



CONMED Corporation Announces First Quarter 2024 Financial Results

April 24, 2024

LARGO, Fla.--(BUSINESS WIRE)--Apr. 24, 2024-- **CONMED Corporation (NYSE: CNMD)** today announced financial results for the first quarter ended March 31, 2024.

First Quarter 2024 Highlights

- Sales of \$312.3 million increased 5.7% year-over-year as reported and 5.9% in constant currency.
- Domestic revenue increased 7.2% year-over-year.
- International revenue increased 3.8% year-over-year as reported and 4.2% in constant currency.
- Diluted net earnings per share (GAAP) were \$0.63 compared to diluted net earnings per share (GAAP) of \$0.06 in the first quarter of 2023.
- Adjusted diluted net earnings per share⁽¹⁾ were \$0.79, an increase of 19.7% compared to the first quarter of 2023.

"2024 is off to a solid start as the quarter delivered our expected top- and bottom-line growth and margin expansion," commented Curt R. Hartman, CONMED's Chair of the Board, President, and Chief Executive Officer. "We remain well positioned with a compelling and diverse portfolio to drive continued growth across the markets we serve."

2024 Outlook

Based on current foreign currency exchange rates, the Company now expects incremental revenue currency headwinds of approximately \$10 million. Therefore, full-year reported revenue is now expected to be between \$1.330 billion and \$1.355 billion, compared to the prior guidance range of between \$1.340 billion and \$1.365 billion.

Primarily as a result of these same incremental foreign currency headwinds, the Company now expects full-year adjusted diluted net earnings per share⁽²⁾ in the range of \$4.25 to \$4.35, compared to its prior range of \$4.30 to \$4.40.

Supplemental Financial Disclosures

(1) A reconciliation of reported diluted net earnings 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 first quarter 2024 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

(in thousands except per share amounts, unaudited)

	Three Months Ended March 31,	
	2024	2023
Net sales	\$ 312,273	\$ 295,468
Cost of sales	140,308	140,147
Gross profit	171,965	155,321
% of sales	55.1%	52.6%
Selling & administrative expense	123,358	130,083
Research & development expense	13,594	12,539
Income from operations	35,013	12,699
% of sales	11.2%	4.3%
Interest expense	9,594	10,255
Income before income taxes	25,419	2,444

Provision for income taxes		5,710	625
Net income		<u>\$ 19,709</u>	<u>\$ 1,819</u>
Basic EPS		\$ 0.64	\$ 0.06
Diluted EPS		0.63	0.06
Basic shares		30,780	30,511
Diluted shares		31,272	31,204

Sales Summary
(in millions, unaudited)

		Three Months Ended March 31,									
		% Change									
					Domestic		International				
		Impact of					Impact of				
		As					As				
		Foreign					Foreign				
		Constant					Constant				
		Currency					Currency				
		As					As				
		Reported					Reported				
		2024					2023				
		2024					2023				
Orthopedic Surgery	\$	134.9	\$	131.2	2.8%	0.2%	3.0%	10.6%	-1.8%	0.2%	-1.6%
General Surgery		177.4		164.3	8.0%	0.2%	8.2%	5.7%	13.3%	0.8%	14.1%
	\$	<u>312.3</u>	\$	<u>295.5</u>	<u>5.7%</u>	<u>0.2%</u>	<u>5.9%</u>	<u>7.2%</u>	<u>3.8%</u>	<u>0.4%</u>	<u>4.2%</u>
Single-use Products	\$	264.7	\$	249.3	6.2%	0.1%	6.3%	6.6%	5.6%	0.4%	6.0%
Capital Products		47.6		46.2	3.1%	0.3%	3.4%	11.6%	-3.6%	0.5%	-3.1%
	\$	<u>312.3</u>	\$	<u>295.5</u>	<u>5.7%</u>	<u>0.2%</u>	<u>5.9%</u>	<u>7.2%</u>	<u>3.8%</u>	<u>0.4%</u>	<u>4.2%</u>
Domestic	\$	176.4	\$	164.6	7.2%	0.0%	7.2%				
International		135.9		130.9	3.8%	0.4%	4.2%				
	\$	<u>312.3</u>	\$	<u>295.5</u>	<u>5.7%</u>	<u>0.2%</u>	<u>5.9%</u>				

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

		Three Months Ended March 31, 2024									
		Selling & Administrative									
		Operating		Interest		Tax		Effective		Net	
		Income		Expense		Expense		Tax Rate		Income	
		Expense		Income		Expense		Tax Rate		Income	
		Profit		Expense		Expense		Tax Rate		Income	
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		Profit		Expense		Expense		Tax Rate		Income	
		Profit		Expense		Expense					

Three Months Ended March 31, 2023

	Gross Profit	Selling & Administrative Expense	Operating Income	Interest Expense	Tax Expense	Effective Tax Rate	Net Income	Basic EPS	Adjustments	Diluted EPS
As reported	\$ 155,321	\$ 130,083	\$ 12,699	\$ 10,255	625	25.6%	\$ 1,819		\$ -	\$ 1,819
% of sales	52.6%	44.0%	4.3%							
EPS								\$ 0.06		\$ 0.06
Shares								30,511	693	31,204
Acquisition and integration costs ⁽⁷⁾	2,096	(448)	2,544	-	654		1,890			
Restructuring and related costs ⁽¹⁾	2,035	(1,578)	3,613	-	930		2,683			
Software implementation costs ⁽⁸⁾	-	(4,259)	4,259	-	1,096		3,163			
Contingent consideration fair value adjustments ⁽⁵⁾	-	(4,436)	4,436	-	1,141		3,295			
	<u>\$ 159,452</u>	<u>\$ 119,362</u>	<u>\$ 27,551</u>	<u>\$ 10,255</u>	<u>4,446</u>		<u>\$ 12,850</u>			
Adjusted gross profit %	54.0%									
Amortization ⁽⁶⁾	\$ 1,500	(7,265)	8,765	(1,506)	2,530		7,741			
As adjusted		<u>\$ 112,097</u>	<u>\$ 36,316</u>	<u>\$ 8,749</u>	<u>6,976</u>	<u>25.3%</u>	<u>20,591</u>		<u>\$ -</u>	<u>20,591</u>
% of sales		37.9%	12.3%							
Adjusted diluted EPS										<u>\$ 0.66</u>
Shares								30,511	693	31,204
Convertible note hedges ⁽⁹⁾										(64)
Adjusted diluted shares										<u>31,140</u>

(1) In 2024, the Company incurred severance costs related to the elimination of certain positions. In 2023, the Company incurred consulting fees related to an operational cost improvement initiative and severance related to the elimination of certain positions.

(2) In 2024, the Company wrote off inventory, tooling and equipment related to the cancellation of a planned new product line.

(3) In 2024, the Company incurred costs pertaining to potential issues with certain royalty payments to design surgeons.

(4) In 2024, the Company recorded an accrual adjustment related to the previous termination of a distributor agreement.

(5) In 2024 and 2023, the Company incurred income/(expense) related to the fair value adjustments of contingent consideration.

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

(7) 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.

(8) In 2023, the Company incurred additional freight, labor and travel costs as well as professional fees related to the implementation of a warehouse management software.

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

Reconciliation of Reported Net Income to EBITDA & Adjusted EBITDA

(in thousands, unaudited)

	Three Months Ended March 31,	
	2024	2023
Net income	\$ 19,709	\$ 1,819
Provision for income taxes	5,710	625
Interest expense	9,594	10,255
Depreciation	4,046	4,057
Amortization	13,992	13,877
EBITDA	<u>\$ 53,051</u>	<u>\$ 30,633</u>
Stock based compensation	6,240	5,726
Restructuring and related costs	1,774	3,613

Asset impairment costs	1,414	-
Legal matters	1,337	-
Termination of distributor agreement	(970)	-
Contingent consideration fair value adjustments	(6,545)	4,436
Acquisition and integration costs	-	2,544
Software implementation costs	-	4,259
Adjusted EBITDA	<u>\$ 56,301</u>	<u>\$ 51,211</u>

EBITDA Margin

EBITDA	17.0%	10.4%
Adjusted EBITDA	18.0%	17.3%

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, 2023 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 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, income tax expense, effective income tax rate, net income, diluted shares and diluted net earnings 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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Source: CONMED Corporation