

**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): October 28, 2020

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware	0-26224	51-0317849
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(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 October 28, 2020, Integra LifeSciences Holdings Corporation (the “Company”) issued a press release announcing financial results for the quarter ended September 30, 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 ended September 30, 2020 and 2019, GAAP net income to adjusted earnings before interest, taxes, depreciation and amortization (“EBITDA”) for the quarters ended September 30, 2020 and 2019, GAAP net income to adjusted net income for the quarters ended September 30, 2020 and 2019, GAAP earnings per diluted share to adjusted earnings per diluted share for the quarters ended September 30, 2020 and 2019, and GAAP operating cash flow to free cash flow and adjusted free cash flow conversion used by management for the quarters ended September 30, 2020 and 2019. In addition, the Company included a supplemental disclosure of revenue by reporting segments in the financial statements portion of the Press Release.

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) 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 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 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 September 30, 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 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. Inventory fair value purchase accounting adjustments consist of the increase to cost of goods sold that occur as a result of expensing the "step up" in the fair value of inventory that we purchased in connection with acquisitions as that inventory is sold during the financial period. 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.
- Expenses related to the debt refinancing. This item represents either a write-off of previously deferred financing costs or the expensing of current financing costs related to a modification of the credit agreement. Management excludes these items when evaluating Integra's performance because of the infrequent nature of these financing activities and related costs incurred.
- 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.

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.

Item 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

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: October 28, 2020

By: /s/ Carrie Anderson

Carrie Anderson

Title: Executive Vice President and Chief Financial Officer

News Release

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Integra LifeSciences Reports Third Quarter 2020 Financial Results

Princeton, New Jersey, October 28, 2020 - [Integra LifeSciences Holdings Corporation](#) (NASDAQ: IART), a leading global medical technology company, today reported financial results for the third quarter ending September 30, 2020.

Third Quarter 2020 Financial Summary

- Reported revenues were \$370.2 million, representing a decrease of 2.3% on a reported basis and a decrease of 1.5% on an organic basis compared to the prior year. These results were at the high end of the preliminary range provided on October 6, 2020;
 - Third quarter reported revenues increased 43.1% compared to the second quarter 2020;
- GAAP earnings per diluted share were \$0.38, compared to a GAAP loss of (\$0.32) in the third quarter of 2019. Adjusted earnings per diluted share were \$0.80, compared to \$0.68 in the prior year;
- The Company's full-year 2020 guidance remains withdrawn due to the uncertainty related to COVID-19 and ongoing variability in the recovery in surgical procedure volumes.

"Better than expected performance in the third quarter was driven by stronger recovery trends and solid execution across the organization," said Peter Arduini, Integra's president and chief executive officer. "I am proud of the ongoing commitment from our Integra colleagues, who are working tirelessly to deliver life-saving products to customers and patients. Barring significant worsening of the pandemic, we believe these efforts will result in a further sequential revenue improvement in the fourth quarter."

The Company reported GAAP gross margin of 63.6%, compared to 62.4% in the third quarter of 2019. Adjusted gross margin was 68.6% compared to 67.0% in the prior year.

Adjusted EBITDA for the third quarter of 2020 was \$103.2 million, or 27.9% of revenue, compared to \$91.6 million, or 24.2% of revenue in the prior year.

The Company reported GAAP net income of \$32.3 million, or \$0.38 per diluted share, in the third quarter of 2020, compared to a GAAP net loss of (\$27.6) million, or (\$0.32) per diluted share in the prior year. The GAAP loss in

the third quarter of 2019 included a charge of \$59.9 million related to an in-process R&D charge associated with the Rebound Therapeutics acquisition.

Adjusted net income for the third quarter of 2020 was \$67.7 million, or \$0.80 per diluted share, compared to \$58.7 million, or \$0.68 per diluted share in the prior year.

Integra's financial position and liquidity remain strong. The Company ended the quarter with \$396 million in cash and cash equivalents, \$1.2 billion in undrawn revolver capacity, and a consolidated total leverage ratio of 3.2x.

On September 29, 2020, the Company announced it had entered into a definitive agreement to sell its Extremity Orthopedics business. The transaction is expected to close at or around the end of 2020, subject to the satisfaction of customary conditions including regulatory approvals and consultation with employee representative bodies.

2020 Full-Year Outlook

Due to the ongoing uncertainty around the scope and duration of the pandemic and the timing of recovery across the globe, the Company's guidance for the full-year 2020 remains withdrawn. Barring significant worsening of the pandemic, the Company expects further sequential revenue improvement in the fourth quarter. The Company does not expect all markets or all product lines to improve at the same rate. The level and location of COVID-19 case emergence or recurrence and its associated impact on surgical procedure volumes and economic recovery, will shape the Company's financial progress.

Supplemental financial and operational information is included in a presentation that can be found in the "Investor" section of the Company's website at investor.integralife.com under "Events & Presentations".

In the future, the Company may record, or expects to record, gains or losses, expenses, or charges as described in the Discussion of Adjusted Financial Measures below, which will be excluded from the calculation of adjusted EBITDA, adjusted earnings per share for historical periods and in adjusted earnings per share guidance.

Conference Call and Presentation Available Online

Integra has scheduled a conference call for 8:30 a.m. ET today, Wednesday, October 28, 2020, to discuss financial results for the third quarter. The conference call will be hosted by Integra's senior management team and will be open to all listeners. Additional forward-looking information may be discussed in a question and answer session following the prepared remarks.

Integra's management team will reference a presentation during the conference call. The presentation can be found on investor.integralife.com.

Access to the live call is available by dialing (800) 353-6461 and using the passcode 9501226. The call can also be accessed via a webcast link provided on investor.integralife.com. A replay of the call will be available until November 2, 2020 by dialing (888) 203-1112 and using the passcode 9501226. The webcast will also be archived on the website.

About Integra

Integra LifeSciences is a global leader in regenerative technologies, neurosurgical and extremity orthopedic 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®, Cadence®, Certas®, Codman®, CUSA®, DuraGen®, DuraSeal®, ICP Express®, Integra®, MediHoney®, MicroFrance®, PriMatrix®, Salto Talaris®, SurgiMend®, TCC-EZ®, Titan™ and VersaTru®. For the latest news and information about Integra and its brands, 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 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.

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) 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.

Reconciliations of GAAP revenues to organic revenues, 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 September 30, 2020 and 2019, and the free cash flow and free cash flow conversion for the quarters ended September 30, 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 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.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended September 30,	
	2020	2019
Total revenues, net	\$ 370,232	\$ 379,095
Costs and expenses:		
Cost of goods sold	134,811	142,636
Research and development	19,460	19,003
In-process research & development expense	—	59,889
Selling, general and administrative	150,076	173,098
Intangible asset amortization	8,343	5,056
Total costs and expenses	312,690	399,682
Operating income (loss)	57,542	(20,587)
Interest income	2,273	2,913
Interest expense	(20,796)	(13,962)
Other income, net	2,492	4,127
Income (loss) before taxes	41,511	(27,509)
Income tax expense	9,174	101
Net income (loss)	\$ 32,337	\$ (27,610)
Net income (loss) per share:		
Diluted net income (loss) per share	\$0.38	\$ (0.32)
Weighted average common shares outstanding for diluted net income per share	84,752	85,688

The following table presents revenues disaggregated by the major sources for the three months ended September 30, 2020 and 2019 (amounts in thousands):

	Three Months Ended September 30,		
	2020	2019	Change
Neurosurgery	\$189,674	\$195,330	(2.9)%
Instruments	49,649	57,654	(13.9)%
Total Codman Specialty Surgical ⁽¹⁾	\$239,323	\$252,984	(5.4)%
Wound Reconstruction and Care	82,115	82,213	(0.1)%
Extremity Orthopedics	21,922	20,852	5.1%
Private Label	26,872	23,046	16.6%
Total Orthopedics and Tissue Technologies	\$130,909	\$126,111	3.8%
Total reported revenues	\$370,232	\$379,095	(2.3)%
Impact of changes in currency exchange rates	(2,631)	—	
Less contribution of revenues from divested products	(218)	(496)	
Less contribution of revenues from discontinued products	(4,781)	(10,527)	
Total organic revenues ⁽²⁾	\$362,602	\$368,072	(1.5)%

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

(2) 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 location where each item is recorded are as follows:

(In thousands)

Three Months Ended September 30, 2020

Item	Total Amount	COGS(a)	SG&A(b)	R&D(c)	Amort.(d)	OI&E(e)	Tax(f)
Structural optimization charges	4,543	491	3,875	177	—	—	—
Acquisition, divestiture and integration-related charges ⁽¹⁾	7,148	3,871	2,596	682	—	—	—
COVID-19 related charges	(193)	2	(195)	—	—	—	—
EU Medical Device Regulation charges	2,399	1,529	871	—	—	—	—
Discontinued product lines charges	999	999	—	—	—	—	—
Intangible asset amortization expense	20,180	11,837	—	—	8,343	—	—
Convertible debt non-cash interest	4,295	—	—	—	—	4,295	—
Expenses related to debt refinancing	3,428	—	—	—	—	3,428	—
Estimated income tax impact from above adjustments and other items	(7,433)	—	—	—	—	—	(7,433)
Total adjustments	\$35,366	\$18,729	\$7,147	\$859	\$8,343	\$7,723	\$(7,433)
Depreciation expense	10,538	—	—	—	—	—	—

- a) COGS - Cost of goods sold
- b) SG&A - Selling, general and administrative
- c) R&D - Research & development
- d) Amort. - Intangible asset amortization
- e) OI&E - Other income & expense
- f) Tax - Income tax expense (benefit)

(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.

Three Months Ended September 30, 2019

(In thousands)

Item	Total Amount	COGS (a)	SG&A (b)	R&D (c)	Amort. (d)	OI&E (e)	Tax (f)
Structural optimization charges	5,353	1,055	3,794	—	—	504	—
Acquisition and integration-related charges ⁽¹⁾	74,531	1,804	12,838	59,889	—	—	—
Litigation charges	(2,254)	—	751	—	—	(3,005)	—
EU Medical Device Regulation charges	1,978	—	1,978	—	—	—	—
Discontinued product line charges	3,104	3,104	—	—	—	—	—
Intangible asset amortization expense	16,584	11,528	—	—	5,056	—	—
Estimated income tax impact from above adjustments and other items	(12,939)	—	—	—	—	—	(12,939)
Total adjustments	\$86,357	\$17,491	\$19,361	\$59,889	\$5,056	\$(2,501)	\$(12,939)
Depreciation expense	10,367	—	—	—	—	—	—

- a) COGS - Cost of goods sold
- b) SG&A - Selling, general and administrative
- c) R&D - Research & Development
- d) Amort. - Intangible asset amortization
- e) OI&E - Other income & expense
- f) Tax - Income tax expense (benefit)

(1) 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.

RECONCILIATION OF NON-GAAP ADJUSTMENTS - GAAP NET INCOME TO ADJUSTED EBITDA
(UNAUDITED)

(In thousands)

	Three Months Ended September 30,	
	2020	2019
GAAP net income (loss)	\$ 32,337	\$ (27,610)
Non-GAAP adjustments:		
Depreciation and intangible asset amortization expense	30,718	26,951
Other (income), net	(2,492)	(1,626)
Interest expense, net	10,800	\$ 11,049
Income tax expense	9,174	\$ 101
Discontinued product lines charges	999	3,104
Structural optimization charges	4,543	5,353
Litigation charges	—	(2,254)
EU Medical Device Regulation charges	2,399	1,978
Acquisition, divestiture and integration-related charges ⁽¹⁾	7,148	74,531
COVID-19 related charges	(193)	—
Convertible debt non-cash interest	4,295	—
Expenses related to debt refinancing	3,428	—
	<hr/>	<hr/>
Total of non-GAAP adjustments	70,819	119,187
Adjusted EBITDA	<hr/> \$ 103,156	<hr/> \$ 91,577

(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.

RECONCILIATION OF NON-GAAP ADJUSTMENTS - GAAP NET INCOME TO MEASURES OF ADJUSTED NET INCOME AND ADJUSTED
EARNINGS PER SHARE
(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended September 30,	
	2020	2019
GAAP net income (loss)	\$32,337	\$(27,610)
Non-GAAP adjustments:		
Structural optimization charges	4,543	5,353
Acquisition, divestiture and integration-related charges ⁽¹⁾	7,148	74,531
COVID-19 related charges	(193)	—
EU Medical Device Regulation charges	2,399	1,978
Litigation charges	—	(2,254)
Discontinued product lines charges	999	3,104
Intangible asset amortization expense	20,180	16,584
Expenses related to debt refinancing	3,428	—
Convertible debt non-cash interest	4,295	—
Estimated income tax impact from adjustments and other items	(7,433)	(12,939)
Total of non-GAAP adjustments	35,366	86,357
Adjusted net income	\$ 67,703	\$ 58,747
Adjusted diluted net income per share	\$0.80	\$0.68
Weighted average common shares outstanding for diluted net income per share	84,752	86,517

(1) 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. 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.

CONDENSED BALANCE SHEET DATA
(UNAUDITED)

(In thousands)

	September 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 396,279	\$ 198,911
Accounts receivable, net	218,184	275,296
Inventories, net ⁽¹⁾	307,839	316,054
Current and long-term borrowing under senior credit facility	966,602	1,243,561
Borrowings under securitization facility	92,300	104,500
Long-term convertible securities	469,898	—
Stockholders' equity	\$ 1,397,987	\$ 1,416,736

⁽¹⁾ Inventories, net as of September 30, 2020 excludes \$50.7 million associated with the Extremity Orthopedics business as Assets held for sale.

CONDENSED STATEMENT OF CASH FLOWS
(UNAUDITED)

(In thousands)

	Nine Months Ended September 30,	
	2020	2019
Net cash provided by operating activities	\$ 123,570	\$ 142,249
Net cash used in investing activities	(32,152)	(142,059)
Net cash provided by financing activities	100,403	73,226
Effect of exchange rate changes on cash and cash equivalents	5,547	(4,273)
Net increase in cash and cash equivalents	\$ 197,368	\$ 69,143

RECONCILIATION OF NON-GAAP ADJUSTMENTS - GAAP OPERATING CASH FLOW TO
MEASURES OF FREE CASH FLOW AND FREE CASH FLOW CONVERSION
(UNAUDITED)

(In thousands)

	Three Months Ended September 30,	
	2020	2019
Net cash provided by operating activities	\$ 69,643	\$ 64,240
Purchases of property and equipment	(6,727)	(13,593)
Free cash flow	62,916	50,647
Adjusted net income ⁽¹⁾	\$ 67,703	\$ 58,747
Adjusted free cash flow conversion	92.9%	86.2%

	Twelve Months Ended September 30,	
	2020	2019
Net cash provided by operating activities	\$ 212,757	\$ 184,939
Purchases of property and equipment	(52,657)	(73,029)
Adjusted free cash flow	160,100	111,910
Adjusted net income ⁽¹⁾	\$ 196,266	\$ 234,721
Adjusted free cash flow conversion	81.6%	47.7%

(1) Adjusted net income for quarters ended September 30, 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 under Events & Presentations.

The Company calculates adjusted free cash flow conversion by dividing its free cash flow by adjusted net income. The Company believes this measure is useful in evaluating the significance of the cash special charges in its adjusted earnings measures.