 31, |
|---------------------------------|------------------------------|
| | |
| Three Months Ended March 31, | Three Months Ended March 31, |

| Condensed Consolidated Statements of Cash Flows | | Condensed Consolidated Statements of Cash Flows | | Condensed Consolidated Statements of Cash Flows | | 2024 | 2023 |
|--|---------------------------------|--|--------------|---|--|------|------|
| Data: | Data: | 2023 | 2022 | Data: | | | |
| Net cash provided by (used in): | Net cash provided by (used in): | | | | | | |
| Operating activities | Operating activities | \$ 107,065 | \$ 103,237 | | | | |
| Operating activities | Operating activities | | | | | | |
| Investing activities | Investing activities | 69,167 | (236,374) | | | | |
| Financing activities | Financing activities | (181,252) | (343,017) | | | | |
| Net decrease in cash and cash equivalents | | \$ (5,020) | \$ (476,154) | | | | |
| Net increase (decrease) in cash and cash equivalents | | | | | | | |

Operating Activities

During the **nine** three months ended **September 30, 2023** **March 31, 2024**, net cash provided by operating activities was **\$107.1 million** **\$49.1 million**, compared to **\$103.2 million** **\$19.1 million** during the **nine** three months ended **September 30, 2022** **March 31, 2023**. The increase of **\$3.8 million** **\$30.0 million** was attributable to increased **interest income and revenue**, lower **interest expense**, partially offset by **paid and a \$13.0 million payment made in the payment of prior year for a \$13.0 million termination fee relating to a licensing agreement**.

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Investing Activities

During the **nine** three months ended **September 30, 2023** **March 31, 2024**, net cash used in investing activities was **\$15.5 million**, which reflected **\$12.7 million** of outflows from available-for-sale investment purchases (net of sales), as well as **\$2.8 million** of capital expenditures for manufacturing product fill lines and for an EXPAREL capacity expansion project at our Science Center Campus in San Diego, California.

During the **three** months ended **March 31, 2023**, net cash provided by investing activities was **\$69.2 million** **\$66.2 million**, which reflected proceeds from **\$89.3 million** **\$76.7 million** of available-for-sale investment sales (net of purchases), partially offset by purchases of fixed assets of **\$13.4 million** **\$6.6 million** for fill lines for our products and equipment for an EXPAREL capacity expansion project at our Science Center Campus in San Diego, California and purchases of equity and debt investments of **\$6.8 million** **\$4.0 million**.

During the **nine** months ended **September 30, 2022**, net cash used in investing activities was **\$236.4 million**, which reflected **\$166.8 million** of available-for-sale investment purchases (net of maturities), a **\$32.0 million** contingent consideration milestone payment that had been achieved in the fourth quarter of 2021 associated with our 2007 acquisition of **Pacira Pharmaceuticals, Inc.** from **Skypharma**, purchases of fixed assets of **\$24.6 million** for fill lines for our products and equipment for an EXPAREL capacity expansion project at our Science Center Campus in San Diego, California and purchases of equity and debt investments of **\$13.0 million**.

Financing Activities

During the **nine** three months ended **September 30, 2023** **March 31, 2024**, net cash used in financing activities was **\$181.3 million**, which consisted of **\$2.8 million** for a **\$296.9 million** repayment of **TLB Term Loan** principal as well as a **\$5.8 million** voluntary prepayment penalty in connection with the retirement of the **TLB Term Loan** facility and **\$30.6 million** repayments of **TLA Term Loan** principal, partially offset by the net proceeds from the **TLA Term Loan** of **\$149.6 million**, proceeds from the exercise of stock options of **\$1.9 million** and **\$1.7 million** from the issuance of common stock through our **ESPP** principal. See Note 8, **Debt**, to our condensed consolidated financial statements included herein for further discussion on the **TLA Term Loan** and **TLB Term Loan**.

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During the nine three months ended September 30, 2022 March 31, 2023, net cash used in financing activities was \$343.0 million \$153.9 million, which primarily consisted of a \$192.6 million principal \$296.9 million repayment of the 3.375% convertible senior notes due 2024 (the "Flexion 2024 Notes") as part of a repurchase offer to the holders of the Flexion 2024 Notes that was triggered by the Flexion Acquisition, \$157.0 million to settle the 2022 Notes that matured on April 1, 2022 and \$18.8 million of scheduled repayments of TLB Term Loan principal as well as a \$5.8 million prepayment penalty, partially offset by \$23.5 million of the net proceeds from the exercise TLA Term Loan of stock options and \$1.8 million from the issuance of common stock through our ESPP. \$149.6 million.

Debt

2028 Term Loan A Facility

On March 31, 2023, we entered into a credit agreement (the "TLA Credit Agreement") to refinance the indebtedness outstanding under our TLB Credit Agreement (as defined and discussed below). The term loan issued under the TLA Credit Agreement (the "TLA Term Loan") was issued at a 0.30% discount and provides for a single-advance term loan A facility in the principal amount of \$150.0 million, which is secured by substantially all of our and any subsidiary guarantor's assets and matures on March 31, 2028. We may elect to borrow either (i) alternate base rate borrowings or (ii) term benchmark borrowings or daily simple SOFR (as defined in the TLA Credit Agreement) borrowings. Each term loan borrowing which is an alternate base rate borrowing bears interest at a rate per annum equal to (i) the Alternate Base Rate (as defined in the TLA Credit Agreement), plus (ii) a spread based on our Senior Secured Net Leverage Ratio ranging from 2.00% to 2.75%. Each term loan borrowing which is a term benchmark borrowing or daily simple SOFR borrowing bears interest at a rate per annum equal to (i) the Adjusted Term SOFR Rate or Adjusted Daily Simple SOFR (as each is defined in the TLA Credit Agreement), plus (ii) a spread based on our Senior Secured Net Leverage Ratio ranging from 3.00% to 3.75%. During the nine three months ended September 30, 2023 March 31, 2024, we made a scheduled voluntary principal payment prepayment of \$2.8 million as well as \$27.8 million of voluntary principal prepayments. Due to voluntary principal prepayments of \$27.8 million made, during the three months ended September 30, 2023, we are not required to make further principal payments for the remainder of 2023 and 2024, year ended December 31, 2024, although we retain the option to do so. As of September 30, 2023 March 31, 2024, borrowings under the TLA Term Loan consisted entirely of term benchmark borrowings at a rate of 8.47% 8.41%.

The TLA Credit Agreement requires us to, among other things, maintain (i) a Senior Secured Net Leverage Ratio (as defined in the Credit Agreement), determined as of the last day of each fiscal quarter, of no greater than 3.00 to 1.00 and (ii) a Fixed Charge Coverage Ratio (as defined in the TLA Credit Agreement), determined as of the last day of each fiscal quarter, of no less than 1.50 to 1.00. The TLA Credit Agreement requires us to maintain an unrestricted cash and cash equivalents balance of at least \$500.0 million less any prepayments of the 2025 Notes (as defined below) at any time from 91 days prior to the maturity date through the earlier of (i) the latest maturity date of the 2025 Notes and (ii) the date on which there is no outstanding principal amount of the 2025 Notes, which we expect to accomplish. The TLA Credit Agreement also contains customary affirmative and negative covenants, financial covenants, representations and warranties, events of default and other provisions. As of September 30, 2023 March 31, 2024, we were in compliance with all financial covenants under the TLA Credit Agreement. See Note 8, *Debt*, to our condensed consolidated financial statements included herein for further discussion.

2026 Term Loan B Facility

In December 2021, we entered into the \$375.0 million TLB Term Loan which was secured by substantially all of our and any subsidiary guarantor's assets and was scheduled to mature on December 7, 2026, subject to certain exceptions set forth in the TLB Credit Agreement.

On March 31, 2023, we used the \$149.6 million of net borrowings under the TLA Credit Agreement and cash on hand to repay the indebtedness outstanding under the TLB Credit Agreement and concurrently terminated the TLB Credit Agreement. We incurred a prepayment fee of 2.00% of the outstanding principal balance of the TLB Term Loan in connection with the termination. During the nine months ended September 30, 2023, we made a scheduled principal payment of \$9.4 million and repaid the outstanding \$287.5 million principal on the TLB Term Loan, which resulted in a \$16.9 million loss on early extinguishment of debt. See Note 8, *Debt*, to our condensed consolidated financial statements included herein for further discussion.

2025 Convertible Senior Notes

In July 2020, we completed a private placement of \$402.5 million in aggregate principal amount of our 0.750% convertible senior notes due 2025, or 2025 Notes, and entered into an indenture with respect to the 2025 Notes. The 2025 Notes accrue interest at a fixed rate of 0.750% per annum, payable semiannually in arrears on February 1st and August 1st of each year. The 2025 Notes mature on August 1, 2025. At September 30, 2023 March 31, 2024, the outstanding principal on the 2025 Notes was \$402.5 million. See Note 8, *Debt*, to our condensed consolidated financial statements included herein for further discussion.

2024 Convertible Senior Notes

In November 2021, as part of the Flexion Acquisition, we assumed \$201.3 million in aggregate principal amount of the Flexion 2024 Notes. The Flexion 2024 Notes have a maturity date of May 1, 2024, are unsecured, and accrue interest at a rate

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of 3.375% per annum, payable semi-annually on May 1st and November 1st of each year. In January 2022, we repurchased \$192.6 million aggregate principal amount of the Flexion 2024 Notes. At September 30, 2023, the outstanding principal on the Flexion 2024 Notes was \$8.6 million. See Note 8, *Debt*, to our condensed consolidated financial statements included herein for further discussion.

Future Capital Requirements

We believe that our existing cash and cash equivalents, available-for-sale investments and cash received from product sales will be sufficient to enable us to fund our operating expenses, capital expenditure requirements and payment of the interest and principal on our TLA Term Loan **Flexion 2024 Notes** and 2025 Notes (collectively, the "Notes") through the next 12 months. Our future use of operating cash and capital requirements will depend on many forward-looking factors, including, but not limited to:

- the cost and timing of the potential milestone payments to former Flexion stockholders, which could be up to an aggregate of \$372.3 million if certain regulatory and commercial milestones are met. See Note 9, *Financial Instruments*, to our condensed consolidated financial statements included herein for more information;
- the **cost and timing of potential remaining milestone payments to former MyoScience security holders, which could be up to an aggregate of \$43.0 million if certain regulatory and commercial milestones are met**. See Note 9, *Financial Instruments*, to our condensed consolidated financial statements included herein for more information;
- the impact of global economic conditions—including the impact of inflation—on our product, **material** and **material labor** costs, supply chain, longer lead-times, an inability to secure a sufficient supply of materials, our operating expenses and our business strategy;
- the timing of and extent to which the holders of our **2025** Notes elect to convert their **2025** Notes, the timing of principal and interest payments on our TLA Term Loan and the timing and impact of increases to the variable interest rate on our TLA Term Loan borrowings in accordance with the terms of the TLA Credit Agreement;
- the costs and our ability to successfully continue to expand the commercialization of EXPAREL, ZILRETTA and iovera[®], **including markets outside of the U.S.**;
- the cost and timing of expanding and maintaining our manufacturing facilities, **including the current EXPAREL capacity expansion project at our Science Center Campus in San Diego, California (for which a prior approval supplement was submitted to the FDA in October 2023 with an anticipated PDUFA action date in February 2024) and capital projects at the Thermo Fisher site in Swindon, England**; facilities;
- the cost and timing of additional strategic investments, including additional investments under existing agreements;
- the costs related to legal and regulatory matters;
- the costs of performing additional clinical trials for our products, including the additional pediatric trials required by the FDA and EMA as a condition of the approval of EXPAREL;
- the costs for the development and commercialization of other product candidates;
- the costs and timing of future payments under our employee benefit plans, including but not limited to our cash long-term incentive plan and non-qualified deferred compensation plan; and
- the extent to which we acquire or invest in products, businesses and technologies.

We may require additional debt or equity financing to meet our future operating and capital requirements. We have no committed external sources of funds, and additional equity or debt financing may not be available on acceptable terms, if at all. In particular, capital market disruptions or negative economic conditions may hinder our access to capital.

Critical Accounting Estimates

For a description of critical accounting policies that affect our significant judgments and estimates used in the preparation of our consolidated financial statements, refer to our [2022 2023 Annual Report](#). There have been no significant changes to our critical accounting policies nor any recently issued accounting pronouncements that are expected to have a material impact on our financial results since **December 31, 2022** December 31, 2023.

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Contractual Obligations

Except for entry into the new TLA Credit Agreement and termination of the TLB Credit Agreement as described in Note 8, *Debt*, to our condensed consolidated financial statements included herein, there **There** have been no material changes in our contractual obligations relating to our indebtedness, lease obligations and purchase obligations from those reported in our [2022 2023 Annual Report](#). For more information on our contractual obligations and commercial commitments, see Part II, Item 7 in our [2022 2023 Annual Report](#).

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The primary objective of our cash equivalents and investment activities is to preserve principal while at the same time maximizing the income that we receive from our investments without significantly increasing risk. We invest in corporate bonds, commercial paper, asset-backed securities and U.S. Treasury and other government agency notes **for purposes other than trading** which are reported at fair value. These securities are subject to interest rate risk and credit risk. This means that a change in prevailing interest rates may cause the fair value of the investment to fluctuate. For example, if we hold a security that was issued with a fixed interest rate at the then-prevailing rate and the interest rate

later rises, we expect that the fair value of our investment will decline. A hypothetical 100 basis point increase in interest rates would have reduced the fair value of our available-for-sale securities at **September 30, 2023** **March 31, 2024** by approximately **\$0.7** **\$0.6** million.

The fair **values** value of our 2025 Notes are impacted by both the fair value of our common stock and interest rate fluctuations. As of **September 30, 2023** **March 31, 2024**, the estimated fair value of the 2025 Notes was **\$909** **\$953** per \$1,000 principal amount. See Note 8, **Debt**, to our condensed consolidated financial statements included herein for further discussion of our 2025 Notes, which bear interest at a fixed rate. At **September 30, 2023** **March 31, 2024**, all \$402.5 million of principal remains outstanding on the 2025 Notes and **\$8.6 million** **\$8.6 million** of principal **remains** remained outstanding on the Flexion 2024 Notes.

The TLB Term Loan provided for a single-advance term loan in the principal amount of \$375.0 million and was scheduled to mature on December 7, 2026. Each term loan borrowing Notes, which was an alternate base rate borrowing bears interest subsequently repaid at a variable rate per annum equal to the Alternate Base Rate (as defined in the TLB Term Loan Credit Agreement) subject to a 1.75% floor, plus 6.00%. Each term loan borrowing which was a term benchmark borrowing bears interest at a variable rate per annum equal to (i) the Adjusted Term SOFR rate (as defined in the TLB Term Loan Credit Agreement) subject to a 0.75% floor plus (ii) 7.00%. We repaid the outstanding principal for TLB Term Loan maturity on March 31, 2023, therefore there were no outstanding borrowings under the TLB Term Loan as of September 30, 2023 May 1, 2024.

The TLA Term Loan provides for a single-advance term loan in the principal amount of \$150.0 million and is scheduled to mature on March 31, 2028. Each term loan borrowing that is a term benchmark borrowing or daily simple SOFR borrowing bears interest at a rate per annum equal to (i) the Adjusted Term SOFR Rate or Adjusted Daily Simple SOFR (as each is defined in the TLA Credit Agreement), plus (ii) a spread based on our Senior Secured Net Leverage Ratio ranging from 3.00% to 3.75%. At **March 31, 2024**, the outstanding principal on the TLA Term Loan was \$113.8 million. As of **September 30, 2023** **March 31, 2024**, borrowings under the TLA Term Loan consisted entirely of term benchmark borrowings at a rate of **8.47%** **8.41%**. A hypothetical 100 basis point increase in interest rates would have increased increase interest expense over the next 12 months by approximately **\$0.3** **\$1.1** million, and **\$0.7** million based on the balance outstanding for the three and nine months ended September 30, 2023, respectively.

As a result these borrowings as of the Flexion Acquisition and as discussed in more detail in Note 8, **Debt**, to our condensed consolidated financial statements included herein, any future conversion rights for the Flexion 2024 Notes are subject to the occurrence of any future events giving rise to such conversion rights under the indenture governing the Flexion 2024 Notes. **March 31, 2024**.

We have agreements with certain vendors and partners that operate in foreign jurisdictions. The more significant transactions are primarily denominated in the U.S. Dollar, subject to an annual adjustment based on changes in currency exchange rates.

Additionally, our accounts receivable are primarily concentrated with four large wholesalers of pharmaceutical products. In the event of non-performance or non-payment, there may be a material adverse impact on our financial condition, results of operations or net cash flow.

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Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Exchange Act, our management, including our Chief Executive Officer and Chairman and our Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. As defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, disclosure controls and procedures are controls and other procedures which are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chairman and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Based on that evaluation, our Chief Executive Officer and Chairman and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of **September 30, 2023** **March 31, 2024**.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the quarter ended **September 30, 2023** **March 31, 2024** that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including the Chief Executive Officer and Chairman and our Chief Financial Officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control

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system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by the individual acts of some persons, by collusion

of two or more people or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II — OTHER INFORMATION

Item 1. **LEGAL PROCEEDINGS**

For information related to Item 1. Legal Proceedings, refer to Note 15, *Commitments and Contingencies*, to our condensed consolidated financial statements included herein.

Item 1A. **RISK FACTORS**

You should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" in our [2022 2023 Annual Report](#), which could materially affect our business, financial condition, cash flows or future results. ~~Except as described below, there~~ There have been no material changes in our risk factors included in our [2022 2023 Annual Report](#). The risks described in our [2022 2023 Annual Report](#) are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

If we fail to successfully execute the transition of David Stack, our Chief Executive Officer and Chairman, we may not be able to execute our business strategy.

~~In September 2023, David Stack, our Chief Executive Officer and Chairman, announced that he intends to retire as Chief Executive Officer and as a member of the Board effective immediately upon the appointment of his successor as Chief Executive Officer in order to ensure a smooth transition of leadership. The Board of Directors has engaged an executive search firm to assist in a comprehensive search for the Company's next Chief Executive Officer.~~

~~Our success depends in a large part upon the leadership of our Chief Executive Officer, which is critical to, among other things, our mission, strategic direction, culture, products and technologies. Leadership transitions can be inherently difficult to manage. An inadequate transition to a new Chief Executive Officer may cause disruption within the Company, adversely affecting our financial performance and ability to meet operational goals and strategic plans. Management turnover also inherently causes some loss of institutional knowledge, which can negatively affect strategy and execution. In addition, to the extent we experience additional management turnover, competition for top management is high and it may take months to find a candidate that meets our requirements. If we are unable to attract and retain qualified management personnel, our business could suffer. Furthermore, while we have succession plans in place and we have employment arrangements with certain key executives, these do not guarantee the services of these executives will continue to be available to us.~~

Item 2. **UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES**

None.

Item 3. **DEFAULTS UPON SENIOR SECURITIES**

None.

Item 4. **MINE SAFETY DISCLOSURES**

Not applicable.

Item 5. **OTHER INFORMATION**

Rule 10b5-1 Trading Plans

The following table shows the "Rule 10b5-1 trading arrangements" and "non-Rule 10b5-1 trading arrangements" (as each term is defined in Item 408(a) of Regulation S-K) adopted by our directors and executive officers during the quarter ended [September 30, 2023](#) [March 31, 2024](#). No trading arrangements were terminated by our directors and executive officers during the quarter ended [September 30, 2023](#) [March 31, 2024](#).

| Name and Position | Action | Date | Trading Arrangement | | Total Number of Shares to be Sold | Expiration Date |
|---|----------------------|--------------------|---------------------|-------------------|--|---|
| | | | Rule 10b5-1* | Non-Rule 10b5-1** | | |
| Charles A. Reinhart, III Lauren Riker Chief Financial Principal Accounting Officer | Adopt ⁽¹⁾ | 7/3/2023 2024 | | X | | To Be Determined ^{(2) (1)} N/A 12/31/2024 |
| Kristen Williams Chief Administrative Officer and Secretary | Adopt ⁽¹⁾ | 7/27/2023 3/8/2024 | | X | | To Be Determined ^{(2) (1)} N/A 6/28/2024 |
| Roy Winston Jonathan Slonin Chief Medical Officer and Orthopedic Franchise | Adopt | 9/13/2023 3/8/2024 | X | | To Be Determined ^{(2) (3) (1)} | 8/9/1/31/2025 |
| Paul Hastings Director | Adopt | 3/12/2024 | X | | 1,775 | 12/31/2024 |
| Daryl Gaugler Chief Operating Officer | Adopt | 3/12/2024 | X | | 2,500 | 3/7/2025 |

* Intended to satisfy the affirmative defense of Rule 10b5-1(c).

** Not intended to satisfy the affirmative defense of Rule 10b5-1(c).

(1) Represents an election made upon acceptance of a grant of restricted stock units made in June 2023 to sell shares to cover tax withholding obligations upon vesting.

(2) The aggregate number of shares to be sold pursuant to each trading arrangement listed above is dependent on the amount of tax withholding required upon the vesting of restricted stock units, and, therefore, is indeterminable at this time.

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Item 6. EXHIBITS

The exhibits listed below are filed or furnished as part of this report.

| Exhibit Number | Description |
|----------------------|---|
| 10.1 | Transition and Retirement Executive Employment Agreement, dated September 20, 2023 May 4, 2020, between the Company Registrant and David Stack, Jonathan Slonin. ^{(1) † ***} |
| 31.1 | Certification of Chief Executive Officer and Chairman pursuant to Rule 13a-14(a) and 15d-14(a), as amended.* |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a), as amended.* |
| 32.1 | Certification of Chief Executive Officer and Chairman and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.** |
| 101 | The following materials from the Quarterly Report on Form 10-Q of Pacira BioSciences, Inc. for the quarter ended September 30, 2023 March 31, 2024, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Operations; (iii) the Condensed Consolidated Statements of Comprehensive Income (Loss); (iv) the Condensed Consolidated Statements of Stockholders' Equity; (v) the Condensed Consolidated Statements of Cash Flows; and (vi) the Condensed Notes to Consolidated Financial Statements.* |
| 104 | Cover Page Interactive Data File (Formatted as Inline XBRL and contained in Exhibit 101). |

* Filed herewith.

** Furnished herewith.

† *** Denotes management contract or compensatory plan or arrangement.

(1) Incorporated by reference to the Company's Current Quarterly Report on Form 8-K, 10-Q, filed on September 26, 2023 May 4, 2022.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**PACIRA BIOSCIENCES, INC.
(REGISTRANT)**

Date: **November 2, 2023** May 7, 2024 By: **/s/ DAVID STACK** **FRANK D. LEE**
David Stack **Frank D. Lee**
Chief Executive Officer and Chairman Director
(Principal Executive Officer)

Date: **November 2, 2023** May 7, 2024 By: **/s/ CHARLES A. REINHART, III**
Charles A. Reinhart, III
Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION

I, **David Stack**, **Frank D. Lee**, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pacira BioSciences, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal

control over financial reporting; and

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

- (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
- (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: **November 2, 2023** **May 7, 2024**

/s/ **DAVID STACK** **FRANK D. LEE**
David Stack **Frank D. Lee**
*Chief Executive Officer and **Chairman** Director*
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Charles A. Reinhart, III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pacira BioSciences, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

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

Date: **November 2, 2023** May 7, 2024

/s/ CHARLES A. REINHART, III

Charles A. Reinhart, III
Chief Financial Officer
(*Principal Financial Officer*)

Exhibit 32.1

**CERTIFICATIONS OF THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certifies that this Quarterly Report on Form 10-Q of Pacira BioSciences, Inc. for the quarter ended **September 30, 2023** **March 31, 2024**, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this report fairly presents, in all material respects, the financial condition and results of operations of Pacira BioSciences, Inc. at the dates and for the periods indicated.

Date: **November 2, 2023** May 7, 2024

/s/ **DAVID STACK** **FRANK D. LEE**

David Stack **Frank D. Lee**
Chief Executive Officer and Chairman Director
(*Principal Executive Officer*)

Date: **November 2, 2023** May 7, 2024

/s/ CHARLES A. REINHART, III

Charles A. Reinhart, III
Chief Financial Officer
(*Principal Financial Officer*)

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