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): July 28, 2021

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware	**0-26224**	**51-0317849**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

1100 Campus Road
Princeton, NJ 08540
(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 (see General Instruction A.2. below):

☐ 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)).

Securities registered pursuant to Section12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Exchange on Which Registered
Common Stock, Par Value $.01 Per Share	IART	Nasdaq Global Select Market

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 July 28, 2021, Integra LifeSciences Holdings Corporation (the “Company”) issued a press release announcing financial results for the quarter ended June 30, 2021 (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 ended June 30, 2021 and 2020, GAAP net income to adjusted earnings before interest, taxes, depreciation and amortization (“EBITDA”) for the quarters ended June 30, 2021 and 2020, GAAP net income to adjusted net income for the quarters ended June 30, 2021 and 2020, GAAP earnings per diluted share to adjusted earnings per diluted share for the quarters ended June 30, 2021 and 2020, and GAAP operating cash flow to free cash flow and adjusted free cash flow conversion used by management for the quarters ended June 30, 2021 and 2020.

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, 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) divestiture, acquisition and integration-related charges; (iii) discontinued product lines charges; (iv) EU Medical Device Regulation-related charges; (v) COVID-19 related charges; (vi) convertible debt non-cash interest; (vii) intangible asset amortization expense; and (viii) 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 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 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.

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 June 30, 2021 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 adjusted net income reflects GAAP net income adjusted for one or more of the following items, as applicable:

- 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, divestiture and integration-related charges. Acquisition, divestiture 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, (v) legal, accounting, banking and other outside consultants expenses directly related to acquisitions or divestitures, and (vi) gain or loss on sale of business and related costs to complete the divestiture of business. 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.

- COVID-19 related charges. These charges relate to business interruptions and cost associated with the COVID-19 pandemic which impacted the Company's operations globally, partially offset by Coronavirus government relief programs. Due to the extraordinary one-time nature of the pandemic, management concluded that certain charges should be classified as special charges.

- 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.

- 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.

- Convertible debt non-cash interest. The convertible debt accounting requires separate accounting for the liability and equity components of the Company's convertible debt instruments, which may be settled in cash upon conversion, in a manner that reflects an applicable non-convertible debt borrowing rate at the time that we issued such convertible debt instruments. Management excludes this item when evaluating the Company's operating performance because of the non-cash nature of the expense. The Company adopted ASU No. 2020-06 Debt- Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging Contracts in Entity's Own Equity (Subtopic 815-40)-Accounting for Convertible Instruments and Contracts in an Entity's Own Equity on January 1, 2021. Upon the adoption of this standard, the Company's Convertible Senior Notes are now reflected entirely as a liability since the embedded conversion feature will no longer be separately presented within stockholders' equity. As such, the Company is no longer incurring non-cash interest expense for the amortization of debt discount.

- 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.

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 and efforts to comply with the EU Medical Device Regulation 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, 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 June 30, 2021 and 2020 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 June 30, 2021 and 2020.

Item 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

99.1 Press Release with attachments, dated July 28, 2021, 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: July 28, 2021	By:	/s/ Carrie Anderson
		Carrie Anderson
	Title:	Executive Vice President, Chief Financial Officer and Treasurer

News Release

Integra LifeSciences Reports Second Quarter 2021 Financial Results

Raises Full-Year 2021 Guidance

Second Quarter 2021 Highlights

- Revenues of $390.0 million increased 50.8% on a reported basis and 48.7% on an organic basis compared to the prior year;
- GAAP earnings per diluted share of $0.41, compared to $(0.00) in the second quarter of 2020; adjusted earnings per diluted share of $0.79, compared to $0.33 in the prior year;
- Cash flow from operations of $91.3 million increased 176% from the prior year;
- Raising full-year 2021 revenue guidance by $15 million to a range of $1,540 million to $1,550 million and adjusted earnings per share to a range of $2.98 to $3.05.

PRINCETON, N.J., July 28, 2021 - Integra LifeSciences Holdings Corporation (NASDAQ: IART), a leading global medical technology company, today reported financial results for the second quarter ending June 30, 2021.

“We are pleased with second quarter results that exceeded our forecasts. Our business segments were well-positioned to capitalize on the improving demand driven by the ongoing global market recovery,” said Peter Arduini, Integra’s president and chief executive officer. “We saw particularly healthy order activity in products used in neurosurgery, instruments, burn, trauma and surgical reconstruction as markets gradually recovered. Areas such as capital equipment and our international indirect markets are still early in their recovery but are reporting encouraging trends. As a result of our better than expected second quarter financial performance, we are raising our full-year revenue and EPS guidance."

Second Quarter 2021 Consolidated Performance

Total reported revenues of $390.0 million increased 50.8% on a reported basis and 48.7% on an organic basis compared to the prior year. Total reported revenues include $17.7 million from the acquisition of ACell, which was completed on January 20, 2021.

The Company reported GAAP gross margin of 61.2%, compared to 59.2% in the second quarter of 2020. Adjusted gross margin was 68.1% compared to 66.2% in the prior year.

Adjusted EBITDA for the second quarter of 2021 was $101.0 million, or 25.9% of revenue, compared to $52.8 million, or 20.4% of revenue in the prior year. Adjusted EBITDA margins benefited from higher revenue and higher adjusted gross margins, partially offset by higher operating expenses attributable to the gradual return of spending, which was reduced during the same period in the prior year in response to the global pandemic.

The Company reported GAAP net income of $35.1 million, or $0.41 per diluted share, in the second quarter of 2021, compared to a GAAP net loss of $(0.4 million), or $(0.00) per diluted share, in the prior year.

Adjusted net income for the second quarter of 2021 was $67.4 million, or $0.79 per diluted share, compared to $28.4 million, or $0.33 per diluted share, in the prior year.

Second Quarter 2021 Segment Performance

- **Codman Specialty Surgical (66% of Revenues)**

    - Total revenues were $256.8 million, representing reported growth of 51.3% and organic growth of 49.5% compared to the second quarter of 2020. Broad-based strength in both neurosurgery and instruments were driven by a recovery in demand.

- **Tissue Technologies (34% of Revenue)**
    - Total revenues were $133.2 million, representing reported growth of 49.8% and organic growth of 47.1% compared to the second quarter of 2020. Growth was led by strength in burn, trauma and surgical reconstruction.

Strategic Initiatives and Key Developments

- Advancing key products
    - Cerelink® - next generation intracranial pressure monitor is scheduled for a controlled market release in the third quarter.
    - Aurora Surgiscope in minimally invasive tumor removal procedures - a targeted phased market launch will begin in the third quarter to generate clinical evidence and gain insights for a broader commercial launch in the second half of 2022.
    - PriMatrix® Dermal Repair Scaffold - during the second quarter, the Company completed a randomized clinical study of PriMatrix for use in the closure of Diabetic Foot Ulcers (DFUs). This multi-center study enrolled over 225 patients and found that PriMatrix demonstrated statistically and clinically significant results, healing more DFUs in 12 weeks versus standard of care, with a median number of one application. The results of this study have been published in the Journal of Wound Care.
- The Company announced that Peter Arduini will step down as Chief Executive Officer at the end of 2021 to accept the role of President and Chief Executive Officer of GE Healthcare. The Board of Directors has initiated a formal search and appointed a special committee to direct the search and ensure a seamless transition of responsibilities.

Balance Sheet, Cash Flow and Capital Allocation

The Company generated cash flow from operations of $91.3 million in the quarter. The Company paid down $100 million of debt on its senior credit facility during the second quarter. Net debt at the end of the quarter was $1,166 million and the consolidated total leverage ratio was 2.4x, an improvement of 0.6x from December 31, 2020.

As of quarter end, the Company had total liquidity of approximately $1.7 billion, including approximately $397 million in cash and the remainder available under the revolving credit facility.

2021 Outlook

The Company is providing forward-looking guidance regarding adjusted earnings per diluted share, but is not providing 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 and efforts to comply with the EU Medical Device Regulation 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. Adjusted earnings per diluted share also excludes the impact of intangible asset amortization associated with prior business acquisitions, which we expect to be approximately $0.71 per diluted share for the full-year 2021.

In addition, the Company will continue to monitor the ongoing uncertainty around the scope and duration of the pandemic and its impact on financial performance. The Company does not expect the ongoing impact of the pandemic to be uniform across all markets and product lines. The Company's guidance assumes a gradual improvement in surgical procedures with no further setbacks from new surges or new COVID variants.

Full-Year 2021 Outlook

The Company is raising its full-year 2021 revenue guidance by $15 million to a range of $1,540 million to $1,550 million from $1,525 million to $1,535 million. This new guidance range represents a reported growth range of 12% to 13% and an organic growth range of 13% to 14%. The Company is also raising its full-year 2021 adjusted earnings per share guidance to new range of $2.98 to $3.05, from its prior range of $2.86 to $2.93.

The Company has revised its outlook for a revenue contribution from ACell to $70 million to $74 million for the full-year 2021, from its previous range of $83 million to $88 million, due to the impact of an accelerated integration of the sales force during the pandemic. The Company remains confident in the long-term growth expectations for the ACell portfolio. Strong performance in other parts of the CSS and TT businesses more than offset the slower start in ACell and are included in the new total company revenue guidance range.

Third Quarter Outlook

For the third quarter 2021, the Company expects revenues to be in a range of $382 million to $389 million, representing reported growth of approximately 3% to 5% and organic growth of 5% to 7%. Adjusted earnings per diluted share are expected to be in a range of $0.71 to $0.74.

In the future, the Company may record, or expects to record, gains or losses, expenses, or charges as described in the Discussion of Adjusted Financial Measures below, which will be excluded from the calculation of adjusted EBITDA, adjusted earnings per share for historical periods and in adjusted earnings per share guidance.

Conference Call and Presentation Available Online

Integra has scheduled a conference call for 8:30 a.m. ET today, Wednesday, July 28, 2021, to discuss financial results for the second quarter. 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 prepared remarks.

Integra's management team will reference a presentation during the conference call. The presentation can be found on investor.integralife.com.

Access to the live call is available by dialing (800) 367-2403 and using the passcode 3706513. The call can also be accessed via a webcast link provided on investor.integralife.com. A replay of the call will be available until August 7, 2021 by dialing (888) 203-1112 and using the passcode 3706513. The webcast will also be archived on the website.

About Integra

Integra LifeSciences is a global leader in regenerative tissue technologies and neurosurgical 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®, CerebroFlo®, CereLink® Certas® Plus, Codman®, CUSA®, Cytal®, DuraGen®, DuraSeal®, Gentrix®, ICP Express®, Integra®, MatriStem® UBM, MAYFIELD®, MediHoney®, MicroFrance®, MicroMatrix®, 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, litigation 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 impact of COVID-19 on the Company; 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 and execute on its channel reorganization in its Tissue Technologies segment; 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 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 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 divestiture, 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, 2020 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 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) divestiture, acquisition and integration-related charges; (iii) discontinued product lines charges; (iv) EU Medical Device Regulation-related charges; (v) COVID-19 related charges; (vi) convertible debt non-cash interest; (vii) intangible asset amortization expense; and (viii) 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.

Reconciliations of GAAP revenues to organic revenues, 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 June 30, 2021 and 2020, and the free cash flow and free cash flow conversion for the quarters ended June 30, 2021 and 2020, 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 June 30,	
	2021	**2020**
Total revenues, net	$ 389,992	$ 258,665
Costs and expenses:		
Cost of goods sold	151,267	105,478
Research and development	20,121	14,926
Selling, general and administrative	162,552	116,108
Intangible asset amortization	4,198	8,073
Total costs and expenses	338,138	244,585
Operating income	51,854	14,080
Interest income	1,764	2,281
Interest expense	(13,149)	(15,682)
Gain (loss) from the sale of business	(679)	—
Other income, net	5,034	972
Income before income taxes	44,824	1,651
Income tax expense	9,756	2,020
Net income (loss)	$ 35,068	$ (369)
Net income (loss) per share:		
Diluted net income (loss) per share	$0.41	$(0.00)
Weighted average common shares outstanding for diluted net income per share	85,340	84,706

The following table presents revenues disaggregated by the major sources for the three months ended June 30, 2021 and 2020 (amounts in thousands):

	Three Months Ended June 30,		
	2021	2020	Change
Neurosurgery	$202,600	$141,430	43.3%
Instruments	54,237	28,348	91.3%
Total Codman Specialty Surgical	$256,837	$169,778	51.3%
Wound Reconstruction and Care	102,616	56,291	82.3%
Extremity Orthopedics	—	11,162	—
Private Label	30,539	21,434	42.5%
Total Tissue Technologies	$133,155	$88,887	49.8%
Total reported revenues	$389,992	$258,665	50.8%
Impact of changes in currency exchange rates	(5,997)	—	
Less contribution of revenues from acquisitions	(17,704)	—	
Less contribution of revenues from divested products	(226)	(11,409)	
Less contribution of revenues from discontinued products	(3,087)	(3,160)	
Total organic revenues[1]	$362,978	$244,096	48.7%

(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 June 30, 2021

Item	Total Amount	COGS(a)	SG&A(b)	R&D(c)	Amort.(d)	OI&E(e)	Tax(f)
Acquisition, divestiture and integration-related charges(1)	10,777	7,716	4,161	(609)	—	(491)	—
Structural Optimization charges	4,408	1,339	1,386	1,683	—	—	—
EU Medical Device Regulation charges	3,415	1,365	1,017	1,033	—	—	—
Discontinued product lines charges	303	303	—	—	—	—	—
Intangible asset amortization expense	20,344	—	—	—	20,344	—	—
Estimated income tax impact from above adjustments and other items	(6,879)	—	—	—	—	—	(6,879)
Total adjustments	$32,368	$10,723	$6,564	$2,107	$20,344	$(491)	$(6,879)
Depreciation expense	9,411	—	—	—	—	—	—

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)

(1) Acquisition, divestiture and integration-related charges are associated with the Codman Neurosurgery, Arkis Biosciences, Rebound Therapeutics and ACell acquisitions and the divestiture of Extremity Orthopedics and includes banking, legal, consulting, systems, and other income and expenses.

1Three Months Ended June 30, 2020

(In thousands)

Item	Total Amount	COGS (a)	SG&A (b)	R&D (c)	Amort. (d)	OI&E (e)	Tax (f)
Structural optimization charges	1,230	1,367	(137)	—	—	—	—
Acquisition and integration-related charges[1]	6,542	2,794	3,124	624	—	—	—
COVID-19 related charges	(870)	776	(1,646)	—	—	—	—
EU Medical Device Regulation charges	884	61	823	—	—	—	—
Discontinued product line charges	1,302	1,302	—	—	—	—	—
Intangible asset amortization expense	19,773	11,700	—	—	8,073	—	—
Convertible debt non-cash interest	4,251	—	—	—	—	4,251	—
Estimated income tax impact from above adjustments and other items	(4,390)	—	—	—	—	—	(4,390)
Total adjustments	$28,722	$18,000	$2,164	$624	$8,073	$4,251	$(4,390)
Depreciation expense	9,902						

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)

(1) Acquisition and integration-related charges are associated with the Codman Neurosurgery, Arkis Biosciences and Rebound Therapeutics acquisitions and include banking, legal, consulting, systems, and other expenses.

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

(In thousands)

	Three Months Ended June 30,	
	2021	2020
GAAP net income (loss)	35,068	(369)
Non-GAAP adjustments:		
Depreciation and intangible asset amortization expense	29,755	29,675
Other (income) expense, net	(3,864)	(972)
Interest expense, net	11,385	9,150
Income tax expense	9,756	2,020
Discontinued product lines charges	303	1,302
Structural optimization charges	4,408	1,230
EU Medical Device Regulation charges	3,415	884
Acquisition, divestiture and integration-related charges[1]	10,777	6,542
COVID-19 related charges	(1)	(870)
Convertible debt non-cash interest [2]	—	4,251
Total of non-GAAP adjustments	65,934	53,212
Adjusted EBITDA	$ 101,002	$ 52,843

(1) Acquisition, divestiture and integration-related charges are associated with the Codman Neurosurgery, Arkis Biosciences, Rebound Therapeutics and ACell acquisitions and the divestiture of Extremity Orthopedics and includes banking, legal, consulting, systems, and other income and expenses.
(2) Upon adoption of ASU No. 2020-06, the Company will no longer incur non-cash interest expense for the amortization of debt discount.

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 June 30,			
	2021		2020	
GAAP net income (loss)		35,068		(369)
Non-GAAP adjustments:				
Structural optimization charges		4,408		1,230
Acquisition, divestiture and integration-related charges[(1)]		10,777		6,542
COVID-19 related charges		(1)		(870)
EU Medical Device Regulation charges		3,415		884
Discontinued product lines charges		303		1,302
Intangible asset amortization expense		20,344		19,773
Convertible debt non-cash interest [(2)]		—		4,251
Estimated income tax impact from adjustments and other items		(6,879)		(4,390)
Total of non-GAAP adjustments		32,367		28,722
Adjusted net income	$	67,435	$	28,353
Adjusted diluted net income per share	$	0.79	$	0.33
Weighted average common shares outstanding for diluted net income per share		85,340		84,706

(1) Acquisition, divestiture and integration-related charges are associated with the Codman Neurosurgery, Arkis Biosciences, Rebound Therapeutics and ACell acquisitions and the divestiture of Extremity Orthopedics and includes banking, legal, consulting, systems, and other income and expenses.
(2) Upon adoption of ASU No. 2020-06, the Company will no longer incur non-cash interest expense for the amortization of debt discount.

CONDENSED BALANCE SHEET DATA
(UNAUDITED)

(In thousands)

	June 30, 2021		December 31, 2020
Cash and cash equivalents	397,414	$	470,166
Accounts receivable, net	229,823		225,532
Inventories, net	323,618		310,117
Current and long-term borrowing under senior credit facility	868,208		967,137
Borrowings under securitization facility	112,500	$	112,500
Long-term convertible securities	562,968		474,834
Stockholders' equity	1,574,981		1,514,867

CONDENSED STATEMENT OF CASH FLOWS
(UNAUDITED)

(In thousands)

	Six Months Ended June 30,			
		2021		2020
Net cash provided by operating activities	$	160,371	$	53,931
Net cash used in investing activities		(125,483)		(25,434)
Net cash (used) provided by financing activities		(100,490)		133,452
Effect of exchange rate changes on cash and cash equivalents		(7,150)		121
Net increase (decrease) in cash and cash equivalents	$	(72,752)	$	162,070

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

(In thousands)

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
Net cash provided by operating activities	$ 91,287	$ 33,116
Purchases of property and equipment	(6,634)	(7,217)
Free cash flow	84,653	25,899
Adjusted net income[1]	$ 67,435	$ 28,353
Adjusted free cash flow conversion	125.5 %	91.3 %

	Twelve Months Ended June 30, 2021	Twelve Months Ended June 30, 2020
Net cash provided by operating activities	$ 310,279	$ 207,354
Purchases of property and equipment	(28,463)	(59,523)
Adjusted free cash flow	281,816	147,831
Adjusted net income[1]	$ 265,426	$ 187,310
Adjusted free cash flow conversion	106.2 %	78.9 %

(1) Adjusted net income for quarters ended June 30, 2020 and 2021 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.