



Integer™

4Q18 Earnings Conference Call

February 21, 2019

Presentation of Financial Information & Forward-Looking Statements

Historical financial and operating data in this presentation reflect the consolidated results of Integer for the periods indicated.

This presentation includes financial information prepared in accordance with accounting principles generally accepted in the United States, or GAAP, as well as other financial measures referred to as non-GAAP. The non-GAAP financial measures in this presentation, which include Adjusted Net Income, Adjusted Diluted EPS, Earnings Before Interest Taxes Depreciation and Amortization (EBITDA), Adjusted EBITDA, and organic growth rates should be considered in addition to, but not as substitutes for, the information prepared in accordance with GAAP. For reconciliations of these non-GAAP financial measures to the most comparable GAAP measures, please refer to the appendix to this presentation and the earnings release associated with this quarterly period which can be found in the investor relations section of our corporate website (investor.integer.net).

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 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 and speak only as of **February 21, 2019**. The Company’s actual results could differ materially from those stated or implied by such forward-looking statements. The Company assumes no obligation 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 or prospects.

Agenda

- Opening Comments
- Financial Results
- Product Line Review
- 2019 Outlook
- Question & Answer Period

Opening Comments

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Strong Financial Results ...

Integer delivered another quarter of growth... despite difficult prior year comps

Met or exceeded guidance on financial performance through operational execution

4Q Financial Results

- 1% revenue growth against difficult prior year comps
- Strong profit leverage on revenue growth
- Strong cash generation and continued debt pay-down

Full Year 2018

- Exceeded revenue, EPS, cash flow and debt pay-down, and met EBITDA guidance, post AS&O divestiture
- \$700 million debt reduction ... deleveraged to 3.5x EBITDA from 5.6x

Portfolio & Product Strategy

Invest to Grow
Cardio & Vascular Neuromodulation Electrochem
Protect & Preserve
Cardiac Rhythm Management
Improve Profitability
Portable Medical

- Divested AS&O Product Line...\$400 million sales, 10 plants
- Developing and executing strategy to penetrate high growth segments in C&V (Electrophysiology, Structural Heart, Peripheral Vascular), Neuro and Electrochem
- Strengthening CRM customer relationships to maintain market leadership

Operational Strategy



Launched in September 2018 with top 100 leaders

- Multi-year plans developed
- Organization aligned and execution underway

Leadership

Strengthened Team

CFO – J. Garland
C&V President – P. Khales
CHRO – K. Thor

Expanded Scope

Manufacturing Excellence – J. Bolt
Business Process Excellence – J. Flanagan
Strategy/IR – T. Borowicz

In-Process

General Counsel

Financial Results

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4Q18 Adjusted Financial Results⁽¹⁾

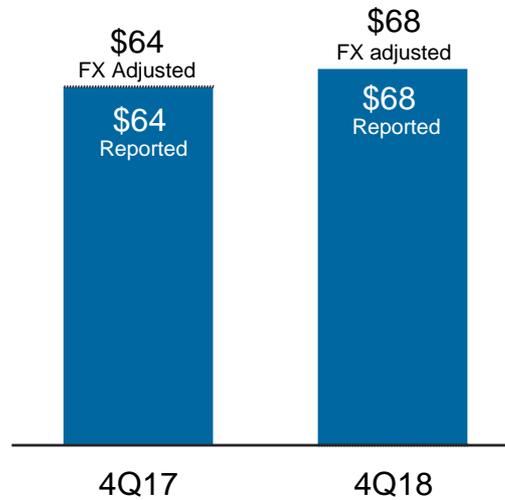
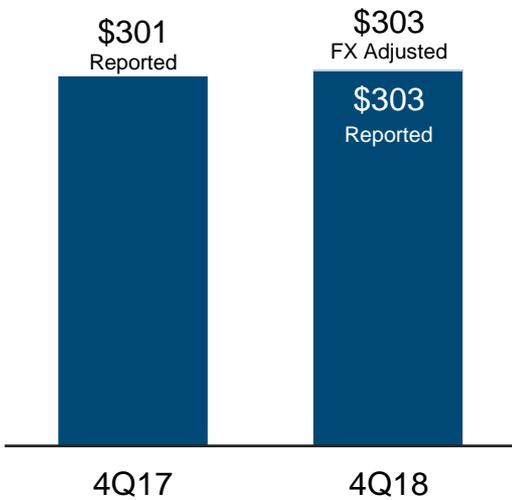
(\$ in millions, except per share amounts)

Adjusted Sales

Adjusted EBITDA

Adjusted Net Income

% Growth	1% organic ⁽²⁾ 1% reported	5% organic ⁽³⁾ 6% reported	19% organic ⁽³⁾ 20% reported
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- As reported GAAP and Non-GAAP numbers
- Foreign currency impact on reported GAAP and Non-GAAP numbers

Adj. EPS	Reported	\$0.89	\$1.04
	FX Adjusted	\$0.89	\$1.04

(1) Refer to the appendix of this presentation for a reconciliation of Adjusted EBITDA, Adjusted Net Income, Adjusted EPS, and organic growth rates to the most directly comparable GAAP measure

(2) Organic sales growth rate converts current period sales from local currency to U.S. dollars using the previous period's foreign currency exchange rates.

(3) Organic growth for Adjusted EBITDA, Adjusted Net Income, and Adjusted EPS exclude the impact of foreign currency reported in other (income) loss, net

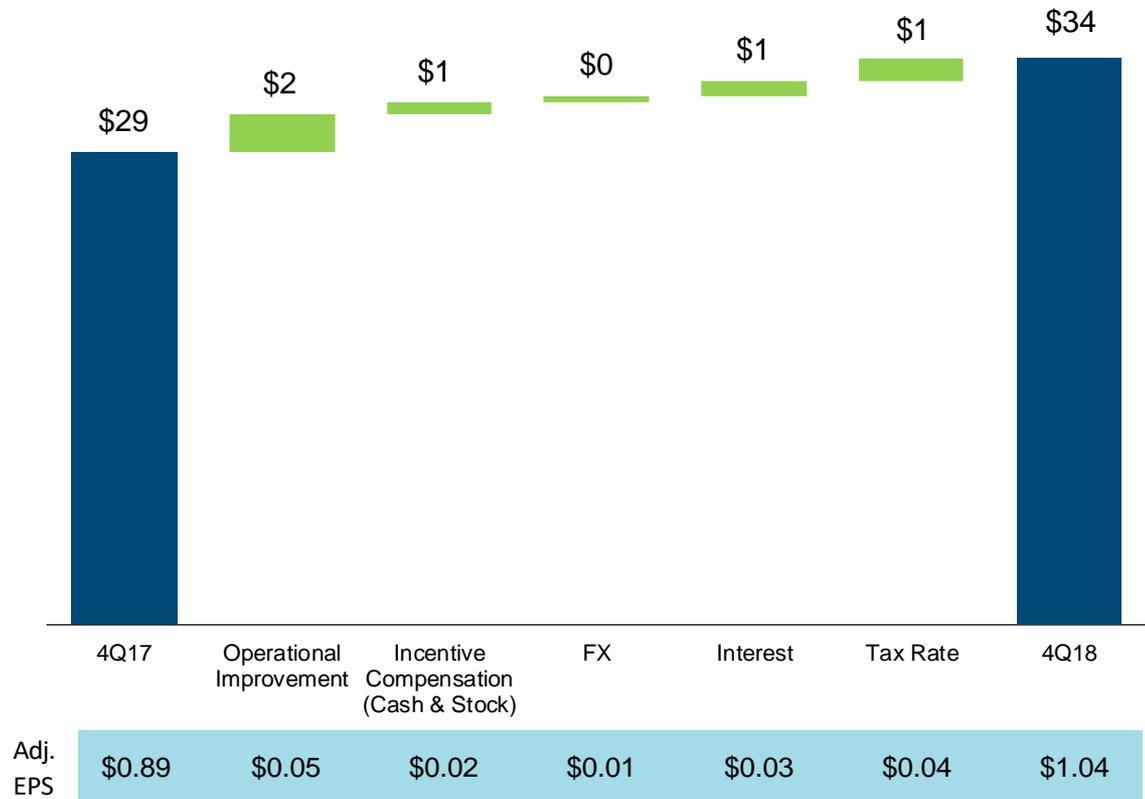
4Q18 Adjusted EBITDA & Net Income

(\$ in millions, except per share amounts)

Adjusted EBITDA



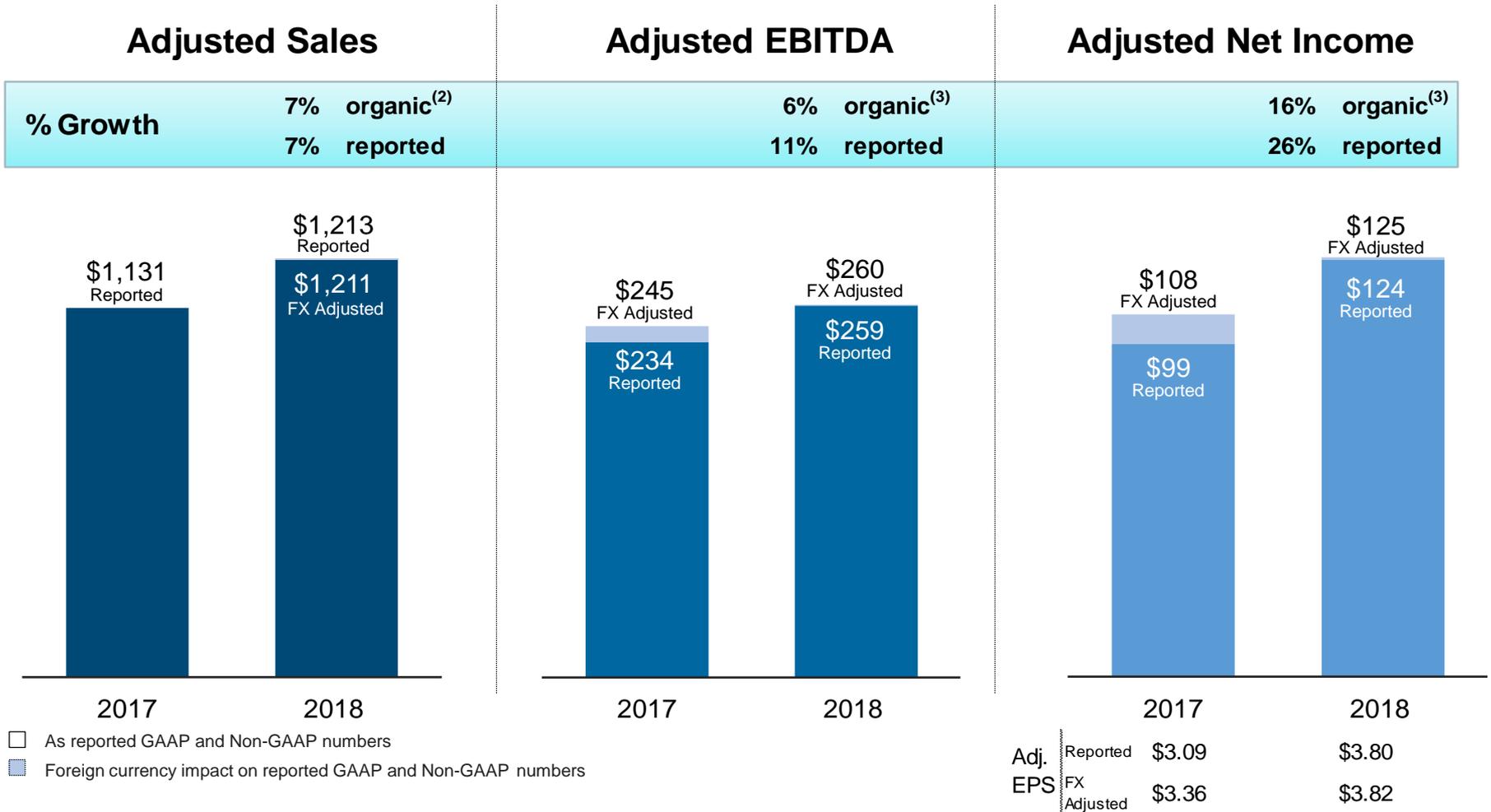
Adjusted Net Income



Note: Amounts may not sum due to rounding

2018 Adjusted Financial Results⁽¹⁾

(\$ in millions, except per share amounts)



(1) Refer to the appendix of this presentation for a reconciliation of Adjusted EBITDA, Adjusted Net Income, Adjusted EPS, and organic growth rates to the most directly comparable GAAP measure

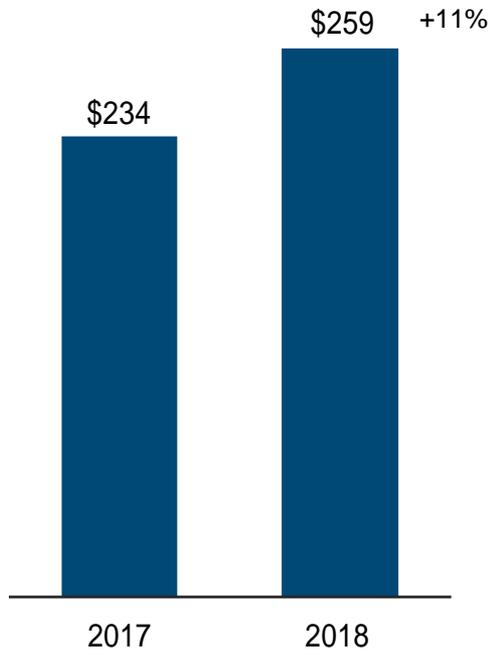
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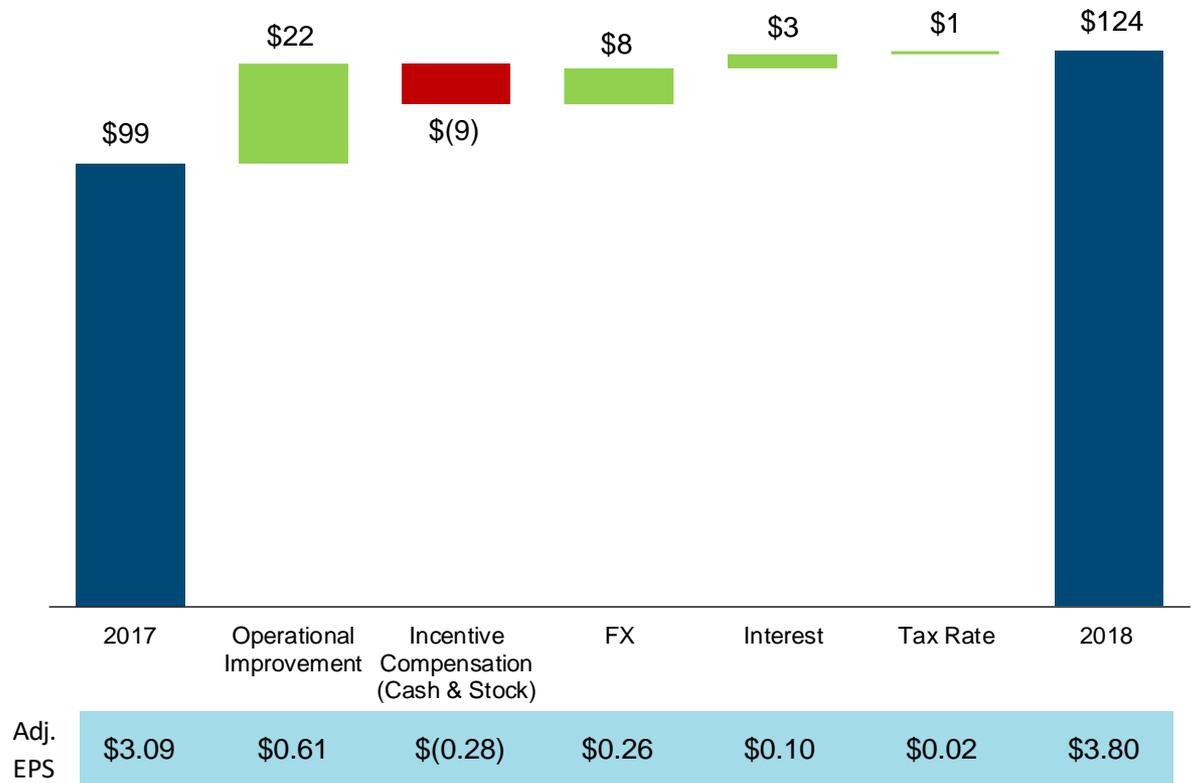
2018 Adjusted EBITDA & Net Income

(\$ in millions, except per share amounts)

Adjusted EBITDA



Adjusted Net Income



Note: Amounts may not sum due to rounding

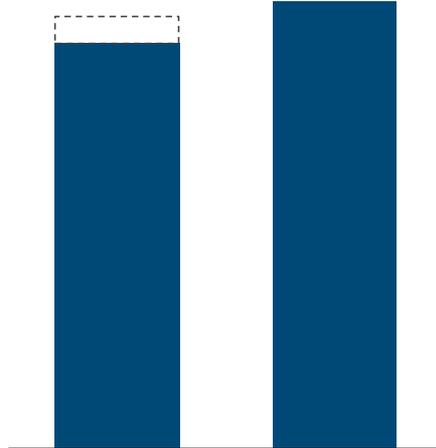
FY18 Actual Results compared to Guidance Post AS&O Divestiture

(\$ in millions, except per share amounts)

Adjusted Sales

Guidance⁽¹⁾ Actual

\$1,175 - \$1,200 \$1,213



% Reported
Growth

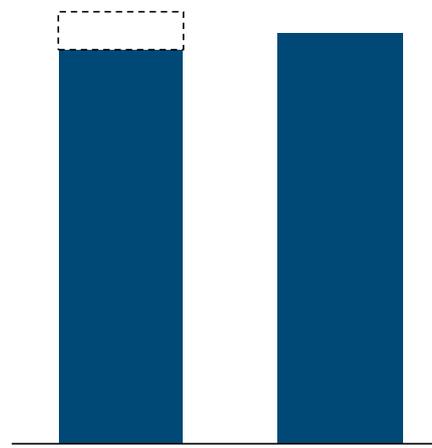
4% - 6%

7%

Adjusted EBITDA

Guidance⁽¹⁾ Actual

\$255 - \$265 \$259



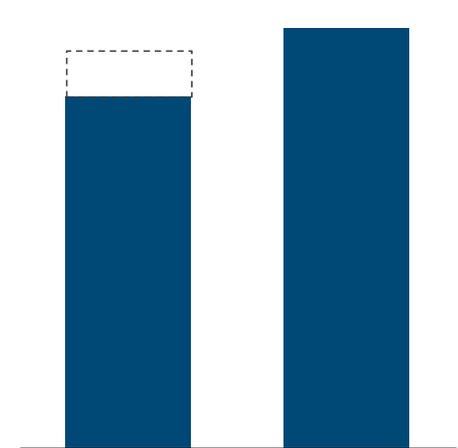
9% - 13%

11%

Adjusted EPS

Guidance⁽¹⁾ Actual

\$3.35 - \$3.65 \$3.80



9% - 19%

23%

Adjusted Sales and EPS exceeded guidance... Adjusted EBITDA within range

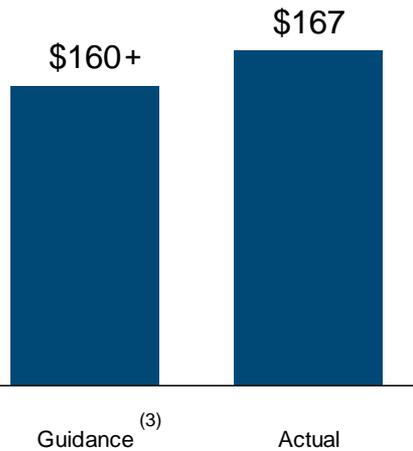
(1) FY2018 Outlook as provided on August 2, 2018 (post ASO divestiture)

FY18 Actual Results compared to Guidance

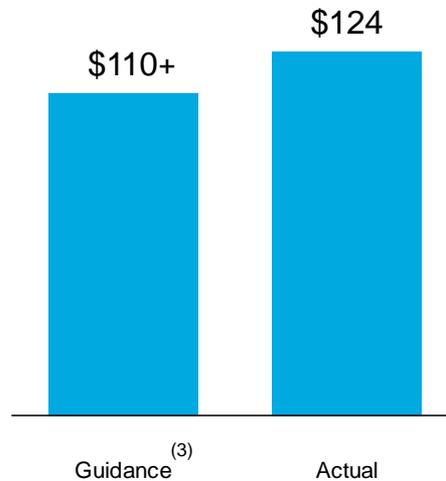
Post AS&O Divestiture

(\$ in millions, except per share amounts)

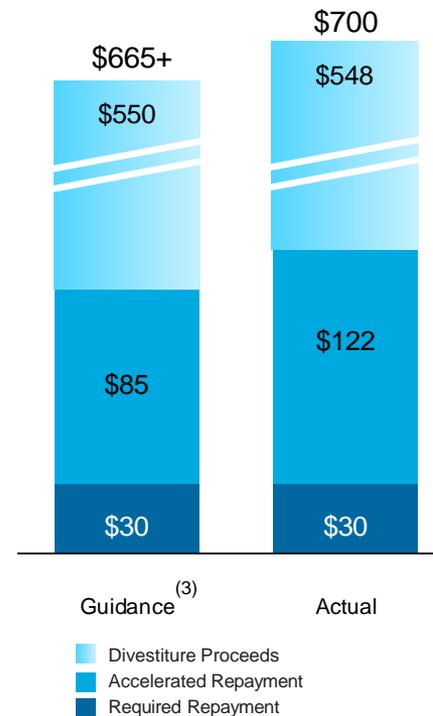
Cash Flow From Ops



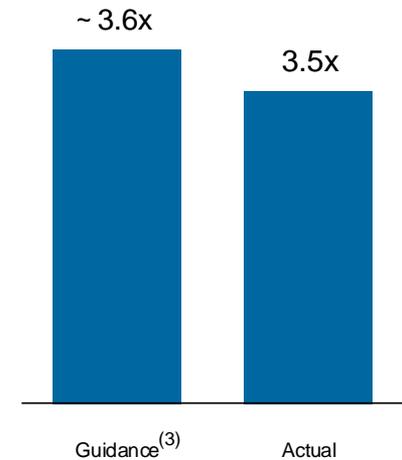
Free Cash Flow⁽¹⁾



Debt Payments



Leverage⁽²⁾



(1) Free Cash Flow defined as Cash Flow from Operations less Capital Expenditures, net

(2) Leverage calculated as total principal amount of debt outstanding less Cash and Cash Equivalents divided by Trailing 4 Quarter Adjusted EBITDA

(3) 2018 Guidance as provided on August 2, 2018 Earnings Call

Product Line Review

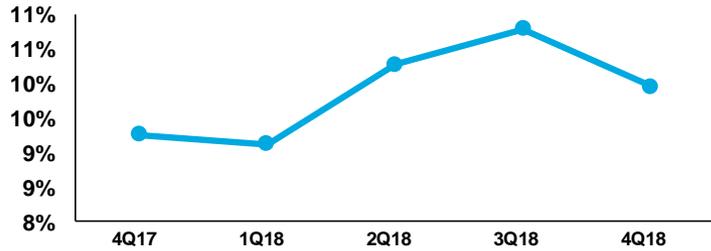
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Year-over-Year Sales Growth Continues⁽¹⁾

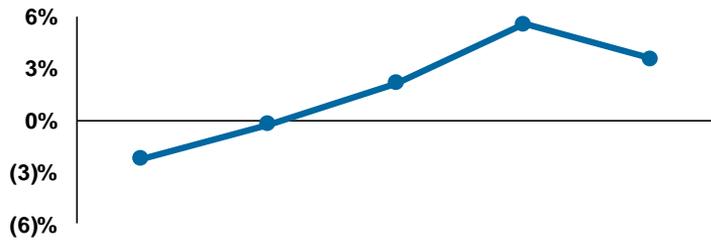


Trailing 4 Quarters

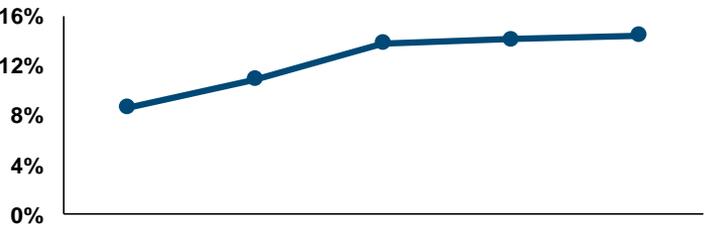
Cardio & Vascular



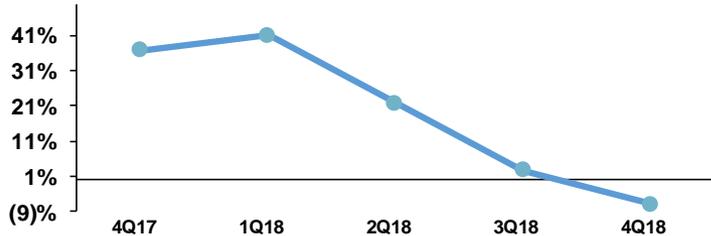
Cardiac & Neuromodulation



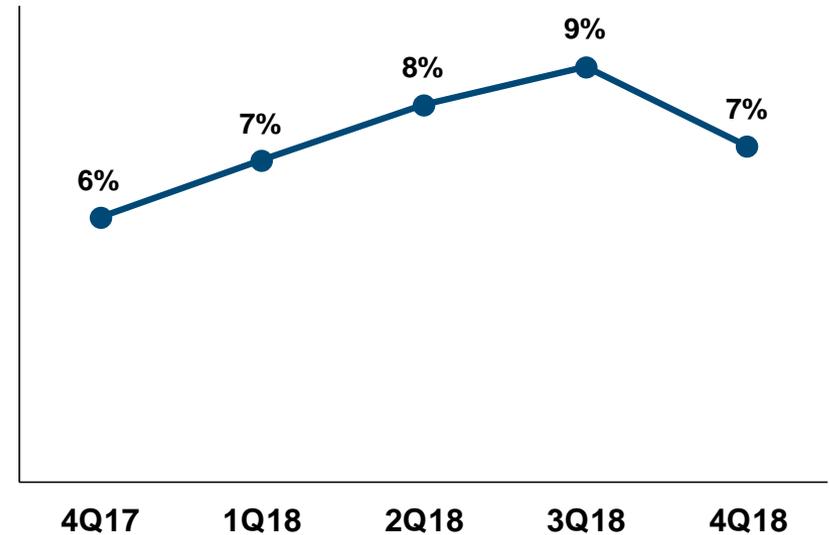
Advanced Surgical, Orthopedic & Portable Medical



Non-Medical (Electrochem)



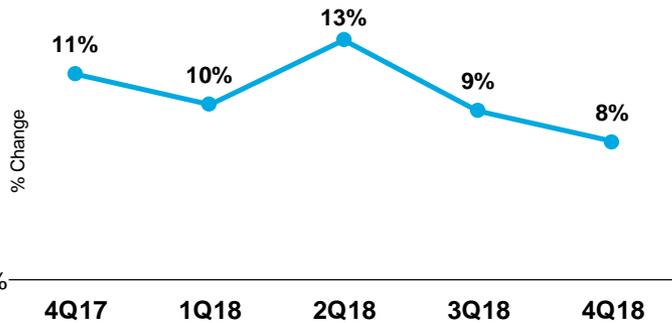
Integer



(1) Excludes impact from changes in foreign currency exchange rates

Offering a full-range of products and services for catheter-based interventional vascular devices and a suite of supply chain solutions to support the development and manufacturing of complex components, sub-assemblies and finished devices

Organic Quarterly Y-o-Y Growth



Reported Trailing 4-Quarter Sales
(\$ in millions)



Steerable Sheaths



Catheters & Sheaths



Guidewires, Stylets & Accessories

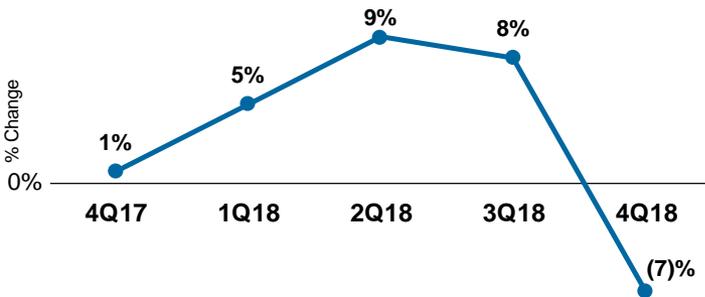


Introducers

- Q4 year-over-year revenue growth driven by customer market share gains and steady growth in C&V guidewires
- Trailing 4-quarter sales growth driven by increased focus on the high growth electrophysiology (EP), structural heart and peripheral vascular markets and demand from a specific EP customer program
- Expect above market rate of growth to continue from focus on high growth C&V market segments; with slight offset in EP market due to mature life cycle of specific customer programs

Providing technology solutions for the active implantable medical device industry by partnering with customers to bring high-quality products to established and emerging markets – from initial concept through to high-volume manufacturing

Organic Quarterly Y-o-Y Growth



Reported Trailing 4-Quarter Sales

(\$ in millions)



Pulse Generator Components & Assemblies



Leads & Lead Components, Adaptors & Assemblies

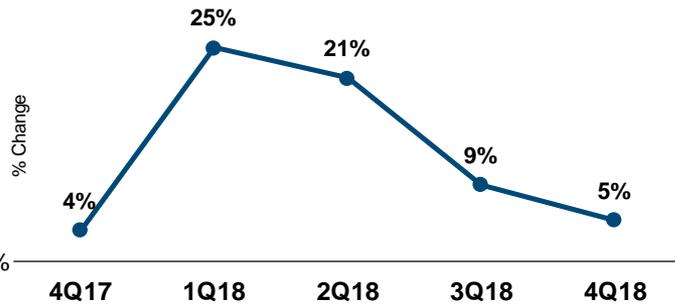


Pulse Generators & External Solutions (Programmers, Chargers, Patient Devices)

- Q4 revenue decline due to tough 2017 comparison impact from customer inventory timing reduction in anticipation of next generation products. CRM decline partially offset by modest Neuromodulation growth
- Trailing 4-quarter sales growth driven by strong double-digit increase in Neuro spinal cord stimulation products, while CRM sales were flat
- Expect flat CRM growth, in line with the market; with growth in Neuro

Supporting our divested AS&O business and providing technologies and solutions to Portable Medical markets

Organic Quarterly Y-o-Y Growth



Orthopedic Implants & Instruments



Electrosurgical Accessories



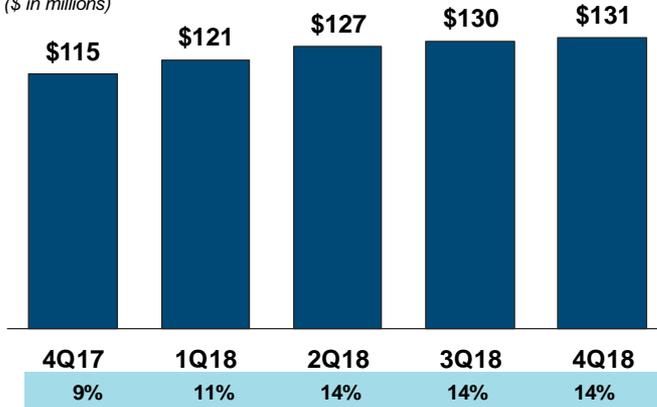
Li-Ion Battery Packs



Core Battery Pack Assemblies

Reported Trailing 4-Quarter Sales

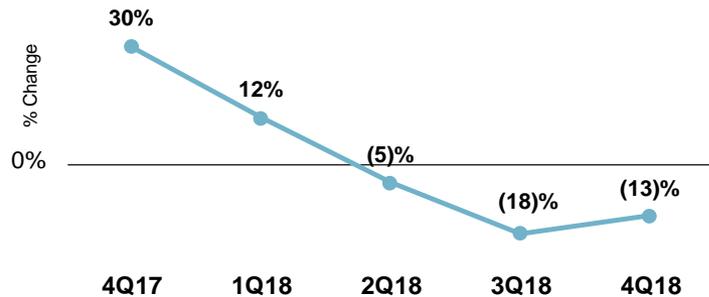
(\$ in millions)



- Q4 growth driven by strong demand in AS&O sales to Viant
- Trailing 4-quarter sales growth due to new Portable Medical customer programs & above market AS&O demand
- Expect sales to be positively impacted by increased Orthopedic demand and Portable Medical market growth

Enhancing lives worldwide by providing superior power solutions that enable the success and advancement of our customers' critical applications

Organic Quarterly Y-o-Y Growth



Reported Trailing 4-Quarter Sales

(\$ in millions)



Battery Cells



Battery Packs



Battery Chargers

- Q418 sales decline due to lower Energy market demand and delayed new customer program launch
- Trailing 4-quarter sales reflects flattening of North American drilling activity and energy market conditions, decrease in military funding, and customer inventory reductions
- Expect strong growth to ramp up in 2019 from new customers, new products, and renewed military market funding

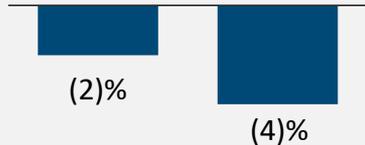
2019 Outlook

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Integer's Journey

Revenue Growth versus Prior Year:

2015 **2016**

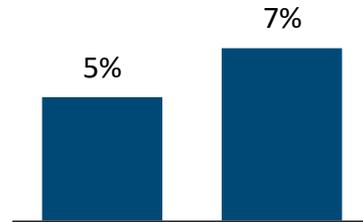


- **Revenue** → Declined
- **Profit** → Declined
- **Debt leverage** → >6x

Disruption

- Integrated \$1.7B Lake Region acquisition
- Spun off Nuvectra
- Challenging customer relationships

2017 **2018**

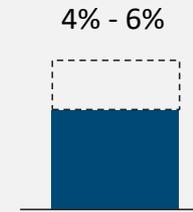


- Market growth
- ~1x revenue growth
- 6x → 3.5x

Stabilizing & Building

- New leadership team
- Operational stabilization
- Clear strategy
 - Portfolio change
 - Multi-year plans

2019 Guidance

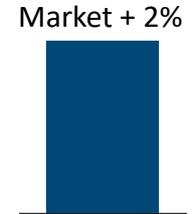


- Market growth
- 1.5x revenue growth
- 2.5x – 3.5x

Executing Strategy

- Product Line strategy
- Operational Strategic Imperatives
- Bolt-on acquisitions
- Disciplined capital deployment

Strategic Objectives



- 200bps above market
- 2x revenue growth
- 2.5x – 3.5x

Sustained Outperformance

“Excellence in everything we do”

2019 Outlook

(\$ in millions except per share amounts)



Adjusted Sales

Adjusted EBITDA

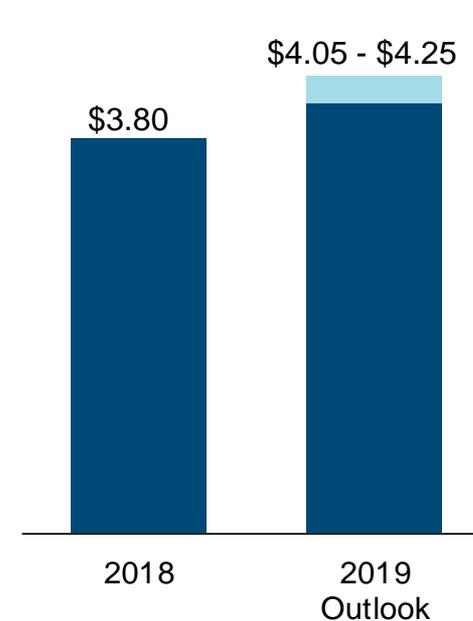
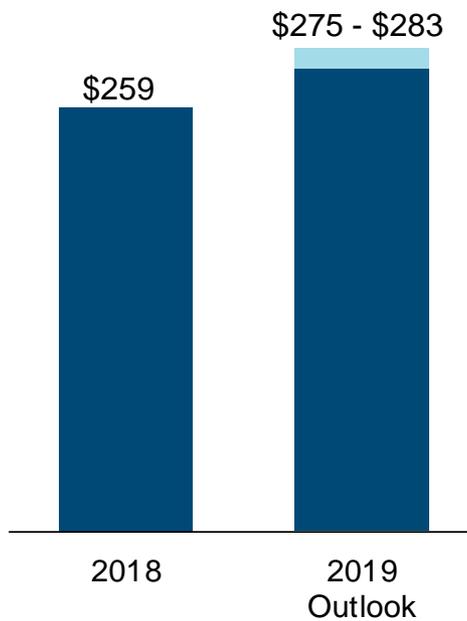
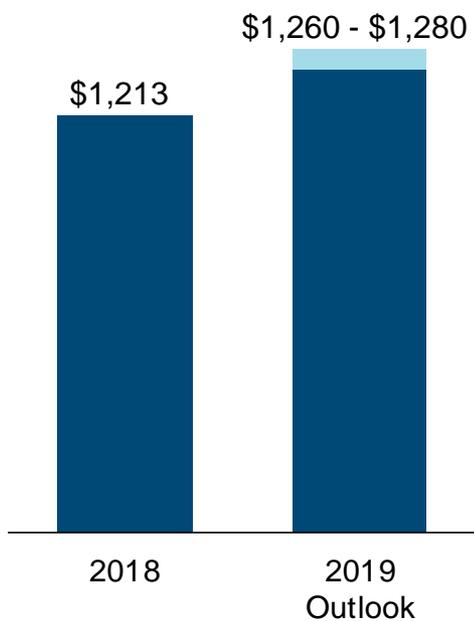
Adjusted EPS

Growth %

4% - 6%

6% - 9%

7% - 12%

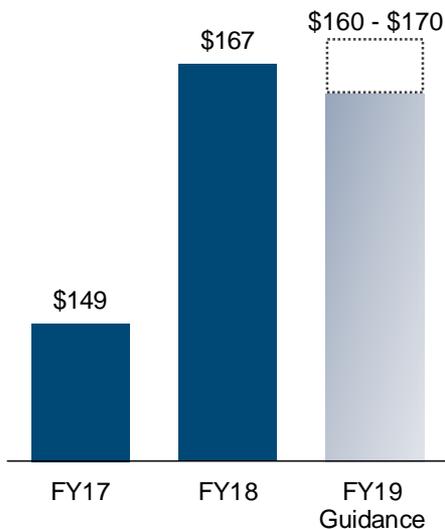


2019 Cash Flow Outlook

(\$ in millions)



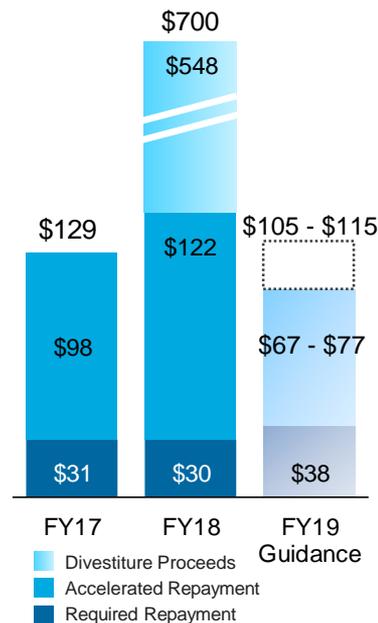
Cash Flow From Ops



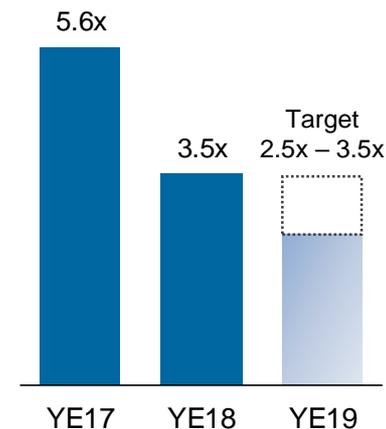
Free Cash Flow⁽¹⁾



Debt Payments



Leverage⁽²⁾

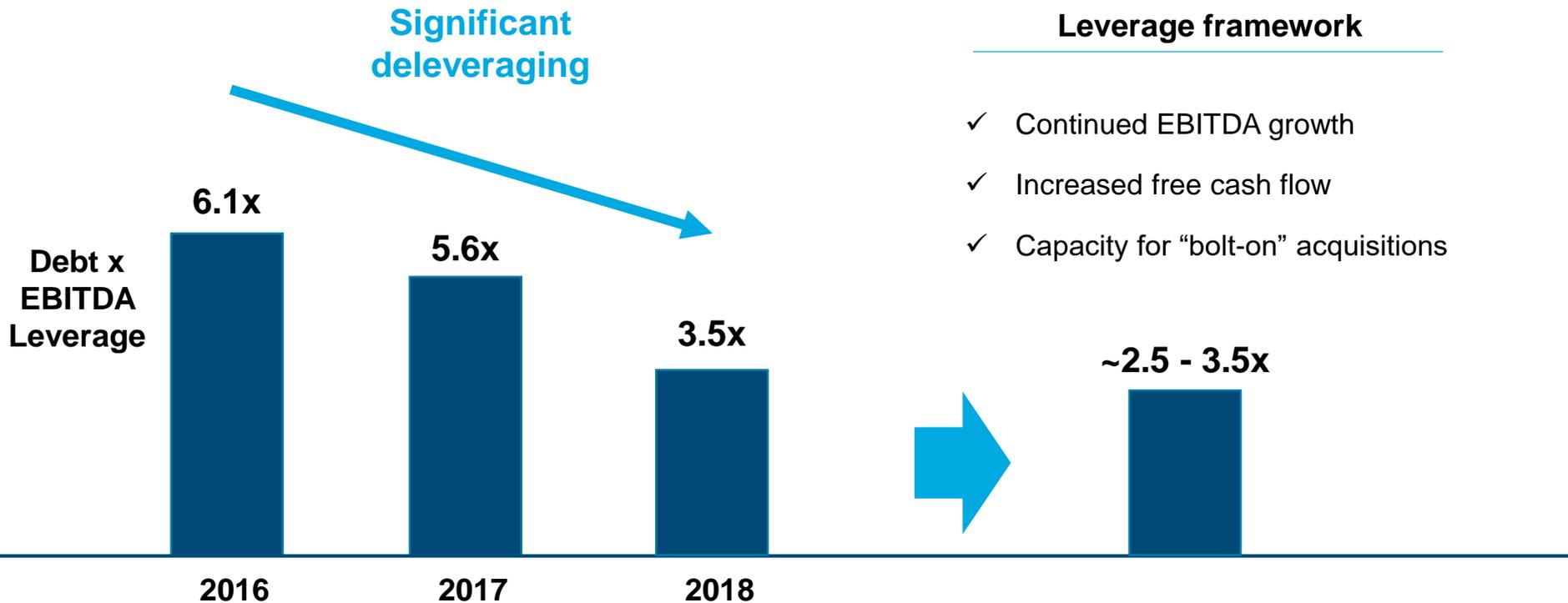


Continued deleveraging...

(1) Free Cash Flow defined as Cash Flow from Operations less Capital Expenditures, net

(2) Leverage calculated as total principal amount of debt outstanding less Cash and Cash Equivalents divided by Trailing 4 Quarter Adjusted EBITDA

Target debt to EBITDA leverage ratio



Disciplined capital deployment

Summary

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Focused Strategy to Drive Long-term Growth

Portfolio Strategy

*How we win
in the markets we serve*

Invest to Grow
Cardio & Vascular Neuromodulation Electrochem
Protect & Preserve
Cardiac Rhythm Management
Improve Profitability
Portable Medical

Operational Strategy: Strategic Imperatives

How we achieve excellence in everything we do



Portfolio & Product Strategy

Invest to Grow
Cardio & Vascular Neuromodulation Electrochem
Protect & Preserve
Cardiac Rhythm Management
Improve Profitability
Portable Medical

- Developing and executing strategy to penetrate high growth segments
- Strengthening CRM customer relationships to maintain market leadership
- Investing more aggressively to grow both organically and inorganically

Operational Strategy



- Customers: Laying foundation for above market growth
- Costs: Mfg excellence plan to deliver profit growth 2x revenue growth
- Culture: Establishing a culture of learning, accountability and excellence

Delivering Guidance

- Improved 2017 and 2018 track record
- Earnings growth = Sales growth...
Need to drive improved operating leverage

2019 Outlook

- Revenue = Market growth ~4% - 6%
- Profit = ~1.5x Revenue growth

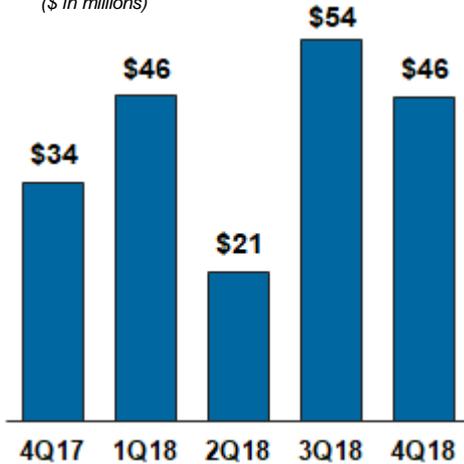
APPENDIX

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Continued Deleveraging

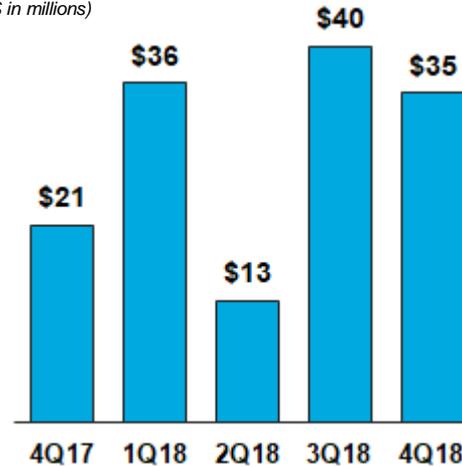
Cash Flow From Ops

(\$ in millions)



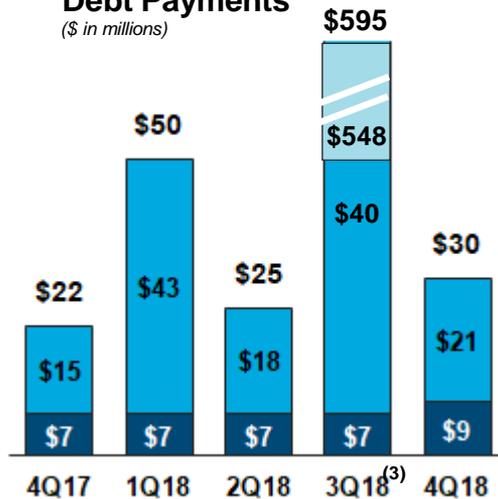
Free Cash Flow (1)

(\$ in millions)

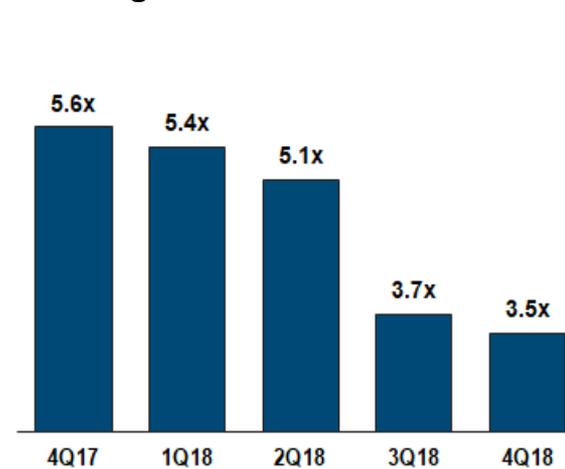


Debt Payments

(\$ in millions)



Leverage (2)



2018 Highlights

- Reduced leverage ratio to 3.5 times adjusted EBITDA
- \$548M from divestiture proceeds
- \$122M in additional accelerated pay down
- No significant maturities until 2021; well within covenants

(1) Free Cash Flow defined as Cash Flow from Operations less Capital Expenditures, net

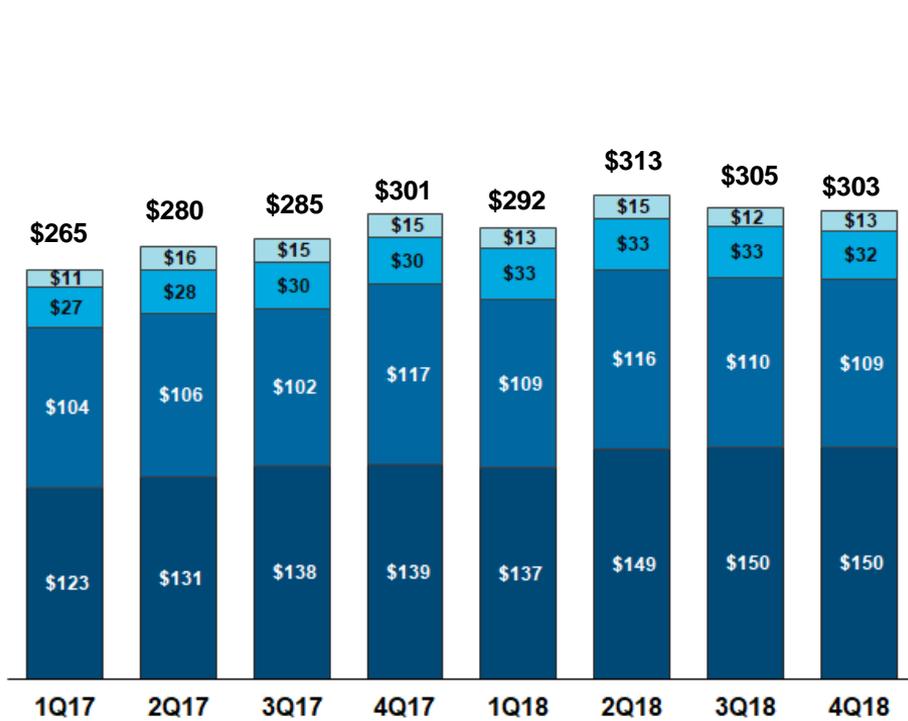
(2) Leverage calculated as total principal amount of debt outstanding less Cash and Cash Equivalents divided by trailing 4 quarter Adjusted EBITDA

(3) 3Q18 Accelerated Repayments totaled \$588M; \$548 from divestiture proceeds plus \$40M from operations

Historical Financial Results

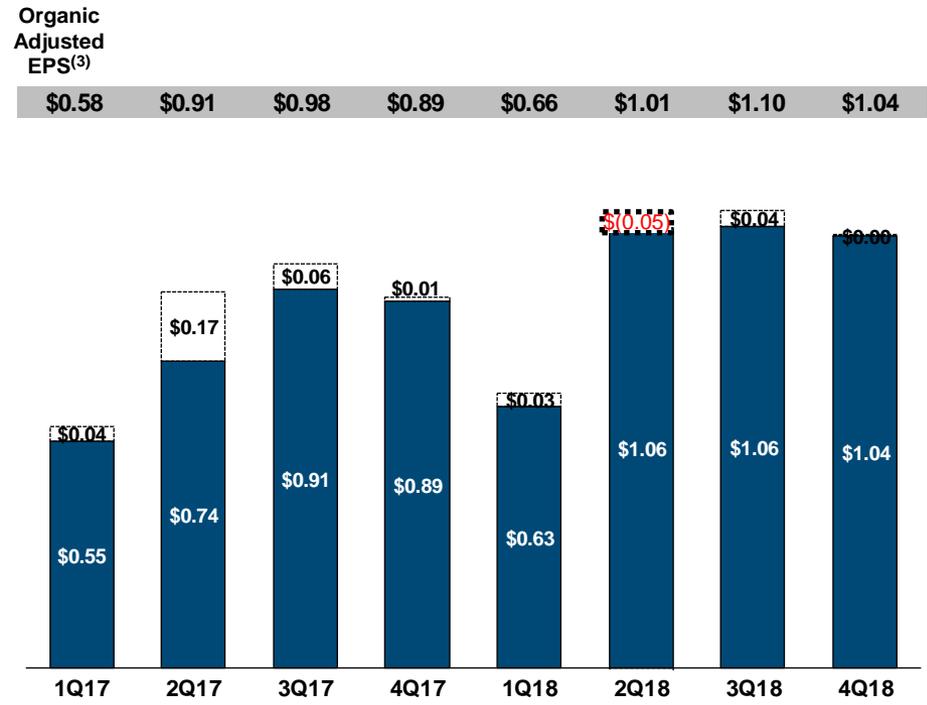
(\$ in millions except per share amounts)

Adjusted Sales



- Non-Medical
- Advanced Surgical, Orthopedics & Portable Medical
- Cardiac/Neuromodulation
- Cardio and Vascular

Adjusted EPS^{(1) (2)}



- ▨ Impact of foreign currency reported in other gain or loss, net
- Adjusted EPS, as reported

- (1) Refer to the appendix of this presentation for a reconciliation of Adjusted EPS to the most directly comparable GAAP measure
- (2) The quarterly and annual EPS numbers are calculated independently and may not sum to the total
- (3) Excludes impact of foreign currency reported in other gain or loss, net

2019 Full-Year Outlook

Supplemental Items Affecting Cash Flow

(\$ in millions, except per share amounts)

	2019 Outlook	2018 Actual
Capital Expenditures, Net	\$50 - \$55	\$44
Depreciation and Amortization	\$75 - \$85	\$89
Stock-Based Compensation	\$10 - \$12	\$10
Other Operating Expense	\$10 - \$15	\$16
Adjusted Effective Tax Rate	17.5% - 19.5%	18.5%
Cash Tax Payments	\$30 - \$35	\$23

Non-GAAP Reconciliation

Net Income and Diluted EPS Reconciliation – QTD

(\$ in thousands, except per share amounts)

	Three Months Ended					
	December 28, 2018			December 29, 2017		
	Pre-Tax	Net of Tax	Per Diluted Share	Pre-Tax	Net of Tax	Per Diluted Share
As reported income from continuing operations (GAAP)	\$ 25,323	\$ 19,196	\$ 0.58	\$ 16,274	\$ 54,698	\$ 1.69
Adjustments:						
Amortization of intangibles (excluding OOE) ^(a)	9,878	7,815	0.24	10,193	7,117	0.22
IP related litigation (SG&A) ^{(a)(b)}	1,274	1,007	0.03	1,348	876	0.03
Strategic reorganization and alignment (OOE) ^{(a)(c)}	2,200	1,728	0.05	5,891	3,829	0.12
Manufacturing alignment to support growth (OOE) ^{(a)(d)}	596	416	0.01	—	—	—
Consolidation and optimization expenses (OOE) ^{(a)(e)}	146	117	—	4,880	3,733	0.12
Acquisition and integration expenses (OOE) ^{(a)(f)}	—	—	—	813	926	0.03
Asset dispositions, severance and other (OOE) ^{(a)(g)}	508	402	0.01	364	356	0.01
Gain on equity investments, net ^(a)	(78)	(61)	—	(1,354)	(880)	(0.03)
Loss on extinguishment of debt ^{(a)(h)}	546	431	0.01	252	164	0.01
LSA and other non-recurring adjustments ^{(a)(i)}	797	630	0.02	(3,611)	(2,347)	(0.07)
Tax adjustments ^(j)	—	2,697	0.08	—	(39,806)	(1.23)
Adjusted income from continuing operations (Non-GAAP)	<u>\$ 41,190</u>	<u>\$ 34,378</u>	<u>\$ 1.04</u>	<u>\$ 35,050</u>	<u>\$ 28,666</u>	<u>\$ 0.89</u>
Diluted weighted average shares for adjusted EPS		33,029			32,383	

See the Footnotes to this table on Slide 34 of this presentation

Non-GAAP Reconciliation

Net Income and Diluted EPS Reconciliation – QTD

(\$ in thousands, except per share amounts)

	Year Ended					
	December 28, 2018			December 29, 2017		
	Pre-Tax	Net of Tax	Per Diluted Share	Pre-Tax	Net of Tax	Per Diluted Share
As reported income from continuing operations (GAAP)	\$ 61,116	\$ 47,033	\$ 1.44	\$ 49,259	\$ 87,087	\$ 2.72
Adjustments:						
Amortization of intangibles (excluding OOE) ^(a)	40,946	32,338	0.99	40,568	28,322	0.88
IP related litigation (SG&A) ^{(a)(b)}	2,820	2,228	0.07	4,375	2,844	0.09
Strategic reorganization and alignment (OOE) ^{(a)(c)}	10,624	8,390	0.26	5,891	3,829	0.12
Manufacturing alignment to support growth (OOE) ^{(a)(d)}	3,089	2,257	0.07	—	—	—
Consolidation and optimization expenses (OOE) ^{(a)(e)}	844	670	0.02	12,803	10,258	0.32
Acquisition and integration expenses (OOE) ^{(a)(f)}	—	—	—	10,870	7,202	0.22
Asset dispositions, severance and other (OOE) ^{(a)(g)}	1,508	1,178	0.04	6,874	4,500	0.14
Gain on equity investments, net ^(a)	(5,623)	(4,442)	(0.14)	1,565	1,017	0.03
Loss on extinguishment of debt ^{(a)(h)}	42,674	33,712	1.03	3,524	2,291	0.07
LSA and other non-recurring adjustments ^{(a)(i)}	(5,322)	(4,204)	(0.13)	(12,972)	(8,431)	(0.26)
Tax adjustments ^(j)	—	5,231	0.16	—	(39,806)	(1.24)
Adjusted income from continuing operations (Non-GAAP)	<u>\$ 152,676</u>	<u>\$ 124,391</u>	\$ 3.80	<u>\$ 122,757</u>	<u>\$ 99,113</u>	\$ 3.09
Diluted weighted average shares for adjusted EPS ^(k)		32,768			32,056	

See the Footnotes to this table on Slide 34 of this presentation

Footnotes to Non-GAAP Reconciliation

- (a) The difference between pre-tax and income (loss) amounts is the estimated tax impact related to the respective adjustment. Income (loss) amounts are computed using a 21% U.S. tax rate (35% U.S. tax rate for 2017 periods), and the statutory tax rates in Mexico, Netherlands, Uruguay, Ireland and Switzerland, as adjusted for the existence of NOLs. Amortization of intangibles and OOE expense have also been adjusted to reflect the estimated impact relating to our disallowed deduction of the GILTI tax, as described in footnote (j) below. Expenses that are not deductible for tax purposes (i.e. permanent tax differences) are added back at 100%.
- (b) In 2013, we filed suit against AVX Corporation alleging they were infringing our intellectual property. Given the complexity and significant costs incurred pursuing this litigation, we are excluding these litigation expenses from adjusted amounts. This matter proceeded to trial during the first quarter of 2016 and again in the third quarter of 2017 that resulted in a jury awarding damages in the amount of \$37.5 million in damages. In March 2018, the court vacated that damage award and ordered a new trial on damages. In the January 2019 retrial on damages, the jury awarded damages in the amount of \$22.2 million in damages. That finding is subject to post-trial proceedings. To date, no gains have been recognized in connection with this litigation.
- (c) As a result of the strategic review of our customers, competitors and markets we undertook during the fourth quarter of 2017, we began to take steps to better align our resources in order to invest to grow, protect, preserve and to enhance the profitability of our portfolio of products. This will include focusing our investment in RD&E and manufacturing, improving our business processes and redirecting investments away from projects where the market does not justify the investment. As a result, during 2018 we incurred charges related to this strategy, which primarily consisted of severance costs and fees for professional services.
- (d) In 2017, we initiated several initiatives designed to reduce costs, improve operating efficiencies and increase manufacturing capacity to accommodate growth. The plan involves the relocation of certain manufacturing operations and expansion of certain of our facilities.
- (e) During 2018 and 2017, we incurred costs primarily related to the closure of our Clarence, NY facility and the transfer of our Beaverton, OR portable medical and Plymouth, MN vascular manufacturing operations to Tijuana, Mexico.
- (f) Reflects acquisition and integration costs related to the acquisition of Lake Region Medical, which occurred in October 2015.
- (g) Amounts for 2017 primarily include expenses related to our CEO and CFO transitions.
- (h) Represents debt extinguishment charges in connection with pre-payments made on our Term B Loan Facility, which are included in interest expense. In addition, the 2018 periods include a "make-whole" premium of \$31.3 million, paid as a result of redeeming our senior notes in July 2018.
- (i) Other adjustments primarily reflects the net impact on prior periods of the LSAs entered into as of the closing of the divestiture of the AS&O product line. These LSAs govern the sale of products supplied by Viant to the Company for further resale to customers and by the Company to Viant for further resale to customers.
- (j) Tax adjustments includes the estimated impact relating to our disallowed deduction of the GILTI tax, as mandated by the Tax Reform Act. This disallowed deduction of the GILTI tax (approximately 50% of the total GILTI tax) is due to the Company making use of its U.S. NOLs, and will be eliminated once the Company's U.S. NOLs are fully utilized, which is expected to be in 2019. This adjustment makes our Adjusted Diluted EPS from continuing operations more comparable with other global companies that are not subject to this disallowed GILTI tax deduction and more comparable to the Company's results following the full utilization of its U.S. NOLs. Tax adjustments for the 2017 periods represent the net tax benefit resulting from the Tax Reform Act and include a discrete tax charge in the fourth quarter of 2017 in connection with the enactment of regulations under §987 of the Internal Revenue Code, which resulted in an adjustment to our deferred tax assets.

Non-GAAP Reconciliation

4Q18 Net Income and Diluted EPS Reconciliation – Detailed View

(\$ in thousands, except per share amounts)

	2018						2017		CHANGE
	GAAP	Adjustments					Non-GAAP	Non-GAAP	
	Continuing Operations	Amortization of intangibles	IP related litigation	Other operating expenses	Debt / investment related charges	Tax and Other Adjustments	Adjusted Continuing Operations	Adjusted Continuing Operations	
Sales	\$ 303,034	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 303,034	\$ 300,692	0.8%
Cost of sales	214,589	(3,378)	-	-	-	-	211,211	206,781	2.1%
Gross profit	88,445	3,378	-	-	-	-	91,823	93,911	-2.2%
<i>Gross margin</i>	29%	1%	0%	0%	0%	0%	30%	31%	-0.9%
Operating expenses:									
Selling, general and administrative	35,141	(6,462)	(1,274)	-	-	-	27,405	30,565	-10.3%
<i>SG&A as a % of sales</i>	12%	-2%	0%	0%	0%	0%	9%	10%	-1.1%
Research, development and engineering	10,159	(38)	-	-	-	-	10,121	13,610	-25.6%
<i>RD&E as a % of sales</i>	3%	0%	0%	0%	0%	0%	3%	5%	-1.2%
Other operating expenses	3,450	-	-	(3,450)	-	-	-	-	0.0%
Total operating expenses	48,750	(6,500)	(1,274)	(3,450)	-	-	37,526	44,175	-15.1%
Operating income	39,695	9,878	1,274	3,450	-	-	54,297	49,736	9.2%
<i>Operating margin</i>	13%	3%	0%	1%	0%	0%	18%	17%	1.4%
Interest expense	13,955	-	-	-	(546)	-	13,409	14,487	-7.4%
Gain on equity investments	(78)	-	-	-	78	-	-	-	0.0%
Other (income) loss, net	495	-	-	-	-	(797)	(302)	199	-251.8%
Income before taxes	25,323	9,878	1,274	3,450	468	797	41,190	35,050	17.5%
Provision (benefit) for income taxes	6,127	2,063	267	787	98	(2,530)	6,812	6,384	6.7%
<i>Effective tax rate</i>	24%	21%	21%	23%	21%	-317%	17%	18%	-1.7%
Net income	\$ 19,196	\$ 7,815	\$ 1,007	\$ 2,663	\$ 370	\$ 3,327	\$ 34,378	\$ 28,666	19.9%
Diluted earnings per share	\$ 0.58	\$ 0.24	\$ 0.03	\$ 0.08	\$ 0.01	\$ 0.10	\$ 1.04	\$ 0.89	17.6%
Weighted average shares - Diluted	33,029	33,029	33,029	33,029	33,029	33,029	33,029	32,383	2.0%

Non-GAAP Reconciliation

FY18 Net Income and Diluted EPS Reconciliation – Detailed View

(\$ in thousands, except per share amounts)

	2018						2017		CHANGE
	GAAP	Adjustments					Non-GAAP	Non-GAAP	
	Continuing Operations	Amortization of intangibles	IP related litigation	Other operating expenses	Debt / investment related charges	Tax and Other Adjustments	Adjusted Continuing Operations	Adjusted Continuing Operations	
Sales	\$ 1,215,012	\$ -	\$ -	\$ -	\$ -	\$ (2,003)	\$ 1,213,009	\$ 1,130,754	7.3%
Cost of sales	852,347	(14,134)	-	-	-	4,116	842,329	774,533	8.8%
Gross profit	362,665	14,134	-	-	-	(6,119)	370,680	356,221	4.1%
<i>Gross margin</i>	30%	1%	0%	0%	0%	-1%	31%	32%	-0.9%
Operating expenses:									
Selling, general and administrative	142,441	(26,658)	(2,820)	-	-	-	112,963	113,858	-0.8%
<i>SG&A as a % of sales</i>	12%	-2%	0%	0%	0%	0%	9%	10%	-0.8%
Research, development and engineering	48,604	(154)	-	-	-	-	48,450	48,305	0.3%
<i>RD&E as a % of sales</i>	4%	0%	0%	0%	0%	0%	4%	4%	-0.3%
Other operating expenses	16,065	(514)	-	(15,551)	-	-	-	-	0.0%
Total operating expenses	207,110	(27,326)	(2,820)	(15,551)	-	-	161,413	162,163	-0.5%
Operating income	155,555	41,460	2,820	15,551	-	(6,119)	209,267	194,058	7.8%
<i>Operating margin</i>	13%	3%	0%	1%	0%	-1%	17%	17%	0.1%
Interest expense	99,310	-	-	-	(42,674)	-	56,636	60,448	-6.3%
Gain on equity investments	(5,623)	-	-	-	5,623	-	-	-	0.0%
Other (income) loss, net	752	-	-	-	-	(797)	(45)	10,853	-100.4%
Income before taxes	61,116	41,460	2,820	15,551	37,051	(5,322)	152,676	122,757	24.4%
Provision (benefit) for income taxes	14,083	8,716	592	3,462	7,781	(6,349)	28,285	23,644	19.6%
<i>Effective tax rate</i>	23%	21%	21%	22%	21%	119%	19%	19%	-0.7%
Net income	\$ 47,033	\$ 32,744	\$ 2,228	\$ 12,089	\$ 29,270	\$ 1,027	\$ 124,391	\$ 99,113	25.5%
Diluted earnings per share	\$ 1.44	\$ 1.00	\$ 0.07	\$ 0.37	\$ 0.89	\$ 0.03	\$ 3.80	\$ 3.09	22.8%
Weighted average shares - Diluted	32,596	32,768	32,768	32,768	32,768	32,768	32,768	32,056	2.2%

Non-GAAP Reconciliation

EBITDA and Adjusted EBITDA Reconciliation

(\$ in thousands)

	Three Months Ended		Year Ended	
	December 28, 2018	December 29, 2017	December 28, 2018	December 29, 2017
Income from continuing operations (GAAP)	\$ 19,196	\$ 54,698	\$ 47,033	\$ 87,087
Interest expense	13,955	14,739	99,310	63,972
Provision (benefit) for income taxes	6,127	(38,424)	14,083	(37,828)
Depreciation	10,149	9,815	40,078	38,077
Amortization of intangibles (excluding OOE)	9,878	10,193	40,946	40,568
EBITDA from continuing operations	59,305	51,021	241,450	191,876
IP related litigation	1,274	1,348	2,820	4,375
Stock-based compensation (excluding OOE)	2,786	4,167	10,051	11,283
Strategic reorganization and alignment	2,200	5,891	10,624	5,891
Manufacturing alignment to support growth	596	—	3,089	—
Consolidation and optimization expenses	146	4,880	844	12,803
Acquisition and integration expenses	—	813	—	10,870
Asset dispositions, severance and other	508	364	1,508	6,874
Non-cash (gain) loss on equity investments	(78)	(868)	(5,623)	2,965
LSA and other non-recurring adjustments	797	(3,611)	(5,322)	(12,972)
Adjusted EBITDA from continuing operations (Non-GAAP)	\$ 67,534	\$ 64,005	\$ 259,441	\$ 233,965
Total Sales (GAAP)	\$ 303,034	\$ 302,260	\$ 1,215,012	\$ 1,136,080
LSA adjustments	—	(1,568)	(2,003)	(5,326)
Adjusted sales from continuing operations (Non-GAAP)	\$ 303,034	\$ 300,692	\$ 1,213,009	\$ 1,130,754
Adjusted EBITDA margin	22.3%	21.3%	21.4%	20.7%

Non-GAAP Reconciliation

Organic Sales Growth Rate Reconciliation (% Change)

	GAAP Reported Growth	Impact of LSAs ^(a)	Impact of Foreign Currency ^(b)	Non-GAAP Organic Growth
QTD Change (4Q 2018 vs. 4Q 2017)				
Medical Sales				
Cardio & Vascular	7.7%	—	0.3%	8.0%
Cardiac & Neuromodulation	(6.7)%	—	—	(6.7)%
Advanced Surgical, Orthopedics & Portable Medical	(0.4)%	5.2%	—	4.8%
Total Medical Sales	0.9%	0.6%	0.1%	1.6%
Non-Medical Sales	(13.2)%	—	—	(13.2)%
Total Sales	0.3%	0.5%	0.1%	0.9%

YTD Change (2018 vs. 2017)

Medical Sales				
Cardio & Vascular	10.3%	—	(0.4)%	9.9%
Cardiac & Neuromodulation	3.5%	—	—	3.5%
Advanced Surgical, Orthopedics & Portable Medical	11.0%	3.4%	—	14.4%
Total Medical Sales	7.7%	0.3%	(0.1)%	7.9%
Non-Medical Sales	(7.0)%	—	—	(7.0)%
Total Sales	6.9%	0.4%	(0.2)%	7.1%

(a) Represents adjustment to fourth quarter and year-to-date 2017 sales to exclude the net impact of the LSAs.

(b) Fourth quarter and year-to-date 2018 sales were negatively impacted by \$0.4 million and positively impacted by \$1.9 million, respectively, due to foreign currency exchange rate fluctuations, primarily in our Cardio & Vascular product line.

Non-GAAP Reconciliation

Non-GAAP Organic Growth Rate Reconciliation (% Change)

	GAAP Reported Growth	Impact of Non-GAAP Adjustments ^(a)	Impact of Foreign Currency ^(b)	Non-GAAP Organic Growth
QTD Change (4Q 2018 vs. 4Q 2017)				
EBITDA	16.2%	(10.7)%	(0.5)%	5.0%
Net Income	NM	19.9%	(0.9)%	19.0%
Diluted EPS	NM	16.9%	—	16.9%
YTD Change (2018 vs. 2017)				
EBITDA	25.8%	(14.9)%	(4.6)%	6.3%
Net Income	(46.0)%	71.5%	(9.4)%	16.1%
Diluted EPS	(47.1)%	70.1%	(9.3)%	13.7%

(a) Represents the impact to our growth rate from our Non-GAAP adjustments. See Tables A and B for further detail on these items.

(b) Represents the impact to our growth rate due to changes in foreign currency exchange rates realized in income and reported in other loss, net in the consolidated statements of operations.

(NM) Calculated change not meaningful.

Non-GAAP Reconciliation

2019 Full-Year Outlook^(a)

(\$ in millions, except per share amounts)

Continuing Operations:	GAAP		Non-GAAP ^(b)	
	As Reported	Growth	Adjusted	Growth
Sales	\$1,260 to \$1,280	4% to 5%	\$1,260 to \$1,280	4% to 6%
Income	\$92 to \$98	96% to 108%	\$134 to \$141	8% to 13%
EBITDA	N/A	N/A	\$275 to \$283	6% to 9%
Earnings per Diluted Share	\$2.77 to \$2.97	93% to 107%	\$4.05 to \$4.25	7% to 12%

(a) Except as described below, further reconciliations by line item to the closest corresponding GAAP financial measure for Adjusted Sales, Adjusted Net Income, Adjusted EBITDA, and Adjusted Earnings per Diluted Share, included in our "2019 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 income and diluted EPS, both from continuing operations, for 2019 is expected to consist of GAAP income from continuing operations and diluted EPS from continuing operations, excluding items such as intangible amortization, IP-related litigation costs, consolidation and realignment costs, asset dispositions, severance and loss on extinguishment of debt totaling approximately \$53 million, pre-tax. The after-tax impact of these items is estimated to be approximately \$42 million, or approximately \$1.28 per diluted share.

Adjusted EBITDA from continuing operations is expected to consist of Adjusted income from continuing operations, excluding items such as depreciation, interest, stock-based compensation and taxes totaling approximately \$142 million.

Capitalization

(\$ in millions)



	12/28/18 As Reported	Original Rate	06/30/18 Rate	12/28/18 Rate
Cash & Cash Equivalents	\$26			
\$200M Revolver [Due 2020]	\$5	L + 325	L + 325	L + 250
TLA [Due 2021]	\$305	L + 325	L + 325	L + 250
TLB [Due 2022]	\$632	L + 425	L + 325	L + 300
Total Secured Debt	\$942			
Senior Unsecured Notes [Due 2023]	\$0	9.125%	9.125%	--
Total Debt	\$942⁽¹⁾			
Deferred Fees and OID	(\$16)			
Total Outstanding Debt	\$926			
Net Debt (Total Debt, less Cash & Cash Equivalents)	\$916			
Net Debt less Deferred Fees & OID	\$900			
<u>Continuing Operations Statistics</u>				
TTM Adjusted EBITDA	\$259			
TTM Cash Interest Expense	\$51			
TTM Capital Expenditures	\$44			
<u>Credit Statistics</u>				
Net Debt / TTM Adjusted EBITDA	3.5x			
TTM Adjusted EBITDA / Cash Interest Expense	5.1x			

(1) Principal amount of debt outstanding, not reduced for unamortized discount and debt issuance costs

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