



Q3 2020 Earnings Call

October 28, 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 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 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, divestiture 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 execute the sale of its extremities orthopedics business to Smith+Nephew, the Company's ability to successfully integrate the Codman Neurosurgery business and other acquired businesses, including the realignment of acquired global sales territories; the Company's ability to manufacture and ship sufficient quantities of its products to meet its customers' demands; the ability of third-party suppliers to supply the Company with raw materials and finished products; global macroeconomic and political conditions; the Company's ability to manage its direct sales channels effectively; the sales performance of third-party distributors on whom the Company relies to generate revenue for certain products and geographic regions; the Company's ability to maintain relationships with customers of acquired entities and businesses; physicians' willingness to adopt and third-party payors' willingness to provide or maintain reimbursement for the Company's recently launched, planned and existing products; initiatives launched by the Company's competitors; downward pricing pressures from customers; the Company's ability to secure regulatory approval for products in development; the Company's ability to remediate quality systems violations; fluctuations in hospitals' spending for capital equipment; the Company's ability to comply with and obtain approvals for products of human origin and comply with regulations regarding products containing materials derived from animal sources; difficulties in controlling expenses, including costs to procure and manufacture our products; the impact of changes in management or staff levels; the impact of goodwill and intangible asset impairment charges if future operating results of acquired businesses are significantly less than the results anticipated at the time of the acquisitions, the Company's ability to leverage its existing selling organizations and administrative infrastructure; the Company's ability to increase product sales and gross margins, and control non-product costs; the Company's ability to achieve anticipated growth rates, margins and scale and execute its strategy generally; the amount and timing of acquisition and integration-related costs; the geographic distribution of where the Company generates its taxable income; the impact 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, 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, divestiture 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. 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.

Third Quarter Highlights*

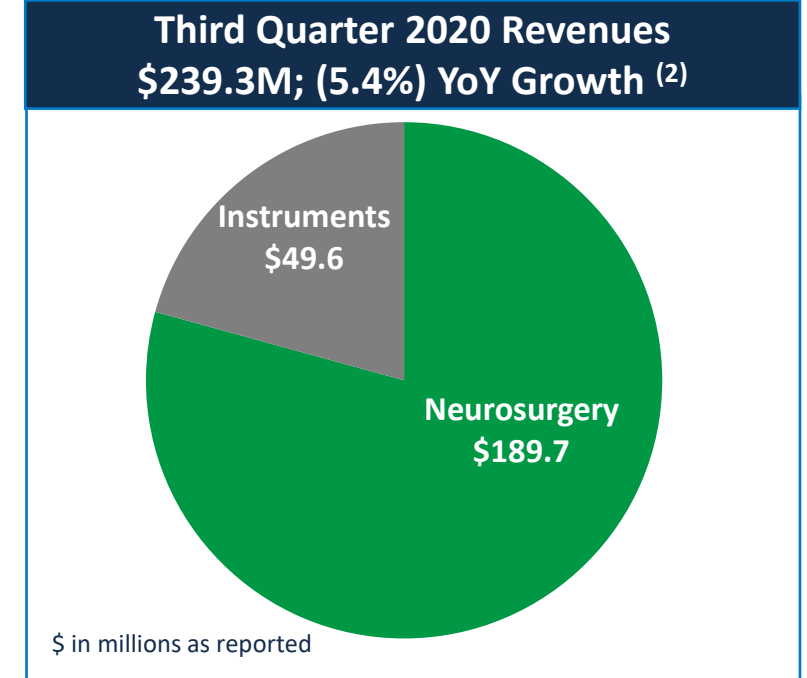
Revenue \$370.2M	(2.3%)		+43.1% Sequentially	<ul style="list-style-type: none"> Strong execution and broad-based recovery
Organic Revenue Growth	(1.5%)		~Flat Ex-Capital	<ul style="list-style-type: none"> Total organic excluding capital
				
Adjusted EBITDA Margin	27.9%		+370 bps	<ul style="list-style-type: none"> Driven by favorable mix and cost management
Adjusted EPS	\$0.80		+17.6%	<ul style="list-style-type: none"> Demonstrates earnings power with revenue growth

* Comparisons to Q3 2019 unless otherwise indicated

Codman Specialty Surgical

Revenues	Q3 2020	Q3 2019	Growth
Reported	\$239.3M	\$253M	(5.4%)
Organic ⁽¹⁾	\$232.5M	\$242.6M	(4.2%)

	Q3 2020 Growth ⁽³⁾	Performance Drivers
Neurosurgery	(3.4%)	<ul style="list-style-type: none"> CSF Management and Neuromonitoring increased low single-digits; Capital sales lagged, but consumables recovered to near-2019 levels Japan reported double-digit growth; Indirect markets lagged
Instruments	(6.7%)	
International	Declined high single-digits	



Q3 sales improved 39.4% sequentially

(1) Amount excludes \$4.5M in Q3 2020 and \$10.3M in Q3 2019 related to divested and discontinued products.

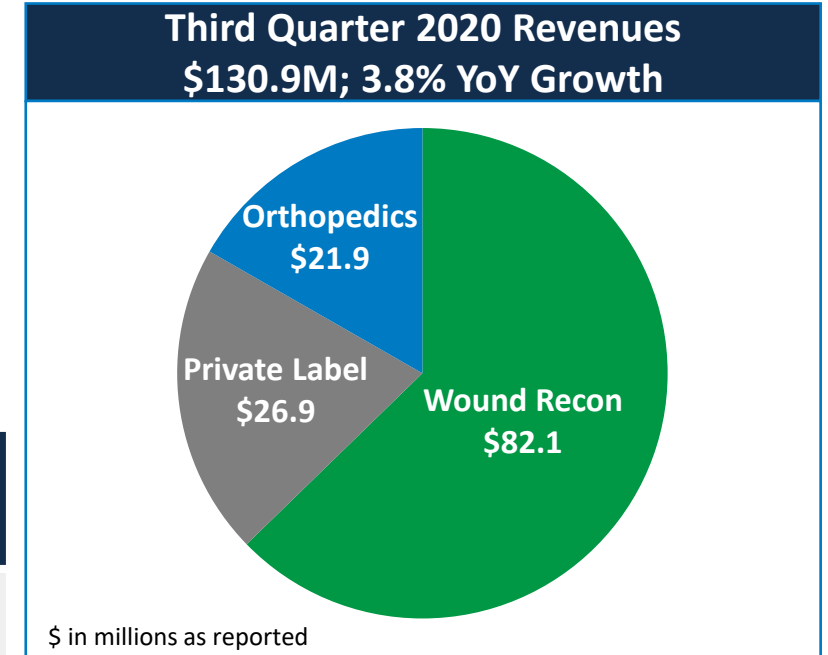
(2) Prior period amounts were reclassified between categories within CSS to conform to current presentation. Historical amounts can be found in the Appendix to this presentation.

(3) All commentary represents organic performance

Orthopedics & Tissue Technologies

Revenues	Q3 2020	Q3 2019	Growth
Reported	\$130.9M	\$126.1M	3.8%
Organic ⁽¹⁾	\$130.1M	\$125.4M	3.8%

	Q3 2020 Growth ⁽²⁾	Performance Drivers
Wound Reconstruction	(0.2%)	<ul style="list-style-type: none"> Integra skin, PriMatrix®, Nerve and Amniotic tissue used in wound increased mid-single digits vs. prior year Private Label driven by end-market recovery and timing of orders Orthopedics led by rescheduling of deferred procedures
Private Label	+16.6%	
Orthopedics	+5.3%	
International	Declined double-digits	



Q3 sales improved 46.4% sequentially and increased 3.8% year over year

(1) Amount excludes \$0.4M in Q3 2020 and \$0.7M in Q3 2019 related to discontinued products

(2) All commentary represents organic performance

Third Quarter Financial Results

% of Revenues	Q3 2020	Q3 2019	Change
Total Revenues	\$370.2	\$379.1	(2.3%)
Gross Margin	63.6%	62.4%	+120BPS
Adj. Gross Margin ⁽¹⁾	68.6%	67.0%	+160BPS
Net Income (loss)	\$32.3	(\$27.6)	(217.0%)
Adj. Net Income ⁽¹⁾	\$67.7	\$58.7	15.3%
Adj. EBITDA Margin ⁽¹⁾	27.9%	24.2%	+370BPS
Diluted Shares Out (M)	84.8	86.5	(2.0%)
Earnings (loss) per Share	\$ 0.38	\$ (0.32)	(218.8%)
Adj. Earnings per Share ⁽¹⁾	\$ 0.80	\$ 0.68	17.6%

(In millions)	Q3 2020	Q3 2019	Change
Operating Cash Flow	\$69.6	\$64.2	8.4%
CapEx	\$6.7	\$13.6	(50.7%)
Free Cash Flow ⁽¹⁾	\$62.9	\$50.6	24.3%
FCF Conversion ⁽¹⁾	92.9%	86.2%	+6.7Pts
Depreciation	\$10.5	\$10.4	1.0%
Amortization	\$20.2	\$16.6	21.7%

Significant improvement in P&L due to revenue recovery and cost containment

(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 September 30, 2020

Capitalization			
(In \$ millions)	December 31, 2019	June 30, 2020	September 30, 2020
Cash and Equivalents	\$199	\$361	\$396
Bank Debt	\$1,358	\$1,096	\$1,067
Convertible Bond	-	\$575	\$575
Total Debt	\$1,358	\$1,671	\$1,642
Net Debt	\$1,159	\$1,310	\$1,246
Consolidated Total Leverage Ratio	2.6x	3.4x	3.2x

Further improvement in total leverage ratio expected following Ortho divestiture

Revenue and Recovery Considerations

Third Quarter International / Operational Review

- International improved over 30% sequentially (organic)
 - Japan grew double digits y/y
 - Europe improved sequentially
 - Indirect markets slower to recover
- Strong operational performance driven by cost improvements and supply continuity
- Advanced R&D programs
 - CSS: Cerelink, Arkis, Aurora (ICH/MIS)
 - OTT: Wound reconstruction, PRS and Nerve

Fourth Quarter Factors & Outlook

- Orthopedics divestiture expected to close at or around year-end 2020
- Accelerating global COVID case load
 - Risk of local surges
 - Hospital financial conditions – impacting recovery of capital
 - Patient confidence
- Increasing uncertainty in Q4
 - Scenarios range from down mid-single digits to 2019 levels

Multiple scenarios in the fourth quarter, including a return to 2019 levels

Rationale for Divesting Orthopedics

Strategic

- Focused portfolio and capital allocation strategy to strengthen leadership positions in core CSS & Tissue Technologies (TT) and fund pipeline opportunities
- Significant reduction in complexity; efficiency gains beyond financial benefits

Financial Impact

- Enhances shareholder value – accretive to revenue growth and EBITDA margin
- On path to achieve long-term growth and profitability targets

Use of Proceeds

- Improves financial flexibility; ability to reduce leverage
- Pursue strategic M&A to accelerate growth profile

IART becomes a faster growing, more profitable and more focused company

Orthopedics Divestiture Accelerates Business Model Simplification

Key Integra PF Financial Metrics

PF Organic Growth* **~+50bps higher**

PF Adj. Gross Margin** **slightly lower**

PF Adj. Operating Exp.** **~+170bps lower**

PF Adj. EBITDA Contribution** **~+140bps higher**

* Average over past two years (2018 & 2019 estimate, unaudited)

** Pro forma 2019 (estimate, unaudited)

Ortho SKU count

% of Integra SKUs

~15%

vs. 6% of
Integra Revenue

Ortho Inventory

% of Integra Inv.

~15%

vs. 6% of
Integra Revenue

Ortho Sales Productivity

Revenue Per
Sales Rep

~3X lower

vs. PF Integra**

Simplification

Integra's Long-Term Goals & Growth Drivers



Key Messages / Growth Drivers

- Strong third quarter execution
- Ortho divestiture improves focus and is accretive to revenue growth and EBITDA
- Profitability performance demonstrates financial leverage & path to long-term targets
- COVID uncertainty limits near-term visibility
- 2021 Growth Drivers include:
 - 2021 NPIs and full benefit from 2019 launches
 - Consistent Wound Reconstruction growth enabled by supply improvements
 - Pursuit of M&A to build scale and increase differentiation



Appendix

Non-GAAP Reconciliations



Third Quarter 2020 Organic Growth Reconciliation

(In millions)	Q3 2020	Q3 2019
Neurosurgery	\$189.7	\$195.3
Instruments	\$49.6	\$57.6
Total Codman Specialty Surgical⁽¹⁾	\$239.3	\$253.0
Wound Reconstruction and Care	\$82.1	\$82.1
Extremity Orthopedics	\$21.9	\$21.0
Private Label	\$26.9	\$23.0
Total Orthopedics and Tissue Technologies	\$130.9	\$126.1
Total Reported Revenues	\$370.2	\$379.1
Revenues from divested products ⁽²⁾	(0.2)	(0.5)
Revenues from discontinued products ⁽²⁾	(4.7)	(10.5)
Revenues ex divested/ discontinued products	\$365.3	\$368.1
Impact of changes in currency exchange	(2.6)	-
Total Organic Revenues	\$362.7	\$368.1
<i>Organic Revenue Growth</i>	<i>-1.5%</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
Neurosurgery	166,898	170,588	171,680	174,982	684,148	166,415	177,411	180,107	183,084	707,017
recision Tools & Instruments	69,217	68,916	67,355	74,294	279,781	68,153	71,847	72,881	76,314	289,195
Total CSS	236,114	239,504	239,035	249,276	963,929	234,568	249,259	252,987	259,399	996,213

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
Neurosurgery	181,339	183,311	184,481	191,137	740,268	179,520	192,929	195,334	200,017	767,800
Instruments	54,776	56,193	54,554	58,138	223,661	55,049	56,329	57,654	59,381	228,413
Total CSS	236,114	239,504	239,035	249,276	963,929	234,568	249,259	252,987	259,399	996,213

* 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

Third Quarter 2020 & 2019 Adjusted EBITDA Margin Reconciliation

(In millions)	Q3 2020	Q3 2019
GAAP Net Income (loss)	\$32.3	(\$27.6)
Depreciation and intangible asset amortization expense	30.7	27.0
Other (income), net	(2.5)	(1.6)
Interest expense, net	10.8	11.0
Income tax expense	9.2	0.1
COVID-19 related charges	(0.2)	-
Convertible debt non-cash interest	4.3	-
Expenses related to debt refinancing	3.4	-
Acquisition, divestiture and integration-related charges ⁽¹⁾	7.1	74.5
Structural optimization charges	4.5	5.4
Discontinued product lines charges	1.0	3.1
Litigation charges	-	(2.3)
EU Medical Device Regulation	2.4	2.0
Total of non-GAAP adjustments:	70.8	119.2
Adjusted EBITDA	\$103.2	\$91.6
Total Revenues	370.2	379.1
Adjusted EBITDA Margin	27.9%	24.2%

(1) Acquisition, divestiture 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. The charges for the three months ended 2019 also include a \$59.9 million in-process research and development expense related to the Rebound Therapeutics acquisition

Note: Numbers may not add due to rounding

Third Quarter 2020 and 2019 Adjusted EPS Reconciliation

(In millions)	Q3 2020	Q3 2019
GAAP Net Income (loss)	\$32.3	(\$27.6)
COVID-19 related charges	(0.2)	-
Convertible debt non-cash interest	4.3	-
Expenses related to debt refinancing	3.4	-
Acquisition, divestiture and integration-related charges ⁽¹⁾	7.1	74.5
Structural optimization charges	4.5	5.4
Discontinued product line charges	1.0	3.1
Litigation charges	-	(2.3)
EU Medical Device Regulation	2.4	2.0
Intangible asset amortization expense	20.2	16.6
Estimated income tax impact from adjustments and other items	(7.4)	(12.9)
Total of non-GAAP adjustments:	35.4	86.4
Adjusted Net Income	\$67.7	\$58.7
Adjusted Diluted Net Income per Share	\$0.80	\$0.68
Weighted average common shares outstanding for diluted net income from continuing operations per share	84.8	86.5

(1) Acquisition, divestiture 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. The charges for the three months ended 2019 also include a \$59.9 million in-process research and development expense related to the Rebound Therapeutics acquisition

Note: Numbers may not add due to rounding

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

(In millions)	Q3 2020	Q3 2019	TTM 2020	TTM 2019
Net Cash from Operating Activities	\$69.6	\$64.2	\$212.8	\$184.9
Purchases of Property and Equipment	(\$6.7)	(\$13.6)	(\$52.7)	(\$73.0)
Free Cash Flow	\$62.9	\$50.6	\$160.1	\$111.9
Adjusted Net Income	\$67.7	\$58.7	\$196.3	\$234.7
Adjusted Free Cash Flow Conversion	92.9%	86.2%	81.6%	47.7%

Note: Numbers may not add due to rounding

Third Quarter 2020 Gross Margin Reconciliation

(In millions)	Q3 2020	Q3 2019
Reported Gross Profit	\$235.4	\$236.5
COVID-19 related charges	0.0	-
Structural optimization charges	0.5	1.1
Acquisition, divestiture and integration-related charges	3.9	1.8
Discontinued product line charges	1.0	3.1
EU Medical Device Regulation	1.5	-
Intangible asset amortization expense	11.8	11.5
Adjusted Gross Profit	\$254.1	\$253.9
Total Revenues	\$370.2	\$379.1
Adjusted Gross Margin	68.6%	67.0%

Note: Numbers may not add due to rounding

Third Quarter 2020 Adjusted SG&A Reconciliation

(In millions)	Q3 2020	Q3 2019
Reported SG&A	\$150.1	\$173.1
COVID-19 related charges	(0.2)	-
Structural optimization charges	3.9	3.8
Acquisition, divestiture and integration-related charges	2.6	12.8
Litigation charges	-	0.8
EU Medical Device Regulation	0.9	2.0
Adjusted SG&A	\$142.9	\$153.7
Total Revenues	\$370.2	\$379.1
Adjusted SG&A (% of Revenues)	38.6%	40.6%

Note: Numbers may not add due to rounding