



CONMED Corporation Announces Third Quarter 2023 Financial Results

October 25, 2023

LARGO, Fla.--(BUSINESS WIRE)--Oct. 25, 2023-- **CONMED Corporation (NYSE: CNMD)** today announced financial results for the third quarter ended September 30, 2023.

Third Quarter 2023 Highlights

- Sales of \$304.6 million increased 10.7% year over year as reported and 11.9% in constant currency. Acquisitions contributed approximately 40 basis points of growth.
- Domestic revenue increased 9.5% year over year.
- International revenue increased 12.3% year over year as reported and 15.1% in constant currency.
- Diluted net earnings per share (GAAP) were \$0.50 compared to diluted net earnings per share (GAAP) of \$1.48 in the third quarter of 2022.
- Adjusted diluted net earnings per share⁽¹⁾ were \$0.90, an increase of 16.9% compared to the third quarter of 2022.

"The third quarter saw our team drive double-digit revenue and earnings growth amid healthy end markets," commented Curt R. Hartman, CONMED's Chair of the Board, President, and Chief Executive Officer. "I'm proud of what we've accomplished year to date in 2023, particularly that the team has been able to drive above-market revenue growth in both businesses."

2023 Outlook

Based on the third quarter results, the Company now expects full-year revenue between \$1.240 billion and \$1.260 billion, compared to its prior guidance of between \$1.230 billion and \$1.260 billion.

The Company now expects full-year 2023 adjusted diluted net earnings per share⁽²⁾ in the range of \$3.45 to \$3.55, compared to its prior range of \$3.40 to \$3.55.

The expected impact of foreign currency exchange rates remains consistent with the range provided in our original guidance for 2023.

Supplemental Financial Disclosures

⁽¹⁾ A reconciliation of reported diluted net earnings (loss) per share to adjusted diluted net earnings per share, a non-GAAP financial measure, appears below.

⁽²⁾ Information reconciling forward-looking adjusted diluted net earnings per share to the comparable GAAP financial measures is unavailable to the company without unreasonable effort, as discussed below.

Conference Call

The Company's management will host a conference call today at 4:30 p.m. ET to discuss its third quarter 2023 results.

To participate in the conference call via telephone, please [click here](#) to pre-register and obtain the dial-in number and passcode.

This conference call will also be webcast and can be accessed from the "Investors" section of CONMED's website at www.conmed.com. The webcast replay of the call will be available at the same site approximately one hour after the end of the call.

Consolidated Condensed Statements of Income (Loss)

(in thousands except per share amounts, unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Net sales	\$ 304,578	\$ 275,088	\$ 917,699	\$ 794,605
Cost of sales	136,519	123,473	423,629	355,222
Gross profit	168,059	151,615	494,070	439,383
% of sales	55.2%	55.1%	53.8%	55.3%
Selling & administrative expense	125,295	114,600	385,080	333,302
Research & development expense	12,464	12,767	38,574	34,932
Income from operations	30,300	24,248	70,416	71,149
% of sales	9.9%	8.8%	7.7%	9.0%
Interest expense	10,019	8,536	30,271	19,462
Other expense	-	-	-	112,011

Income (loss) before income taxes	20,281	15,712	40,145	(60,324)
Provision (benefit) for income taxes	4,444	(30,438)	8,757	46,842
Net income (loss)	<u>\$ 15,837</u>	<u>\$ 46,150</u>	<u>\$ 31,388</u>	<u>\$ (107,166)</u>
Basic EPS	\$ 0.52	\$ 1.51	\$ 1.02	\$ (3.59)
Diluted EPS	0.50	1.48	0.99	(3.59)
Basic shares	30,741	30,473	30,638	29,892
Diluted shares	31,689	31,103	31,563	29,892

Sales Summary
(in millions, unaudited)

		Three Months Ended September 30,								
		% Change								
					Domestic			International		
		Impact of			Impact of					
		As	Foreign	Constant	As	As	Foreign	Constant		
2023	2022	Reported	Currency	Currency	Reported	Reported	Currency	Currency		
Orthopedic Surgery	\$ 124.7	\$ 118.6	5.1%	1.3%	6.4%	1.3%	7.5%	2.2%	9.7%	
General Surgery	179.9	156.5	15.0%	1.0%	16.0%	12.9%	19.9%	3.9%	23.8%	
	<u>\$ 304.6</u>	<u>\$ 275.1</u>	<u>10.7%</u>	<u>1.2%</u>	<u>11.9%</u>	<u>9.5%</u>	<u>12.3%</u>	<u>2.8%</u>	<u>15.1%</u>	
Single-use Products	\$ 253.3	\$ 231.3	9.5%	1.1%	10.6%	9.3%	9.7%	2.8%	12.5%	
Capital Products	51.3	43.8	17.1%	1.5%	18.6%	10.6%	23.0%	3.2%	26.2%	
	<u>\$ 304.6</u>	<u>\$ 275.1</u>	<u>10.7%</u>	<u>1.2%</u>	<u>11.9%</u>	<u>9.5%</u>	<u>12.3%</u>	<u>2.8%</u>	<u>15.1%</u>	
Domestic	\$ 170.5	\$ 155.7	9.5%	0.0%	9.5%					
International	134.1	119.4	12.3%	2.8%	15.1%					
	<u>\$ 304.6</u>	<u>\$ 275.1</u>	<u>10.7%</u>	<u>1.2%</u>	<u>11.9%</u>					

		Nine Months Ended September 30,								
		% Change								
					Domestic			International		
		Impact of			Impact of					
		As	Foreign	Constant	As	As	Foreign	Constant		
2023	2022	Reported	Currency	Currency	Reported	Reported	Currency	Currency		
Orthopedic Surgery	\$ 396.6	\$ 346.3	14.5%	2.7%	17.2%	18.9%	12.1%	4.1%	16.2%	
General Surgery	521.1	448.3	16.2%	1.7%	17.9%	16.1%	16.6%	5.6%	22.2%	
	<u>\$ 917.7</u>	<u>\$ 794.6</u>	<u>15.5%</u>	<u>2.1%</u>	<u>17.6%</u>	<u>16.9%</u>	<u>13.8%</u>	<u>4.6%</u>	<u>18.4%</u>	
Single-use Products	\$ 767.3	\$ 663.1	15.7%	2.1%	17.8%	17.3%	13.6%	4.7%	18.3%	
Capital Products	150.4	131.5	14.3%	2.3%	16.6%	14.0%	14.6%	4.3%	18.9%	
	<u>\$ 917.7</u>	<u>\$ 794.6</u>	<u>15.5%</u>	<u>2.1%</u>	<u>17.6%</u>	<u>16.9%</u>	<u>13.8%</u>	<u>4.6%</u>	<u>18.4%</u>	
Domestic	\$ 509.8	\$ 436.1	16.9%	0.0%	16.9%					
International	407.9	358.5	13.8%	4.6%	18.4%					
	<u>\$ 917.7</u>	<u>\$ 794.6</u>	<u>15.5%</u>	<u>2.1%</u>	<u>17.6%</u>					

Reconciliation of Reported Net Income to Adjusted Net Income
(in thousands, except per share amounts, unaudited)

Three Months Ended September 30, 2023

	Selling & Administrative						Effective Tax Rate	Net Income	Basic EPS	Adjustments	Diluted EPS
	Gross Profit	Expense	Operating Income	Interest Expense	Tax Expense						
As reported	\$168,059	\$ 125,295	\$ 30,300	\$ 10,019	\$ 4,444	21.9%	\$ 15,837		\$	- \$15,837	
% of sales	55.2%	41.1%	9.9%								
EPS								\$ 0.52		\$ 0.50	
Shares								30,741	948	31,689	
Acquisition and integration costs ⁽¹⁾	2,194	-	2,194	-	222		1,972				
Contingent consideration fair value adjustment ⁽²⁾	-	(3,150)	3,150	-	320		2,830				
	<u>\$170,253</u>	<u>\$ 122,145</u>	<u>\$ 35,644</u>	<u>\$ 10,019</u>	<u>\$ 4,986</u>		<u>\$ 20,639</u>				
Adjusted gross profit %	55.9%										
Amortization ⁽³⁾	\$ 1,500	(7,238)	8,738	(1,546)	2,491		7,793				
As adjusted		<u>\$ 114,907</u>	<u>\$ 44,382</u>	<u>\$ 8,473</u>	<u>\$ 7,477</u>	20.8%	<u>\$ 28,432</u>		\$	- \$28,432	
% of sales		37.7%	14.6%								
Adjusted diluted EPS										\$ 0.90	
Shares								30,741	948	31,689	
Convertible note hedges ⁽⁴⁾										(178)	
Adjusted diluted shares										<u>31,511</u>	

Three Months Ended September 30, 2022

	Selling & Administrative						Effective Tax Rate	Net Income	Basic EPS	Adjustments ⁽⁵⁾	Diluted EPS
	Gross Profit	Expense	Operating Income	Interest Expense	Tax Expense (Benefit)						
As reported	\$151,615	\$ 114,600	\$ 24,248	\$ 8,536	\$(30,438)	-193.7%	\$ 46,150		\$	- \$46,150	
% of sales	55.1%	41.7%	8.8%								
EPS								\$ 1.51		\$ 1.48	
Shares								30,473	630	31,103	
Acquisition and integration costs ⁽¹⁾	2,096	(3,706)	5,802	-	35,852		(30,050)				
	<u>\$153,711</u>	<u>\$ 110,894</u>	<u>\$ 30,050</u>	<u>\$ 8,536</u>	<u>\$ 5,414</u>		<u>\$ 16,100</u>				
Adjusted gross profit %	55.9%										
Amortization ⁽³⁾	\$ 1,500	(7,193)	8,693	(1,488)	2,484		7,697				
As adjusted		<u>\$ 103,701</u>	<u>\$ 38,743</u>	<u>\$ 7,048</u>	<u>\$ 7,898</u>	24.9%	<u>\$ 23,797</u>		\$	- \$23,797	
% of sales		37.7%	14.1%								
Adjusted diluted EPS										\$ 0.77	
Shares								30,473	630	31,103	
Convertible note hedges ⁽⁴⁾										(45)	
Adjusted diluted shares										<u>31,058</u>	

(1) In 2023, the Company incurred charges related to the amortization of inventory step-up to fair value associated with the acquisition of In2Bones Global, Inc. In 2022, the Company incurred charges related to the amortization of inventory step-up to fair value and consulting fees, legal fees, and other integration costs associated with the acquisitions of In2Bones Global, Inc. and Biorez, Inc.

(2) In 2023, the Company incurred expense related to the fair value adjustments of contingent consideration.

(3) Includes amortization of intangible assets and deferred financing fees.

(4) Non-GAAP adjusted dilutive weighted average shares outstanding exclude dilution that is expected to be offset by the Company's convertible notes hedge transactions.

(5) The Company adopted ASU 2020-06, effective January 1, 2022. As a result of the adoption, the Company is required to compute diluted EPS using the if-converted method. Under the if-converted method, the numerator is adjusted for interest expense applicable to its convertible notes (net of tax) and the denominator includes additional common shares assuming conversion premium and principal portion of the notes (when permitted or required) are settled in shares. Subsequent to June 6, 2022, the Company is required to settle the principal value of its convertible notes in cash.

Reconciliation of Reported Net Income (Loss) to Adjusted Net Income (in thousands, except per share amounts, unaudited)

Nine Months Ended September 30, 2023

Adjusted diluted EPS			\$ 2.22
Shares	29,892	3,392	33,284
Convertible note hedges ⁽⁷⁾			(771)
Adjusted diluted shares			32,513

(1) In 2023, the Company incurred charges related to the amortization of inventory step-up to fair value associated with the acquisition of In2Bones Global, Inc., and integration costs and professional fees associated with the acquisitions of In2Bones Global, Inc. and Biorez, Inc. In 2022, the Company incurred charges related to the amortization of inventory step-up to fair value and consulting fees, legal fees, and other integration costs associated with the acquisitions of In2Bones Global, Inc. and Biorez, Inc.

(2) In 2023, the Company incurred costs related to the termination of distributor agreements.

(3) In 2023, the Company incurred consulting fees related to an operational cost improvement initiative and severance related to the elimination of certain positions.

(4) In 2023, the Company incurred incremental freight, labor and professional fees related to the implementation of a warehouse management software.

(5) In 2023, the Company incurred expense related to the fair value adjustment of contingent consideration.

(6) Includes amortization of intangible assets and deferred financing fees.

(7) Non-GAAP adjusted dilutive weighted average shares outstanding exclude dilution that is expected to be offset by the Company's convertible notes hedge transactions.

(8) In 2022, the Company incurred costs related to a legal settlement.

(9) In 2022, the Company incurred costs related to the conversion premium on the repurchase and extinguishment of \$275.0 million of its 2.625% Convertible Notes.

(10) In 2022, the Company incurred costs related to the settlement of convertible notes hedge transactions associated with the repurchase and extinguishment of \$275.0 million of its 2.625% Convertible Notes.

(11) In 2022, the Company incurred costs related to the write-off of deferred financing fees associated with the repurchase and extinguishment of \$275.0 million of its 2.625% Convertible Notes and term loan payoff.

(12) The Company adopted ASU 2020-06, effective January 1, 2022. As a result of the adoption, the Company is required to compute diluted EPS using the if-converted method. Under the if-converted method, the numerator is adjusted for interest expense applicable to its convertible notes (net of tax) and the denominator includes additional common shares assuming conversion premium and principal portion of the notes (when permitted or required) are settled in shares. Subsequent to June 6, 2022, the Company is required to settle the principal value of its convertible notes in cash. Adjustments in 2022 are applicable on a non-GAAP basis only since GAAP results are in a loss position and therefore exclude dilutive potential shares.

Reconciliation of Reported Net Income (Loss) to EBITDA & Adjusted EBITDA
(in thousands, unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Net income (loss)	\$ 15,837	\$ 46,150	\$ 31,388	\$ (107,166)
Provision (benefit) for income taxes	4,444	(30,438)	8,757	46,842
Interest expense	10,019	8,536	30,271	19,462
Depreciation	3,926	3,938	12,148	12,028
Amortization	13,947	13,689	41,724	39,754
EBITDA	\$ 48,173	\$ 41,875	\$ 124,288	\$ 10,920
Stock based compensation	6,186	5,754	18,334	15,972
Acquisition and integration costs	2,194	5,802	7,215	8,751
Contingent consideration fair value adjustment	3,150	-	6,949	-
Termination of distributor agreements	-	-	2,098	-
Restructuring and related costs	-	-	3,613	-
Software implementation costs	-	-	6,056	-
Legal matters	-	-	-	775
Convertible notes premium on extinguishment	-	-	-	103,125
Change in fair value of convertible notes hedges upon settlement	-	-	-	5,460
Loss on early extinguishment of debt	-	-	-	3,426
Adjusted EBITDA	\$ 59,703	\$ 53,431	\$ 168,553	\$ 148,429

EBITDA Margin

EBITDA	15.8%	15.2%	13.5%	1.4%
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Adjusted EBITDA

19.6%

19.4%

18.4%

18.7%

About CONMED Corporation

CONMED is a medical technology company that provides devices and equipment for surgical procedures. The Company's products are used by surgeons and other healthcare professionals in a variety of specialties including orthopedics, general surgery, gynecology, thoracic surgery, and gastroenterology. For more information, visit www.conmed.com.

Forward-Looking Statements

This press release and associated conference call may contain forward-looking statements based on certain assumptions and contingencies that involve risks and uncertainties, which could cause actual results, performance, or trends to differ materially from those expressed in the forward-looking statements herein or in previous disclosures. For example, in addition to general industry and economic conditions, factors that could cause actual results to differ materially from those in the forward-looking statements may include, but are not limited to the risk factors discussed in the Company's Annual Report on Form 10-K for the full year ended December 31, 2022, listed under the heading Forward-Looking Statements in the Company's most recently filed Form 10-Q and other risks and uncertainties, which may be detailed from time to time in reports filed by CONMED with the SEC. Any and all forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and relate to the Company's performance on a going-forward basis. The Company believes that all forward-looking statements made by it have a reasonable basis, but there can be no assurance that management's expectations, beliefs or projections as expressed in the forward-looking statements will actually occur or prove to be correct.

Supplemental Information - Reconciliation of GAAP to Non-GAAP Financial Measures

The Company supplements the reporting of its financial information determined under generally accepted accounting principles in the United States (GAAP) with certain non-GAAP financial measures, including percentage sales growth in constant currency; adjusted gross profit; cost of sales excluding specified items; adjusted selling and administrative expenses; adjusted operating income; adjusted interest expense; adjusted other expense; adjusted income tax expense; adjusted effective income tax rate; adjusted net income, adjusted diluted shares and adjusted diluted net earnings per share (EPS). The Company believes that these non-GAAP measures provide meaningful information to assist investors and shareholders in understanding its financial results and assessing its prospects for future performance. Management believes percentage sales growth in constant currency and the other adjusted measures described above are important indicators of its operations because they exclude items that may not be indicative of, or are unrelated to, its core operating results and provide a baseline for analyzing trends in the Company's underlying business. Further, the presentation of EBITDA is a non-GAAP measurement that management considers useful for measuring aspects of the Company's cash flow. Management uses these non-GAAP financial measures for reviewing the operating results and analyzing potential future business trends in connection with its budget process and bases certain management incentive compensation on these non-GAAP financial measures.

Net sales on a constant currency basis is a non-GAAP measure. The Company analyzes net sales on a constant currency basis to better measure the comparability of results between periods. To measure percentage sales growth in constant currency, the Company removes the impact of changes in foreign currency exchange rates that affect the comparability and trend of net sales. To measure earnings performance on a consistent and comparable basis, the Company excludes certain items that affect the comparability of operating results and the trend of earnings. These adjustments are irregular in timing, may not be indicative of past and future performance and are therefore excluded to allow investors to better understand underlying operating trends.

Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names. These adjusted financial measures should not be considered in isolation or as a substitute for reported sales growth, gross profit, cost of sales, selling and administrative expenses, operating income, interest expense, other expense, income tax expense (benefit), effective income tax rate, net income (loss), diluted shares and diluted net earnings (loss) per share, the most directly comparable GAAP financial measures. These non-GAAP financial measures are an additional way of viewing aspects of the Company's operations that, when viewed with GAAP results and the reconciliations to corresponding GAAP financial measures above, provide a more complete understanding of the business. The Company strongly encourages investors and shareholders to review its financial statements and publicly filed reports in their entirety and not to rely on any single financial measure.

We are unable to present a quantitative reconciliation of our expected diluted net earnings per share to expected adjusted diluted net earnings per share as we are unable to predict with reasonable certainty and without unreasonable effort the impact and timing of acquisition, integration and other charges. The financial impact of these items is uncertain and is dependent on various factors, including timing, and could be material to our consolidated condensed statements of income.

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