

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 21, 2019

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

0-26224
(Commission File Number)

51-0317849
(I.R.S. Employer Identification No.)

311 Enterprise Drive
Plainsboro, NJ 08536
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (609) 275-0500

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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 provided pursuant to Section 13(a) of the Exchange Act.

ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On February 21, 2019, Integra LifeSciences Holdings Corporation (the “Company”) issued a press release announcing financial results for the quarter ended December 31, 2018 (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 for the quarters and years ended December 31, 2018 and 2017, GAAP net income to adjusted earnings before interest, taxes, depreciation and amortization (“EBITDA”) for the quarters and years ended December 31, 2018 and 2017, GAAP net income to adjusted net income for the quarters and years ended December 31, 2018 and 2017, GAAP earnings per diluted share to adjusted earnings per diluted share for the quarters and years ended December 31, 2018 and 2017, and GAAP operating cash flow to free cash flow and adjusted free cash flow conversion used by management for the quarters and years ended December 31, 2018 and 2017, as well as GAAP net income to adjusted net income and GAAP earnings per diluted share to adjusted earnings per diluted share used by management for guidance for the year 2019. In addition, the Company included a supplemental disclosure of revenue by reporting segments in the financial statements portion of the Press Release.

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 organic revenues, adjusted 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 discontinuances. The various measures of adjusted EBITDA consist 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) and those operating expenses also excluded from adjusted net income. The measure of adjusted net income consists of GAAP net income, excluding: (i) hurricane related expenses; (ii) structural optimization charges; (iii) acquisition- and integration-related charges; (iv) litigation charges; (v) intangible asset amortization expense; (vi) discontinued product lines charges; (vii) impairment charges; (viii) income tax impact from adjustments; and (ix) global enterprise resource planning (“ERP”) implementation charges. 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 measure of adjusted free cash flow consists of free cash flow adjusted for certain one-time unusual items. 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 and the various adjusted EBITDA, adjusted net income, adjusted earnings per diluted share, 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, adjusted EBITDA, adjusted net income, adjusted earnings per diluted share, 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 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.

Organic revenues, adjusted EBITDA, adjusted net income, adjusted earnings per diluted share, 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 increase in total revenues for the quarter ended December 31, 2018 adjusted for the effects of currency exchange rates, revenues from acquisitions, and product discontinuations on current period revenues. We provide this measure because changes in foreign currency exchange rates can distort our revenue 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, for which we do not control. Additionally, significant acquisitions and discontinued product lines 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:

- Hurricane related expenses. Management excludes this item when evaluating the Company's performance because of the infrequent nature of this activity.
- Structural optimization charges. These charges, which 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- and integration-related charges. Acquisition- and integration-related charges include (i) up-front fees and milestone payments that are expensed as incurred in connection with acquiring licenses or rights to technology for which no product has been approved for sale by regulatory authorities and such approval is not reasonably assured at the time such up-front fees or milestone payments are made, (ii) inventory fair value purchase accounting adjustments, (iii) changes in the fair value of contingent consideration after the acquisition date, (iv) costs related to acquisition integration, including systems, operations, retention and severance and (v) legal, accounting and other outside consultants expenses directly related to acquisitions or divestitures. Inventory fair value purchase accounting adjustments consist of the increase to cost of goods sold that occur as a result of expensing the "step up" in the fair value of inventory that we purchased in connection with acquisitions as that inventory is sold during the financial period. Although recurring, given the ongoing character of our development and acquisition programs, these acquisition, divestiture and in-licensing related charges are not factored into the evaluation of our performance by management after completion of development programs or acquisitions 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 development, acquisition and divestiture transactions as well as the level of inventory on hand at the time of acquisition.

- Litigation charges. Management excludes this item when evaluating the Company's operating performance because costs incurred related to non-recurring litigation are not reflective of its ongoing operations.
- Discontinued product lines charges. These charges represent charges taken in connection with product lines that the Company discontinues. Management excludes this item when evaluating the Company's operating performance because discontinued products do not provide useful information regarding the Company's prospects for future performance.
- Intangible asset amortization expense. Management excludes this item when evaluating the Company's operating performance because it is a non-cash expense.
- Impairment charges. These charges represent the impairment of certain completed technology assets due to updates in contracts or revenue projections. Management excludes this item when evaluating the Company's operating performance because it is a non-cash expense.
- Income tax impact from adjustments. Estimated impact on income tax expense related to the following:
 - (i) 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.
 - (ii) When we calculate the adjusted tax rate, we include a full year estimate for all discrete items. We then apply that full year rate to the year-to-date results and calculate the current quarter's rate to arrive at the year-to-date adjusted tax rate. We believe this removes significant variability in our results and creates a more operationally consistent result for our investors to use for comparability purposes.
- Global ERP implementation charges. Global ERP implementation charges consist of the non-capitalizable portion of internal labor and outside consulting costs related to the implementation of a global ERP system. We inherited many diverse business processes and different information systems through our numerous acquisitions. Accordingly, we undertook an initiative to standardize business processes globally and to better integrate all of our existing and acquired operations using one information system. This project was completed in 2017 and no such charges were incurred in 2018. Although recurring in nature, given the expected timeframes to complete the implementation of such projects and our expectation to continue to acquire new businesses and operations, management excludes these charges 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 implementation activities.

Organic revenues, adjusted EBITDA, adjusted net income, adjusted earnings per diluted share, 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 December 31, 2018 and 2017 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, and GAAP operating cash flow to free cash flow and adjusted free cash flow conversion used by management for the quarters ended December 31, 2018 and 2017. Also included are reconciliations for future periods.

Item 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

99.1 [Press Release with attachments, dated February 21, 2019, issued by Integra LifeSciences Holdings Corporation](#)

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: February 21, 2019

By: /s/ Glenn G. Coleman

Glenn G. Coleman

Title: Corporate Vice President and Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
---------------------------	---------------------------

99.1	Press Release with attachments, dated February 21, 2019, issued by Integra LifeSciences Holdings Corporation
------	--

News Release

Contact:

Investor Relations:

Pravan Emany

Sr. Vice President, Strategy, Treasury, Investor Relations

(609) 936-2488

pravan.emany@integralife.com

Michael Beaulieu

Director, Investor Relations

(609) 750-2827

michael.beaulieu@integralife.com

Media:

Laurene Isip

Sr. Director, Global Corporate Communications

(609) 750-7984

laurene.isip@integralife.com

Integralife Sciences Reports Fourth Quarter and Full-Year 2018 Financial Results and Provides 2019 Financial Guidance

Fourth Quarter 2018 reported revenue increased 4.0% to \$383.3 million; organic revenue increased 4.4%

Fourth Quarter 2018 GAAP earnings per diluted share were \$0.29; adjusted earnings per diluted share were \$0.65

The Company provides financial guidance for 2019 including total revenue in the range of \$1.515 billion to \$1.525 billion and organic revenue growth of approximately 5%

Plainsboro, New Jersey, February 21, 2019 - [Integralife Sciences Holdings Corporation](#) (NASDAQ: IART) today reported financial results for the fourth quarter and full year ended December 31, 2018, and issued its financial guidance for 2019.

Highlights:

- Fourth Quarter 2018 Highlights
 - Reported revenue was \$383.3 million, an increase of 4.0% over the prior year, while organic sales were higher by 4.4% over the prior year;
 - GAAP earnings per diluted share amounted to \$0.29, compared to \$0.56 in the prior year; fourth quarter adjusted earnings per diluted share amounted to \$0.65, compared to \$0.64 in the prior year;
- Full-year 2018 Highlights

- Reported revenue was \$1,472.4 million, an increase of 23.9% over the prior year, which represents the fifth consecutive year of double-digit growth in reported revenue; organic sales were higher by 4.3% over the prior year;
- GAAP earnings per diluted share amounted to \$0.72, a 12.2% decrease over the prior year; full-year adjusted earnings per diluted share amounted to \$2.42, a 24.7% increase over the prior year, which represents the fifth consecutive year of double-digit growth in adjusted earnings per share;
- 2019 Company Guidance
 - The Company expects full-year 2019 reported revenue in the range of \$1.515 billion to \$1.525 billion, representing 3.5% growth at the midpoint; organic revenue growth, which excludes the effect of foreign currency, acquisitions, divestitures and discontinued products, is expected to be approximately 5%; and
 - The Company expects full-year GAAP earnings per diluted share to be in the range of \$1.36 to \$1.43, and full-year adjusted earnings per diluted share to be in the range of \$2.65 to \$2.72.

Total revenues for the full-year 2018 were \$1,472.4 million, an increase of \$284.2 million, or 23.9%, over the prior year. Total revenues for the fourth quarter were \$383.3 million, an increase of \$14.7 million, or 4.0%, over the fourth quarter of 2017.

Organic revenues for the full-year 2018 increased 4.3% over the prior year, while fourth quarter organic revenues were higher by 4.4% over the fourth quarter of 2017.

"We are pleased to report fourth quarter sales and adjusted earnings per share at the high end of our guidance range," said Peter Arduini, Integra's President and Chief Executive Officer. "In 2018, we completed much of the work associated with the integration of Codman and the expansion of our commercial organizations. We look forward to launching over ten new products in 2019 and leveraging our more focused sales channels to accelerate organic growth."

The Company reported GAAP net income of \$60.8 million, or \$0.72 per diluted share, for the full-year 2018, compared to GAAP net income of \$64.7 million, or \$0.82 per diluted share, in 2017.

The Company reported GAAP net income of \$25.1 million, or \$0.29 per diluted share, in the fourth quarter of 2018, compared to GAAP net income of \$44.4 million, or \$0.56 per diluted share, in the fourth quarter of 2017. The decline is due to a 2017 benefit relating to deferred tax rate changes associated with the U.S. Tax Cut and Jobs Act.

Adjusted EBITDA for the full year 2018 was \$342.1 million, an increase of \$72.6 million over the prior year. For the full-year 2018, adjusted EBITDA as a percentage of revenue increased to 23.2% from 22.7% in 2017, largely attributable to the accretion from the acquired Codman business and better G&A leverage.

Adjusted EBITDA for the fourth quarter of 2018 was \$88.8 million, roughly flat compared to the fourth quarter of the prior year. For the fourth quarter of 2018, adjusted EBITDA as a percentage of revenue was 23.2%, compared to 24.1% in the prior year period. The decline was largely due to commercial investments made in 2018 to expand our commercial channels in both segments.

Adjusted net income for the full-year 2018 was \$203.5 million, or \$2.42 per diluted share, compared to \$153.4 million, or \$1.94 per diluted share, in 2017. Adjusted net income for the fourth quarter of 2018 was \$56.2 million, or \$0.65 per diluted share, compared to adjusted net income of \$51.0 million, or \$0.64 per diluted share, in the fourth quarter of 2017.

For the year ended December 31, 2018, cash flows from operations totaled \$199.7 million. Capital expenditures were \$77.7 million. Adjusted free cash flow conversion for the trailing twelve months ended December 31, 2018 was 59.9% versus 46.3% for the twelve months ended December 31, 2017, mostly as a result of accretion from the acquired Codman business and lower integration costs in 2018. In the fourth quarter of 2018, the Company generated \$42.7 million of cash flows from operations and incurred capital expenditures of \$25.7 million.

2019 Financial Guidance

The Company is issuing full-year 2019 total revenue guidance in the range of \$1.515 billion to \$1.525 billion, representing organic growth of approximately 5%.

The Company expects GAAP earnings per diluted share for the full year to be between \$1.36 and \$1.43 and adjusted earnings per diluted share to be in the range of \$2.65 to \$2.72.

"We expect faster organic growth in the second half of 2019, averaging about 5% for the full year," said Glenn Coleman, Chief Financial Officer. "By mid-year we will move past the anticipated disruption associated with the transition of the Codman business outside the U.S. Moreover, in the second half of the year, we should benefit from new product introductions and improved sales force effectiveness."

In the future, the Company may record, or expects to record, certain additional revenues, gains, expenses or charges as described in the Discussion of Adjusted Financial Measures below that it will exclude in the calculation of organic revenue growth, adjusted EBITDA and adjusted EPS for historical periods and in providing adjusted EPS guidance.

Conference Call and Presentation Available Online

Integra has scheduled a conference call for 8:30 a.m. ET today, Thursday, February 21, 2019 to discuss fourth quarter and full-year 2018 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.

Access to the live call is available by dialing 334-323-0522 and using the passcode 2673263. The call can also be accessed through a webcast via a link provided on the Investor Relations homepage of Integra's website at investor.integralife.com. Access to the replay is available through February 26, 2019 by dialing 719-457-0820 and using the passcode 2673263. The webcast will also be archived on the website.

About Integra

Integra LifeSciences is a global leader in regenerative technologies, neurosurgical and extremity orthopedic solutions dedicated to limiting uncertainty for clinicians, so they can focus on providing the best patient care. Integra offers a comprehensive portfolio of high quality, leadership brands that include AmnioExcel®, Bactiseal®, Cadence®, Certas™, Codman®, CUSA®, DuraGen®, DuraSeal®, ICP Express®, Integra®, MediHoney®, MicroFrance®, PriMatrix®, Salto Talaris®, SurgiMend®, TCC-EZ®, Titan™ and VersaTru™. For the latest news and information about Integra and its brands, please visit www.integralife.com.

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," "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 global enterprise resource planning ("ERP") system implementation charges, acquisition-related charges, litigation charges, goodwill impairment charges, intangible asset amortization, and income tax expense (benefit) related to non-GAAP

adjustments. 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, 2017 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, 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 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) hurricane related expenses; (ii) structural optimization charges; (iii) acquisition and integration-related charges; (iv) litigation charges; (v) intangible asset amortization expense; (vi) discontinued product lines charges; (vii) income tax impact from adjustments; (viii) impairment charges; and (ix) global enterprise resource planning ("ERP") implementation charges. 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 measure of adjusted free cash flow consists of free cash flow adjusted for certain one-time unusual items. The adjusted free cash flow conversion measure is calculated by dividing free cash flow by adjusted net income.

Reconciliations of GAAP revenues to adjusted revenues and GAAP Adjusted Net Income to adjusted EBITDA, and adjusted net income, and GAAP earnings per diluted share to adjusted earnings per diluted share all for the quarters ended December 31, 2018 and 2017, and the free cash flow and free cash flow conversion for the quarters ended December 31, 2018 and 2017, 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.

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

(In thousands, except per share amounts)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
Total revenues	383,315	368,602	\$ 1,472,441	\$ 1,188,236
Costs and expenses:				
Cost of goods sold	146,464	148,171	571,496	435,511
Research and development	20,299	17,180	78,041	63,455
Selling, general and administrative	177,228	190,639	690,746	624,096
Intangible asset amortization	5,216	5,394	21,160	20,370
Total costs and expenses	349,207	361,384	1,361,443	1,143,432
Operating income	34,108	7,218	110,998	44,804
Interest income	2,475	95	2,800	255
Interest expense	(13,933)	(16,946)	(64,683)	(35,019)
Other income, net	1,866	5,036	8,288	1,345
Income (loss) from continuing operations before income taxes	24,516	(4,597)	57,403	11,385
Income tax expense (benefit) ⁽¹⁾	(622)	(48,952)	(3,398)	(53,358)
Net income	\$ 25,138	\$ 44,355	\$ 60,801	\$ 64,743
Net income per share:				
Net income per share	\$ 0.29	\$ 0.56	\$ 0.72	\$ 0.82
Weighted average common shares outstanding for diluted net income per share	86,279	79,684	83,999	79,121

(1) Fourth quarter 2017 includes a \$37.9M benefit relating to \$43.4M of deferred tax rate changes for U.S. Tax Cut and Jobs Act offset by a \$5.5M one-time toll charge imposed on deemed repatriation of foreign untaxed earnings.

Segment revenues and growth in total revenues excluding the effects of currency exchange rates, acquisitions and discontinued products are as follows:

(In thousands)

	Three Months Ended			Twelve Months Ended		
	December 31,			December 31,		
	2018	2017	Change	2018	2017	Change
Codman Specialty Surgical	\$249,276	\$239,394	4.1%	\$963,929	\$720,301	33.8%
Orthopedics and Tissue Technologies	\$134,039	\$129,208	3.7%	\$508,512	\$467,935	8.7%
Total Revenues	\$383,315	\$368,602	4.0%	\$1,472,441	\$1,188,236	23.9%
Impact of changes in currency exchange rates	\$2,575	—	—	\$(3,806)	—	—
Less contribution of revenues from acquisitions ⁽¹⁾	—	—	—	\$(249,658)	—	—
Less contribution of revenues from discontinued products ⁽²⁾	\$(3,674)	\$(2,434)		\$(10,708)	\$(29,449)	
Total organic revenues	\$382,216	\$366,168	4.4%	\$1,208,269	\$1,158,787	4.3%

(1) Acquisitions include Codman Neurosurgery and Derma Sciences

(2) Organic revenue has been restated for 2017 to account for discontinued products including divestitures related to the Codman acquisition

Items included in GAAP net income and from continuing operations and locations where each item is recorded are as follows:

(In thousands)

Three Months Ended December 31, 2018

Item	Total Amount	COGS(a)	SG&A(b)	Amort.(c)	OI&E(d)	Tax(e)
Structural optimization charges	7,708	1,642	6,066	—	—	—
Acquisition and integration-related charges ⁽¹⁾	17,818	1,622	16,196	—	—	—
Litigation charges	1,460	—	1,460	—	—	—
Intangible asset amortization expense	16,519	11,303	—	5,216	—	—
Estimated income tax impact from adjustments and other items	(12,429)	—	—	—	—	(12,429)
Depreciation expense	11,157	—	—	—	—	—

(a) COGS - Cost of goods sold

(b) SG&A - Selling, general and administrative

(c) Amort. - Intangible asset amortization

(d) OI&E - Interest (income) expense, net and other (income) expense, net

(e) Tax - Income tax expense

(1) Acquisition and integration-related charges are primarily associated with the Codman Neurosurgery acquisition and include banking, legal, consulting and other expenses.

Three Months Ended December 31, 2017

(In thousands)

Item	Total Amount	COGS(a)	SG&A(b)	Amort.(c)	OI&E(d)	Tax(e)
Global ERP implementation charges	(480)	—	(480)	—	—	—
Structural optimization charges	2,000	1,091	909	—	—	—
Discontinued product lines charges	131	131	—	—	—	—
Acquisition and integration-related charges ⁽¹⁾	49,028	12,879	38,794	—	(2,645)	—
Hurricane-related losses	1,498	1,454	44	—	—	—
Intangible asset amortization expense	16,873	11,479	—	5,394	—	—
Estimated income tax impact from adjustments and other items ⁽²⁾	(62,375)	—	—	—	—	(62,375)
Depreciation expense	9,792	—	—	—	—	—

(a) COGS - Cost of goods sold

(b) SG&A - Selling, general and administrative

(c) Amort. - Intangible asset amortization

(d) OI&E - Interest (income) expense, net and other (income) expense, net

(e) Tax - Income tax expense

(1) Acquisition and integration-related charges are primarily associated with the Derma Sciences and Codman Neurosurgery acquisitions and include banking, legal, consulting and other expenses.

(2) Fourth quarter 2017 includes a \$37.9M benefit relating to \$43.4M of deferred tax rate changes for U.S. Tax Cut and Jobs Act offset by a \$5.5M one-time toll charge imposed on deemed repatriation of foreign untaxed earnings.

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

(In thousands)

Twelve Months Ended December 31, 2018

Item	Total Amount	COGS(a)	SG&A(b)	Amort.(c)	OI&E(d)	Tax(e)
Structural optimization charges	19,598	5,642	13,165	—	791	—
Acquisition and integration-related charges ⁽¹⁾	93,926	23,981	69,945	—	—	—
Intangible asset amortization expense	66,671	45,511	—	21,160	—	—
Impairment charges	4,941	4,941	—	—	—	—
Litigation charges	4,598	—	4,598	—	—	—
Estimated income tax impact from adjustments and other items	(47,081)	—	—	—	—	(47,081)
Depreciation expense	42,196	—	—	—	—	—

(a) COGS - Cost of goods sold

(b) SG&A - Selling, general and administrative

(c) Amort. - Intangible asset amortization

(d) OI&E - Interest (income) expense, net and other (income) expense, net

(e) Tax - Income tax expense

(1) Acquisition and integration-related charges are primarily associated with the Codman Neurosurgery acquisition and include banking, legal, consulting and other expenses.

Twelve Months Ended December 31, 2017

(In thousands)

Item	Total					
	Amount	COGS(a)	SG&A(b)	Amort.(c)	OI&E(d)	Tax(e)
Global ERP implementation charges	2,780	—	2,780	—	—	—
Structural optimization charges	7,336	4,273	3,063	—	—	—
Certain employee severance charges	125	—	125	—	—	—
Acquisition and integration-related charges ⁽¹⁾	117,947	16,980	101,348	—	(381)	—
Discontinued product lines charges	1,156	1,156	—	—	—	—
Impairment charges	3,290	3,290	—	—	—	—
Hurricane-related losses	2,758	2,714	44	—	—	—
Intangible asset amortization expense	52,835	32,465	—	20,370	—	—
Estimated income tax impact from adjustments and other items ⁽²⁾	(99,602)	—	—	—	—	(99,602)
Depreciation expense	36,110	—	—	—	—	—

(a) COGS - Cost of goods sold

(b) SG&A - Selling, general and administrative

(c) Amort. - Intangible asset amortization

(d) OI&E - Interest (income) expense, net and other (income) expense, net

(e) Tax - Income tax expense

(1) Acquisition and integration-related charges are primarily associated with the Derma Sciences and Codman Neurosurgery acquisitions and include banking, legal, consulting and other expenses.

(2) Fourth quarter 2017 includes a \$37.9M benefit relating to \$43.4M of deferred tax rate changes for U.S. Tax Cut and Jobs Act offset by a \$5.5M one-time toll charge imposed on deemed repatriation of foreign untaxed earnings.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
RECONCILIATION OF NON-GAAP ADJUSTMENTS - GAAP NET INCOME FROM CONTINUING OPERATIONS TO ADJUSTED EBITDA
(UNAUDITED)

(In thousands)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
GAAP net income	\$ 25,138	\$ 44,355	\$ 60,801	\$ 64,743
Non-GAAP adjustments:				
Depreciation and intangible asset amortization expense	27,676	26,665	108,867	88,946
Other (income) expense, net	(1,866)	(2,391)	(8,288)	(963)
Interest (income) expense, net	11,458	16,851	61,092	34,764
Income tax expense (benefit) ⁽¹⁾	(622)	(48,952)	(3,398)	(53,358)
Global ERP implementation charges	—	(480)	—	2,780
Structural optimization charges	7,708	2,000	19,598	7,336
Certain employee severance charges	—	—	—	125
Discontinued product lines charges	—	131	—	1,156
Acquisition-related charges	17,818	49,028	93,926	117,947
Hurricane-related charges	—	1,498	—	2,758
Impairment charges	—	—	4,941	3,290
Litigation charges	1,460	—	4,598	—
Total of non-GAAP adjustments	63,632	44,350	281,336	204,781
Adjusted EBITDA	\$ 88,770	\$ 88,705	\$ 342,137	\$ 269,524

(1) Fourth quarter 2017 includes a \$37.9M benefit relating to \$43.4M of deferred tax rate changes for U.S. Tax Cut and Jobs Act offset by a \$5.5M one-time toll charge imposed on deemed repatriation of foreign untaxed earnings.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
RECONCILIATION OF NON-GAAP ADJUSTMENTS - GAAP NET INCOME FROM CONTINUING OPERATIONS TO MEASURES OF ADJUSTED
NET INCOME AND ADJUSTED EARNINGS PER SHARE
(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
GAAP net income	\$ 25,138	\$ 44,355	\$ 60,801	\$ 64,743
Non-GAAP adjustments:				
Global ERP implementation charges	—	(480)	—	2,780
Structural optimization charges	7,708	2,000	19,598	7,336
Certain employee severance charges	—	—	—	125
Acquisition-related charges	17,818	49,028	93,926	117,947
Discontinued product lines	—	131	—	1,156
Hurricane-related charges	—	1,498	—	2,758
Impairment charges	—	—	4,941	3,290
Litigation charges	1,460	—	4,598	—
Intangible asset amortization expense	16,519	16,873	66,671	52,835
Estimated income tax impact from adjustments and other items ⁽¹⁾	(12,429)	(62,375)	(47,081)	(99,602)
Total of non-GAAP adjustments	31,076	6,675	142,653	88,625
Adjusted net income	\$ 56,214	\$ 51,030	\$ 203,454	\$ 153,368
Adjusted diluted net income per share	\$ 0.65	\$ 0.64	\$ 2.42	\$ 1.94
Weighted average common shares outstanding for diluted net income per share	86,279	79,684	83,999	79,121

(1) Fourth quarter 2017 includes a \$37.9M benefit relating to \$43.4M of deferred tax rate changes for U.S. Tax Cut and Jobs Act offset by a \$5.5M one-time toll charge imposed on deemed repatriation of foreign untaxed earnings.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONDENSED BALANCE SHEET DATA
(UNAUDITED)

(In thousands)

	December 31, 2018	December 31, 2017
Cash and cash equivalents	\$ 138,838	\$ 174,935
Accounts receivable, net	265,737	251,799
Inventory, net	280,347	296,332
Debt facilities	1,210,513	1,781,142
Stockholders' equity	1,375,796	962,306

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONDENSED STATEMENT OF CASH FLOWS
(UNAUDITED)

	Twelve Months Ending December 31,	
	2018	2017
Net cash provided by operating activities	\$199,683	\$114,544
Net cash used in investing activities	(49,705)	(1,221,335)
Net cash provided (used in) by financing activities	(180,872)	1,168,947
Effect of exchange rate changes on cash and cash equivalents	(5,203)	10,724
Net increase (decrease) in cash and cash equivalents	\$(36,097)	\$72,880

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

(In thousands)

	Three Months Ended December 31,	
	2018	2017
GAAP Net cash provided by operating activities	\$42,689	\$11,558
Purchases of property and equipment	(25,686)	(13,697)
Adj. Free Cash Flow	17,003	(2,139)
Adjusted net income ⁽¹⁾	56,214	51,030
Adjusted Free Cash Flow Conversion	30.2%	(4.2)%

	Twelve Months Ending December 31,	
	2018	2017
GAAP Net cash provided by operating activities	\$199,683	\$114,546
Purchases of property and equipment	(77,741)	(43,503)
Adj. Free Cash Flow	121,942	71,043
Adjusted net income ⁽¹⁾	203,454	153,368
Adjusted Free Cash Flow Conversion	59.9%	46.3 %

(1) Adjusted net income for quarters and twelve months ended December 31, 2017 and 2018 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

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

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
RECONCILIATION OF NON-GAAP ADJUSTMENTS - GUIDANCE

(In millions, except per share amounts)

(In millions, except per share amounts)	Projected Year Ended	
	December 31, 2019	
	Low	High
GAAP net income	119	125
Non-GAAP adjustments:		
Structural optimization charges	26	26
Acquisition-related charges	44	44
Intangible asset amortization expense	65	65
EU Medical Device Regulation-related charges	10	10
Estimated income tax impact from adjustments and other items	(33)	(33)
Total of non-GAAP adjustments	112	112
Adjusted net income	\$ 231	\$ 237
GAAP diluted net income per share	1.36	1.43
Non-GAAP adjustments detailed above (per share)	1.29	1.29
Adjusted diluted net income per share	\$ 2.65	\$ 2.72
Weighted average common shares outstanding for diluted net income per share	87	87

Items included in GAAP net income guidance and location where each item is expected to be recorded is as follows:

(In millions)

Projected Year Ended December 31, 2019

Item	Total Amount	COGS	SG&A	R&D	Amort.	Interest Exp(Inc)	Tax
Structural optimization charges	26	12	14	—	—	—	—
Acquisition-related charges	44	9	35	—	—	—	—
Intangible asset amortization expense	65	44	—	—	—	21	—
EU Medical Device Regulation- related charges	10	—	10	—	—	—	—
Estimated income tax impact from adjustments and other items	(33)	—	—	—	—	—	(33)

Source: Integra LifeSciences Holdings Corporation