



**Integer**<sup>®</sup>

**2022**

**ANNUAL REPORT**





Dear fellow stockholders:

It is an exciting time to be an Integer stockholder. The progress we have made on our Journey to Excellence has positioned the company on a positive trajectory for 2023 and beyond. I am proud of the way our global team has continued delivering for our customers, executing our strategy, and strengthening our culture while responding to the macro-environmental challenges of the last few years. Together, we have established Integer's place as a leader in medical device outsource manufacturing.

Our structured and disciplined approach to strategically investing in capabilities and capacity to support faster growing markets has positioned the company for sustained above market growth. We are uniquely equipped to serve customers across all phases of the product lifecycle and bring products to market faster with unmatched design and development expertise, innovative technologies, global presence, world-class manufacturing, scalability, and high standards for excellence.

Our customer relationships are growing stronger as we partner to realize our vision of enhancing patients' lives through innovative technology. New product development sales have increased by 230% since we launched our strategy in 2017 – with 80% percent in high-growth markets that address unmet patient needs.

The Oscor and Aran acquisitions are exceeding our strategic and financial objectives. Our Manufacturing Excellence strategy is driving quality and operational improvements across our business. Our global team is creating a more inclusive culture where we build upon one another's differences to bring forward innovative solutions to help shape the future of medtech.

We believe 2023 is the beginning of sustained above market sales growth for Integer. We have a clear vision, compelling strategy, strong values, and incredibly talented associates. I am excited about the opportunities ahead to create a premium valuation for our stockholders and improve even more patient lives as we partner with our customers to develop and launch new, life-saving and life-enhancing products.

Thank you for your partnership along our journey and continued ownership in Integer.

A handwritten signature in black ink that reads 'Joseph W. Dziedzic'.

Joseph W. Dziedzic  
President & Chief Executive Officer



**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 10-K**

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**ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For The Fiscal Year Ended December 31, 2022**

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 Number 1-16137**

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**INTEGER HOLDINGS CORPORATION**

**(Exact name of Registrant as specified in its charter)**

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**Delaware**

(State or other jurisdiction of incorporation or organization)

**16-1531026**

(I.R.S. Employer Identification No.)

**5830 Granite Parkway, Suite 1150    Plano, Texas**

(Address of principal executive offices)

**75024**

(Zip Code)

**(214) 618-5243**

(Registrant's telephone number, including area code)

**Securities Registered Pursuant to Section 12(b) of the Act:**

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
<b>Common Stock, Par Value \$0.001 Per Share</b>	<b>ITGR</b>	<b>New York Stock Exchange</b>

**Securities Registered Pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

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 checkmark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 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 has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of common stock held by non-affiliates as of July 1, 2022 (the last business day of the registrant’s most recently completed second fiscal quarter), based on the last sale price of \$72.00, as reported on the New York Stock Exchange on that date: \$2.4 billion. Solely for the purpose of this calculation, shares held by directors and officers and 10 percent stockholders of the registrant have been excluded. This exclusion should not be deemed a determination or an admission that these individuals are, in fact, affiliates of the registrant.

Shares of common stock outstanding as of February 10, 2023: 33,236,108

## DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following document are specifically incorporated by reference into the indicated parts of this report:

<b>Document</b>	<b>Part</b>
Proxy Statement for the 2023 Annual Meeting of Stockholders	Part III, Item 10 “Directors, Executive Officers and Corporate Governance”
	Part III, Item 11 “Executive Compensation”
	Part III, Item 12 “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters”
	Part III, Item 13 “Certain Relationships and Related Transactions, and Director Independence”
	Part III, Item 14 “Principal Accounting Fees and Services”

**INTEGER HOLDINGS CORPORATION**  
**ANNUAL REPORT ON FORM 10-K**  
**For the Year Ended December 31, 2022**  
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**ITEM 1. BUSINESS**

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**OVERVIEW**

Integer Holdings Corporation, headquartered in Plano, Texas, is among the world's largest medical device outsource ("MDO") manufacturing companies, serving the cardiac rhythm management, neuromodulation, orthopedics, vascular, advanced surgical and portable medical markets. We provide innovative, high-quality medical technologies that enhance the lives of patients worldwide. In addition to medical technologies, we develop batteries for high-end niche applications in energy, military, and environmental markets. Our brands include Greatbatch Medical<sup>®</sup>, Lake Region Medical<sup>®</sup> and Electrochem<sup>®</sup>. Our primary customers include large, multi-national original equipment manufacturers ("OEMs") and their affiliated subsidiaries. When used in this report, the terms "Integer," "we," "us," "our" and the "Company" mean Integer Holdings Corporation and its subsidiaries.

We organize our business into two reportable segments, Medical and Non-Medical, and derive our revenues from four principal product lines. The Medical segment includes the Cardio & Vascular, Cardiac Rhythm Management & Neuromodulation and Advanced Surgical, Orthopedics & Portable Medical product lines and the Non-Medical segment comprises the Electrochem product line.

**Our Acquisitions and Divestitures**

On April 6, 2022, we acquired 100% of the equity interests of Connemara Biomedical Holdings Teoranta, including its operating subsidiaries Aran Biomedical and Proxy Biomedical (collectively "Aran"). A recognized leader in proprietary medical textiles, high precision biomaterial coverings and coatings as well as advanced metal and polymer braiding, Aran delivers development and manufacturing solutions for implantable medical devices. Consistent with our strategy, the combination with Aran further increases our ability to offer complete solutions for complex delivery and therapeutic devices in high growth cardiovascular markets such as structural heart, neurovascular, peripheral vascular, and endovascular as well as general surgery. Refer to Note 2, "Business Acquisitions," of the Notes to Consolidated Financial Statements contained in Item 8 of this report for additional information about the acquisition.

On December 1, 2021, we acquired 100% of the outstanding equity interests of Oscor Inc., Oscor Caribe, LLC and Oscor Europe GmbH (collectively "Oscor"), privately-held companies with operations in Florida, the Dominican Republic and Germany that design, develop, manufacture and market a comprehensive portfolio of highly specialized medical devices, venous access systems and diagnostic catheters and implantable devices. Refer to Note 2, "Business Acquisitions," of the Notes to Consolidated Financial Statements contained in Item 8 of this report for additional information about the acquisition.

On February 19, 2020, we acquired certain assets and liabilities of InoMec Ltd. ("InoMec"), a privately-held company based in Israel that specializes in the research, development and manufacturing of medical devices, including minimally invasive tools, delivery systems, tubing and catheters, surgery tools, drug-device combination, laser combined devices, and tooling and production. The acquisition enabled us to create a research and development center in Israel, closer to the customer base in the region. Refer to Note 2, "Business Acquisitions," of the Notes to Consolidated Financial Statements contained in Item 8 of this report for additional information about the acquisition.

On October 7, 2019, we acquired certain assets and liabilities of US BioDesign, LLC ("USB"), a privately-held developer and manufacturer of complex braided biomedical structures for disposable and implantable medical devices. The acquisition added a differentiated capability related to the complex development and manufacture of braided and formed biomedical structures to our broad portfolio, that we believe further positioned us as a partner of choice for innovative medical technologies.

On July 2, 2018, we completed the sale of the Advanced Surgical and Orthopedic product lines (the "AS&O Product Line") to Viant. As a result, we classified the results of operations of the AS&O Product Line as discontinued operations in the Consolidated Statements of Operations for all periods presented. All results and information presented exclude the AS&O Product Line unless otherwise noted. Refer to Note 20, "Discontinued Operations," of the Notes to Consolidated Financial Statements contained in Item 8 of this report for additional information.

## **MEDICAL SEGMENT**

### **Cardio & Vascular**

The Cardio & Vascular product line leverages a global footprint to produce a full range of components, subassemblies, and finished devices used in interventional cardiology, structural heart, heart failure, peripheral vascular, neurovascular, interventional oncology, electrophysiology, vascular access, infusion therapy, hemodialysis, urology, and gastroenterology procedures.

The following are the principal products and services offered by our Cardio & Vascular product line:

**Interventional Cardiology.** Our interventional cardiology portfolio is focused primarily on the design, development and manufacture of catheter and wire-based technologies intended to diagnose and treat cardiac disease. Key products and capabilities span a full suite of devices including coronary stents, balloon catheters, atherectomy devices, imaging and sensing devices, chronic total occlusion solutions, percutaneous transluminal coronary angioplasty and access guidewires, introducer sheaths, and vascular closure devices. Core areas of technical expertise include laser-cut hypotubes, catheter shafts (extrusion, filmcast, and reflow), integrated hub assemblies, pad printing, tip shaping, polytetrafluoroethylene (PTFE) coating, complex machining, and sensor integration.

**Structural Heart and Heart Failure.** Structural heart and heart failure products include those used by cardiologists, echocardiographers, cardiac surgeons, and heart failure specialists to treat diseases or defects of the heart, such as valvular diseases and congenital defects. Integer provides components, subassemblies, and finished devices to these markets leveraging a wide range of technologies and capabilities. These include laser-cut and machined components, complex braided meshes, guidewires, introducer sheaths, steerable sheaths and delivery catheters, and implants used in transcatheter aortic valve replacement, balloon aortic valvuloplasty, transcatheter mitral valve repair and replacement, atrial and defect closure, left ventricular assist, and shunt procedures.

**Peripheral Vascular, Neurovascular, and Interventional Oncology.** Our peripheral vascular, neurovascular, urology and oncology portfolio is primarily focused on the design, development and manufacture of devices used during the treatment of peripheral artery disease, transcatheter embolization and occlusion, aortic aneurysm repair, and neurovascular stroke prevention. Our broad portfolio of devices, capabilities and technology platforms provides our customers with cost effective, high quality solutions ranging from device components to complex assemblies to finished devices such as regulatory approved guidewires and introducers.

Integer's broad technology and capability portfolio within the peripheral vascular markets enables us to address the full spectrum of devices needed in the diagnoses and treatment of peripheral vascular disease. In the peripheral artery disease markets, our technologies are focused on the manufacture and development of interventional guidewires, support catheters, introducers and guiding sheaths, balloon catheters, self-expanding stents and stent grafts as well as embolic protection devices. Our neurovascular technology portfolio encompasses micro guidewires, micro and access catheters, aspiration catheters, stent retrievers, embolization coils, as well as flow diverters. In the interventional oncology market, we offer customers guidewires and microcatheters designed to enable the effective delivery of embolic agents.

**Electrophysiology.** Electrophysiology products include devices used by electrophysiologists and interventional cardiologists for the treatment of cardiac arrhythmias, such as atrial fibrillation. Integer primarily produces devices used for treatment of atrial fibrillation, the most prevalent cardiac arrhythmia. These devices include sheaths and needles for transseptal access, diagnostic and mapping catheters to record and map the arrhythmia sources, and ablation catheters to create lesions for blocking the arrhythmia signals. Integer has the technical capabilities and expertise to provide the full spectrum of products from components to finished devices. Typical components include polyimide tubing, electrode rings, platinum tips and fine wires. Sub-assemblies include electrode ring and wire assemblies, steerable handle assemblies, and spline and basket assemblies. Finished devices include steerable transseptal sheaths, diagnostic catheters and ablation catheters.

**Vascular Access, Infusion Therapy and Hemodialysis.** Our solutions in these markets are focused on vessel access, treatment and device placement for medication and fluid delivery in patients with severe conditions requiring repeated vessel access. We design and manufacture a wide range of vascular access guidewires, stylets, catheters, valved / non-valved peelable and micro introducers. Our portfolio of market-ready vascular access guidewires and introducers kits enables a range of venous and arterial access applications, including transradial access. Additionally, we support customers with custom introducer sheaths and kit solutions leveraging our deep expertise in thin-wall sheath design, hydrophilic coatings and guidewire manufacturing (including poly-jacketed, mandrel, and nitinol core guidewire constructions).

**Non-vascular Markets:** Within the Cardio & Vascular group, we also manage non-vascular markets for which we have expertise and offer a broad range of products, technologies and capabilities. Those markets include:

**Urology.** Our main focus is in endourology for which we develop and manufacture finished devices and components for access and interventional devices such as guidewires, ureteral access sheaths, dilation devices, retrieval devices, ureteral stents, biopsy forceps, and endoscopes.

**Gastroenterology.** Our comprehensive range of technologies and capabilities enable us to support our customers' needs with a broad variety of products such as guidewires, dilatation devices, retrieval devices, snares, wire-formed and polymer stents, stent delivery systems, RF ablation devices, and endoscopes.

### **Cardiac Rhythm Management & Neuromodulation**

The Cardiac Rhythm Management & Neuromodulation product line offers design, development and manufacturing capabilities for components, sub-assemblies, assemblies, and finished medical device systems. We support a variety of clinical markets, with an emphasis on the following markets:

**Cardiac Rhythm Management.** The cardiac rhythm management ("CRM") market comprises implanted medical devices ("IMDs"), implanted leads, procedure accessories, as well as external devices that monitor and treat heart rhythm disorders and heart disease. Examples of CRM products include implantable pacemakers, implantable cardioverter defibrillators ("ICDs"), insertable cardiac monitors ("ICMs"), implantable cardiac pacing and defibrillation leads, and heart failure therapies such as ventricular assist devices and cardiac resynchronization devices ("CRT-P" and "CRT-D"). An IMD system generally includes an implantable pulse generator ("IPG") and one or more stimulation leads. An IPG is a small battery powered device implanted under the skin in the chest that can sense and produce electrical pulses through specialized wires called leads. These leads sense electrical heart signals and carry them back to the IPG which in turn delivers electrical pulses back through the lead to the heart to deliver therapy.

Our portfolio of technologies and products include components, sub-assemblies, and assemblies for active IPGs, implanted sensing and stimulation leads, accessories, or external instruments. Our investments in research and development have created leadership positions in battery, capacitor, and feedthrough technology, including filtered feedthroughs. We are also a supplier of medical stamped components, and shallow and deep draw casings and assemblies.

Beyond the IPG, Integer's CRM product line provides lead development and manufacturing solutions including expertise in low-polarization specialty-coated electrodes and components, and lead and device accessories such as stylets, guidewires, introducers, and lead adapters. Integer also offers fully designed and manufactured epicardial pacing leads.

**Neuromodulation.** Similar to the CRM market, the neuromodulation ("Neuro") market comprises IPGs, implanted leads, procedure accessories, and external devices, such as battery chargers, trial stimulators and patient controllers. Examples of Neuro products include implantable spinal cord stimulators for chronic pain, sacral nerve stimulators for incontinence, deep brain stimulators for movement disorders and other IMDs to treat psychiatric disorders, sleep disorders and hearing loss. The Neuro market also includes several new emerging applications, such as implanted bioelectronic devices aimed at treating chronic diseases.

Within the Neuro market we offer IMD component technologies that have been developed to meet the needs of our customers including our Xcellion<sup>®</sup> line of lithium-ion rechargeable batteries, QMR<sup>®</sup> and CFx non-rechargeable batteries, feedthroughs, device enclosures, machined components and lead components and sub-assemblies. Additionally, Integer helps OEMs and other emerging companies with the development and manufacture of complete neuromodulation IMD solutions, including custom IPGs, programmer systems, battery chargers, patient controllers, fully finished lead systems and accessories from initial development through commercial quantities.

### **Advanced Surgical, Orthopedics & Portable Medical**

The Advanced Surgical, Orthopedics & Portable Medical ("AS&O") product line offers a broad range of products and services across the many businesses it serves. This product line includes sales to the acquirer of our AS&O Product Line.

The following are the principal products and services offered by our AS&O product line:

**Portable Medical.** We are a leading provider of advanced batteries and power solutions for global OEMs. We specialize in the design and manufacture of Li-ion battery packs and chargers. Through the combination of our innovative research and development expertise, manufacturing excellence and leading customer partnerships we advance the way healthcare is powered. Our offerings include customized rechargeable batteries and chargers to power medical devices across multiple clinical markets including patient monitoring, ventilators, portable defibrillators, portable ultrasound, X-Ray machines, hearing devices, and LVAD devices. We collaborate with our customers on product development opportunities incorporating our power solutions into Class I, II or III medical devices.

***Minimally Invasive & General Surgery.*** Our minimally invasive and general surgery products are primarily arthroscopic, laparoscopic, and general surgery devices and components used for minimally invasive procedures in the joint, abdominal, gastroesophageal reflux disease (“GERD”), ophthalmology, oncology, and general surgery spaces. Our products include, harmonic scalpels, shaver blades, burr shavers, radio frequency probes, biopsy probes, trocars, electrocautery components, wound dressings, GERD treatment components, and phacoemulsification needles.

***Orthopedic.*** Our orthopedic products include instruments used in hip, knee, and spine surgeries. Our products primarily consist of reamers and chisels.

## ***NON-MEDICAL SEGMENT***

Our power solutions enable the success and advancement of our customers’ critical non-medical applications. We provide custom battery packs for use in extreme environments where failure is not an option.

The following are the principal products and services offered by our Non-Medical product line:

***Electrochem.*** Electrochem provides customized battery power and power management systems to markets where safety, reliability, quality and durability are critical. We design and manufacture customized primary (non-rechargeable) battery solutions, which are used in the energy, military and environmental markets.

Electrochem’s primary lithium power solutions, which include high, moderate and low-rate non-rechargeable cell constructions, are utilized in extreme conditions and are built to withstand exceptionally high and low temperatures as well as high shock and vibration. Electrochem’s product design capability includes protective circuitry, glass-to-metal hermetic seals, fuses and diodes to help ensure safe, durable and reliable power as devices using our battery solutions are often subjected to harsh conditions. Our primary batteries are used in remote and demanding environments, including down hole drilling tools, pipeline inspection, military devices, and oceanographic buoys.

Electrochem also manufactures complementary technologies in the form of real time battery monitoring, and an alternate power technology in the form of high temperature super capacitors.

## **OTHER FACTORS IMPACTING OUR OPERATIONS**

### **Customers**

Our products are designed to provide reliable, long-lasting solutions that meet the evolving requirements and needs of our customers. The nature and extent of our commercial relationships with each of our customers are different in terms of breadth of products purchased, product volumes, length of contractual commitment, ordering patterns, inventory management, and selling prices. Contracts with customers can include rebates and tiered pricing arrangements based on pre-determined volume levels, in which higher volume levels typically have lower pricing, or specific prices are offered to customers in exchange for increased volume levels and/or longer contract terms. Typically, our contracts specify minimum order quantities and lead times.

We have limited visibility into our customers’ future purchases, covering only a relatively short period of time. Our customers may have inventory management programs, vertical integration plans and/or alternate supply arrangements that may not be communicated to or shared with us. Additionally, the relative market share among the OEM manufacturers changes periodically, which may cause customer inventory levels to rebalance to match new demand. Consequently, these and other factors can significantly impact our sales in any given period. Our customers may initiate field actions with respect to market-released products. These actions may include product recalls or communications with a significant number of physicians about a product or labeling issue. The scope of such actions can range from very minor issues affecting a small number of units to more significant actions.

Our Medical customers include large multi-national medical device OEMs and their subsidiaries. During 2022, three of our Medical segment customers, Abbott Laboratories, Boston Scientific and Medtronic were each in excess of 10% of total sales and collectively accounted for 46% of our total sales. We believe that the diversification of our sales among the various subsidiaries and market segments with those three customers reduces our exposure to negative developments with any one customer. Our Non-Medical customers include large multi-national OEMs and their subsidiaries serving the energy, military and environmental services markets. During 2022, sales to one of our Non-Medical segment customers was in excess of 10% of our Non-Medical segment sales, but did not exceed 10% of our total sales. The loss of a significant amount of business from any large customer or a further consolidation of such customers could have a material adverse effect on our financial condition and results of operations, as further explained in Item 1A “Risk Factors” of this report.

## **Sales and Marketing**

We sell our products directly to our customers. In 2022, approximately 55% of our products sold were shipped to locations in the United States (“U.S.”). Sales within and outside the U.S. are primarily to customers whose corporate offices are located and headquartered in the U.S. Information regarding our sales by geographic area is set forth in Note 18, “Segment and Geographic Information,” of the Notes to Consolidated Financial Statements contained in Item 8 of this report.

Although the majority of our customers contract with us to develop custom components and assemblies to fit their product specifications, we also provide system and device solutions ready for market distribution by OEMs. We have established close working relationships between our internal program managers and our customers. We market our products and technologies at industry meetings and trade shows domestically and internationally. We have placed additional emphasis on reaching long-term agreements with our OEM customers to secure our revenue base and incentivize growth.

Internal account executives support all sales activity and involve engineers and technology professionals in the sales process to address customer requests across all product lines. For system and device solutions, we partner with our customers’ research, marketing, and clinical groups to jointly develop technology platforms in alignment with their product roadmaps and therapy needs.

We leverage our account executives with support from our engineers to design and sell product solutions into our targeted markets. Our account executives are trained to assist our customers in selecting appropriate materials and configurations. We market our products and services through well-defined selling strategies and marketing campaigns that are customized for each of the industries we target.

Firm backlog orders at December 31, 2022 were approximately \$886 million. The majority of the orders outstanding at December 31, 2022 are expected to be shipped within one year.

## **Competition**

The MDO manufacturing industry has traditionally been highly fragmented with several thousand companies, many of which we believe have limited manufacturing capabilities and limited sales and marketing expertise. We believe that very few companies offer the scope of manufacturing capabilities and services that we provide to medical device companies, however, we may compete in the future against other companies that provide broad manufacturing capabilities and related services. We compete against different companies depending on the type of product or service offered or the geographic area served. We also face competition from existing and prospective customers that employ in-house capabilities to produce some of the products we provide.

Our existing or potential competitors include suppliers with different subsets of our manufacturing capabilities, suppliers that concentrate in niche markets, and suppliers that have, are developing, or may in the future develop, broad manufacturing capabilities and related services. We compete for new business at all phases of the product life cycle, which includes development of new products, the redesign of existing products and transfer of mature product lines to outsourced manufacturers. Competitive advantage is generally based on reputation, quality, delivery, responsiveness, breadth of capabilities, including design and engineering support, price, customer relationships and increasingly the ability to provide complete supply chain solutions rather than only producing and providing individual components.

## **Acquisitions and Investments**

One facet of our growth strategy is to acquire additional technology or manufacturing capability to expand our product offering in our key existing growth markets. We expect to continue to engage in business development activities and technology licensing arrangements to support our growth in these markets.

As our customers grow and consolidate, they seek suppliers who can offer broad product capabilities, manufacturing scale and facilitate speed to market. Our strategy aligns with enhancing our portfolio from both organic and inorganic means to partner more broadly with our customers to support their growth. Our inorganic strategy will be primarily focused on strategic “bolt-on” acquisitions that will supplement our existing product portfolio.

## Strategic Overview

We continue to take steps to better align our resources in order to invest to grow and protect, and preserve our portfolio of products. In addition to our portfolio strategy, we continue to execute our six key operational strategic imperatives designed to drive excellence in everything we do:

- **Sales Force Excellence:** We have changed the organizational structure to match product line growth strategies and customer needs. This change is about getting more out of the capabilities we already have, and has increased individual accountability and clarity of ownership, while serving customers more effectively.
- **Market Focused Innovation:** We are ensuring we get the most return on our research and development investments. We are focused on having a clear picture of how we spend our money so we can increase investments to drive future growth.
- **Manufacturing Excellence:** The goal is to deliver world-class operational performance in the areas of safety, quality, delivery and overall efficiency. We want to transition our manufacturing into a competitive advantage through a single, enterprise-wide manufacturing structure known as the Integer Production System. This system will provide standardized systems and processes by leveraging best practices and applying them across all of our global sites.
- **Business Process Excellence:** We are taking a systematic approach to driving excellence in everything we do by standardizing, optimizing and ultimately sustaining all of our processes.
- **Leadership Capability:** We have a robust plan to make leadership a competitive advantage for us, and as the success rate is higher with internal hires, we are focusing on finding and developing leaders from within the Company to build critical capabilities for future success.
- **Performance Excellence:** We are raising the bar on associate performance to maximize our impact. This includes aligning key roles with critical capabilities, positioning the best talent against the biggest work, and putting tools and processes in place to provide higher financial rewards for top performers, so our top performers can see increased results in pay for increased results in their performance.

We believe we are well-positioned within the medical technology and MDO manufacturing market and that there is a robust pipeline of opportunities to pursue. We have expanded our medical device capabilities and are excited about opportunities to partner with customers to drive innovation. We believe we have the scale and global presence, supported by world-class manufacturing and quality capabilities, to capture these opportunities. We are confident in our capabilities as one of the largest MDO manufacturers, with a long history of successfully integrating companies, driving down costs and growing revenues over the long-term. Ultimately, our strategic vision is to drive shareholder value by enhancing the lives of patients worldwide by being our customers' partner of choice for innovative technologies and services.

## Research and Product Development

Our position as a leading developer and manufacturer of medical devices and components is largely the result of our long history of technological innovation. Our scientists, engineers and technicians focus on developing new products, improving and enhancing existing products, and expanding the use of our products in new or tangential applications. In addition to our internal technology and capability development efforts aimed at providing our customers with differentiated solutions, we also engage outside research institutions for unique technology projects.

**Medical.** We believe our core business is well positioned because our OEM customers leverage our portfolio of intellectual property. We continue to build a healthy pipeline of diverse medical technology opportunities and provide a new level of industry leading capabilities and services to our OEM customers across the full range of medical device products and services. We are at the forefront of innovating technologies and products that help change the face of healthcare, enabling us to provide our customers with a distinct advantage as they bring complete medical systems and solutions to market. In turn, our customers are able to accelerate patient access to life enhancing therapies. We offer our customers a comprehensive portfolio comprising the best technologies, providing a single point of support, and driving optimal outcomes.

Some of the more significant product development opportunities our Medical segment is pursuing are as follows:

Product Line	Product Development Projects
Cardio & Vascular	Active projects in structural heart delivery systems subassemblies, structural heart delivery accessories, structural heart implants, electrophysiology catheters, accessories and subassemblies, peripheral vascular catheters and guidewires, neurovascular therapies to prevent hemorrhagic and ischemic stroke, enhanced access introducers, gastrointestinal scope components, fractional flow reserve guidewire subassemblies, sensor-enabled guidewires, and oncology catheters. Technology investments to enable our customer's catheter, delivery system, introducer, guidewire, and implant development programs in our core Cardio & Vascular markets.
Cardiac Rhythm Management & Neuromodulation	Active projects to develop custom batteries, filtered feedthroughs, high voltage capacitors and finished device solutions including both leads and IPG systems that reduce the size and cost, while improving performance, for cardiac and neuromodulation devices.

**Non-Medical.** Some of the more significant product development opportunities in our Non-Medical segment are our next generation medium-rate and high-rate batteries that offer extended performance; such as higher power pulsing capabilities and increased operating temperature range. We also offer a suite of smart battery products that include real time battery monitoring as well as voltage, temperature and current cut-off technologies. Most recently we added a line of high temperature super capacitors to our portfolio, further extending our capabilities in ruggedized, high temperature energy storage.

### Patents and Proprietary Technology

Our policy is to protect our intellectual property rights related to our technologies and products, and we rely on a combination of patents, licenses, trade secrets and know-how to establish and protect our rights. Where appropriate, we apply for U.S. and foreign patents. We also are a party to license agreements with third parties under which we have obtained, on varying terms, exclusive or non-exclusive rights to patents held by them. In the aggregate, these intellectual property assets and licenses are of material importance to our business; however, we believe that no single patent, technology, trademark, intellectual property asset or license is material in relation to any segment of our business or to our business as a whole. As of December 31, 2022, we owned 672 U.S. and foreign patents, and have license right to another 398 patents.

Design, development and regulatory aspects of our business also provide competitive advantages, and we require our employees, consultants and other parties having access to our confidential information to execute confidentiality agreements. These agreements prohibit disclosure of confidential information to third parties, except in specified circumstances. In the case of employees and consultants, the agreements generally provide that all confidential information relating to our business is the exclusive property of Integer.

### Manufacturing, Regulatory and Quality Assurance

We leverage our strength as an innovative designer and manufacturer of finished devices and components to the medical device industry. Our manufacturing and engineering services include: design, testing, component manufacture, and device manufacture. We also provide regulatory services including product registration and post-market surveillance in accordance with the regulatory requirements of the U.S. and European Union ("EU") as well as other geographies. We have integrated our proprietary technologies in our own products and those of our customers. Our flexible, high productivity manufacturing capabilities span sites across the U.S., Mexico, Uruguay, Ireland, Malaysia, the Dominican Republic, and Israel.

Due to the highly regulated nature of the products we produce, we have implemented strong quality systems across all sites. The quality systems at our sites are compliant with and certified to various recognized international standards, requirements, and directives. Each site's quality system is certified under an applicable International Organization for Standardization ("ISO") quality system standard, such as ISO 13485 (Medical device and component sites) or ISO 9001 (Electrochem). This certification requires, among other things, an implemented quality system that applies (where applicable) to the design and manufacture of components, assemblies and finished medical devices, including component quality and supplier control. Maintenance of these certifications for each facility requires periodic re-examination from an independent notified body.

Along with ISO 13485, the facilities producing finished medical devices are subject to oversight by Notified Bodies and extensive and rigorous regulation by numerous government bodies, including the U.S. Food and Drug Administration ("FDA") and other international regulatory agencies, to assure the conformance of devices and components on a worldwide basis. For these facilities, we maintain FDA registration and compliance with all applicable domestic and international regulations. Compliance with applicable regulatory requirements is subject to continual review and is monitored through periodic inspections by the FDA and international regulatory bodies.

## **Suppliers and Raw Materials**

We purchase some critical raw materials from a limited number of suppliers due to the technically challenging requirements of the supplied product and/or the lengthy process required to qualify these materials both internally and with our customers. We cannot quickly establish additional or replacement suppliers for these materials because of these rigid requirements. For these critical raw materials, we maintain safety stocks and partner with suppliers through contract to help ensure the continuity of supply.

Many of the raw materials that are used in our products are subject to fluctuations in market price. In particular, the prices of precious metals, such as platinum, have historically fluctuated, and the prices that we pay for these materials, and, in some cases, their availability, are dependent upon general market conditions. In most cases, we have pass-through pricing arrangements with our customers that purchase components containing precious metals or have established firm-pricing agreements with our suppliers that are designed to minimize our exposure to market fluctuations.

We utilize competitive pricing methods such as bulk purchases, precious metal pool buys, blanket orders, and long-term contracts to secure supply.

As discussed more fully in Item 1A “Risk Factors” of this report, our business depends on a continuous supply of raw materials from a limited number of suppliers. If an unforeseen interruption of supply were to occur, we may be unable to obtain substitute sources for these raw materials on a timely basis, on terms acceptable to us or at all, which could harm our ability to manufacture our products profitably or on time. Additionally, we may be unable to quickly establish additional or replacement suppliers for these materials as there are a limited number of worldwide suppliers.

## **Working Capital Practices**

Our goal is to carry sufficient levels of inventory to ensure that we have adequate supply of raw materials from suppliers and meet the product delivery needs of our customers. We also provide and receive payment terms to customers and from suppliers in the normal course of business. It will continue to be a priority for us to maintain appropriate working capital levels while improving our operating cash flow and managing our leverage ratio.

## **Government Regulation**

### *Medical Device Regulation*

Integer develops, manufactures, markets and sells products in multiple countries throughout the world and is therefore subject to regulation by numerous agencies and legislative bodies, including the FDA, European Commission, Health Product Regulatory Agency, Health Canada, Therapeutics Goods Administration and other comparable foreign counterparts. These regulatory requirements subject our products and our business to numerous risks that are specifically discussed within “Risks Related to Our Industries” under Item 1A “Risk Factors” of this report. A summary of critical aspects of our regulatory environment is included below.

In the U.S., these regulations are enacted by the Federal Food, Drug and Cosmetic Act and its subsequent amendments, and the regulations issued or proposed thereunder.

The FDA’s Quality System Regulation sets forth basic quality requirements for our sites that includes product design and manufacturing processes, requires the maintenance of certain records, and provides for on-site inspection of our facilities and continuing review by the FDA. Authorization to commercially market our non-exempt products in the U.S. is granted by the FDA under procedures referred to as 510(k) pre-market notification or pre-market approval (“PMA”). These processes require us to notify the FDA of the new product and obtain FDA clearance or approval before marketing the device.

The FDA classifies medical devices based on the risks associated with use of the device. Devices are classified into one of three categories - Class I, Class II, or Class III. Class I devices are deemed to be low risk and are therefore subject to the least regulatory controls, referred to as General Controls. Class II devices are higher risk devices than Class I and require greater regulatory controls that includes General Controls combined with Special Controls. Special Controls define the specific risks to health along with an optional means for addressing those risks. Class III devices are generally the highest risk devices and are therefore subject to the highest level of regulatory control, requiring a PMA by the FDA before they are marketed and continued controls in the form of amendments or supplements which require approval prior to making certain product or process changes.



The member countries of the EU have a single set of requirements that apply to all member countries and our products. The EU is in the process of replacing its regulatory requirements from the European Medical Device Directives (“MDD” and Active Implantable Medical Device Directive (“AIMDD”) to the European Medical Device Regulation (“EU-MDR”). The EU MDR became effective in May 2021, resulting in additional premarket and post-market requirements which must be in place by May 2024. These directives require, and the EU-MDR requires, companies that wish to manufacture and distribute medical devices in the EU to obtain a CE Mark for those products. The CE Mark indicates the product has met minimum standards of performance, essential requirements, safety conformity assessment and quality. Companies must work with an EU recognized Notified Body to gain approval for the product and manufacturing site before obtaining free movement of products throughout the member countries. In Europe, our devices are considered either Class I, Class IIa, Class III, or AIMD, under MDD or AIMDD and will be with Class I, Class IIa or Class III under the EU-MDR.

In addition to the U.S. and EU, we have approval to manufacture or market our products in numerous foreign countries and therefore are subject to other regulations affecting, among other things, product standards, sterilization, packaging requirements, labeling requirements, and import laws. We are also subject to onsite inspection by independent bodies with the authority to issue or not issue certifications we may require to be able to sell products in certain countries. Many of the regulations applicable to our devices and products in these countries are similar to those of the FDA or EU; however, others vary widely, ranging from simple product registrations to detailed submissions such as those required by the FDA.

We believe that the procedures we use for quality controls, development, testing, manufacturing, labeling, marketing and distribution of our medical devices conform to the requirements of all pertinent regulations.

#### *Environmental Health and Safety Laws*

We are subject to direct governmental regulation, including the laws and regulations generally applicable to all businesses in the jurisdictions in which we operate. We are subject to federal, state and local environmental laws and regulations governing the emission, discharge, use, storage and disposal of hazardous materials and the remediation of contamination associated with the release of these materials at our facilities and at off-site disposal locations. Our manufacturing and research, development and engineering (“RD&E”) activities may involve the controlled use of small amounts of hazardous materials. Liabilities associated with hazardous material releases arise principally under the Federal Comprehensive Environmental Response, Compensation and Liability Act and analogous state laws that impose strict, joint and several liability on owners and operators of contaminated facilities and parties that arrange for the offsite disposal of hazardous materials. We are not aware of any material noncompliance with the environmental laws currently applicable to our business and we are not subject to any material claim for liability with respect to contamination at any of our facilities or any offsite location. We may have environmental liability associated with historic operations as disclosed in Note 13, “Commitments and Contingencies,” of the Notes to Consolidated Financial Statements contained in Item 8 of this report. We may also become subject to environmental liabilities in the future as a result of other historic or current operations.

#### *Conflict Minerals and Supply Chain*

We are subject to Securities and Exchange Commission (“SEC”) rules adopted pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act concerning “conflict minerals” (generally tin, tantalum, tungsten and gold) and similar rules adopted by the EU. Certain of these conflict minerals are used in the manufacture of our products. These rules require us to perform an inquiry of all suppliers regarding the country of origin for materials or components containing conflict minerals necessary to the production or functionality of our products. If any such conflict minerals originated in the Democratic Republic of the Congo or adjoining countries (the “DRC region”), we must undertake due diligence efforts to determine whether such minerals financed or benefited armed groups in the DRC region. Since our supply chain is complex, our ongoing compliance with these rules could affect the pricing, sourcing and availability of conflict minerals used in the manufacture of our products.

We are also subject to disclosure requirements regarding abusive labor practices in portions of our supply chain under the California Transparency in Supply Chains Act and the UK Modern Slavery Act.

#### *Other Laws and Regulations*

Our sales and marketing practices are subject to regulation by the U.S. Department of Health and Human Services pursuant to federal anti-kickback laws, and are also subject to similar state laws.

## **Human Capital**

Our Board of Directors and the executive team put significant focus on our human capital resources, as we strive to build leadership capability and create a diverse, inclusive work environment that inspires excellence. This cultural framework recognizes the value of individuals as critical to Integer's operational strategy. As of December 31, 2022, Integer employed approximately 10,000 associates in addition to a contingent workforce of approximately 100 to assist with various projects and service functions and address peaks in staff requirements. We are a global company serving markets worldwide. As of December 31, 2022 our workforce is distributed as follows:

- 43% in the U.S.;
- 26% in Mexico;
- 17% in Ireland;
- 8% in the Dominican Republic;
- 3% in both Uruguay and Malaysia; and
- less than 1% combined in Germany, Israel and Switzerland.

### *Associate Management and Development*

Leaders at Integer are responsible for managing and developing the talent of their associates. To facilitate leaders' efforts, we rely on a "Talent Cycle" framework, which is a holistic, integrated approach for meeting the human capital needs of Integer. The Talent Cycle (i) defines the major categories of leadership responsibilities in alignment with the employment lifecycle and (ii) prioritizes programs and resources to ensure these responsibilities are executed consistently. Stages of the Talent Cycle include:

- Planning for current and future capabilities
- Acquiring the critical talent needed to run our business
- Engaging our associates to motivate and retain them
- Differentiating our talent at all levels to foster a performance culture
- Developing our talent to achieve performance excellence
- Building leadership capability and promoting associates who have demonstrated strong leadership capability

Developing our talent is one of the most critical stages in the Talent Cycle and an ongoing focus at Integer. We have defined a model of core skills and competencies to guide associates in their development planning, and we encourage associates to actively focus on their own development through individual development plans, designed to help each associate be more effective in their current role and to prepare for their next role. Additionally, we regularly conduct talent reviews and succession planning to identify and develop our top leadership talent. Finally, all associates participate in our performance management process, which involves both ongoing feedback and a formal performance evaluation at year-end.

### *Leadership Development*

Our success as a company is tied to the effectiveness of our leaders in setting direction, aligning resources and engaging our workforce in accomplishing our strategic goals. To that end we have built a foundation of leadership development resources and programs to enhance our leaders' capabilities. This includes leadership competencies, 360-degree feedback for senior leadership, and various online and virtual programs aligned to our leadership competencies.

### *Competitive Pay/Benefits and Gender Equity*

Our total rewards program is designed to attract, retain and motivate associates to contribute to Integer's success, and includes market-competitive elements reflective of the geographies in which we operate. We incorporate many factors into associate pay decisions, including market comparisons of compensation and benefits for similar roles, individual associate skills and experience in their role, individual performance annually and over multiple years, and relative contributions to the Company's short- and long-term success. As of December 31, 2022, the percentage of our global workforce represented by women was 48%. Reflective of our commitment to diverse representation at Integer, we have analyzed the compensation of our senior leadership team and concluded there is no pay gap between genders.

### *Focus on Diversity, Inclusion and Non-Discrimination*

Through our values, Code of Conduct, and commitment to Diversity and Inclusion (“D&I”), we strive to create a culture that unifies and embraces the uniqueness each associate brings to Integer, positioning us for long-term success. We are committed to creating a better, more inclusive company in which all of us accept, respect and value one another’s individual differences, encouraging different perspectives and ideas that improve team synergy and communication.

Our management approach continues to accelerate our D&I strategy, creating a robust engagement platform designed to increase innovation and enhance business. We have infused D&I into our business processes and created local and global engagement opportunities for associates.

Key successes in our strategy include:

- As of December 31, 2022, 42% of our U.S. based workforce are people of color
- Globally, 48% of our workforce as of December 31, 2022 are women
- 100% executive leadership actively serve as executive sponsors of D&I initiatives
- Each member of our senior leadership team adopted a culture focused goal, and 31% of these goals relate to D&I
- Continuing with three cross functional governing D&I councils, which advance the global D&I strategy at all levels of the organization
- Establishing three additional employee resource groups, bringing our total up to six groups, which are voluntary, employee-led groups of associates who join together based on common interests, backgrounds or demographic factors
- Empowering D&I site champions, whose responsibility it is to promote the Integer’s diversity and inclusion initiatives at each of our locations
- Expanded our Day of Understanding to a month-long observance of D&I in 2022

As part of our management approach and culture of promoting, protecting and respecting all associates, we continue to encourage a workplace free from discrimination or unlawful harassment. We continue to achieve our goal of 100% of associates globally completing annual Code of Conduct and Anti-Harassment, Non-Discrimination and Anti-Retaliation training. Training is conducted in multiple languages, including English, Spanish and Malay, covering all legal and ethical requirements, and is provided when onboarding all associates hired at Integer and conducted annually thereafter. In addition, all Board members and professional and management associates are required to annually review and certify their understanding of, and agreement to comply with, the Code of Conduct.

### **Seasonality**

Our business is generally not seasonal in nature. However, since most of our customers are large OEM businesses, our sales are influenced by the inventory levels they carry, which can cause shifts in our sales volume as their inventories fluctuate.

### **Available Information**

Our Internet address is [www.integer.net](http://www.integer.net). We also make available free of charge through our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file those reports with, or furnish them to, the SEC. The information contained on our website is not incorporated by reference in this annual report on Form 10-K and should not be considered a part of this report. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers, including the Company, that file electronically with the SEC. The public can obtain any documents that we file with the SEC at [www.sec.gov](http://www.sec.gov).

## INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Information concerning our executive officers is presented below as of February 21, 2023. The officers' terms of office run from year to year until the first meeting of the Board of Directors occurring immediately following our Annual Meeting of Stockholders, and until their successors are elected and qualified, except in the case of earlier death, retirement, resignation or removal.

Joseph W. Dziejdzic, age 54, is President and Chief Executive Officer of the Company and a member of our Board of Directors. He assumed that role on July 16, 2017 following his appointment as interim President & Chief Executive Officer on March 27, 2017. Mr. Dziejdzic was the Executive Vice President and Chief Financial Officer of The Brink's Company from 2009 to 2016, and prior to joining The Brink's Company in 2009, he had a 20-year career with General Electric.

Jason K. Garland, age 49, is the Company's Executive Vice President and Chief Financial Officer. Mr. Garland had served as Divisional Vice President & Chief Financial Officer, Global Sales, for Tiffany & Co. from October 2017 until joining the Company in October 2018, and had served as Divisional Vice President & Chief Financial Officer, Diamond & Jewelry Supply, for Tiffany & Co. from July 2015 to October 2017. From 1995 to 2015, Mr. Garland served in various financial and operational roles at General Electric, including as Chief Financial Officer, GE Industrial Solutions, from March 2010 to June 2015.

Jennifer M. Bolt, age 54, is Executive Vice President, Global Operations and ESG, and has served in that position since April 2019. Ms. Bolt was promoted from Senior Vice President to Executive Vice President in March 2022. From October 2015 to April 2019, Ms. Bolt served as President, Electrochem. In November 2017, Ms. Bolt assumed leadership of the Portable Medical product line, and in February 2018, she assumed leadership for the Integer Manufacturing Excellence strategic imperative. From June 2013 to October 2015, she was Vice President, Supply Chain and Operational Excellence for Greatbatch. Ms. Bolt held the position of Vice President, Operations for Electrochem from May 2012 to June 2013, and prior to that served as Director of Operations of our Raynham, MA facility from September 2007 to May 2012. Ms. Bolt joined our Company in May 2005 as the Manufacturing Engineering Manager for our Alden, New York facility. Prior to joining our Company, she served in a variety of engineering and operational roles at General Motors/Delphi and Eastman Kodak.

Margaret Carthy, age 59, is Senior Vice President, Quality and Regulatory Affairs. She joined the Company in 2004 and was promoted to her current position in January 2022. Before assuming this role, Ms. Carthy served as Vice President of Quality and Regulatory for our Cardio & Vascular product category. Prior to joining our Company, Ms. Carthy was a Quality & Regulatory Leader for the European Region at Sola International, now Carl Zeiss.

Payman Khales, age 53, is President, Cardio & Vascular, and joined the Company on February 20, 2018. Mr. Khales is also the leader for the Integer Market Focused Innovation strategic imperative. Prior to joining Integer, Mr. Khales was the President of the Environmental Technologies Segment at CECO Environmental Company from May 2014 through July 2017. Previously, he was employed by Ingersoll Rand Company where he held a variety of different roles in the United States and Canada, including Vice President Product Management for the global Power Tools division from January 2012 through April 2014, and Vice President Strategic Accounts & Channels from February 2010 through December 2011.

McAlister C. Marshall, II, age 53, is Senior Vice President, General Counsel, Chief Ethics and Compliance Officer and Corporate Secretary. He joined the Company in September 2021 on an interim basis and assumed his current role on a permanent basis in January 2022. Mr. Marshall was previously the Senior Vice President, General Counsel and Chief Administrative Officer at The Brink's Company from July 2016 until December 2018, after serving as Vice President and General Counsel beginning in September 2008. Mr. Marshall continued to serve as a consultant for The Brink's Company until December 2019.

Andrew Senn, age 41, is Senior Vice President, Strategy, Business Development and Investor Relations. Mr. Senn was promoted to the position of Senior Vice President, Strategy and Business Development in January 2022 and assumed the Investor Relations responsibilities in February 2023. From October 2015 to January 2022, Mr. Senn served as Vice President in various roles responsible for research & development, marketing and commercial sales. From January 2013 until the Company's acquisition of Lake Region Medical in October 2015, he was responsible for research & development and program management for Lake Region Medical. Prior to joining Lake Region Medical, Mr. Senn served as Director of Program Management responsible for electrophysiology systems at St. Jude Medical from June 2009 until January 2013. From June 2003 to June 2009, Mr. Senn served in various engineering and program management roles at Lake Region Medical.

Kirk Thor, age 59, is Executive Vice President and Chief Human Resources Officer. From 2013 until joining the Company in January 2018, Mr. Thor was Vice President for Global Talent Management & Organization Effectiveness at Flowserve Corporation. From 2007 to 2012, he served as Vice President for Talent Management & Organization Development at JC Penney. In February 2018, he assumed leadership for the Integer Culture strategic imperative.

## CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS

Some statements contained in this report and other written and oral statements made from time to time by us and our representatives are not statements of historical or current fact. As such, they are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We have based these forward-looking statements on our current expectations, and these statements are subject to known and unknown risks, uncertainties and assumptions. Forward-looking statements include statements relating to:

- the impact of the COVID-19 global pandemic and supply chain pressures on the Company and our business;
- future development and expected growth of our business and industry;
- our ability to execute our business model and our business strategy;
- having available sufficient cash and borrowing capacity to meet working capital, debt service and capital expenditure requirements for the next twelve months; and
- projected contractual debt service obligations.

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. 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. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary factors and to others contained throughout this report.

While it is not possible to create a comprehensive list of all factors that may cause actual results to differ from results expressed or implied by our forward-looking statements or that may affect our future results, some of these factors include the following:

- operational risks, such as the duration, scope and impact of the COVID-19 pandemic, including the evolving health, economic, social and governmental environments and the effect of the pandemic on our associates, suppliers and customers as well as the global economy; our dependence upon a limited number of customers; pricing pressures and contractual pricing restraints we face from customers; our reliance on third party suppliers for raw materials, key products and subcomponents; interruptions in our manufacturing operations; our ability to attract, train and retain a sufficient number of qualified associates to maintain and grow our business; the potential for harm to our reputation caused by quality problems related to our products; our dependence upon our information technology systems and our ability to prevent cyber-attacks and other failures; global climate change and the emphasis on ESG matters by various stakeholders; and our dependence upon our senior management team and technical personnel;
- strategic risks, such as the intense competition we face and our ability to successfully market our products; our ability to respond to changes in technology; our ability to develop new products and expand into new geographic and product markets; and our ability to successfully identify, make and integrate acquisitions to expand and develop our business in accordance with expectations;
- financial risks, such as our significant amount of outstanding indebtedness and our ability to remain in compliance with financial and other covenants under the credit agreement governing our senior secured credit facilities (“Senior Secured Credit Facilities”); economic and credit market uncertainties that could interrupt our access to capital markets, borrowings or financial transactions; financial and market risks related to our international operations and sales; our complex international tax profile; and our ability to realize the full value of our intangible assets; and
- legal and compliance risks, such as regulatory issues resulting from product complaints, recalls or regulatory audits; the potential of becoming subject to product liability or intellectual property claims; our ability to protect our intellectual property and proprietary rights; our ability and the cost to comply with environmental regulations; our ability to comply with customer-driven policies and third party standards or certification requirements; our ability to obtain necessary licenses for new technologies; legal and regulatory risks from our international operations; and the fact that the healthcare industry is highly regulated and subject to various regulatory changes; and
- other risks and uncertainties that arise from time to time and are described in Item 1A “Risk Factors” of this report.

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## ITEM 1A. RISK FACTORS

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Our business faces many risks, and you should carefully consider the following risk factors, together with all of the other information included in this report, including the financial statements and related notes contained in Item 8 of this report, when deciding to invest in us. Any of the risks discussed below, or elsewhere in this report or in our other SEC filings, could have a material impact on our business, financial condition or results of operations. Additional risks not currently known to us or that we currently consider immaterial also may materially adversely affect our business, financial condition or results of operations in the future.

### **Operational Risks**

#### **Our operations have been and may continue to be adversely impacted by the ongoing global impact of the COVID-19 pandemic.**

The global spread of COVID-19 and its variants has created significant uncertainty and worldwide economic disruption. COVID-19 has negatively impacted our operating results and may continue to do so in the future. The duration and scope of the impact is uncertain given the evolving health, economic, social and governmental environments.

Specific impacts to our business have included delayed and reduced customer orders, increased absenteeism, disruptions in our supply chain, delays in shipments to and from certain countries, and restrictions on our associates' ability to travel or work. We expect delayed and reduced customer demand will continue to impact our operations. The pandemic has affected and continues to affect our manufacturing facilities and our associates' health. If the operations of any of our manufacturing sites are materially impacted as a result of the pandemic, it may not be possible for us to continue to timely manufacture relevant products at required levels, or at all. We have modified, and may further modify, our business practices in response to the COVID-19 pandemic and related third-party responses, including from government authorities. Any continued or renewed business closures, operating disruptions, or travel or work restrictions that impact our associates, customers, suppliers or manufacturing facilities will likely continue to adversely affect our operations locally and worldwide and could have a material adverse effect on our operating results and financial condition.

The ultimate impact of the COVID-19 pandemic on our operations and financial performance depends on many factors that are not within our control, including, but not limited, to: governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic (including restrictions on travel, transport and workforce pressures); the impact of the pandemic and actions taken in response on global and regional economies, travel, and economic activity; the availability of federal, state, local or non-U.S. funding programs; general economic uncertainty in key global markets and financial market volatility; global economic conditions and levels of economic growth; and the pace of recovery when the COVID-19 pandemic subsides, which could be impacted by a number of factors, including limited provider capacity to perform procedures using our products that were deferred as a result of the pandemic.

#### **We depend heavily on a limited number of customers, and if we lose any of them or they reduce their business with us, we would lose a substantial portion of our revenues.**

In 2022, our top three customers collectively accounted for approximately 46% of our revenues. Reductions in demand from these customers, largely because of reduction in demand for medical procedures during the COVID-19 pandemic, has negatively impacted our results of operations during prior fiscal years and may impact our future results of operations if material reductions in demand recur. These customers may not agree to renew or extend our supply agreements with them. Furthermore, many of our supply agreements do not contain minimum purchase level requirements and therefore there is no guaranteed source of revenue that we can depend upon under these agreements. In addition, we are dependent on the continued growth, viability and financial stability of these customers. The markets in which these customers operate are subject to rapid technological change, vigorous competition and short product life cycles. As a result, when these customers are adversely affected by these factors, we may be similarly adversely affected. The loss of any large customer, a material reduction of business with that customer, or a delay or failure by that customer to make payments due to us, would harm our business, financial condition and results of operations.

#### **We are subject to pricing pressures from customers and contractual pricing constraints, which could harm our operating results and financial condition.**

Given the highly competitive industry in which we operate, we have reduced prices to some of our customers in recent years and we expect customer pressure for continued price reductions in future periods. These additional price reductions, if they were to occur, may cause our operating results and financial condition to suffer.

**We rely on third party suppliers for raw materials, key products and subcomponents. Unavailability of, or increased prices for, these materials, products or subcomponents could adversely affect our results of operations.**

Our business depends on a continuous supply of raw materials. The principal raw materials used in our business include platinum, stainless steel, gold, titanium, nitinol, lithium, palladium, iridium, tantalum, nickel cobalt, ruthenium, gallium trichloride, vanadium oxide, CFX and plastics. The supply and price of raw materials may be susceptible to fluctuations due to transportation issues, government regulations, price controls, foreign civil unrest, tariffs, worldwide economic conditions or other unforeseen circumstances, including the continuing impact of the global pandemic. Increasing global demand for raw materials has caused prices of certain materials to increase. Significant increases in the cost of raw materials that cannot be recovered through increases in the prices of our products could adversely affect our results of operations. There can be no assurance that the marketplace will support higher prices or that price increases and productivity gains, procurement deflation projects or savings will fully offset any raw material cost increases in the future. In addition, there are a limited number of worldwide suppliers of several raw materials needed to manufacture our products. For reasons of quality, cost effectiveness or availability, we obtain some raw materials from a single supplier. Although we work closely with our suppliers to seek to ensure continuity of supply, we may not be able to continue to procure raw materials critical to our business at all or to procure them at acceptable price levels. A disruption in deliveries from our suppliers, price increases or decreased availability of raw materials could have an adverse effect on our ability to meet our commitments to our customers and increase our operating costs.

We rely on third party manufacturers to supply many of the products and subcomponents that are incorporated into our products and components. These third party manufacturers have their own complex supply chains and related risks, whether due to the continuing impact of the global pandemic, the military conflict between Russia and Ukraine, or other causes. They are subject to raw material price and availability risks similar to those described above. Manufacturing problems may occur with these and other outside sources, as a supplier may fail to develop or manufacture products and subcomponents for us on a timely basis, or may supply us with products and subcomponents that do not meet our quality, quantity and cost requirements. Third party suppliers are also subject to shipping risks, including container shortages, blocked shipping lanes, and port backlogs. If any of these problems occur, we may be unable to obtain substitute sources for these products and subcomponents on a timely basis or on terms acceptable to us, which could harm our ability to manufacture our own products and components profitably or on time. In addition, to the extent the processes our suppliers use to manufacture products and subcomponents are proprietary, we may be unable to obtain comparable products and subcomponents from alternative suppliers.

Our business is also subject to risks associated with U.S. and foreign legislation, regulations and trade agreements relating to the materials we import, including the tariffs on steel that the U.S. has imposed and other quotas, duties, tariffs or taxes or restrictions on imports, which could adversely affect our operations and our ability to import materials used in our products at current or increased levels. We cannot predict whether additional U.S. and foreign customs quotas, duties (including antidumping or countervailing duties), tariffs, taxes or other charges or restrictions, requirements as to where raw materials must be purchased or other restrictions on our imports will be imposed in the future or adversely modified, or what effect such actions would have on our costs of operations. Future quotas, duties or tariffs may adversely affect our business, financial condition, results of operations or cash flows. Future trade agreements could also provide our competitors with an advantage over us, or increase our costs, either of which could adversely affect our business, financial condition, results of operations or cash flows.

**Interruptions of our manufacturing operations could delay production and adversely affect our operations.**

Our products are designed and manufactured in facilities located around the world. In most cases, the manufacturing of specific product lines is concentrated in one or a few locations. If an event (including any weather or natural disaster-related event) occurred that resulted in material damage or loss of one or more of these manufacturing facilities or we lacked sufficient labor to fully operate the facility, we might be unable to transfer the manufacture of the relevant products to another facility or location in a cost-effective or timely manner, if at all. This potential inability to transfer production could occur for a number of reasons, including but not limited to a lack of necessary relevant manufacturing capability at another facility, or the regulatory requirements of the FDA or other governmental regulatory bodies. Other disruptions in our manufacturing operations for any reason, including equipment malfunction, failure to follow specific protocols and procedures, or environmental factors could lead to an inability to supply our customers with our products, unanticipated costs, lost revenues and damage to our reputation. The ongoing COVID-19 pandemic has caused, and may continue to cause, delays in production, unanticipated costs and lost revenues. In addition, our business involves complex manufacturing processes and the use of various hazardous materials, chemicals and other regulated substances, such as trichloroethylene, that can be dangerous to our associates. We must also comply with various health and safety regulations in the U.S. and abroad in connection with our operations. Although we employ safety procedures in the design and operation of our facilities, there is a risk that an accident or death could occur. Any accident, such as a chemical spill or fire, could result in significant manufacturing delays or claims for damages resulting from injuries, which would harm our operations and financial condition. The potential liability resulting from any such accident or death, to the extent not covered by insurance, could harm our financial condition or operating results. Any disruption of operations at any of our facilities, and in particular our larger facilities, could result in production delays, which could adversely affect our operations and harm our business.

**We may not be able to attract, train and retain a sufficient number of qualified associates to maintain and grow our business.**

We monitor the markets in which we compete and assess opportunities to better align expenses with revenues, while preserving our ability to make needed investments in RD&E projects, capital and our associates that we believe are critical to our long-term success. Our success will depend in large part upon our ability to attract, train, retain and motivate highly skilled associates. There is currently aggressive competition for employees who have experience in technology and engineering. We compete intensely with other companies to recruit and hire from this limited pool, which competition has become more acute since the beginning of the COVID-19 pandemic. The industries in which we compete for employees are characterized by high levels of employee attrition. Although we believe we offer competitive salaries and benefits, we may have to increase spending to attract, train and retain qualified personnel. If we are unable to attract, train and retain a sufficient number of qualified associates to maintain and grow our business, it could have an adverse impact on our results of operations.

**Quality problems with our products could result in warranty claims and additional costs, could harm our reputation and could erode our competitive advantage.**

Quality is important to us and our customers, and our products are held to high quality and performance standards. In the event our products fail to meet these standards, we generally allow customers to return defective or damaged products under warranty. We carry a safety stock of inventory for our customers that may be impacted by warranty claims. We reserve for our exposure to warranty claims based upon recent historical experience and other specific information as it becomes available. However, these reserves may not be adequate to cover future warranty claims. If our reserves for warranty claims are inadequate, additional warranty costs or inventory write-offs may need to be incurred in the future, which could harm our operating results. We also could be subject to negative publicity and our reputation could be harmed if we fail to meet quality standards. This could erode our competitive advantage over competitors, causing us to lose or see a material reduction in business from customers and resulting in lower revenues. In addition, we might be required to devote significant resources to address any quality issues associated with our products, which could reduce the resources available for product development and other matters.

**Our operations are subject to cyber-attacks and other information technology disruptions that could have a material adverse effect on our business, consolidated results of operations and consolidated financial condition.**

In the ordinary course of business, our operations are, and in the future are expected to continue to be, dependent on digital technologies and information technology (“IT”) systems. The COVID-19 pandemic has caused us to modify our business practices, including the requirement that many of our office-based employees work from home, at least part-time. As a result, we are increasingly dependent upon our technology systems to operate our business and our ability to effectively manage our business depends on the security, reliability and adequacy of our technology systems and data. We use these technologies and systems for internal purposes, including data storage, processing and transmissions, as well as in our interactions with customers and suppliers. The security of this information and these systems are important to our operations and business strategy. Our IT systems and infrastructure have been, and in the future are expected to continue to be, subject to the risk of cyber-attacks by hackers or malware, or breach due to associate error, malfeasance or other disruptions, including natural disasters, failures in hardware or software, and power fluctuations. As the techniques used to obtain unauthorized access, disable or degrade service, or sabotage infrastructure and systems change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or implement adequate preventive measures. If our systems for protecting against cybersecurity risks or other IT disruptions prove insufficient, our business could be disrupted, resulting in numerous consequences, including temporary or permanent loss of, damage to, third party access to, or misappropriation or public disclosure of intellectual property, proprietary or confidential information, or customer, supplier, or employee data; interruption of our business operations; and increased costs required to prevent, respond to, or mitigate such cybersecurity attacks or IT disruptions. In addition, any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed or stolen. These risks could harm our reputation and brand, and our relationships with customers, suppliers, employees and other third parties, and may result in claims or proceedings against us. In certain circumstances, we may rely on third party vendors to process, store and transmit data for our business whose operations are subject to similar risks. These risks could have a material adverse effect on our business, financial condition and results of operations. While we maintain insurance for cyber events, our insurance may not be sufficient to cover us against all losses that could potentially result from a breach of our systems or loss of sensitive data.

**Global climate change and related emphasis on environmental, social and governance (“ESG”) matters by various stakeholders could negatively affect our business or stock price.**

Customer, investor and employee expectations relating to ESG have been rapidly evolving and increasing. In addition, government organizations are enhancing or advancing legal and regulatory requirements specific to ESG matters. The heightened stakeholder focus on ESG issues related to our business requires the continuous monitoring of various and evolving laws, regulations, standards and expectations and the associated reporting requirements. A failure to adequately meet stakeholder expectations may result in noncompliance, the loss of business, reputational impacts, reduced demand for our stock, diluted



market valuation, and an inability to attract customers. In addition, our adoption of certain standards or mandated compliance to certain requirements could necessitate additional investments that could impact our profitability.

Climate changes could disrupt our operations by impacting the availability and cost of materials within our supply chain and could also increase our other operating costs. Further, increased public awareness and concern regarding global climate change may result in new or enhanced legal requirements to reduce or mitigate the effects of greenhouse gas emissions. There continues to be a lack of consistent climate legislation, which creates economic and regulatory uncertainty. Such uncertainty may have an impact on our business, including increased costs of compliance, which may impact our results of operations.

**We are dependent upon our senior management team and key technical personnel and the loss of any of them could significantly harm us.**

Our future performance depends to a significant degree upon the continued contributions of our senior management team and key technical personnel. In general, only highly qualified and trained scientists have the necessary skills to develop our products, which are often highly technical in nature. The loss or unavailability to us of any member of our senior management team or a key technical employee could significantly harm us. We face intense competition for these professionals from our competitors, customers and companies operating in our industry, which competition has become more acute during the term of the COVID-19 pandemic. To the extent that the services of members of our senior management team and key technical personnel would be unavailable to us for any reason, we would be required to hire other personnel to manage and operate our Company and to develop our products and technology, which could adversely impact our business. We may not be able to locate or employ these qualified personnel on acceptable terms or may need to increase spending to attract these qualified personnel.

**Our energy market revenues are dependent on conditions in the oil and natural gas industry, which historically have been volatile.**

Sales of our products into the energy market depend upon the condition of the oil and gas industry. We believe it is likely that oil and natural gas prices will continue to fluctuate in the future. The current and anticipated prices of oil and natural gas influence the oil and gas exploration and production industry and are affected by a variety of political and economic factors, including worldwide demand for oil and natural gas, worldwide and domestic supplies of oil and natural gas, the ability of the Organization of Petroleum Exporting Countries (“OPEC”) to set and maintain production levels and pricing, the level of production of non-OPEC countries, the price and availability of alternative fuels, political stability in oil producing regions and the policies of the various governments regarding exploration and development of their oil and natural gas reserves.

**Consolidation in the healthcare industry could result in greater competition and reduce our revenues and harm our business.**

Many healthcare industry companies are consolidating to create new companies with greater market power. As the healthcare industry consolidates, competition to provide products and services to industry participants will become more intense. These industry participants may try to use their market power to negotiate price reductions for our products or may undertake additional vertical integration or supplier diversification initiatives. If we are forced to reduce our prices, our revenues would decrease and our operating results would suffer.

**Strategic Risks**

**If we are unable to successfully market our current or future products, our business will be harmed and our revenues and operating results will be adversely affected.**

If the markets for our products do not grow as we or industry experts forecast, our revenues could be less than expected. Furthermore, it is difficult to predict the rate at which the markets for our products will grow or if new and increased competition will result in market saturation. Slower growth in the cardiac rhythm management, neuromodulation, cardio and vascular, environmental, military or energy markets in particular would adversely impact our revenues. In addition, we face the risk that our products will lose widespread market acceptance. Our customers may not continue to utilize the products we offer and a market may not develop for our future products.

We may at times determine that it is not technically or economically feasible for us to continue to manufacture certain products and we may not be successful in developing or marketing replacement products. Additionally, new technologies that we develop may not be rapidly accepted because of industry-specific factors, including the need for regulatory clearance, entrenched patterns of clinical practice and uncertainty over third party reimbursement. If any of these events occurs, our business will be harmed and our revenues and operating results will be adversely affected.

**We may face intense competition that could harm our business, including competitors, in-sourcing and the possibility of dual sourcing; and we may be unable to compete successfully against new entrants and established companies with greater resources.**

Competition in connection with the manufacturing of our medical products across all of our product lines, which is fragmented and subject to rapid technological change, has intensified in recent years and may continue to intensify in the future. We encounter significant competition across our product lines and in each market in which our medical products are sold from various medical device companies, some of which may have greater financial, operational, personnel, sales, technical and marketing resources than we do and are more well-established. In addition, our medical customers have in the past elected, and may in the future elect, to insource production or implement supplier diversification initiatives. Such actions have in the past resulted in, and may in the future result in, the customer manufacturing or dual-sourcing some or all of the components or products that we currently supply to them, which could cause our operating results to suffer.

**If we do not respond to changes in technology, our products may become obsolete or less competitive and we may experience a loss of customers and lower revenues.**

We sell our products to customers in several industries that are characterized by extensive research and development, rapid technological changes, new product introductions and evolving industry standards. Without the timely introduction of new products, technologies and enhancements, our products and services will likely become technologically obsolete or less competitive over time and we may lose or see a reduction in business from a significant number of our customers. We dedicate a significant amount of effort and resources to the development of our products, technologies and enhancements. Our product development efforts may be affected by a number of factors, including our ability to anticipate customer needs, develop or acquire new technologies and enhancements, secure intellectual property protection for our products, and manufacture products in a cost effective manner. We would be harmed if we did not meet customer requirements and expectations. Our inability, for technological or other reasons, to successfully develop and introduce new and innovative products, technologies and enhancements could result in a loss of customers and lower revenues.

**We intend to develop new products and expand into new geographic and product markets, which may not be successful and could harm our operating results.**

We intend to develop new and modified products using our existing technologies and engineering capabilities and to continue to expand into new geographic and product markets. These efforts have required and will continue to require us to make substantial investments, including significant RD&E expenditures and capital expenditures for new, expanded or improved manufacturing facilities. Additionally, many of the new products we are developing take longer and more resources to develop and commercialize than those products we are currently marketing, including more time and resources required to obtain regulatory approvals.

Specific risks in connection with expanding into new products and product markets include: longer product development cycles, the inability to transfer our quality standards and technology into new products, the failure to receive or the delay in receipt of regulatory approval for new products or modifications to existing products, and the failure of our existing customers or the market generally to accept the new or modified products. Our inability to develop new products or expand into new geographic and product markets, as currently intended, could hurt our business, financial condition and results of operations.

**If we are not successful in making acquisitions to expand and develop our business, our operating results may suffer.**

One facet of our growth strategy is to make acquisitions that complement our core competencies in technology and manufacturing to enable us to manufacture and sell additional or enhanced products to our existing customers and to expand our business into related markets. Our continued growth may depend on our ability to successfully identify and acquire companies that complement or enhance our existing business on acceptable terms. We may not be able to identify or complete future acquisitions. In addition, we will need to comply with the terms of our Senior Secured Credit Facilities and any future financing that we may incur, to pursue and complete future acquisitions. In connection with pursuing this growth strategy, some of the risks that we may encounter include expenses associated with and difficulties in identifying potential targets, the costs associated with unsuccessful acquisitions, and higher prices for acquired companies because of significant competition for attractive acquisition targets.

**Successful integration and anticipated benefits of acquisitions cannot be assured and integration matters could divert attention of management away from operations.**

Part of our business strategy includes acquiring additional businesses and assets, which we have done in each of the last four years. If we do not successfully integrate acquisitions we may not realize anticipated operating advantages and cost savings. Our ability to realize the anticipated benefits from acquisitions will depend, to a large extent, on our ability to integrate these acquired businesses with our legacy businesses. Integrating and coordinating aspects of the operations and personnel of the acquired business with legacy businesses involves complex operational, technological and personnel-related challenges. This process is time-consuming and expensive, disrupts the businesses of both companies and may not result in the achievement of the full benefits expected by us, including cost synergies expected to arise from supply chain efficiencies and overlapping general and administrative functions.

The potential difficulties, and resulting costs and delays, include:

- managing a larger combined company;
- consolidating corporate and administrative infrastructures;
- issues in integrating manufacturing, warehouse and distribution facilities, supply chain, RD&E and sales forces;
- difficulties attracting and retaining key personnel;
- loss of customers and suppliers and inability to attract new customers and suppliers;
- unanticipated issues in integrating information technology, communications and other systems;
- incompatibility of purchasing, logistics, marketing, administration and other systems and processes; and
- unforeseen and unexpected liabilities related to the acquired business.

Additionally, the integration of our legacy businesses with an acquired company's operations, products and personnel may place a significant burden on management and other internal resources. The attention of our management may be directed towards integration considerations and may be diverted from our day-to-day business operations, and matters related to the integration may require commitments of time and resources that could otherwise have been devoted to other opportunities that might have been beneficial to us and our business. The diversion of management's attention, and any difficulties encountered in the transition and integration process, could harm our business, financial condition and operating results.

We may not be able to maintain the levels of operating efficiency that acquired companies have achieved or might achieve separately. Successful integration of each acquisition will depend upon our ability to manage those operations and to eliminate redundant and excess costs. Difficulties in integration may be magnified if we make multiple acquisitions over a relatively short period of time. Because of difficulties in combining and expanding operations, we may not be able to achieve the cost savings and other size-related benefits that we hoped to achieve after these acquisitions.

**Financial Risks**

**Our operating results may fluctuate, which may make it difficult to forecast our future performance and may result in volatility in our stock price.**

Our operating results have fluctuated in the past and are likely to continue to fluctuate from quarter to quarter, making forecasting future performance difficult and resulting in volatility in our stock price. These fluctuations are due to a variety of factors, including the following:

- the impact of the ongoing pandemic and the pace of recovery;
- timing of orders placed by our customers;
- our customers' approach to inventory management;
- changes in the mix of our revenue represented by our various products and customers could result in reductions in our profits if the mix of our revenue represented by lower margin products increases;
- a portion of our costs are fixed in nature, which results in our operations being particularly sensitive to fluctuations in production volumes;
- increased costs and decreased availability of raw materials or supplies; and
- our ability to effectively execute on operational initiatives to drive manufacturing efficiencies.

**We have significant indebtedness that could affect our operations, financial condition, and cash flows if we fail to meet certain financial covenants required by our debt agreements or if our access to capital markets is interrupted.**

At December 31, 2022, we had \$931 million in principal amount of debt outstanding. As of December 31, 2022, our debt service obligations, comprising principal and interest, are estimated to be approximately \$78 million for 2023. The outstanding indebtedness and the terms and covenants of the agreements under which this debt was incurred, could, among other things:

- require us to dedicate a large portion of our cash flow from operations to the servicing and repayment of our outstanding indebtedness, thereby reducing funds available for working capital, capital expenditures, acquisitions, RD&E expenditures and other general corporate requirements;
- limit our ability to obtain additional financing to fund future working capital, capital expenditures, RD&E expenditures and other general corporate requirements in the future;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- restrict our ability to make strategic acquisitions or dispositions or to exploit business opportunities;
- place us at a competitive disadvantage compared to our competitors that have less outstanding indebtedness; and
- adversely affect the market price of our common stock.

Additionally, our failure to comply with the covenants contained in our debt agreements, if not waived, could cause a default under the applicable debt agreement that requires repayment in full, or acceleration, of debt payments. If that were to occur, there can be no assurance that we would be able to refinance or obtain a replacement financing on favorable terms or at all.

**The transition away from LIBOR may adversely affect our borrowing costs.**

In 2017, the U.K.'s Financial Conduct Authority, which regulates the London Interbank Offered Rate ("LIBOR"), announced its intention to phase out LIBOR by the end of 2021. The deadline has been mostly extended and most U.S. dollar-denominated LIBOR maturity tenors will continue to be published until June 30, 2023. Our Senior Secured Credit Facilities use LIBOR as a benchmark for determining borrowing rates but also provides for the use of the Secured Overnight Finance Rate ("SOFR") in the event LIBOR is no longer available. The change to SOFR as the benchmark borrowing rate may result in an effective increase in the applicable interest rate, and thus increased borrowing costs under our Senior Secured Credit Facilities agreement, which could impact our financial condition and results of operations.

**Economic and credit market uncertainty could interrupt our access to capital markets, borrowings, or financial transactions to hedge certain risks, which could adversely affect our business prospects and financial condition.**

To date, we have been able to access debt and equity financing that has allowed us to complete acquisitions, make investments in growth opportunities and fund working capital requirements. In addition, we enter into financial transactions to hedge certain risks, including foreign exchange and interest rate risk. Our continued access to capital markets, the stability of our lenders under our Senior Secured Credit Facilities and their willingness to support our needs, and the stability of the parties to our financial transactions that hedge risks are essential for us to meet our current and long-term obligations, fund operations, and fund our strategic initiatives. An interruption in our access to external financing or financial transactions to hedge risk could adversely affect our business prospects and financial condition.

**Our international sales and operations are subject to a variety of market and financial risks and costs that could affect our profitability and operating results.**

Our sales outside the U.S., which accounted for approximately 45% of sales for 2022, and our operations in Europe, Asia, Israel, Mexico, South America and the Caribbean are and will continue to be subject to a number of risks and potential costs, including:

- changes in foreign economic conditions or regulatory requirements;
- changes in foreign currency exchange rates;
- local product preferences and product requirements;
- outstanding accounts receivables that take longer to collect than is typical in the U.S.;
- difficulties in enforcing agreements through foreign legal systems;
- less protection of intellectual property in some countries outside of the U.S.;
- trade protection measures and import and export licensing requirements;
- work force instability;
- political and economic instability;
- transportation delays or interruptions; and
- complex tax and cash management issues.

These risks are also present in connection with our entry into new geographic markets.

Additionally, as a result of our international operations, we are subject to exposure from currency exchange rate fluctuations. We purchase forward currency contracts in certain currencies to reduce our exposure; however, these transactions may not be adequate or effective to protect us from the exposure for which they are purchased. Historically, foreign currency exchange rate fluctuations have not had a material effect on our net financial results. However, fluctuations in foreign currency exchange rates could have a significant impact on our financial results in the future.

**We have a complex tax profile due to the global nature of our operations and may experience increases and variability in our quarterly and annual effective tax rate due to several factors, including changes in the mix of pre-tax income and the jurisdictions to which it relates, business acquisitions, settlements with taxing authorities, and changes in tax rates.**

Our global operations encompass multiple taxing jurisdictions. Variability in the mix and profitability of domestic and international activities, identification and resolution of various tax uncertainties, changes in tax laws and rates, and the extent to which we are able to realize net operating loss and other carryforwards included in deferred tax assets and avoid potential adverse outcomes included in deferred tax liabilities, among other matters, may significantly affect our effective income tax rate in the future.

Changes in international tax laws or additional changes in U.S. tax laws could materially affect our financial position and results of operations. The EU and many of its member countries, as well as a number of other countries and organizations such as the Organization for Economic Cooperation and Development, are actively considering tax law changes that would negatively impact our effective tax rate. If tax laws and related regulations change, our financial results could be materially impacted. Given the unpredictability of these possible changes and their potential interdependency, it is possible such changes could adversely impact our financial results.

Our effective income tax rate is the result of the income tax rates in the various countries in which we do business. Our mix of income and losses in these jurisdictions affects our effective tax rate. For example, relatively more income in higher tax rate jurisdictions would increase our effective tax rate and thus lower our net income. Similarly, if we generate losses in tax jurisdictions for which no benefits are available, our effective income tax rate will increase. Our effective income tax rate may also be impacted by the recognition of discrete income tax items, such as required adjustments to our liabilities for uncertain tax positions or our deferred tax asset valuation allowance. Our effective income tax rate has fluctuated from 10.4% in 2020, to 8.0% in 2021 and to 14.0% for 2022. A significant increase in our effective income tax rate could have a material adverse impact on our earnings.

We have recorded deferred tax assets based on our assessment that we will be able to realize the benefits of our net operating losses and other favorable tax attributes. Realization of deferred tax assets involve significant judgments and estimates which are subject to change and ultimately depends on generating sufficient taxable income of the appropriate character during the appropriate periods. Changes in circumstances may affect the likelihood of such realization, which in turn may trigger a write-down of our deferred tax assets, the amount of which would depend on a number of factors. A write-down would reduce our reported net income, which may adversely impact our financial condition or results of operations or cash flows. In addition, we are potentially subject to ongoing and periodic tax examinations and audits in various jurisdictions, including with respect to the amount of our net operating losses and any limitation thereon. An adjustment to such net operating loss carryforwards, including an adjustment from a taxing authority, could result in higher tax costs, penalties and interest, thereby adversely impacting our financial condition, results of operations or cash flows.

**We may never realize the full value of our intangible assets, which represent a significant portion of our total assets.**

At December 31, 2022, we had \$1.8 billion of goodwill and other intangible assets, representing 64% of our total assets. These intangible assets consist primarily of goodwill, trademarks, tradenames, customer lists and patented technology arising from our acquisitions. Goodwill and other intangible assets with indefinite lives are not amortized, but are tested annually or upon the occurrence of certain events that indicate that the assets may be impaired. Definite lived intangible assets are amortized over their estimated useful lives and are tested for impairment upon the occurrence of certain events that indicate that the assets may not be recoverable. We may not receive the recorded value for our intangible assets if we sell or liquidate our business or assets. In addition, our significant amount of intangible assets increases the risk of a large charge to earnings in the event that the recoverability of these intangible assets is impaired. In the event of a significant charge to earnings, the market price of our common stock could be adversely affected. In addition, intangible assets with definite lives, which represent \$729.6 million of our net intangible assets at December 31, 2022, will continue to be amortized. These expenses will continue to reduce our future earnings or increase our future losses. The accounting for intangible assets requires reliance on forward looking estimates of sales and/or earnings. Due to the uncertainty surrounding the global pandemic, estimating the future performance of our business is extremely challenging and the range of deviation from internal estimates could be more significant in this environment. As of December 31, 2022, the pandemic has not had an impact on the carrying value of our goodwill and other intangible assets. A prolonged pandemic could have adverse changes on the underlying estimates, assumptions or judgments and could have a material adverse impact on the fair value of our goodwill and other indefinite-lived intangible assets.

## **Legal and Compliance Risks**

### **Regulatory issues resulting from product complaints, or recalls, or regulatory audits could harm our ability to produce and supply products or bring new products to market.**

The products that we design, manufacture and distribute, including our customers' finished medical devices, product components that are incorporated into our customers' finished medical devices, and our own finished medical devices, are designed, manufactured and distributed globally in compliance with applicable regulations and standards. However, a product complaint, recall or negative regulatory audit may cause our products, including product components and finished medical devices, to be removed from the market and harm our operating results or financial condition. In addition, during the period in which corrective action is being taken by us to remedy a complaint, recall or negative regulatory audit, regulators may not allow our new products or components to be cleared for marketing and sale.

### **If we become subject to product liability claims, our operating results and financial condition could suffer.**

Our business exposes us to potential product liability claims, which may take the form of a one-off claim from a single claimant or a class action lawsuit covering multiple claimants. Product failures, including those that arise from the failure to meet product specifications, misuse or malfunction, or design flaws, or the use of our products with other components, systems or medical devices not manufactured or sold by us could result in product liability claims or a recall. Many of our products are components that interact with our customers' medical devices. For example, our batteries are produced to meet electrical performance, longevity and other specifications, but the actual performance of those products is dependent on how they are utilized as part of our customers' devices over the lifetime of their products. Product performance and device interaction from time to time have been, and may in the future be, different than expected for a number of reasons. Consequently, it is possible that customers may experience problems with their medical devices that could require device recall or other corrective action, where our batteries met the specification at delivery, and for reasons that are not related primarily or at all to any failure by our product to perform in accordance with specifications. It is possible that our customers (or end-users) may in the future assert that our products caused or contributed to device failure. Even if these assertions do not lead to product liability or contract claims, they could harm our reputation and our customer relationships. Furthermore, the design and manufacturing of finished medical devices of the types that we also produce entail an inherent risk of product liability claims. Some of the medical devices that we manufacture and sell are designed to be implanted into the human body. A number of factors could result in an unsafe condition or injury to, or death of, a patient with respect to these medical devices. These factors could also result in product liability claims, a recall of one or more of our medical devices or a safety alert relating to one or more of our medical devices.

Provisions contained in our agreements with key customers attempting to limit our damages, including provisions to limit damages to liability for negligence, may not be enforceable in all instances or may otherwise fail to adequately protect us from liability for damages. Product liability claims or product recalls, regardless of their ultimate outcome and whether related to a product component or a finished medical device, could require us to spend significant time and money in litigation and require us to pay significant damages and could divert the attention of our management from our business operations. The occurrence of product liability claims or product recalls could affect our operating results and financial condition.

We carry product liability insurance with coverage that is limited in scope and amount. We may not be able to maintain this insurance at a reasonable cost or on reasonable terms, or at all. This insurance may not be adequate to protect us against product liability claims made against us.

### **If we are unable to protect our intellectual property and proprietary rights, our business could be harmed.**

We rely on a combination of patents, licenses, trade secrets and know-how to establish and protect our rights to our technologies and products. However, these measures afford only limited protection, and our patent rights, whether issued, subject to license or in process, and our other intellectual property protections may be misappropriated, circumvented or invalidated. The laws of some foreign countries do not offer the same level of protection for our intellectual property as the laws of the U.S. Further, no assurances can be given that any patent application we have filed or will file will result in a patent being issued, or that any existing or future patents will afford adequate or meaningful protection against competitors or against similar technologies. In addition, competitors may design around our technology or develop competing technologies that do not infringe our proprietary rights. As patents and other intellectual property protection expire, we may lose our competitive advantage. If third parties infringe or misappropriate our patents or other proprietary rights, our businesses could be seriously harmed.

In addition, we cannot be assured that our existing or planned products do not or will not infringe on the intellectual property rights of others or that others will not claim such infringement. Our industry has experienced extensive ongoing patent litigation which can result in the incurrence of significant legal costs for indeterminate periods of time, injunctions against the manufacture or sale of infringing products and significant royalty payments. At any given time, we may be a plaintiff or defendant in these types of actions. We cannot assure you that we will be able to prevent competitors from challenging our patents or other intellectual property rights or entering markets we currently serve.

In addition to seeking formal patent protection whenever possible, we attempt to protect our proprietary rights and trade secrets by entering into confidentiality agreements with employees, consultants and third parties with which we do business. However, these agreements may be breached and, if a breach occurs, there may be no adequate remedies available to us and we may be unable to prevent the unauthorized disclosure or use of our technical knowledge, practices or procedures. If our trade secrets become known, we may lose our competitive advantages.

**We may be subject to intellectual property claims, which could be costly and time consuming and could divert our management's attention from our business operations.**

In producing our products, third parties may claim that we are infringing on their intellectual property rights, and we may be found to have infringed on those intellectual property rights. We may be unaware of the intellectual property rights of others that may be used in our technology and products. In addition, third parties may claim that our patents have been improperly granted and may seek to invalidate our existing or future patents. If any claim for invalidation prevailed, third parties may manufacture and sell products that compete with our products and our revenues from any related license agreements would decrease accordingly. Former employers of our associates may assert claims that these associates have improperly disclosed to us the confidential or proprietary information of those former employers. We also typically do not receive significant indemnification from parties that license technology to us against third party claims of intellectual property infringement.

Any litigation or other challenges regarding our patents or other intellectual property, with or without merit, could be costly and time consuming and could divert the attention of our management and key personnel from our business operations. The complexity of the technology involved in producing our products and the uncertainty of intellectual property litigation increases these risks. If we are not successful in defending these claims, we could be required to stop selling, delay shipments of, or redesign our products, discontinue the use of related technologies or designs, pay monetary amounts as damages, and satisfy indemnification obligations that we have with some of our customers. Claims of intellectual property infringement may also require us to enter into costly royalty or license agreements. However, we may not be able to obtain royalty or license agreements on terms acceptable to us, or at all. We also may be made subject to significant damages or injunctions against development and sale of our products.

**A failure to comply with customer-driven policies and standards and third-party certification requirements or standards could adversely affect our business and reputation.**

Our customers have in the past, and may in the future, require us to comply with their own or third-party quality standards, business policies, commercial terms, or other policies or standards, which have been, and may continue to be, even more restrictive than current laws and regulations as well as our pre-existing policies or terms with our suppliers, before they commence, or continue, doing business with us. These policies or standards may be customer-driven, established by the market sectors in which we operate or imposed by third party organizations.

Our compliance with these heightened or additional policies, standards and third-party certification requirements, and managing a supply chain in accordance with those policies, standards and requirements, could be costly and time consuming, and our failure to comply could adversely affect our operations, customer relationships, reputation and profitability. In addition, our adoption of these standards could adversely affect our cost competitiveness and ability to provide customers with required service levels. In certain circumstances, to meet the requirements or standards of our customers, we may be obligated to select certain suppliers or make other sourcing choices, and we may bear responsibility for adverse outcomes even if these matters are the result of third-party actions or outside of our control.

**Our failure to obtain licenses from third parties for new technologies or the loss of these licenses could impair our ability to design and manufacture new products and reduce our revenues.**

We occasionally license technologies from third parties rather than depending exclusively on our own proprietary technology and developments. Our ability to license new technologies from third parties is and will continue to be critical to our ability to offer new and improved products. We may not be able to continue to identify new technologies developed by others and even if we are able to identify new technologies, we may not be able to negotiate licenses on favorable terms, or at all. Additionally, we may lose rights granted under licenses for reasons beyond our control or if the license has a finite term and cannot be renewed on favorable terms or at all.

**Our business is subject to environmental regulations that could be costly to comply with.**

Federal, state and local regulations impose various environmental controls on the manufacturing, transportation, storage, use and disposal of batteries and hazardous chemicals and other materials used in, and hazardous waste produced by the manufacturing of our products. Conditions relating to our historical operations, including a former manufacturing facility located in South Plainfield, New Jersey previously operated by a subsidiary of Lake Region Medical, may require expenditures for clean-up in the future that could materially adversely affect our financial results. In addition, changes in environmental laws and regulations may impose costly compliance requirements on us or otherwise subject us to future liabilities. Additional or modified regulations relating to the manufacture, transportation, storage, use and disposal of materials used to manufacture our products or restricting disposal or transportation of batteries may be imposed that may result in higher costs or lower operating results. In addition, we cannot predict the effect that additional or modified environmental regulations may have on us or our customers.

**Our international operations expose us to legal and regulatory risks, which could adversely affect our business.**

Our profitability and international operations are, and will continue to be, subject to risks relating to changes in foreign legal and regulatory requirements. In addition, our international operations are governed by various U.S. laws and regulations, including the U.S. Foreign Corrupt Practices Act and other similar anti-corruption laws in other countries that prohibit us and our business partners and other intermediaries from making improper payments or offers of payment to foreign governments and their officials and political parties for the purpose of obtaining or retaining business. Any alleged or actual violations of these regulations may subject us to government scrutiny, severe criminal or civil sanctions and other liabilities and could adversely affect our business, reputation, operating results, and financial condition.

**The healthcare industry is highly regulated and subject to various political, economic and regulatory changes that could increase our compliance costs and force us to modify how we develop and price our products.**

The healthcare industry is highly regulated and is influenced by changing political, economic and regulatory factors. Several of our product lines are subject to international, federal, state and local health and safety, packaging and product content regulations, including the European Medical Device Regulation that went into effect in May 2021, which was adopted by the EU as a common legal framework for all EU member states. In addition, medical devices are subject to regulation by the FDA and similar governmental agencies. These regulations cover a wide variety of product activities from design and development to labeling, manufacturing, promotion, sales and distribution. Compliance with these regulations is time consuming, burdensome and expensive and could adversely affect our ability to sell products. This may result in higher than anticipated costs or lower than anticipated revenues.

Furthermore, healthcare industry regulations are complex, change frequently and have tended to become more stringent over time. Federal and state legislatures have periodically considered and implemented programs to reform or amend the U.S. healthcare system at both the federal and state levels. In addition, these regulations may contain proposals to increase governmental involvement in healthcare, lower reimbursement rates or otherwise change the environment in which healthcare industry participants operate. We may be required to incur significant expenses to comply with these regulations or remedy past violations of these regulations. Our failure to comply with applicable government regulations could also result in cessation of portions or all of our operations, impositions of fines and restrictions on our ability to carry on or expand our operations. In addition, because many of our products are sold into regulated industries, we must comply with additional regulations in marketing our products.

In response to perceived increases in healthcare costs in recent years, there have been and continue to be proposals by the Presidential administrations, members of Congress, state governments, regulators and third-party payors to control these costs and, more generally, to reform the U.S. healthcare system, including by amending, repealing or replacing the Patient Protection and Affordable Care Act. It is unclear how such reforms will progress under the new presidential administration. Elements of health care reform such as comparative effectiveness research, an independent payment advisory board, payment system reforms including shared savings pilots and other provisions could meaningfully change the way healthcare is developed and delivered, and may materially adversely impact numerous aspects of our business, results of operations and financial condition.

**Our business is indirectly subject to healthcare industry cost containment measures that could result in reduced sales of our products.**

Several of our customers rely on third party payors, such as government programs and private health insurance plans, to reimburse some or all of the cost of the procedures in which our products are used. The continuing efforts of governments, insurance companies and other payors of healthcare costs to contain or reduce those costs could lead to patients being unable to obtain approval for payment from these third party payors for procedures in which our products are used. If this occurs, sales of medical devices may decline significantly and our customers may reduce or eliminate purchases of our products, or demand further price reductions. The cost containment measures that healthcare payors are instituting, both in the U.S. and internationally, could reduce our revenues and harm our operating results.



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**ITEM 1B. UNRESOLVED STAFF COMMENTS**

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None.

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**ITEM 2. PROPERTIES**

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Our principal executive office and headquarters is located in Plano, Texas, in a leased facility. As of December 31, 2022, we operated 17 facilities in the U.S., six in Europe, three in Mexico, two in Asia, one in the Dominican Republic, one in South America, and one in Israel. Of these facilities, 24 were leased and 7 were owned. We occupy approximately two million square feet of manufacturing and RD&E space worldwide. We believe the facilities we operate and their equipment are effectively utilized, well maintained, generally are in good condition, and will be able to accommodate our capacity needs to meet current levels of demand. We continuously review our anticipated requirements for facilities and, on the basis of that review, may from time to time acquire additional facilities, expand or dispose of existing facilities.

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**ITEM 3. LEGAL PROCEEDINGS**

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For information regarding certain legal proceedings pending against us, see Note 13, “Commitments and Contingencies,” of the Notes to Consolidated Financial Statements contained in Item 8 of this report.

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**ITEM 4. MINE SAFETY DISCLOSURES**

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Not applicable.

**PART II**

**ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

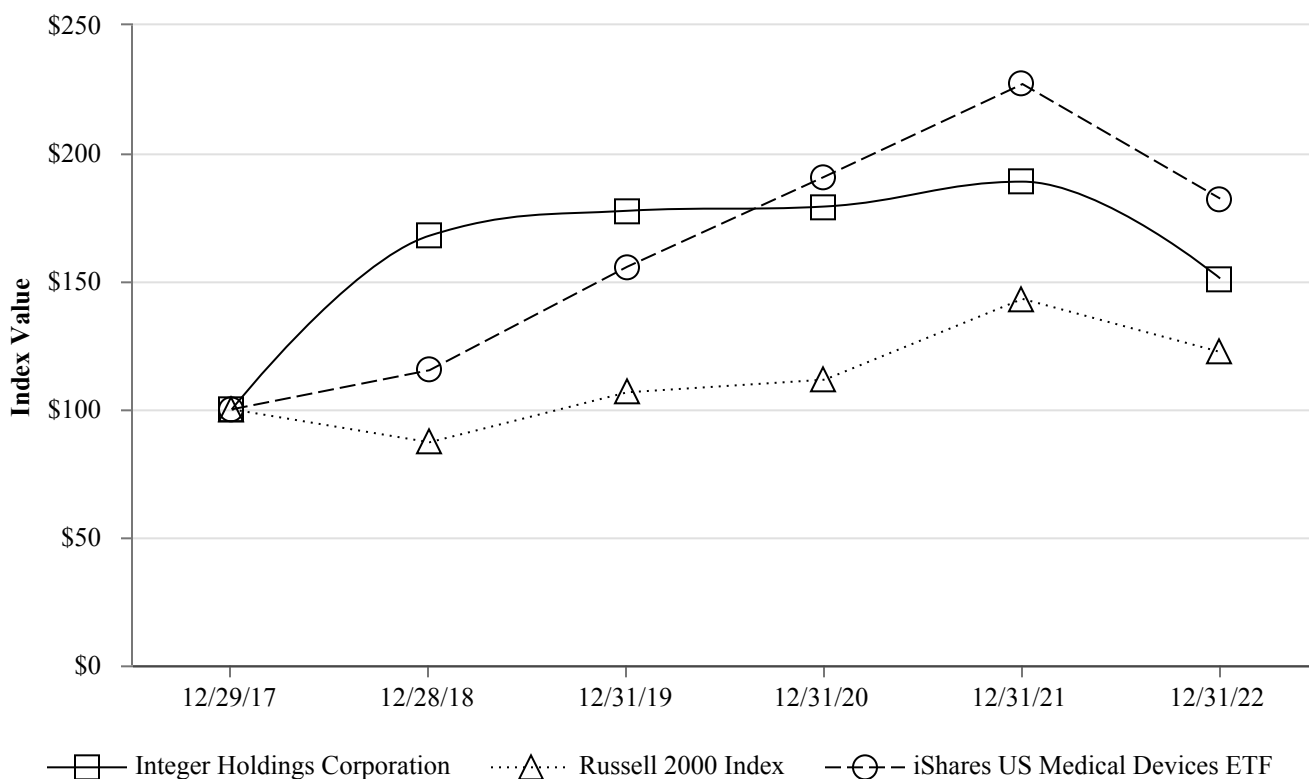
*Common Stock and Dividends.* The Company’s common stock trades on the New York Stock Exchange (“NYSE”) under the symbol “ITGR.” We have not paid cash dividends and do not anticipate paying any cash dividends in the foreseeable future.

*Stockholders.* According to the records of our transfer agent, there were approximately 100 holders of record of our common stock on February 10, 2023. Because many of these shares are held by brokers and other institutions on behalf of the ultimate beneficial holders of these shares, we are unable to estimate the total number of stockholders represented by these record holders.

**PERFORMANCE GRAPH**

The following graph compares, for the five year period ended December 31, 2022, the cumulative total stockholder return for Integer Holdings Corporation, the Russell 2000 Index, and iShares US Medical Devices ETF. The graph assumes that \$100 was invested on December 29, 2017 and assumes reinvestment of dividends. No adjustments have been made for the value provided to shareholders for spin-offs. The stock price performance shown on the following graph is not necessarily indicative of future price performance.

**Total Return Performance**



Company/Index	12/29/17	12/28/18	12/31/19	12/31/20	12/31/21	12/31/22
Integer Holdings Corporation	\$ 100.00	\$ 167.84	\$ 177.55	\$ 179.23	\$ 188.94	\$ 151.13
Russell 2000 Index	100.00	87.14	106.65	111.59	143.14	122.41
iShares US Medical Devices ETF	100.00	115.28	155.69	190.94	227.06	182.32

**ITEM 6. [RESERVED]**

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**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

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The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and the related notes appearing in Item 8 of this report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those under the heading "Risk Factors" in Item 1A of this report. Unless otherwise stated, all results and comparisons below represent results from continuing operations.

**Our Business**

- Our business
- Impact of global events
- Business acquisitions
- Product line sales realignment
- Discontinued operations
- Financial overview

**Our Financial Results**

- Fiscal 2022 compared with fiscal 2021
- Liquidity and capital resources
- Cash and other commitments
- Impact of recently issued accounting standards

**Critical Accounting Estimates**

- Inventories
- Acquisition method of accounting
- Valuation of goodwill and intangible assets

**Our Business**

Integer Holdings Corporation is one of the largest MDO manufacturers in the world serving the cardiac rhythm management, neuromodulation, orthopedics, vascular and advanced surgical markets. We also develop batteries for high-end niche applications in the non-medical energy, military, and environmental markets. Our vision is to enhance the lives of patients worldwide by being our customers' partner of choice for innovative technologies and services.

We organize our business into two reportable segments, Medical and Non-Medical, and derive our revenues from four principle product lines. The Medical segment includes the Cardio & Vascular, Cardiac Rhythm Management & Neuromodulation and Advanced Surgical, Orthopedics & Portable Medical product lines and the Non-Medical segment comprises the Electrochem product line. For more information on our segments, please refer to Note 18, "Segment and Geographic Information," of the Notes to Consolidated Financial Statements contained in Item 8 of this report.

**Impact of Global Events**

Global economic challenges, including the impact of the war in Ukraine, the COVID-19 pandemic, severe and sustained inflation, a rising interest rate environment, fluctuations in global currencies, and supply chain disruptions may continue to cause economic uncertainty and volatility. The impact of these issues on our business will vary by geographic market and product line, but specific impacts to our business include increased borrowing costs, labor shortages, disruptions in the supply chain, delayed or reduced customer orders and sales, restrictions on associates' ability to travel or work, and delays in shipments to and from certain countries. We monitor economic conditions closely. In response to reductions in revenue, we can take actions to align our cost structure with changes in demand and manage our working capital. However, there can be no assurance as to the effectiveness of our efforts to mitigate any impact of the current and future adverse economic conditions and other developments.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Business Acquisitions**

On April 6, 2022, we acquired 100% of the equity interests of Connemara Biomedical Holdings Teoranta, including its operating subsidiaries Aran Biomedical and Proxy Biomedical (collectively "Aran"). A recognized leader in proprietary medical textiles, high precision biomaterial coverings and coatings as well as advanced metal and polymer braiding, Aran delivers development and manufacturing solutions for implantable medical devices. Consistent with our strategy, the combination with Aran further increases our ability to offer complete solutions for complex delivery and therapeutic devices in high growth cardiovascular markets such as structural heart, neurovascular, peripheral vascular, and endovascular as well as general surgery.

On December 1, 2021, we acquired 100% of the equity interests of Oscor Inc., Oscor Caribe, LLC and Oscor Europe GmbH (collectively "Oscor"), privately-held companies with operations in Florida, the Dominican Republic and Germany that design, develop, manufacture and market a comprehensive portfolio of highly specialized medical devices, venous access systems and diagnostic catheters and implantable devices.

Refer to Note 2, "Business Acquisitions," of the Notes to Consolidated Financial Statements contained in Item 8 of this report for additional information about the acquisition of Aran and Oscor.

### **Product Line Sales Realignment**

We have communicated to certain customers our intent to exit certain markets we serve in the Advanced Surgical, Orthopedics & Portable Medical product line. We are working closely with these customers to support the transition of these products to other suppliers. Due to quality and regulatory requirements, we expect it will take three to four years to complete this transition and see the corresponding decline in sales. In order to align with the planned exit of those markets and better align with our end markets and product line strategies, product line sales within the Medical segment have been recast to reflect the reclassification of certain products from the historical product lines to the product lines associated with those revenues that will be utilized for future revenue reporting. We believe the revised presentation will provide improved reporting and better transparency into the operational results of our business and markets. Prior period amounts have been reclassified to conform to the new product line sales reporting presentation. For the years ended December 31, 2021 and 2020, Cardio & Vascular sales of \$32.9 million and \$31.7 million, respectively, and Advanced Surgical, Orthopedics & Portable Medical sales of \$22.8 million and \$20.5 million, respectively, were reclassified to the Cardiac Rhythm Management & Neuromodulation product line.

### **Discontinued Operations**

In July 2018, we completed the sale of the AS&O Product Line within our Medical segment. For all periods presented, financial results reported as discontinued operations relate to the divested AS&O Product Line. All results and information presented exclude the AS&O Product Line unless otherwise noted.

During 2022, we recognized income from discontinued operations of \$1.0 million or \$0.03 per diluted share. During 2021, we recognized income from discontinued operations of \$3.8 million or \$0.11 per diluted share. There was no income from discontinued operations during 2020.

Refer to Note 20, "Discontinued Operations," of the Notes to Consolidated Financial Statements contained in Item 8 of this report for additional information.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Overview

#### *Fiscal 2022 Compared with Fiscal 2021*

Income from continuing operations for 2022 was \$65.4 million or \$1.96 per diluted share compared to \$93.0 million or \$2.80 per diluted share for 2021. These variances are primarily the result of the following:

- Sales for 2022 increased 13% to \$1.376 billion primarily from the Oscor acquisition and continued product demand recovery from the impacts of the COVID-19 pandemic.
- Gross profit for 2022 increased \$22.0 million or 7%, primarily from higher sales volume, partially offset by increased cost of sales resulting from labor and supply constraints.
- Operating expenses for 2022 increased by \$36.4 million compared to 2021, due to higher labor costs and restructuring and other charges.
- Interest expense for 2022 increased by \$7.0 million, due to higher interest rates and average debt outstanding.
- We recognized net losses on equity investments of \$7.6 million and \$3.1 million during 2022 and 2021, respectively. Gains and losses on equity investments are generally unpredictable in nature.
- Other (income) loss, net for 2022 and 2021 was income of \$0.9 million and \$0.1 million, respectively, primarily due to fluctuations in foreign currency gains and losses in the respective periods.
- We recorded provisions for income taxes of \$10.6 million and \$8.0 million for 2022 and 2021, respectively. The changes in income tax were primarily due to relative changes in pre-tax income and the impact of discrete tax items.

#### *Fiscal 2021 Compared with Fiscal 2020*

Income from continuing operations for 2021 was \$93.0 million or \$2.80 per diluted share compared to \$77.3 million or \$2.33 per diluted share for 2020. These variances are primarily the result of the following:

- Sales for 2021 increased 14% to \$1.221 billion as we began to see our sales return to pre-pandemic levels as the demand for many of our products continued to recover from the impacts of the COVID-19 pandemic.
- Gross profit for 2021 increased \$51.3 million or 18%, primarily from higher sales volume and production efficiencies.
- Operating expenses for 2021 increased by \$36.2 million compared to 2020, primarily due to increases of \$32.4 million in SG&A expenses and \$3.5 million in RD&E expenses. Included in SG&A expenses for 2020 is a net gain of \$28.2 million recognized in connection with a patent litigation judgment. Refer to Note 13, "Commitments and Contingencies," of the Notes to Consolidated Financial Statements contained in Item 8 of this report for additional information on the patent litigation judgment.
- Interest expense for 2021 decreased by \$6.6 million primarily due to lower interest rates and lower average outstanding debt balances.
- We recognized a net loss on equity investments of \$3.1 million in 2021, compared to a net gain on equity investments of \$5.3 million during 2020. Gains and losses on equity investments are generally unpredictable in nature.
- Other (income) loss, net for 2021 was income of \$0.1 million compared to a loss of \$1.5 million during 2020, primarily due to fluctuations in foreign currency gains and losses in the respective periods.
- We recorded provisions for income taxes of \$8.0 million and \$8.9 million for 2021 and 2020, respectively. The changes in income tax were primarily due to relative changes in pre-tax income and the impact of discrete tax items.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Our Financial Results**

The following table presents selected financial information derived from our Consolidated Financial Statements, contained in Item 8 of this report, for the periods presented (dollars in thousands, except per share amounts):

	2022	2021	2020	Change 2022 vs. 2021		Change 2021 vs. 2020	
				\$	%	\$	%
<b>Medical Sales:</b>							
Cardio & Vascular	\$ 699,469	\$ 593,117	\$ 538,240	\$106,352	18 %	\$ 54,877	10 %
Cardiac Rhythm Management & Neuromodulation	532,580	502,288	398,409	30,292	6 %	103,879	26 %
Advanced Surgical, Orthopedics & Portable Medical	97,502	87,221	101,329	10,281	12 %	(14,108)	(14)%
<b>Total Medical Sales</b>	<b>1,329,551</b>	<b>1,182,626</b>	<b>1,037,978</b>	<b>146,925</b>	<b>12 %</b>	<b>144,648</b>	<b>14 %</b>
Non-Medical	46,545	38,453	35,464	8,092	21 %	2,989	8 %
<b>Total sales</b>	<b>1,376,096</b>	<b>1,221,079</b>	<b>1,073,442</b>	<b>155,017</b>	<b>13 %</b>	<b>147,637</b>	<b>14 %</b>
Cost of sales	1,017,090	884,109	787,735	132,981	15 %	96,374	12 %
<b>Gross profit</b>	<b>359,006</b>	<b>336,970</b>	<b>285,707</b>	<b>22,036</b>	<b>7 %</b>	<b>51,263</b>	<b>18 %</b>
<i>Gross profit as a % of sales</i>	<i>26.1 %</i>	<i>27.6 %</i>	<i>26.6 %</i>				
<b>Operating expenses:</b>							
Selling, general and administrative	160,578	141,418	109,006	19,160	14 %	32,412	30 %
Research, development and engineering	60,918	51,985	48,468	8,933	17 %	3,517	7 %
Restructuring and other charges	16,183	7,856	7,621	8,327	106 %	235	3 %
<b>Total operating expenses</b>	<b>237,679</b>	<b>201,259</b>	<b>165,095</b>	<b>36,420</b>	<b>18 %</b>	<b>36,164</b>	<b>22 %</b>
<b>Operating income</b>	<b>121,327</b>	<b>135,711</b>	<b>120,612</b>	<b>(14,384)</b>	<b>(11)%</b>	<b>15,099</b>	<b>13 %</b>
Interest expense	38,632	31,628	38,220	7,004	22 %	(6,592)	(17)%
(Gain) loss on equity investments, net	7,636	3,143	(5,337)	4,493	143 %	8,480	(159)%
Other (income) loss, net	(899)	(123)	1,522	(776)	NM	(1,645)	NM
Income from continuing operations before income taxes	75,958	101,063	86,207	(25,105)	(25)%	14,856	17 %
Provision for income taxes	10,608	8,043	8,949	2,565	32 %	(906)	(10)%
<i>Effective tax rate</i>	<i>14.0 %</i>	<i>8.0 %</i>	<i>10.4 %</i>				
<b>Income from continuing operations</b>	<b>\$ 65,350</b>	<b>\$ 93,020</b>	<b>\$ 77,258</b>	<b>\$(27,670)</b>	<b>(30)%</b>	<b>\$ 15,762</b>	<b>20 %</b>
Diluted earnings per share from continuing operations	\$ 1.96	\$ 2.80	\$ 2.33	\$ (0.84)	(30)%	\$ 0.47	20 %

NM - Calculated change not meaningful.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Fiscal 2022 Compared with Fiscal 2021

The following discussion is a comparison between results for the years ended December 31, 2022 and 2021. For a discussion of our results of operations for the year ended December 31, 2021 compared to the year ended December 31, 2020, please refer to Item 7 of Part II, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, which was filed with the SEC on February 22, 2022.

### Sales

Sales by product line for 2022 and 2021 were as follows (dollars in thousands):

	2022	2021	Change	
			\$	%
Medical Sales:				
Cardio & Vascular	\$ 699,469	\$ 593,117	\$ 106,352	17.9 %
Cardiac Rhythm Management & Neuromodulation	532,580	502,288	30,292	6.0 %
Advanced Surgical, Orthopedics & Portable Medical	97,502	87,221	10,281	11.8 %
Total Medical Sales	1,329,551	1,182,626	146,925	12.4 %
Non-Medical	46,545	38,453	8,092	21.0 %
Total sales	\$ 1,376,096	\$ 1,221,079	\$ 155,017	12.7 %

Total 2022 sales increased 13% to \$1.376 billion in comparison to 2021. The most significant drivers of this decrease were as follows:

Cardio & Vascular ("C&V") sales for 2022 increased \$106.4 million or 18% in comparison to 2021. C&V sales for 2022 reflect strong customer demand, as well as sales from the Oscor and Aran acquisitions. Foreign currency exchange rate fluctuations lowered C&V sales for 2022 by \$6.3 million. C&V sales for 2022 include Aran (since the date of acquisition) and Oscor sales totaling \$52.1 million. C&V sales for 2021 include Oscor sales since the date of acquisition of \$2.9 million.

Cardiac Rhythm Management & Neuromodulation ("CRM&N") sales for 2022 increased \$30.3 million or 6% in comparison to 2021. CRM&N sales for 2022 were driven by the Oscor acquisition, with mid-single digit growth in both cardiac rhythm management and neuromodulation. Foreign currency exchange rate fluctuations lowered CRM&N sales for 2022 by \$0.1 million. CRM&N sales for 2022 include Oscor sales totaling \$41.7 million. CRM&N sales for 2021 include Oscor sales since the date of acquisition of \$1.8 million.

Advanced Surgical, Orthopedics & Portable Medical ("AS&O") sales for 2022 increased by \$10.3 million in comparison to 2021, primarily due to higher demand to support the start of the multi-year Portable Medical exit announced earlier this year. Foreign currency exchange rate fluctuations lowered AS&O sales for 2022 by \$0.1 million.

Non-Medical sales for 2022 increased \$8.1 million or 21% in comparison to 2021. The sales increase reflects energy market growth and strong demand in military and environmental markets. Foreign currency exchange rate fluctuations did not have a material impact on Non-Medical sales during 2022 in comparison to 2021.

### Gross Profit

	2022	2021
Gross profit (in thousands)	\$ 359,006	\$ 336,970
Gross margin	26.1 %	27.6 %

Gross margin for 2022 decreased 150 basis points compared to 2021, primarily driven by incremental labor and supply chain costs related to increased wages, freight and manufacturing inefficiencies from supply chain disruptions.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### ***SG&A Expenses***

SG&A expenses comprise the following for 2022 and 2021 (in thousands):

	<b>2022</b>	<b>2021</b>	<b>Change</b>
Compensation and benefits <sup>(a)</sup>	\$ 85,876	\$ 77,208	\$ 8,668
Amortization expense <sup>(b)</sup>	33,136	28,507	4,629
Professional fees <sup>(c)</sup>	14,003	13,040	963
Contract services <sup>(d)</sup>	10,165	8,218	1,947
Travel and entertainment <sup>(e)</sup>	1,690	505	1,185
All other SG&A <sup>(f)</sup>	15,708	13,940	1,768
<b>Total SG&amp;A expense</b>	<b>\$ 160,578</b>	<b>\$ 141,418</b>	<b>\$ 19,160</b>

<sup>(a)</sup> Compensation and benefits increased primarily due to an increase in headcount from the acquisitions of Aran and Oscor.

<sup>(b)</sup> Amortization expense increased due to amortization of intangible assets from the Aran and Oscor acquisitions.

<sup>(c)</sup> Professional fees increased primarily due to inclusion of the operations of Aran and Oscor for all or part of 2022.

<sup>(d)</sup> Contract services expense increased primarily due to higher software costs from information technology enhancements.

<sup>(e)</sup> The increases in travel and entertainment expense was due to a modest return to travel as travel restrictions originally implemented in response to the COVID-19 pandemic ease.

<sup>(f)</sup> The net increase in all other SG&A for 2022 compared to 2021 is primarily attributable to higher rent and insurance from the Aran and Oscor acquisitions.

### ***RD&E***

RD&E expenses for 2022 and 2021 were \$60.9 million and \$52.0 million, respectively. The increase in RD&E expenses for 2022 compared to 2021 was primarily due to investments made to support long-term revenue growth, the timing of program milestone achievements for customer funded programs, and incremental expense due to the Aran and Oscor Acquisitions. RD&E expenses are influenced by the number and timing of in-process projects and labor hours and other costs associated with these projects. Our research and development initiatives continue to emphasize new product development, product improvements, and the development of new technological platform innovations.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### ***Restructuring and Other Charges***

We continuously evaluate our business and identify opportunities to realign resources to better serve our customers and markets, improve operational efficiency and capabilities, and lower operating costs. To realize the benefits associated with these opportunities, we undertake restructuring-type activities to transform our business. We incur costs associated with these activities, which primarily include exit and disposal costs and other costs directly related to the restructuring initiative. Restructuring charges include exit and disposal costs from these activities and restructuring-related charges are costs directly related to the restructuring initiatives. In addition, from time to time, we incur costs associated with acquiring and integrating businesses, and certain other general expenses, including asset impairments.

Restructuring and other charges comprise the following for 2022 and 2021 (in thousands):

	<b>2022</b>	<b>2021</b>	<b>Change</b>
Restructuring charges <sup>(a)</sup>	4,920	4,804	116
Acquisition and integration costs <sup>(b)</sup>	10,075	2,544	7,531
Other general expenses <sup>(c)</sup>	1,188	508	680
Total restructuring and other charges	<u>\$ 16,183</u>	<u>\$ 7,856</u>	<u>\$ 8,327</u>

<sup>(a)</sup> Restructuring charges for 2022 and 2021 primarily consist of termination benefits associated with our operational excellence and strategic reorganization and alignment initiatives.

<sup>(b)</sup> Amounts for 2022 primarily include expenses related to the Aran and Oscor acquisitions. Amounts for 2021 primarily include expenses related to the Oscor acquisition. The 2022 and 2021 amounts also include \$3.1 million and \$0.1 million, respectively, of net expense related to adjustments to increase the fair value of acquisition-related contingent consideration liabilities. See Note 17, "Financial Instruments and Fair Value Measurements," of the Notes to Consolidated Financial Statements contained in Item 8 of this report for additional information related to the fair value measurement of the contingent consideration.

<sup>(c)</sup> Amounts include expenses related to other initiatives not described above, which relate primarily to integration and operational initiatives to reduce future costs and improve efficiencies.

Refer to Note 11, "Restructuring and Other Charges," of the Notes to Consolidated Financial Statements contained in Item 8 of this report for additional information regarding these initiatives.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### *Interest Expense*

Information relating to our interest expense for 2022 and 2021 is as follows (dollars in thousands):

	2022		2021		Change	
	Amount	Rate	Amount	Rate	Amount	Rate (bp)
Contractual interest expense	\$ 35,282	3.80 %	\$ 21,042	2.99 %	\$ 14,240	81
Loss on interest rate swap	918	0.10	3,406	0.48	(2,488)	(38)
Amortization of deferred debt issuance costs and original issue discount	1,922	0.23	3,251	0.50	(1,329)	(27)
Loss from extinguishment of debt	114	0.01	3,774	0.54	(3,660)	(53)
Interest expense on borrowings	38,236	4.14 %	31,473	4.51 %	6,763	(37)
Other interest expense	396		155		241	
Total interest expense	<u>\$ 38,632</u>		<u>\$ 31,628</u>		<u>\$ 7,004</u>	

Interest expense relates primarily to borrowings made under our Senior Secured Credit Facilities, which consist of a five-year \$400 million revolving credit facility (the "Revolving Credit Facility"), a five-year "term A" loan (the "TLA Facility"), and a seven-year "term B" loan (the "TLB Facility").

During 2022, contractual interest expense increased due to higher average debt outstanding combined with increasing applicable interest rates. The higher average debt balance outstanding is the result of borrowings to fund the Oscor and Aran acquisitions, while interest rates have continued to climb due to increases in LIBOR which were partially offset by beneficial changes in our Senior Secured Credit Facilities agreement. During the third and fourth quarters of 2021 we entered into and subsequently amended a new Senior Secured Credit Facilities agreement, which among other changes, lowered the interest rate spreads on our Revolving Credit Facility and TLA Facility by 75 basis points and the LIBOR floor on our TLB facility by 50 basis points.

Other components of interest expense on borrowings include gains and losses on interest rate swaps and non-cash amortization and write-off (losses from extinguishment of debt) of deferred debt issuance costs and original issue discount. Interest rate swap includes realized (gains) losses on our interest rate swap contract which fluctuate depending on the spread between the rate swap contract fixed rate and TLA Facility floating rate. Compared to the same periods in 2021, amortization of deferred debt issuance costs and original issue discount decreased as a result of the extended maturity under the new Senior Secured Credit Facilities. The losses from extinguishment of debt during 2022 and 2021 were related to prepayments of portions of the Term Loan B facility. 2021 also included a write-off of \$3.3 million of deferred issuance costs and unamortized discount in connection with the refinancing of our credit facilities in September 2021.

See Note 8, "Debt," of the Notes to the Consolidated Financial Statements contained in Item 8 of this report for additional information pertaining to our debt.

As of December 31, 2022 and 2021, approximately 11% and 18%, respectively, of our principal amount of debt outstanding has been effectively converted to fixed-rate borrowings through the use of an interest rate swap. We enter into interest rate swap agreements to reduce our exposure to fluctuations in the LIBOR rate. See Note 17, "Financial Instruments and Fair Value Measurements," of the Notes to the Consolidated Financial Statements contained in Item 8 of this report for additional information pertaining to our interest rate swap agreement.

### *(Gain) Loss on Equity Investments, Net*

During 2022 and 2021, we recognized net losses of \$7.6 million and \$3.1 million, respectively, on our equity investments. Gains and losses on equity investments are generally unpredictable in nature. During 2021, we recognized impairment charges of \$0.1 million related to investments in our non-marketable equity securities. The residual losses for 2022 and 2021 relate to our share of equity method investee gains/losses, including unrealized appreciation and depreciation of the underlying interests of the investee. As of December 31, 2022 and December 31, 2021, the carrying value of our equity investments was \$13.9 million and \$21.8 million, respectively. See Note 17, "Financial Instruments and Fair Value Measurements," of the Notes to Consolidated Financial Statements contained in Item 8 of this report for further details regarding these investments.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Other (Income) Loss, Net**

Other (income) loss, net during 2022 and 2021 was income of \$0.9 million and \$0.1 million, respectively. Other (income) loss, net primarily includes gains/losses from the impact of exchange rates on transactions denominated in foreign currencies. Our foreign currency transaction gains/losses are based primarily on fluctuations of the U.S. dollar relative to the Euro, Mexican peso, Uruguayan peso, Malaysian ringgits, Dominican peso, or Israeli shekel.

The impact of foreign currency exchange rates on transactions denominated in foreign currencies included in Other (income) loss, net for 2022 and 2021 were net gains of \$1.1 million and \$0.1 million, respectively. We continually monitor our foreign currency exposures and seek to take steps to mitigate these risks. However, fluctuations in foreign currency exchange rates could have a significant impact, positive or negative, on our financial results in the future.

### **Provision for Income Taxes**

During 2022 and 2021, our provision for income taxes was \$10.6 million on worldwide pre-tax income of \$76.0 million (effective tax rate of 14.0%) and \$8.0 million on worldwide pre-tax income of \$101.1 million (effective tax rate of 8.0%), respectively. The stand-alone U.S. component of the effective tax rate for 2022 reflected a \$4.9 million provision on \$14.4 million of pre-tax book income (effective tax rate of 34.2%) versus a \$2.0 million provision on \$48.3 million of pre-tax book income (effective tax rate of 4.0%) for 2021. The stand-alone International component of the effective tax rate for 2022 reflected a \$5.6 million provision on \$61.5 million of pre-tax book income (effective tax rate of 9.2%) versus a \$6.0 million provision on \$52.8 million of pre-tax book income (effective tax rate of 11.4%) for 2021.

The provision for income taxes for 2022 differs from the U.S. statutory rate due to the following (dollars in thousands):

	U.S.		International		Combined	
	\$	%	\$	%	\$	%
Income before provision for income taxes	\$ 14,446		\$ 61,512		\$ 75,958	
Provision at statutory rate	\$ 3,034	21.0 %	\$ 12,917	21.0 %	\$ 15,951	21.0 %
Federal tax credits (including R&D)	(9,399)	(65.2)	—	—	(9,399)	(12.4)
Foreign rate differential	1,459	10.1	(9,152)	(14.9)	(7,693)	(10.1)
Stock-based compensation	2,009	13.9	—	—	2,009	2.6
Uncertain tax positions	2,469	17.1	—	—	2,469	3.3
State taxes, net of federal benefit	978	6.8	—	—	978	1.3
U.S. tax on foreign earnings, net of §250 deduction	5,225	36.2	—	—	5,225	6.9
Valuation allowance	(888)	(6.1)	694	1.1	(194)	(0.3)
Other	61	0.4	1,201	2.0	1,262	1.7
Provision for income taxes	\$ 4,948	34.2 %	\$ 5,660	9.2 %	\$ 10,608	14.0 %

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The provision for income taxes for 2021 differs from the U.S. statutory rate due to the following (dollars in thousands):

	U.S.		International		Combined	
	\$	%	\$	%	\$	%
Income before provision for income taxes	\$ 48,293		\$ 52,770		\$ 101,063	
Provision at statutory rate	\$ 10,141	21.0 %	\$ 11,082	21.0 %	\$ 21,223	21.0 %
Federal tax credits (including R&D)	(11,929)	(24.8)	—	—	(11,929)	(11.8)
Foreign rate differential	1,366	2.8	(6,531)	(12.4)	(5,165)	(5.1)
Stock-based compensation	(1,084)	(2.2)	—	—	(1,084)	(1.1)
Uncertain tax positions	18	—	—	—	18	—
State taxes, net of federal benefit	1,183	2.4	—	—	1,183	1.2
U.S. tax on foreign earnings, net of §250 deduction	1,913	4.0	—	—	1,913	1.9
Valuation allowance	—	—	524	1.0	524	0.5
Other	398	0.8	962	1.8	1,360	1.4
Provision for income taxes	\$ 2,006	4.0 %	\$ 6,037	11.4 %	\$ 8,043	8.0 %

Our effective tax rate of 14.0% for 2022 is higher than our effective tax rate of 8.0% for 2021, primarily due to the unfavorable impact of stock-based compensation in 2022 and the non-recurring favorable impact in 2021 of a release of Uncertain Tax Positions relating to the tax years 2017 and 2018 as the Internal Revenue Service (“IRS”) effectively concluded its examination of those years during 2021.

Our effective tax rate for 2022 differs from the U.S. federal statutory tax rate of 21% due principally to the estimated impact of Federal Tax Credits (including R&D credits and Foreign tax credits), stock-based compensation windfalls, and the impact of earnings realized in foreign jurisdictions with statutory rates that are different than the U.S. federal statutory rate. These benefits are partially offset by the impact of U.S taxes on foreign earnings, including the GILTI provision which requires us to include foreign subsidiary earnings in excess of a deemed return on a foreign subsidiary’s tangible assets in our U.S. income tax return. The U.S. tax on foreign earnings is reflected net of a statutory deduction of 50% of the GILTI inclusion (subject to limitations based on U.S. taxable income, if any) and net of FDII that provides a 37.5% deduction to domestic companies for certain foreign sales and services income. The primary foreign jurisdictions in which we operate and the statutory tax rate for each respective jurisdiction include Switzerland (22%), Mexico (30%), Uruguay (25%), Ireland (12.5%) and Malaysia (24%). We currently have a tax holiday in Malaysia through April 2023, provided certain conditions continue to be met. In addition, we acquired manufacturing operations in the Dominican Republic as part of the acquisition of Oscor, and are operating under a free trade zone agreement in the Dominican Republic through March 2034.

There is a potential for volatility of our effective tax rate due to several factors, including changes in the mix of pre-tax income and the jurisdictions to which it relates, business acquisitions, settlements with taxing authorities, changes in tax rates, and foreign currency exchange rate fluctuations. In addition, we continue to explore tax planning opportunities that may have a material impact on our effective tax rate.

It is reasonably possible that a reduction of approximately \$1.8 million of the balance of unrecognized tax benefits may occur within the next twelve months as a result of the lapse of the statute of limitations and/or audit settlements. As of December 31, 2022, approximately \$7.7 million of unrecognized tax benefits would favorably impact the effective tax rate (net of federal impact on state issues), if recognized.

**Liquidity and Capital Resources**

(dollars in thousands)	December 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 24,272	\$ 17,885
Working capital	\$ 334,546	\$ 293,353
Current ratio	2.50	2.84

Cash and cash equivalents at December 31, 2022 increased by \$6.4 million from December 31, 2021, primarily as a result of cash generated by operating activities, partially offset by purchases of property, plant and equipment and debt principal payments. In addition, the acquisition of Aran resulted in a net cash disbursement of \$129.3 million, which was funded by proceeds from borrowing under our Revolving Credit Facility.

Working capital increased by \$41.2 million from December 31, 2021, primarily from positive working capital fluctuations associated with accounts receivable and inventory aggregating to \$95.1 million, which were partially offset by increases in accounts payable and accrued expenses and other current liabilities. During 2022, accounts receivable increased mainly from an increase in sales volume and inventory increased to support higher product demand, sales volume and material stock levels to protect availability of critical components. Accounts payable increased mainly from higher sequential inventory purchases and the timing of supplier payments, while accrued expenses and other current liabilities increased mainly from accrued contingent consideration associated with the acquisition of Aran.

At December 31, 2022, \$20.4 million of our cash and cash equivalents were held by foreign subsidiaries. We intend to limit our distributions from foreign subsidiaries to previously taxed income or current period earnings. If distributions are made utilizing current period earnings, we will record foreign withholding taxes in the period of the distribution.

**Summary of Cash Flow**

The following cash flow summary information includes cash flows related to discontinued operations (in thousands):

	2022	2021
<b>Cash provided by (used in):</b>		
Operating activities	\$ 116,381	\$ 156,666
Investing activities	(200,421)	(270,998)
Financing activities	92,476	81,986
Effect of foreign currency exchange rates on cash and cash equivalents	(2,049)	1,025
Net change in cash and cash equivalents	<u>\$ 6,387</u>	<u>\$ (31,321)</u>

**Operating Activities** - During 2022, we generated cash from operations of \$116.4 million, compared to \$156.7 million in 2021. The decrease of \$40.3 million was the result of decreases of \$12.2 million in net income adjusted for non-cash items such as depreciation and amortization and \$28.1 million in cash flow provided by changes in operating assets and liabilities.

The decrease in net income adjusted for non-cash items such as depreciation and amortization is from higher compensation and benefit costs, restructuring charges, acquisition and integration expenses, and interest expense partially offset by higher sales volume. The decrease associated with changes in operating assets and liabilities is primarily related to higher sales volume and inventory growth in the current period partially offset by increases from the prior period payment of Coronavirus Aid, Relief, and Economic Security Act deferred social security taxes and timing of income tax payments.

**Investing Activities** - The \$70.6 million decrease in net cash used in investing activities was primarily attributable to a decrease in net cash paid for business acquisitions \$91.3 million and increased purchases of property, plant, and equipment of \$21.3 million.

**Financing Activities** - Net cash provided by financing activities during 2022 was \$92.5 million compared to \$82.0 million in 2021. Financing activities during 2022 and 2021 each included net borrowings of \$95.8 million. The net cash inflow for 2022 included \$166.0 million in borrowings on our Revolving Credit Facility primarily to fund the Aran acquisition. The net cash inflow for 2021 included \$220.0 million in borrowings to fund the Oscor acquisition. We paid \$8.1 million of debt issuance costs in connection with the refinancing of our Senior Secured Credit Facilities in 2021.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Capital Structure** - As of December 31, 2022, our capital structure consists of \$925.3 million of debt, net of deferred debt issuance costs and unamortized discounts, outstanding under our Senior Secured Credit Facilities and 33 million shares of common stock outstanding. We have access to \$256.2 million of borrowing capacity under our Revolving Credit Facility, available for normal course of business and letters of credit. We are also authorized to issue up to 100 million shares of common stock and 100 million shares of preferred stock. As of December 31, 2022, our contractual debt service obligations for 2023, consisting of principal and interest on our outstanding debt, are estimated to be approximately \$78 million. Actual principal and interest payments may be higher if, for instance, the applicable interest rates on our Senior Secured Credit Facilities increase, we borrow additional amounts on our Revolving Credit Facility, or we pay principal amounts in excess of the required minimums reflected in the contractual debt service obligations above.

Refer to Note 21, "Subsequent Events," of the Notes to Consolidated Financial Statements in Item 8 of this report for information regarding the January 30, 2023 and February 15, 2023 amendments to the 2021 Credit Agreement, the January 31, 2023 Capped Call Transactions and the February 3, 2023 Convertible Notes offering.

**Credit Facilities** - Our 2021 Credit Agreement permits borrowings and other extensions of credit in an initial aggregate principal amount of up to \$1 billion (as may be increased from time to time in accordance with the terms). The 2021 Credit Agreement governs our Senior Secured Credit Facilities, which consist of a five-year \$400 million Revolving Credit Facility, which had available borrowing capacity of \$256.2 million as of December 31, 2022, a five-year TLA Facility with outstanding principal balance of \$455 million, and a seven-year TLB Facility with outstanding principal balance of \$336 million. The Revolving Credit and TLA Facilities mature on September 2, 2026. The TLB Facility matures on September 2, 2028.

Our off-balance sheet commitments related to our outstanding letters of credit as of December 31, 2022 were \$3.5 million.

The 2021 Credit Agreement contains customary terms and conditions, including representations and warranties and affirmative and negative covenants, as well as financial covenants for the benefit of the lenders under the Revolving Credit Facility and the TLA Facility, which require that we maintain (i) a total net leverage ratio not to exceed 5.50:1.00 (stepping down to 5.00:1.00 for the third fiscal quarter of 2023 through maturity and subject to increase in certain circumstances following qualified acquisitions, but not to exceed 5.50:1.00) and (ii) an interest coverage ratio of at least 2.50:1.00. As of December 31, 2022, we were in compliance with these financial covenants. The TLB Facility does not contain any financial maintenance covenants. As of December 31, 2022, our total net leverage ratio, calculated in accordance with our Senior Secured Credit Facilities agreement, was approximately 2.9 to 1.0. For the twelve month period ended December 31, 2022, our ratio of adjusted EBITDA to interest expense, calculated in accordance with our Senior Secured Credit Facilities agreement, was approximately 8.7 to 1.0.

Failure to comply with these financial covenants would result in an event of default as defined under the Revolving Credit Facility and TLA Facility unless waived by the lenders. An event of default may result in the acceleration of our indebtedness. As a result, management believes that compliance with these covenants is material to us.

Refer to Note 8, "Debt," of the Notes to Consolidated Financial Statements contained in Item 8 of this report for further description of our outstanding debt.

Refer to Note 21, "Subsequent Events," of the Notes to Consolidated Financial Statements in Item 8 of this report for information regarding the January 30, 2023 and February 15, 2023 amendments to the 2021 Credit Agreement, the January 31, 2023 Capped Call Transactions and the February 3, 2023 Convertible Notes offering.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Cash and Other Commitments

We have material cash requirements to pay third parties under various contractual obligations discussed below.

Presented below is a summary of contractual obligations and other minimum commitments as of December 31, 2022. Refer to Note 13, "Commitments and Contingencies," of the Notes to Consolidated Financial Statements contained in Item 8 of this report for additional information regarding self-insurance liabilities, which are not reflected in the table below.

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Principal amount of debt outstanding <sup>(a)</sup>	\$ 931,238	\$ 18,188	\$ 68,687	\$ 526,238	\$ 318,125
Interest on debt <sup>(a)</sup>	258,296	59,794	114,631	67,492	16,379
Operating lease obligations <sup>(b)</sup>	85,773	13,033	24,112	19,602	29,026
Finance lease obligations <sup>(b)</sup>	10,801	1,402	2,710	1,537	5,152

<sup>(a)</sup> Interest payments in the table above reflect the contractual interest payments on our outstanding debt based upon the balance outstanding and applicable interest rates at December 31, 2022, and exclude the impact of the debt issuance cost and discount amortization and the impact of interest rate swap agreements. Refer to Note 8, "Debt," of the Notes to Consolidated Financial Statements contained in Item 8 of this report for additional information regarding long-term debt.

Refer to Note 21, "Subsequent Events," of the Notes to Consolidated Financial Statements in Item 8 of this report for information regarding the January 30, 2023 and February 15, 2023 amendments to the 2021 Credit Agreement, the January 31, 2023 Capped Call Transactions and the February 3, 2023 Convertible Notes offering.

<sup>(b)</sup> Refer to Note 14, "Leases," of the Notes to Consolidated Financial Statements contained in Item 8 of this report for additional information about our operating and finance lease obligations.

Capital expenditures, which are net of proceeds from the sale of property, plant and equipment, for 2022 totaled \$74.1 million, compared to \$53.0 million and \$46.8 million in 2021 and 2020, respectively. Capital expenditures in 2022 related primarily to upgrades of manufacturing facilities and information technology. We expect 2023 capital expenditures to approximate \$100 million to \$120 million, with a significant portion related to additional upgrades of manufacturing facilities and information technology, as well as for manufacturing equipment to support productivity initiatives.

We have recorded liabilities for unrecognized tax benefits that, because of their nature, have a high degree of uncertainty regarding the timing of future cash payment and other events that extinguish these liabilities. Refer to Note 12, "Income Taxes," of the Notes to Consolidated Financial Statements in Item 8 of this report for additional information about these unrecognized tax benefits.

Based on current expectations, we believe that our projected cash flows provided by operations, available cash and cash equivalents and availability under our Revolving Credit Facility are sufficient to meet our working capital, debt service and capital expenditure requirements for at least the next twelve months. However, such cash flows are dependent upon our future operating performance which, in turn, is subject to prevailing economic conditions, the effects of the COVID-19 pandemic, and to financial, business and other factors, including the conditions of our markets, some of which are beyond our control. If our future financing needs increase, we may need to arrange additional debt or equity financing. We continually evaluate and consider various financing alternatives to enhance or supplement our existing financial resources, including our Senior Secured Credit Facilities. However, we cannot be assured that we will be able to enter into any such arrangements on acceptable terms or at all.

### Impact of Recently Issued Accounting Standards

In the normal course of business, we evaluate all new accounting pronouncements issued by the Financial Accounting Standards Board ("FASB"), SEC, or other authoritative accounting bodies to determine the potential impact they may have on our Consolidated Financial Statements. Refer to Note 1, "Summary of Significant Accounting Policies," of the Notes to Consolidated Financial Statements contained in Item 8 of this report for additional information about these recently issued accounting standards and their potential impact on our financial condition or results of operations.

### **CRITICAL ACCOUNTING ESTIMATES**

Management's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. We make estimates and assumptions in the preparation of our consolidated financial statements that affect the reported amounts of assets and liabilities, revenue and expenses and related disclosures of contingent assets and liabilities. We base our estimates and judgments upon historical experience and other factors that are believed to be reasonable under the circumstances. Changes in estimates or assumptions could result in a material adjustment to the consolidated financial statements.

We have identified several critical accounting estimates. An accounting estimate is considered critical if both: (a) the nature of the estimates or assumptions is material due to the levels of subjectivity and judgment involved, and (b) the impact of changes in the estimates and assumptions have had or are reasonably likely to have a material effect on the consolidated financial statements. This listing is not a comprehensive list of all of our accounting policies. For further information regarding the application of these and other accounting policies, see Note 1, "Summary of Significant Accounting Policies," of the Notes to Consolidated Financial Statements contained in Item 8 of this report.

### **Inventories**

Inventories are measured on a first-in, first-out basis at the lower of cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The valuation of inventory requires us to estimate obsolete or excess inventory, as well as inventory that is not of saleable quality.

Historically, our inventory adjustment has been adequate to cover our losses. However, variations in methods or assumptions could have a material impact on our results. If our demand forecast for specific products is greater than actual demand and we fail to reduce manufacturing output accordingly, we could be required to record additional inventory write-down or expense a greater amount of overhead costs, which would negatively impact our net income.

### **Acquisition Method of Accounting**

We account for business combinations using the acquisition method of accounting. We recognize the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at their estimated fair values on the date of acquisition. Any excess purchase price over the fair value of net assets acquired is recorded to goodwill. Determining the fair value of these items requires management's judgment and more often than not the utilization of independent valuation specialists. The judgments made in the determination of the estimated fair values assigned to the assets acquired, the liabilities assumed and any noncontrolling interest in the investee, as well as the estimated useful life of each asset and the duration of each liability, can materially impact the financial statements in periods after acquisition, such as through depreciation and amortization expense. For more information on our acquisitions and application of the acquisition method, see Note 2, "Business Acquisitions," of the Notes to Consolidated Financial Statements contained in Item 8 of this report.

### **Valuation of Goodwill and Intangible Assets**

We make assumptions in establishing the carrying value, fair value and, if applicable, the estimated lives of our intangible and other long-lived assets. Goodwill and intangible assets determined to have an indefinite useful life are not amortized. Instead, these assets are evaluated for impairment on an annual basis on the last day of our fiscal year and whenever events or business conditions change that could indicate that the asset is impaired. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset (asset group) may not be recoverable.

### ***Evaluation of goodwill for impairment***

We test each reporting unit's goodwill for impairment on the last day of our fiscal year and between annual tests if an event occurs or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying value. In conducting this annual impairment testing, we may first perform a qualitative assessment of whether it is more-likely-than-not that a reporting unit's fair value is less than its carrying value. If not, no further goodwill impairment testing is required. If it is more-likely-than-not that a reporting unit's fair value is less than its carrying value, or if we elect not to perform a qualitative assessment of a reporting unit, a quantitative analysis is performed, in which the fair value of the reporting unit is compared to its carrying value. If the carrying value of a reporting unit exceeds its fair value, an impairment loss is recognized equal to the excess, limited to the amount of goodwill allocated to that reporting unit.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

We performed a qualitative assessment of our Medical reporting unit as of December 31, 2022. As part of this analysis, we evaluated factors including, but not limited to, our market capitalization and stock price performance, macro-economic conditions, market and industry conditions, cost factors, the competitive environment, and the operational stability and overall financial performance of the reporting unit. The assessment indicated that it was more likely than not that the fair value of the Medical reporting unit exceeded its carrying value.

We elected to bypass the qualitative assessment and performed a quantitative analysis for our Non-Medical reporting unit. Resulting from the quantitative analysis, the fair value exceeded the carrying value of the Non-Medical reporting unit by approximately 148%. We do not believe that any of our reporting units are at risk for impairment. However, changes to the factors considered above could affect the estimated fair value of one or more of our reporting units and could result in a goodwill impairment charge in a future period. We may be unaware of one or more significant factors that, if we had been aware of, would cause our conclusion to change, which could result in a goodwill impairment charge in a future period.

### ***Evaluation of indefinite-lived intangible assets for impairment***

Our indefinite-lived intangible assets include the Greatbatch Medical and Lake Region Medical tradenames. Similar to goodwill, we perform an annual impairment review of our indefinite-lived intangible assets on the last day of our fiscal year, unless events occur that trigger the need for an interim impairment review. We have the option to first assess qualitative factors in determining whether it is more-likely-than-not that an indefinite-lived intangible asset is impaired. If we elect not to use this option, or we determine that it is more-likely-than-not that the asset is impaired, we perform a quantitative assessment that requires us to estimate the fair value of each indefinite-lived intangible asset and compare that amount to its carrying value. Fair value is estimated using the relief-from-royalty method. Significant assumptions inherent in this methodology include estimates of royalty rates and discount rates. The discount rate applied is based on the risk inherent in the respective intangible assets and royalty rates are based on the rates at which comparable tradenames are being licensed in the marketplace. Impairment, if any, is based on the excess of the carrying value over the fair value of these assets.

We performed a quantitative assessment to test our indefinite-lived intangible assets for impairment as of December 31, 2022. For the Greatbatch Medical tradename, the excess of the estimated fair value over carrying value (expressed as a percentage of carrying value) was in excess of its carrying value of \$20 million by approximately 294% as of December 31, 2022. The Lake Region Medical tradename had an excess of the estimated fair value over carrying value of approximately 77% and a carrying value of \$70 million at December 31, 2022. We do not believe that our indefinite-lived intangible assets are at risk for impairment. However, a significant increase in the discount rate, decrease in the terminal growth rate, increase in tax rates, decrease in the royalty rate or substantial reductions in our end-markets and volume assumptions could have a negative impact on the estimated fair values of either of our tradenames and require us to recognize impairments of these indefinite-lived intangible assets in a future period.

### ***Evaluation of long-lived assets for impairment***

When impairment indicators exist, we determine if the carrying value of the long-lived asset(s) or definite-lived intangible asset(s) including, but not limited to, PP&E and right-of-use lease assets, exceeds the related undiscounted future cash flows. In cases where the carrying value exceeds the undiscounted future cash flows, the carrying value is written down to fair value. Fair value is generally determined using a discounted cash flow analysis. When it is determined that the useful life of an asset (asset group) is shorter than the originally estimated life, and there are sufficient cash flows to support the carrying value of the asset (asset group), we accelerate the rate of depreciation/amortization in order to fully depreciate/amortize the asset over its shorter useful life.

Estimation of the cash flows and useful lives of long-lived assets and definite-lived intangible assets requires significant management judgment. Events could occur that would materially affect our estimates and assumptions. Unforeseen changes, such as the loss of one or more significant customers, technology obsolescence, or significant manufacturing disruption, among other factors, could substantially alter the assumptions regarding the ability to realize the return of our investment in long-lived assets, definite-lived intangible assets or their estimated useful lives.

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**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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**MARKET RISK**

In the normal course of business, we are exposed to market risk primarily due to changes in foreign currency exchange rates and interest rates. Changes in these rates could result in fluctuations in our earnings and cash flows. We regularly assess these risks and have established policies and business practices to help protect against the adverse effects of these and other potential exposures. However, fluctuations in foreign currency exchange rates and interest rates could have a significant impact, positive or negative, on our financial results in the future.

***Foreign Currency Exchange Rate Risk***

We have foreign operations in the Dominican Republic, Germany, Ireland, Israel, Malaysia, Mexico, Switzerland, and Uruguay which expose us to foreign currency exchange rate fluctuations due to transactions denominated in Dominican pesos, Euros, Israeli shekels, Malaysian ringgits, Mexican pesos, Swiss francs, and Uruguayan pesos. We continuously evaluate our foreign currency risk, and we use operational hedges and forward currency exchange rate contracts, to manage the impact of currency exchange rate fluctuations on earnings and cash flows. We do not enter into currency exchange rate derivative instruments for speculative purposes. A hypothetical 10% change in the value of the U.S. dollar in relation to our most significant foreign currency exposures would have had an impact of approximately \$5 million on our 2022 annual sales. This amount is not indicative of the hypothetical net earnings impact due to the partially offsetting impacts on cost of sales and operating expenses in those currencies. We estimate that foreign currency exchange rate fluctuations during 2022 decreased sales in comparison to 2021 by \$6.5 million.

We had currency derivative instruments with notional amounts totaling \$57.2 million outstanding as of December 31, 2022. As of December 31, 2022, we recorded assets totaling \$0.5 million to recognize the fair value of these derivative instruments on our Consolidated Balance Sheets. The amounts recorded during 2022 related to our forward contracts were decreases in Sales, Cost of sales and Operating expenses of \$2.1 million, \$2.2 million and \$0.4 million, respectively. Refer to Note 17, "Financial Instruments and Fair Value Measurements," of the Notes to the Consolidated Financial Statements contained in Item 8 of this report for additional information regarding our outstanding forward contracts.

To the extent that our monetary assets and liabilities, including short-term and long-term intercompany loans, are recorded in a currency other than the functional currency of the subsidiary, these amounts are remeasured each period at the period-end exchange rate, with the resulting gain or loss being recorded in Other (income) loss, Net, in the Consolidated Statements of Operations. We recorded net foreign currency transaction gains of \$1.1 million for 2022.

We translate all assets and liabilities of our foreign operations where the U.S. dollar is not the functional currency at the period-end exchange rate and translate sales and expenses at the average exchange rates in effect during the period. The net effect of these translation adjustments is recorded in the Consolidated Financial Statements as Comprehensive income (loss). The translation adjustment for 2022 was a loss of \$25.6 million and primarily related to the strengthening U.S. dollar relative to the Euro. Translation adjustments are not adjusted for income taxes as they relate to permanent investments in our foreign subsidiaries. A hypothetical 10% change in the value of the U.S. dollar in relation to our most significant foreign currency net assets would have had an impact of approximately \$37 million on our foreign net assets as of December 31, 2022.

***Interest Rate Risk***

We regularly monitor interest rate risk attributable to our outstanding debt obligations. From time to time, we may enter into interest rate swap agreements in order to reduce the cash flow risk caused by interest rate changes on our outstanding floating rate borrowings. As of December 31, 2022, we had \$931 million in principal amount of debt outstanding. Interest rates on our Revolving Credit Facility, TLA Facility and TLB Facility, reset, at our option, based upon the prime rate or LIBOR rate, thus subjecting us to interest rate risk. A hypothetical one percentage point (100 basis points) change in the LIBOR rate on the \$831 million of unhedged variable rate debt outstanding at December 31, 2022 would increase our interest expense by approximately \$8 million.

As of December 31, 2022, approximately 11% of our principal amount of debt outstanding has been effectively converted to fixed-rate borrowings through the use of an interest rate swap, in comparison to approximately 18% as of December 31, 2021. We had an interest swap agreement with a notional amount of \$100 million outstanding as of December 31, 2022. We entered into this agreement in order to reduce our exposure to fluctuations in the LIBOR rate. The amount recorded during 2022 related to this interest rate swap was an increase of \$0.9 million to Interest expense. As of December 31, 2022, this swap had a favorable fair value of \$1.3 million. Refer to Note 8, "Debt," and Note 17, "Financial Instruments and Fair Value Measurements," of the Notes to Consolidated Financial Statements in Item 8 of this report for additional information about our outstanding debt and interest rate swap agreement, respectively.

**INTEGER HOLDINGS CORPORATION**  
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## MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company’s certifying officers are responsible for establishing and maintaining adequate internal control over financial reporting. The Company’s internal control over financial reporting is designed and maintained under the supervision of its certifying officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company’s consolidated financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

As of December 31, 2022, management conducted an assessment of the effectiveness of the Company’s internal control over financial reporting based on the framework established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has determined that the Company’s internal control over financial reporting as of December 31, 2022 is effective. As permitted by guidance issued by the Securities and Exchange Commission, management excluded from its assessment of its system of internal control over financial reporting the operations associated with Connemara Biomedical Holdings Teoranta, including its operating subsidiaries Aran Biomedical and Proxy Biomedical, which were acquired on April 6, 2022, and whose financial statements constitute 5% of total assets, 9% of net assets and 1% of sales of the consolidated financial statement amounts as of and for the year ended December 31, 2022. The Company is in the process of evaluating the existing controls and procedures of the acquired business and integrating the acquired business into its system of internal control over financial reporting. As a result, management was unable, without incurring unreasonable effort or expense, to conduct an assessment of internal control over financial reporting for the acquired business.

The effectiveness of internal control over financial reporting as of December 31, 2022 has been audited by Deloitte & Touche LLP, the Company’s independent registered public accounting firm.

Dated: February 21, 2023

/s/ Joseph W. Dziejczak

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Joseph W. Dziejczak

President & Chief Executive Officer

/s/ Jason K. Garland

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Jason K. Garland

Executive Vice President & Chief Financial Officer

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Integer Holdings Corporation

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Integer Holdings Corporation and subsidiaries (the “Company”) as of December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2022, of the Company and our report dated February 20, 2023, expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.

As described in Management’s Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Connemara Biomedical Holdings Teoranta, including its operating subsidiaries Aran Biomedical and Proxy Biomedical, which were acquired on April 6, 2022, and whose financial statements constitute 5% of total assets, 9% of net assets and 1% of sales of the consolidated financial statement amounts as of and for the year ended December 31, 2022. Accordingly, our audit did not include the internal control over financial reporting at Connemara Biomedical Holdings Teoranta, including Aran Biomedical and Proxy Biomedical.

### Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Williamsville, New York  
February 20, 2023

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Integer Holdings Corporation

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Integer Holdings Corporation and subsidiaries (the “Company”) as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive income, cash flows, and stockholders’ equity for each of the three years in the period ended December 31, 2022, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 20, 2023, expressed an unqualified opinion on the Company’s internal control over financial reporting.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

#### *Inventories - Refer to Notes 1 and 4 to the financial statements*

##### *Critical Audit Matter Description*

Inventories are stated at the lower of cost, determined using the first-in first-out method, or net realizable value. The valuation of inventory requires the Company to estimate obsolete or excess inventory, as well as inventory that is not of saleable quality. Variations in assumptions used could have a material impact to the amount of write-downs for excess, obsolete or expired inventory. A significant change in the timing or level of demand for specific products may result in recording material adjustments for excess, obsolete or expired inventory in the future.

Given the amount of judgment required by management in estimating the timing or level of demand forecast for a specific product, performing audit procedures to evaluate the reasonableness of the estimated excess or obsolete inventory, or inventory that is not of saleable quality required a high degree of auditor judgment and an increased extent of effort.

##### *How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the valuation of excess or obsolete inventory or inventory that is not of saleable quality, included the following, among others:

- We tested the effectiveness of controls over management’s review of the periodic calculation of the valuation for excess or obsolete inventory or inventory that is not of saleable quality.
- We tested management’s process for determining the valuation of inventory, including:

- We tested the accuracy and completeness of the source information underlying the determination of the valuation for excess or obsolete inventory, or inventory that is not of saleable quality.
- We tested the demand forecast by obtaining documentation to support customer orders, contracts with customers, as well as historical and future sales that corroborate the amount stated for the demand forecast.
- We evaluated whether the methodology and assumptions applied by management are reasonable and consistent with the nature of the inventory.
- We performed a retrospective review of the prior-year estimates for excess or obsolete inventory, or inventory that is not of saleable quality, to determine whether management’s judgments and assumptions relating to those estimates indicate a possible bias.

***Business Acquisitions — Connemara Biomedical Holdings Teoranta — Customer Lists Intangible Asset — Refer to Note 1 and 2 to the financial statements***

***Critical Audit Matter Description***

The Company completed the acquisition of Connemara Biomedical Holdings Teoranta, including its operating subsidiaries Aran Biomedical and Proxy Biomedical (collectively “Aran”), for \$141.3 million on April 6, 2022. The Company accounted for the acquisition under the acquisition method of accounting for business combinations. Accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on their respective fair values, including recording a customer lists intangible asset of \$53.4 million. Management estimated the fair value of the customer lists intangible asset using the multi-period excess earnings method, which is a specific discounted cash flow method under the income approach. The fair value determination of the customer lists intangible asset required management to make significant estimates and assumptions related to the customer attrition rate and assumptions related to forecasted revenues. Changes to the attrition rate and forecasted revenue assumptions could result in a significant impact on the recognition of the acquired customer relationships and the determination of goodwill. Therefore, performing audit procedures to evaluate the reasonableness of these assumptions required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

***How the Critical Audit Matter Was Addressed in the Audit***

Our audit procedures related to the forecasts and customer attrition rate used by management to determine the fair value of the acquired customer relationships and the assigned goodwill included the following, among others:

- We tested the effectiveness of controls over the valuation of the customer lists intangible asset, including management’s controls over the determination of the revenue forecasts and the customer attrition rate.
- We performed sensitivity analyses of the significant assumptions used in the valuation model to evaluate the change in fair value resulting from changes in the significant assumptions.
- We evaluated the assumptions and estimates included in the revenue forecasts by:
  - Comparing the revenue forecasts to information included in the Company's communications to its Board of Directors, medical device manufacturing industry reports, and analyst reports for certain of its peer companies;
  - Comparing the revenue forecasts to historical financial results;
  - Conducting inquiries with management; and
  - Evaluating whether the revenue forecasts were consistent with evidence obtained in other areas of the audit.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the attrition rate by:
  - We tested the completeness, accuracy and relevance of underlying historical customer data used to determine the customer attrition rate
  - Our fair value specialists evaluated the reasonableness of the valuation methodology and the customer attrition rate by:
    - Testing the mathematical accuracy of the customer attrition rate used and comparing it to historical customer data.

/s/ Deloitte & Touche LLP

Williamsville, New York  
February 20, 2023

We have served as the Company’s auditor since 1985.

**INTEGER HOLDINGS CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

(in thousands except share and per share data)

	December 31,	
	2022	2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 24,272	\$ 17,885
Accounts receivable, net of provision for credit losses of \$0.3 million and \$0.1 million as of December 31, 2022 and 2021, respectively	224,325	182,310
Inventories	208,766	155,699
Refundable income taxes	2,003	4,735
Contract assets	71,927	64,743
Prepaid expenses and other current assets	27,005	27,610
Total current assets	558,298	452,982
Property, plant and equipment, net	317,243	277,099
Goodwill	982,192	924,704
Other intangible assets, net	819,889	807,810
Deferred income taxes	6,247	5,711
Operating lease assets	74,809	70,053
Financing lease assets	8,852	8,047
Other long-term assets	26,856	35,809
Total assets	\$ 2,794,386	\$ 2,582,215
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 18,188	\$ 15,250
Accounts payable	110,780	76,859
Income taxes payable	10,923	725
Operating lease liabilities	10,362	9,862
Accrued expenses and other current liabilities	73,499	56,933
Total current liabilities	223,752	159,629
Long-term debt	907,073	812,876
Deferred income taxes	160,671	171,505
Operating lease liabilities	64,049	59,767
Financing lease liabilities	8,006	7,450
Other long-term liabilities	13,379	16,291
Total liabilities	1,376,930	1,227,518
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, \$0.001 par value, authorized 100,000,000 shares; no shares issued or outstanding as of December 31, 2022 and 2021	—	—
Common stock, \$0.001 par value; 100,000,000 shares authorized; 33,169,778 and 33,063,336 shares issued and outstanding as of December 31, 2022 and 2021, respectively	33	33
Additional paid-in capital	731,393	713,150
Retained earnings	680,701	614,324
Accumulated other comprehensive income	5,329	27,190
Total stockholders' equity	1,417,456	1,354,697
Total liabilities and stockholders' equity	\$ 2,794,386	\$ 2,582,215

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



**INTEGER HOLDINGS CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

Year Ended December 31,

(in thousands except per share data)	Year Ended December 31,		
	2022	2021	2020
Sales	\$ 1,376,096	\$ 1,221,079	\$ 1,073,442
Cost of sales	1,017,090	884,109	787,735
Gross profit	359,006	336,970	285,707
Operating expenses:			
Selling, general and administrative	160,578	141,418	109,006
Research, development and engineering	60,918	51,985	48,468
Restructuring and other charges	16,183	7,856	7,621
Total operating expenses	237,679	201,259	165,095
Operating income	121,327	135,711	120,612
Interest expense	38,632	31,628	38,220
(Gain) loss on equity investments, net	7,636	3,143	(5,337)
Other (income) loss, net	(899)	(123)	1,522
Income from continuing operations before income taxes	75,958	101,063	86,207
Provision for income taxes	10,608	8,043	8,949
Income from continuing operations	\$ 65,350	\$ 93,020	\$ 77,258
Discontinued operations:			
Income from discontinued operations before income taxes	1,323	4,931	—
Provision for income taxes	296	1,143	—
Income from discontinued operations	\$ 1,027	\$ 3,788	\$ —
Net income	\$ 66,377	\$ 96,808	\$ 77,258
Basic earnings per share:			
Income from continuing operations	\$ 1.97	\$ 2.82	\$ 2.35
Income from discontinued operations	0.03	0.11	—
Basic earnings per share	2.00	2.93	2.35
Diluted earnings per share:			
Income from continuing operations	\$ 1.96	\$ 2.80	\$ 2.33
Income from discontinued operations	0.03	0.11	—
Diluted earnings per share	1.99	2.91	2.33
Weighted average shares outstanding:			
Basic	33,127	32,993	32,845
Diluted	33,357	33,258	33,113

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

**INTEGER HOLDINGS CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(in thousands)	Year Ended December 31,		
	2022	2021	2020
<b>Comprehensive Income</b>			
Net income	\$ 66,377	\$ 96,808	\$ 77,258
Other comprehensive income (loss):			
Foreign currency translation gain (loss)	(25,570)	(27,826)	34,907
Net change in cash flow hedges, net of tax	3,200	2,105	(2,052)
Defined benefit plan liability adjustment, net of tax	509	219	(151)
Other comprehensive income (loss), net	(21,861)	(25,502)	32,704
Comprehensive income	\$ 44,516	\$ 71,306	\$ 109,962

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

**INTEGER HOLDINGS CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Year Ended December 31,

(in thousands)	Year Ended December 31,		
	2022	2021	2020
<b>Cash flows from operating activities:</b>			
Net income	\$ 66,377	\$ 96,808	\$ 77,258
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	91,991	81,369	79,324
Debt related charges included in interest expense	2,036	6,954	4,774
Inventory step-up amortization	798	301	—
Stock-based compensation	21,023	16,185	9,163
Non-cash (gains) charges related to customer bankruptcy	—	(348)	554
Non-cash lease expense	10,914	8,235	7,810
Non-cash (gain) loss on equity investments	7,636	3,143	(5,337)
Contingent consideration fair value adjustment	3,097	133	(2,000)
Other non-cash losses	5,854	1,901	600
Deferred income taxes	(17,498)	(10,270)	(6,966)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(41,380)	(17,539)	38,153
Inventories	(56,721)	4,700	18,441
Prepaid expenses and other assets	764	(2,409)	(864)
Contract assets	(7,543)	(24,923)	(15,451)
Accounts payable	26,038	19,525	(9,055)
Accrued expenses and other liabilities	(9,529)	(22,984)	(10,721)
Income taxes payable	12,524	(4,115)	(4,342)
Net cash provided by operating activities	<u>116,381</u>	<u>156,666</u>	<u>181,341</u>
<b>Cash flows from investing activities:</b>			
Acquisition of property, plant and equipment	(74,728)	(53,463)	(46,832)
Purchase of intangible asset	—	—	(4,607)
Proceeds from sale of property, plant and equipment	639	443	82
Proceeds from return of capital from equity investments	304	—	—
Acquisitions, net of cash acquired	(126,636)	(217,978)	(5,219)
Net cash used in investing activities	<u>(200,421)</u>	<u>(270,998)</u>	<u>(56,576)</u>
<b>Cash flows from financing activities:</b>			
Principal payments of term loans	(25,249)	(741,786)	(87,500)
Proceeds from issuance of term loans	—	818,250	—
Proceeds from revolving credit facility	166,000	82,300	185,000
Payments of revolving credit facility	(45,000)	(63,000)	(185,000)
Proceeds from the exercise of stock options	150	743	3,263
Payment of debt issuance costs	—	(8,139)	(515)
Tax withholding payments related to vested and released restricted stock units	(2,929)	(4,592)	(3,820)
Proceeds from contingent consideration	1,319	—	—
Payment of contingent consideration	(972)	(1,621)	—
Principal payments on finance leases	(843)	(169)	(6)
Net cash provided by (used in) financing activities	<u>92,476</u>	<u>81,986</u>	<u>(88,578)</u>
Effect of foreign currency exchange rates on cash and cash equivalents	(2,049)	1,025	(516)
Net increase (decrease) in cash and cash equivalents	6,387	(31,321)	35,671
Cash and cash equivalents, beginning of year	17,885	49,206	13,535
Cash and cash equivalents, end of year	<u>\$ 24,272</u>	<u>\$ 17,885</u>	<u>\$ 49,206</u>

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

**INTEGER HOLDINGS CORPORATION**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

(in thousands)	Year Ended December 31,		
	2022	2021	2020
<b>Total stockholders' equity, beginning balance</b>	\$ 1,354,697	\$ 1,271,055	\$ 1,152,488
<b>Common stock and additional paid-in capital</b>			
Balance, beginning of period	713,183	700,847	701,051
Stock awards exercised or vested	(2,780)	(3,849)	(9,367)
Stock-based compensation	21,023	16,185	9,163
Balance, end of period	731,426	713,183	700,847
<b>Treasury stock</b>			
Balance, beginning of period	—	—	(8,809)
Treasury shares purchased	—	—	—
Treasury shares reissued	—	—	8,809
Balance, end of period	—	—	—
<b>Retained earnings</b>			
Balance, beginning of period	614,324	517,516	440,258
Net income	66,377	96,808	77,258
Balance, end of period	680,701	614,324	517,516
<b>Accumulated other comprehensive income</b>			
Balance, beginning of period	27,190	52,692	19,988
Other comprehensive income (loss)	(21,861)	(25,502)	32,704
Balance, end of period	5,329	27,190	52,692
<b>Total stockholders' equity, ending balance</b>	\$ 1,417,456	\$ 1,354,697	\$ 1,271,055

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

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(1.) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Integer Holdings Corporation (together with its consolidated subsidiaries, “Integer” or the “Company”) is a publicly traded corporation listed on the New York Stock Exchange under the symbol “ITGR.” Integer is one of the largest medical device outsource manufacturers in the world serving the cardiac rhythm management, neuromodulation, orthopedics, vascular, advanced surgical and portable medical markets. The Company provides innovative, high-quality medical technologies that enhance the lives of patients worldwide. In addition to medical technologies, the Company develops batteries for high-end niche applications in the energy, military, and environmental markets. The Company’s customers include large multi-national original equipment manufacturers (“OEMs”) and their affiliated subsidiaries.

***Basis of Presentation and Principles of Consolidation***

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and include the accounts of Integer Holdings Corporation and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

In July 2018, the Company completed the sale of its Advanced Surgical and Orthopedic product lines (the “AS&O Product Line”) within its Medical segment. For all periods presented, financial results reported as discontinued operations in the Consolidated Statements of Operations relate to the divested AS&O Product Line. The Consolidated Statements of Cash Flows includes cash flows related to the discontinued operations due to Integer’s (parent) centralized treasury and cash management processes. See Note 20, “Discontinued Operations,” for the financial results and cash flow amounts for discontinued operations. All results and information in the consolidated financial statements are presented as continuing operations and exclude the AS&O Product Line unless otherwise noted specifically as discontinued operations.

The Company organizes its business into two reportable segments: (1) Medical and (2) Non-Medical. The discontinued operations of the AS&O Product Line were reported in the Medical segment. Refer to Note 18, “Segment and Geographic Information,” for additional information on the Company’s reportable segments.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of sales and expenses during the reporting periods. Actual results could differ materially from those estimates.

***Reclassifications***

Certain prior period amounts have been reclassified to conform to current year presentation. Refer to Note 6, “Goodwill and Other Intangibles, Net,” for a description of the changes made to the Company’s prior period definite-lived asset classification to reflect the current year presentation. Refer to Note 18, “Segment and Geographic Information,” for a description of the changes made to the Company’s prior period product line sales classification to reflect the current year presentation.

***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash and highly liquid, short-term investments with maturities at the time of purchase of three months or less.

***Concentration of Credit Risk***

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of accounts receivable. A significant portion of the Company’s sales and accounts receivable are to three customers, all in the medical device industry, and, as such, the Company is directly affected by the condition of those customers and that industry. However, the credit risk associated with trade receivables is partially mitigated due to the stability of those customers. The Company performs on-going credit evaluations of its customers. Note 19, “Revenue from Contracts with Customers,” contains information on sales and accounts receivable for these customers. The Company maintains cash deposits with major banks, which from time to time may exceed insured limits. The Company performs on-going credit evaluations of its banks.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(1.) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Trade Accounts Receivable and Provision for Current Expected Credit Losses***

The Company provides credit, in the normal course of business, to its customers in the form of trade receivables. Credit is extended based on evaluation of a customer's financial condition and collateral is not required. The Company maintains a provision for those customer receivables that it does not expect to collect. In accordance with Accounting Standards Codification ("ASC") Topic 326, the Company accrues its estimated losses from uncollectable accounts receivable to the provision based upon recent historical experience, the length of time the receivable has been outstanding, other specific information as it becomes available, and reasonable and supportable forecasts not already reflected in the historical loss information. Provisions for current expected credit losses are charged to current operating expenses. Actual losses are charged against the provision when incurred.

***Supplier Financing Arrangements***

The Company utilizes supplier financing arrangements with financial institutions to sell certain accounts receivable on a non-recourse basis. These transactions are treated as a sale of, and are accounted for as a reduction to, accounts receivable. The agreements transfer control and risk related to the receivables to the financial institutions. The Company has no continuing involvement in the transferred receivables subsequent to the sale. During the years ended December 31, 2022 and 2021, the Company sold and de-recognized accounts receivable and collected cash of \$120.7 million and \$116.1 million, respectively. The costs associated with the supplier financing arrangements were not material for the years ended December 31, 2022 and 2021.

***Inventories***

Inventories are stated at the lower of cost, determined using the first-in first-out method, or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Write-downs for excess, obsolete or expired inventory are based primarily on how long the inventory has been held, historical sales volume, and estimates of forecasted net sales of that product. A significant change in the timing or level of demand for products may result in recording additional write-downs for excess, obsolete or expired inventory in the future. Note 4, "Inventories," contains additional information on the Company's inventory.

***Leases***

The Company determines if an arrangement is, or contains, a lease at inception and classifies it as finance or operating. The Company has operating and finance leases for office and manufacturing facilities, machinery, computer hardware, office equipment, and vehicles. Short-term finance lease liabilities are included in Accrued expenses and other current liabilities on the Consolidated Balance Sheets.

Lease right-of-use ("ROU") assets and corresponding liabilities are recognized based on the present value of the lease payments over the lease term at commencement date. When discount rates implicit in leases cannot be readily determined, the Company uses its incremental borrowing rate based on information available at commencement date in determining the present value of future payments. The incremental borrowing rate is determined based on the Company's recent debt issuances, the Company's specific credit rating, lease term and the currency in which lease payments are made.

Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such option. Costs associated with operating leases are recognized within operating expenses on a straight-line basis over the lease term. Finance lease assets are amortized within operating expenses on a straight-line basis over the shorter of the estimated useful lives of the assets or, in the instance where title does not transfer at the end of the lease term, the lease term. The interest component of a finance lease is included in Interest expense and recognized using the effective interest method over the lease term. The Company combines lease and non-lease components for all asset classes. For certain leases where rent escalates based upon a change in a financial index, such as the Consumer Price Index, the difference between the rate at lease inception and the subsequent fluctuations in that rate are included in variable lease costs. Additionally, because the Company does not separate lease and non-lease components, variable costs also include payments to the landlord for common area maintenance, real estate taxes, insurance and other operating expenses. The Company does not apply the recognition requirements to leases with lease terms of 12 months or less. Note 14, "Leases," contains additional information on the Company's leases.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(1.) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Property, Plant and Equipment (“PP&E”)***

PP&E is carried at cost less accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, as follows: buildings and building improvements 12-30 years; machinery and equipment 3-10 years; office equipment 3-10 years; and leasehold improvements over the remaining lives of the improvements or the lease term, whichever is shorter. The costs of repairs and maintenance are expensed as incurred; renewals and betterments are capitalized. Upon retirement or sale of an asset, its cost and related accumulated depreciation or amortization is removed from the accounts and any gain or loss is recorded in operating income or expense. The Company also reviews its PP&E for impairment when impairment indicators exist. When impairment indicators exist, the Company determines if the carrying value of its fixed assets exceeds the related undiscounted future cash flows. In cases where the carrying value of the Company's long-lived assets or asset groups (excluding goodwill and indefinite-lived intangible assets) exceeds the related undiscounted cash flows, the carrying value is written down to fair value. Fair value is generally determined using a discounted cash flow analysis. Note 5, “Property, Plant and Equipment, Net,” contains additional information on the Company’s PP&E.

***Fair Value Measurements***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the “exit price”) in an orderly transaction between market participants at the measurement date. ASC 820, *Fair Value Measurements*, establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company’s assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Level 1 valuations do not entail a significant degree of judgment.

Level 2 – Valuation is determined from quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in markets that are not active or by model-based techniques in which all significant inputs are observable in the market.

Level 3 – Valuation is based on unobservable inputs that are significant to the overall fair value measurement. The degree of judgment in determining fair value is greatest for Level 3 valuations.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, assumptions are required to reflect those that market participants would use in pricing the asset or liability at the measurement date. Note 17, “Financial Instruments and Fair Value Measurements,” contains additional information on assets and liabilities recorded at fair value in the consolidated financial statements.

***Acquisitions***

The Company accounts for acquisitions under the acquisition method of accounting for business combinations. Results of operations of acquired companies are included in the Company’s results of operations as of the respective acquisition dates. The purchase price of each acquisition is allocated to the net assets acquired based on estimates of their fair values at the date of the acquisition. Any purchase price in excess of these net assets is recorded as goodwill.

All direct acquisition-related costs are expensed as incurred and are recognized as a component of Restructuring and other charges. The allocation of purchase price in certain cases may be subject to revision based on the final determination of fair values during the measurement period, which may be up to one year from the acquisition date.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(1.) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Contingent Consideration***

In circumstances where an acquisition involves a contingent consideration arrangement, the Company recognizes a liability equal to the fair value of the contingent payments it expects to make as of the acquisition date. Increases or decreases in the fair value of the contingent consideration liability can result from changes in discount periods and rates, as well as changes in the timing, amount of, or the likelihood of achieving the applicable performance target. Increases in projected revenues, estimated cash flows and probabilities of payment may result in significantly higher fair value measurements; decreases in these items may have the opposite effect. Increases in the discount rates in periods prior to payment may result in significantly lower fair value measurements and decreases in the discount rates may have the opposite effect.

The contingent consideration fair value measurement is based on significant inputs not observable in the market and therefore constitute Level 3 inputs within the fair value hierarchy. The Company determines the initial fair value of contingent consideration liabilities using a Monte Carlo (“Monte Carlo”) valuation model, which involves a simulation of future revenues during the earn out-period using management’s best estimates, or a probability-weighted discounted cash flow analysis.

In periods subsequent to the initial measurement, contingent consideration liabilities are remeasured to fair value each reporting period until the contingent consideration is settled using various assumptions including estimated revenues (based on internal operational budgets and long-range strategic plans), discount rates, revenue volatility and projected payment dates. The current portion of contingent consideration liabilities is included in Accrued expenses and other current liabilities and the non-current portion is included in Other long-term liabilities on the Consolidated Balance Sheets. Adjustments to the fair value of contingent consideration liabilities are included in Restructuring and other charges in the Consolidated Statements of Operations, and cash flows from operating activities in the Consolidated Statements of Cash Flows. Note 17, “Financial Instruments and Fair Value Measurements,” contains additional information on contingent consideration recorded at fair value in the consolidated financial statements.

***Goodwill***

Goodwill represents the excess of cost over the fair value of identifiable net assets of a business acquired and is assigned to one or more reporting units. The Company’s reporting units are the same as its reportable segments, Medical and Non-Medical. The Company tests each reporting unit’s goodwill for impairment at least annually as of the last day of the fiscal year and between annual tests if an event occurs or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount. In conducting its goodwill test, the Company either performs a qualitative assessment or a quantitative assessment. A qualitative assessment requires that the Company consider events or circumstances including, but not limited to, macro-economic conditions, market and industry conditions, cost factors, competitive environment, changes in strategy, changes in customers, changes in the Company’s stock price, results of the last impairment test, and the operational stability and the overall financial performance of the reporting units. If, after assessing the totality of events or circumstances, the Company determines that it is more likely than not that the fair values of its reporting units are greater than the carrying amounts, then the quantitative goodwill impairment test is not performed. The Company may elect to bypass the qualitative analysis and perform a quantitative analysis.

If the qualitative assessment indicates that the quantitative analysis should be performed or if management elects to bypass a qualitative analysis to perform a quantitative analysis, the Company then evaluates goodwill for impairment by comparing the fair value of each of its reporting units to its carrying value, including the associated goodwill. To determine the fair values, the Company uses a weighted combination of the market approach based on comparable publicly traded companies and the income approach based on estimated discounted future cash flows. The cash flow assumptions consider historical and forecasted revenue, operating costs and other relevant factors.

The Company completed its annual goodwill impairment test as of December 31, 2022 and determined, after performing a qualitative review of its Medical reporting unit, that it is more likely than not that the fair value of the Medical reporting unit exceeds its carrying amount. Accordingly, there was no indication of impairment and the quantitative goodwill impairment test was not performed for the Medical reporting unit. The Company bypassed the qualitative analysis for its Non-Medical reporting unit and performed a quantitative analysis. The fair value of the Non-Medical reporting unit exceeded its carrying amount as of December 31, 2022.



**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(1.) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Other Intangible Assets***

Other intangible assets consist of purchased technology and patents, customer lists and trademarks. Definite-lived intangible assets are amortized on an accelerated or straight-line basis, which approximates the projected cash flows used to determine the fair value of those definite-lived intangible assets at the time of acquisition, as follows: purchased technology and patents 5-20 years; customer lists 7-20 years and other intangible assets 1-20 years. Certain trademark assets are considered indefinite-lived intangible assets and are not amortized. The Company expenses the costs incurred to renew or extend the term of intangible assets.

The Company reviews its definite-lived intangible assets for impairment when impairment indicators exist. When impairment indicators exist, the Company determines if the carrying value of its definite-lived intangible assets or asset groups exceeds the related undiscounted future cash flows. In cases where the carrying value exceeds the undiscounted future cash flows, the carrying value is written down to fair value. Fair value is generally determined using a discounted cash flow analysis.

The Company assesses its indefinite-lived intangible assets for impairment periodically to determine if any adverse conditions exist that would indicate impairment or when impairment indicators exist. The Company assesses its indefinite-lived intangible assets for impairment at least annually by comparing the fair value of the indefinite-lived intangible asset to its carrying value. The fair value is determined using the relief from royalty method.

Refer to Note 6, "Goodwill and Other Intangible Assets, Net," for further details of the Company's goodwill and other intangible assets.

***Equity Investments***

The Company holds long-term, strategic investments in companies to promote business and strategic objectives. These investments are included in Other long-term assets on the Consolidated Balance Sheets. Equity investments are measured and recorded as follows:

- Non-marketable equity securities are equity securities without readily determinable fair value that are measured and recorded at fair value with changes in fair value recognized within net income. The Company measures the securities at cost minus impairment, if any, plus or minus changes resulting from qualifying observable price changes. If an impairment is recognized on the Company's non-marketable equity securities during the period, these assets are classified as Level 3 within the fair value hierarchy based on the nature of the fair value inputs.
- Equity method investments are equity securities in investees the Company does not control but over which it has the ability to exercise influence. Equity method investments are recorded at cost and are adjusted to recognize (1) the Company's share, based on percentage ownership or other contractual basis, of the investee's income or loss, (2) additional contributions made and dividends or other distributions received, and (3) impairments resulting from other-than-temporary declines in fair value.

Realized and unrealized gains and losses resulting from changes in fair value or the sale of these equity investments are recorded through (Gain) loss on equity investments, net. For some investments, the Company records its share of the investee's income or loss one quarter in arrears due to the timing of its receipt of such information. The carrying value of the Company's non-marketable equity securities is adjusted for qualifying observable price changes resulting from the issuance of similar or identical securities by the same issuer. Determining whether an observed transaction is similar to a security within the Company's portfolio requires judgment based on the rights and preferences of the securities. Recording upward and downward adjustments to the carrying value of the Company's equity securities as a result of observable price changes requires quantitative assessments of the fair value of these securities using various valuation methodologies and involves the use of estimates.

Non-marketable equity securities and equity method investments (collectively referred to as non-marketable equity investments) are also subject to periodic impairment reviews. The Company's quarterly impairment analysis considers both qualitative and quantitative factors that may have a significant impact on the investee's fair value. Qualitative factors considered include the investee's financial condition and business outlook, market for technology, operational and financing cash flow activities, technology and regulatory approval progress, and other relevant events and factors affecting the investee. When indicators of impairment exist, quantitative assessments of the fair value of the Company's non-marketable equity investments are prepared.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(1.) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

To determine the fair value of these investments, the Company uses all pertinent financial information available related to the investees, including financial statements, market participant valuations from recent and proposed equity offerings, and other third-party data. Non-marketable equity securities are tested for impairment using a qualitative model similar to the model used for goodwill and long-lived assets. Upon determining that an impairment may exist, the security's fair value is calculated and compared to its carrying value and an impairment is recognized immediately if the carrying value exceeds the fair value. Equity method investments are subject to periodic impairment reviews using the other-than-temporary impairment model, which considers the severity and duration of a decline in fair value below cost and the Company's ability and intent to hold the investment for a sufficient period of time to allow for recovery.

The Company has determined that its investments are not considered variable interest entities. The Company's exposure related to these entities is limited to its recorded investment. These investments are in start-up research and development companies whose fair value is highly subjective in nature and subject to future fluctuations, which could be significant. Refer to Note 17, "Financial Instruments and Fair Value Measurements," for additional information on the Company's equity investments.

***Debt Issuance Costs and Discounts***

Debt issuance costs and discounts associated with the issuance of debt by the Company are deferred and amortized over the lives of the related debt. Debt issuance costs incurred in connection with the Company's issuance of its revolving credit facility are classified within Other long-term assets and amortized to Interest expense on a straight-line basis over the contractual term of the revolving credit facility. Debt issuance costs and discounts related to the Company's term-debt are recorded as a reduction of the carrying value of the related debt and are amortized to Interest expense using the effective interest method over the period from the date of issuance to the maturity date. Upon prepayment of the related debt, the Company also recognizes a proportionate amount of the costs as extinguishment of debt. Costs treated as extinguishment of debt are expensed and included in Interest expense in the accompanying Consolidated Statements of Operations. The amortization of debt issuance costs and discounts, and debt extinguishment charges are included in Debt related charges included in interest expense in the Consolidated Statements of Cash Flows. Note 8, "Debt," contains additional information on the Company's debt issuance costs and discounts.

***Income Taxes***

The consolidated financial statements of the Company have been prepared using the asset and liability approach to account for income taxes, which requires the recognition of deferred income taxes for the expected future tax consequences of net operating losses, credits, and temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. A valuation allowance is provided on deferred tax assets if it is determined, within each taxing jurisdiction, that it is more likely than not that the asset will not be realized.

The Company accounts for uncertain tax positions using a more likely than not recognition threshold. The evaluation of uncertain tax positions is based on factors including, but not limited to, changes in tax law, the measurement of tax positions taken or expected to be taken in tax returns, the effective settlement of matters subject to audit, new audit activity and changes in facts or circumstances related to a tax position. These tax positions are evaluated on a quarterly basis. The Company recognizes interest expense related to uncertain tax positions as Provision for income taxes. Penalties, if incurred, are recognized as a component of Selling, general and administrative ("SG&A") expenses.

The Company and its subsidiaries file a consolidated United States ("U.S.") federal income tax return. State tax returns are filed on a combined or separate basis depending on the applicable laws in the jurisdictions where the tax returns are filed. The Company also files foreign tax returns on a separate company basis in the countries in which it operates.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(1.) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Derivative Financial Instruments***

The Company recognizes all derivative financial instruments in its consolidated financial statements at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, the reason for holding it. The Company's use of derivative instruments is generally limited to cash flow hedges of certain interest rate risks and minimizing foreign currency exposure on foreign currency transactions, which are typically designated in hedging relationships, and intercompany balances, which are not designated as hedging instruments. Under master agreements with the respective counterparties to the Company's derivative contracts, subject to applicable requirements, it has the right of set-off and is allowed to net settle transactions of the same type with a single net amount payable by one party to the other. Gains and losses on cash flow hedges are recorded in Accumulated Other Comprehensive Income in the Consolidated Balance Sheets until the underlying transaction is recorded in earnings. When the hedged item is realized, gains or losses are reclassified from Accumulated Other Comprehensive Income ("AOCI") to the Consolidated Statement of Operations on the same line item as the underlying transaction. In the event the forecasted transactions do not occur, or it becomes probable that they will not occur, the Company reclassifies any gain or loss on the related cash flow hedge to earnings in the respective period. Cash flows related to these derivative financial instruments are included in cash flows from operating activities. Foreign currency contracts not designated as hedging relationships are recorded at fair value in Accrued expenses and other current liabilities in the Consolidated Balance Sheets with resulting gains or losses are recorded in the Consolidated Statement of Operations.

***Revenue Recognition***

The majority of the Company's revenues consist of sales of various medical devices and products to large, multinational OEMs and their affiliated subsidiaries. The Company considers the customer's purchase order, which in some cases is governed by a long-term agreement, and the Company's corresponding sales order acknowledgment as the contract with the customer. The majority of contracts have an original expected duration of one year or less. Consideration payable to customers is included in the transaction price. In accordance with ASC 340-40-25-4, the Company expenses incremental costs of obtaining a contract when incurred because the amortization period is less than one year.

The Company recognizes revenue from contracts with customers as performance obligations are satisfied when the customer obtains control of the products. Control is defined as the ability to direct the use of and obtain substantially all of the remaining benefits from the products. The customer obtains control of the products when title and risk of ownership transfers to them, which is primarily based upon shipping terms. Most of the Company's revenues are recognized at the point in time when the products are shipped to customers. When a contract with a customer relates to products with no alternative use and the Company has an enforceable right to payment, including reasonable profit, for performance completed to date throughout the duration of the contract, revenue is recognized over time as control is transferred to the customer. When revenue is recognized over time, the Company uses an input measure to determine progress towards completion and total estimated costs at completion. Under this method, sales and gross profit are recognized generally as actual costs are incurred. Revenue is recognized net of sales tax, value-added taxes and other taxes.

***Performance Obligations***

The Company assesses whether promises are separate and distinct in the context of the contract. If promises are not separate and distinct, they are aggregated with other promises until they are separate and distinct, resulting in a performance obligation. The Company considers each shipment of an individual product included on a purchase order to be a separate performance obligation because the customer obtains economic benefit as each shipment occurs. Standard payment terms range from 30 to 90 days and may include a discount for early payment.

The Company does not offer its customers a right of return. Rather, the Company warrants that each unit received by the customer will meet the agreed upon technical and quality specifications and requirements. If the units do not meet these requirements, the customer can return the non-compliant units as a corrective action under the warranty. The remedy offered to the customer is repair of the returned units or replacement if repair is not viable. Accordingly, the Company records a warranty reserve and any warranty activities are not considered to be a separate performance obligation.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(1.) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Contract Balances*

The timing of revenue recognition, billings and cash collections results in billed accounts receivable and less frequently, contract liabilities. Accounts receivable are recorded when the right to consideration becomes unconditional. Contract liabilities are recorded when customers pay or are billed in advance of the Company's satisfaction of its performance obligations. Contract liabilities are classified as Accrued expenses and other current liabilities on the Consolidated Balance Sheets. For contracts with customers where revenue is recognized over time, the Company records a contract asset when revenue is earned but not yet billed associated with non-cancellable customer orders. Contract assets are presented as a current asset on the Consolidated Balance Sheets.

*Transaction Price*

Generally, the transaction price of the Company's contracts consists of a unit price for each individual product included in the contract. The unit price can be fixed or variable based on the number of units ordered. In some instances, the transaction price also includes a rebate for meeting certain volume-based targets over a specified period of time. The transaction price of a contract is determined based on the unit price and the number of units ordered, reduced by the rebate expected to be earned on those units. Rebates are estimated based on the expected achievement of volume-based targets using the most likely amount method and are updated quarterly. Adjustments to these estimates are recognized in the period in which they are identified. When contracts with customers include consideration payable at the beginning of the contract, the transaction price is reduced at the later of when the Company recognizes revenue for the transfer of the related goods to the customer or when the Company pays or promises to pay the consideration. Volume discounts and rebates and other pricing reductions earned by customers are offset against their receivable balances.

The transaction price is allocated to each performance obligation on a relative standalone selling price basis. As the majority of products sold to customers are manufactured to meet the specific requirements and technical specifications of that customer, the products are considered unique to that customer and the unit price stated in the contract is considered the standalone selling price.

*Contract Modifications*

Contract modifications, which can include a change in scope, price, or both, most often occur related to contracts that are governed by a long-term arrangement. Contract modifications typically relate to the same products already governed by the long-term arrangement, and therefore, are accounted for as part of the existing contract. If a contract modification adds additional products, it is accounted for as a separate contract.

*Environmental Costs*

Environmental expenditures that relate to an existing condition caused by past operations and that do not provide future benefits are expensed as incurred. Liabilities are recorded when environmental assessments are made, the requirement for remedial efforts is probable and the amount of the liability can be reasonably estimated. Liabilities are recorded generally no later than the completion of feasibility studies. The Company has a process in place to monitor, identify, and assess how the current activities for known exposures are progressing against the recorded liabilities. The process is also designed to identify other potential remediation sites that are not presently known.

*Restructuring and Other Charges*

The Company continuously evaluates the business and identifies opportunities to realign its resources to better serve its customers and markets, improve operational efficiency and capabilities, and lower its operating costs or improve profitability. To realize the benefits associated with these opportunities, the Company undertakes restructuring-type activities to transform its business. The Company incurs costs associated with these activities, which primarily include exit and disposal costs and other costs directly related to the restructuring initiative. These actions may result in voluntary or involuntary employee termination benefits. Voluntary termination benefits are accrued when an employee accepts the related offer. Involuntary termination benefits are accrued upon the commitment to a termination plan and the benefit arrangement is communicated to affected employees, or when liabilities are determined to be probable and estimable, depending on the existence of a substantive plan for severance or termination. All other exit costs are expensed as incurred. The Company records exit and disposal costs ("restructuring charges") as incurred in accordance with ASC 420, *Exit or Disposal Cost Obligations*, and are classified within Restructuring and other charges, while other costs directly related to the restructuring initiatives ("restructuring-related charges") are classified within Cost of sales, Selling, general and administrative, and Research, development and engineering expenses in the Consolidated Statements of Operations.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(1.) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In addition, from time to time, the Company incurs costs associated with acquiring and integrating businesses, and certain other general expenses, including asset impairments. The Company classifies costs associated with these items within Restructuring and other charges in the Consolidated Statements of Operations. Refer to Note 11, "Restructuring and Other Charges," for additional information.

***Research, Development and Engineering ("RD&E")***

RD&E costs are expensed as incurred. The primary costs are salary and benefits for personnel, material costs used in development projects and subcontracting costs.

***Product Warranties***

The Company allows customers to return defective or damaged products for credit, replacement, or repair. The Company warrants that its products will meet customer specifications and will be free from defects in materials and workmanship. The Company accrues its estimated exposure to warranty claims, through Cost of Sales, based upon experience and other specific information as it becomes available. The product warranty liability is classified as Accrued expenses and other current liabilities on the Consolidated Balance Sheets. Adjustments to pre-existing estimated exposure for warranties are made as changes to the obligations become reasonably estimable. Note 13, "Commitments and Contingencies," contains additional information on the Company's product warranties.

***Stock-Based Compensation***

The Company recognizes stock-based compensation expense for its compensation plans. These plans include stock options, restricted stock units ("RSUs") and performance-based restricted stock units ("PRSUs"). For the Company's PRSUs, in addition to service conditions, the ultimate number of shares to be earned depends on the achievement of targets based on market conditions, such as total shareholder return, or performance conditions based on the Company's operating results. The Company records forfeitures of equity awards in the period in which they occur.

The fair value of the stock-based compensation is determined at the grant date. The Company uses the Black-Scholes standard option pricing model ("Black-Scholes model") to determine the fair value of stock options. The fair value of each RSU is determined based on the Company's closing stock price on the date of grant. The fair value of each PRSU is determined based on either the Company's closing stock price on the date of grant or through a Monte Carlo valuation model for those awards that include a market-based condition. In addition to the closing stock price on the date of grant, the determination of the fair value of awards using both the Black-Scholes and Monte Carlo valuation models is affected by other assumptions, including the following:

Expected Term - The Company analyzes historical employee exercise and termination data to estimate the expected term assumption for stock options. For market-based awards, the term is commensurate with the performance period remaining as of the grant date.

Risk-free Interest Rate - A risk-free rate is based on the U.S. Treasury rates in effect on the grant date for a maturity equal to or approximating the expected term of the award.

Expected Volatility - For stock options, expected volatility is calculated using historical volatility based on the daily closing prices of the Company's common stock over a period equal to the expected term. For market-based awards, a combination of historical and implied volatility for the Company and members of its peer group are used in developing the expected volatility assumption.

Dividend Yield - The dividend yield assumption is based on the Company's expected annual dividend yield on the grant date.

The Company recognizes compensation expense over the required service or vesting period based on the fair value of the award on the date of grant. Certain executive stock-based awards contain market, performance and service conditions. Compensation expense for awards with market conditions is recognized over the service period and is not reversed if the market condition is not met. Compensation expense for awards with performance conditions is reassessed each reporting period and recognized based upon the probability that the performance targets will be achieved.

All stock option awards granted under the Company's compensation plans have an exercise price equal to the closing stock price on the date of grant, a ten-year contractual life and generally, vest annually over a three-year vesting term. RSUs typically vest in equal annual installments over a three or four year period. RSUs issued to members of the Company's Board of Directors as a portion of their annual retainer vest quarterly over a one-year vesting term. Earned PRSUs typically vest three years from the date of grant.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(1.) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Company records deferred tax assets for awards that result in deductions on the Company's income tax returns, based on the amount of stock-based compensation expense recognized and the statutory tax rate in the jurisdiction in which it will receive a deduction. Differences between the deferred tax assets recognized for financial reporting purposes and the actual tax deduction reported on the income tax return are recorded as a component of Provision for income taxes in the Consolidated Statements of Operations. Note 10, "Stock-Based Compensation," contains additional information on the Company's stock-based compensation.

***Defined Benefit Plans***

The Company recognizes on its balance sheet as an asset or liability the overfunded or underfunded status of its defined benefit plans provided to its employees located in Mexico and Switzerland. This asset or liability is measured as the difference between the fair value of plan assets, if any, and the benefit obligation of those plans. For these plans, the benefit obligation is the projected benefit obligation, which is calculated based on actuarial computations of current and future benefits for employees. Actuarial gains or losses and prior service costs or credits that arise during the period, but are not included as components of net periodic benefit expense, are recognized as a component of AOCI on the Consolidated Balance Sheets. The Company records the service cost component of net benefit costs in Cost of sales and SG&A expenses. The interest cost component of net benefit costs is recorded in Interest expense and the remaining components of net benefit costs, amortization of net losses and expected return on plan assets, are recorded in Other (income) loss, net.

***Foreign Currency Translation and Remeasurement***

The Company translates all assets and liabilities of its foreign subsidiaries, where the U.S. dollar is not the functional currency, at the period-end exchange rate and translates income and expenses at the average exchange rates in effect during the period. The net effect of this translation is recorded in the consolidated financial statements as a component of AOCI. Translation adjustments are not adjusted for income taxes as they relate to permanent investments in the Company's foreign subsidiaries.

The Company has foreign operations in the Dominican Republic, Germany, Ireland, Israel, Malaysia, Mexico, Switzerland, and Uruguay, which expose the Company to foreign currency exchange rate fluctuations due to transactions denominated in Dominican pesos, Euros, Israeli shekels, Malaysian ringgits, Mexican pesos, Swiss francs, and Uruguayan pesos. To the extent that monetary assets and liabilities, including short-term and long-term intercompany loans, are recorded in a currency other than the functional currency of the subsidiary, these amounts are remeasured each period at the period-end exchange rate, with the resulting gain or loss being recorded in Other (income) loss, net in the Consolidated Statements of Operations. Net foreign currency transaction (gains) losses included in Other (income) loss, net amounted to \$(1.1) million, \$(0.1) million and \$1.6 million for the years ended December 31, 2022, 2021 and 2020, respectively, and primarily related to the fluctuation of the U.S. dollar relative to the Euro and the remeasurement of certain intercompany loans.

***Earnings Per Share ("EPS")***

Basic EPS is calculated by dividing Net income by the weighted average number of shares outstanding during the period. Diluted EPS is calculated by adjusting the weighted average number of shares outstanding for potential common shares if dilutive to the EPS calculation. Note 15, "Earnings Per Share," contains additional information on the computation of the Company's EPS.

***Comprehensive Income***

The Company's comprehensive income as reported in the Consolidated Statements of Comprehensive Income includes net income, foreign currency translation adjustments, the net change in cash flow hedges, net of tax, and defined benefit plan liability adjustments, net of tax. The Consolidated Statements of Comprehensive Income and Note 16, "Stockholders' Equity," contain additional information on the computation of the Company's comprehensive income.

***Recent Accounting Pronouncements***

In the normal course of business, management evaluates all new Accounting Standards Updates ("ASU") and other accounting pronouncements issued by the Financial Accounting Standards Board ("FASB"), Securities and Exchange Commission ("SEC"), or other authoritative accounting bodies to determine the potential impact they may have on the Company's Consolidated Financial Statements. Management does not expect any of the recently issued accounting pronouncements, which have not already been adopted, to have a material impact on the Company's Consolidated Financial Statements.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(2.) BUSINESS ACQUISITIONS**

**2022 Acquisition**

On April 6, 2022, the Company acquired 100% of the equity interests of Connemara Biomedical Holdings Teoranta, including its operating subsidiaries Aran Biomedical and Proxy Biomedical (collectively “Aran”), a recognized leader in proprietary medical textiles, high precision biomaterial coverings and coatings as well as advanced metal and polymer braiding. Aran delivers development and manufacturing solutions for implantable medical devices. Consistent with the Company’s strategy, the combination with Aran further increases Integer’s ability to offer complete solutions for complex delivery and therapeutic devices in high growth cardiovascular markets such as structural heart, neurovascular, peripheral vascular, and endovascular as well as general surgery. The Company funded the purchase price with borrowings under its Revolving Credit Facility.

The total consideration transferred was \$141.3 million, which includes an initial cash payment of \$133.9 million (\$129.3 million net of cash acquired) and \$7.4 million in estimated fair value of contingent consideration. The contingent consideration represents the estimated fair value of the Company’s obligation, under the purchase agreement, to make additional payments of up to €10 million (\$10.9 million at the exchange rate as of April 6, 2022) based on Aran’s achievement of 2022 revenue growth milestones. The earn-out period ended on December 31, 2022 and, in accordance with the terms of the share purchase agreement, payment will be made in the first half of 2023. See Note 17, “Financial Instruments and Fair Value Measurements,” for additional information related to the fair value measurement of the contingent consideration.

The Company has preliminarily estimated fair values for the assets purchased, liabilities assumed and purchase consideration as of the date of the acquisition. The determination of estimated fair value required management to make significant estimates and assumptions based on information that was available at the time the consolidated financial statements were prepared. The amounts reported are considered preliminary as the Company is completing the valuations that are required to allocate the purchase price in areas such as property and equipment, intangible assets, liabilities and goodwill. As a result, the allocation of the preliminary purchase price may change in the future, which could be material.

The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed (in thousands):

***Fair value of net assets acquired***

Current assets	\$ 9,319
Property, plant and equipment	4,151
Goodwill	68,460
Definite-lived intangible assets	71,485
Operating lease assets	3,505
Other noncurrent assets	1,354
Current liabilities	(4,370)
Operating lease liabilities	(3,258)
Other noncurrent liabilities	(9,377)
Fair value of net assets acquired	<u>\$ 141,269</u>

The preliminary fair values of the assets acquired were determined using one of three valuation approaches: market, income or cost. The selection of a particular method for a given asset depended on the reliability of available data and the nature of the asset, among other considerations.

The market approach estimates the value for a subject asset based on available market pricing for comparable assets. The income approach estimates the value for a subject asset based on the present value of cash flows projected to be generated by the asset. The projected cash flows were discounted at a required rate of return that reflects the relative risk of the asset and the time value of money. The projected cash flows for each asset considered multiple factors from the perspective of a marketplace participant including revenue projections from existing customers, attrition trends, technology life-cycle assumptions, marginal tax rates and expected profit margins giving consideration to historical and expected margins. The cost approach estimates the value for a subject asset based on the cost to replace the asset and reflects the estimated reproduction or replacement cost for the asset, less an allowance for loss in value due to depreciation or obsolescence, with specific consideration given to economic obsolescence if indicated. These fair value measurement approaches are based on significant unobservable inputs, including management estimates and assumptions.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(2.) BUSINESS ACQUISITIONS (Continued)**

***Current Assets and Liabilities***

The fair value of current assets and liabilities was assumed to approximate their carrying value as of the acquisition date due to the short-term nature of these assets and liabilities.

***Property, Plant and Equipment***

The fair value of PP&E acquired was estimated by applying the cost approach for personal property and leasehold improvements. The cost approach was applied by developing a replacement cost and adjusting for economic depreciation and obsolescence.

***Leases***

The Company recognized operating lease liabilities and operating lease right-of-use assets for office and manufacturing facilities in Ireland in accordance with ASC 842, *Leases*.

***Goodwill***

The excess of the purchase price over the fair value of net tangible and intangible assets acquired and liabilities assumed was allocated to goodwill. The goodwill resulting from the transaction is primarily attributable to future customer relationships and the assembled workforce of the acquired business. The goodwill acquired in connection with the Aran acquisition was allocated to the Medical segment and is not deductible for tax purposes.

***Intangible Assets***

The purchase price was allocated to intangible assets as follows (dollars in thousands):

<b>Definite-lived Intangible Assets</b>	<b>Fair Value Assigned</b>	<b>Weighted Average Amortization Period (Years)</b>	<b>Weighted Average Discount Rate</b>
Customer lists	\$ 53,395	26.0	9.5%
Technology	17,435	12.0	9.5%
Tradenames	655	1.5	9.5%
	<u>\$ 71,485</u>		

***Customer Lists*** - Customer lists represent the estimated fair value of contractual and non-contractual customer relationships Aran had as of the acquisition date. The primary customers of Aran include large original equipment manufacturers in various geographic locations around the world. Aran had long-term recurring relationships with customers in both the design services and original design manufacturing segments. These relationships were valued separately from goodwill at the amount that an independent third party would be willing to pay for these relationships. The fair value of customer lists was determined using the multi-period excess-earnings method, a form of the income approach. The estimated useful life of the existing customer base was based upon the historical customer annual attrition rate of 5%, as well as management's understanding of the industry and product life cycles.

***Technology*** - Technology consists of technical processes, patented and unpatented technology, manufacturing know-how, trade secrets and the understanding with respect to products or processes that have been developed by Aran and that will be leveraged in current and future products. The fair value of technology acquired was determined utilizing the relief from royalty method, a form of the income approach, with a royalty rate of 9.5%. The estimated useful life of the technology is based upon management's estimate of the product life cycle associated with the technology before they will be replaced by new technologies.

***Tradenames*** - Tradenames represents the estimated fair value of Aran's corporate and product names. The acquired tradenames were valued separately from goodwill at the amount that an independent third party would be willing to pay for use of these names. The fair value of the tradenames was determined by utilizing the relief from royalty method, a form of the income approach, with a royalty rate of 2.0%. Tradenames were assumed to have a definite useful life based upon management expectations and future operating plans.



**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(2.) BUSINESS ACQUISITIONS (Continued)**

**2021 Acquisition**

On December 1, 2021, the Company acquired 100% of the equity interests of Oscor Inc., Oscor Caribe, LLC and Oscor Europe GmbH (collectively “Oscor”), privately-held companies with operations in Florida, the Dominican Republic and Germany that design, develop, manufacture and market a comprehensive portfolio of highly specialized medical devices, venous access systems and diagnostic catheters and implantable devices. Serving the Company’s current markets, Oscor broadens the Company’s product portfolio, expands its research and development capabilities, and adds low-cost manufacturing capacity. The Company used proceeds from its Senior Secured Credit Facilities to fund the acquisition. See Note 8, “Debt,” for additional information on the Company’s Senior Secured Credit Facilities. Oscor is included in the Company’s Medical segment.

The Oscor acquisition was structured as a stock purchase, however the parties agreed to coordinate the election of Section 338(h)(10) of the Internal Revenue Code relative to this transaction for tax purposes. Therefore, the excess purchase price over the fair value of net assets acquired was recorded as goodwill, which will be amortized over 15 years for income tax filing purposes. The goodwill was primarily associated with future customer relationships and an acquired assembled work force.

During 2022, the Company recorded final measurement period adjustments, inclusive of working capital and other closing adjustments, resulting in increases to goodwill and current liabilities of \$0.5 million and \$2.3 million, respectively, and decreases to current assets (excluding inventory) and inventory of \$2.5 million and \$0.9 million, respectively. The final purchase price, including working capital and other closing adjustments of \$5.2 million, was \$215.2 million.

The final purchase price allocation was as follows (in thousands):

**Fair value of net assets acquired**

Current assets (excluding inventory)	\$	9,621
Inventory		11,270
Property, plant and equipment		17,977
Goodwill		78,392
Intangible assets		105,300
Operating lease assets		15,142
Other noncurrent assets		695
Current liabilities		(11,143)
Operating lease liabilities		(12,044)
Fair value of net assets acquired	\$	<u>215,210</u>

**Intangible Assets**

The purchase price was allocated to intangible assets as follows (dollars in thousands):

<b>Definite-lived Intangible Assets</b>	<b>Fair Value Assigned</b>	<b>Weighted Average Amortization Period (Years)</b>	<b>Weighted Average Discount Rate</b>
Customer lists	\$ 73,800	20.0	9.5%
Technology	15,200	15.0	9.5%
Tradenames	16,300	20.0	9.5%

**Contingent Receivable** – The Company recorded a contingent receivable related to the Oscor acquisition related to retentive RSU Awards issued to certain Oscor associates. The estimated fair value of the contingent consideration receivable at the acquisition date and as of December 31, 2021 was \$1.4 million and was included in Prepaid expenses and other current assets on the Consolidated Balance Sheets as of December 31, 2021. During 2022, the Company recorded a \$0.1 million reduction in the estimated fair value of the contingent receivable due to voluntary resignation of one Oscor associate. The remaining contingent receivable related to the acquisition date fair value of \$1.3 million was received during 2022 and is reported as a financing activity in the Consolidated Statements of Cash Flows.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(2.) BUSINESS ACQUISITIONS (Continued)**

**2020 Acquisition**

On February 19, 2020, the Company acquired certain assets and liabilities of InoMec Ltd. (“InoMec”), a privately-held company based in Israel that specializes in the research, development and manufacturing of medical devices, including minimally invasive tools, delivery systems, tubing and catheters, surgery tools, drug-device combination, laser combined devices, and tooling and production. The acquisition enabled the Company to create a research and development center in Israel, closer to the customer base in the region. The fair value of the consideration transferred was \$7.0 million, which included an initial cash payment of \$5.3 million and \$1.7 million in estimated fair value of contingent consideration. The contingent consideration represented the estimated fair value of the Company’s obligation, under the asset purchase agreement, to make additional payments of up to \$3.5 million if specified conditions are met through February 2024. See Note 17, “Financial Instruments and Fair Value Measurements,” for additional information related to the fair value measurement of the contingent consideration.

Based on the final purchase price allocation, the assets acquired principally comprise \$2.0 million of intangible assets, \$4.8 million of goodwill, \$0.3 million of acquired property, plant and equipment, and a net liability for other working capital items of \$0.1 million. Intangible assets included developed technology, customer relationships and non-compete provisions, which are being amortized over a weighted average period of 5.9 years. Goodwill for the InoMec acquisition is deductible for income tax purposes.

**Actual and Pro Forma (unaudited) disclosures**

For segment reporting purposes, the results of operations and assets from the Aran, Oscor and InoMec acquisitions have been included in the Company’s Medical segment since the respective acquisition dates. For the year ended December 31, 2022, sales related to Aran were \$15.1 million and earnings were not material. For the year ended December 31, 2021, sales related to Oscor were \$4.7 million and earnings were not material. For the year ended December 31, 2020, sales related to InoMec were \$3.4 million and earnings were not material. Pro forma financial information has not been presented for the InoMec acquisition as the net effect was not significant or material to the Company’s results of operations or financial position.

The following table presents (in thousands) unaudited pro forma financial information as if Aran and Oscor had been included in the Company’s financial results as of the beginning of fiscal year 2021 and 2020, respectively, through the date of acquisition (in thousands):

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Sales	\$ 1,381,459	\$ 1,291,600	\$ 1,128,137
Income from continuing operations	67,375	87,439	67,529

The unaudited pro forma results are presented for illustrative purposes only and do not reflect the realization of potential cost savings, and any related integration costs. Certain costs savings may result from the acquisition; however, there can be no assurance that these cost savings will be achieved. These unaudited pro forma results do not purport to be indicative of the results that would have been obtained, or to be a projection of results that may be obtained in the future. These unaudited pro forma results include certain adjustments, primarily due to increases in amortization expense due to the fair value adjustments of intangible assets, the increases to interest expense reflecting the amount borrowed in connection with the acquisition, acquisition related costs and the impact of income taxes on the pro forma adjustments.

**Acquisition costs**

During the years ended December 31, 2022, 2021 and 2020, direct costs of these acquisitions of \$6.9 million, \$2.0 million and \$0.9 million, respectively, were expensed as incurred and included in Restructuring and other charges in the Consolidated Statements of Operations.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(3.) SUPPLEMENTAL CASH FLOW INFORMATION**

The following represents supplemental cash flow information for the years ended December 31, 2022, 2021 and 2020 (in thousands):

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Non-cash investing and financing activities:			
Property, plant and equipment purchases included in accounts payable	\$ 13,592	\$ 5,556	\$ 3,597
Cash paid during the year for:			
Interest	35,804	24,740	33,933
Income taxes	11,165	19,649	18,477

**(4.) INVENTORIES**

Inventories comprise the following (in thousands):

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Raw materials	\$ 98,640	\$ 70,956
Work-in-process	98,188	74,152
Finished goods	11,938	10,591
Total	<u>\$ 208,766</u>	<u>\$ 155,699</u>

**(5.) PROPERTY, PLANT AND EQUIPMENT, NET**

PP&E comprises the following (in thousands):

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Manufacturing machinery and equipment	\$ 392,109	\$ 352,391
Buildings and building improvements	101,445	98,007
Information technology hardware and software	68,205	72,752
Leasehold improvements	87,616	85,931
Furniture and fixtures	17,614	17,099
Land and land improvements	13,173	13,980
Construction work in process	73,632	41,813
Other	1,478	1,431
	<u>755,272</u>	<u>683,404</u>
Accumulated depreciation	(438,029)	(406,305)
Total	<u>\$ 317,243</u>	<u>\$ 277,099</u>

Depreciation expense for PP&E was as follows for the years ended December 31, 2022, 2021 and 2020 (in thousands):

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Depreciation expense	\$ 42,617	\$ 39,772	\$ 38,193

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(6.) GOODWILL AND OTHER INTANGIBLE ASSETS, NET**

**Goodwill**

The changes in the carrying amount of goodwill by reportable segment during the years ended December 31, 2022 and 2021 was as follows (in thousands):

	<u>Medical</u>	<u>Non-Medical</u>	<u>Total</u>
December 31, 2020	\$ 842,442	\$ 17,000	\$ 859,442
Acquisition (Note 2)	77,887	—	77,887
Foreign currency translation	(12,625)	—	(12,625)
December 31, 2021	907,704	17,000	924,704
Acquisition (Note 2)	68,460	—	68,460
Acquisition-related adjustments (Note 2)	505	—	505
Foreign currency translation	(11,477)	—	(11,477)
December 31, 2022	<u>\$ 965,192</u>	<u>\$ 17,000</u>	<u>\$ 982,192</u>

As of December 31, 2022, no accumulated impairment loss has been recognized for the goodwill allocated to the Company's Medical or Non-Medical segments.

**Intangible Assets**

The Company reclassified purchased tradenames with a net carrying value of \$16.2 million from Purchased technology and patents as of December 31, 2021 to Amortizing tradenames and other to conform to the current period presentation. The Company made this reclassification to better align with the classification of amortization expense for similar assets. Intangible assets comprise the following (in thousands):

	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
<b>December 31, 2022</b>			
<i><b>Definite-lived:</b></i>			
Purchased technology and patents	\$ 283,929	\$ (178,844)	\$ 105,085
Customer lists	825,634	(216,546)	609,088
Amortizing tradenames and other	21,028	(5,600)	15,428
Total amortizing intangible assets	<u>\$ 1,130,591</u>	<u>\$ (400,990)</u>	<u>\$ 729,601</u>
<i><b>Indefinite-lived:</b></i>			
Trademarks and tradenames			<u>\$ 90,288</u>
<b>December 31, 2021</b>			
<i><b>Definite-lived:</b></i>			
Purchased technology and patents	\$ 269,359	\$ (164,298)	\$ 105,061
Customer lists	783,618	(187,412)	596,206
Amortizing tradenames and other	20,462	(4,207)	16,255
Total amortizing intangible assets	<u>\$ 1,073,439</u>	<u>\$ (355,917)</u>	<u>\$ 717,522</u>
<i><b>Indefinite-lived:</b></i>			
Trademarks and tradenames			<u>\$ 90,288</u>

See Note 2, "Business Acquisitions," for additional details regarding intangible assets acquired during 2022 and 2021. Included in the Company's indefinite-lived intangible assets are the Lake Region Medical and Greatbatch Medical tradenames with carrying values of \$70.0 million and \$20.3 million, respectively.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(6.) GOODWILL AND OTHER INTANGIBLE ASSETS, NET (Continued)**

Aggregate intangible asset amortization expense comprises the following for the years ended December 31, 2022, 2021 and 2020 (in thousands):

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Cost of sales	\$ 15,701	\$ 13,090	\$ 12,860
SG&A	32,612	28,507	28,271
Total intangible asset amortization expense	<u>\$ 48,313</u>	<u>\$ 41,597</u>	<u>\$ 41,131</u>

Estimated future intangible asset amortization expense based upon the carrying value as of December 31, 2022 is as follows (in thousands):

	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>After 2027</b>
Amortization expense	\$ 52,196	\$ 51,568	\$ 50,768	\$ 48,939	\$ 45,987	\$ 480,143

**(7.) ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Accrued expenses and other current liabilities comprise the following (in thousands):

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Salaries and benefits	\$ 33,084	\$ 27,733
Profit sharing and bonuses	15,800	18,325
Contingent consideration	11,201	918
Contract liabilities	5,616	3,776
Short-term finance lease liabilities	1,093	608
Product warranties	77	509
Accrued interest	472	76
Other	6,156	4,988
Total	<u>\$ 73,499</u>	<u>\$ 56,933</u>

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(8.) DEBT**

Long-term debt comprises the following (in thousands):

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Senior secured term loan A	\$ 455,313	\$ 467,062
Senior secured term loan B	335,625	349,125
Senior secured revolving credit facility	140,300	19,300
Unamortized discount on term loan B and deferred debt issuance costs	(5,977)	(7,361)
Total debt	<u>925,261</u>	<u>828,126</u>
Current portion of long-term debt	(18,188)	(15,250)
Total long-term debt	<u>\$ 907,073</u>	<u>\$ 812,876</u>

**Senior Secured Credit Facilities**

On September 2, 2021, the Company entered into a new credit agreement (the “2021 Credit Agreement”), which permits borrowings and other extensions of credit in an initial aggregate principal amount of up to \$1 billion (as may be increased from time to time in accordance with the terms). Prior to September 2, 2021, the Company was party to an amended and restated credit agreement, dated as of October 27, 2015. The 2021 Credit Agreement governs the Company’s senior secured credit facilities (the “Senior Secured Credit Facilities”), which consist of a five-year \$400 million revolving credit facility (the “Revolving Credit Facility”), a five-year “term A” loan (the “TLA Facility”) and a seven-year “term B” loan (the “TLB Facility”) and, together with the TLA Facility, the “Term Loan Facilities”). The TLB Facility was issued at a 0.50% discount. The 2021 Credit Agreement also includes an alternative benchmark rate as a replacement to the London Interbank Offered Rate (“LIBOR”) in the event LIBOR is no longer available. As of December 31, 2022, the weighted average interest rate on all outstanding borrowings was 6.40%.

The obligations under the 2021 Credit Agreement are guaranteed by certain specified subsidiaries of the Company. Among other things, the 2021 Credit Agreement contains covenants that restrict the Company’s and certain of its subsidiaries’ ability to incur liens on certain assets, incur indebtedness, make material changes in corporate structure or materially alter the nature of its business, dispose of material assets, engage in mergers, consolidations and certain other fundamental changes, or engage in certain transactions with affiliates. The 2021 Credit Agreement contains customary default provisions, including, but not limited to, failure to pay interest or principal when due and failure to comply with covenants.

Refer to Note 21, “Subsequent Events,” for information regarding the January 30, 2023 and February 15, 2023 amendments to the 2021 Credit Agreement, the January 31, 2023 Capped Call Transactions and the February 3, 2023 Convertible Notes offering.

**Revolving Credit Facility**

The Revolving Credit Facility matures on September 2, 2026 and includes a \$40 million sublimit for swingline loans and standby letters of credit. As of December 31, 2022, the Company had available borrowing capacity on the Revolving Credit Facility of \$256.2 million after giving effect to \$140.3 million of outstanding borrowings and \$3.5 million of outstanding standby letters of credit.

Interest rates on the Revolving Credit Facility are at the Company’s option, either at: (i) the applicable LIBOR (or an applicable benchmark replacement) plus the applicable margin, which will range between 1.25% and 2.25%, based on the Company’s Total Net Leverage Ratio (as defined in the 2021 Credit Agreement), or (ii) the Base Rate (as defined below) plus the applicable margin, which will range between 0.25% and 1.25%, based on the Company’s Total Net Leverage Ratio. The Base Rate is defined, for any day, as the per annum rate equal to the highest of (i) the prime rate (as defined in the 2021 Credit Agreement), (ii) the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 0.50%, and (iii) one-month LIBOR plus 1.00%. As of December 31, 2022, the interest rate on outstanding borrowings under the Revolving Credit Facility was 6.13%.

The Company is required to pay a commitment fee on the unused portion of the Revolving Credit Facility, which will range between 0.15% and 0.25%, depending on the Company’s Total Net Leverage Ratio. As of December 31, 2022, the commitment fee on the unused portion of the Revolving Credit Facility was 0.20%.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(8.) DEBT (Continued)**

***Term Loan Facilities***

The TLA Facility and TLB Facility mature on September 2, 2026 and September 2, 2028, respectively, and require quarterly installments. The quarterly principal installments under the TLA Facility increase over the term of the loan. The interest rate terms for the TLA Facility are the same as those outlined above for the Revolving Credit Facility. Interest rates on the TLB Facility are, at the Company's option, either at: (i) the applicable LIBOR rate plus 2.50%, with LIBOR subject to a 0.50% floor, or (ii) the Base Rate plus 1.50%. As of December 31, 2022, the interest rates on the TLA Facility and TLB Facility were 6.13% and 6.88%, respectively.

***Covenants***

The 2021 Credit Agreement contains customary terms and conditions, including representations and warranties and affirmative and negative covenants, as well as financial covenants for the benefit of the lenders under the Revolving Credit Facility and the TLA Facility, which require that (i) the Company maintain a Total Net Leverage Ratio not to exceed 5.50:1.00 (stepping down to 5.00:1.00 for the third fiscal quarter of 2023 through maturity and subject to increase in certain circumstances following qualified acquisitions, but shall not exceed 5.50:1.00) and (ii) the Company maintain an interest coverage ratio of at least 2.50:1.00. The TLB Facility does not contain any financial maintenance covenants. As of December 31, 2022, the Company was in compliance with these financial covenants.

Contractual maturities under the Senior Secured Credit Facilities for the next five years and thereafter, as of December 31, 2022, are as follows (in thousands):

	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>After 2027</b>
Future minimum principal payments	\$ 18,188	\$ 29,937	\$ 38,750	\$ 522,738	\$ 3,500	\$ 318,125

**Deferred Debt Issuance Costs and Discounts**

The change in deferred debt issuance costs related to the Company's Revolving Credit Facility is as follows (in thousands):

December 31, 2021	3,039
Amortization during the period	(652)
December 31, 2022	<u>\$ 2,387</u>

The change in unamortized discount and deferred debt issuance costs related to the Term Loan Facilities is as follows (in thousands):

	<b>Deferred Debt Issuance Costs</b>	<b>Unamortized Discount on TLB Facility</b>	<b>Total</b>
December 31, 2021	5,674	1,687	7,361
Write-off of deferred debt issuance costs and unamortized discount	(114)	—	(114)
Amortization during the period	(991)	(279)	(1,270)
December 31, 2022	<u>\$ 4,569</u>	<u>\$ 1,408</u>	<u>\$ 5,977</u>

**(9.) BENEFIT PLANS**

**Savings Plan**

The Company sponsors a defined contribution 401(k) plan (the "Plan") for its U.S. based employees. The Plan provides for the deferral of employee compensation under Internal Revenue Code §401(k) and a Company match. The Company matches \$0.50 per dollar of each participant's deferral made to the Plan up to 6% of their compensation, subject to Internal Revenue Service guidelines. Contributions from employees, as well as those matched by the Company, vest immediately. Net costs related to defined contribution plans for 2022, 2021 and 2020 were \$8.8 million, \$7.9 million and \$5.0 million, respectively.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(9.) BENEFIT PLANS (Continued)**

**Defined Benefit Plans**

The Company is required to provide its employees located in Switzerland and Mexico certain statutorily mandated defined benefits. Under these plans, benefits accrue to employees based upon years of service, position, age and compensation. The defined benefit pension plan provided to the Company's employees located in Switzerland is a funded contributory plan, while the plans that provide benefits to the Company's employees located in Mexico are unfunded and noncontributory. The assets of the Switzerland plan are held at an AA- rated insurance carrier who bears the pension risk and longevity risk, and will be used to cover the pension liability for the remaining retirees of the Swiss plan, as well as the remaining employees at that location. The liability and corresponding expense related to these benefit plans is based on actuarial computations of current and future benefits for employees. The aggregated projected benefit obligation for these plans was \$2.5 million and \$3.9 million as of December 31, 2022 and December 31, 2021, respectively. Net periodic pension cost for 2022, 2021 and 2020 was \$0.1 million, \$0.5 million and \$0.4 million, respectively. Over the next ten years, the Company expects gross benefit payments to be \$1.2 million in total for the years 2023 through 2027, and \$2.2 million in total for the years 2028 through 2032.

**(10.) STOCK-BASED COMPENSATION**

**Stock-based Compensation Plans**

The Company maintains certain stock-based compensation plans that were approved by the Company's stockholders and are administered by the Board of Directors (the "Board") or the Compensation and Organization Committee of the Board. The stock-based compensation plans provide for the granting of stock options, restricted stock awards, RSUs, performance awards, stock appreciation rights and stock bonuses to employees, non-employee directors, consultants, and service providers.

As of December 31, 2022, the Company's outstanding stock-based compensation plans and agreements include the 2021 Omnibus Incentive Plan (the "2021 Plan"), 2016 Stock Incentive Plan (the "2016 Plan"), 2011 Stock Incentive Plan (the "2011 Plan"), the 2009 Stock Incentive Plan (the "2009 Plan"). The 2021 Plan replaced the 2016 Plan and the Company ceased granting any new awards under the 2016 Plan. The number of shares initially reserved for issuance under the 2021 Plan is (i) 1,450,000 plus (ii) the total number of shares of common stock available for issuance under the 2016 Plan, plus (iii) any shares of common stock that are subject to awards forfeited, cancelled, expired, terminated or otherwise lapsed or settled in cash, in whole or in part, without the delivery of shares under the 2016 Plan. The 2011 Plan and 2009 Stock Plan have expired and no awards are available for issuance under these expired plans. As of December 31, 2022, there were 1,311,629 shares available for future grants under the 2021 Plan.

**Stock-based Compensation Expense**

The components and classification of stock-based compensation expense were as follows (in thousands):

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Stock options	\$ —	\$ —	\$ 43
RSUs and PRSUs	21,023	16,185	9,120
Total stock-based compensation expense	<u>\$ 21,023</u>	<u>\$ 16,185</u>	<u>\$ 9,163</u>
Cost of sales	\$ 3,240	\$ 3,365	\$ 1,658
SG&A	15,234	11,579	6,942
RD&E	1,099	969	563
Restructuring and other charges	1,450	272	—
Total stock-based compensation expense	<u>\$ 21,023</u>	<u>\$ 16,185</u>	<u>\$ 9,163</u>
Income tax benefit recognized for stock-based compensation arrangements	\$ 2,908	\$ 4,188	\$ 3,169



**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(10.) STOCK-BASED COMPENSATION (Continued)**

**Stock Options**

There were no stock options granted during 2022, 2021 or 2020. The following table summarizes stock option activity during the year ended December 31, 2022:

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at December 31, 2021	247,640	\$ 38.03		
Exercised	(7,018)	21.35		
Outstanding at December 31, 2022	<u>240,622</u>	<u>\$ 38.51</u>	3.2	\$ 7.2
Vested and exercisable at December 31, 2022	<u>240,622</u>	<u>\$ 38.51</u>	3.2	\$ 7.2

Intrinsic value is calculated for in-the-money options (exercise price less than market price) as the difference between the market price of the Company's common stock as of December 31, 2022 (\$68.46) and the weighted average exercise price of the underlying stock options, multiplied by the number of options outstanding and/or exercisable. Shares are distributed from the Company's authorized but unissued reserve upon the exercise of stock options. As of December 31, 2022, there was no unrecognized compensation cost related to stock options.

The following table provides certain information relating to the exercise of stock options during 2022, 2021 and 2020 (in thousands):

	2022	2021	2020
Intrinsic value	\$ 370	\$ 2,370	\$ 4,773
Cash received	150	743	3,263
Actual tax benefit for the tax deductions from the exercise of options	89	569	1,145

**Restricted Stock Units**

The following table summarizes RSU activity during the year ended December 31, 2022:

	Time-Vested Activity	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2021	248,131	\$ 81.14
Granted	221,352	75.87
Vested	(142,927)	80.50
Forfeited	(34,627)	80.14
Nonvested at December 31, 2022	<u>291,929</u>	<u>\$ 77.58</u>

As of December 31, 2022, there was \$14.6 million of total unrecognized compensation cost related to RSUs, which is expected to be recognized over a weighted-average period of approximately 1.9 years. The fair value of RSU shares vested during 2022, 2021 and 2020 was \$10.7 million, \$12.9 million and \$9.9 million, respectively. The weighted average grant date fair value of RSUs granted during 2022, 2021 and 2020 was \$75.87, \$81.98 and \$83.94, respectively.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(10.) STOCK-BASED COMPENSATION (Continued)**

**Performance Restricted Stock Units**

The following table summarizes PRSU activity during the year ended December 31, 2022:

	<b>Performance- Vested Activity</b>	<b>Weighted Average Grant Date Fair Value</b>
Nonvested at December 31, 2021	198,869	\$ 92.07
Granted	131,393	90.84
Forfeited	(66,356)	96.70
Nonvested at December 31, 2022	<u>263,906</u>	\$ 90.29

For the Company's PRSUs, in addition to service conditions, the ultimate number of shares earned depends on the achievement of financial or market-based performance conditions. The financial performance condition is based on the Company's sales targets. The market conditions are based on the Company's achievement of a relative total shareholder return ("TSR") performance requirement, on a percentile basis, compared to a defined group of peer companies over three year performance periods, or contingent upon achieving specified stock price milestones over a five year performance period.

At December 31, 2022, there was \$11.8 million of total unrecognized compensation cost related to unvested PRSUs, which is expected to be recognized over a weighted-average period of approximately 1.7 years. There were no PRSU shares vested during 2022. The fair value of PRSU shares vested during 2021 and 2020 was \$3.1 million and \$2.9 million, respectively. The weighted average grant date fair value of PRSUs granted during 2022, 2021 and 2020 was \$90.84, \$85.16 and \$95.06, respectively.

The grant-date fair values of the market-based portion of the PRSUs granted during 2022, 2021 and 2020 were determined using the Monte Carlo valuation model on the date of grant. The weighted average fair value and assumptions used to value the TSR portion of the PRSUs granted are as follows:

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Weighted average fair value	\$ 97.58	\$ 85.16	\$ 107.27
Risk-free interest rate	1.58 %	0.19 %	1.29 %
Expected volatility	42 %	41 %	30 %
Expected life (in years)	3.9	3.0	2.9
Expected dividend yield	— %	— %	— %

The valuation of the TSR portion of the PRSUs granted during 2022, 2021 and 2020 also reflects a weighted average illiquidity discount of 9.25%, 8.19% and 8.00%, respectively, related to the six-month period that recipients are restricted from selling, transferring, pledging or assigning the underlying shares, in the event of vesting.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(11.) RESTRUCTURING AND OTHER CHARGES**

In addition to Restructuring costs discussed in Note 1, “Summary of Significant Accounting Policies,” the Company incurs other costs directly related to the restructuring initiatives (“restructuring-related charges”) which are classified within Cost of sales, Selling, general and administrative, and Research, development and engineering expenses in the Consolidated Statements of Operations. In addition, from time to time, the Company incurs costs associated with acquiring and integrating businesses, and certain other general expenses, including asset impairments. The Company classifies costs associated with these items within Restructuring and other charges in the Consolidated Statements of Operations.

Restructuring and other charges comprise the following (in thousands):

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Restructuring charges	\$ 4,920	\$ 4,804	\$ 3,718
Acquisition and integration costs (adjustments)	10,075	2,544	(776)
Other general expenses	1,188	508	4,679
Total restructuring and other charges	<u>\$ 16,183</u>	<u>\$ 7,856</u>	<u>\$ 7,621</u>

**Restructuring programs**

The following table comprises restructuring and restructuring-related charges by statement of operations classification (in thousands):

	<b>2022</b>
Restructuring charges	\$ 4,920
Restructuring-related expenses <sup>(a)</sup> :	
Cost of sales	1,148
Selling, general and administrative	1,966
Research, development and engineering	1,231
Total restructuring and restructuring-related charges	<u>\$ 9,265</u>

<sup>(a)</sup> Restructuring-related expenses primarily include retention bonuses and professional fees. Restructuring related expenses for 2021 and 2020 were not material.

**Operational excellence initiatives**

The Company’s operational excellence (“OE”) initiatives mainly consist of costs associated with executing on its sales force, manufacturing, business process and performance excellence operational strategic imperatives. These projects focus on changing the Company’s organizational structure to match product line growth strategies and customer needs, transitioning its manufacturing process into a competitive advantage and standardizing and optimizing its business processes.

*2022 OE Initiatives* - Costs related to the Company’s 2022 OE initiatives are primarily recorded within the Medical segment or unallocated operating expenses and mainly include termination benefits. The Company estimates that it will incur aggregate pre-tax charges in connection with the 2022 OE initiatives of between approximately \$5 million and \$6 million, the majority of which are expected to be cash expenditures. As of December 31, 2022, total restructuring and restructuring-related charges incurred since inception were \$3.0 million. These actions are expected to be substantially complete by the end of 2025.

*2021 OE Initiatives* - Costs related to the Company’s 2021 OE initiatives are primarily recorded within the Medical segment or unallocated operating expenses and mainly include termination benefits. The Company estimates that it will incur aggregate pre-tax charges in connection with the 2021 OE initiatives of approximately \$5 million, the majority of which are expected to be cash expenditures. As of December 31, 2022, total restructuring and restructuring-related charges incurred since inception were \$4.9 million. These actions were substantially complete by the end of 2022.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(11.) RESTRUCTURING AND OTHER CHARGES (Continued)**

**Strategic reorganization and alignment**

The Company’s strategic reorganization and alignment (“SRA”) initiatives primarily include those that align resources with market conditions and the Company’s strategic direction in order to enhance the profitability of its portfolio of products.

*Cost Reduction Initiatives* - During 2022, the Company recorded \$1.5 million in restructuring charges related to cost reduction actions taken in response to higher manufacturing and direct labor costs. These charges consisted of employee termination benefits and are recorded within the Medical segment. The Company expects to incur aggregate pre-tax cash charges of up to \$2.0 million through completion in the second quarter of 2023.

*2021 SRA Initiatives* - During the fourth quarter of 2021, the Company initiated plans to exit certain markets served in its Medical segment to enhance profitability and reallocate manufacturing capacity needed to support the Company’s overall growth plans. The Company estimates that it will incur a range of pre-tax charges in connection with the 2021 SRA initiatives of approximately \$7 million and \$9 million, the majority of which are expected to be cash expenditures. Costs related to the Company’s 2021 SRA Initiatives are primarily recorded within the Medical segment and mainly include termination benefits. As of December 31, 2022, total charges incurred since inception were \$4.1 million. These actions are expected to be completed by the end of 2025.

**Manufacturing alignment to support growth**

In 2022, the Company commenced initiatives designed to reduce costs and improve operating efficiencies by relocating certain manufacturing operations. The Company estimates that it will incur a range of pre-tax charges in connection with these initiatives of approximately \$2 million and \$3 million, the majority of which are expected to be cash expenditures. As of December 31, 2022, total restructuring and restructuring-related charges incurred since inception were \$0.3 million. These actions are expected to be substantially complete by the end of 2024.

The following table summarizes the activity for restructuring reserves (in thousands):

	<b>Operational excellence initiatives</b>	<b>Strategic reorganization and alignment</b>	<b>Total</b>
December 31, 2021	\$ 298	\$ 134	\$ 432
Charges incurred, net of reversals	1,325	3,595	4,920
Cash payments	(1,391)	(1,595)	(2,986)
December 31, 2022	<u>\$ 232</u>	<u>\$ 2,134</u>	<u>\$ 2,366</u>

**Acquisition and integration costs**

Acquisition and integration costs primarily consist of professional fees and other costs related to business acquisitions. During 2022, acquisition and integration costs included \$10.1 million of expenses primarily related to the acquisitions of Oscor and Aran, including a net \$3.1 million adjustment to increase the fair value of acquisition-related contingent consideration liabilities. During 2021, acquisition and integration costs included \$2.4 million of expenses primarily related to the acquisition of Oscor, and a net \$0.1 million adjustment to increase the fair value of acquisition-related contingent consideration liabilities. During 2020, acquisition and integration costs included \$1.2 million of expenses primarily related to the acquisition of certain assets and liabilities of InoMec, and a \$2.0 million adjustment to reduce the fair value of acquisition-related contingent consideration liability associated with the Company’s acquisition of US BioDesign, LLC (“USB”). See Note 17, “Financial Instruments and Fair Value Measurements,” for additional information related to the fair value measurement of the contingent consideration.

**Other general expenses**

During 2022, 2021 and 2020, the Company recorded expenses related to other initiatives not described above, which relate primarily to integration and operational initiatives to reduce future costs and improve efficiencies. The 2022, 2021 and 2020 amounts primarily include severance, information technology systems conversion expenses, and expenses related to the restructuring of certain legal entities of the Company.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(12.) INCOME TAXES**

Income from continuing operations before income taxes for fiscal years 2022, 2021 and 2020 consisted of the following (in thousands):

	<b>2022</b>	<b>2021</b>	<b>2020</b>
U.S.	\$ 14,446	\$ 48,293	\$ 35,337
International	61,512	52,770	50,870
Total income from continuing operations before income taxes	<u>\$ 75,958</u>	<u>\$ 101,063</u>	<u>\$ 86,207</u>

The provision for income taxes from continuing operations for fiscal years 2022, 2021 and 2020 comprises the following (in thousands):

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Current:			
Federal	\$ 20,455	\$ 9,511	\$ 7,784
State	780	1,553	1,233
International	6,871	8,459	6,898
	<u>28,106</u>	<u>19,523</u>	<u>15,915</u>
Deferred:			
Federal	(16,300)	(8,665)	(4,648)
State	26	(393)	(1,245)
International	(1,224)	(2,422)	(1,073)
	<u>(17,498)</u>	<u>(11,480)</u>	<u>(6,966)</u>
Total provision for income taxes	<u>\$ 10,608</u>	<u>\$ 8,043</u>	<u>\$ 8,949</u>

The provision for income taxes from continuing operations differs from the U.S. statutory rate for fiscal years 2022, 2021 and 2020 due to the following:

	<b>2022</b>		<b>2021</b>		<b>2020</b>	
Statutory rate	\$ 15,951	21.0 %	\$ 21,223	21.0 %	\$ 18,103	21.0 %
Federal tax credits (including R&D)	(9,399)	(12.4)	(11,929)	(11.8)	(7,009)	(8.1)
Foreign rate differential	(7,693)	(10.1)	(5,165)	(5.1)	(5,333)	(6.2)
Stock-based compensation	2,009	2.6	(1,084)	(1.1)	(1,459)	(1.7)
Uncertain tax positions	2,469	3.3	18	—	1,208	1.4
State taxes, net of federal benefit	978	1.3	1,183	1.2	553	0.6
U.S. tax on foreign earnings, net of §250 deduction	5,225	6.9	1,913	1.9	3,216	3.7
Valuation allowance	(194)	(0.3)	524	0.5	(345)	(0.4)
Other	1,262	1.7	1,360	1.4	15	0.1
Effective tax rate	<u>\$ 10,608</u>	<u>14.0 %</u>	<u>\$ 8,043</u>	<u>8.0 %</u>	<u>\$ 8,949</u>	<u>10.4 %</u>

The difference between the Company's effective tax rate and the U.S. federal statutory income tax rate in the current year is primarily attributable to the availability of Foreign Tax Credits, R&D Credits, the impact of the Company's earnings realized in foreign jurisdictions with statutory rates that are different than the U.S. federal statutory rate, and the provision for Global Intangible Low Taxed income ("GILTI"), net of the statutory deduction of 50% of the GILTI inclusion and the Foreign Derived Intangible Income ("FDII") deduction (collectively "Section 250 deduction"). The Company's foreign earnings are primarily derived from Switzerland, Mexico, Uruguay, Ireland and Malaysia. The Company currently has a tax holiday in Malaysia through April 2023 provided certain conditions continue to be met. In addition, the Company acquired manufacturing operations in the Dominican Republic as part of the acquisition of Oscor and is operating under a free trade zone agreement in the Dominican Republic through March 2034.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(12.) INCOME TAXES (Continued)**

*Difference Attributable to Foreign Investment:* Certain foreign subsidiary earnings are subject to U.S. taxation under the Tax Cuts and Jobs Act of 2017 (the “Tax Reform Act”). The Company intends to permanently reinvest substantially all of its foreign subsidiary earnings, as well as its capital in those foreign subsidiaries, with the exception of planned distributions made out of current year earnings and profits (“E&P”) and E&P previously taxed as of and for the year ended December 29, 2017, including E&P subject to the toll charge under the Tax Reform Act. The Company accrues for withholding taxes on distributions in the year associated with earnings that are intended to be distributed.

The Tax Reform Act amended Internal Revenue Code Section 174 requiring taxpayers to capitalize all research and experimental costs incurred for tax years beginning on or after January 1, 2022. The Company has recorded the impact of this amendment in the provision for income taxes for the fiscal year 2022.

As of December 31, 2022 and December 31, 2021, the Company had a net deferred tax liability consisting of the following (in thousands):

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Operating lease liabilities	\$ 18,781	\$ 17,950
Research and development	15,168	—
Inventories	13,103	14,147
Tax credit carryforwards	10,110	11,394
Net operating loss carryforwards	9,121	11,721
Accrued expenses	7,113	9,348
Stock-based compensation	4,230	3,724
Gross deferred tax assets	77,626	68,284
Less valuation allowance	(16,649)	(19,456)
Net deferred tax assets	60,977	48,828
Intangible assets	(188,976)	(186,150)
Operating lease assets	(18,846)	(17,974)
Property, plant and equipment	(6,789)	(7,354)
Other	(790)	(3,144)
Gross deferred tax liabilities	(215,401)	(214,622)
Net deferred tax liability	<u>\$ (154,424)</u>	<u>\$ (165,794)</u>
Presented as follows:		
Noncurrent deferred tax asset	\$ 6,247	\$ 5,711
Noncurrent deferred tax liability	(160,671)	(171,505)
Net deferred tax liability	<u>\$ (154,424)</u>	<u>\$ (165,794)</u>

As of December 31, 2022, the Company has the following carryforwards available:

<b>Jurisdiction</b>	<b>Tax Attribute</b>	<b>Amount (in millions)</b>	<b>Begin to Expire</b>
U.S. State	Net operating losses <sup>(1)</sup>	\$ 105.5	2023
International	Net operating losses <sup>(1)</sup>	14.4	2023
U.S. Federal	Foreign tax credits	5.0	2023
U.S. State	R&D tax credits	1.4	2023
U.S. State	State tax credits	6.0	2023
International	R&D tax credits	0.4	Indefinite

<sup>(1)</sup> Net operating losses (“NOLs”) are presented as pre-tax amounts.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(12.) INCOME TAXES (Continued)**

In assessing the realizability of deferred tax assets, management considers, within each taxing jurisdiction, whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based on the consideration of the weight of both positive and negative evidence, management has determined it is more likely than not that a portion of the deferred tax assets as of December 31, 2022 and December 31, 2021 related to certain foreign tax credits, state investment tax credits, and foreign and state net operating losses will not be realized.

The Company files annual income tax returns in the U.S., various state and local jurisdictions, and in various foreign jurisdictions. A number of years may elapse before an uncertain tax position, for which the Company has unrecognized tax benefits, is examined and finally settled. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, the Company believes that its unrecognized tax benefits reflect the most probable outcome. The Company adjusts these unrecognized tax benefits, as well as the related interest, in light of changing facts and circumstances. The resolution of an uncertain tax position, if recognized, would be recorded as an adjustment to the provision for income taxes and the effective tax rate in the period of resolution.

Below is a summary of changes to the unrecognized tax benefit for the years ended December 31, 2022, 2021 and 2020 (in thousands):

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Balance, beginning of year	\$ 5,537	\$ 5,484	\$ 4,446
Additions based upon tax positions related to the current year	1,364	3,324	300
Additions (reductions) related to prior period tax returns	838	(3,271)	738
Balance, end of year	<u>\$ 7,739</u>	<u>\$ 5,537</u>	<u>\$ 5,484</u>

The tax years that remain open and subject to tax audits vary depending on the tax jurisdiction. During 2021, the Internal Revenue Service (“IRS”) effectively concluded its examination of the U.S. subsidiaries of the Company for the taxable years 2017 and 2018. Taxable years 2019 and forward remain subject to examination by the IRS.

It is reasonably possible that a reduction of approximately \$1.8 million of the balance of unrecognized tax benefits may occur within the next twelve months as a result of the lapse of the statute of limitations and/or audit settlements. As of December 31, 2022, approximately \$7.7 million of unrecognized tax benefits would favorably impact the effective tax rate (net of federal impact on state issues), if recognized.

The Company recognizes interest related to unrecognized tax benefits as a component of Provision for income taxes on the Consolidated Statements of Operations. The Company accrued interest of \$0.4 million and no penalties during 2022 and recognized an aggregate liability related to interest and penalties on unrecognized tax benefits of \$0.5 million as of December 31, 2022. During 2021 and 2020, the recorded amounts for interest and penalties were not significant.

**Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) and Inflation Reduction Act of 2022 (“IRA”)**

In response to the COVID-19 pandemic, many governments have enacted or are contemplating measures to provide aid and economic stimulus. These measures may include deferring the due dates of tax payments or other changes to their income and non-income-based tax laws. The CARES Act, which was enacted on March 27, 2020 in the U.S., includes measures to assist companies, including temporary changes to income and non-income-based tax laws. The CARES Act provided for deferred payment of the employer portion of social security taxes through the end of 2020. As of December 31, 2022 and December 31, 2021, the Company had deferred payroll taxes related to the CARES Act of \$4.5 million and \$4.8 million, respectively, included within Accrued expenses and other current liabilities on the Consolidated Balance Sheets. The Company paid the \$4.5 million outstanding as of December 31, 2022 on the January 3, 2023 due date.

The IRA was enacted on August 16, 2022. The IRA includes implementation of a new 15% minimum tax on book income of certain large corporations, an excise tax on stock buybacks, and tax incentives for energy and climate initiatives, among other provisions. The Company does not expect the provisions of the IRA to have a material impact to the Company's consolidated financial statements.

See Note 20, “Discontinued Operations,” for additional information pertaining to income taxes from discontinued operations.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(13.) COMMITMENTS AND CONTINGENCIES**

**Contingent Consideration Arrangements**

The Company records contingent consideration liabilities related to the earn-out provisions for certain acquisitions. See Note 17, “Financial Instruments and Fair Value Measurements,” for additional information.

**Litigation**

The Company is subject to litigation arising from time to time in the ordinary course of its business. The Company does not expect that the ultimate resolution of any pending legal actions will have a material effect on its consolidated results of operations, financial position, or cash flows. However, litigation is subject to inherent uncertainties. As such, there can be no assurance that any pending legal action will not become material in the future.

The Company records a contingent gain for litigation when all of the following conditions have been met: (a) the amount to be paid to the Company is known, (b) there is no potential for appeal or reversal, and (c) collectability is reasonably assured.

In April 2013, the Company commenced an action against AVX Corporation and AVX Filters Corporation (collectively “AVX”) alleging that AVX had infringed on the Company’s patents by manufacturing and selling filtered feedthrough assemblies used in implantable pacemakers and cardioverter defibrillators that incorporate the Company’s patented technology. Following four trials and an appeal, the United States Court of Appeals for the Federal Circuit affirmed, in all respects, a judgment in favor of the Company. The Company received the payment of \$28.9 million in October 2020, and after recognizing certain related expenses, recognized a net gain of \$28.2 million. The net gain on patent litigation of \$28.2 million is recorded in Selling, general and administrative expenses in the Company’s Consolidated Statements of Operations for the year ended December 31, 2020.

**Environmental Matters**

The Company acquired Lake Region Medical Holdings, Inc. (“LRM”) in 2015. At the direction of the New Jersey Department of Environmental Protection (“NJDEP”), LRM has been performing, and has agreed to fund approximately \$0.3 million for, environmental investigations of a manufacturing facility LRM owned in South Plainfield, New Jersey from 1971 to 2004, and where it conducted operations from 1971 to 2007. NJDEP required LRM to perform and fund these environmental investigations due to concerns that prior investigations by LRM at the property were inadequate and because NJDEP concluded that the property was a source of local ground water contamination during LRM’s operations, including the Franklin Street Regional Groundwater Contamination Area, which has been designated as an immediate environmental concern by NJDEP. LRM funded the environmental investigation undertaken by NJDEP’s contractor by placing approximately \$0.3 million in escrow for the environmental investigation. As of December 31, 2022, approximately \$0.2 million had been drawn down from the escrow account by NJDEP to pay for the environmental investigation, and approximately \$0.1 million remains in escrow for anticipated future costs associated with the environmental investigation. These environmental investigations may conclude that remediation of the property by LRM, and the reimbursement of costs and damages, including natural resource damages, associated with the groundwater immediate environmental concern, are necessary. Further, the current owner of the property claims to have been financially impacted by LRM’s inadequate environmental investigations. While the Company does not expect this environmental matter will have a material effect on its consolidated results of operations, financial position or cash flows, there can be no assurance that this environmental matter will not become material in the future. As of December 31, 2022, there was \$0.1 million recorded in Accrued expenses and other current liabilities in the Consolidated Balance Sheets in connection with this environmental matter.

**License Agreements**

The Company is a party to various license agreements for technology that is utilized in certain of its products. The most significant of these agreements are the licenses for basic technology used in the production of wet tantalum capacitors, filtered feedthroughs and MRI compatible lead systems. Expenses related to license agreements were \$1.7 million, \$1.3 million, and \$1.2 million, for 2022, 2021 and 2020, respectively, and are primarily included in Cost of Sales.



**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(13.) COMMITMENTS AND CONTINGENCIES (Continued)**

**Product Warranties**

The Company generally warrants that its products will meet customer specifications and will be free from defects in materials and workmanship. The change in product warranty liability for the years ended December 31, 2022 and 2021 comprises the following (in thousands):

	<b>2022</b>	<b>2021</b>
Beginning balance	\$ 509	\$ 163
Additions to warranty reserve, net of reversals	(4)	(15)
Adjustments to pre-existing warranties	(428)	(71)
Warranty claims settled	—	—
Acquisitions	\$ —	\$ 432
Ending balance	<u>\$ 77</u>	<u>\$ 509</u>

**Self-Insurance Liabilities**

As of December 31, 2022, and at various times in the past, the Company self-funded certain of its workers' compensation and employee medical and dental expenses. The Company has established reserves to cover these self-insured liabilities and also maintains stop-loss insurance to limit its exposures under these programs. Claims reserves represent accruals for the estimated uninsured portion of reported claims, including adverse development of reported claims, as well as estimates of incurred but not reported claims. Claims incurred but not reported are estimated based on the Company's historical experience, which is continually monitored, and accruals are adjusted when warranted by changes in facts and circumstances. The Company's actual experience may be different than its estimates, sometimes significantly. Changes in assumptions, as well as changes in actual experience could cause these estimates to change. Insurance and claims expense will vary from period to period based on the severity and frequency of claims incurred in a given period. The Company's self-insurance reserves totaled \$6.3 million and \$5.6 million as of December 31, 2022 and December 31, 2021, respectively. These accruals are recorded in Accrued expenses and other current liabilities and Other long-term liabilities on the Consolidated Balance Sheets.

**(14.) LEASES**

The components and classification of lease cost are as follows (in thousands):

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Finance lease cost:		
Amortization of lease assets	\$ 1,080	\$ 223
Interest on lease liabilities	317	59
Finance lease cost	1,397	282
Operating lease cost	13,927	10,729
Short-term lease cost (leases with initial term of 12 months or less)	342	137
Variable lease cost	3,026	2,619
Sublease income	(1,294)	(1,392)
Total lease cost	<u>\$ 17,398</u>	<u>\$ 12,375</u>
Cost of sales	\$ 13,111	\$ 9,642
SG&A	2,864	1,817
RD&E	1,106	857
Interest expense	\$ 317	\$ 59
Total lease cost	<u>\$ 17,398</u>	<u>\$ 12,375</u>

The Company's sublease income is derived primarily from certain real estate leases to several non-affiliated tenants under operating sublease arrangements.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(14.) LEASES (Continued)**

At December 31, 2022, the maturities of operating and finance lease liabilities were as follows (in thousands):

	<b>Operating Leases</b>	<b>Finance Leases</b>
2023	\$ 13,033	\$ 1,402
2024	12,155	1,410
2025	11,957	1,300
2026	11,474	884
2027	8,128	653
Thereafter	29,026	5,152
Gross lease liabilities	85,773	10,801
Less: imputed interest	(11,362)	(1,702)
Present value of lease liabilities	74,411	9,099
Less: current portion of lease liabilities	(10,362)	(1,093)
Total long-term lease liabilities	<u>\$ 64,049</u>	<u>\$ 8,006</u>

As of December 31, 2022, the Company did not have any leases that have not yet commenced.

The following table presents the weighted average remaining lease term and discount rate.

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Weighted-average remaining lease term - operating leases (in years)	7.5	7.0
Weighted-average remaining lease term - finance leases (in years)	10.0	12.2
Weighted-average discount rate - operating leases	3.9 %	3.9 %
Weighted-average discount rate - finance leases	3.4 %	3.5 %

Supplemental cash flow information related to leases for the years ended December 31, 2022 and 2021 is as follows (in thousands):

	<b>2022</b>	<b>2021</b>
Cash paid for operating leases	\$ 13,519	\$ 10,808
Cash paid for interest on finance leases	317	59
Assets acquired under operating leases	15,777	32,466
Assets acquired under finance leases	1,882	8,154

During the fiscal year ended December 31, 2022, the Company extended the lease terms for three of its manufacturing facilities. As a result of these lease modifications, the Company re-measured the lease liability and adjusted the ROU asset on the modification dates.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(15.) EARNINGS PER SHARE**

The following table sets forth a reconciliation of the information used in computing basic and diluted EPS for the years ended December 31, 2022, 2021 and 2020 (in thousands, except per share amounts):

	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Numerator for basic and diluted EPS:</b>			
Income from continuing operations	\$ 65,350	\$ 93,020	\$ 77,258
Income from discontinued operations	1,027	3,788	—
Net income	<u>\$ 66,377</u>	<u>\$ 96,808</u>	<u>\$ 77,258</u>
<b>Denominator for basic EPS:</b>			
Weighted average shares outstanding	33,127	32,993	32,845
<b>Effect of dilutive securities:</b>			
Stock options, restricted stock and restricted stock units	230	265	268
Denominator for diluted EPS	<u>33,357</u>	<u>33,258</u>	<u>33,113</u>
<b>Basic earnings per share:</b>			
Income from continuing operations	\$ 1.97	\$ 2.82	\$ 2.35
Income from discontinued operations	0.03	0.11	—
Basic earnings per share	2.00	2.93	2.35
<b>Diluted earnings per share:</b>			
Income from continuing operations	\$ 1.96	\$ 2.80	\$ 2.33
Income from discontinued operations	0.03	0.11	—
Diluted earnings per share	1.99	2.91	2.33

The diluted weighted average share calculations do not include the following securities for the years ended December 31, 2022, 2021 and 2020, which are not dilutive to the EPS calculations or the performance criteria have not been met (in thousands):

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Time-vested stock options, restricted stock and restricted stock units	15	4	98
Performance-vested restricted stock units	152	92	89

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(16.) STOCKHOLDERS' EQUITY**

**Common Stock**

The following table sets forth the changes in the number of shares of common stock for the years ended December 31:

	<b>2022</b>	<b>2021</b>
Shares issued and outstanding at beginning of period	33,063,336	32,908,178
Stock options exercised	7,018	34,233
Vesting of RSUs, net of shares withheld to cover taxes	99,424	120,925
Shares issued and outstanding at end of period	<u>33,169,778</u>	<u>33,063,336</u>

**Accumulated Other Comprehensive Income**

Accumulated other comprehensive income comprises the following (in thousands):

	<b>Defined Benefit Plan Liability</b>	<b>Cash Flow Hedges</b>	<b>Foreign Currency Translation Adjustment</b>	<b>Total Pre-Tax Amount</b>	<b>Tax</b>	<b>Net-of- Tax Amount</b>
<b>December 31, 2020</b>	\$ (1,095)	\$ (4,956)	\$ 57,546	\$ 51,495	\$ 1,197	\$ 52,692
Unrealized gain on cash flow hedges	—	91	—	91	(19)	72
Realized gain on foreign currency hedges	—	(832)	—	(832)	175	(657)
Realized loss on interest rate swap hedges	—	3,406	—	3,406	(716)	2,690
Net defined benefit plan adjustments	205	—	—	205	14	219
Foreign currency translation loss	—	—	(27,826)	(27,826)	—	(27,826)
<b>December 31, 2021</b>	<u>\$ (890)</u>	<u>\$ (2,291)</u>	<u>\$ 29,720</u>	<u>\$ 26,539</u>	<u>\$ 651</u>	<u>\$ 27,190</u>
Unrealized gain on cash flow hedges	—	3,649	—	3,649	(766)	2,883
Realized gain on foreign currency hedges	—	(516)	—	(516)	108	(408)
Realized loss on interest rate swap hedges	—	918	—	918	(193)	725
Net defined benefit plan adjustments	544	—	—	544	(35)	509
Foreign currency translation loss	—	—	(25,570)	(25,570)	—	(25,570)
<b>December 31, 2022</b>	<u>\$ (346)</u>	<u>\$ 1,760</u>	<u>\$ 4,150</u>	<u>\$ 5,564</u>	<u>\$ (235)</u>	<u>\$ 5,329</u>

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(17.) FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS**

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

Fair value measurement standards apply to certain financial assets and liabilities that are measured at fair value on a recurring basis (each reporting period). For the Company, these financial assets and liabilities include its derivative instruments and contingent consideration. The Company does not have any nonfinancial assets or liabilities that are measured at fair value on a recurring basis.

The Company is exposed to global market risks, including the effect of changes in interest rates and foreign currency exchange rates, and uses derivatives to manage these exposures that occur in the normal course of business. The Company does not hold or issue derivatives for trading or speculative purposes. All derivatives are recorded at fair value on the balance sheet.

The following tables provide information regarding assets and liabilities recorded at fair value on a recurring basis (in thousands):

	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2022</b>				
Assets: Interest rate swap	\$ 1,262	\$ —	\$ 1,262	\$ —
Assets: Foreign currency hedging contracts	521	—	521	—
Liabilities: Foreign currency hedging contracts	23	—	23	—
Liabilities: Contingent consideration	11,756	—	—	11,756

<b>December 31, 2021</b>				
Assets: Foreign currency hedging contracts	\$ 687	\$ —	\$ 687	\$ —
Liabilities: Interest rate swap	2,978	—	2,978	—
Liabilities: Contingent consideration	2,415	—	—	2,415

**Derivatives Designated as Hedging Instruments**

***Interest Rate Swaps***

The Company periodically enters into interest rate swap agreements to reduce the cash flow risk caused by interest rate changes on its outstanding floating rate borrowings. Under these swap agreements, the Company pays a fixed rate of interest and receives a floating rate equal to one-month LIBOR. The variable rate received from the swap agreements and the variable rate paid on the outstanding debt will have the same rate of interest, excluding the credit spread, and will reset and pay interest on the same date. The Company has designated these swap agreements as cash flow hedges based on concluding the hedged forecasted transaction is probable of occurring within the period the cash flow hedge is anticipated to affect earnings.

The Company receives fair value estimates from the swap agreement counterparties. The fair value of the Company's swap agreements are determined through the use of a cash flow model that utilizes observable market data inputs. These observable market data inputs include LIBOR, swap rates, and credit spread curves. The Company's interest rate swap agreements are categorized in Level 2 of the fair value hierarchy. The estimated fair value of the swap agreements represents the amount the Company would receive (pay) to terminate the contracts.

Information regarding the Company's outstanding interest rate swap designated as a cash flow hedge as of December 31, 2022 is as follows (dollars in thousands):

Notional Amount	Maturity Date	Pay Fixed Rate	Receive Current Floating Rate	Fair Value	Balance Sheet Location
\$ 100,000	Jun 2023	2.1785 %	4.3869 %	\$ 1,262	Prepaid expenses and other current assets

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(17.) FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

Information regarding the Company's outstanding interest rate swap designated as cash flow hedges as of December 31, 2021 is as follows (dollars in thousands):

Notional Amount	Maturity Date	Pay Fixed Rate	Receive Current Floating Rate	Fair Value	Balance Sheet Location
\$ 150,000	Jun 2023	2.1785 %	0.1013 %	\$ (2,978)	Other long-term liabilities

**Foreign Currency Contracts**

The Company periodically enters into foreign currency forward contracts to hedge its exposure to foreign currency exchange rate fluctuations in its international operations. The Company has designated these foreign currency forward contracts as cash flow hedges.

The Company receives fair value estimates from the foreign currency contract counterparties. The fair value of foreign currency contracts is determined through the use of cash flow models that utilize observable market data inputs to estimate fair value. These observable market data inputs include foreign exchange rate and credit spread curves. The Company's foreign currency contracts are categorized in Level 2 of the fair value hierarchy. The fair value of the Company's foreign currency contracts will be realized as Sales or Cost of Sales as the inventory, which the contracts are hedging, is sold.

Information regarding outstanding foreign currency forward contracts designated as cash flow hedges as of December 31, 2022 is as follows (dollars in thousands):

Notional Amount	Maturity Date	\$/Foreign Currency		Fair Value	Balance Sheet Location
\$ 37,175	Dec 2023	0.0489	MXN Peso	\$ 504	Prepaid expenses and other current assets
2,685	Mar 2023	0.0249	UYU Peso	17	Prepaid expenses and other current assets
17,309	Mar 2023	1.0751	Euro	(23)	Accrued expenses and other current liabilities

Information regarding outstanding foreign currency forward contracts designated as cash flow hedges as of December 31, 2021 is as follows (dollars in thousands):

Notional Amount	Maturity Date	\$/Foreign Currency		Fair Value	Balance Sheet Location
\$ 22,201	Dec 2022	0.0463	MXN Peso	\$ 408	Prepaid expenses and other current assets
17,017	Dec 2022	1.1344	Euro	130	Prepaid expenses and other current assets
9,020	Dec 2022	0.0220	UYU Peso	149	Prepaid expenses and other current assets

The following table presents the impact of cash flow hedge derivative instruments on other comprehensive income ("OCI"), AOCI and the Company's Consolidated Statement of Operations for fiscal years 2022, 2021 and 2020 (in thousands):

Derivative	Gain (Loss) Recognized in OCI			Location in Statement of Operations	Gain (Loss) Reclassified from AOCI		
	2022	2021	2020		2022	2021	2020
Interest rate swaps	\$ 3,322	\$ 642	\$ (7,405)	Interest expense	\$ (918)	\$ (3,406)	\$ (3,447)
Foreign exchange contracts	(2,226)	(943)	1,017	Sales	(2,073)	(674)	618
Foreign exchange contracts	2,225	399	(355)	Cost of sales	2,205	1,437	(1,177)
Foreign exchange contracts	328	(7)	60	Operating expenses	384	69	(79)

The Company expects to reclassify net gains totaling \$1.8 million related to its cash flow hedges from AOCI into earnings during the next twelve months.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(17.) FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

**Derivatives Not Designated as Hedging Instruments**

The Company also has foreign currency exposure on balances, primarily intercompany, that are denominated in a foreign currency and are adjusted to current values using period-end exchange rates. To minimize foreign currency exposure, the Company enters into foreign currency contracts with a one month maturity. At December 31, 2022 and December 31, 2021, the Company had total gross notional amounts of \$12.0 million and \$15.0 million, respectively, of foreign currency contracts outstanding that were not designated as hedges. The fair value of derivatives not designated as hedges was not material for any period presented. The Company recorded a net gain on foreign currency contracts not designated as hedging instruments of \$2.6 million and \$0.4 million for 2022 and 2021, respectively, which are included in Other (income) loss, net. Each of the foreign currency contracts not designated as hedging instruments will have approximately offsetting effects from the underlying intercompany loans subject to foreign exchange remeasurement.

***Contingent Consideration Liabilities***

The following table presents the changes in the estimated fair values of the Company's liabilities for contingent consideration measured using significant unobservable inputs (Level 3) for fiscal years 2022 and 2021 (in thousands):

December 31, 2020	\$ 3,900
Fair value measurement adjustment	133
Payments	(1,621)
Foreign currency translation	3
December 31, 2021	<u>2,415</u>
Amount recorded for current year acquisitions	7,375
Fair value measurement adjustment	3,097
Payments	(972)
Foreign currency translation	(159)
December 31, 2022	<u><u>\$ 11,756</u></u>

On April 6, 2022, the Company acquired Aran and on February 19, 2020, acquired certain assets and liabilities of InoMec. See Note 2, "Business Acquisitions," for additional information about the Aran and InoMec acquisitions and related contingent consideration. On October 7, 2019, the Company acquired certain assets and liabilities of USB, a privately-held developer and manufacturer of complex braided biomedical structures for disposable and implantable medical devices. The contingent consideration at December 31, 2022 is the estimated fair value of the Company's obligations, under the asset purchase agreements for Aran, InoMec and USB, to make additional payments if certain revenue goals are met.

During 2022, the Company made payments associated with the InoMec and USB acquisitions, resulting from achievement of revenue-based goals for the period from March 1, 2021 to February 28, 2022 for InoMec and January 1, 2021 to December 31, 2021 for USB. During 2021, the Company made payments associated with the InoMec and USB acquisitions, resulting from achievement of revenue-based goals for the period from March 1, 2020 to February 28, 2021 for InoMec and January 1, 2020 to December 31, 2020 for USB.

As of December 31, 2022 and December 31, 2021, the current portion of contingent consideration liabilities included in Accrued expenses and other current liabilities was \$11.2 million and \$0.9 million, respectively, and the non-current portion included in Other long-term liabilities on the Consolidated Balance Sheets was \$0.6 million and \$1.5 million, respectively.

As of December 31, 2022 and December 31, 2021 the fair value of the contingent consideration liability relating to the acquisition of USB was zero and \$1.1 million, respectively. During the most recent measurement of the USB contingent consideration liability as of December 31, 2022, the Company assessed the probability of meeting the required revenue threshold as unlikely and reduced the the fair value to zero. As of December 31, 2022 and December 31, 2021, the fair value of the contingent consideration liability relating to the acquisition of InoMec was \$1.1 million and \$1.3 million, respectively. The fair value of the contingent consideration liability relating to the acquisition of InoMec was calculated using projected revenue for the remaining earnout period and discounted using a discount rate of 12.3%. The remaining maximum potential undiscounted payout for the contingent consideration liability relating to the acquisition of InoMec is \$1.8 million, with projected payments in 2023 and 2024. The fair value of the contingent consideration liability relating to the acquisition of Aran was \$7.4 million at the date of acquisition. During the most recent measurement of the Aran contingent consideration liability as of December 31, 2022, the Company determined that Aran achieved the maximum revenue threshold and increased the fair value to \$10.7 million. The contingent consideration related to Aran is expected to be paid in the first half of 2023.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(17.) FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

The following table provides quantitative information associated with the fair value measurement of the Company's liabilities for contingent consideration as of December 31, 2021:

<b>Contingency Type</b>	<b>December 31, 2021</b>		<b>Valuation Technique</b>	<b>Unobservable Inputs</b>	<b>Weighted Average or Range</b>
	<b>Remaining Maximum Payout (undiscounted)</b>	<b>Fair Value</b>			
Revenue-based payments:					
InoMec and USB	\$ 6,750	\$ 2,415	Monte Carlo	Revenue volatility	29.0 %
				Discount rate	1.8 %
				Projected year(s) of payment	2022-2024

**Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis**

Fair value standards also apply to certain assets and liabilities that are measured at fair value on a nonrecurring basis. The carrying amounts of cash, accounts receivable, contract assets, accounts payable and accrued expenses approximate fair value due to the short-term nature of these items.

Borrowings under the Company's Revolving Credit Facility, TLA Facility and TLB Facility accrue interest at a floating rate tied to a standard short-term borrowing index, selected at the Company's option, plus an applicable margin. The carrying amount of this floating rate debt approximates fair value based upon the respective interest rates adjusting with market rate adjustments.

**Equity Investments**

Equity investments comprise the following (in thousands):

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Equity method investment	\$ 8,252	\$ 16,192
Non-marketable equity securities	5,637	5,637
Total equity investments	<u>\$ 13,889</u>	<u>\$ 21,829</u>

The components of (Gain) loss on equity investments, net for each period were as follows (in thousands):

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Equity method investment (income) loss	\$ 7,636	\$ 3,057	\$ (5,706)
Impairment charges	—	86	369
Total (gain) loss on equity investments, net	<u>\$ 7,636</u>	<u>\$ 3,143</u>	<u>\$ (5,337)</u>

During 2021 and 2020, the Company determined that certain non-marketable equity securities were impaired. In both 2021 and 2020, new equity financings by two of the Company's non-marketable equity securities indicated new values for the investments. During the fourth quarters of 2021 and 2020, the Company recorded impairment charges of \$0.1 million and \$0.4 million, respectively, to reduce the carrying value of these non-marketable equity securities to their estimated fair value of zero and \$2.2 million, respectively. The fair values of these investments were derived from observable price changes of similar securities of the investees. During 2022, the Company received a cash distribution representing a return of capital on our equity method investments of \$0.3 million. During 2021 and 2020, the Company received cash distributions representing a return on equity method investments of \$2.2 million and \$0.4 million, respectively.

The Company's equity method investment is in a venture capital fund focused on investing in life sciences companies. As of December 31, 2022, the Company owned 7.4% of this fund.



**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(18.) SEGMENT AND GEOGRAPHIC INFORMATION**

The Company organizes its business into two reportable segments: (1) Medical and (2) Non-Medical. This segment structure reflects the financial information and reports used by the Company's management, specifically its Chief Operating Decision Maker, to make decisions regarding the Company's business, including resource allocations and performance assessments. This segment structure reflects the Company's current operating focus in compliance with ASC 280, *Segment Reporting*.

The Company defines segment income from operations as sales less cost of sales including amortization and expenses attributable to segment-specific selling, general, administrative, research, development, engineering and other operating activities. The remaining unallocated operating and other expenses are primarily administrative corporate headquarter expenses and capital costs that are not allocated to reportable segments. Transactions between the two segments are not significant.

The Company has communicated to certain customers that it is exiting certain markets it serves in the Advanced Surgical, Orthopedics & Portable Medical product line. In order to align with the planned exit of those markets and better align to its end markets and product line strategies, the Company recast its product line sales within the Medical segment to reflect the reclassification of certain products from the historical product lines to the product lines associated with those revenues that will be utilized for future revenue reporting. The Company believes the revised presentation will provide improved reporting and better transparency into the operational results of its business and markets. The Company has reclassified the product line sales information for 2021 and 2020 in the table below to conform to the current year presentation. For the years ended December 31, 2021 and 2020, Cardio & Vascular sales of \$32.9 million and \$31.7 million, respectively, and Advanced Surgical, Orthopedics & Portable Medical sales of \$22.8 million and \$20.5 million, respectively, were reclassified to the Cardiac Rhythm Management & Neuromodulation product line.

The following table presents sales by product line for the years ended December 31, 2022, 2021 and 2020 (in thousands):

	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Segment sales by product line:</b>			
Medical			
Cardio & Vascular	\$ 699,469	\$ 593,117	\$ 538,240
Cardiac Rhythm Management & Neuromodulation	532,580	502,288	398,409
Advanced Surgical, Orthopedics & Portable Medical	97,502	87,221	101,329
Total Medical	1,329,551	1,182,626	1,037,978
Non-Medical	46,545	38,453	35,464
Total sales	<u>\$ 1,376,096</u>	<u>\$ 1,221,079</u>	<u>\$ 1,073,442</u>

***Geographic Area Information***

The following table presents sales by significant country for the years ended December 31, 2022, 2021 and 2020. In these tables, sales are allocated based on where the products are shipped (in thousands).

	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Sales by geographic area:</b>			
United States	\$ 762,134	\$ 671,502	\$ 596,804
Non-Domestic locations:			
Puerto Rico	114,078	110,162	96,048
Costa Rica	76,140	66,975	58,853
Rest of world	423,744	372,440	321,737
Total sales	<u>\$ 1,376,096</u>	<u>\$ 1,221,079</u>	<u>\$ 1,073,442</u>

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(18.) SEGMENT AND GEOGRAPHIC INFORMATION (Continued)**

The following table presents revenues by significant customers, which are defined as any customer who individually represents 10% or more of a segment's total revenues for the years ended December 31, 2022 and 2021.

<b>Customer</b>	<b>2022</b>		<b>2021</b>	
	<b>Medical</b>	<b>Non-Medical</b>	<b>Medical</b>	<b>Non-Medical</b>
Customer A	17%	*	19%	*
Customer B	17%	*	17%	*
Customer C	13%	*	14%	*
Customer D	*	30%	*	36%
Customer E	*	*	*	*
All other customers	53%	70%	50%	64%

\* Less than 10% of segment's total revenues for the period.

The following table presents revenues by significant ship to location, which is defined as any country where 10% or more of a segment's total revenues are shipped for the years ended December 31, 2022 and 2021.

<b>Ship to Location</b>	<b>2022</b>		<b>2021</b>	
	<b>Medical</b>	<b>Non-Medical</b>	<b>Medical</b>	<b>Non-Medical</b>
United States	55%	67%	54%	71%
United Kingdom	*	10%	*	*
Rest of world	45%	23%	46%	29%

The following table presents income from continuing operations for the Company's reportable segments for the years ended December 31, 2022, 2021 and 2020 (in thousands).

	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Segment income from continuing operations:</b>			
Medical	\$ 205,877	\$ 213,600	\$ 169,396
Non-Medical	7,571	8,022	4,848
Total segment income from continuing operations	213,448	221,622	174,244
Unallocated operating expenses	(92,121)	(85,911)	(53,632)
Operating income	121,327	135,711	120,612
Unallocated expenses, net	(45,369)	(34,648)	(34,405)
Income from continuing operations before income taxes	<u>\$ 75,958</u>	<u>\$ 101,063</u>	<u>\$ 86,207</u>

The following table presents depreciation and amortization expense for the Company's reportable segments for the years ended December 31, 2022, 2021 and 2020 (in thousands).

	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Segment depreciation and amortization:</b>			
Medical	\$ 86,825	\$ 75,366	\$ 72,338
Non-Medical	1,096	1,167	996
Total depreciation and amortization included in segment income from continuing operations	87,921	76,533	73,334
Unallocated depreciation and amortization	4,070	4,836	5,990
Total depreciation and amortization	<u>\$ 91,991</u>	<u>\$ 81,369</u>	<u>\$ 79,324</u>

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(18.) SEGMENT AND GEOGRAPHIC INFORMATION (Continued)**

The following table presents total assets for the Company's reportable segments as of December 31, 2022 and December 31, 2021 (in thousands).

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Identifiable assets:</b>		
Medical	\$ 2,652,357	\$ 2,448,123
Non-Medical	57,385	56,158
Total reportable segments	2,709,742	2,504,281
Unallocated assets	84,644	77,934
Total assets	<u>\$ 2,794,386</u>	<u>\$ 2,582,215</u>

The following table presents capital expenditures for the Company's reportable segments for the years ended December 31, 2022, 2021 and 2020 (in thousands).

	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Expenditures for tangible long-lived assets:</b>			
Medical	\$ 69,687	\$ 48,364	\$ 42,435
Non-Medical	360	628	1,038
Total reportable segments	70,047	48,992	43,473
Unallocated long-lived tangible assets	4,681	4,471	3,359
Total expenditures	<u>\$ 74,728</u>	<u>\$ 53,463</u>	<u>\$ 46,832</u>

The following table presents PP&E by geographic area as of December 31, 2022 and December 31, 2021. In these tables, PP&E is aggregated based on the physical location of the tangible long-lived assets (in thousands).

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Long-lived tangible assets by geographic area:</b>		
United States	\$ 203,578	\$ 184,474
Mexico	32,360	33,877
Ireland	61,356	41,501
Rest of world	19,949	17,247
Total	<u>\$ 317,243</u>	<u>\$ 277,099</u>

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(19.) REVENUE FROM CONTRACTS WITH CUSTOMERS**

***Disaggregated Revenue***

In general, the Company's business segmentation is aligned according to the nature and economic characteristics of its products and customer relationships and provides meaningful disaggregation of each business segment's results of operations. For a summary by disaggregated product line sales for each segment, refer to Note 18, "Segment and Geographic Information."

A significant portion of the Company's sales for the years ended December 31, 2022, 2021 and 2020 and accounts receivable at December 31, 2022 and December 31, 2021 were to three customers as follows:

	<b>Sales</b>			<b>Accounts Receivable</b>	
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Customer A	17%	18%	18%	14%	15%
Customer B	16%	16%	16%	19%	19%
Customer C	13%	13%	14%	11%	10%
	<u>46%</u>	<u>47%</u>	<u>48%</u>	<u>44%</u>	<u>44%</u>

Revenue recognized from products and services transferred to customers over time during 2022 and 2021 represented 30% and 33%, respectively, of total revenue. Substantially all of the revenue recognized from products and services transferred to customers over time during 2022 and 2021 was within the Medical segment.

**Contract Balances**

The opening and closing balances of the Company's contract assets and contract liabilities are as follows (in thousands):

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Contract assets	\$ 71,927	\$ 64,743
Contract liabilities	5,616	3,776

During 2022, the Company recognized \$2.7 million of revenue that was included in the contract liability balance as of December 31, 2021. During 2021, the Company recognized \$1.9 million of revenue that was included in the contract liability balance as of December 31, 2020.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(20.) DISCONTINUED OPERATIONS**

**Divestiture of AS&O Product Line**

In July 2018, the Company completed the sale of its AS&O Product Line within its Medical segment. For all periods presented, financial results reported as discontinued operations in the Consolidated Statements of Operations relate to the divested AS&O Product Line.

During the fourth quarter of 2022 and 2021, the Company recognized other income from discontinued operations of \$1.3 million and \$4.9 million, respectively, for the release of pre-divestiture indemnified tax liabilities resulting from the lapse of the statute of limitations and the effective settlement of tax audits.

Income from discontinued operations for the years ended December 31, 2022, 2021 and 2020 was as follows (in thousands):

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Other income, net	\$ (1,323)	\$ (4,931)	\$ —
Provision for income taxes	296	1,143	—
Income from discontinued operations	<u>\$ 1,027</u>	<u>\$ 3,788</u>	<u>\$ —</u>

Cash flow information from discontinued operations for the years ended December 31, 2022, 2021 and 2020 was as follows (in thousands):

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Income from discontinued operations	\$ 1,027	\$ 3,788	\$ —
Changes in operating assets and liabilities, net of acquisitions:			
Accrued expenses and other liabilities	(1,323)	(4,931)	—
Income taxes payable	296	1,143	—
Net cash provided by operating activities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

**(21.) SUBSEQUENT EVENTS**

*Amendments to the 2021 Credit Agreement*

On January 30, 2023, the Company entered into a first amendment (the “First Amendment”) to the 2021 Credit Agreement to, among other things: (i) permit the Company to issue the notes (described below under *2028 Convertible Notes*) and incur indebtedness thereunder in an aggregate principal amount of up to \$600 million at any time outstanding; (ii) permit the Company to enter into bond hedge and capped call transactions; (iii) permit the Company to issue call options, warrants or purchase rights relating to the Company’s common stock; provided, in each case, that the terms of any such transaction are customary for transactions of such type.

On February 15, 2023, the Company entered into a second amendment (the “Second Amendment”) to the 2021 Credit Agreement to, among other things: (i) increase the maximum borrowing capacity under the Revolving Credit Facility by \$100 million from \$400 million to \$500 million, (ii) extend the maturity date for both the Revolving Credit Facility and the TLA Facility to February 15, 2028, (iii) allow for borrowings by the Company under the Revolving Credit Facility denominated in Euros, subject to a sublimit equal to 50% of the maximum borrowing capacity under the Revolving Credit Facility, (iv) replace the LIBOR-based reference interest rate option with a reference interest rate option based upon Adjusted Term SOFR, as defined in the 2021 Credit Agreement, and (v) add carveouts to certain negative covenants included within the 2021 Credit Agreement to permit the expansion of capacity in Ireland by the Company and incur indebtedness related thereto.

**INTEGER HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(21.) SUBSEQUENT EVENTS (Continued)**

*2028 Convertible Notes*

On February 3, 2023, the Company closed its private offering of \$500 million aggregate principal amount of 2.125% Convertible Senior Notes due 2028 (the “Notes”), which amount includes the exercise in full of the \$65 million option granted to the initial purchasers of the Notes. The Notes bear interest at a fixed rate of 2.125% per year, payable semiannually in arrears on February 15 and August 15 of each year, beginning on August 15, 2023. The Notes will mature on February 15, 2028, unless earlier repurchased, redeemed, or converted in accordance with their terms. The Notes are convertible at the option of the holders, under certain circumstances and during certain periods, into cash up to the aggregate principal amount of the Notes to be converted and cash, shares of the Company’s common stock, or a combination of cash and shares of common stock, at the Company’s election, in respect of the remainder, if any, of the Company’s conversion obligation in excess of the aggregate principal amount of the Notes being converted.

The net proceeds from the offering were approximately \$485.3 million, after deducting fees and estimated expenses payable by the Company. The Company used a portion of the net proceeds to settle in full principal and interest due of \$336.1 million under the TLB Facility, pay down principal and interest due of \$113.9 million under the the Revolving Credit Facility, to pay related fees and expenses, and to pay the cost of the Capped Call Transactions described below.

Prior to the close of business on the business day immediately preceding November 15, 2027, the Notes are convertible at the option of the holders of the Notes only under certain conditions. The conversion rate will initially be 11.4681 shares of common stock per \$1,000 principal amount of Notes (equivalent to an initial conversion price of approximately \$87.20 per share of common stock). The conversion rate is subject to customary adjustments upon the occurrence of certain events. The Company may not redeem the Notes prior to February 20, 2026. The Company may redeem for cash all or part of the Notes, at its option, on or after February 20, 2026, under certain circumstances at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

The Notes will be the Company’s senior unsecured obligations and will rank senior in right of payment to any indebtedness that is expressly subordinated to the Notes and will rank equally with all of its existing and future senior unsecured indebtedness that is not so subordinated. The Notes will be effectively subordinated to all of the Company’s existing and future secured indebtedness, including the Company’s obligations under the 2021 Credit Agreement, (to the extent of the value of the assets securing such indebtedness) and structurally subordinated to all existing and future liabilities (including trade payables) of the Company’s existing and future subsidiaries, including obligations of certain of its subsidiaries under the 2021 Credit Agreement.

*Capped Call Transactions*

On January 31, 2023, in connection with the pricing of the Notes, the Company entered into privately negotiated capped call transactions (the “Base Capped Call Transactions”) with certain of the initial purchasers or their respective affiliates and certain other financial institutions (the “Option Counterparties”). In addition, on February 1, 2023, in connection with the initial purchasers’ exercise in full of their option to purchase additional Notes, the Company entered into additional capped call transactions (the “Additional Capped Call Transactions,” and, together with the Base Capped Call Transactions, the “Capped Call Transactions”) with each of the Option Counterparties. The Capped Call Transactions are expected generally to reduce the potential dilution to the Company’s common stock upon any conversion of the Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset subject to a cap based on the cap price of the Capped Call Transactions. The cap price of the Capped Call Transactions will initially be approximately \$108.59 per share and is subject to certain adjustments under the terms of the Capped Call Transactions.

The Capped Call Transactions are separate transactions entered into by the Company with the Option Counterparties, are not part of the terms of the Notes and will not change the holders’ rights under the Notes. Holders of the Notes will not have any rights with respect to the Capped Call Transactions.

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**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

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None.

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**ITEM 9A. CONTROLS AND PROCEDURES**

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Management's Report on Internal Control Over Financial Reporting appears in Part II, Item 8, "Financial Statements and Supplementary Data" of this report and is incorporated into this Item 9A by reference.

a. Evaluation of Disclosure Controls and Procedures

Our management, including the principal executive officer and principal financial officer, evaluated our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) related to the recording, processing, summarization and reporting of information in our reports that we file with the SEC as of December 31, 2022. These disclosure controls and procedures have been designed to provide reasonable assurance that material information relating to us, including our subsidiaries, is made known to our management, including these officers, by our employees, and that this information is recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the SEC's rules and forms. Based on their evaluation, as of December 31, 2022, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective.

b. Changes in Internal Control Over Financial Reporting

In accordance with guidance issued by the SEC, companies are permitted to exclude acquisitions from their final assessment of internal control over financial reporting for a period not to exceed one year from the acquisition date. Our management's evaluation of internal control over financial reporting excluded the internal control activities of Connemara Biomedical Holdings Teoranta, including its operating subsidiaries Aran Biomedical and Proxy Biomedical (collectively "Aran"), which we acquired on April 6, 2022, as discussed in Note 2, "Business Acquisitions," of the Notes to Consolidated Financial Statements contained in Item 8 of this report. Prior to its acquisition, Aran was a privately-held company not subject to the Sarbanes-Oxley Act of 2002, the rules and regulations of the SEC, or other corporate governance requirements to which public companies may be subject. We have included the financial results of Aran in our consolidated financial statements from the date of acquisition. The financial results of Aran constitute 5% of total assets, 9% of net assets and 1% of sales of the consolidated financial statement amounts as of and for the year ended December 31, 2022. The Company is in the process of evaluating the existing controls and procedures of the acquired business and integrating the acquired business into its system of internal control over financial reporting. As a result, management was unable, without incurring unreasonable effort or expense, to conduct an assessment of internal control over financial reporting for the acquired business.

Other than as described above, there were no changes in the Company's internal control over financial reporting during the Company's fourth fiscal quarter ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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**ITEM 9B. OTHER INFORMATION**

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None.

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**ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

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Not applicable.

## PART III

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### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

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Information regarding the Company's directors appearing under the caption "Election of Directors" in the Company's Proxy Statement for its 2023 Annual Meeting of Stockholders is incorporated herein by reference.

Information regarding the Company's executive officers is presented under the caption "Information About our Executive Officers" in Part I of this Annual Report on Form 10-K.

The other information required by Item 10 is incorporated herein by reference from the Company's Proxy Statement for its 2023 Annual Meeting of Stockholders.

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### ITEM 11. EXECUTIVE COMPENSATION

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Information regarding executive compensation appearing under the captions "Compensation Discussion and Analysis", "Executive Compensation" and "Compensation Committee Interlocks and Insider Participation" in the Company's Proxy Statement for the 2023 Annual Meeting of Stockholders is incorporated herein by reference.

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### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

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Information regarding security ownership of certain beneficial owners and management and related stockholder matters, including the table titled "Equity Compensation Plan Information" and under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Company's Proxy Statement for the 2023 Annual Meeting of Stockholders is incorporated herein by reference.

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### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

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Information regarding certain relationships and related transactions, and director independence under the captions "Related-Person Transactions" and "Board Independence" in the Company's Proxy Statement for the 2023 Annual Meeting of Stockholders is incorporated herein by reference.

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### ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

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The Company's independent registered public accounting firm is Deloitte & Touche LLP, Williamsville, New York, PCAOB Auditor Firm ID: 34.

Information regarding the fees paid to and services provided by Deloitte & Touche LLP is provided under the caption "Ratification of the Appointment of Independent Registered Public Accounting Firm" in the Company's Proxy Statement for the 2023 Annual Meeting of Stockholders is incorporated herein by reference.



PART IV

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

**(a) LIST OF DOCUMENTS FILED AS PART OF THIS REPORT**

- (1) Financial statements and financial statement schedules filed as part of this Annual Report on Form 10-K. Refer to Part II, Item 8. "Financial Statements and Supplementary Data."
- (2) The following financial statement schedule is included in this Annual Report on Form 10-K (in thousands):

**Schedule II—Valuation and Qualifying Accounts**

Column A Description	Col. B Balance at Beginning of Period	Col. C—Additions		Col. D Deductions - Describe	Col. E Balance at End of Period
		Charged to Costs & Expenses	Charged to Other Accounts- Describe		
<b>December 31, 2022</b>					
Provision for credit losses	\$ 132	\$ 48	\$ 163 <sup>(1)</sup>	\$ (5) <sup>(4)</sup>	\$ 338
Valuation allowance for deferred tax assets	\$ 19,456	\$ (684) <sup>(2)</sup>	\$ (131) <sup>(3)</sup>	\$ (1,992) <sup>(2)</sup>	\$ 16,649
<b>December 31, 2021</b>					
Provision for credit losses	\$ 155	\$ 20	\$ —	\$ (43) <sup>(4)</sup>	\$ 132
Valuation allowance for deferred tax assets	\$ 20,739	\$ (941) <sup>(2)</sup>	\$ 26 <sup>(3)</sup>	\$ (368) <sup>(2)</sup>	\$ 19,456
<b>December 31, 2020</b>					
Provision for credit losses	\$ 2,443	\$ 28	\$ —	\$ (2,316) <sup>(4)</sup>	\$ 155
Valuation allowance for deferred tax assets	\$ 22,229	\$ (275) <sup>(2)</sup>	\$ —	\$ (1,215) <sup>(2)(4)(5)</sup>	\$ 20,739

- (1) Amount reclassified from deferred revenue.
- (2) Valuation allowance recorded in the provision for income taxes for certain net operating losses and tax credits. Deductions include the expiration of certain net operating losses and tax credits.
- (3) Includes foreign currency translation effect.
- (4) Accounts written off and reductions to allowances existing at the beginning of the year. The 2020 amount includes \$2.3 million of accounts receivable recorded during 2019 in connection with a customer bankruptcy.
- (5) The 2020 deductions include releases of the allowance for net operating losses utilized during that year and return to provision adjustments for prior years.

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

- (3) See exhibits listed under Part (b) below.

**(b) EXHIBITS:**

<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
2.1	Master Purchase and Sale Agreement, dated as of May 3, 2018, by and among Greatbatch Ltd., Bandera Acquisition, LLC and, solely for purposes of being bound by Section 10.1(f), Section 10.3 and Section 11.13, Integer Holdings Corporation (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed on July 9, 2018).
3.1	Restated Certificate of Incorporation of Integer Holdings Corporation (incorporated by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q for the period ended July 1, 2016).
3.2	By-laws of Integer Holdings Corporation (Amended as of August 3, 2016) (incorporated by reference to Exhibit 3.2 to our Quarterly Report on Form 10-Q for the period ended July 1, 2016).
4.1	Description of Securities of Integer Holdings Corporation registered under Section 12 of the Exchange Act (incorporated by reference to Exhibit 4.1 to our Annual Report on Form 10-K for the year ended December 31, 2020).
4.2	Indenture, dated February 3, 2023, by and between the Integer Holdings Corporation and Wilmington Trust, National Association as trustee (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on February 6, 2023).
4.3	Form of 2.125% Convertible Senior Note due 2028 (incorporated by reference to Exhibit 4.2 hereto).
10.1	Credit Agreement, dated as of September 2, 2021, among Integer Holdings Corporation, Greatbatch Ltd., Wells Fargo Bank, National Association, as administrative agent, and the other agents and lenders parties thereto. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on September 2, 2021).
10.2	First Amendment to Credit Agreement, dated as of January 30, 2023, among Integer Holdings Corporation, Greatbatch Ltd., Wells Fargo Bank, National Association, as administrative agent, and the other agents and lenders parties thereto (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on January 30, 2023).
10.3	Second Amendment to Credit Agreement, dated as of February 15, 2023, among Integer Holdings Corporation, Greatbatch Ltd., Wells Fargo Bank, National Association, as administrative agent, and the other agents and lenders parties thereto (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on February 16, 2023).
10.4	Incremental Term Loan Agreement, dated as of December 1, 2021, among Integer Holdings Corporation, Greatbatch Ltd., Wells Fargo Bank, National Association, as administrative agent, the Incremental Term A-1 Loan Lenders party thereto and the arrangers and agents party thereto (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on December 2, 2021).
10.5	Form of Base Capped Call Confirmation (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on February 6, 2023).
10.6	Form of Additional Capped Called Confirmation (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on February 6, 2023).
10.7#	Integer Holdings Corporation Retirement Savings Restoration Plan (incorporated by reference to Exhibit 10.10 to our Annual Report on Form 10-K for the year ended December 31, 2020).
10.8#	Integer Holdings Corporation Director Compensation Policy (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the period ended October 2, 2020).
10.9#	2009 Stock Incentive Plan (incorporated by reference to Exhibit A to our Definitive Proxy Statement on Schedule 14A filed on April 13, 2009 (File No. 001-16137)).
10.10#	2011 Stock Incentive Plan (incorporated by reference to Exhibit A to our Definitive Proxy Statement on Schedule 14A filed on April 14, 2014).
10.11#	Greatbatch, Inc. 2016 Stock Incentive Plan (incorporated by reference to Exhibit A to our Definitive Proxy Statement on Schedule 14A filed on April 18, 2016).
10.12#	Amendment to Greatbatch, Inc. 2011 Stock Incentive Plan, Greatbatch, Inc. 2009 Stock Incentive Plan, Greatbatch, Inc. 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.14 to our Annual Report on Form 10-K for the year ended January 3, 2014).
10.13#	Second Amendment to Greatbatch, Inc. 2011 Stock Incentive Plan and Greatbatch, Inc. 2009 Stock Incentive Plan (incorporated by reference to Exhibit 10.15 to our Annual Report on Form 10-K for the year ended December 30, 2016).

EXHIBIT NUMBER	DESCRIPTION
10.14#	First Amendment to Greatbatch, Inc. 2016 Stock Incentive Plan (incorporated by reference to Exhibit 10.16 to our Annual Report on Form 10-K for the year ended December 30, 2016).
10.15#	Amendment to Integer Holdings Corporation 2016 Stock Incentive Plan, Integer Holdings Corporation 2011 Stock Incentive Plan, Integer Holdings Corporation 2009 Stock Incentive Plan (incorporated by reference to Exhibit 10.31 to our Annual Report on Form 10-K for the year ended December 28, 2018).
10.16#	Amendment to Integer Holdings Corporation 2016 Stock Incentive Plan and Integer Holdings Corporation 2011 Stock Incentive Plan (incorporated by reference to Exhibit 10.17 to our Annual Report on Form 10-K for the year ended December 31, 2019).
10.17#	Integer Holdings Corporation 2021 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on May 19, 2021).
10.18#	Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.15 to our Annual Report on Form 10-K for the year ended January 3, 2014).
10.19#	Form of Nonqualified Stock Option Award Letter (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the period ended March 31, 2017).
10.20#	Form of Restricted Stock Units Award Letter (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the period ended March 31, 2017).
10.21#	Form of Time-Based Restricted Stock Units Award Agreement (for awards granted on or after February 28, 2019) (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the period ended March 29, 2019).
10.22#	Form of Financial Performance Restricted Stock Units Award Agreement (for awards granted on or after February 28, 2019) (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the period ended March 29, 2019).
10.23#	Form of Market-based Performance Restricted Stock Units Award Agreement (for awards granted on or after February 28, 2019) (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the period ended March 29, 2019).
10.24#	Form of Time-Based Restricted Stock Units Award Agreement for Joseph Dziejdzic (for awards granted on or after February 28, 2019) (incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q for the period ended March 29, 2019).
10.25#	Form of Financial Performance Restricted Stock Units Award Agreement for Joseph Dziejdzic (for awards granted on or after February 28, 2019) (incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q for the period ended March 29, 2019).
10.26#	Form of Market-based Performance Restricted Stock Units Award Agreement for Joseph Dziejdzic (for awards granted on or after February 28, 2019) (incorporated by reference to Exhibit 10.6 to our Quarterly Report on Form 10-Q for the period ended March 29, 2019).
10.27#	Form of Restricted Stock Unit Agreement for Non-Employee Directors (incorporated by reference to Exhibit 10.7 to our Quarterly Report on Form 10-Q for the period ended March 29, 2019).
10.28#	Form of Time-Based Restricted Stock Units Award Agreement (for awards granted on or after January 1, 2020) (incorporated by reference to Exhibit 10.29 to our Annual Report on Form 10-K for the year ended December 31, 2019).
10.29#	Form of Financial Performance Restricted Stock Units Award Agreement (for awards granted on or after January 1, 2020) (incorporated by reference to Exhibit 10.30 to our Annual Report on Form 10-K for the year ended December 31, 2019).
10.30#	Form of Market-Based Performance Restricted Stock Units Award Agreement (for awards granted on or after January 1, 2020) (incorporated by reference to Exhibit 10.31 to our Annual Report on Form 10-K for the year ended December 31, 2019).
10.31#	Form of Time-Based Restricted Stock Units Award Agreement for Joseph Dziejdzic (for awards granted on or after January 1, 2020) (incorporated by reference to Exhibit 10.32 to our Annual Report on Form 10-K for the year ended December 31, 2019).
10.32#	Form of Financial Performance Restricted Stock Units Award Agreement for Joseph Dziejdzic (for awards granted on or after January 1, 2020) (incorporated by reference to Exhibit 10.33 to our Annual Report on Form 10-K for the year ended December 31, 2019).

EXHIBIT NUMBER	DESCRIPTION
10.33#	Form of Market-Based Performance Restricted Stock Units Award Agreement for Joseph Dzedzic (for awards granted on or after January 1, 2020) (incorporated by reference to Exhibit 10.34 to our Annual Report on Form 10-K for the year ended December 31, 2019).
10.34#	Form of Time-Based Restricted Stock Units Award Agreement (for awards granted on or after January 1, 2021) (incorporated by reference to Exhibit 10.38 to our Annual Report on Form 10-K for the year ended December 31, 2020).
10.35#	Form of Market-Based Performance Restricted Stock Units Award Agreement (for awards granted on or after January 1, 2021) (incorporated by reference to Exhibit 10.39 to our Annual Report on Form 10-K for the year ended December 31, 2020).
10.36#	Form of Time-Based Restricted Stock Units Award Agreement for Joseph Dzedzic (for awards granted on or after January 1, 2021) (incorporated by reference to Exhibit 10.40 to our Annual Report on Form 10-K for the year ended December 31, 2020).
10.37#	Form of Market-Based Performance Restricted Stock Units Award Agreement for Joseph Dzedzic (for awards granted on or after January 1, 2021) (incorporated by reference to Exhibit 10.41 to our Annual Report on Form 10-K for the year ended December 31, 2020).
10.38#	Form of Time-Based Restricted Stock Units Award Agreement under the 2021 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the period ended July 2, 2021).
10.39#	Form of Performance-Based Restricted Stock Units Award Agreement under the 2021 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the period ended July 2, 2021).
10.40#	Form of Time-Based Restricted Stock Units Award Agreement for Joseph Dzedzic under the 2021 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the period ended July 2, 2021).
10.41#	Form of Performance-Based Restricted Stock Units Award Agreement for Joseph Dzedzic under the 2021 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q for the period ended July 2, 2021).
10.42#	Special Performance-Based Restricted Stock Unit Award Agreement for Joseph W. Dzedzic, dated March 11, 2022 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on March 15, 2022).
10.43#	Form of Restricted Stock Unit Agreement for Non-Employee Directors under the 2021 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q for the period ended July 2, 2021).
10.44#	Form of Change of Control Agreement between Integer Holdings Corporation and its executive officers (incorporated by reference to Exhibit 10.8 to our Annual Report on Form 10-K for the year ended December 28, 2012).
10.45#	Employment Agreement, dated July 16, 2017, between Integer Holdings Corporation and Joseph W. Dzedzic (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on July 17, 2017).
10.46#	Employment Offer Letter, dated September 14, 2018, between Integer Holdings Corporation and Jason Garland (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the period ended September 28, 2018).
10.47#	Employment Offer Letter, dated November 30, 2017, between Integer Holdings Corporation and Kirk Thor (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the period ended June 28, 2019).
10.48#	Employment Offer Letter, dated February 6, 2018, between Integer Holdings Corporation and Payman Khales (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the period ended July 3, 2020).
10.49#	Employment Offer Letter, dated April 16, 2019, between Integer Holdings Corporation and Carter Houghton (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the period ended July 3, 2020).
10.50#	Form of Director Indemnification Agreement (incorporated by reference to Exhibit 10.50 to our Annual Report on Form 10-K for the year ended December 31, 2020).

EXHIBIT NUMBER	DESCRIPTION
21.1*	Subsidiaries of Integer Holdings Corporation
23.1*	Consent of Independent Registered Public Accounting Firm
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act.
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and included in Exhibit 101)

\* - Filed herewith.

\*\* - Furnished herewith.

# - Indicates exhibits that are management contracts or compensation plans or arrangements required to be filed pursuant to Item 15(b) of Form 10-K.

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**ITEM 16. FORM 10-K SUMMARY**

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None.

## SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### INTEGER HOLDINGS CORPORATION

Dated: February 21, 2023

By /s/ Joseph W. Dzedzic

Joseph W. Dzedzic (Principal Executive Officer)

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ Joseph W. Dziedzic</u> Joseph W. Dziedzic	President, Chief Executive Officer and Director (Principal Executive Officer)	February 21, 2023
<u>/s/ Jason K. Garland</u> Jason K. Garland	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 21, 2023
<u>/s/ Tom P. Thomas</u> Tom P. Thomas	Vice President, Corporate Controller (Principal Accounting Officer)	February 21, 2023
<u>/s/ Pamela G. Bailey</u> Pamela G. Bailey	Chair	February 21, 2023
<u>/s/ Sheila Antrum</u> Sheila Antrum	Director	February 21, 2023
<u>/s/ Cheryl C. Capps</u> Cheryl C. Capps	Director	February 21, 2023
<u>/s/ James F. Hinrichs</u> James F. Hinrichs	Director	February 21, 2023
<u>/s/ Jean M. Hobby</u> Jean M. Hobby	Director	February 21, 2023
<u>/s/ Tyrone Jeffers</u> Tyrone Jeffers	Director	February 21, 2023
<u>/s/ M. Craig Maxwell</u> M. Craig Maxwell	Director	February 21, 2023
<u>/s/ Filippo Passerini</u> Filippo Passerini	Director	February 21, 2023
<u>/s/ Donald J. Spence</u> Donald J. Spence	Director	February 21, 2023
<u>/s/ William B. Summers, Jr.</u> William B. Summers, Jr.	Director	February 21, 2023

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## SUBSIDIARIES OF INTEGER HOLDINGS CORPORATION

<b>Subsidiary</b>	<b>Jurisdiction of</b>
Accellent LLC	Colorado
Brivant Limited, d/b/a Lake Region Medical	Ireland
Centro de Construcción de Cardioestimuladores del Uruguay SA	Uruguay
Electrochem Solutions, Inc.	Massachusetts
Greatbatch LLC	Delaware
Greatbatch Ltd., d/b/a Greatbatch Medical	New York
Greatbatch Medical, S. de R.L. de C.V.	Mexico
Greatbatch Medical SA	Switzerland
Greatbatch MCSO, S. de R.L. de C.V	Mexico
Greatbatch Netherlands B.V.	Netherlands
Integer EBDO SA	Switzerland
Integer SMI Ltd.	Israel
Integer Ireland Medical Limited	Ireland
Lake Region Manufacturing, Inc., d/b/a Lake Region Medical	Minnesota
Lake Region Medical Limited	Ireland
Lake Region Medical, Inc., d/b/a Lake Region Medical	Maryland
Lake Region Medical Holdings Limited	Ireland
Lake Region Medical Sdn. Bhd.	Malaysia
Lake (Shanghai) Medical Device Trading Co., Ltd.	China
Oscor Inc	Florida
Oscor Caribe LLC	Florida
Oscor Europe GmbH	Germany
Venusa de Mexico, S. de R.L. de C.V.	Mexico
Venusa, Ltd	New York

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement Nos. 333-61476, 333-97209, 333-129002, 333-143519, 333-161159, 333-174559, 333-184604, 333-196320, 333-211609 and 333-256404 on Form S-8 and Registration Statement No. 333-210967 on Form S-3 of our reports dated February 20, 2023, relating to the financial statements of Integer Holdings Corporation (the “Company”) and the effectiveness of the Company’s internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2022.

/s/ Deloitte & Touche LLP

Williamsville, New York  
February 20, 2023

CERTIFICATION

I, Joseph W. Dziedzic, certify that:

1. I have reviewed this annual report on Form 10-K for the fiscal year ended December 31, 2022 of Integer Holdings Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditor and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 21, 2023

/s/ Joseph W. Dziedzic

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Joseph W. Dziedzic  
President and Chief Executive Officer  
(Principal Executive Officer)

CERTIFICATION

I, Jason K. Garland, certify that:

1. I have reviewed this annual report on Form 10-K for the fiscal year ended December 31, 2022 of Integer Holdings Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditor and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 21, 2023

/s/ Jason K. Garland

Jason K. Garland

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Integer Holdings Corporation (the “Company”), does hereby certify, to such officer’s knowledge, that:

The Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the “Form 10-K”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 21, 2023

/s/ Joseph W. Dziejic

Joseph W. Dziejic

President and Chief Executive Officer

(Principal Executive Officer)

Dated: February 21, 2023

/s/ Jason K. Garland

Jason K. Garland

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

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## Leadership Team

**Joseph W. Dzedzic**  
President and Chief Executive Officer

**Jason K. Garland**  
Executive Vice President and  
Chief Financial Officer

**Jennifer M. Bolt**  
Executive Vice President,  
Global Operations and ESG

**Margaret Carthy**  
Senior Vice President, Global Quality  
and Regulatory Affairs

**Payman Khales**  
President, Cardio & Vascular

**McAlister C. Marshall, II**  
Senior Vice President, General  
Counsel, Chief Ethics and Compliance  
Officer and Corporate Secretary

**Andrew Senn**  
Senior Vice President,  
Strategy, Business Development and  
Investor Relations

**Kirk Thor**  
Executive Vice President and Chief  
Human Resources Officer

## Board of Directors

**Sheila Antrum**  
Senior Vice President and Chief  
Operating Officer, UCSF Health

**Pamela G. Bailey, Chair**  
Retired President and Chief Executive  
Officer, The Grocery Manufacturers  
Association

**Cheryl C. Capps**  
Senior Vice President and Chief  
Supply Chain Officer, Corning Inc.

**Joseph W. Dzedzic**  
President and Chief Executive Officer,  
Integer Holdings Corporation

**James F. Hinrichs**  
Founding Partner,  
Atmas Health

**Jean Hobby**  
Retired Partner,  
PricewaterhouseCoopers, LLP

**Tyrone Jeffers**  
Vice President, Global Manufacturing  
and Supply Chain, SPX FLOW, Inc.

**M. Craig Maxwell**  
Retired Vice President and Chief  
Technology and Innovation Officer,  
Parker Hannifin Corporation

**Filippo Passerini**  
Retired Group President and Chief  
Information Officer, Procter &  
Gamble Company

**Donald J. Spence**  
Retired President and Chief Executive  
Officer, Ebb Therapeutics

**William B. Summers, Jr.**  
Retired Chairman and Chief Executive  
Officer, McDonald Investments Inc.

## Investor Information

**Stock Exchange Listing**  
NYSE: ITGR

**Global Headquarters**  
5830 Granite Parkway, Suite 1150  
Plano, TX 75024

**Independent Registered  
Public Accounting Firm**  
Deloitte & Touche LLP  
Williamsville, NY

**Investor Relations**  
Andrew Senn  
Senior Vice President,  
Strategy, Business Development and  
Investor Relations  
(763) 951-8312

You may also contact us by sending  
an email to [IR@integer.net](mailto:IR@integer.net) or by  
visiting the Investor Relations  
section of the Company's website  
at [investor.integer.net](http://investor.integer.net).

The Company's publicly filed reports,  
including financial statements, are  
available on the Securities and  
Exchange Commission's EDGAR  
system ([www.sec.gov](http://www.sec.gov)).

**Transfer Agent**  
Computershare Shareholder Services  
P.O. Box 43078  
Providence, RI 02940-3078

(877) 832-7265  
(201) 680-6578  
[www.computershare.com/investor](http://www.computershare.com/investor)

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