



Q4 2019 Earnings Call

February 19, 2020

Safe Harbor Statement

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties and reflect the Company's judgment as of the date of this release. All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements. Some of these forward-looking statements may contain words like "will," "believe," "may," "could," "would," "might," "possible," "should," "expect," "intend," "plan," "anticipate," or "continue," the negative of these words, other terms of similar meaning or they may use future dates. Forward-looking statements contained in this news release include, but are not limited to, statements concerning future financial performance, including projections for revenues, expected revenue growth (both reported and organic), GAAP and adjusted net income, GAAP and adjusted earnings per diluted share, non-GAAP adjustments such as acquisition and integration-related charges, litigation charges, impairment charges, intangible asset amortization, structural optimization charges, EU Medical Device Regulation-related charges, convertible debt non-cash interest and income tax expense (benefit) related to non-GAAP adjustments and other items. It is important to note that the Company's goals and expectations are not predictions of actual performance. Such forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from predicted or expected results. Such risks and uncertainties include, but are not limited, to the following: the Company's ability to execute its operating plan effectively; the Company's ability to achieve sales growth in a timely fashion and execute on its channel expansion in its Orthopedics and Tissue Technologies segment; the Company's ability to successfully integrate the Codman Neurosurgery business and other acquired businesses, including the realignment of acquired global sales territories; the Company's ability to manufacture and ship sufficient quantities of its products to meet its customers' demands; the ability of third-party suppliers to supply us with raw materials and finished products; global macroeconomic and political conditions; the Company's ability to manage its direct sales channels effectively; the sales performance of third-party distributors on whom the Company relies to generate revenue for certain products and geographic regions; the Company's ability to maintain relationships with customers of acquired entities and businesses; physicians' willingness to adopt and third-party payors' willingness to provide or maintain reimbursement for the Company's recently launched, planned and existing products; initiatives launched by the Company's competitors; downward pricing pressures from customers; the Company's ability to secure regulatory approval for products in development; the Company's ability to remediate quality systems violations; fluctuations in hospitals' spending for capital equipment; the Company's ability to comply with and obtain approvals for products of human origin and comply with regulations regarding products containing materials derived from animal sources; difficulties in controlling expenses, including costs to procure and manufacture our products; the impact of changes in management or staff levels; the impact of goodwill and intangible asset impairment charges if future operating results of acquired businesses are significantly less than the results anticipated at the time of the acquisitions, the Company's ability to leverage its existing selling organizations and administrative infrastructure; the Company's ability to increase product sales and gross margins, and control non-product costs; the Company's ability to achieve anticipated growth rates, margins and scale and execute its strategy generally; the amount and timing of acquisition and integration-related costs; the geographic distribution of where the Company generates its taxable income; the effect of legislation effecting healthcare reform in the United States and internationally; fluctuations in foreign currency exchange rates; the amount of our bank borrowings outstanding and other factors influencing liquidity; and the economic, competitive, governmental, technological, and other risk factors and uncertainties identified under the heading "Risk Factors" included in Item 1A of Integra's Annual Report on Form 10-K for the year ended December 31, 2018 and information contained in subsequent filings with the Securities and Exchange Commission.

These forward-looking statements are made only as of the date hereof, and the Company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events, or otherwise.

Non-GAAP Financial Measures

In addition to our GAAP results, we provide certain non-GAAP measures, including organic revenues, adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted net income, adjusted earnings per diluted share, free cash flow and adjusted free cash flow conversion. Organic revenues consist of total revenues excluding the effects of currency exchange rates, revenues from current-period acquisitions and product divestitures and discontinuances. Adjusted EBITDA consists of GAAP net income excluding: (i) depreciation and amortization; (ii) other income (expense); (iii) interest income and expense; (iv) income tax expense (benefit); and (v) those operating expenses also excluded from adjusted net income. The measure of adjusted net income consists of GAAP net income, excluding: (i) structural optimization charges; (ii) acquisition and integration-related charges; (iii) litigation charges; (iv) EU Medical Device Regulation-related charges; (v) discontinued product lines charges; (vi) intangible asset amortization expense; (vii) impairment charges; (viii) convertible debt non-cash interest; and (ix) income tax impact from adjustments.

The adjusted earnings per diluted share measure is calculated by dividing adjusted net income attributable to diluted shares by diluted weighted average shares outstanding. The measure of free cash flow consists of GAAP net cash provided by operating activities less purchases of property and equipment.

The Company believes that the presentation of organic revenues and the other non-GAAP measures provide important supplemental information to management and investors regarding financial and business trends relating to the Company's financial condition and results of operations.

2019 Year in Review

Financial Highlights

- 4.8% organic revenue growth / 13.2% adjusted EPS growth – 6th consecutive year of double-digit adjusted EPS growth
- 90 basis-point increase in Adj. Gross Margin and 110 basis-point increase in Adj. EBITDA Margin
 - Advancing portfolio optimization plans, in line with long-term strategy

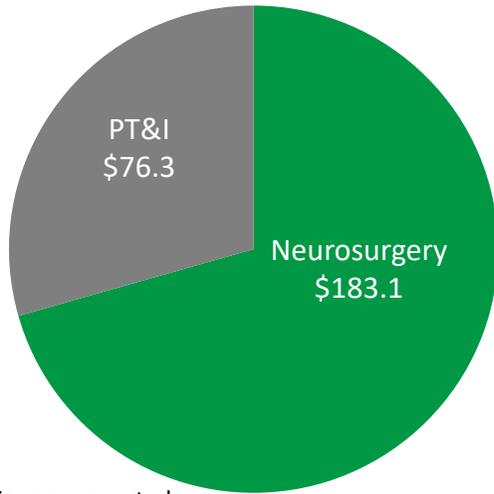
Operational Highlights

- Successful completion of all substantial Codman integration activities, including ERP conversion to a single global instance
 - CSS segment organic growth exceeded full-year guidance
 - Highest International growth since 2015, led by China and Japan
- Acquired two early stage technology platforms to drive future growth and market expansion
- Investing in Regenerative Technologies manufacturing to expand capacity at multiple facilities
- Accelerating growth in U.S. Orthopedics led by strong ankle and shoulder portfolios
- Launched ten new products globally

2019 was a transition year and positioned the Company for accelerated organic growth

Codman Specialty Surgical

Fourth Quarter 2019 Revenues \$259.4M; 4.1% YoY Growth



\$ in millions as reported

Q4 2019 Performance Drivers*

- **Neurosurgery**
 - Growth across all franchises, led by Flow and Pressure Monitoring and Dural Access & Repair
- **Precision Tools and Instruments**
 - Strong growth in specialty surgical instruments
- **International**
 - Double-digit growth led by China and Japan, with continued growth across Europe

*All commentary represents organic performance

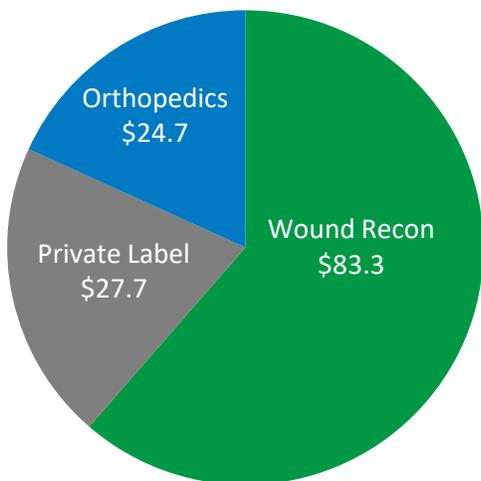
Revenues	Q4 2019	Q4 2018	Growth	FY 2019	FY 2018	Growth	2020 Guidance
Reported	\$259.4M	\$249.3M	4.1%	\$996.2M	\$963.9M	3.3%	0% - 2%
Organic**	\$251.3M	\$236.5M	6.3%	\$977.1M	\$925.4M	5.6%	3% - 5%

Fourth quarter and full-year 2019 performance exceeded expectations

**Amount excludes \$8.6M in Q4 2019 and \$12.8M in Q4 2018 and \$28.8M and \$38.5M for FY 2019 and FY 2018 respectively, related to divested and discontinued products.

Orthopedics & Tissue Technologies

Fourth Quarter 2019 Revenues \$135.7M; 1.3% YoY Growth



\$ in millions as reported

Q4 2019 Performance Drivers*

- **Wound Reconstruction**
 - Inpatient sales increased mid-single digits, Outpatient sales were flat, and Plastic & Reconstructive Surgery sales increased double digits
- **Private Label**
 - Declined slightly, in line with expectations
- **Orthopedics**
 - U.S. Orthopedics increased low-single digits with strength in both ankle and shoulder
- **International**
 - Declined low-single digits, attributable to weaker Orthopedic sales

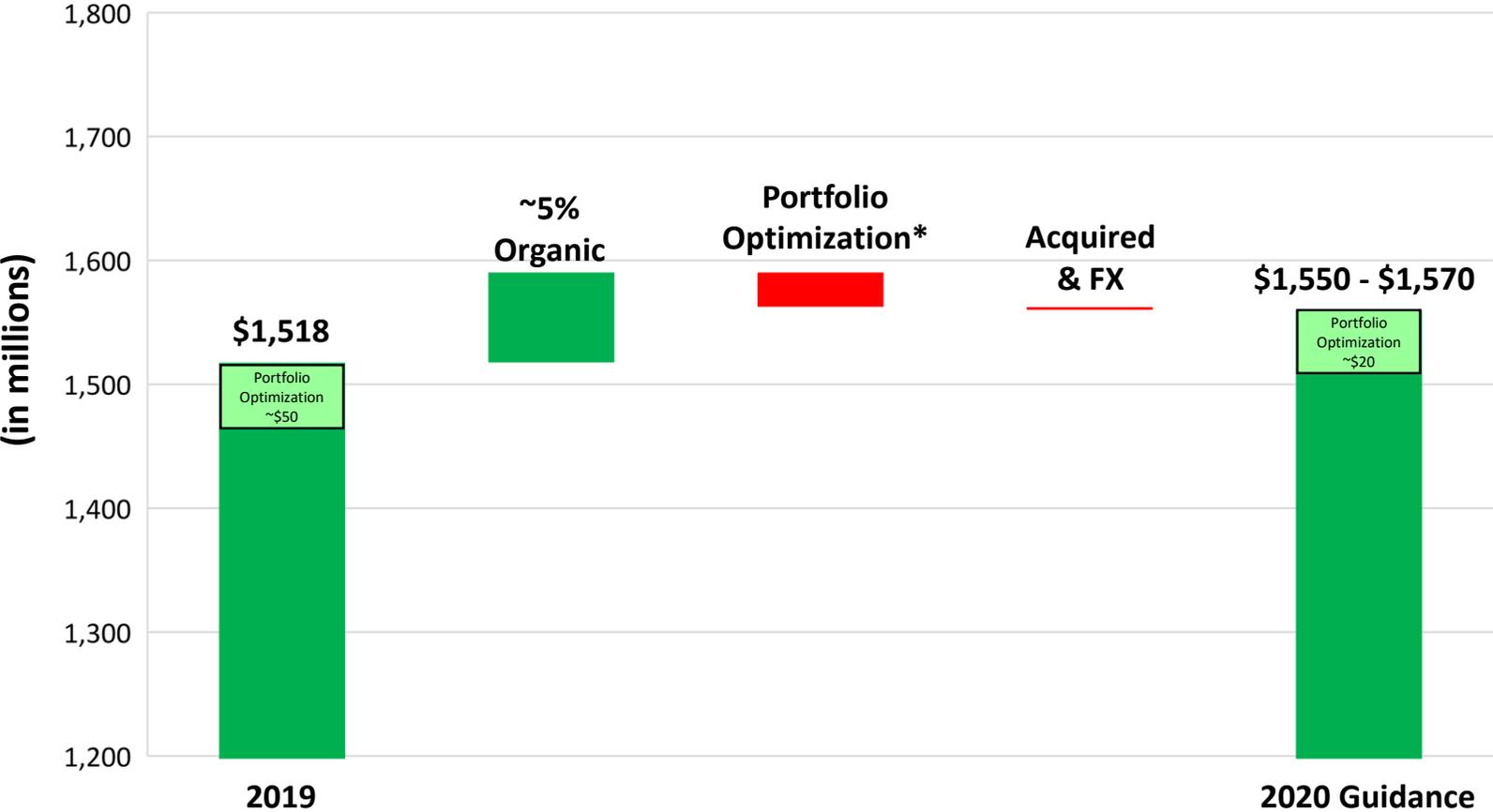
*All commentary represents organic performance

Revenues	Q4 2019	Q4 2018	Growth	FY 2019	FY 2018	Growth	2020 Guidance
Reported	\$135.7M	\$134.0M	1.3%	\$521.4M	\$508.5M	2.5%	6% - 8%
Organic**	\$135.8M	\$133.7M	1.6%	\$523.5M	\$507.0M	3.3%	6% - 8%

**Fourth quarter OTT revenue growth impacted by supply constraints
Improved supply will drive faster growth in early 2020**

** Amount excludes \$0.1M in Q4 2019 and \$0.4M in Q4 2018 and \$0.4M and \$1.5M for FY 2019 and FY 2018 respectively, related to discontinued products.

2020 Revenue Bridge



Full Year 2020

- Organic growth of ~5%
- Portfolio optimization estimated to be a YOY impact of ~\$30M on reported revenue
- Acquisition-related revenues expected to be minimal
- Foreign currency impact expected to be slightly unfavorable

2020 Organic Growth:
 ~5%

2020 Reported Growth:
 ~3%

Full-year 2020 revenue guidance range of \$1.55 to \$1.57 billion, ~5% organic
Q1 2020 revenue guidance range of \$367 to \$372 million, ~4% organic

* Portfolio optimization represents year-over-year change in revenues from divested and discontinued products

Fourth Quarter and YTD Results / Full-Year 2020 Guidance

% of Revenues	Q4 2019	Q4 2018	Change	FY 2019	FY 2018	Change	2020 Guidance	2020 YOY Change
Total Revenues	\$395.1	\$383.3	3.1%	\$1,517.6	\$1,472.4	3.1%	\$1.55B - \$1.57B	Rep. ~3% / Org. ~5%
Gross Margin	62.2%	61.8%	+40BPS	62.8%	61.2%	+160BPS	~64.5%	~170BPS
Adj. Gross Margin ⁽¹⁾	67.2%	65.6%	+160BPS	67.5%	66.6%	+90BPS	~69.0%	~150BPS
Net Income	\$15.3	\$25.1	(39.0%)	\$50.2	\$60.8	(17.4%)	\$120M - \$125M	~145%
Adj. Net Income ⁽¹⁾	\$58.9	\$56.2	4.8%	\$237.4	\$203.5	16.7%	\$255M - \$260M	~10%
Adj. EBITDA Margin ⁽¹⁾	23.2%	23.2%	-	24.3%	23.2%	+110BPS	25.0% - 25.5%	~100BPS
Diluted Shares Out (M) ⁽²⁾	86.8	86.3	0.6%	86.5	84.0	3.0%	~85.5M	~(1.0M)
Earnings per Share	\$0.18	\$0.29	(37.9%)	\$0.58	\$0.72	(19.4%)	\$1.40 - \$1.45	~145%
Adj. Earnings per Share ⁽¹⁾	\$0.68	\$0.65	4.6%	\$2.74	\$2.42	13.2%	\$3.00 - \$3.05	~10%

Accelerating top-line and double-digit earnings growth in 2020

(1) These are non-GAAP financial measures. Please see the appendix of this presentation for a reconciliation to the nearest GAAP measure.

(2) FY 2020 Diluted Shares Outstanding guidance includes the estimated effect of the ASR initiated on Feb. 7, 2020.

Note: Numbers may not add due to rounding

Cash Flow and Other Measures

(In millions)	Q4 2019	Q4 2018	Change	FY 2019	FY 2018	Change	2020 Guidance
Operating Cash Flow	\$89.2	\$42.7	108.9%	\$231.4	\$199.7	15.9%	\$240M - \$250M
CapEx	\$22.2	\$25.7	(13.6%)	\$69.5	\$77.7	(10.6%)	\$55M - \$65M
Free Cash Flow ⁽¹⁾	\$67.0	\$17.0	294.1%	\$161.9	\$121.9	32.8%	\$185M - \$195M
FCF Conversion ⁽¹⁾	113.8%	30.2%	+83.6Pts	68.2%	59.9%	+8.3Pts	>70%

Continued improvement in free cash flow conversion planned in 2020

(1) These are non-GAAP financial measures. Please see the appendix of this presentation for a reconciliation to the nearest GAAP measure.

Note: Numbers may not add due to rounding

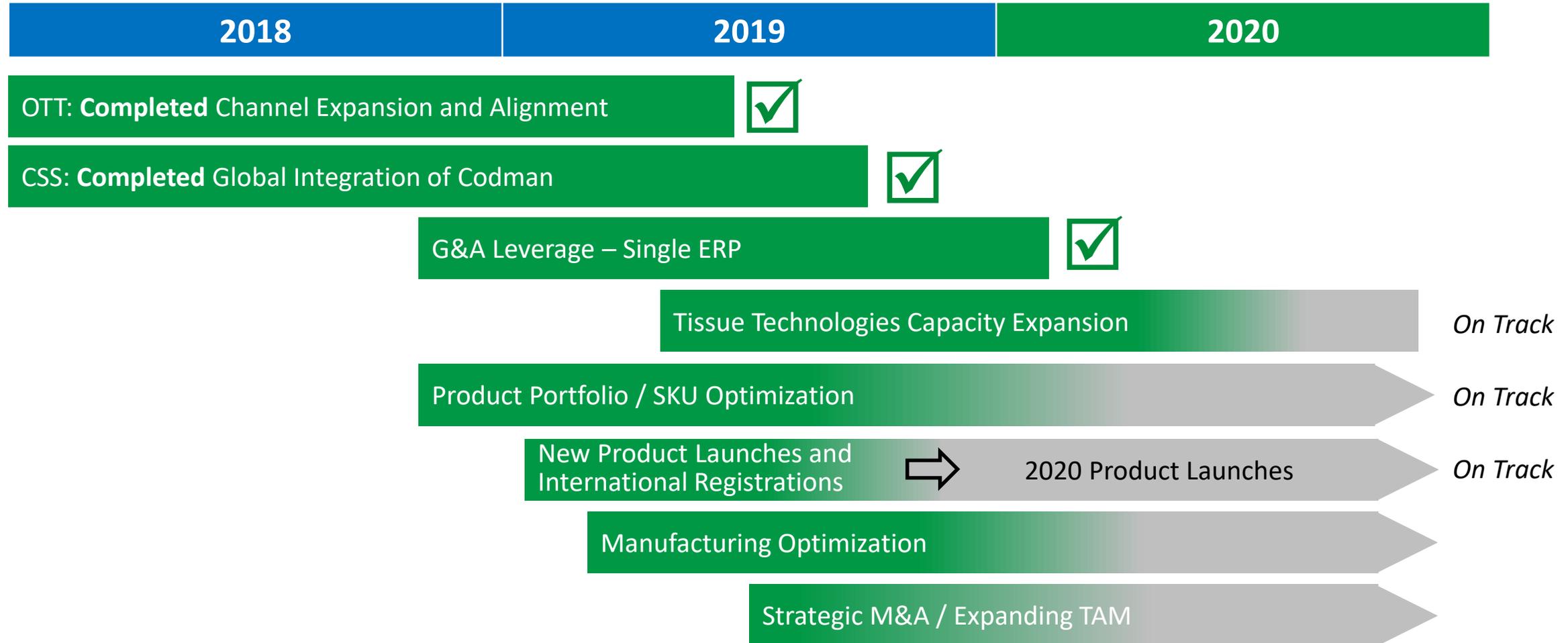
2019 Year-End Capital Structure

Capitalization		
(In \$ millions)	December 31, 2019	Pro Forma 2019
Cash and Equivalents	\$199	\$321
Revolver	\$375	\$97
Term Loans	\$878	\$878
A/R Facility	\$105	\$105
Convertible Bond	-	\$575
Total Debt	\$1,358	\$1,655
Net Debt	\$1,159	\$1,334
Net Debt Bank Leverage Ratio	2.6x	3.0x

Strong balance sheet with improved flexibility in capital structure

*Pro Forma Cap Structure reflects recently completed Convertible Note offering and estimated impact of ASR which was initiated on Feb. 7, 2020

Execution of Strategic Initiatives



Completed global transformation across both segments to enable faster revenue & profit growth

Integra's Long-Term Goals & 2020 Growth Drivers



Growth Drivers

- Codman integration complete and commercial focus improved
- Strong product pipeline & recently launched products drive future organic growth
- Accelerating revenues in international markets, especially China & Japan
- Leveraging tissue technology investment in supply, channel and clinical outcomes
- Margin expansion via G&A leverage, portfolio & manufacturing optimization
- Acquisitions to build scale and differentiation



Appendix

Non-GAAP Reconciliations



Fourth Quarter and Full-Year 2019 Organic Growth Reconciliation

(In millions)	Q4 2019	Q4 2018	FY 2019	FY 2018
Neurosurgery	\$183.1	\$175.0	\$707.0	\$684.1
Precision Tools and Instruments	\$76.3	\$74.3	\$289.2	\$279.8
Total Codman Specialty Surgical	\$259.4	\$249.3	\$996.2	\$963.9
Wound Reconstruction and Care	\$83.3	\$80.8	\$322.7	\$311.6
Extremity Orthopedics	\$24.7	\$25.2	\$90.1	\$90.6
Private Label	\$27.7	\$28.1	\$108.5	\$106.4
Total Orthopedics and Tissue Technologies	\$135.7	\$134.0	\$521.4	\$508.5
Total Reported Revenues	\$395.1	\$383.3	\$1,517.6	\$1,472.4
Revenues from divested products ⁽¹⁾	-	(3.7)	(3.3)	(10.7)
Revenues from discontinued products ⁽¹⁾	(8.7)	(9.5)	(25.9)	(29.4)
Revenues ex divested/ discontinued products	\$386.4	\$370.2	\$1,488.3	\$1,432.4
Impact of changes in currency exchange	0.9	-	12.5	-
Revenues from acquisitions ⁽²⁾	(0.2)	-	(0.3)	-
Total Organic Revenues	\$387.2	\$370.2	\$1,500.6	\$1,432.4
<i>Organic Revenue Growth</i>	<i>4.6%</i>		<i>4.8%</i>	

(1) Organic Revenue has been adjusted for 2019 and 2018 to account for divestitures and discontinued products.

(2) Includes revenue from Arkis Biosciences

Note: Numbers may not add due to rounding

Fourth Quarter and Full-Year 2019 Adjusted EBITDA Margin Reconciliation

(In millions)	Q4 2019	Q4 2018	FY 2019	FY 2018
GAAP Net Income	\$15.3	\$25.1	\$50.2	\$60.8
Depreciation and intangible asset amortization expense	27.9	27.7	108.8	108.9
Other (income), net	(1.1)	(1.9)	(7.0)	(8.3)
Interest expense, net	10.7	11.5	43.2	61.1
Income tax expense (benefit)	11.1	(0.6)	9.9	(3.4)
Acquisition and integration charges ⁽¹⁾	17.8	17.8	124.7	93.9
Structural optimization charges	4.4	7.7	17.6	19.6
Discontinued product lines charges	2.3	-	9.2	-
Litigation charges	0.1	1.5	0.1	4.6
EU Medical Device Regulation	3.0	-	6.2	-
Impairment charges	-	-	5.8	4.9
Total of non-GAAP adjustments:	76.3	63.6	318.4	281.3
Adjusted EBITDA	\$91.6	\$88.8	\$368.6	\$342.1
Total Revenues	\$395.1	\$383.3	\$1,517.6	\$1,472.4
Adjusted EBITDA Margin	23.2%	23.2%	24.3%	23.2%

(1) Acquisition and integration-related charges are associated with the Derma Sciences, Codman Neurosurgery, Arkis Biosciences, and Rebound Therapeutics acquisitions and include banking, legal, consulting, systems, and other expenses. The charges for the three and twelve months ended Dec. 31, 2019 also include a \$5 million and \$64.9 million, respectively, in-process research and development expense related to the Rebound Therapeutics acquisition.

Note: Numbers may not add due to rounding

Fourth Quarter and Full-Year 2019 Adjusted EPS Reconciliation

(In millions)	Q4 2019	Q4 2018	FY 2019	FY 2018
GAAP Net Income	\$15.3	\$25.1	\$50.2	\$60.8
Acquisition and integration charges ⁽¹⁾	17.8	17.8	124.7	93.9
Structural optimization charges	4.4	7.7	17.6	19.6
Discontinued product line charges	2.3	-	9.2	-
Litigation charges	0.1	1.5	0.1	4.6
EU Medical Device Regulation	3.0	-	6.2	-
Intangible asset amortization expense	17.3	16.5	67.1	66.7
Impairment charges	-	-	5.8	4.9
Estimated income tax impact from adjustments and other items ⁽²⁾	(1.4)	(12.4)	(43.4)	(47.1)
Total of non-GAAP adjustments:	43.5	31.1	187.2	142.7
Adjusted Net Income	\$58.9	\$56.2	\$237.4	\$203.5
Adjusted Diluted Net Income per Share	\$0.68	\$0.65	\$2.74	\$2.42
Weighted average common shares outstanding for diluted net income from continuing operations per share	86.8	86.3	86.5	84.0

(1) Acquisition and integration-related charges are associated with the Derma Sciences, Codman Neurosurgery, Arkis Biosciences, and Rebound Therapeutics acquisitions and include banking, legal, consulting, systems, and other expenses. The charges for the three and twelve months ended Dec. 31, 2019 also include a \$5 million and \$64.9 million, respectively, in-process research and development expense related to the Rebound Therapeutics acquisition.

(2) FY 2019 Includes a tax benefit of \$9.4 million related to a federal tax holiday in Switzerland, which was finalized during 2019.

Note: Numbers may not add due to rounding

Fourth Quarter and Full-Year 2019 (TTM) Free Cash Flow Reconciliation

(In millions)	Q4 2019	Q4 2018	FY 2019	FY 2018
Net Cash from Operating Activities	\$89.2	\$42.7	\$231.4	\$199.7
Purchases of Property and Equipment	(22.2)	(25.7)	(69.5)	(77.7)
Free Cash Flow	\$67.0	\$17.0	\$161.9	\$121.9
Adjusted Net Income	\$58.9	\$56.2	\$237.4	\$203.5
Adjusted Free Cash Flow Conversion	113.8%	30.2%	68.2%	59.9%

Note: Numbers may not add due to rounding

Fourth Quarter and Full-Year 2019 Gross Margin Reconciliation

(In millions)	Q4 2019	Q4 2018	FY 2019	FY 2018
Reported Gross Profit	\$245.7	\$236.9	\$952.9	\$900.9
Structural optimization charges	1.9	1.6	6.2	5.6
Acquisition and integration charges	3.7	1.6	9.8	24.0
Discontinued product line charges	2.3	-	9.2	-
Impairment charges	-	-	-	4.9
EU Medical Device Regulation	0.1	-	0.1	-
Intangible asset amortization expense	11.7	11.3	45.9	45.6
Adjusted Gross Profit	\$265.4	\$251.4	\$1,024.0	\$981.0
Total Revenues	\$395.1	\$383.3	\$1,517.6	\$1,472.4
Adjusted Gross Margin	67.2%	65.6%	67.5%	66.6%

Note: Numbers may not add due to rounding

Fourth Quarter and Full-Year 2019 Adjusted SG&A Reconciliation

(In millions)	Q4 2019	Q4 2018	FY 2019	FY 2018
Reported SG&A	\$174.3	\$177.2	\$687.6	\$690.7
Structural optimization charges	2.5	6.1	10.9	13.2
Acquisition and integration charges	8.0	16.2	47.2	69.9
Litigation charges	0.1	1.5	3.1	4.6
EU Medical Device Regulation	2.9	-	6.1	-
Adjusted SG&A	\$160.8	\$153.5	\$620.3	\$603.0
Total Revenues	\$395.1	\$383.3	\$1,517.6	\$1,472.4
Adjusted SG&A (% of Revenues)	40.7%	40.0%	40.9%	41.0%

Note: Numbers may not add due to rounding