

ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On October 25, 2023, Integra LifeSciences Holdings Corporation (the “Company”) issued a press release announcing financial results for the quarter ended September 30, 2023 (the “Press Release”). A copy of the Press Release is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference into this Item. In the financial statements portion of the Press Release, the Company has included a reconciliation of GAAP revenues to organic revenues and organic revenues excluding Boston, respectively, for the quarters ended September 30, 2023 and 2022, GAAP net income to adjusted earnings before interest, taxes, depreciation and amortization (“EBITDA”) for the quarters ended September 30, 2023 and 2022, GAAP net income to adjusted net income for the quarters ended September 30, 2023 and 2022, GAAP earnings per diluted share to adjusted earnings per diluted share for the quarters ended September 30, 2023 and 2022, GAAP total debt to net debt for the quarters ended September 30, 2023 and 2022, and GAAP operating cash flow to free cash flow and adjusted free cash flow conversion used by management for the quarters and twelve months ended September 30, 2023 and 2022.

In the Press Release, the Company provided forward-looking guidance regarding adjusted earnings per diluted share but did not provide a reconciliation to GAAP earnings per share, because certain GAAP expense items are highly variable and management is unable to predict them with reasonable certainty and without unreasonable effort.

The information contained in Item 2.02 of this Current Report on Form 8-K (including the Press Release and selected historical financial information) is being furnished and shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section. The information contained in Item 2.02 of this Current Report on Form 8-K (including the Press Release and selected historical financial information) shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in any such filing.

Discussion of Adjusted Financial Measures

In addition to our GAAP results, we provide certain non-GAAP measures, including organic revenues, organic revenues excluding Boston, adjusted EBITDA, adjusted net income, adjusted earnings per diluted share, net debt, 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. Organic revenues excluding Boston consist of total revenues excluding (i) the effects of currency exchange rates, revenues from current-period acquisitions and product divestitures and discontinuances and (ii) revenues associated with Boston-produced products including sales reported prior to the manufacturing stoppage and voluntary global recall of all products manufactured at the Company’s Boston, Massachusetts facility and distributed between March 1, 2018 and May 22, 2023, as previously disclosed in the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 23, 2023 (the “recall”), and the impact of sales return provisions recorded. 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) divestiture, acquisition and integration-related charges; (iii) EU Medical Device Regulation-related charges; (iv) charges related to the recall; (v) intangible asset amortization expense; and (vi) 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 net debt consists of GAAP total debt (excluding deferred financing costs) less cash and cash equivalents. The measure of free cash flow consists of GAAP net cash provided by operating activities less purchases of property and equipment. The adjusted free cash flow conversion measure is calculated by dividing free cash flow by adjusted net income.

The Company believes that the presentation of organic revenues, organic revenues excluding Boston and the various adjusted EBITDA, adjusted net income, adjusted earnings per diluted share, net debt, free cash flow and adjusted free cash flow conversion measures provides important supplemental information to management and investors regarding financial and business trends relating to the Company’s financial condition and results of operations. Management uses non-GAAP financial measures in the form of organic revenues, organic revenues excluding Boston, adjusted EBITDA, adjusted net income, adjusted earnings per diluted share, net debt, free cash flow and adjusted free cash flow conversion when evaluating operating performance because we believe that the inclusion or exclusion of the items described below, for which the amounts and/or timing may vary significantly depending upon

the Company's divestiture, acquisition, integration, and restructuring activities, for which the amounts are non-cash in nature, or for which the amounts are not expected to recur at the same magnitude, provides a supplemental measure of our operating results that facilitates comparability of our financial condition and operating performance from period to period, against our business model objectives, and against other companies in our industry. We have chosen to provide this information to investors so they can analyze our operating results in the same way that management does and use this information in their assessment of our core business and the valuation of our Company. In addition, since the Company has historically provided non-GAAP guidance to the investment community, we believe the continued inclusion of non-GAAP guidance provides consistency in the information made available to investors.

Organic revenues, organic revenues excluding Boston, adjusted EBITDA, adjusted net income, adjusted earnings per diluted share, net debt, free cash flow and adjusted free cash flow conversion are significant measures used by management for purposes of:

- supplementing the financial results and forecasts reported to the Company's board of directors;
- evaluating, managing and benchmarking the operating performance of the Company;
- establishing internal operating budgets;
- determining compensation under bonus or other incentive programs;
- enhancing comparability from period to period;
- comparing performance with internal forecasts and targeted business models; and
- evaluating and valuing potential acquisition candidates.

The measure of organic revenues that we report reflects the decrease in total revenues for the quarter ended September 30, 2023 adjusted for the effects of currency exchange rates, revenues from acquisitions, revenues from divested products, and product discontinuations on current period revenues. We provide this measure because changes in foreign currency exchange rates can distort our reduction favorably or unfavorably, depending upon the strength of the U.S. dollar in relation to the various foreign currencies in which we generate revenues. We generate significant revenues outside the United States in multiple foreign currencies. We believe this measure provides useful information to determine the success of our international selling organizations in increasing sales of products in their local currencies without regard to fluctuations in currency exchanges rates, which we do not control. Additionally, significant divestitures, acquisitions and discontinued product lines can distort our current period revenues when compared to prior periods.

The measure of organic revenues excluding Boston that we report reflects our total revenues for the quarter ended September 30, 2023 adjusted (i) for the effects of currency exchange rates, revenues from acquisitions, revenues from divested products, and product discontinuations on current period revenues and (ii) revenues associated with Boston-produced products including sales reported prior to the recall and the impact of sales return provisions recorded. Management believes that this measure provides useful information when evaluating the Company's revenues because of the infrequent and/or large scale nature of the recall which can distort our current period revenues when compared to prior periods.

The measure of adjusted net income reflects GAAP net income adjusted for one or more of the following items, as applicable:

- Structural optimization charges. These charges include employee severance and other costs associated with exit or disposal of facilities, costs related to transferring manufacturing and/or distribution activities to different locations, and rationalization or enhancement of our organization, existing manufacturing, distribution, administrative, functional and commercial infrastructure. Some of these cost-saving and efficiency-driven activities are identified as opportunities in connection with acquisitions that provide the Company with additional capacity or economies of scale. Although recurring in nature, given management's ongoing review of the efficiency of our organization and structure, including manufacturing, distribution and administrative facilities and operations, management excludes these items when evaluating the operating performance of the Company because the frequency and amount of such charges vary significantly based on the timing and magnitude of the Company's rationalization activities and are, in some cases, dependent upon opportunities identified in acquisitions, which also vary in frequency and magnitude.
 - Acquisition, divestiture and integration-related charges. Acquisition, divestiture and integration-related charges include (i) inventory fair value purchase accounting adjustments, (ii) changes in the fair value of contingent consideration after the acquisition date, (iii) costs related to acquisition integration, including
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systems, operations, retention and severance, (iv) legal, accounting, banking and other outside consultants expenses directly related to acquisitions or divestitures, and (v) gain or loss on sale of business and related costs to complete the divestiture of business. Although recurring, given the ongoing character of our acquisitions and divestitures, these charges are not factored into the evaluation of our performance by management after completion because they are of a temporary nature, they are not related to our core operating performance and the frequency and amount of such charges vary significantly based on the timing and magnitude of our acquisition and divestiture transactions as well as the level of inventory on hand at the time of acquisition.

- EU Medical Device Regulation charges. These charges represent costs specific to complying with the medical device reporting regulations and other requirements of the European Union's regulation for medical devices. Management excludes this item when evaluating the Company's operating performance because these costs incurred are not reflective of its ongoing operations.
- Boston Recall charges. These charges represent costs, including inventory write-offs and idle capacity charges, incurred in connection with the recall. Management excludes this item when evaluating the Company's operating performance because of the infrequent and/or large scale nature of these activities.
- Intangible asset amortization expense. Management excludes this item when evaluating the Company's operating performance because it is a non-cash expense.
- Income tax impact from adjustments. This item represents adjustments to income tax expense for the amount of additional tax expense that the Company estimates that it would record if it used non-GAAP results instead of GAAP results in the calculation of its tax provision, based on the statutory rate applicable to jurisdictions in which the above non-GAAP adjustments relate.

In the Press Release, the Company provided forward-looking guidance regarding adjusted earnings per diluted share but did not provide a reconciliation to GAAP earnings per share, because certain GAAP expense items are highly variable and management is unable to predict them with reasonable certainty and without unreasonable effort. Specifically, the financial impact and timing of divestitures, acquisitions, integrations, structural optimization, efforts to comply with the EU Medical Device Regulation, and income tax impact from adjustments are uncertain, depend on various dynamic factors and are not reasonably ascertainable at this time. These expense items could have a material impact on GAAP results.

Organic revenues, organic revenues excluding Boston, adjusted EBITDA, adjusted net income, adjusted earnings per diluted share, net debt, free cash flow and adjusted free cash flow conversion are not calculated in accordance with GAAP, and should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. Non-GAAP financial measures have limitations in that they do not reflect all of the revenues, costs or benefits associated with the operations of the Company's business as determined in accordance with GAAP. As a result, you should not consider these measures in isolation or as a substitute for analysis of the Company's results as reported under GAAP. The Company expects to continue to acquire businesses and product lines and to incur expenses of a nature similar to many of the non-GAAP adjustments described above, and exclusion of these items from its adjusted financial measures should not be construed as an inference that all of these revenue adjustments or costs are unusual, infrequent or non-recurring. Some of the limitations in relying on the adjusted financial measures are:

- The Company periodically acquires other companies or businesses, and we expect to continue to incur acquisition-related expenses and charges in the future. These costs can directly impact the amount of the Company's available funds or could include costs for aborted deals which may be significant and reduce GAAP net income.
- All of the adjustments to GAAP net income have been tax affected at the Company's actual tax rates. Depending on the nature of the adjustments and the tax treatment of the underlying items, the effective tax rate related to adjusted net income could differ significantly from the effective tax rate related to GAAP net income.

In the financial tables portion of the Press Release, the Company has included a reconciliation of GAAP reported revenues to organic revenues for the quarters ended September 30, 2023 and 2022, GAAP reported revenues to organic revenues excluding Boston for the quarters ended September 30, 2023 and 2022 and GAAP net income to adjusted EBITDA, GAAP net income to adjusted net income, GAAP earnings per diluted share to adjusted earnings

per diluted share, GAAP total debt to net debt, and GAAP operating cash flow to free cash flow and adjusted free cash flow conversion used by management for the quarters and twelve months ended September 30, 2023 and 2022.

Item 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

99.1 [Press Release with attachments, dated October 25, 2023, issued by Integra LifeSciences Holdings Corporation](#)

104 Cover Page Interactive Data File (embedded within the inline XRBL document)

SIGNATURES

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

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

Date: October 25, 2023

By: /s/ Lea Knight
Lea Knight
Title: Executive Vice President and Chief Financial Officer

Integra LifeSciences Reports Third Quarter 2023 Financial Results

PRINCETON, N.J., October 25, 2023 - [Integra LifeSciences Holdings Corporation](#) (NASDAQ: IART), a leading global medical technology company, today reported financial results for the third quarter ending September 30, 2023.

Third Quarter 2023 Highlights

- Third quarter revenues of \$382.4 million declined 0.7% on a reported basis and declined 0.4% on an organic basis compared to the prior year and increased 7.1% on an organic basis excluding Boston
- Third quarter GAAP earnings per diluted share of \$0.24, compared to \$0.60 in the prior year; adjusted earnings per diluted share of \$0.76, compared to \$0.86 in the prior year
- Successfully completed all interim external inspections in preparation for the Boston manufacturing facility restart and remain on track to committed timelines
- Relaunched CereLink® ICP Monitor in select international markets and submitted a 510(k) premarket notification in the U.S.
- Completed \$125 million accelerated share repurchase initiated in the third quarter
- Updating full-year 2023 revenue and adjusted earnings per share guidance with a range of \$1.541 billion to \$1.547 billion and \$3.10 to \$3.14 respectively, which reflects the impact of third quarter Boston recall returns, strong organic growth of the business excluding Boston, strengthening U.S. dollar and tax favorability

"Although the Boston returns weighed further on our third quarter results, we are on track to restart the Boston facility by the end of the year, and we also met two significant CereLink milestones with the relaunch in international markets and submission for regulatory approval in the U.S.," said Jan De Witte, Integra LifeSciences' president and chief executive officer. "At the same time, our strong organic growth performance in the Codman Specialty Surgical and Tissue Technologies businesses, excluding Boston, plus advances across our product pipeline, give us confidence in our long-range growth commitments."

Third Quarter 2023 Consolidated Performance

Total reported revenues of \$382.4 million declined 0.7% on a reported basis and declined 0.4% on an organic basis compared to the prior year.

The Company reported GAAP gross margin of 57.1%, compared to 61.5% in the third quarter of 2022. Adjusted gross margin was 64.6%, compared to 66.7% in the prior year.

Adjusted EBITDA for the third quarter of 2023 was \$88.1 million, or 23.0% of revenue, compared to \$105.3 million, or 27.3% of revenue, in the prior year.

The Company reported GAAP net income of \$19.5 million, or \$0.24 per diluted share, in the third quarter of 2023, compared to a GAAP net income of \$49.9 million, or \$0.60 per diluted share, in the prior year.

Adjusted net income for the third quarter of 2023 was \$60.5 million, or \$0.76 per diluted share, compared to \$71.7 million or \$0.86 per diluted share, in the prior year.

Third Quarter 2023 Segment Performance

Codman Specialty Surgical (~70% of Revenues)

- Total revenues were \$268.2 million, representing reported growth of 7.4% and organic growth of 7.4% compared to the third quarter of 2022, attributable to low-double digit growth in CSF management and Neuro Monitoring driven by Certas® Plus valves, BactiSeal® catheters and ICP microsensors; high-single-digit growth in Dural Access and Repair driven by DuraGen® DuraSeal® and Mayfield®; low single-digit decline in Advanced Energy due to timing of CUSA® capital orders; and mid single-digit growth in Instruments.

Tissue Technologies (~30% of Revenues)

- Total revenues were \$114.2 million, representing reported decline of 15.6% and organic decline of 15.1% compared to the third quarter of 2022, due to the impact of the lost revenue and increase in the return provision related to the Boston product recall which was partially offset by double digit growth from MicroMatrix®, Cytal®, Gentrax® and amniotics.
- Tissue Technologies organic growth excluding Boston products was 6.7%.

Key Products and Business Highlights

- **Boston Restart**
 - Project team driving progress on Boston remediation plan with external inspections confirming quality of execution
 - Expect to restart manufacturing in Boston by end of Q4'23 and resume commercial distribution in mid-to late Q2'24
- **Advancing our portfolio**
 - Relaunched CereLink in select international markets and submitted a 510(k) premarket notification to the U.S. Food and Drug Administration for CereLink.
 - Submitted 510(k) premarket notification for next generation Aurora® 8mm Surgiscope
 - Continued international expansion of CUSA platform with the launch of Clarity Stage 3, Laparoscopic tip and Single Sided Bone Tip in Saudi Arabia
 - Launched DuraGen Plus in China
 - Completed international registrations of DuraGen, DuraSeal, Mayfield, Duo LED lighting, electrosurgery and nerve products primarily in LATAM and EMEA
 - Extended the Urinary Bladder Matrix platform by obtaining 510(k) clearance for MicroMatrix Flex
- Progressed In-China-for-China strategy by beginning buildout of leased manufacturing facility
- Issued [2022 ESG report](#)

- Further strengthened executive leadership team with the appointment of Chantal Veillon as chief human resources officer

Balance Sheet, Cash Flow and Capital Allocation

The Company generated cash flow from operations of \$26.8 million in the quarter. Total balance sheet debt and net debt at the end of the quarter were \$1.52 billion and \$1.24 billion, respectively, and the consolidated total leverage ratio was 3.0x.

As of quarter end, the Company had total liquidity of approximately \$1.48 billion, including \$273.7 million in cash and the remainder available under its revolving credit facility.

2023 Outlook

For the full year 2023, the Company is updating its revenue and adjusted EPS expectations to \$1.541 to \$1.547 billion and \$3.10 to \$3.14, respectively. The revenue range represents reported growth of -1.1% to -0.7%, with organic growth of 0.1% to 0.5%, reflecting the impact of higher-than-expected Boston recall returns, strong organic growth excluding Boston, the strength of the U.S. dollar, and an updated tax rate.

For the fourth quarter 2023, the Company expects reported revenues in the range of \$397 million to \$403 million, representing reported growth of -0.4% to +1.1% and organic growth of -0.8% to +0.7%. Adjusted earnings per diluted share are expected to be in the range of \$0.89 to \$0.93, including the impact of the Boston recall, the strength of the U.S. dollar, and an updated tax rate.

The Company's guidance for the fourth quarter and full-year organic sales growth excludes acquisitions and divestitures, the effects of foreign currency and the year-over-year change in revenue from discontinued products. Organic growth excludes sales from the divestiture of the Company's traditional wound care (TWC) business as of September 1, 2022, and sales from the acquisition of Surgical Innovation Associates, Inc. (SIA) through December 1, 2023. Adjusted earnings per share guidance reflects the impacts of the divestiture of the TWC business, the SIA acquisition, and foreign currency.

Conference Call and Presentation Available Online

Integra has scheduled a conference call for 8:30 a.m. ET on Wednesday, October 25, 2023, to discuss third quarter 2023 financial results and forward-looking financial guidance. The conference call will be hosted by Integra's senior management team and will be open to all listeners. Additional forward-looking information may be discussed in a question-and-answer session following the call. Integra's management team will reference a presentation during the conference call, which can be found on the Investor section of the website at investor.integralife.com.

A live webcast will be available on the Investors section of the Company's website at investor.integralife.com. For those planning to participate on the call, register [here](#) to receive dial-in details and an individual pin. While not required, it is recommended to join 10 minutes prior to the event's start. A webcast replay of the conference call will be available on the Investors section of the Company's website following the call.

About Integra

At Integra LifeSciences, we are driven by our purpose of restoring patients' lives. We innovate treatment pathways to advance patient outcomes and set new standards of surgical, neurologic and regenerative care. We offer a comprehensive portfolio of high quality, leadership brands that include AmnioExcel®, Aurora®, Bactiseal®, BioD™, CerebroFlo®, CereLink® Certas® Plus, Codman®, CUSA®, Cytal®, DuraGen®, DuraSeal®, DuraSorb®, Gentrix®, ICP Express®, Integra®, Licox®, MAYFIELD®, MediHoney®, MicroFrance®, MicroMatrix®, NeuraGen®, NeuraWrap™, PriMatrix®, SurgiMend®, TCC-EZ® and VersaTru®. For the latest news and information about Integra and its products, please visit www.integralife.com.

Forward-Looking Statements

This news release 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," "forecast," "guidance," "plan," "anticipate," "target," 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 divestiture, acquisition and integration-related charges, intangible asset amortization, structural optimization charges, EU Medical Device Regulation-related charges, charges related to the voluntary global recall of all products manufactured at the Company's facility in Boston, Massachusetts, and income tax expense (benefit) related to non-GAAP adjustments and other items, expectations and plans with respect to strategic initiatives, product development and regulatory approvals, including the status of the Company's 510(k) premarket notification for Cerelink, and expectations concerning the resumption of manufacturing at the Company's Boston, Massachusetts facility. 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 ongoing and possible future effects of global challenges, including macroeconomic uncertainties, inflation, supply chain disruptions, trade regulation and tariffs, other economic disruptions and U.S. and global recession concerns, on the Company's customers and on the Company's business, financial condition, results of operations and cash flows; the Company's ability to execute its operating plan effectively; the Company's ability to successfully integrate acquired businesses; the Company's ability to achieve sales growth in a timely fashion; 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, including the war in Ukraine and the conflict in Israel and Gaza; 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 access and 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 regulations regarding products of human origin and products containing materials derived from animal source; 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 divestiture, acquisition and integration-related costs; the geographic distribution of where the Company generates its taxable income; new U.S. and foreign government laws and regulations, and changes in existing laws, regulations and enforcement guidance, which affect areas of our operations including, but not limited to, those affecting the health care industry, including the EU Medical Devices Regulation; the scope, duration and effect of additional U.S. and international governmental, regulatory, fiscal, monetary and public health responses to the COVID-19 pandemic and any future public health crises; fluctuations in foreign currency exchange rates; the amount of our bank borrowings outstanding and other factors influencing liquidity; potential negative impacts resulting from environmental, social and governance matters; 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, 2022 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.

Discussion of Adjusted Financial Measures

In addition to our GAAP results, we provide certain non-GAAP measures, including organic revenues, organic revenues excluding Boston, adjusted earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted net income, adjusted earnings per diluted share, free cash flow, adjusted free cash flow conversion, and net debt. Organic revenues consist of total revenues excluding the effects of currency exchange rates, revenues from current-period acquisitions and product divestitures and discontinuances. Organic revenues excluding Boston consist of total revenues, excluding (i) the effects of currency exchange rates, revenues from current-period acquisitions and product divestitures and discontinuances and (ii) revenues associated with Boston produced products including sales reported prior to the recall and the impact of sales return provisions recorded. 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) divestiture, acquisition and integration-related charges; (iii) EU Medical Device Regulation-related charges; (iv) charges related to the voluntary global recall of products manufactured at the Company's Boston, Massachusetts facility; (v) intangible asset amortization expense; and (vi) 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 adjusted free cash flow conversion measure is calculated by dividing free cash flow by adjusted net income. The measure of net debt consists of GAAP total debt (excluding deferred financing costs) less cash and cash equivalents.

Reconciliations of GAAP revenues to organic revenues, GAAP revenues to organic revenues excluding Boston, GAAP net income to adjusted EBITDA, and adjusted net income, GAAP total debt to net debt and GAAP earnings per diluted share to adjusted earnings per diluted share all for the quarter ended September 30, 2023 and 2022, and the free cash flow and adjusted free cash flow conversion for the quarter ended September 30, 2023 and 2022, appear in the financial tables in this release.

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. For further information regarding why Integra believes that these non-GAAP financial measures provide useful information to investors, the specific manner in which management uses these measures, and some of the limitations associated with the use of these measures, please refer to the Company's Current Report on Form 8-K regarding this earnings press release filed today with the Securities and Exchange Commission. This Current Report on Form 8-K is available on the SEC's website at www.sec.gov or on our website at www.integralife.com.

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INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended Sept. 30,	
	2023	2022
Total revenues, net	\$ 382,421	\$ 385,191
Costs and expenses:		
Cost of goods sold	164,076	148,445
Research and development	26,596	24,736
Selling, general and administrative	161,948	143,820
Intangible asset amortization	3,208	3,141
Total costs and expenses	<u>355,828</u>	<u>320,142</u>
Operating income	<u>26,593</u>	<u>65,049</u>
Interest income	4,607	3,264
Interest expense	(13,062)	(12,809)
Gain from sale of business	—	644
Other income, net	471	2,648
Income before income taxes	<u>18,609</u>	<u>58,796</u>
Income tax expense (benefit)	(888)	8,881
Net income	<u>\$ 19,497</u>	<u>\$ 49,915</u>
Net income per share:		
Diluted net income per share	<u>\$0.24</u>	<u>\$0.60</u>
Weighted average common shares outstanding for diluted net income per share	79,811	83,399

The following table presents revenues disaggregated by the major sources for the three months ended September 30, 2023 and 2022 (amounts in thousands):

	Three Months Ended Sept 30,		Change
	2023	2022	
Neurosurgery	209,229	193,848	7.9%
Instruments	58,976	55,948	5.4%
Total Codman Specialty Surgical	268,205	249,796	7.4%
Wound Reconstruction and Care	88,071	104,625	(15.8)%
Private Label	26,145	30,770	(15.0)%
Total Tissue Technologies	114,216	135,395	(15.6)%
Total reported revenues	382,421	385,191	(0.7)%
Impact of changes in currency exchange rates	(994)	0	
Less contribution of revenues from acquisitions	(2,934)	—	
Less contribution of revenues from divested products	(13)	(4,556)	
Less contribution of revenues from discontinued products	(1,403)	(1,933)	
Total organic revenues ⁽¹⁾	\$ 377,077	\$ 378,702	(0.4)%
Boston Revenue impact	\$ 6,232	\$ (20,952)	
Total organic revenues ⁽¹⁾ excl. Boston	\$ 383,309	\$ 357,750	7.1%

(1) Organic revenues have been adjusted to exclude foreign currency (current period), acquisitions and to account for divested and discontinued products.

Items included in GAAP net income and location where each item is recorded are as follows:

(In thousands)

Three Months Ended September 30, 2023

Item	Total Amount	COGS(a)	SG&A(b)	R&D(c)	Amort (d)	OI&E(e)	Tax(f)
Acquisition, divestiture and integration-related charges	5,832	407	6,638	(1,090)	—	(123)	—
Structural Optimization charges	5,893	4,011	1,909	(27)	—	—	—
EU Medical Device Regulation charges	13,490	1,263	5,661	6,565	—	—	—
Boston Recall	5,636	5,542	94	—	—	—	—
Intangible asset amortization expense	20,869	17,661	—	—	3,208	—	—
Estimated income tax impact from above adjustments and other items	(10,677)	—	—	—	—	—	(10,677)
Depreciation expense	9,670	—	—	—	—	—	—

- a) COGS - Cost of goods sold
- b) SG&A - Selling, general and administrative
- c) R&D - Research & development
- d) Amort. - Intangible asset amortization
- e) OI&E - Other income & expense
- f) Tax - Income tax expense (benefit)

Items included in GAAP net income and location where each item is recorded are as follows:

(In thousands)

Three Months Ended Sept 30, 2022

Item	Total Amount	COGS(a)	SG&A(b)	R&D(c)	Amort.(d)	OI&E(e)	Tax(f)
Acquisition, divestiture and integration-related charges	(13,841)	177	(12,151)	(547)	—	(1,320)	—
Structural Optimization charges	10,112	2,765	7,356	(9)	—	—	—
EU Medical Device Regulation charges	13,208	1,257	5,672	6,279	—	—	—
Intangible asset amortization expense	19,192	16,051	—	—	3,141	—	—
Estimated income tax impact from above adjustments and other items	(6,892)	—	—	—	—	—	(6,892)
Depreciation expense	10,275	—	—	—	—	—	—

- a) COGS - Cost of goods sold
- b) SG&A - Selling, general and administrative
- c) R&D - Research & development
- d) Amort. - Intangible asset amortization
- e) OI&E - Other income & expense
- f) Tax - Income tax expense (benefit)

RECONCILIATION OF NON-GAAP ADJUSTMENTS - GAAP NET INCOME TO ADJUSTED EBITDA
(UNAUDITED)

(In thousands)

	Three Months Ended Sept 30,	
	2023	2022
GAAP net income	19,497	49,915
Non-GAAP adjustments:		
Depreciation and intangible asset amortization expense	30,538	29,467
Other (income) expense, net	(348)	(1,972)
Interest expense, net	8,455	9,545
Income tax expense	(888)	8,881
Structural optimization charges	5,893	10,112
EU Medical Device Regulation charges	13,490	13,208
Boston Recall	5,636	—
Acquisition, divestiture and integration-related charges	5,832	(13,842)
Total of non-GAAP adjustments	68,608	55,400
Adjusted EBITDA	\$ 88,105	\$ 105,315

RECONCILIATION OF NON-GAAP ADJUSTMENTS - GAAP NET INCOME TO MEASURES OF ADJUSTED NET INCOME AND ADJUSTED
EARNINGS PER SHARE
(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended Sept 30,	
	2023	2022
GAAP net income	19,497	49,915
Non-GAAP adjustments:		
Structural optimization charges	5,893	10,112
Acquisition, divestiture and integration-related charges(1)	5,832	(13,841)
EU Medical Device Regulation charges	13,490	13,208
Boston Recall	5,636	—
Intangible asset amortization expense	20,869	19,192
Estimated income tax impact from adjustments and other items	(10,677)	(6,892)
Total of non-GAAP adjustments	41,042	21,779
Adjusted net income	\$ 60,539	\$ 71,694
Adjusted diluted net income per share	\$ 0.76	\$ 0.86
Weighted average common shares outstanding for diluted net income per share	79,811	83,399

CONDENSED BALANCE SHEET DATA
(UNAUDITED)

(In thousands)

	September 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 273,732	\$ 456,661
Trade accounts receivable, net	256,270	263,465
Inventories, net	366,251	324,583
Current and long-term borrowing under senior credit facility	859,776	771,274
Borrowings under securitization facility	75,700	104,700
Long-term convertible securities	569,527	567,341
Stockholders' equity	\$ 1,579,221	\$ 1,804,403

CONDENSED STATEMENT OF CASH FLOWS
(UNAUDITED)

(In thousands)

	Nine Months Ended Sept 30,	
	2023	2022
Net cash provided by operating activities	\$ 81,205	\$ 179,135
Net cash used in investing activities	(36,949)	(3,760)
Net cash used by financing activities	(223,035)	(154,254)
Effect of exchange rate changes on cash and cash equivalents	(4,150)	(22,632)
Net decrease in cash and cash equivalents	\$ (182,929)	\$ (1,511)

RECONCILIATION OF NON-GAAP ADJUSTMENTS - GAAP OPERATING CASH FLOW TO
MEASURES OF FREE CASH FLOW AND ADJUSTED FREE CASH FLOW CONVERSION
(UNAUDITED)

(In thousands)

	Three Months Ended Sept 30,	
	2023	2022
Net cash provided by operating activities	\$ 26,770	\$ 68,310
Purchases of property and equipment	\$ (13,063)	\$ (9,157)
Free cash flow	13,707	59,153
Adjusted net income ⁽¹⁾	\$ 60,539	\$ 71,694
Adjusted free cash flow conversion	22.6 %	82.5 %
	Twelve Months Ended Sept 30,	
	2023	2022
Net cash provided by operating activities	\$ 166,539	\$ 248,418
Purchases of property and equipment	(56,868)	(55,315)
Free cash flow	\$ 109,671	\$ 193,103
Adjusted net income ⁽¹⁾	\$ 257,514	\$ 274,183
Adjusted free cash flow conversion	42.6 %	70.4 %

(1) Adjusted net income for quarters ended September 30, 2023 and 2022 are reconciled above. Adjusted net income for remaining quarters in the trailing twelve months calculation have been previously reconciled and are publicly available in the Quarterly Earnings Call Presentations on our website at investor.integralife.com under Events & Presentations.

The Company calculates adjusted free cash flow conversion by dividing its free cash flow by adjusted net income. The Company believes this measure is useful in evaluating the significance of the cash special charges in its adjusted earnings measures.

RECONCILIATION OF NON-GAAP ADJUSTMENTS - NET DEBT CALCULATION
(UNAUDITED)

(In thousands)

	September 30, 2023	December 31, 2022
Short-term borrowings under senior credit facility	9,687 \$	38,125
Long-term borrowings under senior credit facility	850,089	733,149
Borrowings under securitization facility	75,700	104,700
Long-term convertible securities	569,527	567,341
Deferred financing costs netted in the above	10,697	11,385
Cash & Cash Equivalents	(273,732)	(456,661)
Net Debt	<u>\$ 1,241,968</u>	<u>\$ 998,039</u>