

**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 18, 2021

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.)
---	-------------------------------------	---

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:

- 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 Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Exchange on Which Registered</u>
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 February 18, 2021, Integra LifeSciences Holdings Corporation (the “Company”) issued a press release announcing financial results for the quarter ended December 31, 2020 (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, 2020 and 2019, GAAP net income to adjusted earnings before interest, taxes, depreciation and amortization (“EBITDA”) for the quarters and years ended December 31, 2020 and 2019, GAAP net income to adjusted net income for the quarters and years ended December 31, 2020 and 2019, GAAP earnings per diluted share to adjusted earnings per diluted share for the quarters and years ended December 31, 2020 and 2019, 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, 2020 and 2019.

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; (viii) litigation charges; and (ix) income tax impact from adjustments. The adjusted earnings per diluted share measure is calculated by dividing adjusted net income attributable to diluted shares by diluted weighted average shares outstanding. The measure of free cash flow consists of GAAP net cash provided by operating activities less purchases of property and equipment.

The Company believes that the presentation of organic revenues and the 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 December 31, 2020 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 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 and (v) legal, accounting, banking and other outside consultants expenses directly related to acquisitions or divestitures. 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.
 - 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.
- 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.
- 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 December 31, 2020 and 2019 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, 2020 and 2019. Also included are reconciliations for future periods.

Item 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

99.1 [Press Release with attachments, dated February 18, 2021, 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 18, 2021

By: /s/ Carrie Anderson
Carrie Anderson
Title: Executive Vice President, Chief Financial Officer
and Treasurer

News Release

Contact:

Investor Relations:

Michael Beaulieu

Director, Investor Relations

(609) 750-2827

michael.beaulieu@integralife.com

Media:

Laurene Isip

Vice President, Global Corporate Communications and Public Relations

(609) 750-7984

laurene.isip@integralife.com

Integra LifeSciences Reports Fourth Quarter and Full-Year 2020 Financial Results and Provides 2021 Financial Guidance

Princeton, New Jersey, February 18, 2021 - [Integra LifeSciences Holdings Corporation](#) (NASDAQ: IART) today reported financial results for the fourth quarter and full-year ended December 31, 2020, consistent with its preliminary revenue results announced on January 14, 2021.

- **Fourth Quarter 2020**

- Reported revenues were \$388.6 million, representing a decrease of 1.6% on a reported basis and a decrease of 1.5% on an organic basis compared to the fourth quarter 2019.
 - Fourth quarter revenues increased 5.0% compared to the third quarter of 2020.
- GAAP earnings per diluted share were \$1.09, compared to \$0.18 in the fourth quarter 2019.
- Adjusted earnings per diluted share were \$0.84, compared to \$0.68 in the fourth quarter of 2019.

- **Full-Year 2020**

- Reported revenues were \$1,371.9 million, representing a decrease of 9.6% on a reported basis and a decrease of 8.7% on an organic basis compared to full-year 2019.
 - In the first half of 2020, reported revenues declined 18.0% compared to the prior year, reflecting the impact of the COVID-19 pandemic. Organic revenues declined 16.2% over the same period.
 - In the second half of 2020, reported revenues declined 2.0% compared to the prior year, reflecting a recovery in surgical procedures and strong execution by the Company. Organic revenues declined 1.5% over the same period.
- GAAP earnings per diluted share were \$1.57, compared to \$0.58 in 2019.
- Adjusted earnings per diluted share were \$2.45, compared to \$2.74 in 2019.

During 2020, the COVID-19 pandemic negatively impacted surgical procedure volumes which resulted in lower revenues compared to the prior year. The largest year over year revenue decline rates occurred in April, and surgical

procedure volumes recovered over the balance of 2020. In the fourth quarter, the improvement in surgical procedure volumes resulted in five percent sequential revenue growth over the third quarter. Due to local or regional surges of COVID-19, the pace of our sales recovery differed across markets and product lines.

"The safety and well-being of our colleagues has remained our number one priority throughout the pandemic, so they could continue to deliver critical, life-saving products to clinicians," said Peter Arduini, Integra's president and chief executive officer. "The revenue and profitability impact from surgical procedural deferrals caused by COVID were most significant in the first half of 2020. The Company's revenue and profitability improved in the second half of the year as procedures recovered. Over the course of 2020, we focused on enhancing our global operations, investing in critical growth programs, and optimizing our product portfolio. These accomplishments and our strong financial position increase our confidence that we will return to growth in 2021."

Fourth Quarter 2020 Financial Summary

Total reported revenues for the fourth quarter were \$388.6 million, a decrease of 1.6% from the fourth quarter of 2019. Fourth quarter organic sales decreased 1.5% over the prior year.

The Company reported GAAP net income of \$92.7 million, or \$1.09 per diluted share, in the fourth quarter of 2020, compared to GAAP net income of \$15.3 million, or \$0.18 per diluted share, in the prior year. The increase in GAAP net income was driven primarily by a one-time net tax benefit in the fourth quarter of 2020, attributable to an intra-entity transfer of certain intellectual property which resulted in the recognition of a deferred tax benefit in the amount of \$59.2 million.

Adjusted EBITDA for the fourth quarter of 2020 was \$102.7 million, compared to \$91.6 million in the fourth quarter of the prior year. For the fourth quarter of 2020, adjusted EBITDA as a percentage of revenue was 26.4%, an increase of 320 basis point from the prior year period.

Adjusted net income for the fourth quarter of 2020 was \$71.3 million, or \$0.84 per diluted share, compared to adjusted net income of \$58.9 million, or \$0.68 per diluted share, in the fourth quarter of 2019. The increase was primarily driven by actions taken by the Company to reduce operating expenses during the pandemic to mitigate the impact of lower sales.

Cash flows from operations totaled \$80.3 million in the fourth quarter and capital expenditures were \$8.4 million.

Full-Year 2020 Financial Summary

Total reported revenues for the full-year 2020 were \$1,371.9 million, a decrease of 9.6%, from the prior year. Organic sales for the full-year 2020 decreased 8.7% compared to 2019.

The Company reported GAAP net income of \$133.9 million, or \$1.57 per diluted share, for the full-year 2020, compared to GAAP net income of \$50.2 million, or \$0.58 per diluted share in 2019. The increase in GAAP net income was primarily driven by two components. The first is due to a one-time net tax benefit in the fourth quarter of 2020, attributable to an intra-entity transfer of certain intellectual property which resulted in the recognition of a deferred tax benefit in the amount of \$59.2 million. The second component of the increase to net income in 2020 compared to 2019 resulted from a \$64.9 million in-process R&D expense associated with the Rebound Therapeutics acquisition, which occurred during 2019. Excluding these components, net income for the year ended December 31, 2020 declined by \$40.4 million compared to the prior year 2019. The decrease was attributable to the impact of the COVID-19 pandemic which resulted in lower revenues, and was partially offset by a decrease in the level of operating expenses due to cost-savings measures implemented by the Company during 2020.

Adjusted EBITDA for the full-year 2020 was \$334.5 million, a decrease of \$34.1 million over the prior year. Despite the year-over-year decrease, adjusted EBITDA as a percentage of revenue for the full-year 2020 increased slightly to 24.4% from 24.3% in 2019.

Adjusted net income for the full-year 2020 was \$208.7 million, or \$2.45 per diluted share, compared to \$237.4 million, or \$2.74 per diluted share in 2019. The decrease was attributable to lower sales as a result of COVID-19, partially offset by actions taken by the Company to reduce operating expenses during the pandemic.

Cash flows from operations totaled \$203.8 million for the full-year 2020 and capital expenditures were \$38.9 million. Adjusted free cash flow conversion for the trailing twelve months ended December 31, 2020 was 79.0% versus 68.2% for the twelve months ended December 31, 2019.

Integra's financial position and liquidity remain strong. As of December 31, 2020, the Company had \$470.2 million in cash and cash equivalents, \$1.2 billion in undrawn revolver capacity, and a consolidated total leverage ratio of 3.0x.

2021 Financial Guidance

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 \$0.73 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.

For the first quarter 2021, the Company expects reported revenues in the range of \$345 million to \$355 million, representing reported growth of approximately (3.0%) to 0.0% and organic growth of approximately 0.0% to 3.0%. Adjusted earnings per diluted share are expected to be in a range of \$0.54 to \$0.58.

For the full-year 2021, the Company expects revenues to be in a range of \$1,520 million to \$1,535 million, representing reported growth of 11% to 12% and organic growth of 12% to 13%. Adjusted earnings per diluted share are expected to be in a range of \$2.86 to \$2.93.

Organic sales growth excludes both the divestiture of the Extremity Orthopedics business, which was completed on January 4, 2021, and the acquisition of ACell Inc., which was completed on January 20, 2021. Organic growth also excludes the effects of foreign currency and discontinued products.

The Company expects a reported revenue contribution from ACell in the range of \$83 million to \$88 million for the full-year 2021, with approximately \$14 million to \$15 million in the first quarter of 2021.

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, adjusted net income, adjusted EPS and adjusted free cash flow conversion 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 on Thursday, February 18, 2021 to discuss fourth quarter and full-year 2020 financial results, and forward-looking financial guidance. The conference call will be hosted by

Integra's senior management team 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 (888) 394-8218 and using the passcode 5905980. A simultaneous webcast of the call will be available via the Company's website at www.integralife.com. A webcast replay of the call can be accessed through the [Investor Relations](#) homepage of Integra's website at www.integralife.com. A replay of the call will be available until February 28, 2021 by dialing (888) 203-1112 and using the passcode 5905980.

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®, Certas® Plus, Codman®, CUSA®, DuraGen®, DuraSeal®, ICP Express®, Integra®, MatriStem UBM™, MediHoney®, MicroFrance®, PriMatrix®, SurgiMend®, TCC-EZ®, and VersaTru®. For the latest news and information about Integra and its products, 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 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 ACell, Inc., and other 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 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 to be filed 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; (viii) litigation charges; and (ix) income tax impact from adjustments. The adjusted earnings per diluted share measure is calculated by dividing adjusted net income attributable to diluted shares by diluted weighted average shares outstanding. The measure of free cash flow consists of GAAP net cash provided by operating activities less purchases of property and equipment.

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, 2020 and 2019, and the free cash flow and free cash flow conversion for the quarters ended December 31, 2020 and 2019, 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 10-K filed 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,	
	2020	2019	2020	2019
Total revenues	\$ 388,647	\$ 395,127	\$ 1,371,868	\$ 1,517,557
Costs and expenses:				
Cost of goods sold	147,069	149,462	520,834	564,681
Research and development	22,179	24,643	77,381	79,573
In-process research and development	—	5,000	—	64,916
Selling, general and administrative	162,390	174,254	594,526	687,599
Intangible asset amortization	4,364	5,688	27,757	27,028
Total costs and expenses	<u>336,002</u>	<u>359,047</u>	<u>1,220,498</u>	<u>1,423,797</u>
Operating income	52,645	36,080	151,370	93,760
Interest income	2,173	2,728	9,297	10,779
Interest expense	(17,351)	(13,462)	(71,581)	(53,957)
Other income, net	1,449	1,061	4,434	9,522
Income before taxes	<u>38,916</u>	<u>26,407</u>	<u>93,520</u>	<u>60,104</u>
Income tax expense (benefit)	(53,828)	11,088	(40,372)	9,903
Net income	<u>\$ 92,744</u>	<u>\$ 15,319</u>	<u>\$ 133,892</u>	<u>\$ 50,201</u>
Net income per share	<u>\$ 1.09</u>	<u>\$ 0.18</u>	<u>\$ 1.57</u>	<u>\$ 0.58</u>
Weighted average common shares outstanding for diluted net income per share	84,929	86,773	85,228	86,494

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,		
	2020	2019	Change	2020	2019	Change
Neurosurgery	\$ 200,291	\$ 200,015	0.1%	\$716,339	\$767,793	(6.7)%
Instruments	53,999	59,381	(9.1)%	178,492	228,413	(21.9)%
Total Codman Specialty Surgical ⁽¹⁾	\$ 254,290	\$ 259,396	(2.0)%	\$ 894,831	\$ 996,206	(10.2)%
Wound Reconstruction and Care	\$ 82,365	\$ 83,330	(1.2)%	293,038	322,739	(9.2)%
Extremity Orthopedics	23,760	24,734	(3.9)%	78,316	90,082	(13.1)%
Private Label	28,232	27,667	2.0%	105,683	108,530	(2.6)%
Total Orthopedics and Tissue Technologies	\$ 134,357	\$ 135,731	(1.0)%	\$ 477,037	\$ 521,351	(8.5)%
Total Reported Revenues	\$ 388,647	\$ 395,127	(1.6)%	\$ 1,371,868	\$ 1,517,557	(9.6)%
Impact of changes in currency exchange rates	\$(4,517)	—	—	(4,666)	—	—
Less contribution of revenues from acquisitions ⁽²⁾	—	—	—	(671)	—	—
Less contribution of revenues from divested products	(251)	—	—	(823)	(3,328)	—
Less contribution of revenues from discontinued products	(5,449)	(11,020)	—	(20,569)	(40,747)	—
Total organic revenues ⁽³⁾	\$378,430	\$384,107	(1.5)%	\$1,345,139	\$1,473,482	(8.7)%

(1) Prior period amounts were reclassified between categories within Codman Specialty Surgical to conform to the current period presentation.

(2) Includes revenues from Arkis Biosciences.

(3) 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 from continuing operations and locations where each item is recorded are as follows:

(In thousands)

Three Months Ended December 31, 2020

Item	Total Amount	COGS(a)	SG&A(b)	R&D(c)	Amort.(d)	OI&E(e)	Tax(f)
Structural optimization charges	6,348	5,970	(300)	679	—	—	—
Divestiture, acquisition and integration-related charges ⁽¹⁾	13,050	4,628	6,373	2,049	—	—	—
Discontinued product lines charges	855	855	—	—	—	—	—
EU Medical Device Regulation charges	3,902	611	3,288	3	—	—	—
COVID-19 related charges	(161)	(6)	(155)	—	—	—	—
Convertible debt non-cash interest	4,340	—	—	—	—	4,340	—
Intangible asset amortization expense	15,886	11,522	—	—	4,364	—	—
Estimated income tax impact from adjustments and other items ⁽²⁾	(65,701)	—	—	—	—	—	(65,701)
Depreciation expense	10,209	—	—	—	—	—	—

(a) COGS - Cost of goods sold

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

(c) R&D - Research and development

(d) Amort. - Intangible asset amortization

(e) OI&E - Other income and expense

(f) Tax - Income tax expense

(1) Divestiture, acquisition and integration-related charges are associated with the Codman Neurosurgery, Arkis Biosciences, and Rebound Therapeutics acquisitions and the divestiture of extremity orthopedics and includes banking, legal, consulting, systems, and other expenses.

(2) Estimated income tax impact includes a \$59.2 million one-time net tax benefit in the fourth quarter of 2020, attributable to an intra-entity transfer of certain intellectual property.

Three Months Ended December 31, 2019

(In thousands)

Item	Total Amount	COGS(a)	SG&A(b)	R&D(c)	IPR&D(d)	Amort.(e)	Tax(f)
Structural optimization charges	4,413	1,918	2,495	—	—	—	—
Discontinued product lines charges	2,344	2,344	—	—	—	—	—
Divestiture, acquisition and integration-related charges ⁽¹⁾	17,822	3,737	7,976	1,109	5,000	—	—
EU Medical Device Regulation charges	3,021	91	2,930	—	—	—	—
Litigation charges	50	—	50	—	—	—	—
Intangible asset amortization expense	17,339	11,651	—	—	—	5,688	—
Estimated income tax impact from adjustments and other items	(1,442)	—	—	—	—	—	(1,442)
Depreciation expense	10,573	—	—	—	—	—	—

(a) COGS - Cost of goods sold

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

(c) R&D - Research and development

(d) IPR&D - In-process research and development

(e) Amort. - Intangible asset amortization

(f) Tax - Income tax expense

(1) Divestiture, acquisition and integration-related charges are associated with the Codman Neurosurgery, Arkis Biosciences, and Rebound Therapeutics acquisitions and the divestiture of extremity orthopedics and includes banking, legal, consulting, systems, and other expenses.

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

(In thousands)

Twelve Months Ended December 31, 2020

Item	Total Amount	COGS(a)	SG&A(b)	R&D(c)	Amort.(d)	OI&E(e)	Tax(f)
Structural optimization charges	15,363	8,330	6,177	856	—	—	—
Divestiture, acquisition and integration-related charges ⁽¹⁾	32,906	13,876	16,726	2,304	—	—	—
Discontinued product lines charges	6,342	6,342	—	—	—	—	—
EU Medical Device Regulation charges	9,372	2,241	7,128	3	—	—	—
COVID-19 related charges	3,482	3,768	(286)	—	—	—	—
Convertible debt non-cash interest	15,415	—	—	—	—	15,415	—
Expenses related to debt refinancing	6,168	—	—	—	—	6,168	—
Intangible asset amortization expense	74,505	46,748	—	—	27,757	—	—
Estimated income tax impact from adjustments and other items ⁽²⁾	(88,779)	—	—	—	—	—	(88,779)
Depreciation expense	41,136	—	—	—	—	—	—

(a) COGS - Cost of goods sold

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

(c) R&D - Research and development

(d) Amort. - Intangible asset amortization

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

(f) Tax - Income tax expense

(1) Divestiture, acquisition and integration-related charges are associated with the Codman Neurosurgery, Arkis Biosciences, and Rebound Therapeutics acquisitions and the divestiture of extremity orthopedics and includes banking, legal, consulting, systems, and other expenses.

(2) Estimated income tax impact includes a \$59.2 million one-time net tax benefit in the fourth quarter of 2020, attributable to an intra-entity transfer of certain intellectual property.

Twelve Months Ended December 31, 2019

(In thousands)

Item	Total Amount	COGS(a)	SG&A(b)	R&D(c)	IPR&D(d)	Amort.(e)	OI&E(f)	Tax(g)
Structural optimization charges	17,582	6,218	10,860	—	—	—	504	—
Divestiture, acquisition and integration-related charges ⁽¹⁾	124,665	9,788	47,174	2,787	64,916	—	—	—
Discontinued product lines charges	9,168	9,168	—	—	—	—	—	—
Litigation charges	96	—	3,101	—	—	—	(3,005)	—
EU Medical Device Regulation charges	6,221	91	6,130	—	—	—	—	—
Impairment charges	5,764	—	—	—	—	5,764	—	—
Intangible asset amortization expense	67,127	45,862	—	—	—	21,265	—	—
Estimated income tax impact from adjustments and other items	(43,430)	—	—	—	—	—	—	(43,430)
Depreciation expense	41,722	—	—	—	—	—	—	—

(a) COGS - Cost of goods sold

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

(c) R&D - Research and development

(d) IPR&D - In-process research and development

(e) Amort. - Intangible asset amortization

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

(g) Tax - Income tax expense

(1) Divestiture, 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. This includes a \$59.9 million in-process research and development expense related to the Rebound Therapeutics acquisition from the third quarter 2019.

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,	
	2020	2019	2020	2019
GAAP net income	\$ 92,744	\$ 15,319	\$ 133,892	50,201
Non-GAAP adjustments:				
Depreciation and intangible asset amortization expense	26,095	27,912	115,641	108,849
Other (income), net	(1,449)	(1,061)	(4,434)	(7,021)
Interest expense, net	10,838	10,734	40,701	43,178
Income tax expense (benefit) ⁽¹⁾	(53,828)	11,088	(40,372)	9,903
Structural optimization charges	6,348	4,413	15,363	17,582
EU Medical Device Regulation charges	3,902	3,021	9,372	6,221
COVID-19 related charges	(161)	—	3,482	—
Convertible debt non-cash interest	4,340	—	15,415	—
Expenses related to debt refinancing	—	—	6,168	—
Discontinued product lines charges	855	2,344	6,342	9,168
Divestiture, acquisition and integration-related charges ⁽²⁾	13,050	17,822	32,906	124,665
Impairment charges	—	—	—	5,764
Litigation charges	—	50	—	96
Total of non-GAAP adjustments	9,990	76,323	200,584	318,405
Adjusted EBITDA	\$ 102,734	\$ 91,642	\$ 334,474	\$ 368,606

(1) Estimated income tax impact includes a \$59.2 million one-time net tax benefit in the fourth quarter of 2020, attributable to an intra-entity transfer of certain intellectual property.

(2) Divestiture, 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. This includes a \$59.9 million in-process research and development expense related to the Rebound Therapeutics acquisition from the third quarter 2019.

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,	
	2020	2019	2020	2019
GAAP net income	\$ 92,744	\$ 15,319	\$ 133,892	\$ 50,201
Non-GAAP adjustments:				
Structural optimization charges	6,348	4,413	15,363	17,582
Divestiture, acquisition and integration-related charges ⁽¹⁾	13,050	17,822	32,906	124,665
Discontinued product lines charges	855	2,344	6,342	9,168
EU Medical Device Regulation charges	3,902	3,021	9,372	6,221
COVID-19 related charges	(161)	—	3,482	—
Convertible debt non-cash interest	4,340	—	15,415	—
Expenses related to debt refinancing	—	—	6,168	—
Impairment charges	—	—	—	5,764
Litigation charges	—	50	—	96
Intangible asset amortization expense	15,886	17,339	74,505	67,127
Estimated income tax impact from adjustments and other items ⁽²⁾	(65,701)	(1,442)	(88,779)	(43,430)
Total of non-GAAP adjustments	(21,481)	43,547	74,774	187,193
Adjusted net income	\$ 71,263	\$ 58,866	\$ 208,666	\$ 237,394
Adjusted diluted net income per share	\$ 0.84	\$ 0.68	\$ 2.45	\$ 2.74
Weighted average common shares outstanding for diluted net income per share	84,929	86,773	85,228	86,494

(1) Divestiture, 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. This includes a \$59.9 million in-process research and development expense related to the Rebound Therapeutics acquisition from the third quarter 2019.

(2) Estimated income tax impact includes a \$59.2 million one-time net tax benefit in the fourth quarter of 2020, attributable to an intra-entity transfer of certain intellectual property.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONDENSED BALANCE SHEET DATA
(UNAUDITED)

(In thousands)

	December 31, 2020	December 31, 2019
Cash and cash equivalents	\$ 470,166	\$ 198,911
Accounts receivable, net	225,532	275,296
Inventory, net	310,117	316,054
Current and long-term borrowing under senior credit facility	967,137	1,243,561
Borrowings under securitization facility	112,500	104,500
Long-term convertible securities	474,834	—
Stockholders' equity	1,514,867	1,416,736

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

	Twelve Months Ending December 31,	
	2020	2019
Net cash provided by operating activities	\$ 203,832	\$ 231,433
Net cash used in investing activities	(68,073)	(162,668)
Net cash provided (used in) by financing activities	121,625	(8,766)
Effect of exchange rate changes on cash and cash equivalents	13,871	74
Net increase (decrease) in cash and cash equivalents	271,255	60,073

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,	
	2020	2019
GAAP Net cash provided by operating activities	\$80,262	\$89,185
Purchases of property and equipment	(8,428)	(22,194)
Adj. Free Cash Flow	\$71,834	\$66,991
Adjusted net income ⁽¹⁾	\$71,263	\$58,866
Adjusted Free Cash Flow Conversion	100.8 %	113.8 %
	Twelve Months Ending December 31,	
	2020	2019
GAAP Net cash provided by operating activities	\$203,834	\$231,433
Purchases of property and equipment	(38,890)	(69,537)
Adj. Free Cash Flow	\$164,944	\$161,896
Adjusted net income ⁽¹⁾	\$208,666	\$237,394
Adjusted Free Cash Flow Conversion	79.0 %	68.2 %

(1) Adjusted net income for quarters and twelve months ended December 31, 2019 and 2020 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.