

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): February 18, 2021



INTEGER HOLDINGS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of Incorporation)

1-16137
(Commission File Number)

16-1531026
(I.R.S. Employer Identification No.)

**5830 Granite Parkway, Suite 1150
Plano, Texas 75024**
(Address of Principal Executive Offices) (Zip Code)

(214) 618-5243
(Registrant's telephone number, including area code)

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:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|-------------------|---|
| Common Stock, \$0.001 par value per share | ITGR | New York Stock Exchange |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operations and Financial Condition.

On February 18, 2021, Integer Holdings Corporation (the "Company") issued a press release announcing its results for the fourth quarter and year ended December 31, 2020. A copy of the release is furnished with this report as Exhibit 99.1 and is incorporated by reference into this Item 2.02.

The information contained in this report under Item 2.02 and Item 7.01 is being furnished and shall not be deemed filed for 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 this report under Item 2.02 shall not be incorporated by reference into any registration statement or other document filed pursuant to the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 7.01. Regulation FD Disclosure.

The Company has updated its Earnings Conference Call slide presentation for the fourth quarter and year ended December 31, 2020, and will make it available on the Company's website at www.integer.net, under "Investor Relations - News & Event". The slide presentation will be referenced during the Company's earnings conference call. The information found on, or otherwise accessible through, the Company's website is not incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

| Exhibit Number | Description of Exhibit |
|----------------------|---|
| 99.1 | Press Release dated February 18, 2021 |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

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.

INTEGER HOLDINGS CORPORATION

Date: February 18, 2021

By: /s/ Jason K. Garland

Jason K. Garland

Executive Vice President and Chief Financial Officer

Integer Holdings Corporation Reports Results for Fourth Quarter and Full Year 2020

~ Strong 4Q sequential sales and profit increase ~
 ~ 4Q sales at the high end of guidance, profit above guidance ~
 ~ Strong cash management ... reduced net total debt by \$123 million in 2020 ~

PLANO, Texas, Feb. 18, 2021 (GLOBE NEWSWIRE) -- Integer Holdings Corporation (NYSE:ITGR), a leading medical device outsource manufacturer, today announced results for the three and twelve months ended December 31, 2020. Unless otherwise stated, all results and comparisons are from continuing operations.

Executing strategy through the COVID-19 pandemic

- Throughout the pandemic, Integer associates continue to deliver critical products that customers and patients rely on every day.
- Integer's Manufacturing Excellence strategic imperative delivered strong operational results in 2020, delivering productivity and continued improvements in safety, quality and on-time delivery.
- Integer continues to invest in its product line and operational strategy to create long-term value, including manufacturing capabilities, R&D resources and talent additions to execute the strategic imperatives.

Fourth Quarter 2020 Financial Results (compared to fourth quarter 2019, except as noted)

- Integer delivered fourth quarter sales at the high end of guidance and profit above guidance.
- Strong sequential improvement versus the third quarter including margin expansion on sales recovery and continued operating efficiencies.
- Sales declined 17% to \$269 million.
- GAAP net income grew \$4 million to \$15 million, an increase of 40%. Adjusted net income declined \$18 million to \$23 million, a decrease of 43%.
- Adjusted EBITDA declined \$24 million to \$49 million, a decrease of 33%.
- GAAP diluted EPS grew \$0.14 per share to \$0.47 per share, an increase of 42%. Adjusted EPS declined \$0.54 per share to \$0.71 per share, a decrease of 43%.
- Net total debt decreased \$59 million from the end of the third quarter 2020 to \$689 million.

Full Year 2020 Financial Results (compared to full year 2019)

- Sales declined 15% to \$1.073 billion.
- GAAP net income declined \$14 million to \$77 million, a decrease of 15%. Adjusted net income declined \$63 million to \$92 million, a decrease of 41%.
- GAAP diluted EPS declined \$0.43 per share to \$2.33 per share, a decrease of 16%. Adjusted EPS declined \$1.91 per share to \$2.77 per share, a decrease of 41%.
- Adjusted EBITDA declined \$94 million to \$190 million, a decrease of 33%.
- Generated \$181 million of cash flow from operating activities.
- Reduced net total debt by \$123 million.

"Our fourth quarter results reflect the beginning of the recovery from the pandemic as both sales and profit improved significantly from the third quarter," said Joseph Dziedzic, Integer's president and CEO. "Integer's dedicated associates continued to deliver for our customers and their patients while executing our strategy to achieve excellence in everything we do. Our strong operational performance and continued strong cash generation last year enabled Integer to increase investments in our strategy versus 2019. During 2020, Integer improved our manufacturing processes, enhanced our customer relationships, built and added leadership capability and strengthened our culture, positioning 2021 to be a return to profitable growth on our Journey to Excellence."

Discussion of Product Line Fourth Quarter and Full Year Sales

- Cardio & Vascular sales declined 14% in the fourth quarter and full year sales declined 7%. Sales were negatively impacted by the COVID-19 pandemic and a blend of our customers' responses across nearly all C&V markets.
- Cardiac & Neuromodulation sales declined 21% in the fourth quarter and full year sales declined 24%. CRM and Neuromodulation declined due to the COVID-19 pandemic impact and a blend of our customers' responses. Additionally, the fourth quarter 2019 Nuvector bankruptcy created a \$17 million headwind for the full year.
- Advanced Surgical, Orthopedics & Portable Medical includes sales to the acquirer of our AS&O product line, Viant, under supply agreements associated with the divestiture. Fourth quarter sales declined 12% and full year sales decreased 8%, driven by the COVID-19 pandemic impact and a blend of our customers' responses.
- Electrochem sales declined 41% in the fourth quarter and full year sales declined 39% driven by a severe decline in the energy market and demand fall-out from the COVID-19 pandemic.

2021 Outlook

Our full year 2021 financial outlook reflects an expected recovery of the industry with year-over-year sales growth projected to be 8% to 12%. Integer's first quarter sales are projected to be sequentially better than the fourth quarter of 2020 and we believe the second quarter should be similar or slightly better than the first quarter. We expect the improvement in the second half of 2021 to be determined by the pace of COVID-19 recovery.

We expect our operating income to reflect the increase in sales and the continued execution of our manufacturing excellence strategic imperative. We project to generate \$90 to \$110 of free cash flow, with an equivalent amount of net total debt reduction.

2021 Outlook^(a)

(dollars in millions, except per share amounts)

First Quarter 2021

| | GAAP | | Non-GAAP ^(b) | |
|------------------|----------------|----------------|-------------------------|----------------|
| | As Reported | Change | Adjusted | Change |
| Sales | \$280 to \$290 | (15)% to (12)% | \$280 to \$290 | (15)% to (12)% |
| Operating income | \$29 to \$34 | (34)% to (23)% | \$42 to \$47 | (29)% to (20)% |

Full Year 2021

| | GAAP | | Non-GAAP ^(b) | |
|----------------------------|--------------------|-------------|-------------------------|------------|
| | As Reported | Change | Adjusted | Change |
| Sales | \$1,160 to \$1,200 | 8% to 12% | \$1,160 to \$1,200 | 8% to 12% |
| Operating income | \$116 to \$136 | (4)% to 13% | \$170 to \$190 | 18% to 32% |
| EBITDA | N/A | N/A | \$230 to \$250 | 21% to 32% |
| Net income | \$74 to \$91 | (4)% to 18% | \$113 to \$130 | 23% to 41% |
| Earnings per Diluted Share | \$2.24 to \$2.74 | (4)% to 17% | \$3.40 to \$3.90 | 23% to 41% |

- (a) Except as described below, further reconciliations by line item to the closest corresponding GAAP financial measure for Adjusted operating income, Adjusted EBITDA, Adjusted net income, and Adjusted Earnings per Share (“EPS”), all from continuing operations, included in our “2021 Outlook” above, are not available without unreasonable efforts on a forward-looking basis due to the high variability, complexity and visibility of the charges excluded from these non-GAAP financial measures.
- (b) Adjusted operating income for 2021 is expected to consist of GAAP operating income, excluding items such as intangible amortization, certain legal expenses, reorganization and realignment costs, asset dispositions and severance, totaling approximately \$54 million (\$13 million for first quarter), pre-tax. Adjusted net income and Adjusted EPS for 2021 are expected to consist of GAAP net income and diluted EPS, excluding items such as intangible amortization, certain legal expenses, reorganization and realignment costs, asset dispositions, severance, gains and losses on equity investments and loss on extinguishment of debt totaling approximately \$49 million, pre-tax. The after-tax impact of these items is estimated to be approximately \$39 million, or approximately \$1.16 per diluted share.

Adjusted EBITDA is expected to consist of Adjusted net income, excluding items such as depreciation, interest, stock-based compensation and taxes totaling approximately \$116 million to \$120 million.

Supplemental Financial Information

| | 2021 Outlook | 2020 Actual |
|-------------------------------|-----------------|----------------|
| Capital Expenditures, Net | \$50 - \$60 | \$47 |
| Depreciation and Amortization | \$80 - \$90 | \$79 |
| Stock-Based Compensation | \$17 - \$19 | \$9 |
| Other Operating Expense | \$8 - \$12 | \$8 |
| Adjusted Effective Tax Rate | 15.5% - 17.5% | 12.2% |
| Cash Tax Payments | \$20 - \$27 | \$18 |

Summary of Financial and Product Line Results from Continuing Operations

(dollars in thousands, except per share data)

| GAAP | Three Months Ended | | | |
|---|----------------------|----------------------|----------|----------------------------------|
| | December 31, 2020 | December 31, 2019 | Change | Organic Change ^(a) |
| Medical Sales | | | | |
| Cardio & Vascular | \$ 137,063 | \$ 158,504 | (13.5) % | (14.3) % |
| Cardiac & Neuromodulation | 93,838 | 119,262 | (21.3) % | (21.3) % |
| Advanced Surgical, Orthopedics & Portable Medical | 29,747 | 33,885 | (12.2) % | (12.2) % |
| Total Medical Sales | 260,648 | 311,651 | (16.4) % | (16.7) % |
| Non-Medical Sales | 8,311 | 13,986 | (40.6) % | (40.6) % |
| Total Sales | \$ 268,959 | \$ 325,637 | (17.4) % | (17.8) % |

| | | | | | | |
|--|----|--------|----|--------|------|---|
| Income from continuing operations | \$ | 15,427 | \$ | 11,044 | 39.7 | % |
| Diluted EPS from continuing operations | \$ | 0.47 | \$ | 0.33 | 42.4 | % |

| | Year Ended | | | |
|---|----------------------|----------------------|----------|----------------------------------|
| | December 31, 2020 | December 31, 2019 | Change | Organic Change ^(a) |
| GAAP | | | | |
| Medical Sales | | | | |
| Cardio & Vascular | \$ 569,948 | \$ 610,056 | (6.6) % | (7.7) % |
| Cardiac & Neuromodulation | 346,242 | 457,194 | (24.3) % | (24.3) % |
| Advanced Surgical, Orthopedics & Portable Medical | 121,788 | 132,429 | (8.0) % | (8.0) % |
| Total Medical Sales | 1,037,978 | 1,199,679 | (13.5) % | (14.0) % |
| Non-Medical Sales | 35,464 | 58,415 | (39.3) % | (39.3) % |
| Total Sales | \$ 1,073,442 | \$ 1,258,094 | (14.7) % | (15.2) % |
| Income from continuing operations | \$ 77,258 | \$ 91,218 | (15.3) % | |
| Diluted EPS from continuing operations | \$ 2.33 | \$ 2.76 | (15.6) % | |

- (a) Organic sales change is a Non-GAAP measure. Please see “Notes Regarding Non-GAAP Financial Information” for additional information regarding our use of non-GAAP financial measures and refer to Table C at the end of this release for a reconciliation of these amounts.

| | Three Months Ended | | | |
|-------------------------------|----------------------|----------------------|----------|----------------------------------|
| | December 31, 2020 | December 31, 2019 | Change | Organic Change ^(b) |
| Non-GAAP^(a) | | | | |
| Adjusted EBITDA | \$ 49,236 | \$ 73,273 | (32.8) % | (30.6) % |
| Adjusted net income | \$ 23,424 | \$ 41,421 | (43.4) % | (40.4) % |
| Adjusted EPS | \$ 0.71 | \$ 1.25 | (43.2) % | (40.5) % |

| | Year Ended | | | |
|-------------------------------|----------------------|----------------------|----------|----------------------------------|
| | December 31, 2020 | December 31, 2019 | Change | Organic Change ^(b) |
| Non-GAAP^(a) | | | | |
| Adjusted EBITDA | \$ 189,616 | \$ 283,770 | (33.2) % | (32.9) % |
| Adjusted net income | \$ 91,849 | \$ 154,468 | (40.5) % | (39.8) % |
| Adjusted EPS | \$ 2.77 | \$ 4.68 | (40.8) % | (40.0) % |

- (a) Refer to Tables A and B at the end of this release for reconciliations of adjusted amounts to the closest corresponding GAAP financial measures.
- (b) Organic change rates for Adjusted EBITDA from continuing operations, Adjusted net income, and Adjusted EPS are Non-GAAP measures. Please see “Notes Regarding Non-GAAP Financial Information” for additional information regarding our use of non-GAAP financial measures and refer to Table D at the end of this release for a reconciliation of these amounts.

Conference Call Information

The Company will host a conference call on Thursday, February 18, 2021, at 9:00 a.m. EDT / 8:00 a.m. CDT to discuss these results. The scheduled conference call will be webcast live and is accessible through our website at investor.integer.net or by dialing (833) 714-0898 (U.S.) or (778) 560-2691 (outside U.S.) and the conference ID is 1898248. The call will be archived on the Company’s website. An earnings call slide presentation containing supplemental information about the Company’s results will be posted to our website at investor.integer.net prior to the conference call and will be referenced during the conference call.

From time to time, the Company posts information that may be of interest to investors on its website at investor.integer.net. To automatically receive Integer financial news by email, please visit investor.integer.net and subscribe to email alerts.

About Integer®

Integer Holdings Corporation (NYSE: ITGR) is one of the largest medical device outsource (MDO) manufacturers in the world serving the cardiac, neuromodulation, vascular, portable medical and orthopedics markets. The Company provides innovative, high-quality medical technologies that enhance the lives

of patients worldwide. In addition, the Company develops batteries for high-end niche applications in energy, military, and environmental markets. The Company's brands include Greatbatch Medical[®], Lake Region Medical[®] and Electrochem[®]. Additional information is available at www.integer.net.

Contact Information

Tony Borowicz

SVP, Strategy, Business Development & Investor Relations

716.759.5809

tony.borowicz@integer.net

Notes Regarding Non-GAAP Financial Information

In addition to our results reported in accordance with generally accepted accounting principles in the United States of America ("GAAP"), we provide adjusted net income, adjusted EPS, earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted EBITDA, adjusted EBITDA margin, adjusted operating income, adjusted operating income margin, and organic change rates, all from continuing operations. Adjusted net income and adjusted EPS consist of GAAP amounts from continuing operations adjusted for the following to the extent occurring during the period: (i) acquisition and integration related expenses, including fair value adjustments to contingent consideration resulting from acquisitions, (ii) amortization of intangible assets, (iii) facility consolidation, optimization, manufacturing transfer and system integration charges, (iv) asset write-down and disposition charges, (v) charges in connection with corporate realignments or a reduction in force, (vi) certain legal expenses, charges and gains, (vii) unusual or infrequently occurring items, (viii) (gain) loss on equity investments, (ix) extinguishment of debt charges, (x) the income tax provision (benefit) related to these adjustments and (xi) certain tax items that are outside the normal tax provision for the period. Adjusted EPS is calculated by dividing adjusted income from continuing operations by diluted weighted average shares outstanding. EBITDA is calculated by adding back interest expense, GAAP provision (benefit) for income taxes, depreciation and amortization expense, to income from continuing operations, which is the most directly comparable GAAP measure. Adjusted EBITDA consists of EBITDA plus GAAP stock-based compensation and the same adjustments as listed above except for items (ii), (ix), (x) and (xi).

Adjusted operating income consists of operating income from continuing operations adjusted for the same items listed above except for items (viii), (ix), (x) and (xi). Adjusted operating income margin is adjusted operating income as a percentage of sales.

Adjusted EBITDA margin is adjusted EBITDA as a percentage of sales. Organic sales change is reported sales growth adjusted for the impact of foreign currency and the contribution of acquisitions. To calculate the impact of foreign currency on sales growth rates, we convert any sale made in a foreign currency by converting current period sales into prior period sales using the exchange rate in effect at that time and then compare the two, negating any effect foreign currency had on our transactional revenue, and exclude the amount of sales acquired or divested during the period from the current/previous period amounts, respectively.

Organic change rates for adjusted EBITDA, adjusted net income and adjusted EPS exclude the impact of foreign currency exchange gains and losses included in other (income) loss, net, and the contribution of acquisitions. Contribution of acquisitions represents results, based on the growth rate being presented, attributable to acquired entities for the first four full quarters plus any partial period since the entities' acquisition date. After the completion of four full fiscal quarters, results of the acquired entity are treated as organic for current and comparable historical periods.

We believe that the presentation of adjusted net income, adjusted EPS, EBITDA, adjusted EBITDA, adjusted EBITDA margin, adjusted operating income, adjusted operating income margin, and organic change rates, provides important supplemental information to management and investors seeking to understand the financial and business trends relating to our financial condition and results of operations. In addition to the performance measures identified above, we believe that net total debt and leverage ratio provide meaningful measures of liquidity and a useful basis for assessing our ability to fund our activities, including the financing of acquisitions and debt repayments. Net total debt is calculated as total principal amount of debt outstanding less cash and cash equivalents. We calculate leverage ratio as net total debt divided by adjusted EBITDA for the trailing 4 quarters.

Forward-Looking Statements

Some of the statements contained in this press release are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements relating to the impact of the COVID-19 global pandemic; future sales, expenses, and profitability; future development and expected growth of our business and industry; our ability to execute our business model and our business strategy; having available sufficient cash and borrowing capacity to meet working capital, debt service and capital expenditure requirements for the next twelve months; and projected capital spending. You can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or variations or the negative of these terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially from those stated or implied by these forward-looking statements. In evaluating these statements and our prospects, you should carefully consider the factors set forth below.

Although it is not possible to create a comprehensive list of all factors that may cause actual results to differ from the results expressed or implied by our forward-looking statements or that may affect our future results, some of these factors include the following: the duration, scope and impact of the COVID-19 pandemic, including government, social, business and other actions taken in response to the pandemic and the effect of the pandemic on our associates, suppliers and customers as well as the global economy; our dependence upon a limited number of customers; pricing pressures that we face from customers; our ability to respond to changes in technology; the intense competition we face and our ability to successfully market our products; our ability to develop new products and expand into new geographic and product markets; our reliance on third party suppliers for raw materials, key products and subcomponents; the potential for harm to our reputation caused by quality problems related to our products; regulatory issues resulting from product complaints, recalls or regulatory audits; the potential of becoming subject to product liability claims; our ability to protect our intellectual property and proprietary rights; our significant amount of outstanding indebtedness and our ability to remain in compliance with financial and other covenants under our senior secured credit facilities; our ability to integrate acquisitions and operate acquired businesses in accordance with expectations; our dependence upon our senior management team and technical personnel; our ability to realize the benefits from cost savings and consolidation initiatives; interruptions in our manufacturing operations; our ability to comply with environmental regulations; our complex international tax profile; our dependence upon our information technology systems and our ability to prevent cyber-attacks and other failures; market, financial and other risks related to our international operations and sales; global economic factors, including currency exchange rates and interest rates; the fact that the healthcare industry is highly regulated and subject to various regulatory changes; the dependence of our energy market-related revenues on the conditions in the oil and natural gas industry; and other risks and uncertainties that arise from time to time and are described in Item 1A "Risk Factors" of our Annual Report on Form 10-K and in our other periodic filings with the SEC. Except as may be required by law, we assume no obligation to update

forward-looking statements in this press release whether to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results, financial conditions or prospects, or otherwise.

Condensed Consolidated Statements of Operations - Unaudited

(in thousands except per share data)

| | Three Months Ended | | Year Ended | |
|---|----------------------|----------------------|----------------------|----------------------|
| | December 31, 2020 | December 31, 2019 | December 31, 2020 | December 31, 2019 |
| Sales | \$ 268,959 | \$ 325,637 | \$ 1,073,442 | \$ 1,258,094 |
| Cost of sales | 195,750 | 249,607 | 787,735 | 903,084 |
| Gross profit | 73,209 | 76,030 | 285,707 | 355,010 |
| Operating expenses: | | | | |
| Selling, general and administrative (SG&A) | 35,037 | 37,661 | 109,006 | 138,695 |
| Research, development and engineering | 10,589 | 11,809 | 48,468 | 46,529 |
| Other operating expenses (OOE) | (10) | 3,912 | 7,621 | 12,151 |
| Total operating expenses | 45,616 | 53,382 | 165,095 | 197,375 |
| Operating income | 27,593 | 22,648 | 120,612 | 157,635 |
| Interest expense | 9,218 | 12,766 | 38,220 | 52,545 |
| (Gain) loss on equity investments, net | (1,383) | (191) | (5,337) | 475 |
| Other (income) loss, net | 1,755 | 343 | 1,522 | (578) |
| Income from continuing operations before income taxes | 18,003 | 9,730 | 86,207 | 105,193 |
| Provision (benefit) for income taxes | 2,576 | (1,314) | 8,949 | 13,975 |
| Income from continuing operations | \$ 15,427 | \$ 11,044 | \$ 77,258 | \$ 91,218 |
| Discontinued operations: | | | | |
| Income (loss) from discontinued operations before taxes | — | (20) | — | 5,296 |
| Provision for income taxes | — | — | — | 178 |
| Income (loss) from discontinued operations | \$ — | \$ (20) | \$ — | \$ 5,118 |
| Net income | <u>\$ 15,427</u> | <u>\$ 11,024</u> | <u>\$ 77,258</u> | <u>\$ 96,336</u> |
| Basic earnings per share: | | | | |
| Income from continuing operations | \$ 0.47 | \$ 0.34 | \$ 2.35 | \$ 2.80 |
| Income from discontinued operations | \$ — | \$ — | \$ — | \$ 0.16 |
| Basic earnings per share | \$ 0.47 | \$ 0.34 | \$ 2.35 | \$ 2.95 |
| Diluted earnings per share: | | | | |
| Income from continuing operations | \$ 0.47 | \$ 0.33 | \$ 2.33 | \$ 2.76 |
| Income from discontinued operations | \$ — | \$ — | \$ — | \$ 0.15 |
| Diluted earnings per share | \$ 0.47 | \$ 0.33 | \$ 2.33 | \$ 2.92 |
| Weighted average shares outstanding: | | | | |
| Basic | 32,880 | 32,688 | 32,845 | 32,627 |
| Diluted | 33,129 | 33,089 | 33,113 | 33,037 |

Condensed Consolidated Balance Sheets - Unaudited

(in thousands)

| | December 31, 2020 | December 31, 2019 |
|---------------|----------------------|----------------------|
| ASSETS | | |

| | | |
|--|---------------------|---------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 49,206 | \$ 13,535 |
| Accounts receivable, net | 156,207 | 191,985 |
| Inventories | 149,323 | 167,256 |
| Refundable income taxes | 2,087 | — |
| Contract assets | 40,218 | 24,767 |
| Prepaid expenses and other current assets | 15,896 | 17,852 |
| Total current assets | 412,937 | 415,395 |
| Property, plant and equipment, net | 253,964 | 246,185 |
| Goodwill | 859,442 | 839,617 |
| Other intangible assets, net | 757,224 | 775,784 |
| Deferred income taxes | 4,398 | 4,438 |
| Operating lease assets | 45,153 | 42,379 |
| Other long-term assets | 38,739 | 29,295 |
| Total assets | <u>\$ 2,371,857</u> | <u>\$ 2,353,093</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 37,500 | \$ 37,500 |
| Accounts payable | 51,570 | 64,975 |
| Income taxes payable | 1,847 | 3,023 |
| Current portion of lease liabilities | 8,431 | 7,507 |
| Accrued expenses and other current liabilities | 56,843 | 66,073 |
| Total current liabilities | 156,191 | 179,078 |
| Long-term debt | 693,758 | 777,272 |
| Deferred income taxes | 182,304 | 187,978 |
| Operating lease liabilities | 37,861 | 37,114 |
| Other long-term liabilities | 30,688 | 19,163 |
| Total liabilities | 1,100,802 | 1,200,605 |
| Stockholders' equity: | | |
| Common stock | 33 | 33 |
| Additional paid-in capital | 700,814 | 701,018 |
| Treasury stock | — | (8,809) |
| Retained earnings | 517,516 | 440,258 |
| Accumulated other comprehensive income | 52,692 | 19,988 |
| Total stockholders' equity | 1,271,055 | 1,152,488 |
| Total liabilities and stockholders' equity | <u>\$ 2,371,857</u> | <u>\$ 2,353,093</u> |

Condensed Consolidated Statements of Cash Flows^(a) - Unaudited
(in thousands)

| | Year Ended | |
|---|----------------------|----------------------|
| | December 31, 2020 | December 31, 2019 |
| Cash flows from operating activities: | | |
| Net income | \$ 77,258 | \$ 96,336 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 79,324 | 77,895 |
| Debt related charges included in interest expense | 4,774 | 7,772 |
| Stock-based compensation | 9,163 | 9,294 |
| Non-cash charges related to customer bankruptcy | 554 | 21,695 |
| Non-cash lease expense | 7,810 | 7,443 |
| Non-cash (gain) loss on equity investments | (5,337) | 475 |
| Contingent consideration fair value adjustment | (2,000) | — |
| Other non-cash (gains) losses | 600 | (162) |

| | | |
|---|-----------|-----------|
| Deferred income taxes | (6,966) | (10,285) |
| Gain on sale of discontinued operations | — | (4,974) |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Accounts receivable | 38,153 | (6,976) |
| Inventories | 18,441 | 3,724 |
| Prepaid expenses and other assets | (864) | (6,293) |
| Contract assets | (15,451) | (24,767) |
| Accounts payable | (9,055) | 1,887 |
| Accrued expenses and other liabilities | (10,721) | (2,744) |
| Income taxes | (4,342) | (4,962) |
| Net cash provided by operating activities | 181,341 | 165,358 |
| Cash flows from investing activities: | | |
| Acquisition of property, plant and equipment | (46,832) | (48,198) |
| Purchase of intangible asset | (4,607) | — |
| Proceeds from sale of property, plant and equipment | 82 | 28 |
| Purchase of equity investments | — | (417) |
| Proceeds from sale of discontinued operations | — | 4,734 |
| Acquisitions, net | (5,219) | (15,009) |
| Net cash used in investing activities | (56,576) | (58,862) |
| Cash flows from financing activities: | | |
| Principal payments of long-term debt | (87,500) | (111,500) |
| Proceeds from senior secured revolving line of credit | 185,000 | 34,000 |
| Payments of senior secured revolving line of credit | (185,000) | (39,000) |
| Proceeds from the exercise of stock options | 3,263 | 3,242 |
| Payment of debt issuance costs | (515) | (1,385) |
| Tax withholdings related to net share settlements of restricted stock unit awards | (3,820) | (3,283) |
| Principal payments on finance leases | (6) | — |
| Net cash used in financing activities | (88,578) | (117,926) |
| Effect of foreign currency exchange rates on cash and cash equivalents | (516) | (604) |
| Net increase (decrease) in cash and cash equivalents | 35,671 | (12,034) |
| Cash and cash equivalents, beginning of year | 13,535 | 25,569 |
| Cash and cash equivalents, end of year | \$ 49,206 | \$ 13,535 |

(a) The Condensed Consolidated Statements of Cash Flows - Unaudited includes cash flows related to discontinued operations.

Reconciliations of Non-GAAP Measures from Continuing Operations

Table A: Income from Continuing Operations and Diluted EPS Reconciliations

(dollars in thousands, except per share data)

| | Three Months Ended | | | | | |
|--|--------------------|------------|-------------------|-------------------|------------|-------------------|
| | December 31, 2020 | | | December 31, 2019 | | |
| | Pre-Tax | Net of Tax | Per Diluted Share | Pre-Tax | Net of Tax | Per Diluted Share |
| Income from continuing operations (GAAP) | \$ 18,003 | \$ 15,427 | \$ 0.47 | \$ 9,730 | \$ 11,044 | \$ 0.33 |
| Adjustments ^(a) : | | | | | | |
| Amortization of intangibles | 10,237 | 8,095 | 0.24 | 10,609 | 8,310 | 0.25 |
| Certain legal expenses (SG&A) ^(b) | 139 | 111 | — | 402 | 318 | 0.01 |
| Other operating expenses (OOE) ^(c) | (10) | 235 | 0.01 | 3,912 | 3,020 | 0.09 |
| Gain on equity investments, net | (1,383) | (1,093) | (0.03) | (191) | (150) | — |
| Loss on extinguishment of debt | 550 | 435 | 0.01 | 1,280 | 1,012 | 0.03 |
| Customer bankruptcy (excluding OOE) ^(d) | 16 | 13 | — | 23,827 | 18,823 | 0.57 |

| | | | | | | |
|--|------------------|------------------|---------|------------------|------------------|---------|
| Tax adjustments | — | 201 | 0.01 | — | (956) | (0.03) |
| Adjusted net income (Non-GAAP) | <u>\$ 27,552</u> | <u>\$ 23,424</u> | \$ 0.71 | <u>\$ 49,569</u> | <u>\$ 41,421</u> | \$ 1.25 |
| Diluted weighted average shares for adjusted EPS | | 33,129 | | | 33,089 | |

| | Year Ended | | | | | |
|---|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| | December 31, 2020 | | | December 31, 2019 | | |
| | Pre-Tax | Net of Tax | Per Diluted Share | Pre-Tax | Net of Tax | Per Diluted Share |
| Income from continuing operations (GAAP) | \$ 86,207 | \$ 77,258 | \$ 2.33 | \$ 105,193 | \$ 91,218 | \$ 2.76 |
| Adjustments ^(a) : | | | | | | |
| Amortization of intangibles | 41,131 | 32,520 | 0.98 | 40,076 | 31,634 | 0.96 |
| Certain legal expenses (gains) (SG&A) ^(b) | (26,811) | (21,180) | (0.64) | 2,577 | 2,036 | 0.06 |
| Other operating expenses (OOE) ^(c) | 7,621 | 6,177 | 0.19 | 12,151 | 9,326 | 0.28 |
| (Gain) loss on equity investments, net | (5,337) | (4,216) | (0.13) | 475 | 376 | 0.01 |
| Loss on extinguishment of debt | 550 | 435 | 0.01 | 2,545 | 2,011 | 0.06 |
| Customer bankruptcy (excluding OOE) ^(d) | 1,229 | 971 | 0.03 | 23,827 | 18,823 | 0.57 |
| Tax adjustments | — | (116) | — | — | (956) | (0.03) |
| Adjusted net income (Non-GAAP) | <u>\$ 104,590</u> | <u>\$ 91,849</u> | \$ 2.77 | <u>\$ 186,844</u> | <u>\$ 154,468</u> | \$ 4.68 |
| Diluted weighted average shares for adjusted EPS ^(l) | | 33,113 | | | 33,037 | |

- (a) The difference between pre-tax and net of tax amounts is the estimated tax impact related to the respective adjustment. Net of tax amounts are computed using a 21% U.S. tax rate, and the statutory tax rates applicable in foreign tax jurisdictions, as adjusted for the existence of net operating losses (“NOLs”). Expenses that are not deductible for tax purposes (i.e. permanent tax differences) are added back at 100%.
- (b) Represents the net gain of \$28.2 million, recorded during the third quarter of 2020 and received in the fourth quarter of 2020, in connection with the resolution of the AVX Corporation patent litigation matter, as well as expenses associated with non-ordinary course legal matters.
- (c) Other operating expenses includes acquisition and integration related expenses, facility consolidation, optimization, manufacturing transfer and system integration charges, asset write-down and disposition charges, charges in connection with corporate realignments or a reduction in force, unusual or infrequently occurring items. Other operating expenses for the fourth quarter of 2020 includes a \$1.5 million adjustment to reduce the the fair value of acquisition-related contingent consideration liabilities.
- (d) In November 2019, one of our customers, Nuvectra Corporation, filed a voluntary Chapter 11 bankruptcy petition (the “Customer Bankruptcy”). During the fourth quarter of 2019, we recorded pre-tax charges totaling \$24.2 million in connection with the Customer Bankruptcy. These expenses were primarily non-cash and included charges associated with certain Nuvectra-related assets, primarily consisting of inventory, accounts receivable, as well as certain non-cancelable inventory commitments. These charges were included in cost of sales (\$21.4 million), SG&A expenses (\$2.4 million) and Other Operating Expenses (\$0.4 million) in our consolidated statement of operations. During 2020, we incurred costs and recorded charges associated with the Customer Bankruptcy, primarily consisting of charges related to inventory recorded in cost of sales in our consolidated statement of operations.

Please see “Notes Regarding Non-GAAP Financial Information” for additional information regarding our use of non-GAAP financial measures.

Table B: EBITDA and Sales Reconciliations
(in thousands)

| Three Months Ended | | Year Ended | |
|--------------------|--------------|--------------|--------------|
| December 31, | December 31, | December 31, | December 31, |

| | 2020 | 2019 | 2020 | 2019 |
|--|------------|------------|--------------|--------------|
| Income from continuing operations (GAAP) | \$ 15,427 | \$ 11,044 | \$ 77,258 | \$ 91,218 |
| Interest expense | 9,218 | 12,766 | 38,220 | 52,545 |
| Provision (benefit) for income taxes | 2,576 | (1,314) | 8,949 | 13,975 |
| Depreciation | 10,082 | 9,889 | 38,193 | 37,819 |
| Amortization of intangibles | 10,237 | 10,609 | 41,131 | 40,076 |
| EBITDA from continuing operations (Non-GAAP) | 47,540 | 42,994 | 203,751 | 235,633 |
| Certain legal expenses (gains) | 139 | 402 | (26,811) | 2,577 |
| Stock-based compensation (excluding OOE) | 2,934 | 2,329 | 9,163 | 9,107 |
| Other operating expenses (OOE) | (10) | 3,912 | 7,621 | 12,151 |
| (Gain) loss on equity investments, net | (1,383) | (191) | (5,337) | 475 |
| Customer bankruptcy (excluding amounts in OOE) | 16 | 23,827 | 1,229 | 23,827 |
| Adjusted EBITDA (Non-GAAP) | \$ 49,236 | \$ 73,273 | \$ 189,616 | \$ 283,770 |
| Total sales (GAAP) | \$ 268,959 | \$ 325,637 | \$ 1,073,442 | \$ 1,258,094 |
| Adjusted EBITDA margin | 18.3 % | 22.5 % | 17.7 % | 22.6 % |

Table C: Organic Sales from Continuing Operations Change Reconciliation (% Change)

| | GAAP Reported Growth | Impact of Acquisitions and Foreign Currency ^(a) | Non-GAAP Organic Change |
|--|----------------------------|---|-------------------------------|
| Quarter over Quarter Change (4Q 2020 vs. 4Q 2019) | | | |
| Medical Sales | | | |
| Cardio & Vascular | (13.5)% | (0.8)% | (14.3)% |
| Cardiac & Neuromodulation | (21.3)% | — | (21.3)% |
| Advanced Surgical, Orthopedics & Portable Medical | (12.2)% | — | (12.2)% |
| Total Medical Sales | (16.4)% | (0.3)% | (16.7)% |
| Non-Medical Sales | (40.6)% | — | (40.6)% |
| Total Sales | (17.4)% | (0.4)% | (17.8)% |
| Year over Year Change (2020 vs. 2019) | | | |
| Medical Sales | | | |
| Cardio & Vascular | (6.6)% | (1.1)% | (7.7)% |
| Cardiac & Neuromodulation | (24.3)% | — | (24.3)% |
| Advanced Surgical, Orthopedics & Portable Medical | (8.0)% | — | (8.0)% |
| Total Medical Sales | (13.5)% | (0.5)% | (14.0)% |
| Non-Medical Sales | (39.3)% | — | (39.3)% |
| Total Sales | (14.7)% | (0.5)% | (15.2)% |

(a) Fourth quarter and full year 2020 and 2019 sales have been adjusted to exclude the contribution of business acquisitions and foreign currency exchange rate fluctuations.

Table D: Non-GAAP Organic Change Reconciliation (% Change)

| | GAAP Reported Growth ^(a) | Impact of Non-GAAP Adjustments ^(b) | Impact of Acquisitions and Foreign Currency ^(c) | Non-GAAP Organic Change |
|--|---|---|---|-------------------------------|
| Quarter over Quarter Change (4Q 2020 vs. 4Q 2019) | | | | |
| EBITDA from continuing operations | 10.6% | (43.4)% | 2.2% | (30.6)% |

| | | | | |
|--|-------|---------|------|---------|
| Income from continuing operations | 39.7% | (83.1)% | 3.0% | (40.4)% |
| Diluted EPS from continuing operations | 42.4% | (85.6)% | 2.7% | (40.5)% |

Year over Year Change (2020 vs. 2019)

| | | | | |
|--|---------|---------|------|---------|
| EBITDA from continuing operations | (13.5)% | (19.7)% | 0.3% | (32.9)% |
| Income from continuing operations | (15.3)% | (25.2)% | 0.7% | (39.8)% |
| Diluted EPS from continuing operations | (15.6)% | (25.2)% | 0.8% | (40.0)% |

- (a) EBITDA is a non-GAAP financial measure. See Table B for a reconciliation to the most comparable GAAP measure.
- (b) Represents the impact to our growth rate from our Non-GAAP adjustments. See Tables A and B for further detail on these items.
- (c) Represents the impact to our growth rate due to changes in foreign currency exchange rates realized in income and reported in other (income) loss, net in the consolidated statements of operations, and the adjustment to exclude the contribution of acquisitions when applicable.

Table E: Net Total Debt Reconciliation

(in thousands)

| | December 31, 2020 | December 31, 2019 |
|---|------------------------------|------------------------------|
| Current portion of long-term debt | \$ 37,500 | \$ 37,500 |
| Long-term debt | 693,758 | 777,272 |
| Total debt | 731,258 | 814,772 |
| Add: Unamortized discount and debt issuance costs | 6,715 | 10,702 |
| Total principal amount of debt outstanding | 737,973 | 825,474 |
| LESS: Cash and cash equivalents | 49,206 | 13,535 |
| Net Total Debt (Non-GAAP) | <u>\$ 688,767</u> | <u>\$ 811,939</u> |