



Q1 2019 Earnings Call

April 24, 2019

Safe Harbor Statement

This presentation contains forward-looking statements that are based on management's current expectations and beliefs and are subject to a number of risks, uncertainties and assumptions that could cause actual results to differ materially from those described. 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 in this document include without limitation statements regarding Integra's future financial and operating results, such as those identified in this presentation as full-year 2019 guidance and other statements regarding expected revenue growth (both reported and organic), operating margins, capital expenditures, cash and other metrics for 2019, franchise performance within business areas, segments and geographies, Integra's ability to realize the benefits of, and successfully integrate, the Codman Neurosurgery business, as well as other statements regarding Integra's plans, objectives, expectations and intentions. No forward-looking statement can be guaranteed and actual results may differ materially from those we anticipate or project depending upon a number of factors. These factors include, but are not limited to the effects of disruption caused by the Codman acquisition making it more difficult for Integra to execute its operating plan effectively or to maintain relationships with employees, vendors and other business partners; Integra'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 remediate quality systems violations; the Company's ability to achieve sales growth in a timely fashion and successfully execute on its channel expansion in its Orthopedics and Tissue Technologies segment; 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; the difficulty of predicting the timing or outcome of product development efforts and regulatory agency approvals or actions, if any; physicians' willingness to adopt and third-party payers' willingness to provide reimbursement for Integra's existing, recently launched and planned products; difficulties or delays in manufacturing; the availability and pricing of third party sourced products and materials; sales growth of recently launched products; competition from other products (domestic or foreign); and other risks and uncertainties discussed in Integra's filings with the SEC, including under the heading "Risk Factors" in Item 1A of Integra's Annual Report on Form 10-K for the year ended December 31, 2018 and subsequent quarterly reports on Form 10-Q. Integra undertakes no obligation to update any forward-looking statements as a result of new information, future developments or otherwise, except as expressly required by law. All forward-looking statements in this document are qualified in their entirety by this cautionary statement.

Non-GAAP Financial Measures

In addition to our GAAP results, we provide 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, acquired revenues and product discontinuances. Adjusted EBITDA consists of GAAP net income excluding: (i) depreciation and amortization; (ii) other income (expense); (iii) interest income and expense; (iv) income tax expense (benefit); and (v) those operating expenses also excluded from adjusted net income. The measure of adjusted net income consists of GAAP net income, excluding: (i) structural optimization charges; (ii) acquisition and integration-related charges; (iii) litigation charges; (iv) EU Medical Device Regulation-related charges; (v) discontinued product lines charges (vi) intangible asset amortization expense; (vii) 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 the various organic revenue, adjusted EBITDA, adjusted net income, adjusted EPS, free cash flow, and free cash flow conversion 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.

First Quarter Highlights

Total Company View

- Revenues of \$359.7M; organic growth 3.1%
- Adjusted gross margins increased 180 BPS to 68.4%
- Adjusted earnings per diluted share of \$0.65, up 12.1%
- Reaffirming full-year revenue guidance of \$1.515B - \$1.525B and organic revenue growth of ~5%
- Raising GAAP earnings per diluted share to \$1.46 - \$1.53, due to a one-time tax benefit and reaffirming adjusted earnings per diluted share of \$2.65 - \$2.72



Codman Specialty Surgical

- Successful exit of TSAs covering 15 countries in Western Europe
- Completed conversion to single global instance of our ERP system
- Transitioned first significant wave of Day Two countries

Orthopedics & Tissue Technologies

- Continued growth in Wound Reconstruction business
 - Largely completed investments in regenerative manufacturing capacity – positioned for accelerated growth
- Orthopedics business achieved organic growth ahead of schedule
 - Ankle and Shoulder increased double-digits

First Quarter Revenue in Line with Guidance; Gross Margin Better than Expected

2019 New Product Introductions

CSS



Certas™ Plus Programmable Valve - Small

Launched
Q418



Certas™ Plus Electronic Tool Kit

Launched
Q119



CUSA® Clarity Tough Tissue Technology

Launched
Q119



CereLink™ ICP Monitoring System

Launched
Q119



Integra® Duo LED Surgical Headlight

Launched
Q119



ElectroSurgery Generator & Irrigator

Approved
Launch 2H19



DuraGen® - Japan

Approved
Launch Q419



Integra® XT Revision TAR System

Launched
Q418



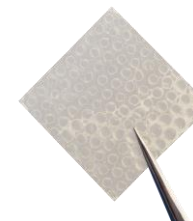
Integra® Titan™ Reverse Shoulder System-S (Small Post Baseplate)

Launched
Q119



Integra® Panta® 2 TTC Arthrodesis Nail System

Launched
Q119



AmnioExcel® Plus

Launch
2H19



Reimbursement Studies AmnioExcel® Plus & PriMatrix®

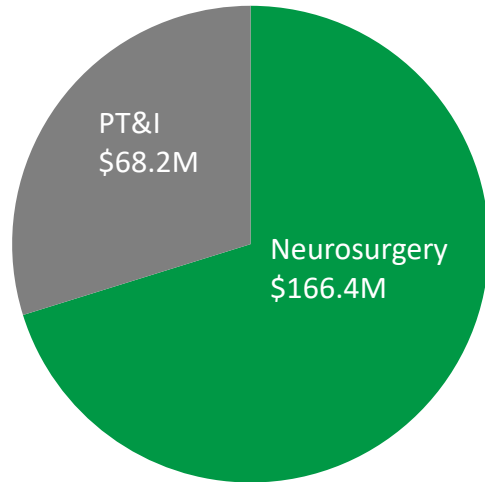
Estimated
Completion
2H19 / 1H20

OTT

Strong Lineup of New Product Introductions Expected to Drive Organic Growth in 2H19

Codman Specialty Surgical

First Quarter 2019 Revenues
\$234.6M; (0.7%) YoY Growth



\$ in millions as reported

Q1 2019 Performance Drivers*

- **Neurosurgery** – sales increased low-single digits
 - Dural Access & Repair, Flow & Pressure Monitoring and Advanced Energy each grew in the first quarter, with strength in CSF Management and U.S. CUSA® sales
- **Precision Tools and Instruments** – sales were flat
 - Strength in specialty surgical instruments offset by dental instruments
- **International** – sales increased low-single digits
 - Commercial team focused on European TSA exits, Day 2 transitions & ERP conversion

*All commentary represents organic performance

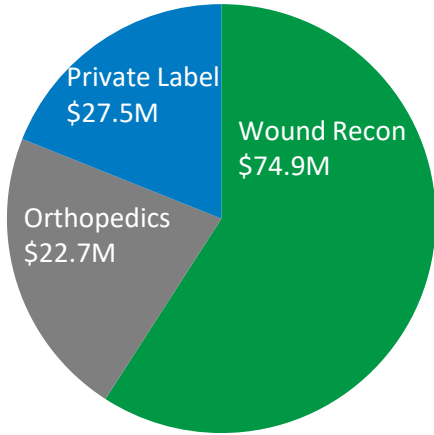
Revenues	Q1 2019	Q1 2018	Growth	Feb 2019 Guidance	April 2019 Guidance
Reported	\$234.6M	\$236.1M	-0.7%	1.5% - 2.0%	No Change
Organic **	\$234.4M	\$228.6M	2.5%	3.5% - 4.0%	No Change

Slightly Better Neurosurgery Performance Despite Integration Activities and TSA Exits

**Amount excludes \$4.4M in Q1 2019 and \$7.5M in Q1 2018 related to divested and discontinued products

Orthopedics & Tissue Technologies

First Quarter 2019 Revenues
\$125.1M; 3.4% YoY Growth



\$ in millions as reported

Q1 2019 Performance Drivers*

- **Wound Reconstruction** - sales increased mid-single digits
 - Strong sales in core tissue portfolio including Integra Bilayer skin, PriMatrix® & SurgiMend®
 - Regenerative manufacturing capacity increasing to support strong underlying demand
- **Private Label** - sales increased mid-single digits
- **Orthopedics** - sales increased low-single digits
 - Achieved growth one quarter sooner than expected
 - New product introductions and improved sales force effectiveness drove improved performance, including double-digit increases in both ankle & shoulder portfolios
- **International** - sales declined mid-single digits
 - Europe declined due to expected disruption during ERP conversion

*All commentary represents organic performance

Revenues	Q1 2019	Q1 2018	Growth	Feb 2019 Guidance	April 2019 Guidance
Reported	\$125.1M	\$121.0M	3.4%	5% - 7%	No Change
Organic	\$126.1M	\$121.0M	4.2%	6% - 8%	No Change

Positioned for Faster Growth in 2H19 in Wound Reconstruction and Orthopedics

First Quarter Results and Full-Year 2019 Guidance

% of Revenues	Q1 2019	Q1 2018	Change	Feb 2019 Guidance	April 2019 Guidance
Total Revenues	\$359.7	\$357.1	0.7%	\$1.515B - \$1.525B	No Change
Gross Margin	64.2%	59.6%	+460BPS	~63%	No Change
Adj. Gross Margin ⁽¹⁾	68.4%	66.6%	+180BPS	~67.5%	No Change
Net Income	\$32.8	\$11.0	198.2%	\$119M - \$125M	\$127M - \$133M
Adj. Net Income ⁽¹⁾	\$56.4	\$46.1	22.2%	\$231M - \$237M	No Change
Adj. EBITDA ⁽¹⁾	24.3%	23.3%	+100BPS	~24.0% - 24.5%	No Change
Shares Out (Mil)	86.3	79.8	8.1%	87M	No Change
Earnings per Share	\$0.38	\$0.14	171.4%	\$1.36 - \$1.43	\$1.46 - \$1.53
Adj. Earnings per Share ⁽¹⁾	\$0.65	\$0.58	12.1%	\$2.65 - \$2.72	No Change

Expected Q2 Revenue of \$370M - \$375M, Organic Growth of 3.5% - 4.0%, and Adjusted EPS Growth of ~10% year-over-year

Cash Flow and Other Measures: First Quarter Results and Full-Year 2019 Guidance

(In millions)	Q1 2019	Q1 2018	Change	Feb 2019 Guidance	April 2019 Guidance
Operating Cash Flow	\$29.5	\$41.5	(28.9%)	\$220M - \$230M	No Change
CapEx	\$16.1	\$15.4	4.5%	~\$60M	No Change
Free Cash Flow ⁽¹⁾	\$13.4	\$26.1	(48.7%)	\$160M - \$170M	No Change
FCF Conversion (TTM) ⁽¹⁾	51.1%	46.0%	+5.1Pts	> 70%	No Change
Depreciation	\$10.5	\$10.2	2.9%	~\$45M	No Change
Amortization	\$16.6	\$16.9	(1.8%)	\$65M	No Change

Q1 Cash Flow In-line with Guidance, On Track for Sequential Quarterly Improvement During 2019

Key Focus Areas for 2019

- Complete Codman integration and exit remaining TSAs
- Leverage expanded and more focused global commercial teams
- Execute over 10 new product introductions
- Increase investments in Regenerative Technologies
- Execute Enterprise contracts to drive broad product portfolios in Neurosurgery & Regenerative Technologies

2019 Financial Targets

~5% Organic Growth

**~100 BPS Gross Margin
& EBITDA Margin
Expansion**

**10% - 12%
Adjusted EPS Growth**

**Acceleration in
Operating Cash Flow
(2H2019)**

Company is Positioned for Accelerated Growth



Appendix

Non-GAAP Reconciliations



First Quarter 2019 Organic Growth Reconciliation

(In millions)	Q1 2019	Q1 2018
Codman Specialty Surgical	\$234.6	\$236.1
Orthopedics and Tissue Technologies	\$125.1	\$121.0
Total Revenues	\$359.7	\$357.1
Revenues from divested products ⁽¹⁾	(1.4)	(2.6)
Revenues from discontinued products ⁽¹⁾	(3.0)	(4.9)
Revenues ex divested/ discontinued products	\$355.3	\$349.6
Impact of changes in currency exchange	5.3	-
Organic Revenues	\$360.5	\$349.6
<i>Organic Revenue Growth</i>	<i>3.1%</i>	

(1) Organic Revenue has been adjusted for 2019 and 2018 to account for divestitures and discontinued products.

First Quarter 2019 & 2018 Adjusted EBITDA Margin Reconciliation

(In millions)	Q1 2019	Q1 2018
GAAP Net Income	\$32.8	\$11.0
Depreciation and intangible asset amortization expense	27.1	27.1
Other (income) expense, net	(3.2)	(2.2)
Interest expense, net	10.7	18.7
Income tax benefit	(7.9)	(1.9)
Acquisition and integration charges	19.5	28.9
Structural optimization charges	4.8	1.6
Discontinued product lines charges	1.4	-
Litigation charges	1.2	-
EU Medical Device Regulation	1.1	-
Total of non-GAAP adjustments:	54.7	72.2
Adjusted EBITDA	\$87.4	\$83.2
Total Revenues	\$359.7	\$357.1
Adjusted EBITDA Margin	24.3%	23.3%

First Quarter 2019 and 2018 Adjusted EPS Reconciliation

(In millions)	Q1 2019	Q1 2018
GAAP Net Income	\$32.8	\$11.0
Acquisition and integration charges	19.5	28.9
Structural optimization charges	4.8	1.6
Discontinued product line charges	1.4	-
Litigation charges	1.2	-
EU Medical Device Regulation	1.1	-
Intangible asset amortization expense	16.6	16.9
Estimated income tax impact from adjustments and other items ⁽¹⁾	(21.0)	(12.3)
Total of non-GAAP adjustments:	23.6	35.1
Adjusted Net Income	\$56.4	\$46.1
Adjusted Diluted Net Income per Share	\$0.65	\$0.58
Weighted average common shares outstanding for diluted net income from continuing operations per share	86.3	79.8

(1) Includes one-time tax benefit of \$10.8 million related to a federal tax holiday in Switzerland, which was finalized during the quarter ended March 31, 2019.

First Quarter 2019 and 2018 (TTM) Free Cash Flow Reconciliation

(In millions)	Q1 2019	Q1 2018	TTM Q1 2019	TTM Q1 2018
Net Cash from Operating Activities	\$29.5	\$41.5	\$187.6	\$127.2
Purchases of Property and Equipment	(16.1)	(15.4)	(78.4)	(49.7)
Free Cash Flow	\$13.4	\$26.1	\$109.2	\$77.5
Adjusted Net Income	\$56.4	\$46.1	\$213.7	\$168.6
Adjusted Free Cash Flow Conversion	23.8%	56.7%	51.1%	46.0%

First Quarter 2019 Gross Margin Reconciliation

(In millions)	Q1 2019	Q1 2018
Reported Gross Profit	\$230.8	\$212.9
Structural optimization charges	1.1	1.0
Acquisition and integration charges	1.4	12.3
Discontinued product line charges	1.4	-
Intangible asset amortization expense	11.3	11.6
Adjusted Gross Profit	\$246.0	\$237.7
Total Revenues	\$359.7	\$357.1
Adjusted Gross Margin	68.4%	66.6%

First Quarter 2019 Adjusted SG&A Reconciliation

(In millions)	Q1 2019	Q1 2018
Reported SG&A	\$174.9	\$163.6
Structural optimization charges	3.7	0.6
Acquisition and integration charges	16.4	16.6
Litigation charges	1.2	-
EU Medical Device Regulation	1.1	-
Adjusted SG&A	\$152.5	\$146.4
Total Revenues	\$359.7	\$357.1
Adjusted SG&A (% of Revenues)	42.4%	41.0%



Q&A

