



# Q3 2018 Earnings Call

October 31, 2018

# Safe Harbor Statement

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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 2018 guidance and other statements regarding expected revenue growth (both reported and organic), operating margins, capital expenditures, cash and other metrics for 2018 and 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 achieve sales growth in a timely fashion and successfully complete 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, 2017 and subsequent quarterly reports on Form 10-Q, including in Item 1A of Integra's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018. 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

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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 taxes; and (v) those operating expenses also excluded from adjusted net income. The measure of adjusted net income consists of GAAP net income, excluding: (i) hurricane related charges; (ii) structural optimization charges; (iii) acquisition- and integration-related charges; (iv) litigation charges; (v) intangible asset amortization expense; (vi) discontinued product lines charges; (vii) income tax impact from adjustments; and (viii) impairment charges. 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 from 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.

# Third Quarter Key Messages

## Total Company View

- Third quarter 2018 financial performance:
  - Revenues of \$365.9M, up 31.2% vs. prior year
  - Organic growth of 6.2%, in line with guidance
  - Adjusted earnings per diluted share of \$0.59, up 31.1% vs. prior year
  - Record operating cash flow of \$79.3 million
- Lowering full-year 2018 revenue guidance to \$1.467 - \$1.472 billion
- Reiterating full-year guidance for adjusted earnings per share of \$2.36 - \$2.42



## Codman Specialty Surgical

- On track with all Codman Neurosurgery integration and transition activities, including Western Europe TSAs planned for 1H 2019
- Strong third quarter neurosurgery performance driven by Dural Access & Repair, Advanced Energy and Neuro Monitoring
- New product introductions and global registrations on-track for commercialization
- Codman Day 2 countries underperformed in the third quarter

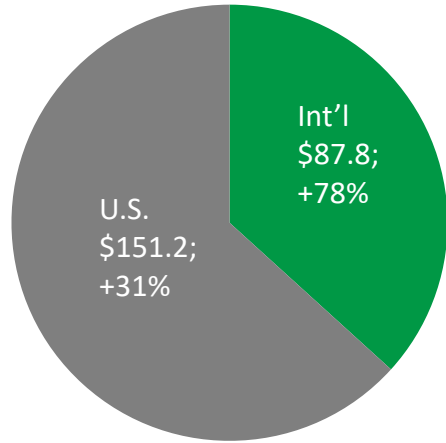
## Orthopedics & Tissue Technologies

- Accelerating sales momentum in Regenerative Technologies driven by channel expansion and focused strategy
- Continued enterprise contracting success
- Lower extremities portfolio now expected to stabilize and grow in 1H 2019 versus prior expectations for 2H 2018

**Maintaining full-year EPS, while lowering full-year revenue guidance**

# Codman Specialty Surgical

Third Quarter 2018 Revenues  
\$239.0M; +45.1% YoY Growth



\$ in millions as reported

## Q3 2018 Performance Drivers\*

- Dural Access & Repair increased over 5%, driven by both DuraGen® and DuraSeal®
- Advanced Energy grew high-single digits driven by CUSA® Clarity
- Precision Tools and Instruments was down low-single digits
- Neuro Monitoring and CSF Management were in line with expectations
- International sales were flat, with strength in Asia; offset by lower sales in Europe
- Acquired Codman third quarter revenues were ~\$79M, sequentially flat
  - Revenues in non-transferred/Day 2 countries underperformed in quarter

\*All commentary represents organic performance

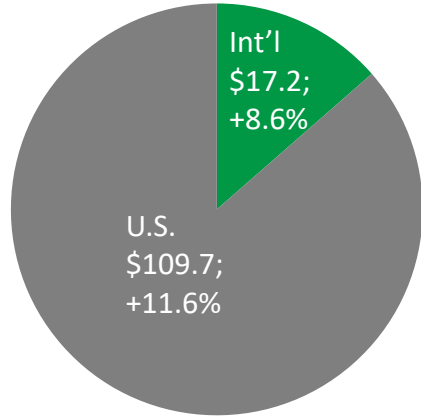
Revenues	Q3 2018	Q3 2017	Growth	Q3 YTD 2018	Q3 YTD 2017	Growth	July 2018 Guidance	October 2018 Guidance
Reported	\$239.0M	\$164.8M	45.1%	\$714.7M	\$480.9M	48.6%	33% - 35%	~33%
Organic	\$158.8M	\$155.1M**	2.4%	\$467.0M	\$454.0M**	2.9%	~3%	~2.5%

**Revising full-year 2018 organic growth to approximately 2.5%**

\*\*Amount excludes \$9.6M in Q3 2017 and \$27M in Q3 YTD 2017 related to divested products from the Codman acquisition

# Orthopedics & Tissue Technologies

## Third Quarter 2018 Revenues \$126.9M; +11.2% YoY Growth



\$ in millions as reported

## Q3 2018 Performance Drivers\*

- Regenerative Technologies grew double digits, with broad-based strength across the portfolio driven by commercial channel expansion and increased focus
  - Accelerating sales momentum in both inpatient and outpatient settings
- Private Label grew approximately 20%
- Total Orthopedics sales declined approximately 5%
- International sales increased high-single digits, with continued strength in EMEA and Canada

\*All commentary represents organic performance

Revenues	Q3 2018	Q3 2017	Growth	Q3 YTD 2018	Q3 YTD 2017	Growth	July 2018 Guidance	October 2018 Guidance
Reported	\$126.9M	\$114.1M	11.2%	\$374.5M	\$338.7M	10.6%	10% - 12%	~9%
Organic	\$127.2M	\$114.1M	11.5%	\$359.1M	\$338.7M	6.0%	8% - 10%	6% - 7%

**Revising full-year 2018 organic growth to a range of 6% to 7%, reflecting lower expectations for extremity orthopedics**

# Third Quarter and YTD Results / Full-Year 2018 Guidance

% of Revenues	Q3 2018	Q3 2017	Change	Q3 YTD 2018	Q3 YTD 2017	Change	July 2018 Guidance	October 2018 Guidance
Total Revenues	\$365.9	\$278.8	31.2%	\$1,089.1	\$819.6	32.9%	\$1.475B - \$1.490B	\$1.467B - \$1.472B
Gross Margin	60.8%	63.5%	-270BPS	61.0%	64.9%	-390BPS	61.5% - 62.5%	~61%
Adj. Gross Margin <sup>(1)</sup>	67.0%	68.7%	-170BPS	67.0%	69.1%	-210BPS	67.5% - 68.5%	~67%
R&D	5.6%	5.4%	+20BPS	5.3%	5.6%	-30BPS	~6%	5.5% - 6%
SG&A	47.4%	52.3%	-490BPS	47.1%	52.9%	-580BPS	45% - 47%	~45%
Adj. SG&A <sup>(1)</sup>	41.4%	43.7%	-230BPS	41.3%	44.6%	-330BPS	41% - 42%	~41%
Interest Expense, net	\$14.4	\$6.7	114.9%	\$50.4	\$17.9	181.6%	\$65 - \$70M	No Change
Net Income	\$13.3	\$3.2	315.6%	\$35.7	\$20.4	75.0%	\$61 - \$67M	No Change
Adj. Net Income <sup>(1)</sup>	\$50.6	\$36.1	40.2%	\$147.2	\$102.3	43.9%	\$198 - \$204M	No Change
Adj. EBITDA <sup>(1)</sup>	23.0%	22.6%	+40BPS	23.3%	22.1%	+120BPS	23% - 24%	No Change
Tax Rate	(20.6%)	2.3%	NM	(8.4%)	(27.6%)	NM	7% - 9%	0%
Adj. Tax Rate <sup>(1)</sup>	17.0%	23.5%	-650BPS	17.8%	24.3%	-650BPS	~18%	No Change
Shares Out (Mil)	86.3	79.5	8.6%	83.1	79.0	5.2%	~84M	No Change
Earnings per Share	\$0.15	\$0.04	275.0%	\$0.43	\$0.26	65.4%	\$0.71 - \$0.77	No Change
Adj. Earnings per Share <sup>(1)</sup>	\$0.59	\$0.45	31.1%	\$1.77	\$1.30	36.2%	\$2.36 - \$2.42	No Change

**Maintaining full-year EPS, while lowering full-year revenue guidance**

**Expect fourth quarter revenue of \$378m - \$383m and adjusted EPS of \$0.62 (midpt of guidance)**

# Cash Flow and Other Measures

(In millions)	Q3 2018	Q3 2017	Change	July 2018 Guidance	October 2018 Guidance
Operating Cash Flow	\$79.3	\$45.2	75.4%	\$145 - \$165M	>\$180M
CapEx	\$16.7	\$7.8	114.1%	\$65 - \$75M	No Change
Free Cash Flow <sup>(1)</sup>	\$62.6	\$37.4	67.4%	\$80 - \$90M	\$105 - \$115M
FCF Conversion (TTM) <sup>(1)</sup>	51.8%	70.8%	-19Pts	~50%	~55%
Depreciation	\$10.7	\$8.5	25.9%	~\$45M	No Change
Amortization	\$21.4	\$15.8	35.4%	~\$70M	No Change

**On track to exceed previous full year cash flow guidance**



# Current Capital Structure

June 30, 2018 Capitalization	
(In millions)	
Cash and Equivalents	\$184
Revolver (\$1,300)	\$590
Term Loans	\$900
Total Debt	\$1,490
Net Debt	\$1,306
Net Debt Bank Leverage Ratio	<3.2x

Fixed Debt as a % of Total Debt\*: 60%

September 30, 2018 Capitalization	
(In millions)	
Cash and Equivalents	\$206
Revolver (\$1,300)	\$545
Term Loans	\$900
Total Debt	\$1,445
Net Debt	\$1,239
Net Debt Bank Leverage Ratio	<3.0x

Fixed Debt as a % of Total Debt\*: 62%

**Reduced bank leverage ratio ahead of plans**

\*Based on \$900M of interest rate swaps.

# Key Focus Areas for 2018

## Execute on 2018 Financial Targets

- Organic revenue growth of ~5%
- ✓ Adjusted EBITDA margin expansion of 75 to 100 basis points
- ✓ Adjusted EPS growth of greater than 20%

## Codman Specialty Surgical

- ✓ Execute Codman integration and accelerate exit of TSAs
- ✓ Product development pipeline and new product registrations
- ✓ Leverage expanded global sales team and minimize territory disruptions

## Orthopedics & Tissue Technologies

- ✓ Leverage new channel expansion and increase focus to drive growth
  - Orthopedics still in progress
- ✓ Execute on New Product Introductions in global markets
- ✓ Regenerative investments in R&D, Clinical and Regulatory

**Critical milestones achieved, positioning Company for improved financial performance**



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# Appendix

## Non-GAAP Reconciliations



# Third Quarter and YTD 2018 & 2017 Organic Growth Reconciliation

(In millions)	Q3 2018	Q3 2017	Q3 YTD 2018	Q3 YTD 2017
<b>Codman Specialty Surgical</b>	\$239.0	\$164.8	\$714.7	\$480.9
<b>Orthopedics and Tissue Technologies</b>	\$126.9	\$114.1	\$374.5	\$338.7
<b>Total Revenues</b>	\$365.9	\$278.8	\$1,089.1	\$819.6
Revenues from divested/ discontinued products <sup>(1)</sup>	(2.1)	(9.6)	(7.0)	(27.0)
Revenues ex divested/ discontinued products	\$363.8	\$269.2	\$1,082.1	\$792.6
Impact of changes in currency exchange	1.1	-	(6.4)	-
Revenues from acquisitions <sup>(2)</sup>	(78.9)	-	(249.7)	-
<b>Organic Revenues</b>	\$286.0	\$269.2	\$826.0	\$792.6
<i>Organic Revenue Growth</i>	6.2%		4.2%	

(1) Organic Revenues have been adjusted to reflect revenues under the TMA to Natus and restated for prior year 2017 to account for divestitures to Natus related to the Codman acquisition.

(2) Acquisitions include Codman Neurosurgery.

# Third Quarter and YTD 2018 & 2017 Adjusted EBITDA Margin Reconciliation

(In millions)	Q3 2018	Q3 2017	Q3 2018 YTD	Q3 2017 YTD
<b>GAAP Net Income</b>	<b>\$13.3</b>	<b>\$3.2</b>	<b>\$35.7</b>	<b>\$20.4</b>
Depreciation and intangible asset amortization expense*	32.1	24.3	86.1	65.6
Other (income) expense, net	(1.8)	0.7	(6.4)	1.4
Interest expense, net	14.4	6.7	49.6	17.9
Income tax benefit	(2.3)	0.1	(2.8)	(4.4)
Global ERP implementation charges	-	-	-	3.3
Acquisition and integration charges	23.5	24.9	76.1	68.9
Structural optimization charges	3.3	1.9	11.9	5.5
Discontinued product lines charges	-	-	-	1.0
Hurricane-related losses	-	1.3	-	1.3
Litigation charges	1.6	-	3.1	-
Total of non-GAAP adjustments:	71.0	59.9	217.7	160.4
<b>Adjusted EBITDA</b>	<b>\$84.3</b>	<b>\$63.0</b>	<b>\$253.4</b>	<b>\$180.8</b>
Total Revenues	\$365.9	\$278.8	\$1,089.1	\$819.6
<b>Adjusted EBITDA Margin</b>	<b>23.0%</b>	<b>22.6%</b>	<b>23.3%</b>	<b>22.1%</b>

\*Q3 2018 and Q3 2017 include \$4.9M and \$3.3M of asset impairment charges respectively.

# Third Quarter and YTD 2018 and 2017 Adjusted EPS Reconciliation

(In millions)	Q3 2018	Q3 2017	Q3 2018 YTD	Q3 2017 YTD
<b>GAAP Net Income</b>	<b>\$13.3</b>	<b>\$3.2</b>	<b>\$35.7</b>	<b>\$20.4</b>
Global ERP implementation charges	-	-	-	3.3
Acquisition and integration charges	23.5	24.9	76.1	68.9
Structural optimization charges	3.3	1.9	11.9	5.5
Discontinued product line charges	-	-	-	1.0
Hurricane-related losses	-	1.3	-	1.3
Litigation charges	1.6	-	3.1	-
Intangible asset amortization expense*	21.4	15.8	55.1	39.3
Estimated income tax impact from adjustments and other items	(12.6)	(11.0)	(34.7)	(37.2)
Total of non-GAAP adjustments:	37.3	32.9	111.6	81.9
<b>Adjusted Net Income</b>	<b>\$50.6</b>	<b>\$36.1</b>	<b>\$147.2</b>	<b>\$102.3</b>
<b>Adjusted Diluted Net Income per Share</b>	<b>\$0.59</b>	<b>\$0.45</b>	<b>\$1.77</b>	<b>\$1.30</b>
Weighted average common shares outstanding for diluted net income from continuing operations per share	86.3	79.5	83.1	79.0

\*Q3 2018 and Q3 2017 include \$4.9M and \$3.3M of asset impairment charges respectively.

# Third Quarter and YTD 2018 and 2017 (TTM) Free Cash Flow Reconciliation

(In millions)	Q3 2018	Q3 2017	TTM Q3 2018	TTM Q3 2017
Net Cash from Operating Activities <sup>(1)</sup>	\$79.3	\$45.2	\$168.6	\$152.3
Purchases of Property and Equipment	(16.7)	(7.8)	(65.8)	(51.0)
<b>Free Cash Flow</b>	<b>\$62.6</b>	<b>\$37.4</b>	<b>\$102.8</b>	<b>\$101.3</b>
Adjusted Net Income	\$50.6	\$36.1	\$198.3	\$143.1
<b>Adjusted Free Cash Flow Conversion</b>	<b>123.7%</b>	<b>103.8%</b>	<b>51.8%</b>	<b>70.8%</b>

(1) TTM Q3 2017 GAAP Net Cash of \$152.3M includes \$109.5M of cash flow from operations for the twelve month period ending September 30, 2017, and an adjustment of \$42.8M for accreted interest associated with the 2016 Convertible Notes.

# Third Quarter and YTD 2018 & 2017 Gross Margin Reconciliation

(In millions)	Q3 2018	Q3 2017	Q3 2018 YTD	Q3 2017 YTD
<b>Reported Gross Profit</b>	<b>\$222.6</b>	<b>\$177.1</b>	<b>\$664.1</b>	<b>\$532.3</b>
Structural optimization charges	1.0	1.3	4.0	3.2
Acquisition and integration charges	5.5	1.6	22.4	4.1
Discontinued product line charges	-	-	-	1.0
Hurricane-related losses	-	1.3	-	1.3
Intangible asset amortization expense	16.2	10.3	39.1	24.3
<b>Adjusted Gross Profit</b>	<b>\$245.2</b>	<b>\$191.6</b>	<b>\$729.6</b>	<b>\$566.1</b>
Total Revenues	\$365.9	\$278.8	\$1,089.1	\$819.6
<b>Adjusted Gross Margin</b>	<b>67.0%</b>	<b>68.7%</b>	<b>67.0%</b>	<b>69.1%</b>



# Third Quarter and YTD 2018 & 2017 Adjusted SG&A Reconciliation

(In millions)	Q3 2018	Q3 2017	Q3 2018 YTD	Q3 2017 YTD
<b>Reported SG&amp;A</b>	<b>\$173.4</b>	<b>\$145.9</b>	<b>\$513.5</b>	<b>\$433.5</b>
Global ERP implementation charges	-	-	-	3.3
Structural optimization charges	2.4	0.6	7.1	2.3
Acquisition and integration charges	18.1	23.3	53.7	62.6
Litigation charges	1.6	-	3.1	-
<b>Adjusted SG&amp;A</b>	<b>\$151.3</b>	<b>\$122.0</b>	<b>\$449.5</b>	<b>\$365.4</b>
Total Revenues	\$365.9	\$278.8	\$1,089.1	\$819.6
<b>Adjusted SG&amp;A (% of Revenues)</b>	<b>41.4%</b>	<b>43.7%</b>	<b>41.3%</b>	<b>44.6%</b>