**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**FORM 8-K**

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**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 20, 2020**

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**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 20, 2020, Integer Holdings Corporation (the “Company”) issued a press release announcing its results for the fourth quarter and year ended December 31, 2019. 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, 2019, and will make it available on the Company's website at www.integer.net, under “Investor Relations - News & Events”. 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](#page4) [Press Release dated February 20, 2020](#page4)

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 20, 2020 | By: /s/ JASON K. GARLAND | | |
|  |  | Jason K. Garland |  |
|  |  | Executive Vice President and Chief Financial Officer | |

**EXHIBIT 99.1**

**Integer Holdings Corporation Reports Results for Fourth Quarter and Full Year 2019**

*~ Strong 2019 Results from Strategy and Operational Execution ~ ~ Full Year GAAP: Sales up 4% and EPS up 92% ~ ~ Full Year Adjusted: Sales up 4%, EBITDA up 9%, and EPS up 23% ~*

PLANO, Texas, Feb. 20, 2020 (GLOBE NEWSWIRE) -- Integer Holdings Corporation (NYSE:ITGR), a leading medical device outsource manufacturer, today announced results for the fourth quarter and fiscal year ended December 31, 2019. Unless otherwise stated, all results and comparisons are from continuing operations.

***Fourth Quarter 2019 Highlights***

Sales increased 7% to $326 million.



GAAP income decreased $8 million to $11 million, down 42%. Adjusted income increased $7 million to $41 million, up 20%.



GAAP diluted EPS decreased $0.25 per share to $0.33 per share, down 43%. Adjusted diluted EPS increased $0.21 per share to $1.25 per share, up 20%.



Adjusted EBITDA increased $6 million to $73 million, up 8%.



Completed the bolt-on acquisition of certain assets of US BioDesign, adding complex braiding capability to the Cardio & Vascular portfolio.



Paid down $14 million of debt, reducing total debt to $815 million.



***Full Year 2019 Highlights***

Sales increased 4% to $1.258 billion.



GAAP income increased $44 million to $91 million, up 94%. Adjusted income increased $30 million to $154 million, up 24%.



GAAP diluted EPS increased $1.32 per share to $2.76 per share, up 92%. Adjusted diluted EPS increased $0.88 per share to $4.68 per share, up 23%.



Adjusted EBITDA increased $24 million to $284 million, up 9%.



Generated $165 million of cash flow from operating activities.



Paid down $117 million of debt, resulting in a leverage ratio of 2.9 times adjusted EBITDA at year-end versus 3.5 times at the beginning of the year.



“Integer delivered strong earnings growth in 2019 as our Manufacturing Excellence strategic imperative is delivering operational and financial improvements. We exceeded our original 2019 adjusted profit guidance as we continue to deliver on our commitments to investors. We further strengthened our leadership team to enable us to accelerate the execution of our strategy and deliver for our customers,” said Joseph Dziedzic, Integer’s president and chief executive officer. “Yesterday we completed a bolt-on acquisition, which further strengthens our R&D capabilities and expands our global footprint into Israel, which is widely recognized as a leading innovation center.

Our 2020 financial guidance delivers on our commitment to grow profit at least twice as fast as our sales growth rate, while making investments to execute our remaining strategic financial objective to deliver above market revenue growth.”

**Discussion of Product Line Fourth Quarter and Full Year Sales**

Cardio & Vascular sales increased 6% in the fourth quarter led by a strong increase in peripheral vascular demand from a customer launching an existing program into a new geography and market growth. Incremental sales from the signing of a customer contract on existing business fully offset the impact of an end of life electrophysiology program. Full year sales increased 4% with the strong growth of peripheral vascular and structural heart, overcoming an approximate 200 basis point headwind from the aforementioned end of life electrophysiology program.



Cardiac & Neuromodulation sales increased 10% in the fourth quarter as new and next generation product launches, underlying strength in existing cardiac rhythm management (“CRM”) programs, and a new customer agreement on existing business was partially offset by lost sales due to the impact of Nuvectra Chapter 11 bankruptcy filing. Full year sales increased 3% as CRM growth was partially offset by slight neuromodulation decline. Higher market demand and the new customer agreement on existing business drove the CRM increase, whereas neuromodulation sales declined as a result of the



Nuvectra Chapter 11 bankruptcy filing and market contraction.

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 increased 7% driven by increased end-market demand for advanced surgical and orthopedic products. Full year sales decreased 1%.



Electrochem sales increased 9% in the fourth quarter driven by increased military market demand and growth in the energy market. Full year sales increased 10% driven by strong demand in the military market and high-single-digit growth with energy customers.



**2020 Outlook (adjusted basis)**

Our 2020 financial guidance delivers on our commitment to grow profit at least twice as fast as our sales growth rate. Sales growth in 2020 is projected to be 3% to 4%. This growth includes approximately 2% year-over-year headwinds from the loss of sales due to the impact of the Nuvectra Chapter 11 bankruptcy filing and fewer days in our 2020 fiscal year versus 2019. Adjusted income growth is projected to be even faster at 9% to 14% from lower interest expense.

**2020 Outlook(a)**

(dollars in millions, except per share amounts)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **GAAP** | |  |  | **Non-GAAP(b)** | | |  |
|  | **As Reported** | | **Growth** |  | **Adjusted** | | | **Growth** |
| Sales | $1,290 to $1,310 |  | 3% to 4% |  | $1,290 to $1,310 |  |  | 3% to 4% |
| Income | $127 to $134 | | 39% to 47% | | $169 to $176 | | | 9% to 14% |
| EBITDA | N/A | | N/A | | $300 to $307 | | | 6% to 8% |
| Earnings per Diluted Share | $3.83 to $4.03 | | 39% to 46% | | $5.10 to $5.30 | | | 9% to 13% |

1. Except as described below, further reconciliations by line item to the closest corresponding GAAP financial measure for Adjusted Income, Adjusted EBITDA, and Adjusted Earnings per Diluted Share (“EPS”), all from continuing operations, included in our “2020 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.
2. Adjusted Income and Adjusted Diluted EPS, both from continuing operations, for 2020 are expected to consist of GAAP income from continuing operations and diluted EPS from continuing operations, 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 $52 million, pre-tax. The after-tax impact of these items is estimated to be approximately $42 million, or approximately $1.27 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 $131 million.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *Supplemental Financial Information* |  |  |  |  |
|  | **2020** | |  | **2019** |
|  | **Outlook** | | | **Actual** |
| Capital Expenditures, Net | $60 | - $70 |  | $48 |
| Depreciation and Amortization | $75 | - $85 |  | $78 |
| Stock-Based Compensation | $13 | - $15 |  | $9 |
| Other Operating Expense | $8 - $12 | |  | $12 |
| Adjusted Effective Tax Rate | 16.5% | - 18.5% |  | 17.3% |
| Cash Tax Payments | $30 | - $35 |  | $30 |

**Summary of Financial and Product Line Results from Continuing Operations** (dollars in thousands, except per share data)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Three Months Ended** | | | |  |
|  |  | **December 31,** | |  | **December 28,** |  |  |  | **Organic** |
| **GAAP** |  | **2019** |  |  | **2018** |  | **Change** | | **Growth(a)** |
| Medical Sales |  |  |  |  |  |  |  |  |  |
| Cardio & Vascular | $ | 158,504 |  | $ | 149,605 | 5.9% | |  | 5.6% |
| Cardiac & Neuromodulation |  | 119,262 |  |  | 108,876 | 9.5% | |  | 9.5% |
| Advanced Surgical, Orthopedics & Portable Medical |  | 33,885 |  |  | 31,744 | 6.7% | |  | 6.8% |
| Total Medical Sales |  | 311,651 |  |  | 290,225 | 7.4% | |  | 7.2% |
| Non-Medical Sales |  | 13,986 |  |  | 12,809 | 9.2% | |  | 9.2% |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Total Sales | $ | 325,637 |  | $ | 303,034 |  |  | 7.5% |  | 7.3% |
|  |  |  |  |  |  |  |  |  |  |  |
| Income from continuing operations | $ | 11,044 |  | $ | 19,196 |  |  | (42.5)% |  |  |
| Diluted EPS from continuing operations | $ | 0.33 |  | $ | 0.58 |  |  | (43.1)% |  |  |
|  |  |  |  |  | **Year Ended** | | |  |  |  |
|  |  | **December 31,** | |  | **December 28,** | | |  |  | **Organic** |
| **GAAP** |  | **2019** |  |  | **2018** |  |  | **Change** | | **Growth(a)** |
| Medical Sales |  |  |  |  |  |  |  |  |  |  |
| Cardio & Vascular | $ | 610,056 |  | $ | 585,464 |  |  | 4.2% |  | 4.5% |
| Cardiac & Neuromodulation |  | 457,194 |  |  | 443,347 |  |  | 3.1% |  | 3.1% |
| Advanced Surgical, Orthopedics & Portable Medical |  | 132,429 |  |  | 133,225 |  |  | (0.6)% |  | 1.0% |
| Total Medical Sales |  | 1,199,679 |  |  | 1,162,036 |  |  | 3.2% |  | 3.6% |
| Non-Medical Sales |  | 58,415 |  |  | 52,976 |  |  | 10.3% |  | 10.3% |
| Total Sales | $ | 1,258,094 |  | $ | 1,215,012 |  |  | 3.5% |  | 3.9% |
|  |  |  |  |  |  |  |  |  |  |  |
| Income from continuing operations | $ | 91,218 |  | $ | 47,033 |  |  | 93.9% |  |  |
| Diluted EPS from continuing operations | $ | 2.76 |  | $ | 1.44 |  |  | 91.7% |  |  |

1. Organic Growth for sales 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** | | | | |  |  |
| **Non-GAAP(a)** |  | **December 31,** | | **December 28,** | | | |  |  | **Organic** |  |
|  | **2019** |  |  | **2018** |  |  | **Change** | | **Growth(b)** |  |
| Adjusted EBITDA from continuing operations | $ | 73,273 |  | $ | 67,534 |  |  | 8.5% |  | 8.8% |  |
| Adjusted income from continuing operations | $ | 41,421 |  | $ | 34,378 |  |  | 20.5% |  | 20.6% |  |
| Adjusted diluted EPS from continuing operations | $ | 1.25 |  | $ | 1.04 |  |  | 20.2% |  | 21.2% |  |
|  |  |  |  |  | **Year Ended** | | |  |  |  |  |
| **Non-GAAP(a)** |  | **December 31,** | | **December 28,** | | | |  |  | **Organic** |  |
|  | **2019** |  |  | **2018** |  |  | **Change** | | **Growth(b)** |  |
| Adjusted EBITDA from continuing operations | $ | 283,770 |  | $ | 259,441 |  |  | 9.4% |  | 9.0% |  |
| Adjusted income from continuing operations | $ | 154,468 |  | $ | 124,391 |  |  | 24.2% |  | 23.2% |  |
| Adjusted diluted EPS from continuing operations | $ | 4.68 |  | $ | 3.80 |  |  | 23.2% |  | 22.3% |  |

1. Refer to Tables A and B at the end of this release for reconciliations of adjusted amounts to the closest corresponding GAAP financial measures.
2. Organic Growth for Adjusted EBITDA from continuing operations, Adjusted income from continuing operations, and Adjusted diluted EPS from continuing operations 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 20, 2020, at 9:00 a.m. ET / 8:00 a.m. CT 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) 236-5762 (U.S.) or (647) 689-4190 (outside U.S.) and the conference ID is 8069250. 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.

**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 MedicalTM and ElectrochemTM. Additional information is available at www.integer.net.

**Contact Information**

Tony Borowicz

SVP, Strategy, Business Development & Investor Relations

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tony.borowicz@integer.net

**Notes Regarding Non-GAAP Financial Information**

In addition to our results reported in accordance with generally accepted accounting principles (“GAAP”), we provide adjusted sales, adjusted income, adjusted diluted EPS, earnings before interest, taxes, depreciation and amortization (“EBITDA”), adjusted EBITDA, adjusted EBITDA margin, and organic growth rates, all from continuing operations. Adjusted income and adjusted diluted EPS from continuing operations consist of GAAP amounts adjusted for the following to the extent occurring during the period: (i) acquisition and integration related expenses, (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 net impact of the long-term supply agreements (“LSAs”) entered into as of the closing of the divestiture of the AS&O product line, (xi) the income tax provision (benefit) related to these adjustments and (xii) certain tax items that are outside the normal provision for the period. Adjusted diluted EPS from continuing operations are calculated by dividing adjusted income from continuing operations by diluted weighted average shares outstanding. EBITDA from continuing operations 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 from continuing operations consists of EBITDA from continuing operations plus GAAP stock-based compensation and the same adjustments as listed above except for items (ii), (ix), (xi) and (xii).

Adjusted EBITDA margin is adjusted EBITDA as a percentage of adjusted sales, all from continuing operations. Organic sales growth is reported sales growth adjusted for item (x) above, the impact of foreign currency, and the contribution of acquisitions. To calculate the impact of foreign currency on sales growth rates, we convert current period sales from local currency to U.S. dollars using the previous period’s foreign currency exchange rates and exclude the amount of sales acquired/divested during the period from the current/previous period amounts, respectively. Adjusted sales from continuing operations consist of GAAP sales adjusted for item (x) above. Organic growth rates for adjusted EBITDA from continuing operations, adjusted income from continuing operations and adjusted diluted EPS from continuing operations exclude the impact of foreign currency exchange gains and losses included in other (income) loss, net, and the contribution of acquisitions. Contributions 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 sales, adjusted income, adjusted diluted EPS, EBITDA, adjusted EBITDA, adjusted EBITDA margin, and organic growth rates, all from continuing operations, 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 leverage ratio provides a meaningful measure of liquidity and a useful basis for assessing our ability to fund our activities, including the financing of acquisitions and debt repayments. We calculate leverage ratio as total principal amount of debt outstanding less cash and cash equivalents divided by trailing 4 quarters adjusted EBITDA.

**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 future sales, expenses, profitability and cash flows; our ability to execute our business model and our business strategy; projected capital expenditures; and other events, conditions or developments that will or may occur in the future. 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 and 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: our dependence upon a limited number of 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; pricing pressures that we face from customers; 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 products 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 dependence upon our senior management team and technical personnel; 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 realize the benefits from cost savings and consolidation initiatives; our ability to integrate acquisitions and operate acquired businesses in accordance with expectations; 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,** | | **December 28,** | | |  | **December 31,** | | | | |  |  | **December 28,** | |  |
|  |  | **2019** |  |  | **2018** | |  |  | **2019** | |  |  |  |  |  | **2018** |  |
| Sales | $ | 325,637 |  | $ | 303,034 | |  | $ | 1,258,094 | | | |  |  | $ | 1,215,012 |  |
| Cost of sales |  | 249,607 |  |  | 214,589 | |  |  | 903,084 | | | |  |  |  | 852,347 |  |
| Gross profit |  | 76,030 |  |  | 88,445 | |  |  | 355,010 | | | |  |  |  | 362,665 |  |
| Operating expenses: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Selling, general and administrative expenses (SG&A) |  | 37,661 |  |  | 35,141 | |  |  | 138,695 | | | |  |  |  | 142,441 |  |
| Research, development and engineering costs (RD&E) |  | 11,809 |  |  | 10,159 | |  |  | 46,529 | | | |  |  |  | 48,604 |  |
| Other operating expenses (OOE) |  | 3,912 |  |  | 3,450 | |  |  | 12,151 | | | |  |  |  | 16,065 |  |
| Total operating expenses |  | 53,382 |  |  | 48,750 | |  |  | 197,375 | | | |  |  |  | 207,110 |  |
| Operating income |  | 22,648 |  |  | 39,695 | |  |  | 157,635 | | | |  |  |  | 155,555 |  |
| Interest expense |  | 12,766 |  |  | 13,955 | |  |  | 52,545 | | | |  |  |  | 99,310 |  |
| (Gain) loss on equity investments, net |  | (191) |  |  | (78) | |  |  |  | 475 | | |  |  |  | (5,623) |  |
| Other (income) loss, net |  | 343 |  |  | 495 | |  |  |  | (578) | | |  |  |  | 752 |  |
| Income from continuing operations before income taxes |  | 9,730 |  |  | 25,323 | |  |  | 105,193 | | | |  |  |  | 61,116 |  |
| Provision (benefit) for income taxes |  | (1,314) |  |  | 6,127 | |  |  | 13,975 | | | |  |  |  | 14,083 |  |
| Income from continuing operations | $ | 11,044 |  | $ | 19,196 | |  | $ | 91,218 | | | |  |  | $ | 47,033 |  |
| Discontinued operations: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Income (loss) from discontinued operations before taxes |  | (20) |  |  | 62 | |  |  | 5,296 | | | |  |  |  | 188,313 |  |
| Provision (benefit) for income taxes |  | — | |  | (6,487) | |  |  |  | 178 | | |  |  |  | 67,382 |  |
| Income (loss) from discontinued operations | $ | (20) |  | $ | 6,549 | |  | $ | 5,118 | | | |  |  | $ | 120,931 |  |
| Net income | $ | 11,024 |  | $ | 25,745 | |  | $ | 96,336 | | | | $ | | | 167,964 |  |
| Basic earnings per share: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Income from continuing operations | $ | 0.34 |  | $ | 0.59 | |  | $ |  | 2.80 | | | $ | | | 1.46 |  |
| Income from discontinued operations | $ | — | | $ | 0.20 | |  | $ |  | 0.16 | | | $ | | | 3.76 |  |
| Basic earnings per share | $ | 0.34 |  | $ | 0.79 | |  | $ |  | 2.95 | | | $ | | | 5.23 |  |
| Diluted earnings per share: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Income from continuing operations | $ | 0.33 |  | $ | 0.58 | |  | $ |  | 2.76 | | | $ | | | 1.44 |  |
| Income from discontinued operations | $ | — | | $ | 0.20 | |  | $ |  | 0.15 | | | $ | | | 3.71 |  |
| Diluted earnings per share | $ | 0.33 |  | $ | 0.78 | |  | $ |  | 2.92 | | | $ | | | 5.15 |  |
| Weighted average shares outstanding: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic |  | 32,688 |  |  | 32,392 | |  |  | 32,627 | | | |  |  |  | 32,136 |  |
| Diluted |  | 33,089 |  |  | 33,029 | |  |  | 33,037 | | | |  |  |  | 32,596 |  |
| **Condensed Consolidated Balance Sheets - Unaudited** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| (in thousands) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **December 31,** | | | |  |  |  | **December 28,** | | | |  |
|  |  |  |  |  | **2019** | | | |  |  |  |  |  |  |  | **2018** |  |
| **ASSETS** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Current assets: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cash and cash equivalents |  |  |  |  | $ | |  |  | 13,535 | $ | | |  |  |  | 25,569 |  |
| Accounts receivable, net |  |  |  |  |  |  |  | 191,985 | |  |  |  |  |  |  | 185,501 |  |
| Inventories |  |  |  |  |  |  |  | 167,256 | |  |  |  |  |  |  | 190,076 |  |
| Contract assets |  |  |  |  |  |  |  |  | 24,767 |  |  |  |  |  |  | — |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Prepaid expenses and other current assets |  | 17,852 |  |  | 15,104 |  |
| Total current assets |  | 415,395 |  |  | 416,250 |  |
| Property, plant and equipment, net |  | 246,185 |  |  | 231,269 |  |
| Goodwill |  | 839,617 |  |  | 832,338 |  |
| Other intangible assets, net |  | 775,784 |  |  | 812,338 |  |
| Deferred income taxes |  | 4,438 |  |  | 3,937 |  |
| Operating lease assets |  | 42,379 |  |  | — |  |
| Other assets |  | 29,295 |  |  | 30,549 |  |
| Total assets | $ | 2,353,093 |  | $ | 2,326,681 |  |
| **LIABILITIES AND STOCKHOLDERS’ EQUITY** |  |  |  |  |  |  |
|  |  |  |  |  |  |
| Current liabilities: |  |  |  |  |  |  |
| Current portion of long-term debt | $ | 37,500 |  | $ | 37,500 |  |
| Accounts payable |  | 64,975 |  |  | 57,187 |  |
| Income taxes payable |  | 3,023 |  |  | 9,393 |  |
| Operating lease liabilities |  | 7,507 |  |  | — |  |
| Accrued expenses |  | 66,073 |  |  | 60,490 |  |
| Total current liabilities |  | 179,078 |  |  | 164,570 |  |
| Long-term debt |  | 777,272 |  |  | 888,007 |  |
| Deferred income taxes |  | 187,978 |  |  | 203,910 |  |
| Operating lease liabilities |  | 37,114 |  |  | — |  |
| Other long-term liabilities |  | 19,163 |  |  | 9,701 |  |
| Total liabilities |  | 1,200,605 |  |  | 1,266,188 |  |
| Stockholders’ equity: |  |  |  |  |  |  |
| Common stock |  | 33 |  |  | 33 |  |
| Additional paid-in capital |  | 701,018 |  |  | 691,083 |  |
| Treasury stock |  | (8,809) |  |  | (8,125) |  |
| Retained earnings |  | 440,258 |  |  | 344,498 |  |
| Accumulated other comprehensive income |  | 19,988 |  |  | 33,004 |  |
| Total stockholders’ equity |  | 1,152,488 |  |  | 1,060,493 |  |
| Total liabilities and stockholders’ equity | $ | 2,353,093 |  | $ | 2,326,681 |  |
|  |  |  |  |  |  |  |

**Condensed Consolidated Statements of Cash Flows - Unaudited (a)**

(in thousands)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **Year Ended** | | |  |
|  |  | **December 31,** | | **December 28,** | |
|  |  | **2019** |  |  | **2018** |
| **Cash flows from operating activities:** |  |  |  |  |  |
| Net income | $ | 96,336 |  | $ | 167,964 |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |  |  |  |  |
| Depreciation and amortization |  | 77,895 |  |  | 88,988 |
| Debt related charges included in interest expense |  | 7,772 |  |  | 49,110 |
| Stock-based compensation |  | 9,294 |  |  | 10,470 |
| Non-cash charges related to customer bankruptcy |  | 21,695 |  |  | — |
| Non-cash lease expense |  | 7,443 |  |  | — |
| Non-cash (gain) loss on equity investments |  | 475 |  |  | (5,623) |
| Other non-cash (gains) losses |  | (162) |  |  | 148 |
| Deferred income taxes |  | (10,285) |  |  | 61,126 |
| Gain on sale of discontinued operations |  | (4,974) |  |  | (194,965) |
| Changes in operating assets and liabilities, net of acquisition: |  |  |  |  |  |
| Accounts receivable |  | (6,976) |  |  | 9,289 |
| Inventories |  | 3,724 |  |  | (16,094) |
| Prepaid expenses and other assets |  | (31,060) |  |  | 8,527 |
| Accounts payable |  | 1,887 |  |  | (94) |
| Accrued expenses |  | (2,744) |  |  | (11,756) |
| Income taxes payable |  | (4,962) |  |  | 209 |
| Net cash provided by operating activities |  | 165,358 |  |  | 167,299 |
| **Cash flows from investing activities:** |  |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Acquisition of property, plant and equipment |  | (48,198) |  |  | (44,908) |
| Proceeds from sale of property, plant and equipment |  | 28 |  |  | 1,379 |
| Purchase of equity investments |  | (417) |  |  | (1,230) |
| Proceeds from sale of discontinued operations |  | 4,734 |  |  | 581,429 |
| Acquisition |  | (15,009) |  |  | — |
| Net cash (used in) provided by investing activities |  | (58,862) |  |  | 536,670 |
| **Cash flows from financing activities:** |  |  |  |  |  |
| Principal payments of long-term debt |  | (111,500) |  |  | (631,469) |
| Proceeds from senior secured revolving line of credit |  | 34,000 |  |  | 5,000 |
| Payments of senior secured revolving line of credit |  | (39,000) |  |  | (74,000) |
| Proceeds from the exercise of stock options |  | 3,242 |  |  | 12,409 |
| Payment of debt issuance and redemption costs |  | (1,385) |  |  | (31,991) |
| Tax withholdings related to net share settlements of restricted stock unit awards |  | (3,283) |  |  | (5,029) |
| Net cash used in financing activities |  | (117,926) |  |  | (725,080) |
| Effect of foreign currency exchange rates on cash and cash equivalents |  | (604) |  |  | 2,584 |
| Net decrease in cash and cash equivalents |  | (12,034) |  |  | (18,527) |
| Cash and cash equivalents, beginning of year |  | 25,569 |  |  | 44,096 |
| Cash and cash equivalents, end of year | $ | 13,535 |  | $ | 25,569 |
|  |  |  |  |  |  |

1. 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, 2019** | | | | | |  |  |  | **December 28, 2018** | | | | | |  |  |
|  |  |  |  |  |  |  |  | **Per** |  |  |  |  |  |  |  |  | **Per** |  |
|  |  |  |  |  | **Net of** |  | **Diluted** | | |  |  |  |  | **Net of** |  | **Diluted** | |  |
| As reported income from continuing operations |  | **Pre-Tax** | |  | **Tax** |  |  | **Share** | |  | **Pre-Tax** | |  | **Tax** |  |  | **Share** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| (GAAP) | $ | 9,730 |  | $ | 11,044 | $ | | 0.33 |  | $ | 25,323 |  | $ | 19,196 | $ | | 0.58 |  |
| Adjustments: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Amortization of intangibles (excluding amounts |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| in OOE)(a) |  | 10,609 |  |  | 8,310 |  |  | 0.25 |  |  | 9,878 |  |  | 7,815 |  |  | 0.24 |  |
| Certain legal expenses (SG&A)(a)(b) |  | 402 |  |  | 318 |  |  | 0.01 |  |  | 1,274 |  |  | 1,007 |  |  | 0.03 |  |
| Strategic reorganization and alignment (OOE)(a) |  | 1,460 |  |  | 1,127 |  |  | 0.03 |  |  | 2,200 |  |  | 1,728 |  |  | 0.05 |  |
| (c) |  |  |  |  |  |  |  |  |  |  |  |  |
| Manufacturing alignment to support growth |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| (OOE)(a)(d) |  | 484 |  |  | 326 |  |  | 0.01 |  |  | 596 |  |  | 416 |  |  | 0.01 |  |
| Consolidation and optimization expenses (OOE) |  | — | |  | — |  |  | — | |  | 146 |  |  | 117 |  |  | — |  |
| (a)(e) |  |  |  |  |  |  |  |  |  |  |
| Acquisition and integration expenses (OOE)(a)(f) |  | 225 |  |  | 178 |  |  | 0.01 |  |  | — | |  | — |  |  | — |  |
| Other general expenses (OOE)(a)(g) |  | 1,743 |  |  | 1,389 |  |  | 0.04 |  |  | 508 |  |  | 402 |  |  | 0.01 |  |
| Gain on equity investments, net(a) |  | (191) |  |  | (150) |  |  | — | |  | (78) |  |  | (61) |  |  | — |  |
| Loss on extinguishment of debt(a)(h) |  | 1,280 |  |  | 1,012 |  |  | 0.03 |  |  | 546 |  |  | 431 |  |  | 0.01 |  |
| Customer bankruptcy (excluding amounts in |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| OOE)(a)(i) |  | 23,827 |  |  | 18,823 |  |  | 0.57 |  |  | — | |  | — |  |  | — |  |
| LSA and other non-recurring adjustments(a)(j) |  | — | |  | — |  |  | — | |  | 797 |  |  | 630 |  |  | 0.02 |  |
| Tax adjustments(k) |  | — | |  | (956) |  |  | (0.03) |  |  | — | |  | 2,697 |  |  | 0.08 |  |
| Adjusted income from continuing operations (Non- | $ | 49,569 |  | $ | 41,421 |  |  |  |  | $ | 41,190 |  | $ | 34,378 |  |  |  |  |
| GAAP) |  | $ | | 1.25 |  |  | $ | | 1.04 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Diluted weighted average shares for adjusted EPS |  |  |  |  | 33,089 |  |  |  |  |  |  |  |  | 33,029 |  |  |  |  |
|  |  |  |  |  |  |  |  | **Year Ended** | | | | |  |  |  |  |  |  |
|  |  | **December 31, 2019** | | | | | |  |  |  | **December 28, 2018** | | | | | |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Pre-Tax** | |  | **Net of** |  |  | **Per** | |  | **Pre-Tax** | |  | **Net of** |  |  | **Per** |  |
|  |  |  |  | **Tax** |  |  | **Diluted** | |  |  |  |  | **Tax** |  |  | **Diluted** |  |
| As reported income from continuing operations |  |  |  |  |  |  | **Share** | |  |  |  |  |  |  |  | **Share** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| (GAAP) | $ 105,193 |  | $ | 91,218 | $ | | 2.76 |  | $ | 61,116 |  | $ | 47,033 | $ | | 1.44 |  |
| Adjustments: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Amortization of intangibles (excluding amounts |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| in OOE)(a) | 40,076 |  |  | 31,634 |  |  | 0.96 |  |  | 40,946 |  |  | 32,338 |  |  | 0.99 |  |
| Certain legal expenses (SG&A)(a)(b) | 2,577 |  |  | 2,036 |  |  | 0.06 |  |  | 2,820 |  |  | 2,228 |  |  | 0.07 |  |
| Strategic reorganization and alignment (OOE)(a) | 5,812 |  |  | 4,504 |  |  | 0.14 |  |  | 10,624 |  |  | 8,390 |  |  | 0.26 |  |
| (c) |  |  |  |  |  |  |  |  |  |  |  |
| Manufacturing alignment to support growth |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| (OOE)(a)(d) | 2,145 |  |  | 1,499 |  |  | 0.05 |  |  | 3,089 |  |  | 2,257 |  |  | 0.07 |  |
| Consolidation and optimization expenses (OOE) | — | |  | — |  |  | — | |  | 844 |  |  | 670 |  |  | 0.02 |  |
| (a)(e) |  |  |  |  |  |  |  |  |  |
| Acquisition and integration expenses (OOE)(a)(f) | 377 |  |  | 298 |  |  | 0.01 |  |  | — | |  | — |  |  | — |  |
| Other general expenses (OOE)(a)(g) | 3,817 |  |  | 3,025 |  |  | 0.09 |  |  | 1,508 |  |  | 1,178 |  |  | 0.04 |  |
| (Gain) loss on equity investments, net(a) | 475 |  |  | 376 |  |  | 0.01 |  |  | (5,623) |  |  | (4,442) |  |  | (0.14) |  |
| Loss on extinguishment of debt(a)(h) | 2,545 |  |  | 2,011 |  |  | 0.06 |  |  | 42,674 |  |  | 33,712 |  |  | 1.03 |  |
| Customer bankruptcy (excluding amounts in |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| OOE)(a)(i) | 23,827 |  |  | 18,823 |  |  | 0.57 |  |  | — | |  | — |  |  | — |  |
| LSA and other non-recurring adjustments(a)(j) | — | |  | — |  |  | — | |  | (5,322) |  |  | (4,204) |  |  | (0.13) |  |
| Tax adjustments(k) | — | |  | (956) |  |  | (0.03) |  |  | — | |  | 5,231 |  |  | 0.16 |  |
| Adjusted income from continuing operations (Non- | $ 186,844 |  | $ | 154,468 |  |  |  |  | $ | 152,676 |  | $ | 124,391 |  |  |  |  |
| GAAP) |  | $ | | 4.68 |  |  | $ | | 3.80 |  |
| Diluted weighted average shares for adjusted EPS(l) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 33,037 |  |  |  |  |  |  |  |  | 32,768 |  |  |  |  |

1. 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 in Mexico, Netherlands, Uruguay, Ireland and Switzerland, as adjusted for the existence of net operating losses (“NOLs”). Amortization of intangibles and other operating expense for 2018 were adjusted to reflect the estimated impact relating to our disallowed deduction of the GILTI tax, as described in footnote (k) below. Expenses that are not deductible for tax purposes (i.e. permanent tax differences) are added back at 100%.
2. 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 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. To date, no gains have been recognized in connection with this litigation. During 2019, we also incurred expenses associated with a legal matter to which we are a non-party witness and in conjunction with the modification of our credit facilities.
3. Amounts include expenses related to implementing our strategy that is designed to better align our resources in order to invest to grow, protect, preserve and to enhance the profitability of our portfolio of products, including 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. During 2019 and 2018, we incurred charges related to this strategy, which primarily consisted of severance costs and fees for professional services.
4. Includes expenses related to 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, we incurred costs primarily related to the closure of our Clarence, NY facility.

1. Expenses related to the purchase of certain assets from US BioDesign, LLC.
2. Amounts include expenses related to other initiatives not described above, which relate primarily to integration and operational initiatives to reduce costs and improve operational efficiencies.
3. Represents debt extinguishment charges in connection with pre-payments made on our Term Loan B Facility, which are included in interest expense.

1. In November 2019, one of our customers, Nuvectra Corporation (“Nuvectra”), 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.
2. LSA and other non-recurring adjustments primarily reflects the net impact 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.
3. The 2019 amount represents an adjustment to the valuation allowance for certain foreign tax credits. The tax adjustment for 2018 represents 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 during 2018. 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.
4. The diluted weighted average shares for adjusted EPS for the year ended December 28, 2018 includes potentially dilutive shares not included in the computation of diluted weighted average common shares for GAAP diluted EPS purposes because their effect would have been anti-dilutive.

***Table B: EBITDA and Sales Reconciliations***

(in thousands)

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended** | | | | |  | **Year Ended** | | | |  |
|  | **December 31,** | | | **December 28,** | |  | **December 31,** | | | **December 28,** | |  |
|  |  | **2019** |  |  | **2018** |  |  | **2019** |  |  | **2018** |  |
| Income from continuing operations (GAAP) | $ | 11,044 |  | $ | 19,196 |  | $ | 91,218 |  | $ | 47,033 |  |
| Interest expense |  | 12,766 |  |  | 13,955 |  |  | 52,545 |  |  | 99,310 |  |
| Provision (benefit) for income taxes |  | (1,314) |  |  | 6,127 |  |  | 13,975 |  |  | 14,083 |  |
| Depreciation |  | 9,889 |  |  | 10,149 |  |  | 37,819 |  |  | 40,078 |  |
| Amortization of intangibles (excluding amounts in OOE) |  | 10,609 |  |  | 9,878 |  |  | 40,076 |  |  | 40,946 |  |
| EBITDA from continuing operations (Non-GAAP) |  | 42,994 |  |  | 59,305 |  |  | 235,633 |  |  | 241,450 |  |
| Certain legal expenses |  | 402 |  |  | 1,274 |  |  | 2,577 |  |  | 2,820 |  |
| Stock-based compensation (excluding amounts in OOE) |  | 2,329 |  |  | 2,786 |  |  | 9,107 |  |  | 10,051 |  |
| Strategic reorganization and alignment |  | 1,460 |  |  | 2,200 |  |  | 5,812 |  |  | 10,624 |  |
| Manufacturing alignment to support growth |  | 484 |  |  | 596 |  |  | 2,145 |  |  | 3,089 |  |
| Consolidation and optimization expenses |  | — | |  | 146 |  |  | — | |  | 844 |  |
| Acquisition and integration expenses |  | 225 |  |  | — | |  | 377 |  |  | — |  |
| Other general expenses (OOE) |  | 1,743 |  |  | 508 |  |  | 3,817 |  |  | 1,508 |  |
| (Gain) loss on equity investments, net |  | (191) |  |  | (78) |  |  | 475 |  |  | (5,623) |  |
| Customer bankruptcy (excluding amounts in OOE) |  | 23,827 |  |  | — | |  | 23,827 |  |  | — |  |
| LSA and other non-recurring adjustments |  | — | |  | 797 |  |  | — | |  | (5,322) |  |
| Adjusted EBITDA from continuing operations (Non- | $ | 73,273 |  | $ | 67,534 |  | $ | 283,770 |  | $ | 259,441 |  |
| GAAP) |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total sales (GAAP) | $ | 325,637 |  | $ | 302,260 |  | $ | 1,258,094 |  | $ | 1,215,012 |  |
| LSA adjustments |  | — | |  | — | |  | — | |  | (2,003) |  |
| Adjusted sales from continuing operations (Non-GAAP) | $ | 325,637 |  | $ | 302,260 |  | $ | 1,258,094 |  | $ | 1,213,009 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Adjusted EBITDA margin |  | 22.5% |  |  | 22.3% |  |  | 22.6% |  |  | 21.4% |  |

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

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Impact of** | **Non-** |
| **GAAP** | **Impact** | **Acquisition** | **GAAP** |
| **Reported** | **of** | **and Foreign** | **Organic** |
| **Growth** | **LSAs(a)** | **Currency(b)** | **Growth** |



**Quarter over Quarter Change (4Q 2019 vs. 4Q 2018)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Medical Sales** |  |  |  |  |
| Cardio & Vascular | 5.9% | —% | (0.3)% | 5.6% |
| Cardiac & Neuromodulation | 9.5% | — | — | 9.5% |
| Advanced Surgical, Orthopedics & Portable Medical | 6.7% | — | 0.1% | 6.8% |
| **Total Medical Sales** | **7.4%** | **—%** | **(0.2)%** | **7.2%** |
| **Non-Medical Sales** | **9.2%** | — | **—** | **9.2%** |
| **Total Sales** | **7.5%** | **—%** | **(0.2)%** | **7.3%** |
| **Year over Year Change (2019 vs. 2018)** |  |  |  |  |
| **Medical Sales** |  |  |  |  |
| Cardio & Vascular | 4.2% | — | 0.3% | 4.5% |
| Cardiac & Neuromodulation | 3.1% | — | — | 3.1% |
| Advanced Surgical, Orthopedics & Portable Medical | (0.6)% | 1.5% | 0.1% | 1.0% |
| **Total Medical Sales** | **3.2%** | **0.2%** | **0.2%** | **3.6%** |
| **Non-Medical Sales** | **10.3%** | **—** | **—** | **10.3%** |
| **Total Sales** | **3.5%** | **0.2%** | **0.2%** | **3.9%** |

1. Reflects the net impact of the LSAs entered into as of the closing of the divestiture of the AS&O product line.
2. Fourth quarter and full year 2019 sales have been adjusted to exclude the contribution of acquisitions. Fourth quarter and full year 2019 sales were negatively impacted by $0.4 million and $2.6 million, respectively, due to foreign currency exchange rate fluctuations, primarily in our Cardio & Vascular product line.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| ***Table D: Non-GAAP Organic Growth Rate Reconciliation (% Change)*** |  |  |  |  |  |  |  |
|  |  |  |  |  | **Impact of** | | **Non-** |
|  | **GAAP** | | **Impact of** | | **Acquisition** | | **GAAP** |
|  | **Reported** | | **Non-GAAP** | | **and Foreign** | | **Organic** |
|  | **Growth** | | **Adjustments(a)** | | **Currency(b)** | | **Growth** |
| **Quarter over Quarter Change (4Q 2019 vs. 4Q 2018)** |  |  |  |  |  |  |  |
| EBITDA | (27.5)% |  | 36.0% |  | 0.3% |  | 8.8% |
| Net Income | (42.5)% |  | 63.0% |  | 0.1% |  | 20.6% |
| Diluted EPS | (43.1)% |  | 63.3% |  | 1.0% |  | 21.2% |
| **Year over Year Change (2019 vs. 2018)** |  |  |  |  |  |  |  |
| EBITDA | (2.4)% |  | 11.8% |  | (0.4)% |  | 9.0% |
| Net Income | 93.9% |  | (69.7)% |  | (1.0)% |  | 23.2% |
| Diluted EPS | 91.7% |  | (68.5)% |  | (0.9)% |  | 22.3% |

1. Represents the impact to our growth rate from our Non-GAAP adjustments. See Tables A and B for further detail on these items.
2. 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.