



Greatbatch[®]

2014 First Quarter Earnings Call

April 30, 2014

FORWARD-LOOKING STATEMENTS

Some of the statements made in this presentation whether written or oral may be “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, and involve a number of risks and uncertainties. These statements can be identified 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 based on the company’s current expectations. The company’s actual results could differ materially from those stated or implied in such forward-looking statements. The company assumes no obligations to update forward-looking information, including information in this presentation, to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results, financial conditions, prospects or otherwise.

EARNINGS CALL PARTICIPANTS

Thomas J. Hook
President & CEO

Michael Dinkins
Executive Vice President & CFO

Betsy Cowell
Vice President Finance & Treasurer

AGENDA

Thomas J. Hook

- First Quarter 2014 Highlights

Michael Dinkins

- First Quarter 2014 Financial Results
- 2014 Guidance

Question & Answer

SELECTED Q1 HIGHLIGHTS

(\$ in millions except for EPS)

	Q1 2014	Q1 2013	Variance
Sales	\$174.3	\$148.3	18%*
Adjusted Operating Income**	\$22.3	\$19.3	16%
Adjusted Operating Margin**	12.8%	13.0%	(20) bps
Adjusted EBITDA**	\$31.6	\$28.1	12%
Adjusted EBITDA Margin**	18.1%	18.9%	(80) bps
Adjusted Diluted EPS**	\$0.54	\$0.44	23%
Adjusted ROIC	8.3%	7.5%	80 bps
Operating Cash Flow	\$7.0	\$(7.6)	Fav

* 17% organic constant currency sales growth

** See appendix for GAAP reconciliation

Q1 ACCOMPLISHMENTS

Sales force and down stream marketing productivity

- Three of our Medical product lines grew in excess of 20%
- On plan with product launches; continue to deepen and broaden customer relationships

Greatbatch Medical manufacturing efficiencies

- Capitalizing on infrastructure scalability and strong operating discipline to drive efficiencies across the global footprint to improve ROIC

Core R&D projects and medical technologies

- Leveraging core capabilities more effectively across core growth platforms with functional alignment
- Accelerating development execution and launch predictability through enhanced project development processes and program management tools

Algostim progressing as expected

- Regulatory process proceeds on plan for both FDA and CE Mark
- Expect CE Mark approval second half 2014 and PMA approval early 2015

Delivering results consistent with our strategy

- 17% organic constant currency revenue growth
- 23% adjusted EPS increase
- 12% adjusted EBITDA improvement
- 8.3% adjusted ROIC ... 80 basis point increase

Q1 ORGANIC GROWTH

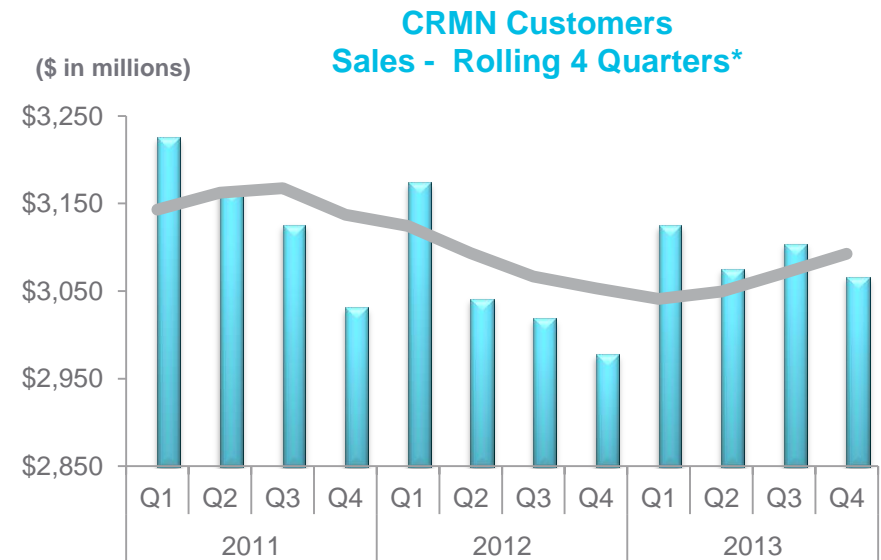
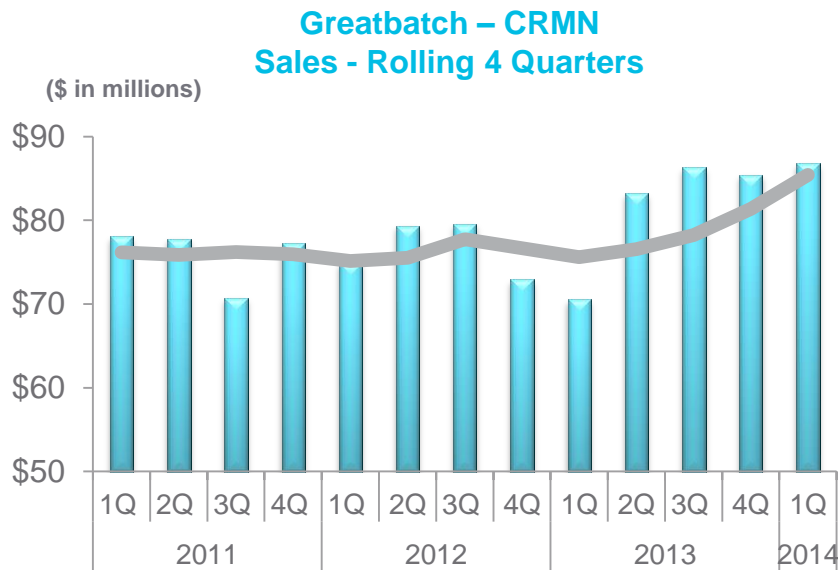
(\$ in thousands)

<u>Product Line</u>	<u>Q1 2014</u>	<u>Q1 2013</u>	<u>Chg.</u>
Greatbatch Medical			
Cardiac/Neuromodulation	\$ 86,780	\$ 70,524	23 %
Orthopaedic	36,431	29,623	23 %
Portable Medical	19,203	18,889	2 %
Vascular	13,050	10,624	23 %
EME	18,131	17,962	1 %
Total Greatbatch Medical	173,595	147,622	18 %
QiG	686	643	7 %
Total Sales	<u>\$ 174,281</u>	<u>\$ 148,265</u>	18 %
Organic Constant Currency Sales Growth	17 %	(4) %	
Orthopaedic Organic Constant Currency Sales Growth	20 %	11 %	

Q1 PERFORMANCE

Cardiac/Neuromodulation (CRMN): (50% total revenues; 23% organic growth)

- Strong growth from customer product launches, inventory replenishments and sale force productivity

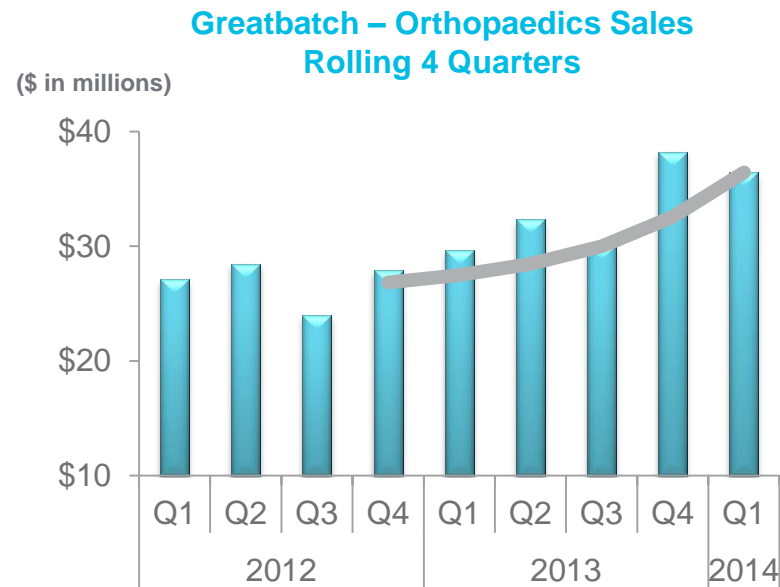


*Public data through Q4 2013, Q1 2014 reportable companies (only one company)

Q1 PERFORMANCE

Orthopaedics: (21% of total revenues; 20% organic constant currency growth)

- Progressive sales and marketing efforts expanding customer base
- Growth in implants and instruments



Q1 PERFORMANCE

Portable Medical: (11% total revenues; 2% organic growth)

- Share gains while refining product positioning
- Continued strength in rechargeable battery applications

Vascular: (7% total revenues; 23% organic growth)

- Marketing initiatives and sales force productivity
- Steerable catheter strengthens

EME: (10% total revenues; 1% organic growth)

- Sustained customer ordering patterns



FINANCIAL RESULTS

Q1 FINANCIAL RESULTS

(\$ in thousands except for EPS)

(Dollars in thousands, except per share data)	Three Months Ended				
	April 4, 2014	March 29, 2013	% Change	January, 3 2014	% Change
Sales	\$ 174,281	\$ 148,265	18%	\$ 176,619	-1%
Organic Constant Currency Sales Growth	17 %	(4) %		13 %	
GAAP Operating Income	\$ 22,524	\$ 14,339	57%	\$ 12,863	75%
GAAP Operating Income as % of Sales	12.9 %	9.7 %		7.3 %	
Adjusted Operating Income*	\$ 22,310	\$ 19,311	16%	\$ 19,407	15%
Adjusted Operating Income as % of Sales	12.8 %	13 %		11 %	
GAAP Diluted EPS	\$ 0.58	\$ 0.23	152%	\$ 0.38	53%
Adjusted Diluted EPS*	\$ 0.54	\$ 0.44	23%	\$ 0.55	-2%
Adjusted EBITDA*	\$ 31,562	\$ 28,075	12%	\$ 28,715	10%
Adjusted EBITDA as a % Sales	18.1 %	18.9 %		16.3 %	

* Refer to Tables A, B and C at the end of this release for a reconciliation of GAAP to adjusted amounts.



Q1 VARIANCE ANALYSIS

	Adj. EPS	Comments
2013 Adjusted EPS	\$ 0.44	
Mix / Volume	0.23	
Performance based compensation	(0.07)	
SG&A/RD&E	(0.07)	RD&E/DVT initiatives (\$0.03), lower NRE (\$0.02); and higher SG&A (\$0.02)
Other	0.01	Lower interest expense \$0.04 and adjusted tax rate \$0.01; offset by share count change (\$0.03)
	<u>\$0.10</u>	
2014 Adjusted EPS	\$0.54	

Q1 OPERATING CASH FLOW

(\$ in millions)

Net income	\$ 14.9
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Depreciation & Amortization	9.3
Debt related amortization included in Interest Expense	0.2
Stock Based Compensation	3.2
Change in Deferred Taxes & Other non cash gains	(4.3)
Changes in operating assets and liabilities:	
Accounts receivable	(3.4)
Inventories	0.5
Prepaid expenses and other current assets	1.6
Accounts payable	(2.7)
Accrued expenses	(16.7)
Income taxes payable	4.4
Net cash provided by operating activities	\$ 7.0



2014 GUIDANCE

2014 GUIDANCE

(\$ in millions except for EPS)

	2013	2014 Guidance	Change
Sales	\$663.9	\$685 – \$705	3 – 6%
Adjusted Operating Margin ⁽¹⁾	12.5%	13.0 – 13.3%	50 - 80 bps
Adjusted Diluted EPS ⁽¹⁾	\$2.10	\$2.25 – \$2.35	7 – 12%
Adj. Operating Cash Flows ⁽²⁾	\$85.5	\$90 - \$100	5 - 17%
Capex	\$18.6	\$25 – \$35	34 - 88%
ROIC	7.9%	9%	110 bps

(1) Refer to Table D in the appendix for a reconciliation of GAAP to adjusted amounts

(2) Excludes \$28.8 million of tax payments on convertible notes in 2013.

APPENDIX

GAAP RECONCILIATION

Table A: Operating Income Reconciliation

(dollars in thousands)	Three Months Ended							
	Greatbatch Medical		QiG		Unallocated		Total	
	April 4, 2014	March 29, 2013	April 4, 2014	March 29, 2013	April 4, 2014	March 29, 2013	April 4, 2014	March 29, 2013
Sales	\$ 173,595	\$ 147,622	\$ 686	\$ 643	\$ —	\$ —	\$ 174,281	\$ 148,265
Operating income (loss) as reported	\$ 35,128	\$ 26,515	\$ (5,913)	\$ (7,356)	\$ (6,691)	\$ (4,820)	\$ 22,524	\$ 14,339
Adjustments:								
Medical device DVT expenses (RD&E) ^(a)	—	—	—	1,734	—	—	—	1,734
Consolidation and optimization (income) costs	(546)	2,760	27	—	685	302	166	3,062
Acquisition and integration (income) expenses	—	40	(430)	70	2	1	(428)	111
Asset dispositions, severance and other	47	65	—	—	1	—	48	65
Adjusted operating income (loss)	\$ 34,629	\$ 29,380	\$ (6,316)	\$ (5,552)	\$ (6,003)	\$ (4,517)	\$ 22,310	\$ 19,311
Adjusted operating margin	19.9 %	19.9 %	N/A	N/A	N/A	N/A	12.8 %	13.0 %

(a) As a result of the Company's PMA submission to the FDA for its spinal cord neuromodulation system to treat chronic pain of the trunk and limbs in December 2013, the Company no longer is excluding DVT costs associated with this system from adjusted operating income and adjusted diluted EPS. DVT costs incurred in connection with the development of this system during the first quarter of 2014 were \$704 thousand.

GAAP RECONCILIATION

Table B: Net Income (loss) and Diluted EPS Reconciliation

	Three Months Ended			
	April 4, 2014		March 29, 2013	
(in thousands except per share amounts)	Net Income	Impact Per Diluted Share	Net Income	Impact Per Diluted Share
Net income as reported	\$ 14,922	\$ 0.58	\$ 5,663	0.23
Adjustments:				
Medical device DVT expenses (RD&E) ^(a)	—	—	1,127	0.05
Consolidation and optimization (income) costs ^(a)	(716)	(0.03)	2,340	0.1
Acquisition and integration (income) expenses ^(a)	(278)	(0.01)	72	—
Asset dispositions, severance and other ^(a)	31	—	65	—
Loss (gain) on cost and equity method investments, net ^{(a)(b)}	(534)	(0.02)	46	—
CSN conversion option discount and deferred fee accelerated amortization ^{(a)(c)}	—	—	2,906	0.12
R&D Tax Credit ^(d)	400	0.02	(1,500)	(0.06)
Adjusted net income and diluted EPS ^(e)	<u>\$ 13,825</u>	<u>\$ 0.54</u>	<u>\$ 10,719</u>	<u>\$ 0.44</u>
Adjusted diluted weighted average shares	25,694		24,415	

(a) Net of tax amounts computed using a 35% tax rate for all non-Swiss items and a 0% tax rate for Swiss items for both the 2014 and 2013 periods.

(b) Pre-tax amounts are a gain of \$822 thousand and a loss of \$70 thousand for the 2014 and 2013 periods, respectively.

(c) Pre-tax amount is \$4.5 million for the 2013 period.

(d) The federal R&D tax credit has not yet been extended for 2014. The 2014 amount assumes that the tax credit will be enacted for the full year 2014. The 2013 amount relates to the 2012 portion of the R&D tax credit which was reinstated in the first quarter of 2013 retroactive back to the beginning of 2012. As required, the impact of the R&D tax credit relating to 2012 was recognized in the first quarter 2013.

(e) The per share data in this table has been rounded to the nearest \$0.01 and therefore may not sum to the total.

GAAP RECONCILIATION

Table C: Adjusted EBITDA reconciliation

	Three Months Ended	
	April 4, 2014	March 29, 2013
(dollars in thousands)		
Sales	\$ 174,281	\$ 148,265
Adjusted operating income*	\$ 22,310	\$ 19,311
Add: Depreciation and amortization	9,252	8,764
Adjusted EBITDA	\$ 31,562	\$ 28,075
Adjusted EBITDA as a % of sales	18.1	18.9

* Refer to table A for a reconciliation of GAAP to adjusted amounts.

GAAP RECONCILIATION

Table D: EPS Reconciliation

	2013	2014 Guidance
GAAP Diluted EPS	\$1.43	\$1.94 - \$1.99
Adjustments:		
Other Operating Expense ⁽¹⁾	\$0.46	\$0.31 - \$0.35
DVT Builds ⁽¹⁾	\$0.15	
CSN conversion option discount and deferred fee accelerated amortization ⁽¹⁾	\$0.12	
R&D Tax Credits and other Tax Items ⁽¹⁾	(0.06)	
Adjusted Diluted EPS	\$2.10	\$2.25 - \$2.35

(1) Refer to the company's previously filed 10-K for further descriptions on the type of items included.

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