



Q2 2020 Earnings Call

August 10, 2020

Safe Harbor Statement

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties and reflect the Company's judgment as of the date of this presentation. 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 presentation include, but are not limited to, statements concerning the expected impact of COVID-19 on the Company; the impact of contingency plans and cost-savings measures; the Company's liquidity and financial position; 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 structural optimization charges, acquisition and integration-related charges, COVID-19 related charges, EU Medical Device Regulation-related charges, litigation charges, discontinued product line charges, intangible asset amortization expense, convertible debt non-cash interest, expenses related to debt refinancing, and income tax expense (benefit) related to non-GAAP adjustments and other items. Statements of past performance, efforts, or results about which assumptions or inferences may be made can also be forward-looking statements and are not indicative of future performance or results. Forward-looking statements are based on estimates and assumptions made by management of the company and are believed to be reasonable, though they are inherently uncertain, difficult to predict, and may be outside of the company's control; these assumptions include, but are not limited to, when the impacts of COVID-19 may be the most severe and when and how the impacts of COVID-19 will subside. 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: risks and uncertainties associated with medical epidemics or pandemics, such as the COVID-19 pandemic, including, without limitation, disruptions in operations, diversion of management and resources, the accuracy of procedural volume information, material cancellations and delays of procedures, reduced capital spending by healthcare institutions, impaired and disrupted global economic conditions relative to healthcare spending and access to credit markets, and delays in the development of clinical data and medical education, including data and education relevant to the impact of infectious disease on the use of the Company's products; the Company's ability to execute its operating plan effectively; the Company's ability to achieve sales growth in a timely fashion; the Company's ability to manufacture and ship sufficient quantities of its products to meet its customers' demands; the ability of third-party suppliers to supply us with raw materials and finished products; global macroeconomic and political conditions; the sales performance of third-party distributors on whom the Company relies to generate revenue for certain products and geographic regions; 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; the Company's ability to secure regulatory approval for products in development; the Company's ability to remediate quality systems violations; 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; the geographic distribution of where the Company generates its taxable income; 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, 2019 and information contained in subsequent filings with the Securities and Exchange Commission.

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

Non-GAAP Financial Measures

In addition to our GAAP results, we provide certain non-GAAP measures, including organic revenues, adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted net income, adjusted earnings per diluted share, free cash flow and adjusted free cash flow conversion. Organic revenues consist of total revenues excluding the effects of currency exchange rates, revenues from current-period acquisitions and product divestitures and discontinuances. Adjusted EBITDA consists of GAAP net income excluding: (i) depreciation and amortization; (ii) other income (expense); (iii) interest income and expense; (iv) income tax expense (benefit); and (v) those operating expenses also excluded from adjusted net income. The measure of adjusted net income consists of GAAP net income, excluding: (i) structural optimization charges; (ii) acquisition and integration-related charges; (iii) COVID-19 related charges; (iv) EU Medical Device Regulation-related charges; (v) litigation charges; (vi) discontinued product lines charges; (vii) intangible asset amortization expense; (viii) convertible debt non-cash interest; (ix) expenses related to debt refinancing; and (x) income tax impact from adjustments. The adjusted earnings per diluted share measure is calculated by dividing adjusted net income attributable to diluted shares by diluted weighted average shares outstanding. The measure of free cash flow consists of GAAP net cash provided by operating activities less purchases of property and equipment. The adjusted free cash flow conversion measure is calculated by dividing free cash flow by adjusted net income.

The 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.

Second Quarter Performance

- **COVID update and operating performance**

- Continue to prioritize health and safety of employees, customers and patients
- Surgical procedure volumes bottomed in April, with sequential improvement in each month of Q2
- Faster recovery in Neurosurgery, Wound Reconstruction and Ortho
- Commercial teams taking advantage of comprehensive portfolio, leadership positions and brand recognition
- CUSA® Clarity – received FDA clearance for specific neurosurgery indication
- Using technology, educational webinars and interactive roundtables to highlight product differentiation
- Resurgence and hot-spots remain risks; hospitals learning to co-exist with COVID-19

- **Second quarter highlights**

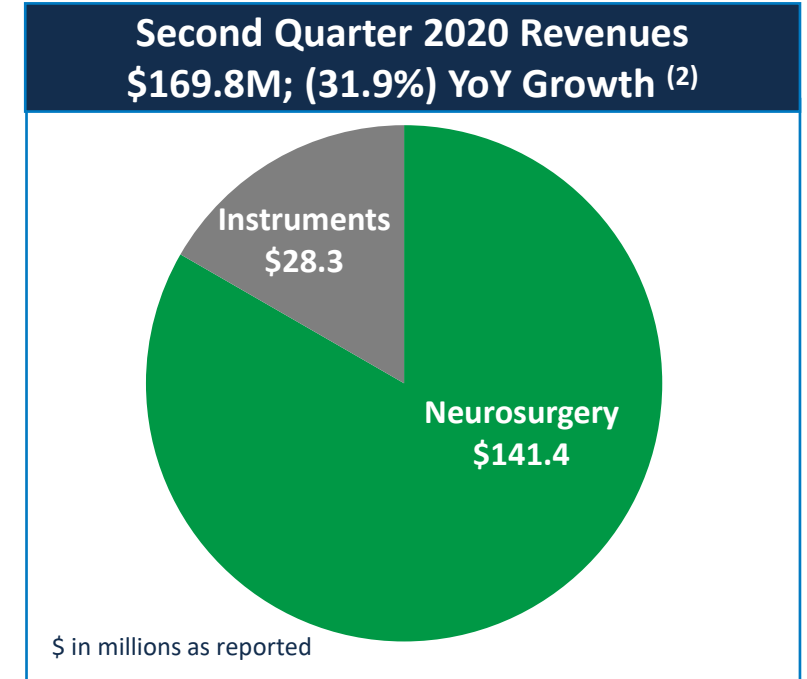
- Revenue and profitability at the high end of internal forecasts, with steady sequential monthly improvement
- Double-digit growth in Japan
- Maintained balance sheet strength and flexibility

Well positioned for continued recovery in second half 2020

Codman Specialty Surgical

Revenues	Q2 2020	Q2 2019	Growth
Reported	\$169.8M	\$249.3M	(31.9%)
Organic ⁽¹⁾	\$166.8M	\$238.4M	(30.1%)

	Q2 2020 Growth ⁽³⁾	Performance Drivers
Neurosurgery	(25.8%)	<ul style="list-style-type: none"> All CSS business lines showed monthly sequential improvement Japan reported double-digit growth June recovery leaders⁽⁴⁾: Dural Access & Repair; Adv. Energy Consumables; CSF Mgmt; Neuro Monitoring
Instruments	(45.6%)	
International	Low double-digit decline	



COVID-19 impacted Q2 sales / June sales down ~13%⁽⁴⁾

(1) Amount excludes \$3.4M in Q2 2020 and \$10.9M in Q2 2019 related to divested and discontinued products.

(2) Prior period amounts were reclassified between categories within CSS to conform to current presentation. Historical amounts can be found in the Appendix of this presentation.

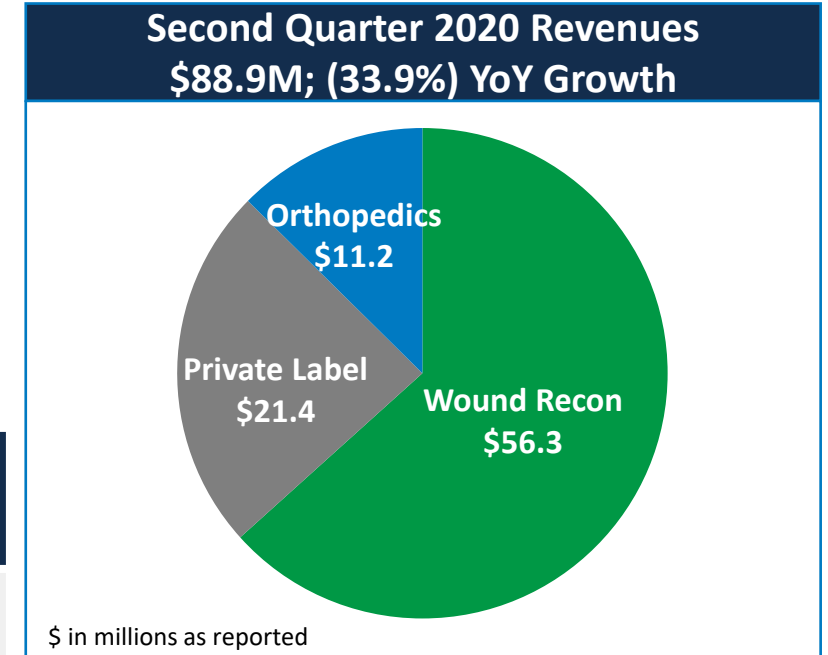
(3) All commentary represents organic performance

(4) June 2020 vs Q2 2019 average daily rate

Orthopedics & Tissue Technologies

Revenues	Q2 2020	Q2 2019	Growth
Reported	\$88.9M	\$134.4M	(33.9%)
Organic ⁽¹⁾	\$88.9M	\$133.8M	(33.5%)

	Q2 2020 Growth ⁽²⁾	Performance Drivers
Wound Reconstruction	(31.2%)	<ul style="list-style-type: none"> Wound Reconstruction and Orthopedics showed monthly sequential improvement June recovery leaders⁽³⁾: chronic wound, nerve repair and orthopedics
Private Label	(29.3%)	
Orthopedics	(48.6%)	
International	Double-digit decline	



COVID-19 impacted Q2 sales / June sales down ~13%⁽³⁾

(1) Amount excludes \$0.2M in Q2 2020 and \$0.6M in Q2 2019 related to discontinued products

(2) All commentary represents organic performance

(3) June 2020 vs Q2 2019 average daily rate

Second Quarter Financial Results

% of Revenues	Q2 2020	Q2 2019	Change
Total Revenues	\$258.7	\$383.6	(32.6%)
Gross Margin	59.2%	62.6%	-340BPS
Adj. Gross Margin ⁽¹⁾	66.2%	67.4%	-120BPS
Net Income (loss)	(\$0.4)	\$29.7	(101.3%)
Adj. Net Income ⁽¹⁾	\$28.4	\$63.4	(55.2%)
Adj. EBITDA Margin ⁽¹⁾	20.4%	25.5%	-510BPS
Diluted Shares Out (M)	84.7	86.3	(1.9%)
Earnings (loss) per Share	\$ (0.00)	\$ 0.34	(100.0%)
Adj. Earnings per Share ⁽¹⁾	\$ 0.33	\$ 0.73	(54.8%)

(In millions)	Q2 2020	Q2 2019	Change
Operating Cash Flow	\$33.1	\$48.5	(31.8%)
CapEx	\$7.2	\$17.7	(59.3%)
Free Cash Flow ⁽¹⁾	\$25.9	\$30.8	(15.9%)
FCF Conversion ⁽¹⁾	91.3%	48.7%	+42.6Pts
Depreciation	\$9.9	\$10.3	(3.9%)
Amortization	\$19.8	\$22.3	(11.2%)

Cost containment programs mitigate COVID-19 impact on GM%, EBITDA and Cash Flows

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

Capital Structure as of June 30, 2020

Capitalization			
(In \$ millions)	December 31, 2019	March 31, 2020	June 30, 2020
Cash and Equivalents	\$199	\$358	\$361
Bank Debt	\$1,358	\$1,126	\$1,096
Convertible Bond	-	\$575	\$575
Total Debt	\$1,358	\$1,701	\$1,671
Net Debt	\$1,159	\$1,343	\$1,310
Consolidated Total Leverage Ratio	2.6x	3.1x	3.4x

Consolidated total leverage ratio well below covenant maximum of 5.5x⁽¹⁾

(1) Effective for twelve months beginning July 1, 2020

Revenue and Recovery Considerations

Segment	Q2 2020 Revenue Decline ⁽¹⁾	June 2020 Revenue Decline ⁽²⁾
CSS	-32%	-13%
OTT	-34%	-13%
Total Company	-33%	-13%
US	-33%	-12%
OUS	-30%	-14%

Second Half Recovery Factors

- Resumption of procedures in light of resurgence of COVID cases
- Hospital financial conditions – impacting pace of recovery of both capital and instruments
- Patient willingness to return & unemployment levels

Second Half Outlook

- Third quarter expected to improve sequentially, but down 5% to 15% compared to 2019 levels
- Fourth quarter – multiple scenarios, including those in which the Company returns to 2019 revenue levels, depending on recovery factors

Sequential quarterly improvements expected in second half 2020

(1) Reported Revenue

(2) June decline compared to Q2 2019 average daily rate

Second Half 2020 Outlook

Maintain Agility

- Positioned to capitalize on recovery of surgical procedures
- Ability to adapt to a rapidly changing environment
- Supply chain and manufacturing sites fully prepared for increase in demand

Strong Financial Position

- Balance sheet remains flexible in dynamic environment
- Flexible credit facility, no principal repayments due until June 2021
- Disciplined return of discretionary spending

Leverage Diversified Portfolio

- Leverage market leadership positions in Neurosurgery and Wound Reconstruction
- Clinical and economic evidence to bring value to hospital systems
- Continue to invest in critical clinical and R&D programs

Positioned for second half recovery and to emerge as a stronger company



Appendix

Non-GAAP Reconciliations



Second Quarter 2020 Organic Growth Reconciliation

(In millions)	Q2 2020	Q2 2019
Neurosurgery	\$141.4	\$192.9
Instruments	\$28.3	\$56.3
Total Codman Specialty Surgical⁽¹⁾	\$169.8	\$249.3
Wound Reconstruction and Care	\$56.3	\$82.3
Extremity Orthopedics	\$11.2	\$21.8
Private Label	\$21.4	\$30.3
Total Orthopedics and Tissue Technologies	\$88.9	\$134.4
Total Reported Revenues	\$258.7	\$383.6
Revenues from divested products ⁽²⁾	(0.2)	(1.4)
Revenues from discontinued products ⁽²⁾	(3.4)	(10.1)
Revenues ex divested/ discontinued products	\$255.1	\$372.2
Impact of changes in currency exchange	0.8	-
Revenues from acquisitions ⁽³⁾	(0.2)	-
Total Organic Revenues	\$255.7	\$372.2
<i>Organic Revenue Growth</i>	<i>-31.3%</i>	

(1) Revenue from certain product families was reclassified from Instruments into Neurosurgery in the first quarter of 2020. Historical data is provided on the next slide.

(2) Organic Revenue has been adjusted for 2020 and 2019 to account for divestitures and discontinued products

(3) Revenue from acquisitions includes Arkis.

Note: Numbers may not add due to rounding

Historical CSS Disaggregated Revenue Reclassification*

CSS Disaggregated Revenue as Originally Reported											
Disaggregated Revenue											
\$000's	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2018 Total	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019 Total	Q1 2020
Neurosurgery	166,898	170,588	171,680	174,982	684,148	166,415	177,411	180,107	183,084	707,017	170,694
Precision Tools & Instruments	69,217	68,916	67,355	74,294	279,781	68,153	71,847	72,881	76,314	289,195	60,746
Total CSS	236,114	239,504	239,035	249,276	963,929	234,568	249,259	252,987	259,399	996,213	231,440

CSS Disaggregated Revenue Post Reclassification											
Disaggregated Revenue											
\$000's	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2018 Total	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019 Total	Q1 2020
Neurosurgery	181,339	183,311	184,481	191,137	740,268	179,520	192,929	195,334	200,017	767,800	184,943
Instruments	54,776	56,193	54,554	58,138	223,661	55,049	56,329	57,654	59,381	228,413	46,497
Total CSS	236,114	239,504	239,035	249,276	963,929	234,568	249,259	252,987	259,399	996,213	231,440

* Revenue from certain product families was reclassified from Instruments into Neurosurgery in the first quarter of 2020.

Note: Numbers may not add due to rounding

Second Quarter 2020 & 2019 Adjusted EBITDA Margin Reconciliation

(In millions)	Q2 2020	Q2 2019
GAAP Net Income (loss)	(\$0.4)	\$29.7
Depreciation and intangible asset amortization expense	29.7	32.7
Other (income), net	(1.0)	(1.1)
Interest expense, net	9.2	10.7
Income tax expense (benefit)	2.0	6.6
COVID-19 related charges	(0.9)	-
Convertible debt non-cash interest	4.3	-
Expenses related to debt refinancing	-	-
Acquisition and integration charges	6.5	12.8
Structural optimization charges	1.2	3.0
Discontinued product lines charges	1.3	2.3
Litigation charges	-	1.1
EU Medical Device Regulation	0.9	0.1
Total of non-GAAP adjustments:	53.2	68.2
Adjusted EBITDA	\$52.8	\$97.9
Total Revenues	258.7	383.6
Adjusted EBITDA Margin	20.4%	25.5%

Note: Numbers may not add due to rounding

Second Quarter 2020 and 2019 Adjusted EPS Reconciliation

(In millions)	Q2 2020	Q2 2019
GAAP Net Income (loss)	(\$0.4)	\$29.7
COVID-19 related charges	(0.9)	-
Convertible debt non-cash interest	4.3	-
Acquisition and integration charges	6.5	12.8
Structural optimization charges	1.2	3.0
Discontinued product line charges	1.3	2.3
Litigation charges	-	1.1
EU Medical Device Regulation	0.9	0.1
Intangible asset amortization expense	19.8	22.3
Estimated income tax impact from adjustments and other items	(4.4)	(8.0)
Total of non-GAAP adjustments:	28.7	33.6
Adjusted Net Income	\$28.3	\$63.4
Adjusted Diluted Net Income per Share	\$0.33	\$0.73
Weighted average common shares outstanding for diluted net income from continuing operations per share	84.7	86.3

Note: Numbers may not add due to rounding

Second Quarter 2020 and 2019 (TTM) Free Cash Flow Reconciliation

(In millions)	Q2 2020	Q2 2019	TTM 2020	TTM 2019
Net Cash from Operating Activities	\$33.1	\$48.5	\$207.4	\$200.0
Purchases of Property and Equipment	(\$7.2)	(17.7)	(\$59.5)	(76.1)
Free Cash Flow	\$25.9	\$30.8	\$147.8	\$123.8
Adjusted Net Income	\$28.3	\$63.4	\$187.3	\$226.6
Adjusted Free Cash Flow Conversion	91.3%	48.7%	78.9%	54.7%

Note: Numbers may not add due to rounding

Second Quarter 2020 Gross Margin Reconciliation

(In millions)	Q2 2020	Q2 2019
Reported Gross Profit	\$153.2	\$240.0
COVID-19 related charges	0.8	-
Structural optimization charges	1.4	2.2
Acquisition and integration charges	2.8	2.9
Discontinued product line charges	1.3	2.3
EU Medical Device Regulation	0.1	-
Intangible asset amortization expense	11.7	11.3
Adjusted Gross Profit	\$171.2	\$258.6
Total Revenues	\$258.7	\$383.6
Adjusted Gross Margin	66.2%	67.4%

Note: Numbers may not add due to rounding

Second Quarter 2020 Adjusted SG&A Reconciliation

(In millions)	Q2 2020	Q2 2019
Reported SG&A	\$116.1	\$165.4
COVID-19 related charges	(1.6)	-
Structural optimization charges	(0.1)	0.9
Acquisition and integration charges	3.1	10.0
Litigation charges	-	1.1
EU Medical Device Regulation	0.8	0.1
Adjusted SG&A	\$113.9	\$153.4
Total Revenues	\$258.7	\$383.6
Adjusted SG&A (% of Revenues)	44.1%	40.0%

Note: Numbers may not add due to rounding