



CONMED
CORPORATION

Revenue Recognition – ASC 606 2017 Impact

January 31, 2018



Management has disclosed adjusted financial measurements in this presentation that present financial information that is not in accordance with generally accepted accounting principles (GAAP). These adjusted financial measures are helpful to management in comparing the recurring aspects of the business performance without the effect of unusual, non-recurring or special revenues or costs. These measurements are not a substitute for GAAP measurements. Investors should consider adjusted measures in addition to, and not as a substitute for, or superior to, financial performance measures prepared in accordance with GAAP.



Revenue Recognition Accounting Standard Reconciliation - 2017

Background

CONMED Corporation adopted ASC 606 Revenue from Contracts with Customers effective January 1, 2018. Under ASC 606, certain costs previously included in selling and administrative expense and principally related to fees paid to group purchasing organizations and distributors are required to be recorded as a reduction of revenue. We adopted ASC 606 under the modified retrospective approach whereby the standard is applied prospectively beginning in 2018. The following schedule applies ASC 606 to our reported and adjusted results as if the new standard had been in effect beginning in 2017.

Reported Net Income

	Q1 2017			Q2 2017			Q3 2017			Q4 2017			2017		
	Reported	After		Reported	After		Reported	After		Reported	After		Reported	After	
		ASC 606 Impact	ASC 606 Impact		ASC 606 Impact	ASC 606 Impact		ASC 606 Impact	ASC 606 Impact		ASC 606 Impact	ASC 606 Impact			
Orthopedic Surgery	\$ 103.8	\$ (0.6)	\$ 103.2	\$ 105.6	\$ (0.7)	\$ 104.9	\$ 98.6	\$ (0.6)	\$ 98.0	\$ 121.0	\$ (0.7)	\$ 120.4	\$ 428.9	\$ (2.5)	\$ 426.4
General Surgery	82.8	(1.1)	81.7	91.6	(1.4)	90.2	91.5	(1.4)	90.1	101.6	(1.7)	99.8	367.4	(5.7)	361.8
Net Sales	186.6	(1.7)	184.9	197.2	(2.1)	195.1	190.1	(2.0)	188.1	222.6	(2.4)	220.1	796.4	(8.2)	788.2
Cost of sales	86.7	-	86.7	92.5	-	92.5	87.6	-	87.6	98.6	-	98.6	365.4	-	365.4
Gross profit	99.9	(1.7)	98.2	104.7	(2.1)	102.6	102.5	(2.0)	100.5	124.0	(2.4)	121.6	431.0	(8.2)	422.8
Selling & administrative expense	94.8	(1.7)	93.1	83.8	(2.1)	81.7	80.8	(2.0)	78.8	92.4	(2.4)	90.0	351.8	(8.2)	343.6
Research & development	7.6	-	7.6	8.0	-	8.0	8.3	-	8.3	8.4	-	8.4	32.3	-	32.3
Income from operations	(2.5)	-	(2.5)	12.8	-	12.8	13.5	-	13.5	23.2	-	23.2	46.9	-	46.9
Gross profit %	53.5%	-0.4%	53.1%	53.1%	-0.5%	52.6%	53.9%	-0.5%	53.4%	55.7%	-0.5%	55.2%	54.1%	-0.5%	53.6%
Selling & administrative expense %	50.8%	-0.5%	50.3%	42.5%	-0.6%	41.9%	42.5%	-0.6%	41.9%	41.5%	-0.6%	40.9%	44.2%	-0.6%	43.6%
Income from operations %	-1.3%	-	-1.3%	6.5%	0.1%	6.6%	7.1%	0.1%	7.2%	10.4%	0.1%	10.5%	5.9%	0.1%	6.0%

Adjusted Net Earnings

	Q1 2017			Q2 2017			Q3 2017			Q4 2017			2017		
	Adjusted Earnings	After		Adjusted Earnings	After		Adjusted Earnings	After		Adjusted Earnings	After		Adjusted Earnings	After	
		ASC 606 Impact	ASC 606 Impact		ASC 606 Impact	ASC 606 Impact		ASC 606 Impact	ASC 606 Impact		ASC 606 Impact	ASC 606 Impact			
Gross profit	101.1	(1.7)	99.4	105.0	(2.1)	102.9	103.9	(2.0)	101.8	124.1	(2.4)	121.7	433.9	(8.2)	425.7
Selling & administrative expense	75.1	(1.7)	73.3	77.2	(2.1)	75.1	76.6	(2.0)	74.6	86.5	(2.4)	84.0	315.3	(8.2)	307.1
Gross profit %	54.2%	-0.5%	53.7%	53.2%	-0.5%	52.7%	54.6%	-0.5%	54.1%	55.8%	-0.5%	55.3%	54.5%	-0.5%	54.0%
Selling & administrative expense %	40.2%	-0.6%	39.7%	39.2%	-0.7%	38.5%	40.3%	-0.7%	39.6%	38.8%	-0.6%	38.2%	39.6%	-0.6%	39.0%
Income from operations %	10.7%	0.1%	10.8%	10.7%	0.2%	10.9%	10.8%	0.1%	10.9%	13.8%	0.2%	14.0%	11.6%	0.1%	11.7%