

INTEGRA LIFESCIENCES HOLDINGS CORP
Form 10-Q
April 29, 2019
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
COMMISSION FILE NO. 0-26224

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

51-0317849
(I.R.S. EMPLOYER
IDENTIFICATION NO.)

311 ENTERPRISE DRIVE
PLAINSBORO, NEW JERSEY
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

08536

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (609) 275-0500

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

The number of shares of the registrant's Common Stock, \$0.01 par value, outstanding as of April 25, 2019 was 85,476,801.

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Exhibit 32.1

Exhibit 32.2

EX-101 INSTANCE DOCUMENT

EX-101 SCHEMA DOCUMENT

EX-101 CALCULATION LINKBASE DOCUMENT

EX-101 DEFINITION LINKBASE DOCUMENT

EX-101 LABELS LINKBASE DOCUMENT

EX-101 PRESENTATION LINKBASE DOCUMENT

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 AND COMPREHENSIVE INCOME
 (UNAUDITED)
 (In thousands, except per share amounts)

	Three Months Ended March 31,	
	2019	2018
Total revenue, net	\$359,690	\$357,082
Costs and expenses:		
Cost of goods sold	128,912	144,222
Research and development	18,321	18,325
Selling, general and administrative	174,870	163,566
Intangible asset amortization	5,279	5,390
Total costs and expenses	327,382	331,503
Operating income	32,308	25,579
Interest income	2,428	76
Interest expense	(13,149)	(18,768)
Other income, net	3,236	2,245
Income before income taxes	24,823	9,132
Income tax benefit	(7,933)	(1,860)
Net income	\$32,756	\$10,992
Net income per share		
Basic	\$0.38	\$0.14
Diluted	\$0.38	\$0.14
Weighted average common shares outstanding (See Note 13):		
Basic	85,343	78,552
Diluted	86,258	79,834
Comprehensive income (See Note 14)	\$21,520	\$32,604

The accompanying unaudited notes are an integral part of these condensed consolidated financial statements.

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INTEGRA LIFESCIENCES HOLDINGS CORPORATION
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (UNAUDITED)

(In thousands, except per share amounts)

	March 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 157,025	\$ 138,838
Trade accounts receivable, net of allowances of \$4,099 and \$3,719	279,072	265,737
Inventories, net	286,962	280,347
Prepaid expenses and other current assets	99,627	90,160
Total current assets	822,686	775,082
Property, plant and equipment, net	306,350	300,112
Intangible assets, net	1,058,630	1,079,496
Goodwill	922,508	926,475
Deferred tax assets, net	16,404	6,805
Other assets	79,133	19,917
Total assets	\$3,205,711	\$ 3,107,887
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term portion of borrowings under senior credit facility	\$33,750	\$ 22,500
Accounts payable, trade	100,553	76,050
Deferred revenue	3,750	3,764
Accrued compensation	57,561	75,693
Accrued expenses and other current liabilities	92,492	84,545
Total current liabilities	288,106	262,552
Long-term borrowings under senior credit facility	1,205,025	1,210,513
Long-term borrowings under securitization facility	126,000	121,200
Deferred tax liabilities	57,660	57,778
Other liabilities	131,890	80,048
Total liabilities	1,808,681	1,732,091
Commitments and contingencies (Refer to Note 16)		
Stockholders' equity:		
Preferred stock; no par value; 15,000 authorized shares; none outstanding	—	—
Common stock; \$0.01 par value; 240,000 authorized shares; 88,304 and 88,044 issued at March 31, 2019 and December 31, 2018, respectively	882	880
Additional paid-in capital	1,191,807	1,192,601
Treasury stock, at cost; 2,869 shares and 2,881 shares at March 31, 2019 and December 31, 2018, respectively	(120,109)	(120,615)
Accumulated other comprehensive loss	(56,679)	(45,443)
Retained earnings	381,129	348,373
Total stockholders' equity	1,397,030	1,375,796
Total liabilities and stockholders' equity	\$3,205,711	\$ 3,107,887

The accompanying unaudited notes are an integral part of these condensed consolidated financial statements.

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INTEGRA LIFESCIENCES HOLDINGS CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (UNAUDITED)

(In thousands)

	Three Months Ended March 31,	
	2019	2018
OPERATING ACTIVITIES:		
Net income	\$32,756	\$10,992
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	27,093	27,096
Deferred income tax	(6,843)	(1,636)
Amortization of debt issuance costs	1,357	1,519
Loss on disposal of property and equipment	367	146
Change in fair value of contingent consideration and other	194	379
Share-based compensation	4,083	4,731
Changes in assets and liabilities, net of business acquisitions:		
Accounts receivable	(13,705)	(18,400)
Inventories	(12,048)	1,297
Prepaid expenses and other current assets	(12,949)	12,163
Other non-current assets	(628)	339
Accounts payable, accrued expenses and other current liabilities	5,387	2,974
Deferred revenue	(188)	—
Other non-current liabilities	4,608	(69)
Net cash provided by operating activities	29,484	41,531
INVESTING ACTIVITIES:		
Purchases of property and equipment	(16,086)	(15,387)
Proceeds from note receivable	245	221
Proceeds from sale of property and equipment	35	148
Cash provided by business acquisitions	—	5,720
Net cash used in investing activities	(15,806)	(9,298)
FINANCING ACTIVITIES:		
Proceeds from borrowings of long-term indebtedness	67,200	25,000
Payments on debt	(57,400)	(35,000)
Net cash paid for contingent consideration	—	(7,772)
Proceeds from exercised stock options	1,750	3,662
Cash taxes paid in net equity settlement	(6,157)	(6,776)
Net cash provided by (used in) financing activities	5,393	(20,886)
Effect of exchange rate changes on cash and cash equivalents	(884)	3,114
Net increase in cash and cash equivalents	18,187	14,461
Cash and cash equivalents at beginning of period	138,838	174,935
Cash and cash equivalents at end of period	\$157,025	\$189,396

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INTEGRA LIFESCIENCES HOLDINGS CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
 (UNAUDITED)
 (In thousands)

	Three Months Ended March 31, 2019						Total Equity	
	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)		Retained Earnings
	Shares	Amount	Shares	Amount				
	(In thousands)							
Balance, January 1, 2019	88,044	\$ 880	(2,881)	\$(120,615)	\$1,192,601	\$ (45,443)	\$348,373	\$1,375,796
Net income	—	—	—	—	—	—	32,756	32,756
Other comprehensive income (loss), net of tax	—	—	—	—	—	(11,236)	—	(11,236)
Issuance of common stock through employee stock purchase plan	17	—	—	—	716	—	—	716
Issuance of common stock for vesting of share based awards, net of shares withheld for taxes	243	2	12	506	(5,629)	—	—	(5,121)
Share-based compensation	—	—	—	—	4,119	—	—	4,119
Balance, March 31, 2019	88,304	\$ 882	(2,869)	\$(120,109)	\$1,191,807	\$ (56,679)	\$381,129	\$1,397,030

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INTEGRA LIFESCIENCES HOLDINGS CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
 (UNAUDITED)

(In thousands)

	Three Months Ended March 31, 2018							Total Equity
	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	
	Shares	Amount	Shares	Amount				
	(In thousands)							
Balance, January 1, 2018	81,306	\$ 813	(2,927)	\$(121,644)	\$ 821,758	\$ (23,807)	\$ 285,186	\$ 962,306
Net income	—	—	—	—	—	—	10,992	10,992
Adoption of Update No. 2014-09	—	—	—	—	—	—	1,854	1,854
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	—	—