UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 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 NO. 0-26224

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

Delaware **(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)**	**51-0317849** **(I.R.S. EMPLOYER IDENTIFICATION NO.)**
1100 Campus Road **Princeton , New Jersey** **(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)**	**08540** **(ZIP CODE)**

Registrant's Telephone Number, Including Area Code: (609) 275-0500

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report:

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	TRADING SYMBOL	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, Par Value $.01 Per Share	IART	Nasdaq Global Select Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The number of shares of the registrant’s Common Stock, $0.01 par value, outstanding as of October 24, 2022 was 83,518,163.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Total revenue, net	$ 385,191	$ 386,861	$ 1,159,644	$ 1,136,924
Costs and expenses:				
Cost of goods sold	148,445	144,468	439,418	441,558
Research and development	24,736	25,831	74,410	68,326
Selling, general and administrative	143,820	156,010	464,397	475,195
Intangible asset amortization	3,141	4,113	10,339	12,838
Total costs and expenses	320,142	330,422	988,564	997,917
Operating income	65,049	56,439	171,080	139,007
Interest income	3,264	1,786	6,606	5,298
Interest expense	(12,809)	(12,192)	(36,700)	(38,270)
Gain (loss) from the sale of businesses	644	(230)	644	41,967
Other income, net	2,648	4,985	8,056	14,888
Income before income taxes	58,796	50,788	149,686	162,890
Provision for income taxes	8,881	7,559	22,082	39,199
Net income	$ 49,915	$ 43,229	$ 127,604	$ 123,691
Net income per share				
Basic	$ 0.60	$ 0.51	$ 1.54	$ 1.46
Diluted	$ 0.60	$ 0.51	$ 1.53	$ 1.45
Weighted average common shares outstanding (See Note 13):				
Basic	83,042	84,754	82,955	84,647
Diluted	83,399	85,447	83,476	85,391
Comprehensive income (See Note 14)	55,691	46,417	165,320	$ 150,975

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

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(Dollars in thousands, except per share amounts)

	September 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 511,937	$ 513,448
Trade accounts receivable, net of allowances of $3,958 and $4,735	248,268	231,831
Inventories, net	311,060	317,386
Prepaid expenses and other current assets	123,357	91,051
Assets held for sale	1,831	—
Total current assets	1,196,453	1,153,716
Property, plant and equipment, net	300,729	311,703
Right of use asset - operating leases	148,270	84,543
Intangible assets, net	1,054,035	1,145,573
Goodwill	977,860	1,013,458
Deferred tax assets, net	51,768	56,950
Other assets	77,898	16,440
Total assets	$ 3,807,013	$ 3,782,383
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of borrowings under senior credit facility	$ 56,250	$ 45,000
Current portion of lease liability - operating leases	13,488	14,775
Accounts payable, trade	80,732	61,837
Contract liabilities	6,364	5,295
Accrued compensation	68,626	92,656
Accrued expenses and other current liabilities	78,992	120,458
Total current liabilities	304,452	340,021
Long-term borrowings under senior credit facility	814,530	824,257
Long-term borrowings under securitization facility	106,000	112,500
Long-term convertible securities	566,612	564,426
Lease liability - operating leases	157,533	90,329
Deferred tax liabilities	69,743	45,788
Other liabilities	63,729	120,258
Total liabilities	2,082,599	2,097,579
Stockholders' equity:		
Preferred stock; no par value; 15,000 authorized shares; none outstanding	—	—
Common stock; $0.01 par value; 240,000 authorized shares; 90,341 and 89,600 issued at September 30, 2022 and December 31, 2021, respectively	903	896
Additional paid-in capital	1,267,641	1,264,943
Treasury stock, at cost; 6,823 shares and 4,899 shares at September 30, 2022 and December 31, 2021, respectively	(362,863)	(234,448)
Accumulated other comprehensive loss	(7,439)	(45,155)
Retained earnings	826,172	698,568
Total stockholders' equity	1,724,414	1,684,804
Total liabilities and stockholders' equity	$ 3,807,013	$ 3,782,383

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

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

	Nine Months Ended September 30,	
	2022	**2021**
OPERATING ACTIVITIES:		
Net income	$ 127,604	$ 123,691
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	88,803	89,090
Non-cash impairment charges	—	2,754
Deferred income tax provision (benefit)	1,439	(13,498)
Share-based compensation	21,994	29,778
Amortization of debt issuance costs and expenses associated with debt refinancing	5,142	5,308
Non-cash lease expense	3,040	3,099
Loss on disposal of property and equipment	914	2,029
Gain from the sale of businesses	(644)	(41,967)
Change in fair value of contingent consideration and others	(19,481)	(544)
Changes in assets and liabilities:		
Accounts receivable	(23,870)	17,437
Inventories	(24,443)	(3,598)
Prepaid expenses and other current assets	1,629	(11,696)
Other non-current assets	9,575	5,900
Accounts payable, accrued expenses and other current liabilities	(803)	33,858
Contract liabilities	2,524	—
Other non-current liabilities	(14,288)	1,509
Net cash provided by operating activities	179,135	243,150
INVESTING ACTIVITIES:		
Purchases of property and equipment	(27,887)	(20,595)
Proceeds from sale of property and equipment	—	3
Proceeds from sale of businesses	23,960	190,468
Acquired in-process research and development milestone	(4,742)	—
Net proceeds from swaps designated as net investment hedges	4,909	76
Cash paid for business acquisitions, net of cash acquired	—	(303,910)
Net cash used in investing activities	(3,760)	(133,958)
FINANCING ACTIVITIES:		
Proceeds from borrowings of long-term indebtedness	34,250	13,450
Payments on debt	(40,750)	(114,250)
Payment of debt issuance costs	—	(249)
Purchases of treasury stock	(125,000)	—
Proceeds from exercised stock options	1,592	6,588
Cash taxes paid in net equity settlement	(24,346)	(4,286)
Net cash used in financing activities	(154,254)	(98,747)
Effect of exchange rate changes on cash and cash equivalents	(22,632)	(10,380)
Net decrease in cash and cash equivalents	(1,511)	65
Cash and cash equivalents at beginning of period	513,448	470,166
Cash and cash equivalents at end of period	$ 511,937	$ 470,231

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

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)
(Dollars in thousands)

	Nine Months Ended September 30, 2022							
	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
	Shares	Amount	Shares	Amount				
Balance, January 1, 2022	89,600	$ 896	(4,899)	$ (234,448)	$ 1,264,943	$ (45,155)	$ 698,568	$ 1,684,804
Net income	—	—	—	—	—	—	32,901	32,901
Other comprehensive income, net of tax	—	—	—	—	—	24,130	—	24,130
Issuance of common stock through employee stock purchase plan	17	—	—	—	1,078	—	—	1,078
Issuance of common stock for vesting of share based awards, net of shares withheld for taxes	339	4	14	714	(9,758)	—	—	(9,040)
Share-based compensation	—	—	—	—	6,324	—	—	6,324
Accelerated shares repurchased	—	$ —	(1,938)	$ (129,152)	$ 4,152	$ —	$ —	$ (125,000)
Balance, March 31, 2022	89,956	$ 900	(6,823)	$ (362,886)	$ 1,266,739	$ (21,025)	$ 731,469	$ 1,615,197
Net income	—	—	—	—	—	—	44,788	44,788
Other comprehensive income, net of tax	—	—	—	—	—	7,810	—	7,810
Issuance of common stock for vesting of share based awards, net of shares withheld for taxes	378	3	—	6	(13,655)	—	—	(13,646)
Share-based compensation	—	—	—	—	6,768	—	—	6,768
Balance, June 30, 2022	90,334	$ 903	(6,823)	$ (362,880)	$ 1,259,852	$ (13,215)	$ 776,257	$ 1,660,917
Net income	—	—	—	—	—	—	49,915	49,915
Other comprehensive income, net of tax	—	—	—	—	—	5,776	—	5,776
Issuance of common stock for vesting of share based awards, net of shares withheld for taxes	7	—	—	17	(1,160)	—	—	(1,143)
Share-based compensation	—	—	—	—	8,949	—	—	8,949
Balance, September 30, 2022	90,341	903	(6,823)	(362,863)	1,267,641	(7,439)	826,172	1,724,414

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(UNAUDITED)

(Dollars in thousands)

	Nine Months Ended September 30, 2021							
	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
	Shares	Amount	Shares	Amount				
Balance, January 1, 2021	89,251	$ 893	(4,914)	$ (235,141)	$ 1,290,909	$ (74,059)	$ 532,265	$ 1,514,867
Net income	—	—	—	—	—	—	45,394	45,394
Other comprehensive income, net of tax	—	—	—	—	—	30,432	—	30,432
Issuance of common stock through employee stock purchase plan	18	—	—	—	1,127	—	—	1,127
Issuance of common stock for vesting of share based awards, net of shares withheld for taxes	137	1	15	680	(3,222)	—	—	(2,541)
Share-based compensation	—	—	—	—	6,098	—	—	6,098
Adoption of Update No. 2020-06	—	—	—	—	(63,274)	—	(2,772)	(66,046)
Balance, March 31, 2021	89,406	$ 894	(4,899)	$ (234,461)	$ 1,231,638	$ (43,627)	$ 574,887	$ 1,529,331
Net income	—	—	—	—	—	—	35,068	35,068
Other comprehensive loss, net of tax	—	—	—	—	—	(6,336)	—	(6,336)
Issuance of common stock for vesting of share based awards, net of shares withheld for taxes	68	1	—	—	1,175	—	—	1,176
Share-based compensation	—	—	—	—	15,742	—	—	15,742
Balance, June 30, 2021	89,474	$ 895	(4,899)	$ (234,461)	$ 1,248,555	$ (49,963)	$ 609,955	$ 1,574,981
Net income	—	—	—	—	—	—	43,229	43,229
Other comprehensive income, net of tax	—	—	—	—	—	3,189	—	3,189
Issuance of common stock for vesting of share based awards, net of shares withheld for taxes	123	1	—	12	2,529	—	—	2,542
Share-based compensation	—	—	—	—	7,746	—	—	7,746
Balance, September 30, 2021	89,597	896	(4,899)	(234,449)	1,258,830	(46,774)	653,184	1,631,687

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

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

General

The terms “we,” “our,” “us,” “Company” and “Integra” refer to Integra LifeSciences Holdings Corporation, a Delaware corporation, and its subsidiaries unless the context suggests otherwise.

In the opinion of management, the September 30, 2022 unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary for a fair statement of the financial position, statement of changes in shareholders' equity, results of operations and cash flows of the Company. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2021 included in the Company’s Annual Report on Form 10-K. The December 31, 2021 consolidated balance sheet was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States. Operating results for the three and nine-month period ended September 30, 2022 are not necessarily indicative of the results to be expected for the entire year.

The preparation of consolidated financial statements is in conformity with generally accepted accounting principles in the United States ("GAAP") which requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Significant estimates affecting amounts reported or disclosed in the consolidated financial statements include allowances for doubtful accounts receivable and sales returns and allowances, net realizable value of inventories, valuation of intangible assets including amortization periods for acquired intangible assets, discount rates and estimated projected cash flows used to value and test impairments of long-lived assets and goodwill, estimates of projected cash flows and depreciation and amortization periods for long-lived assets, computation of taxes, valuation allowances recorded against deferred tax assets, the valuation of stock-based compensation, valuation of derivative instruments, valuation of contingent liabilities, the fair value of debt instruments and loss contingencies. These estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the current circumstances. Actual results could differ from these estimates.

Risks and Uncertainties

The Company is subject to risks and uncertainties as a result of the COVID-19 pandemic, including reductions in capital and overall spending by our customers, increased freight costs, decreased availability of certain raw materials used in certain of our products and labor constraints. The COVID-19 pandemic has had, and may continue to have, an adverse effect on the Company’s business, results of operations, financial condition, and cash flows, and its future impacts remain highly uncertain and unpredictable. Although there was not a material impact to the Company’s consolidated financial statements as of and for the nine months ended September 30, 2022, changes in the Company’s assessment about the length and severity of the pandemic, as well as other factors, could result in actual results differing from estimates. The severity of the impact of the COVID-19 pandemic on the Company's business will depend on a number of factors, including, but not limited to, duration of the pandemic, including resurgences, new variants or strains, impact of government regulations, the speed and effectiveness of vaccine distribution, vaccine adoption rates and the duration of direct and indirect economic effects of the pandemic, containment measures and other macroeconomic factors which could cause a local/or global economic recession. Even after the COVID-19 pandemic and government responses thereto have subsided, residual economic and other effects may have an impact on the demand for post-pandemic surgery levels that are difficult to predict.

Employee Termination Benefits

The Company incurred employee termination costs on restructuring activities associated with a closure of a manufacturing facility in France, outsourcing plans for select transactional back office activities, and executive reorganization in the consolidated statement of operations for the nine months ended September 30, 2022. The following table summarizes our restructuring related accrual balances included within accrued expenses and other current liabilities in the consolidated balance sheet for the nine months ended September 30, 2022.

(Dollars in thousands)	Amount
Balance at December 31,2021	$
Charges:	
Cost of Goods Sold	$
Research and development	
Selling, general and administrative	
Payments and other adjustments	$ (
Balance at September 30,2022	$

Included in the accrual balance at September 30, 2022 above is $1.8 million related to the closure of a manufacturing facility located in France, $1.7 million related to executive reorganization and $1.2 million related to the outsourcing plans for select transactional back office activities.

Assets Held for Sale

On July 18 2022, the Company entered into a preliminary agreement to sell a manufacturing facility located in France which is expected to close during the fourth quarter of 2022, subject to satisfaction of customary conditions. The Company considered the building to be accounted as held-for-sale as the six criteria under ASC 260 were met during the third quarter of 2022. Assets held for sale are reported at the lower of the carrying amount or fair value less estimated costs to sell and are not depreciated while they are held for sale. The fair value of the business less costs to sell exceeded the related carrying value.

Recent Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, *Income Taxes*: Simplifying the Accounting for Income Taxes, intended to simplify the accounting for income taxes by eliminating certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. This guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The standard is effective for annual periods beginning after December 15, 2020 and interim periods within, with early adoption permitted. The Company adopted ASU 2019-12 as of January 1, 2021. Adoption of the standard requires certain changes to be made prospectively, with some changes to be made retrospectively. The adoption of this guidance did not have a significant impact on the Company's consolidated financial statements and related disclosures.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform* (Topic 848), and subsequent amendment to the initial guidance: ASU 2021-01, *Reference Rate Reform* (Topic 848): Scope (collectively, “Topic 848”). Topic 848 provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts, hedging relationships, and other transactions that reference London Inter-Bank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. The guidance generally can be applied from March 12, 2020 through December 31, 2022. On October 5, 2022, the FASB approved an extension of the sunset date of the reference rate reform from December 31, 2022 to December 31, 2024, past LIBOR’s end date. The Company currently has contracts that are indexed to LIBOR and are continuing to evaluate the scope of impacted contracts and potential risk. The Company is also monitoring the developments regarding alternative rates and may amend certain contracts to accommodate those rates if the contract does not already specify a replacement rate. While the notional value of agreements potentially indexed to LIBOR is material, the Company does not expect a material impact to the consolidated financial statements and related disclosures associated with this transition.

In August 2020, the FASB issued ASU 2020-06, *Debt- Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40):Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. The guidance simplifies accounting for convertible instruments by removing major separation models required under current GAAP. Consequently, more convertible debt instruments will be reported as a single liability instrument with no separate accounting for embedded conversion features. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, which will permit more equity contracts to qualify. The guidance also simplifies the diluted net income per share calculation in certain areas. The ASU was effective for annual and interim periods beginning after December 15, 2021, and early adoption was permitted for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years using either the modified retrospective or full retrospective method.

As detailed in Note 6, *Debt*, on February 4, 2020, the Company issued $575.0 million aggregate principal amount of its 0.5% Convertible Senior Notes due 2025 (the "2025 Notes"). The 2025 Notes are subject to the guidance included in ASU 2020-06. The Company adopted this guidance on January 1, 2021 using the modified retrospective approach which resulted in a cumulative-effect adjustment that increased (decreased) the following consolidated balance sheet accounts:

Adjustment	Consolidated Balance Sheet Classification	Amount (in millions)
Deferred tax impact of cumulative-effect adjustment	Deferred tax liabilities	$ (20.6)
Debt discount reclassification	Long-term convertible securities	89.1
Equity issuance costs reclassification	Long-term convertible securities	(2.5)
Debt discount amortization and equity costs reclassification, net of tax	Retained Earnings	(2.8)
Net impact of cumulative-effect adjustment	Additional paid-in capital	(63.3)

On December 9, 2020, the Company made an irrevocable election under the indenture to require the principal portion of its 2025 Notes to be settled in cash and any excess in shares. Following the irrevocable notice, only the amounts settled in excess of the principal will be considered in diluted earnings per share under the “if-converted” method. Upon adoption of ASU 2020-06, the Company’s 2025 Notes were reflected entirely as a liability since the embedded conversion feature will no longer be separately presented within stockholders’ equity. Additionally, from January 1, 2021, the Company is no longer incurring non-cash interest expense for the amortization of debt discount.

In October 2020, the FASB issued ASU 2020-10, *Codification Improvements*, which updates various codification topics by clarifying or improving disclosure requirements to align with the regulations of the U.S. Securities and Exchange Commission (the "SEC"). The ASU has been effective for the Company for annual and interim periods beginning after January 1, 2021. The Company adopted this standard on the January 1, 2021. The adoption of this guidance did not have a significant impact on the Company's consolidated financial statements and related disclosures.

In May 2021, the FASB issued ASU 2021-04, *Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options* which provides guidance to clarify and reduce diversity in an issuer’s accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. The amendments in this ASU No. 2021-04 are effective for all entities for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years, with early adoption permitted, including interim periods within those fiscal years. The amendment had no impact to the Company as the effect will largely depend on the terms of written call options or financings issued or modified in the future.

There are no other recently issued accounting pronouncements that are expected to have any significant effect on the Company's financial position, results of operations or cash flows.

2. ACQUISITIONS AND DIVESTITURES

Sale of non-core traditional wound care business

On August 31, 2022, the Company completed its previously announced sale of its non-core traditional wound care ("TWC") business to Gentell, LLC ("Gentell") for $28.8 million, which consists of $27.8 million in cash plus $1.0 million in contingent consideration which may be received upon achieving certain revenue-based performance milestones two years after the closing date. The proceeds from the sale of the TWC business of $27.8 million is presented in the consolidated statement of cash flows net of cash transferred of $3.5 million and other transaction fees. The transaction included the sale of the Company's TWC products, such as sponges, gauze and conforming bandages, and certain advanced wound care dressings, such as supportive, calcium alginate, hydrogel, and foam dressings.

The divestiture did not represent a strategic shift that had a major effect on the Company's operations and financial statements. Goodwill was allocated to the assets and liabilities divested using the relative fair value method of the TWC business to the Company's Tissue Technologies reportable business segment. In connection with the sale, the Company recognized $0.6 million as a gain from the sale of the business in the consolidated statement of operations for the nine months ended September 30, 2022. The transaction is subject to final working capital adjustments.

In addition to the purchase and sale agreement, the Company also entered into a contract manufacturing agreement with Gentell. Under the terms of the agreement, Gentell received inventory, equipment, and tooling to manufacture certain MediHoney® and TCC-EZ® products on behalf of the Company. On the close date of this transaction, the Company transferred all inventory associated with these products to Gentell and subsequently recognized a prepaid asset of $11.1 million, as a form of a deposit for the inventory transferred. Based on the expected timing of inventory purchases, $8.3 million was included within prepaid expenses and other current assets and $2.8 million within other assets in the consolidated balance sheet. This deposit will be utilized by the Company on future orders placed to Gentell for such products.

Sale of Extremity Orthopedics Business

On January 4, 2021, the Company completed the sale of its Extremity Orthopedics business to Smith & Nephew USD Limited ("Smith & Nephew"). The transaction included the sale of the Company's upper and lower Extremity Orthopedics product portfolio, including ankle and shoulder arthroplasty and hand and wrist product lines. The Company received an aggregate purchase price of $240.0 million from Smith & Nephew and concurrently paid $41.5 million to the Consortium of Focused Orthopedists, LLC ("CFO") effectively terminating the licensing agreement between Integra and the CFO relating to the development of shoulder arthroplasty products.

The divestiture did not represent a strategic shift that had a major effect on the Company's operations and financial statements. Goodwill was allocated to the assets and liabilities divested using the relative fair value method of the Extremity Orthopedics business to the Company's Tissue Technologies reportable business segment. In connection with the sale, the Company recognized a $41.8 million as a gain from the sale of the business in the consolidated statement of operations for the year ended December 31, 2021. The Company finalized the net working capital with Smith & Nephew as of December 31, 2021.

The Company also entered into a transition services agreement ("TSA") with Smith & Nephew which requires the Company to provide certain services on behalf of Smith & Nephew for the duration of the period subsequent to the sale of the business as defined in the TSA. The Company recognized a payable due to Smith & Nephew of $3.0 million as of September 30, 2022, which is included in the consolidated balance sheets within accrued expenses and other current liabilities. The TSA includes services such as invoicing and cash collections from customers on behalf of Smith & Nephew. As of September 30, 2022, the Company has concluded the majority of the transition services agreement, pending final payment.

ACell, Inc. Acquisition

On January 20, 2021, the Company acquired ACell, Inc. (the "ACell Acquisition") for a total purchase price of $306.9 million plus contingent consideration of up to $100 million, which may be payable upon the Company achieving certain revenue-based performance milestones in 2022, 2023 and 2025. The final working capital adjustments of $1.3 million was finalized and paid as of June 30, 2021. Prior to the acquisition, ACell was a privately-held company that offered a portfolio of regenerative products for complex wound management, including developing and commercializing products based on MatriStem Urinary Bladder Matrix, a technology platform derived from porcine urinary bladder extracellular matrix.

Assets Acquired and Liabilities Assumed at Fair Value

The ACell Acquisition has been accounted for using the acquisition method of accounting. This method requires that assets acquired and liabilities assumed in a business combination are recognized at their fair values as of the acquisition date.

The following table summarizes the final fair values of the assets acquired and liabilities assumed at the acquisition date:

Dollars in thousands	Final Valuation	Weighted Average Life
Current assets:		
Cash	$ 2,726	
Trade accounts receivable, net	16,469	
Inventories, net	18,299	
Prepaid expenses and other current assets	1,498	
Total current assets	$ 38,992	
Property, plant and equipment, net	13,769	
Intangible assets	245,000	13-14 years
Goodwill	94,147	
Right of use asset - operating leases	9,259	
Deferred tax assets	7,465	
Other assets	148	
Total assets acquired	**$ 408,780**	
Current liabilities:		
Accounts payable	$ 718	
Accrued expenses	5,966	
Current portion of lease liability - operating leases	1,673	
Total current liabilities	$ 8,357	
Other long-term liability	276	
Lease liability - operating leases	7,585	
Deferred tax liability	61,724	
Contingent consideration	23,900	
Total liabilities assumed	**$ 101,842**	
Net assets acquired	**$ 306,938**	

Intangible Assets

The estimated fair value of the developed technology acquired was determined using the multi-period excess earnings method of the income approach, which estimates value based on the present value of future economic benefits. Some of the more significant assumptions inherent in the development of those asset valuations include the estimated net cash flows for each year for each product including net revenues, cost of sales, R&D costs, selling and marketing costs, the appropriate discount rate to select in order to measure the risk inherent in each future cash flow stream, the assessment of each asset’s life cycle, and competitive trends impacting the asset and each cash flow stream.

The Company used a discount rate of 8.5% to arrive at the present value for the acquired intangible assets to reflect the rate of return a market participant would expect to earn and incremental commercial uncertainty in the cash flow projections. No assurances can be given that the underlying assumptions used to prepare the discounted cash flow analysis will not change. For these and other reasons, actual results may vary significantly from estimated results.

Goodwill

The Company allocated goodwill related to the ACell acquisition to the Tissue Technologies reportable business segment. Goodwill is the excess of the consideration transferred over the net assets recognized and represents the expected synergies of the combined company and assembled workforce. Goodwill recognized as a result of this acquisition is non-deductible for income tax purposes.

Contingent Consideration

As part of the ACell Acquisition, the Company is required to make payments to the former shareholders of ACell up to $100 million based on the achievement by the Company of certain revenue-based performance milestones in 2022, 2023, and 2025. The Company used iterations of the Monte Carlo simulation to calculate the fair value of the contingent consideration that considered the possible outcomes of scenarios related to each specific milestone. The Company estimated the fair value of the contingent consideration to be $23.9 million at the acquisition date. The estimated fair value as of September 30, 2022 was $5.0 million. The Company recorded $5.0 million and $23.0 million in other liabilities at September 30, 2022 and September 30, 2021, respectively, in the consolidated balance sheets of the Company. The change in the fair value of the contingent obligation was primarily as a result of changes in the timing and amount of revenue estimates.

The Company determined the acquisition date fair value of contingent consideration obligations using a Monte Carlo simulation, as well as significant unobservable inputs, reflecting the Company’s assessment of the assumptions market participants would use to value these liabilities. The fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined using the fair value concepts in ASC 820. The resultant most likely payouts are discounted using an appropriate effective annual interest rate. At each reporting date, the contingent consideration obligations are revalued to estimated fair value and changes in fair value will be reflected as income or expense in our consolidated statement of operations. Changes in the fair value of the contingent considerations may result from changes in discount periods and rates and changes in the timing and amount of revenue estimates.

Deferred Tax Liabilities

Deferred tax liabilities result from identifiable intangible assets’ fair value adjustments. These adjustments create excess book basis over tax basis which is tax-effected by the statutory tax rates of applicable jurisdictions.

3. REVENUES FROM CONTRACTS WITH CUSTOMERS

Summary of Accounting Policies on Revenue Recognition

Revenue is recognized upon the transfer of control of promised products or services to the customers in an amount that reflects the consideration the Company expects to receive in exchange for those products and services.

Performance Obligations

The Company's performance obligations consist mainly of transferring control of goods and services identified in the contracts, purchase orders, or invoices. The Company has no significant multi-element contracts with customers.

Significant Judgments

Usage-based royalties and licenses are estimated based on the provisions of contracts with customers and recognized in the same period that the royalty-based products are sold by the Company's strategic partners. The Company estimates and recognizes royalty revenue based upon communication with licensees, historical information, and expected sales trends. Differences between actual reported licensee sales and those that were estimated are adjusted in the period in which they become known, which is typically the following quarter. Historically, such adjustments have not been significant.

The Company estimates returns, price concessions, and discount allowances using the expected value method based on historical trends and other known factors. Rebate allowances are estimated using the most likely method based on each customer contract.

The Company's return policy, as set forth in its product catalogs and sales invoices, requires review and authorization in advance prior to the return of product. Upon the authorization, a credit will be issued for the goods returned within a set amount of days from the shipment, which is generally ninety days.

In the third quarter of 2022, due to the voluntary recall of the CereLink® intracranial pressure monitors, the Company recorded a $1.5 million provision for product returns, as a reduction of net revenue, and a $0.8 million rework accrual in cost of goods sold.

The Company disregards the effects of a financing component if the Company expects, at contract inception, that the period between the transfer and customer payment for the goods or services will be one year or less. The Company has no significant revenues recognized on payments expected to be received more than one year after the transfer of control of products or services to customers.

Contract Asset and Liability

Revenues recognized from the Company's private label business that are not invoiced to the customers as a result of recognizing revenue over time are recorded as a contract asset included in the prepaid expenses and other current assets account in the consolidated balance sheet. Upon invoicing to the customer, the balance is recorded in trade receivable, net in the consolidated balance sheet.

Other operating revenues may include fees received under service agreements. Non-refundable fees received under multiple-period service agreements are recognized as revenue as the Company satisfies the performance obligations to the other party. A portion of the transaction price allocated to the performance obligations to be satisfied in the future periods is recognized as contract liability.

The following table summarized the changes in the contract asset and liability balances for the nine months ended September 30, 2022:

Dollars in thousands		Total
Contract Asset		
Contract asset, January 1, 2022	$	11,412
Transferred to trade receivable of contract asset included in beginning of the year contract asset		(11,412)
Contract asset, net of transferred to trade receivables on contracts during the period		6,281
Contract asset, September 30, 2022	$	6,281
Contract Liability		
Contract liability, January 1, 2022	$	11,946
Recognition of revenue included in beginning of year contract liability	$	(6,054)
Contract liability, net of revenue recognized on contracts during the period		8,534
Foreign currency translation		(120)
Contract liability, September 30, 2022	$	14,306

At September 30, 2022, the short-term portion of the contract liability of $6.4 million and the long-term portion of $7.9 million is included in current liabilities and other liabilities, respectively, in the consolidated balance sheets.

As of September 30, 2022, the Company is expected to recognize revenue of approximately 44% of unsatisfied (or partially unsatisfied) performance obligations as revenue within twelve months, with the remaining balance to be recognized thereafter.

Shipping and Handling Fees

The Company elected to account for shipping and handling activities as a fulfillment cost rather than a separate performance obligation. Amounts billed to customers for shipping and handling are included as part of the transaction price and recognized as revenue when control of underlying products is transferred to the customer. The related shipping and freight charges incurred by the Company are included in the cost of goods sold.

Product Warranties

Certain of the Company's medical devices, including monitoring systems and neurosurgical systems, are designed to operate over long periods of time. These products are sold with warranties which may extend for up to two years from the date of purchase. The warranties are not considered a separate performance obligation. The Company estimates its product warranties using the expected value method based on historical trends and other known factors. The Company includes them in accrued expenses and other current liabilities in the consolidated balance sheet.

Taxes Collected from Customers

The Company elected to exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the Company from a customer.

Disaggregated Revenue

The following table presents revenues disaggregated by the major sources of revenues for the three and nine months ended September 30, 2022 and 2021 (dollar amounts in thousands):

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Neurosurgery	$ 193,848	$ 199,210	$ 588,818	$ 591,064
Instruments	55,948	57,287	166,149	163,511
Total Codman Specialty Surgical	249,796	256,497	754,967	754,575
Wound Reconstruction and Care	104,625	99,744	304,149	291,058
Private Label	30,770	30,620	100,528	91,291
Total Tissue Technologies [(1)]	135,395	130,364	404,677	382,349
Total revenue	$ 385,191	$ 386,861	$ 1,159,644	$ 1,136,924

[(1)] On August 31, 2022, the Company completed the sale of its non-core traditional wound care ("TWC") business. See Note 2, *Acquisitions and Divestitures.*

See Note 15, *Segment and Geographical Information*, for details of revenues based on the location of the customer.

4. INVENTORIES

Inventories, net consisted of the following:

Dollars in thousands	September 30, 2022	December 31, 2021
Finished goods	$ 163,160	$ 162,528
Work in process	73,326	65,323
Raw materials	74,574	89,535
Total inventories, net	$ 311,060	$ 317,386

5. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Changes in the carrying amount of goodwill for the nine-month period ended September 30, 2022 were as follows:

Dollars in thousands	Codman Specialty Surgical	Tissue Technologies	Total
Goodwill at December 31, 2021	$ 663,428	$ 350,030	$ 1,013,458
Divestitures[(1)]	—	(5,019)	(5,019)
Foreign currency translation	(20,117)	(10,462)	(30,579)
Goodwill at September 30, 2022	$ 643,311	$ 334,549	$ 977,860

[(1)] On August 31, 2022, the Company completed the sale of the TWC business. See Note 2, Acquisitions and Divestitures.

Other Intangible Assets

The components of the Company's identifiable intangible assets were as follows:

	September 30, 2022			
Dollars in thousands	Weighted Average Life	Cost	Accumulated Amortization	Net
Completed technology	18 years	$ 1,114,779	$ (350,055)	$ 764,724
Customer relationships	12 years	$ 190,848	$ (140,433)	$ 50,415
Trademarks/brand names	28 years	$ 95,406	$ (33,261)	$ 62,145
Codman tradename	Indefinite	$ 161,663	$ —	$ 161,663
Supplier relationships	30 years	$ 30,211	$ (16,926)	$ 13,285
All other	11 years	$ 5,547	$ (3,744)	$ 1,803
		$ 1,598,454	$ (544,419)	$ 1,054,035

	December 31, 2021			
Dollars in thousands	Weighted Average Life	Cost	Accumulated Amortization	Net
Completed technology	18 years	$ 1,132,954	$ (307,013)	$ 825,941
Customer relationships	12 years	211,344	(142,755)	68,589
Trademarks/brand names	28 years	98,367	(31,468)	66,899
Codman tradename	Indefinite	167,758	—	167,758
Supplier relationships	30 years	30,211	(16,192)	14,019
All other	11 years	6,258	(3,891)	2,367
		$ 1,646,892	$ (501,319)	$ 1,145,573

On August 31, 2022, $10.5 million of customer relationship assets, net were divested in conjunction with the sale of the TWC business. See Note 2, *Acquisitions and Divestitures*.

Goodwill and Intangible Assets with Indefinite Lives

The Company tests goodwill and intangible assets with indefinite lives for impairment annually in the third quarter in accordance with ASC Topic 350. Additionally, the Company may perform interim tests if an event occurs or circumstances change that could potentially reduce the fair value of a reporting unit or indefinite lived intangible asset below its carrying amount. The carrying value of each reporting unit is determined by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units.

The Company tests for impairment by either performing a qualitative evaluation or a quantitative test. The qualitative evaluation is an assessment of factors, including reporting unit specific operating results as well as industry, market and general economic conditions, to determine whether it is more likely than not that the fair values of a reporting unit is less than its carrying amount, including goodwill. The Company may elect to bypass this qualitative evaluation for some or all of its reporting units and perform a quantitative test.

During the third quarter of 2022, the Company elected to perform a qualitative analysis for its three reporting units and intangible asset with indefinite lives. The Company determined, after performing the qualitative analysis, that there was no evidence that it is more likely than not that the fair value was less that the carrying amounts, therefore, it was not necessary to perform a quantitative impairment test.

Based on quarter-end exchange rates, amortization expense (including amounts reported in cost of goods sold) is expected to be approximately $19.1 million for the remainder of 2022, $76.3 million in 2023, $75.7 million in 2024, $75.7 million in 2025, $75.5 million in 2026, $73.6 million in 2027 and $499.0 million thereafter.

6. DEBT

Amendment to the Sixth Amended and Restated Senior Credit Agreement

On February 3, 2020, the Company entered into the sixth amendment and restatement (the "February 2020 Amendment") of its Senior Credit Facility (the "Senior Credit Facility") with a syndicate of lending banks with Bank of America, N.A., as Administrative Agent. The February 2020 Amendment extended the maturity date to February 3, 2025. The Company continues to have the aggregate principal amount of up to approximately $2.2 billion available to it through the following facilities: (i) a $877.5 million Term Loan facility, and (ii) a $1.3 billion revolving credit facility, which includes a $60 million sublimit for the issuance of standby letters of credit and a $60 million sublimit for swingline loans.

The Company’s maximum consolidated total leverage ratio in the financial covenants (as defined in the Senior Credit Facility) is the following:

Fiscal Quarter	Maximum Consolidated Total Leverage Ratio
September 30, 2022 through June 30, 2023	4.50 to 1.00
September 30, 2023 and the last day of each fiscal quarter thereafter	4.00 to 1.00

Borrowings under the Senior Credit Facility bear interest, at the Company’s option, at a rate equal to the following:

i. the Eurodollar Rate (as defined in the amendment and restatement) in effect from time to time plus the applicable rate (ranging from 1.00% to 2.25%), or
ii. the highest of:
    1. the weighted average overnight Federal funds rate, as published by the Federal Reserve Bank of New York, plus 0.50%
    2. the prime lending rate of Bank of America, N.A. or
    3. the one-month Eurodollar Rate plus 1.00%

The applicable rates are based on the Company’s consolidated total leverage ratio (defined as the ratio of (a) consolidated funded indebtedness as of such date less cash that is not subject to any restriction on the use or investment thereof to (b) consolidated EBITDA, for the period of four consecutive fiscal quarters ending on such date).

The Company will pay an annual commitment fee (ranging from 0.15% to 0.30%), based on the Company's consolidated total leverage ratio, on the amount available for borrowing under the revolving credit facility.

The Senior Credit Facility is collateralized by substantially all of the assets of the Company’s U.S. subsidiaries, excluding intangible assets. The Senior Credit Facility is subject to various financial and negative covenants and at September 30, 2022, the Company was in compliance with all such covenants.

At September 30, 2022 and December 31, 2021, there was $65.0 million and $31.3 million, respectively, outstanding under the revolving portion of the Senior Credit Facility at weighted average interest rates of 4.5% and 1.4%, respectively. At September 30, 2022 and December 31, 2021, there was $810.0 million and $843.8 million, respectively, outstanding under the Term Loan component of the Senior Credit Facility at a weighted average interest rate of 4.5% and 1.4%, respectively. At September 30, 2022 and December 31, 2021, there was $56.3 million and $45.0 million, respectively of the Term Loan component of the Senior Credit Facility classified as current on the consolidated balance sheets.

The fair value of outstanding borrowings of the Senior Credit Facility's revolving credit and Term Loan components at September 30, 2022 were $64.1 million and $799.7 million, respectively. These fair values were determined by using a discounted cash flow model based on current market interest rates available to the Company. These inputs are corroborated by observable market data for similar liabilities and therefore classified within Level 2 of the fair value hierarchy. Level 2 inputs represent inputs that are observable for the asset or liability, either directly or indirectly, and are other than active market observable inputs that reflect unadjusted quoted prices for identical assets or liabilities.

Letters of credit outstanding as of September 30, 2022 and December 31, 2021 totaled $1.6 million. There were no amounts drawn as of September 30, 2022.

Contractual repayments of the Term Loan component of the Senior Credit Facility are due as follows:

Quarter Ended September 30, 2022	Principal Repayment	
Dollars in thousands		
Remainder of 2022	$	11,250
2023	$	61,875
2024	$	67,500
2025	$	669,375
	$	810,000

Future interest payments on the term loan component of the Senior Credit Facility based on current interest rates are expected to approximate $9.0 million for remainder of 2022, $34.2 million in 2023, $31.2 million in 2024, and $2.8 million in 2025. Interest is calculated on the term loan portion of the Senior Credit Facility based on LIBOR plus the certain amounts set forth in the Sixth Amended and Restated Credit Agreement. As the revolving credit facility and Securitization Facility can be repaid at any time, no interest has been included in the calculation.

The outstanding balance of the revolving credit component of the Senior Credit Facility is due on February 3, 2025.

Convertible Senior Notes

On February 4, 2020, the Company issued $575.0 million aggregate principal amount of its 0.5% Convertible Senior Notes due 2025 (the "2025 Notes"). The 2025 Notes will mature on August 15, 2025 and bear interest at a rate of 0.5% per annum payable semi-annually in arrears, unless earlier converted, repurchased or redeemed in accordance with the terms of the 2025 Notes. The portion of debt proceeds that was classified as equity at the time of the offering was $104.5 million. The effective interest rate implicit in the liability component was 4.2%. In connection with this offering, the Company capitalized $13.2 million of financing fees.

The 2025 Notes are senior, unsecured obligations of the Company, and are convertible into cash and shares of its common stock based on initial conversion rate, subject to adjustment of 13.5739 shares per $1,000 principal amounts of the 2025 Notes (which represents an initial conversion price of $73.67 per share). The 2025 Notes convert only in the following circumstances: (1) if the closing price of the Company's common stock has been at least 130% of the conversion price during the period; (2) if the average trading price per $1,000 principal amount of the 2025 Notes is less than or equal to 98% of the average conversion value of the 2025 Notes during a period as defined in the indenture; (3) at any time on or after February 20, 2023; or (4) if specified corporate transactions occur. As of September 30, 2022, none of these conditions existed with respect to the 2025 Notes and as a result the 2025 Notes are classified as long term.

On December 9, 2020, the Company entered into the First Supplemental Indenture to the original agreement dated as of February 4, 2020 between the Company and Citibank, N.A., as trustee, governing the Company’s outstanding 2025 Notes. The Company irrevocably elected (1) to eliminate the Company’s option to choose physical settlement on any conversion of the 2025 Notes that occurs on or after the date of the First Supplemental Indenture and (2) with respect to any Combination Settlement for a conversion of the 2025 Notes, the Specified Dollar Amount that will be settled in cash per $1,000 principal amount of the 2025 Notes shall be no lower than $1,000.

Holders of the Notes will have the right to require the Company to repurchase for cash all or a portion of their Notes at 100% of their principal amount, plus any accrued and unpaid interest, upon the occurrence of a fundamental change (as defined in the indenture relating to the Notes). The Company will also be required to increase the conversion rate for holders who convert their Notes in connection with certain fundamental changes occurring prior to the maturity date or following delivery by the Company of a notice of redemption.

In connection with the issuance of the 2025 Notes, the Company entered into call transactions and warrant transactions, primarily with affiliates of the initial purchasers of the 2025 Notes (the “hedge participants”). The cost of the call transactions was $104.2 million for the 2025 Notes. The Company received $44.5 million of proceeds from the warrant transactions for the 2025 Notes. The call transactions involved purchasing call options from the hedge participants, and the warrant transactions involved selling call options to the hedge participants with a higher strike price than the purchased call options. The initial strike price of the call transactions was $73.67, subject to anti-dilution adjustments substantially similar to those in the 2025 Notes. The initial strike price of the warrant transactions was $113.34 for the 2025 Notes, subject to customary anti-dilution adjustments.

At December 31, 2020, the carrying amount of the liability component was $485.9 million, the remaining unamortized discount was $89.1 million, and the principal amount outstanding was $575.0 million. On January 1, 2021, the Company adopted ASU 2020-06 using the modified retrospective method. See Note 1, *Basis of Presentation,* for further details. At September 30, 2022, the carrying amount of the liability was $575.0 million. The fair value of the 2025 Notes at September 30, 2022 was $505.2 million. Factors that the Company considered when estimating the fair value of the 2025 Notes included recent quoted market prices or dealer quote. The level of the 2025 Notes is considered as Level 1.

As a result of the adoption of ASU 2020-06, for the nine months ended September 30, 2022 and September 30, 2021, the Company recognized only cash interest related to the contractual interest coupon on the 2025 Notes of $2.2 million and $2.1 million, respectively.

Securitization Facility

During the fourth quarter of 2018, the Company entered into an accounts receivable securitization facility (the "Securitization Facility") under which accounts receivable of certain domestic subsidiaries are sold on a non-recourse basis to a special purpose entity (“SPE”), which is a bankruptcy-remote, consolidated subsidiary of the Company. Accordingly, the assets of the SPE are not available to satisfy the obligations of the Company or any of its subsidiaries. From time to time, the SPE may finance such accounts receivable with a revolving loan facility secured by a pledge of such accounts receivable. The amount of outstanding borrowings on the Securitization Facility at any one time is limited to $150.0 million. The Securitization Facility Agreement ("Securitization Agreement") governing the Securitization Facility contains certain covenants and termination events. An occurrence of an event of default or a termination event under this Securitization Agreement may give rise to the right of its counterparty to terminate this facility. As of September 30, 2022, the Company was in compliance with the covenants and none of the termination events had occurred.

On May 28, 2021, the Company entered into an amendment (the "May 2021 Amendment") of the Securitization Facility which extended the maturity date from December 21, 2021 to May 28, 2024. The May 2021 Amendment does not increase the Company’s total indebtedness.

At September 30, 2022 and December 31, 2021, the Company had $106.0 million and $112.5 million, respectively, of outstanding borrowings under its Securitization Facility at a weighted average interest rate of 3.5% and 1.1%, respectively. The fair value of the outstanding borrowing of the Securitization Facility at September 30, 2022 was $104.5 million. These fair values were determined by using a discounted cash flow model based on current market interest rates available to the Company. These inputs are corroborated by observable market data for similar liabilities and therefore classified within Level 2 of the fair value hierarchy. Level 2 inputs represent inputs that are observable for the asset or liability, either directly or indirectly, and are other than active market observable inputs that reflect unadjusted quoted prices for identical assets or liabilities.

7. DERIVATIVE INSTRUMENTS

Interest Rate Hedging

The Company’s interest rate risk relates to U.S. dollar denominated variable interest rate borrowings. The Company uses interest rate swap derivative instruments to manage earnings and cash flow exposure resulting from changes in interest rates. These interest rate swaps apply a fixed interest rate on a portion of the Company's expected LIBOR-indexed floating-rate borrowings.

The Company held the following interest rate swaps as of September 30, 2022 and December 31, 2021 (dollar amounts in thousands):

Hedged Item	Notional Amount September 30, 2022	Notional Amount December 31, 2021	Designation Date	Effective Date	Termination Date	Fixed Interest Rate	Estimated Fair Value Asset (Liability) September 30, 2022	Estimated Fair Value Asset (Liability) December 31, 2021
1-month USD LIBOR Loan	300,000	300,000	December 13, 2017	January 1, 2018	December 31, 2022	2.201 %	1,078	(5,268)
1-month USD LIBOR Loan	150,000	150,000	December 13, 2017	July 1, 2019	June 30, 2024	2.423 %	4,671	(5,520)
1-month USD LIBOR Loan	200,000	200,000	December 13, 2017	January 1, 2018	December 31, 2024	2.313 %	8,212	(7,421)
1-month USD LIBOR Loan	75,000	75,000	October 10, 2018	July 1, 2020	June 30, 2025	3.220 %	1,719	(5,512)
1-month USD LIBOR Loan	75,000	75,000	October 10, 2018	July 1, 2020	June 30, 2025	3.199 %	1,828	(5,464)
1-month USD LIBOR Loan	75,000	75,000	October 10, 2018	July 1, 2020	June 30, 2025	3.209 %	1,673	(5,494)
1-month USD LIBOR Loan	100,000	100,000	December 18, 2018	December 30, 2022	December 31, 2027	2.885 %	4,578	(6,886)
1-month USD LIBOR Loan	100,000	100,000	December 18, 2018	December 30, 2022	December 31, 2027	2.867 %	4,545	(6,764)
1-month USD LIBOR Loan	575,000	575,000	December 15, 2020	July 31, 2025	December 31, 2027	1.415 %	26,261	3,552
1-month USD LIBOR Loan	125,000	125,000	December 15, 2020	July 1, 2025	December 31, 2027	1.404 %	6,039	821
	$ 1,775,000	$ 1,775,000					$ 60,604	$ (43,957)

The Company has designated these derivative instruments as cash flow hedges. The Company assesses the effectiveness of these derivative instruments and has recorded the changes in the fair value of the derivative instrument designated as a cash flow hedge as unrealized gains or losses in accumulated other comprehensive loss (“AOCL”), net of tax, until the hedged item has affected earnings, at which point any gain or loss was reclassified to earnings. If the hedged cash flow does not occur, or if it becomes probable that it will not occur, the Company will reclassify the remaining amount of any gain or loss on the related cash flow hedge recorded in AOCL to interest expense at that time.

Foreign Currency Hedging

From time to time, the Company enters into foreign currency hedge contracts intended to protect the U.S. dollar value of certain forecasted foreign currency denominated transactions. The Company assesses the effectiveness of the contracts that are designated as hedging instruments. The changes in fair value of foreign currency cash flow hedges are recorded in AOCL, net of tax. Those amounts are subsequently reclassified to earnings from AOCL as impacted by the hedged item when the hedged item affects earnings. If the hedged forecasted transaction does not occur or if it becomes probable that it will not occur, the Company will reclassify the amount of any gain or loss on the related cash flow hedge to earnings at that time. For contracts not designated as hedging instruments, the changes in fair value of the contracts are recognized in other income, net in the consolidated statements of operation, along with the offsetting foreign currency gain or loss on the underlying assets or liabilities.

The success of the Company’s hedging program depends, in part, on forecasts of certain activity denominated in foreign currency. The Company may experience unanticipated currency exchange gains or losses to the extent that there are differences between forecasted and actual activities during periods of currency volatility. In addition, changes in currency exchange rates related to any unhedged transactions may affect earnings and cash flows.

Cross-Currency Rate Swaps

On October 2, 2017, the Company entered into cross-currency swap agreements to convert a notional amount of $300.0 million equivalent to 291.2 million of Swiss Franc ("CHF") denominated intercompany loans into U.S. dollars. The CHF-denominated intercompany loans were the result of the purchase of intellectual property by a subsidiary in Switzerland as part of an acquisition. As of December 31, 2021, $150.0 million of the $300.0 million notional amount remained outstanding. On September 26, 2022, the Company amended the CHF-denominated intercompany loan to extend the termination date to September 2023 and as a result, the Company early terminated the cross-currency swap designated as cash flow hedge of an intercompany loan with aggregate notional amount of $50.0 million. Simultaneously, the Company entered into a cross-currency swap agreement to convert a notional amount of CHF 48.5 million equivalent to $49.1 million of this amended intercompany loan into U.S. dollars. The loss recorded by the Company upon the settlement of the swap was not material for the period.

On December 21, 2020, the Company entered into cross-currency swap agreements to convert a notional amount of $471.6 million equivalent to 420.1 million of a CHF-denominated intercompany loan into U.S. dollars. The CHF-denominated intercompany loan was the result of an intra-entity transfer of certain intellectual property rights to a subsidiary in Switzerland completed during the fourth quarter of 2020. The intercompany loan requires quarterly payments of CHF 5.8 million plus accrued interest. As a result, the aggregate notional amount of the related cross-currency swaps will decrease by a corresponding amount.

The objective of these cross-currency swaps is to reduce volatility of earnings and cash flows associated with changes in the foreign currency exchange rate. Under the terms of these contracts, which have been designated as cash flow hedges, the Company will make interest payments in Swiss Francs and receive interest in U.S. dollars. Upon the maturity of these contracts, the Company will pay the principal amount of the loans in Swiss Francs and receive U.S. dollars from the counterparties.

The Company held the following cross-currency rate swaps as of September 30, 2022 and December 31, 2021 (dollar amounts in thousands):

	Effective Date	Termination Date	Fixed Rate		Aggregate Notional Amount September 30, 2022	Aggregate Notional Amount December 31, 2021	Fair Value Asset (Liability) September 30, 2022	Fair Value Asset (Liability) December 31, 2021
Pay CHF	September 28, 2022	September 29, 2023	1.95%	CHF	48,532	—	(106)	—
Receive U.S.$			5.32%	$	49,142	—		
Pay CHF	October 2, 2017	October 3, 2022	1.95%	CHF	97,065	145,598	2,281	(8,283)
Receive U.S.$			4.52%	$	100,000	150,000		
Pay CHF	December 21, 2020	December 22, 2025	3.00%	CHF	379,887	397,137	18,394	41
Receive U.S.$			3.98%	$	426,456	445,821		
Total							$ 20,569	$ (8,242)

On October 3rd, 2022, in accordance with the termination date, the Company settled cross-currency swaps designated as cash flow hedges of an intercompany loan with aggregate notional amounts of $100 million. Based on the closing exchange rates, the gain upon settlement of these swaps was approximately $1.6 million which was offset by the loss on the settlement of the intercompany loan.

The cross-currency swaps are carried on the consolidated balance sheet at fair value, and changes in the fair values are recorded as unrealized gains or losses in AOCL

Net Investment Hedges

The Company manages certain foreign exchange risks through a variety of strategies, including hedging. The Company is exposed to foreign exchange risk from its international operations through foreign currency purchases, net investments in foreign subsidiaries, and foreign currency assets and liabilities created in the normal course of business. On October 1, 2018, December 16, 2020 and May 26, 2022, the Company entered into cross-currency swap agreements designated as net investment hedges to partially offset the effects of foreign currency on foreign subsidiaries.

The Company held the following cross-currency rate swaps designated as net investment hedges as of September 30, 2022 and December 31, 2021, respectively (dollar amounts in thousands):

	Effective Date	Termination Date	Fixed Rate		Aggregate Notional Amount September 30, 2022	Aggregate Notional Amount December 31, 2021	Fair Value Asset (Liability) September 30, 2022	Fair Value Asset (Liability) December 31, 2021
Pay EUR	October 3, 2018	September 30, 2023	—%	EUR	51,760	51,760	9,198	2,503
Receive U.S.$			2.57%	$	60,000	60,000		
Pay EUR	October 3, 2018	September 30, 2025	—%	EUR	38,820	38,820	7,049	2,147
Receive U.S.$			2.19%	$	45,000	45,000		
Pay CHF	December 16, 2020	December 16, 2027	—%	CHF	—	222,300		
Receive U.S.$			1.10%	$	—	250,000	—	(792)
Pay CHF	May 26, 2022	December 16, 2028	—%	CHF	288,210	—		
Receive U.S.$			1.94%	$	300,000	—	(522)	—
Total							$ 15,725	$ 3,858

On May 26, 2022, the Company early settled cross-currency swaps designated as net investment hedge with an aggregate notional amount of $250 million equivalent to 222.3 million CHF. The original settlement date was December 16, 2027. As a result of the settlement, the Company recorded a gain of $4.9 million in AOCL. On May 26, 2022, the Company entered into cross-currency swap agreements designated as net investment hedge to replace these swaps with a notional amount of $300 million equivalent to 288 million CHF.

On September 30, 2021, in accordance with the termination date, the Company settled cross-currency swaps designated as net investment hedge with an aggregate notional amount of $52 million equivalent to 44.9 million Euros based on the termination date. As a result of the settlement, the Company recorded a gain of $0.1 million in AOCL.

The cross-currency swaps are carried on the consolidated balance sheet at fair value, and changes in the fair values are recorded as unrealized gains or losses in AOCL

Counterparty Credit Risk

The Company manages its concentration of counterparty credit risk on its derivative instruments by limiting acceptable counterparties to a group of major financial institutions with investment grade credit ratings, and by actively monitoring their credit ratings and outstanding positions on an ongoing basis. Therefore, the Company considers the credit risk of the counterparties to be low. Furthermore, none of the Company’s derivative transactions are subject to collateral or other security arrangements, and none contain provisions that depend upon the Company’s credit ratings from any credit rating agency.

Fair Value of Derivative Instruments

The Company has classified all of its derivative instruments within Level 2 of the fair value hierarchy because observable inputs are available for substantially the full term of the derivative instruments. The fair values of the interest rate swaps and cross-currency swaps were developed using a market approach based on publicly available market yield curves and the terms of the swap. The Company performs ongoing assessments of counterparty credit risk.

Effects of Derivative Instruments on Financial Position and Results of Operations

The following table summarizes the fair value for derivatives designated as hedging instruments in the condensed consolidated balance sheets as of September 30, 2022 and December 31, 2021:

	Fair Value as of	
Location on Balance Sheet[(1)]:	**September 30, 2022**	**December 31, 2021**
Dollars in thousands		
Derivatives designated as hedges — Assets:		
Prepaid expenses and other current assets		
Cash Flow Hedges		
Interest rate swap[(2)]	13,111	$ —
Cross-currency swap	$ 9,287	$ 4,900
Net Investment Hedges		
Cross-currency swap	16,138	5,120
Other assets		
Cash Flow Hedges		
Interest rate swap[(2)]	47,493	4,373
Cross-currency swap	11,387	—
Net Investment Hedges		
Cross-currency swap	6,054	2,104
Total derivatives designated as hedges — Assets	$ 103,470	$ 16,497
Derivatives designated as hedges — Liabilities:		
Accrued expenses and other current liabilities		
Cash Flow Hedges		
Interest rate swap[(2)]	$ —	$ 18,187
Cross-currency swap	$ 105	8,283
Cash Flow Hedges		
Interest rate swap[(2)]	$ —	30,143
Cross-currency swap	$ —	4,859
Net Investment Hedges		
Cross-currency swap	$ 6,467	3,366
Total derivatives designated as hedges — Liabilities	$ 6,572	$ 64,838

(1) The Company classifies derivative assets and liabilities as current based on the cash flows expected to be incurred within the following 12 months.
(2) At September 30, 2022 and December 31, 2021, the total notional amounts related to the Company's interest rate swaps were both $1.8 billion, respectively.

The following table presents the effect of derivative instruments designated as cash flow hedges and net investment hedges on the AOCL and earnings, both net of tax, during the three and nine months ended September 30, 2022 and 2021:

Dollars in thousands	Balance in AOCL Beginning of Quarter	Amount of Gain (Loss) Recognized in AOCL	Amount of Gain (Loss) Reclassified from AOCL into Earnings	Balance in AOCL End of Quarter	Location in Statements of Operations
Three Months Ended September 30, 2022					
Cash Flow Hedges					
Interest rate swap	$ 26,939	$ 32,939	$ (726)	$ 60,604	Interest expense
Cross-currency swap	(17,835)	12,332	17,627	(23,130)	Other income, net
Net Investment Hedges					
Cross-currency swap	7,506	9,403	2,378	14,531	Interest income
	$ 16,610	$ 54,674	$ 19,279	$ 52,005	
Three Months Ended September 30, 2021					
Cash Flow Hedges					
Interest rate swap	$ (62,736)	$ 2,488	$ (5,434)	$ (54,814)	Interest expense
Cross-currency swap	(4,363)	7,045	5,874	(3,192)	Other income, net
Net Investment Hedges					
Cross-currency swap	(2,078)	6,882	1,749	3,055	Interest income
	$ (69,177)	$ 16,415	$ 2,189	$ (54,951)	

Dollars in thousands	Balance in AOCL Beginning of Year	Amount of Gain (Loss) Recognized in AOCL	Amount of Gain (Loss) Reclassified from AOCL into Earnings	Balance in AOCL End of Quarter	Location in Statements of Operations
Nine Months Ended September 30, 2022					
Cash Flow Hedges					
Interest rate swap	$ (43,956)	$ 94,729	$ (9,831)	$ 60,604	Interest expense
Cross-currency swap	(9,688)	33,784	47,226	(23,130)	Other income, net
Net Investment Hedges					
Cross-currency swap	(2,321)	21,528	4,676	14,531	Interest income
	$ (55,965)	$ 150,041	$ 42,071	$ 52,005	
Nine Months Ended September 30, 2021					
Cash Flow Hedges					
Interest rate swap	$ (93,769)	$ 21,993	$ (16,962)	$ (54,814)	Interest expense
Cross-currency swap	(1,073)	36,270	38,389	(3,192)	Other income, net
Net Investment Hedges					
Cross-currency swap	(12,291)	20,543	5,197	3,055	Interest income
	$ (107,133)	$ 78,806	$ 26,624	$ (54,951)	

For the three and nine months ended September 30, 2022, the Company recorded gains of $16.5 million and $42.2 million, respectively, in other income, net related to change in fair value related to the foreign currency rate translation of the cross-currency swaps, designated as cash flow hedges, to offset the losses recognized on the intercompany loans. For the three and nine months ended September 30, 2021, the Company recorded a gains of $4.3 million and $34.3 million, respectively, in other income, net related to change in fair value related to the foreign currency rate translation of the cross-currency swaps, designated as cash flow hedges, to offset the losses recognized on the intercompany loans.

For the three and nine months ended September 30, 2022, the Company recorded gains of $1.1 million and $5.0 million, respectively, in other income, net included in the consolidated statements of operations related to the interest rate differential of the cross-currency swaps designated as cash flow hedges. For the three and nine months ended September 30, 2021, the Company recorded gains of $1.5 million and $4.1 million, respectively, in other income, net included in the consolidated statements of operations related to the interest rate differential of the cross-currency swaps designated as cash flow hedges.

The estimated gain that is expected to be reclassified to other income, net from AOCL as of September 30, 2022, for the cross-currency swaps designated as cash flow hedges, within the next twelve months is $9.2 million. As of September 30, 2022, the Company does not expect any gains or losses will be reclassified into earnings as a result of the discontinuance of these cash flow hedges because the original forecasted transaction will not occur.

The estimated gain that is expected to be reclassified to interest income from AOCL as of September 30, 2022, for the cross-currency swaps designated as net investment hedges, within the next twelve months is $16.1 million.

Derivative Instruments not designated hedges:

During the fourth quarter of 2020, the Company entered into foreign currency forward contracts, with a notional amount of $4.2 million, to mitigate the foreign exchange risk related to certain intercompany loans denominated in Canadian Dollar ("CAD"). During the second quarter of 2022, the Company entered into foreign currency forward contract, with a notional amount of $4.2 million, to mitigate the foreign exchange risk related to certain intercompany receivables denominated in Japanese Yen ("JPY"). These contracts were settled in third quarter of 2022, in accordance with their termination date with a gain of $0.2 million. During the third quarter of 2022, the Company also entered into foreign currency forward contracts, with a notional amount of $2.0 million, which was also settled in the third quarter of 2022 in accordance with its term, resulting in a gain of $0.1 million. During the third quarter of 2022, the Company entered into foreign currency forward contracts, with a notional amount of $16.4 million, to mitigate the foreign exchange risk related to certain intercompany receivables denominated in JPY, CHF and the Chinese Renminbi traded in Hong Kong. The contracts are not designated as hedging instruments. The fair value of the foreign currency forward contracts was $1.2 million and $0.2 million as of September 30, 2022 and December 31, 2021, respectively.

During the third quarter of 2022, the Company entered into a foreign currency swap, with a notional amount of $12.2 million to mitigate the risk from fluctuations in foreign currency exchange rates associated with an intercompany loan denominated in CHF. During the second quarter of 2021, the Company entered into a foreign currency swap, with a notional amount of $7.3 million to mitigate the risk from fluctuations in foreign currency exchange rates associated with an intercompany loan denominated in JPY. In a foreign currency swap transaction, the Company agrees with another party to exchange, at specified intervals, the difference between one currency and another currency at a fixed exchange rate, generally set at inception, calculated by reference to an agreed upon notional amount. The notional amount of each currency is exchanged at the inception and termination of the currency swap by each party. The Company subsequently paid down a portion of this swap, bringing the notional amount down to $6.4 million.

The following table summarizes the gains (losses) of derivative instruments not designated as hedges on the condensed consolidated statements of income, which was included in other income:

Dollars in thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Foreign currency forward contracts	$ 1,162	$ 117	$ 1,154	$ (186)
Foreign currency swaps	184	(7)	1,777	404
Total	$ 1,346	$ 110	$ 2,931	$ 218

8. STOCK-BASED COMPENSATION

As of September 30, 2022, the Company had stock options, restricted stock awards, performance stock awards, contract stock awards and restricted stock unit awards outstanding under the Integra LifeSciences Holdings Corporation Fifth Amended and Restated 2003 Equity Incentive Plan (the “2003 Plan”).

Stock options issued under the 2003 Plan become exercisable over specified periods, generally within four years from the date of grant for officers and employees, within one year from date of grant for directors which generally expire eight years from the grant date for employees, and from six to ten years for directors and certain executive officers, except in certain instances that result in accelerated vesting due to death, disability, retirement age or change in-control provisions within their grant agreements. The Company values stock option grants using the binomial distribution model. Restricted stock issued under the 2003 Plan vests over specified periods, generally three years after the date of grant. The vesting of performance stock issued under the 2003 Plan is subject to service and performance conditions.

Stock Options

As of September 30, 2022, there were approximately $3.9 million of total unrecognized compensation costs related to unvested stock options. These costs are expected to be recognized over a weighted-average period of approximately three years. There were 145,565 stock options granted during the nine months ended September 30, 2022. For the nine months ended September 30, 2022, the weighted average grant date fair value for stock options was $23.15 per option.

Awards of Restricted Stock and Performance Stock

Performance stock and restricted stock awards generally have requisite service periods of three years, except in certain instances that result in accelerated vesting due to death, disability, retirement age provision or change in-control provisions in their grant agreements. Performance stock units are subject to graded vesting conditions based on revenue goals of the Company. The Company expenses the fair value of restricted stock awards on a straight-line basis over the requisite service period. As of September 30, 2022, there was approximately $33.6 million of total unrecognized compensation costs related to these unvested awards. The Company expects to recognize these costs over a weighted-average period of approximately two years. The Company granted 397,333 restricted stock awards and 130,753 performance stock awards during the nine months ended September 30, 2022. For the nine months ended September 30, 2022, the weighted average grant date fair value for restricted stock awards and performance stock units was $63.62 and $65.11 per award, respectively.

The Company also maintains an Employee Stock Purchase Plan (the “ESPP”), which provides eligible employees with the opportunity to acquire shares of common stock at periodic intervals by means of accumulated payroll deductions. The ESPP is a non-compensatory plan based on its terms.

9. RETIREMENT PLANS

The Company maintains defined benefit pension plans that cover certain employees in France, Japan, Germany and Switzerland.

Net periodic benefit cost for the Company’s defined benefit pension plans for the three and nine months ended September 30, 2022 were $0.3 million and $0.8 million. The components of the net periodic benefit costs other than the service cost component of $0.6 million and $1.9 million for the three and nine months ended September 30, 2022 are included in other income, net in the consolidated statements of operations.

Net periodic benefit costs for the Company’s defined benefit pension plans for the three and nine months ended September 30, 2021 were $0.5 million and $1.8 million. The components of the net periodic benefit costs other than the service cost component of $0.8 million and $2.4 million for the three and nine months ended September 30, 2021 are included in other income, net in the consolidated statements of operations.

The estimated fair values of plan assets were $34.0 million and $39.9 million as of September 30, 2022 and December 31, 2021, respectively. The net plan assets of the pension plans are invested in common trusts as of September 30, 2022 and December 31, 2021. Common trusts are classified as Level 2 in the fair value hierarchy. The fair value of common trusts is valued at the net asset value based on the fair values of the underlying investments of the trusts as determined by the sponsor of the trusts. The investment strategy of the Company's defined benefit plans is both to meet the liabilities of the plans as they fall due and to maximize the return on invested assets within an appropriate risk profile.

Deferred Compensation Plan

The Company maintains a Deferred Compensation Plan in which certain employees of the Company may defer the payment and taxation of up to 75% of their base salary and up to 100% of bonus amounts and other eligible cash compensation. This deferred compensation is invested in funds offered under this plan and is valued based on Level 1 measurements in the fair value hierarchy. Assets of the Company's deferred compensation plan are included in other current assets and recorded at fair value based on their quoted market prices. The fair value of these assets were $4.3 million and $3.8 million as of September 30, 2022 and December 31, 2021. Offsetting liabilities relating to the deferred compensation plan are included in Other liabilities.

10. LEASES AND RELATED PARTY LEASES

The Company leases administrative, manufacturing, research and distribution facilities and vehicles through operating lease agreements. The Company has no finance leases as of September 30, 2022. Many of the Company's leases include both lease (e.g., fixed payments including rent) and non-lease components (e.g., common-area or other maintenance costs). For vehicles, the Company has elected the practical expedient to group lease and non-lease components.

Most facility leases include one or more options to renew. The exercise of lease renewal options is typically at the Company's sole discretion, therefore, the majority of renewals to extend the lease terms are not included in the Right of Use ("ROU") assets and lease liabilities as they are not reasonably certain of exercise. The Company regularly evaluates renewal options and when they are reasonably certain of exercise, the renewal period is included in the lease term.

As most of the Company's leases do not provide an implicit rate, the Company uses a collateralized incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments.

Total operating lease expense for the nine months ended September 30, 2022 and September 30, 2021 was $16.6 million and $15.7 million respectively, which includes $0.2 million, in related party operating lease expense.

Supplemental balance sheet information related to operating leases were as follows:

Dollars in thousands, except lease term and discount rate	September 30, 2022	December 31, 2021
ROU assets	$ 148,270	$ 84,543
Current lease liabilities	13,488	14,775
Non-current lease liabilities	157,533	90,329
Total lease liabilities	$ 171,021	$ 105,104
Weighted average remaining lease term (in years):		
Leased facilities	17.3 years	10.4 years
Leased vehicles	2.0 years	2.1 years
Weighted average discount rate:		
Leased facilities	5.3 %	5.1 %
Leased vehicles	2.7 %	2.6 %

Supplemental cash flow information related to leases for the nine months ended September 30, 2022 and 2021 were as follows:

Dollars in thousands	September 30, 2022	September 30, 2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 12,804	$ 10,942
ROU assets obtained in exchange for lease liabilities:		
Operating leases	$ 75,588	$ 10,725

Future minimum lease payments under operating leases at September 30, 2022 were as follows:

Dollars in thousands	Related Parties	Third Parties	Total
Remainder of 2022	$ 74	$ 4,112	$ 4,186
2023	296	18,902	19,198
2024	296	19,435	19,731
2025	296	18,014	18,310
2026	296	16,624	16,920
2027	296	15,773	16,069
Thereafter	246	164,838	165,084
Total minimum lease payments	$ 1,800	$ 257,698	$ 259,498
Less: Imputed interest			88,477
Total lease liabilities			171,021
Less: Current lease liabilities			13,488
Long-term lease liabilities			157,533

Related Party Leases

The Company leases its manufacturing facility in Plainsboro, New Jersey, from a general partnership that is 50% owned by a corporation whose stockholders are trusts, whose beneficiaries include family members of the Company's former director. The term of the current lease agreement is through October 31, 2029 at an annual rate of approximately $0.3 million per year. The current lease agreement also provides (i) a 5-year renewal option for the Company to extend the lease from November 1, 2029 through October 31, 2034 at the fair market rental rate of the premises, and (ii) another 5-year renewal option to extend the lease from November 1, 2034 through October 31, 2039 at the fair market rental rate of the premises.

11. TREASURY STOCK

On April 26 2022, the Board of Directors authorized the Company to repurchase up to $225.0 million of the Company's common stock. The program allows the Company to repurchase its shares opportunistically from time to time. The repurchase authorization expires in December 2024. This stock repurchase authorization replaces the previous $225 million stock repurchase authorization, of which $100 million remained authorized at the time of its replacement, and which was otherwise set to expire on December 31, 2022. Purchases may be affected through one or more open market transactions, privately negotiated transactions, transactions structured through investment banking institutions, or a combination of the foregoing.

As of September 30, 2022 and December 31, 2021, there were 6.8 million and 4.9 million shares of treasury stock outstanding with a cost of $362.9 million and $234.4 million, at a weighted average cost per share of $53.18 and $47.86, respectively.

On January 12, 2022, the Company entered into a $125.0 million accelerated share repurchase ("2022 ASR") and received 1.48 million shares of Company common stock at inception, which represented approximately 80% of the expected total shares. On March 24, 2022, the early exercise provision was exercised by the 2022 ASR counterparty. Upon settlement on March 24, 2022, the Company received an additional 0.46 million shares determined using the volume-weighted average price of the Company's common stock during the term of the 2022 ASR.

12. INCOME TAXES

The following table provides a summary of the Company's effective tax rate:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Reported tax rate	15.1 %	14.9 %	14.8 %	24.1 %

The Company's effective income tax rates for the three months ended September 30, 2022 and 2021 were 15.1% and 14.9%, respectively. For the three months ended September 30, 2022, the primary driver of the higher tax rate is a decrease of income in lower-taxed jurisdictions, offset by a $1.2 million benefit related to prior year amended tax returns.

The Company's effective income tax rates for the nine months ended September 30, 2022 and 2021 were 14.8% and 24.1%, respectively. For the nine months ended September 30, 2022, the primary driver of the lower tax rate is a $5.5 million benefit related to excess tax benefits from stock compensation, offset by the prior year tax impact of the gain on the sale of the Extremity Orthopedics business, which was completed during the first quarter of 2021.

Changes to income tax laws and regulations, in any of the tax jurisdictions in which the Company operates, could impact the effective tax rate. Various governments, both U.S. and non-U.S., are increasingly focused on tax reform and revenue-raising legislation. Further, legislation in foreign jurisdictions may be enacted, in response to the base erosion and profit-sharing project begun by the Organization for Economic Cooperation and Development ("OECD"). The OECD recently finalized major reform of the international tax system with respect to a global minimum tax rate. Such changes in U.S. and non-U.S. jurisdictions could have an adverse effect on the Company's effective tax rate.

On August 16, President Biden signed into law the Inflation Reduction Act of 2022. The Act imposes a Corporate Minimum Tax of 15% on book income profits greater than $1 billion. The company is not expected to be subject to the Corporate Minimum Tax. The act provides for credits for investments in clean energy production, and the Company is exploring whether those credits align with any plans it may develop for clean energy production. The Act imposes an excise tax of 1% on share repurchases. Beginning in 2023, all share repurchases shall be subject to the excise tax, but the Company does not expect the excise tax to impact the company's capital deployment plans.

As of September 30, 2022, the Company has not provided deferred income taxes on unrepatriated earnings from foreign subsidiaries as they are deemed to be indefinitely reinvested unless there is a manner under which to remit the earnings with no material tax cost. Material taxes would primarily be attributable to foreign withholding taxes and local income taxes when such earnings are distributed. The Company will repatriate foreign earnings when there is no need for reinvestment overseas and there is no material cost to bring the earnings back to the United States. Reinvestment considerations would include future acquisitions, transactions, and capital expenditure plans. As such, the Company has determined the tax impact of repatriating these foreign earnings would not be material as of September 30, 2022.

13. NET INCOME PER SHARE

Basic and diluted net income per share was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Dollars in thousands, except per share amounts	2022	2021	2022	2021
Basic net income per share:				
Net income	$ 49,915	$ 43,229	$ 127,604	$ 123,691
Weighted average common shares outstanding	83,042	84,754	82,955	84,647
Basic net income per common share	$ 0.60	$ 0.51	$ 1.54	$ 1.46
Diluted net income per share:				
Net income	$ 49,915	$ 43,229	$ 127,604	$ 123,691
Weighted average common shares outstanding — Basic	83,042	84,754	82,955	84,647
Effect of dilutive securities:				
Stock options and restricted stock	357	693	521	744
Weighted average common shares for diluted earnings per share	83,399	85,447	83,476	85,391
Diluted net income per common share	$ 0.60	$ 0.51	$ 1.53	$ 1.45

Common stock of approximately 0.3 million and 0.1 million shares at September 30, 2022, and 2021, respectively that are issuable through exercise of dilutive securities were not included in the computation of diluted net income per share because their effect would have been anti-dilutive.

Based on the adoption of ASU 2020-06, as the principal amount of the 2025 Notes will be paid in cash and only the conversion spread is settled in shares, the Company will be utilizing the if-converted method and only includes the net number of incremental shares that would be issued upon conversion.

14. ACCUMULATED OTHER COMPREHENSIVE LOSS

Comprehensive income for the nine months ended September 30, 2022 and 2021 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Dollars in thousands	2022	2021	2022	2021
Net income	$ 49,915	$ 43,229	$ 127,604	$ 123,691
Foreign currency translation adjustment	(21,392)	(7,815)	(45,142)	(13,058)
Change in unrealized gain (loss) on derivatives, net of tax	27,213	10,964	82,957	40,075
Pension liability adjustment, net of tax	(45)	39	(99)	267
Comprehensive income, net	$ 55,691	$ 46,417	$ 165,320	$ 150,975

Changes in accumulated other comprehensive loss by component between December 31, 2021 and September 30, 2022 are presented in the table below, net of tax:

Dollars in thousands	Gains and Losses on Derivatives	Defined Benefit Pension Items	Foreign Currency Items	Total
Balance at January 1, 2022	$ (42,981)	$ 1,893	$ (4,067)	$ (45,155)
Other comprehensive gain (loss)	115,298	(99)	(45,142)	70,057
Less: Amounts reclassified from accumulated other comprehensive income, net	32,341	—	—	32,341
Net current-period other comprehensive gain (loss)	82,957	(99)	(45,142)	37,716
Balance at September 30, 2022	$ 39,976	$ 1,794	$ (49,209)	$ (7,439)

For the nine months ended September 30, 2022, the Company reclassified a gain of $36.3 million and a loss of $4.0 million from accumulated other comprehensive loss to other income, net and interest income, respectively.

15. SEGMENT AND GEOGRAPHIC INFORMATION

The Company internally manages two global reportable segments and reports the results of its businesses to its chief operating decision maker. The two reportable segments and their activities are described below.

- The Codman Specialty Surgical segment includes (i) the Neurosurgery business, which sells a full line of products for neurosurgery and neuro critical care such as tissue ablation equipment, dural repair products, cerebral spinal fluid management devices, intracranial monitoring equipment, cranial stabilization equipment, and solutions for use in minimally invasive neurosurgery and in the management of intracerebral hemorrhages, and (ii) the Instruments business, which sells more than 40,000 instrument patterns and surgical and lighting products to hospitals, surgery centers, dental, podiatry, and veterinary offices.
- The Tissue Technologies segment includes a large, complementary portfolio of products to address plastic and surgical reconstructive procedures such as complex and traumatic wounds, hernia and abdominal wall repair, breast reconstruction, and peripheral nerve repair. The Tissue Technologies segment has four unique technology platforms, including bovine engineered collagen matrix, bovine dermal matrix, amniotic technology and porcine bladder matrix technology, to address regenerative soft tissue reconstruction procedures.

The Corporate and other category includes (i) various executive, finance, human resource, information systems and legal functions, (ii) brand management, and (iii) share-based compensation costs.

The operating results of the various reportable segments as presented are not comparable to one another because (i) certain operating segments are more dependent than others on corporate functions for unallocated general and administrative and/or operational manufacturing functions, and (ii) the Company does not allocate certain manufacturing costs and general and administrative costs to the operating segment results. Net sales and profit by each reportable segment for the three and nine months ended September 30, 2022 and 2021 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Dollars in thousands	2022	2021	2022	2021
Segment Net Sales				
Codman Specialty Surgical	$ 249,796	$ 256,497	$ 754,967	$ 754,575
Tissue Technologies	135,395	130,364	404,677	382,349
Total revenues	$ 385,191	$ 386,861	$ 1,159,644	$ 1,136,924
Segment Profit				
Codman Specialty Surgical	$ 105,717	$ 110,686	$ 308,073	$ 331,460
Tissue Technologies	59,754	57,730	175,273	172,154
Segment profit	165,471	168,416	483,346	503,614
Amortization	(3,141)	(4,113)	(10,339)	(12,838)
Corporate and other	(97,281)	(107,864)	(301,927)	(351,769)
Operating income	$ 65,049	$ 56,439	$ 171,080	$ 139,007

The Company does not allocate any assets to the reportable segments. No asset information is reported to the chief operating decision maker and disclosed in the financial information for each segment. The Company attributes revenues to geographic areas based on the location of the customer. Total revenue by major geographic area consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Dollars in thousands	2022	2021	2022	2021
United States	$ 282,016	$ 275,775	$ 832,714	$ 801,754
Europe	38,301	46,458	128,907	140,714
Asia Pacific	42,774	45,015	133,856	136,616
Rest of World	22,100	19,613	64,167	57,840
Total Revenues	$ 385,191	$ 386,861	$ 1,159,644	$ 1,136,924

16. COMMITMENTS AND CONTINGENCIES

In consideration for certain technology, manufacturing, distribution, and selling rights and licenses granted to the Company, the Company has agreed to pay royalties on sales of certain products that it sells. The royalty payments that the Company made under these agreements were not significant for any of the periods presented.

The Company is subject to various claims, lawsuits and proceedings in the ordinary course of the Company's business, including claims by current or former employees, distributors and competitors and with respect to its products and product liability claims, lawsuits and proceedings, some of which have been settled by the Company. In the opinion of management, such claims are either adequately covered by insurance or otherwise indemnified, or are not expected, individually or in the aggregate, to result in a material, adverse effect on the Company's financial condition. However, it is possible that the Company's results of operations, financial position and cash flows in a particular period could be materially affected by these contingencies.

The Company accrues for loss contingencies when it is deemed probable that a loss has been incurred and that loss is estimable. The amounts accrued are based on the full amount of the estimated loss before considering insurance proceeds and do not include an estimate for legal fees expected to be incurred in connection with the loss contingency. The Company consistently accrues legal fees expected to be incurred in connection with loss contingencies as those fees are incurred by outside counsel as a period cost.

Contingent Consideration

The Company determined the fair value of contingent consideration during the nine month period ended September 30, 2022 and September 30, 2021 to reflect the change in estimate, additions, payments, transfers and the time value of money during the period.

A reconciliation of the opening balances to the closing balances of these Level 3 measurements for the nine months ended September 30, 2022 and September 30, 2021 is as follows (in thousands):

	Contingent Consideration Liability Related to Acquisition of:						
Nine Months Ended September 30, 2022	**Arkis**		**Location in Financial Statements**	**Derma Sciences**	**ACell Inc. (See Note 2)**		**Location in Financial Statements**
	Short-term	**Long-term**		**Long-term**	**Short-term**	**Long-term**	
Balance as of January 1, 2022	$ 3,691	$ 11,408		$ 230	$ —	$ 21,800	
Transfers	—	—		—	4,885	(4,885)	
Change in fair value of contingent consideration liabilities	(862)	$ (1,819)	Research and development	—	(4,885)	(11,915)	Selling, general and administrative
Balance as of September 30, 2022	$ 2,829	$ 9,589		$ 230	$ —	$ 5,000	

	Contingent Consideration Liability Related to Acquisition of:					
Nine Months Ended September 30, 2021	**Arkis**		**Location in Financial Statements**	**Derma Sciences**	**ACell Inc. (See Note 2)**	**Location in Financial Statements**
	Short-term	**Long-term**		**Long-term**	**Long-term**	
Balance as of January 1, 2021	$ 3,415	$ 11,746		$ 230	$ —	
Additions from acquisition of ACell	—	—		—	23,900	
Transfers	(3,415)	3,415		—	—	
Change in fair value of contingent consideration liabilities	—	(544)	Research and development	—	(900)	Selling, general and administrative
Balance as of September 30, 2021	$ —	$ 14,617		$ 230	$ 23,000	

Arkis BioSciences Inc.

On July 29, 2019, the Company acquired Arkis BioSciences Inc. ("Arkis") for an acquisition purchase price of $30.6 million (the "Arkis Acquisition") plus contingent consideration of up to $25.5 million, that may be payable based on the successful completion of certain development and commercial milestones. Arkis was a privately-held company that marketed the CerebroFlo® external ventricular drainage catheter with Endexo® technology, a permanent additive designed to reduce the potential for catheter obstruction due to thrombus formation.

As part of the acquisition, the Company is required to pay the former shareholders of Arkis up to $25.5 million based on the timing of certain development milestones of $10.0 million and commercial sales milestones of $15.5 million, respectively. The Company used a probability weighted income approach to calculate the fair value of the contingent consideration that considered the possible outcomes of scenarios related to each specified milestone. The Company estimated the fair value of the contingent consideration to be $13.1 million at the acquisition date. The estimated fair value as of September 30, 2022 and September 30, 2021 was $12.4 million and $14.6 million, respectively. The Company recorded $9.6 million and $14.6 million in other liabilities at September 30, 2022 and September 30, 2021, respectively, and $2.8 million in accrued expenses and other current liabilities at September 30, 2022, in the consolidated balance sheet of the Company.

Derma Sciences

The Company assumed contingent consideration incurred by Derma Sciences, Inc. ("Derma Sciences") related to its acquisitions of BioD and the intellectual property related to Medihoney products. The Company accounted for the contingent liabilities by recording their fair value on the date of the acquisition based on a probability weighted income approach. The Company has already paid $33.3 million related to the aforementioned contingent liabilities. One contingent milestone remains which relates to net sales of Medihoney™ products exceeding certain amounts defined in the agreement between the Company and Derma Sciences. The potential maximum undiscounted payment amounts to $3.0 million. The estimated fair value as of September 30, 2022 and September 30, 2021 was $0.2 million.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the related notes thereto appearing elsewhere in this report and our consolidated financial statements for the year ended December 31, 2021 included in our Annual Report on Form 10-K.

We have made statements in this report which constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”). These forward-looking statements are subject to a number of risks, uncertainties and assumptions about the Company and other matters. These forward-looking statements include, but are not limited to, statements related to the Company's expectations regarding the potential impacts of the COVID-19 pandemic on our business, financial condition, and results of operations. These statements should, therefore, be considered in light of various important factors, including, but not limited to, the following: risk of the COVID-19 pandemic could lead to further material delays and cancellations of, or reduced demand for, procedures; delayed capital spending by the Company's customers; disruption and/or higher costs to the Company’s supply chain; staffing shortages in hospitals; labor impacts in our facilities; delays in gathering clinical evidence; diversion of management and other resources to respond to the COVID-19 outbreak; the impact of global and regional economic and credit market conditions on healthcare spending; the risk that the COVID-19 virus disrupts local economies and causes economies in our key markets to enter prolonged recessions. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those set forth under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021, under the heading "Risk Factors" in this report, and in other filings with the SEC. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by applicable law.

You can identify these forward-looking statements by forward-looking words such as “believe,” “may,” “might,” “could,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “seek,” “plan,” “expect,” “should,” “would” and similar expressions in this report.

GENERAL

Integra, headquartered in Princeton, New Jersey, is a world leader in medical technology. The Company was founded in 1989 with the acquisition of an engineered collagen technology platform used to repair and regenerate tissue. Since then, Integra has developed numerous product lines from this technology for applications ranging from burn and deep tissue wounds to the repair of dura mater in the brain, as well as peripheral nerves and tendons. The Company has expanded its base regenerative technology business to include surgical instruments, neurosurgical products and advanced wound care through global acquisitions and product development to meet the evolving needs of its customers and enhance patient care.

Integra manufactures and sells medical technologies and products in two reportable business segments: Codman Specialty Surgical ("CSS") and Tissue Technologies ("TT"). The CSS segment, which represents two-thirds of our total revenue, consists of market-leading technologies and instrumentation used for a wide range of specialties, such as neurosurgery, neurocritical care and otolaryngology. We are the world leader in neurosurgery and one of the top three providers in instruments used in precision, specialty, and general surgical procedures. Our TT segment generates about one-third of our overall revenue and focuses on three main areas: complex wound surgery, surgical reconstruction, and peripheral nerve repair.

We have key manufacturing and research facilities located in California, Indiana, Maryland, Massachusetts, New Jersey, Ohio, Puerto Rico, Tennessee, Utah, France, Germany, Ireland and Switzerland. We source most of our handheld surgical instruments and dural sealant products through specialized third-party vendors.

Integra is committed to delivering high quality products that positively impact the lives of millions of patients and their families. We focus on four key pillars of our strategy: 1) enabling an execution-focused culture, 2) optimizing relevant scale, 3) advancing innovation and agility, and 4) leading in customer experience. We believe that by sharpening our focus on these areas through improved planning and communication, optimization of our infrastructure, and strategically aligned acquisitions, we can build scale, increase competitiveness, and achieve our long-term goals.

To this end, the executive leadership team has established the following key priorities aligned to the following areas of focus:

Strategic Acquisitions. An important part of the Company's strategy is pursuing strategic transactions and licensing agreements that increase relevant scale in the clinical areas in which Integra competes. Our growth strategy includes the acquisition of businesses, assets or products lines to increase the breadth of our offerings, the reach of our product portfolios and drive relevant scale to our customers. In 2022, we continued to advance the development of pioneering neurosurgical technologies from our 2019 acquisitions of Arkis Biosciences, Inc. and Rebound Therapeutics Corporation and the expansion our product offering of regenerative technologies from our 2021 ACell acquisition. See Note 2, *Acquisitions and Divestitures*, to the Notes to Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for additional details.

Portfolio Optimization and New Product Introductions. We are investing in innovative product development to drive a multi-generational pipeline for our key product franchises. Our product development efforts span across our key global franchises focused on potential technological innovations for significant returns on investment. In addition to new product development, we are funding studies to gather clinical evidence to support launches, ensure market access and improve reimbursement for existing products. In addition to acquisitions and organic reinvestment, we continually look to optimize our portfolio towards higher growth and higher margin businesses. As such, we may opportunistically divest businesses or discontinue products where we see limited runway for future value creation in line with our aspirations due in part to changes in the market, business fundamentals or the regulatory environment.

In August 2022, we completed the sale of our non-core traditional wound care ("TWC") business to Gentell, LLC for $28.8 million, which consists of $27.8 million in cash plus $1.0 million in contingent consideration which may be received upon achieving certain revenue-based performance milestones. In January 2021, we completed the sale of our Extremity Orthopedics business to Smith & Nephew USD Limited ("Smith & Nephew"), a subsidiary of Smith & Nephew plc, for approximately $240 million in cash. Our portfolio optimization actions over the past two years have allowed us to increase our focus on Integra's core portfolio of market-leading products in neurosurgery, surgical instrumentation and regenerative tissue and moves us closer to achieving our long-term organic growth and profitability targets. See Note 2, *Acquisitions and Divestitures*, to the Notes to Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for details.

Commercial Channel Investments. Investing in our sales channels is a core part of our strategy to create specialization and greater focus on reaching new and existing customers and addressing their needs. To support our commercial efforts in Tissue Technologies, we utilize a two-tier specialist model to increase our presence in focused segments by creating a virtual selling organization to help serve the evolving needs of our customers. In addition, we continue to build upon our leadership brands across our product franchises in both CSS and TT to engage customers through enterprise-wide contracts with leading hospitals, integrated delivery networks and global purchasing organizations in the United States. Internationally, we have increased our commercial resources significantly in key emerging markets and are making investments to support our sales organization and maximize our commercial opportunities. Domestically, we have also increased our TT sales force in the United States to support the expanded regenerative tissue product portfolio that includes ACell products. These investments in our international and domestic sales channel position us well for expansion and long-term growth.

Customer Experience. We aspire to be ranked as a best-in-class provider and are committed to strengthening our relationships with all customers. We continue to invest in technologies, systems and processes to enhance the customer experience. We also launched digital tools and programs, resources and virtual product training to drive continued customer familiarity with our growing portfolio of medical technologies globally. In addition, we are in the process of outsourcing certain transactional back-office finance and customer service activities to enhance customer quality, build scale for future growth, and capture cost efficiencies and expect to complete the transition by year end 2022.

New Product Introductions and Research and Development Updates

We continue to invest in collecting clinical evidence to support the Company's existing products and new product launches, and to ensure that we obtain market access for broader and more cost-effective solutions.

In the third quarter of 2022, we made progress to several enhancements to our CUSA® Clarity Tissue Ablation System. The extended laparoscopic tip was launched in the U.S. to enhance laparoscopic liver procedures. In addition, a single-sided bone tip received 510(k) approval. Commercial launch is expected in the first quarter of 2023. We continue to update our CUSA Clarity platform by incorporating new ultrasonic handpiece and integrated electrosurgical capabilities.

In 2022, we continued to advance the two early-stage technology platforms we acquired in 2019. Through the acquisition of Arkis Biosciences, we added a platform technology, CerebroFlo® EVD, catheter with Endexo® technology, a permanent additive designed to reduce the potential for catheter obstruction due to thrombus formation. The CerebroFlo EVD Catheter has demonstrated an average of 99% less thrombus accumulation onto its surface, in vitro, compared to a market leading EVD catheter. In 2019, we also acquired Rebound Therapeutics Corporation which specialized in a single-use medical device, known as Aurora Surgiscope, which is the only tubular retractor system designed for cranial surgery with an integrated access channel, camera and lighting. In 2021, we began and continued to conduct a limited clinical launch of the Aurora Surgiscope for use in minimally invasive neurosurgery as well as initiated a registry called MIRROR to collect data on early surgical intervention using this same technology platform for the treatment of intracerebral hemorrhages ("ICH"). In 2022, we have continued to execute on our growth initiatives. We launched the Aurora® Evacuator with Coagulation device in the U.S., designed to be used in conjunction with our Aurora Surgiscope to safely address and evacuate blood in the brain caused by hemorrhagic stroke.

We are focused on the development of core clinical applications in our electromechanical technologies portfolio. In June 2022, we launched the Neutus® EVD system, our first external ventricular drain (“EVD") in China. The Neutus EVD system is manufactured in China by Shanghai Haoju Medical Technology Co., Ltd. under an exclusive distribution arrangement. The device is used in the management of cerebrospinal fluid and is highly complementary to our Bactiseal® catheter and advanced intercranial pressure monitoring products. In 2021, we launched our CereLink® ICP Monitor System in the U.S. and Europe direct markets and continued the global rollout in the first half of 2022. CereLink provides enhanced accuracy, usability and advanced data presentation that provides clinicians with uncompromised, advanced continuous ICP monitoring that until now, has not been available when treating patients with traumatic brain injuries. Refer below to the FDA Matters for further consideration on the recall of the CereLink ICP Monitor System.

Within our TT segment, in 2022, we launched NeuraGen® 3D Nerve Guide Matrix, a resorbable implant for repair of peripheral nerve discontinuities and designed to optimize the environment for nerve regeneration to allow for more complete functional recovery. During 2021, we completed one of the largest diabetic foot ulcers ("DFU"), randomized controlled trials of the PriMatrix® Dermal Repair Scaffold for the management of DFU. This multi-center study enrolled more than 225 patients with chronic DFU's over the course of 12-week treatments and 4-week follow-up phases. The results of this study, which was published in the Journal of Wound Care, demonstrated that PriMatrix plus standard of care ("SOC") consisting of sharp debridement, infection elimination, use of dressings and offloading was significantly more likely to achieve complete wound closure compared with SOC alone, with a median number of one application of the product.

COVID-19 Pandemic and the Economic Recession

The global healthcare system is continuing to respond to the unprecedented challenge posed by the COVID-19 (including new variants of COVID-19) pandemic ("COVID-19" or the "pandemic"). The pandemic has caused a severe global health crisis, along with economic and societal disruptions and uncertainties, which have negatively impacted business and healthcare activity globally. The COVID-19 pandemic continues to cause significant volatility and uncertainty in the global and regional economies, leading to changes in consumer and business behavior, market fluctuations, materials and product shortages and restrictions on business and individual activities, all of which are materially impacting supply and demand in broad sectors of the world markets. Additionally, the COVID-19 pandemic and general macroeconomic conditions have led to disruptions in the global supply chain, primarily through a lack of availability of raw materials and electronic components. We have experienced challenges associated with material and component availability for certain product lines, longer shipping and delivery times for raw materials and components, constrained logistics capacity related to the movement of our products, availability of skilled labor and increased costs of raw materials, components, labor, and freight and courier services. Regional COVID-19 case volumes (including those related to subsequent variants), actions taken by governmental authorities, private businesses and individuals, such as “shelter-in-place” orders and restrictions on travel and access to our customers or temporary closures of our facilities or the facilities of our suppliers, disruption and/or higher costs to the Company’s supply chain, staffing shortages in hospitals and labor constraints in our facilities, could further impact our sales margins and our ability to ship our products and supply our customers.

COVID variants continue to contribute to an uncertain business environment and the effects resulting from the pandemic, such as inflationary pressures and global central bank actions to contain high inflation levels, could cause or contribute to a local and/or global economic recession. Capital markets and worldwide economies have also been significantly impacted and such economic recession could have a material adverse effect on the Company’s long-term business as hospitals reduce capital, as well as overall spending.

The emergence of new variants, vaccinations and public health measures are driving the pace of economic recovery unevenly in various regions. The direct and indirect disruptions caused by the pandemic and the responses of both governments and individuals could negatively impact the number of surgical and medical intervention procedures performed and have a material adverse effect on our business, financial condition, results of operations, or cash flows. Further discussion of the potential impacts on our business from the COVID-19 pandemic and global macroeconomic conditions is provided under Item 1A - Risk Factors of Part I of our Annual Report on Form 10-K for the year ended December 31, 2021.

FDA Matters

On August 18, 2022, the Company, after consultation with the FDA and other regulatory authorities outside of the United States, initiated an immediate voluntary global product removal of all CereLink intracranial pressure monitors as a result of customer reports about monitors whose pressure readings were out of range. The Company believes that the out-of-range readings are principally caused by electrical interference from the external environment and/or interference from a component on the circuit board of the monitor. These out-of-range readings have occurred at a low incidence rate and at a limited number of sites; however, out of an abundance of caution, the Company removed all CereLink monitors from the field.

The Company is continuing its investigation into the matter in order to remedy the observed issue and plans to resume shipment of the CereLink monitors as soon as any such issues have been resolved. Based on outlook for returning the product to market and feedback from customers, the Company recorded a $1.5 million provision for product returns, as a reduction of net revenue, and a $0.8 million rework accrual in cost of goods sold in the third quarter of 2022.

We manufacture and distribute products derived from human tissue for which FDA has specific regulations governing human cells, tissues and cellular and tissue-based products ("HCT/Ps"). An HCT/P is a product containing or consisting of human cells or tissue intended for transplantation into a human patient. Refer to Item 1. Business and Item 1A. Risk Factors in our 2021 10-K report for further details around these FDA regulations and their potential effect on the Company's portfolio of morselized amniotic material-based products as well as the impact on consolidated revenues.

On June 22, 2015, the FDA issued an Untitled Letter (the "Untitled Letter") alleging that BioD LLC's morselized amniotic membrane tissue-based products do not meet the criteria for regulation as HCT/Ps solely under Section 361 of the Public Health Services Act ("Section 361") and that, as a result, BioD LLC ("BioD") would need a biologics license to lawfully market those morselized products. Since the issuance of the Untitled Letter, BioD and the Company have made known to the FDA their disagreement with the FDA's assertion that certain products are more than minimally manipulated. The FDA has not changed its position that certain of the BioD acquired products are not eligible for marketing solely under Section 361. In July 2020, the FDA issued the final guidance document related to human tissue titled, "Regulatory Considerations for Human Cells, Tissues, and Cellular and Tissue-Based Products: Minimal Manipulation and Homologous Use" (the "2020 HCT/P Final Guidance"). The 2020 HCT/P Final Guidance document supersedes the November 2017 guidance by the same title.

The HCT/P Final Guidance maintains the FDA's position that products such as the Company's morselized amniotic membrane tissue-based products do not meet the criteria for regulation solely as HCT/Ps. In addition, in the November 2017 guidance, the FDA articulated a risk-based approach to enforcement and, while some uses for amniotic membrane tissue-based products would have as much as thirty-six months of enforcement discretion, other high risk uses could be subject to immediate enforcement action. The 2020 HCT/P Final Guidance maintained this approach and extended the discretionary enforcement period to May 31, 2021.

Considering the risk of enforcement action, the Company discontinued the manufacturing of all morselized amniotic membrane tissue-based products prior to May 31, 2021. We no longer distribute these products. As of September 30, 2022, the Company has not received any further notice of enforcement action from the FDA regarding its morselized amniotic membrane tissue-based products.

As the FDA continues to review various 361 HCT/P products currently on the market over time, there is the risk of continued upregulation by FDA based on their interpretation of criteria applied to specific 361 HCT/P products and the new clinical applications of these products by Health Care Professionals that may be viewed by FDA as higher risk uses. Additionally, the Center for Medicare & Medicaid Services (CMS), which is part of the Department of Health and Human Services (HHS), will be requiring all amniotic products to obtain new reimbursement codes by 2024, where qualification includes a detailed review by the FDA's Tissue Reference Group (TRG) of the 361 HCT/P's uses, processing and relevant characteristics followed by a written recommendation that the HCT/P, in their opinion, meets the criteria of a 361 HCT/P. There is the risk that although the TRG provided letters in the past confirming the 361 HCT/P status of our amniotic products, they may not do so again due to changes in their interpretation and application of the 361 HCT/P criteria and/or the practices of clinicians for specific uses which could be considered higher risk uses. Any of these outcomes could negatively impact the ability to obtain third party reimbursement for these products as well as negatively impact the volume of these products utilized by Health Care Professionals and have a material adverse effect on our business, financial condition, results of operations, or cash flows.

On March 7, 2019, TEI Biosciences, Inc. ("TEI"), a wholly-owned subsidiary of the Company received a Warning Letter (the "Warning Letter"), dated March 6, 2019, from the FDA. The warning letter related to quality systems issues at TEI's manufacturing facility located in Boston, Massachusetts. The letter resulted from an inspection held at that facility in October and November 2018 and did not identify any new observations that were not already provided in the Form 483 that followed the inspection. The Company submitted its initial response to the FDA Warning Letter on March 28, 2019 and provides regular progress reports to the FDA as to its corrective actions and, since the conclusion of the inspection, has undertaken significant efforts to remediate the observations and continues to do so. On October 28, 2021 the FDA initiated an inspection of the facility and at the conclusion of the inspection issued a FDA Form 483 on November 12, 2021 (the "2021 Form 483"). The Company provided an initial response to the inspection observations and will continue to provide responses to FDA. The Warning Letter and the 2021 FDA Form 483 do not restrict the Company's ability to manufacture or ship products or require the recall of any products, nor do they restrict our ability to seek FDA 510(k) clearance of products. Additionally, premarket approval applications for Class III devices to which the Quality System regulation violations are reasonably related will not be approved until the violations have been corrected. The TEI Boston facility manufactures extracellular bovine matrix products. We cannot give any assurances that the FDA will be satisfied with our response to the Warning Letter or as to the expected date of the resolution of the matters included in the letter. Until the issues cited in the letter are resolved to the FDA's satisfaction, the FDA may initiate additional regulatory action without further notice. Any adverse regulatory action, depending on its magnitude, may restrict us from effectively manufacturing, marketing and selling our products and could have a material adverse effect on our business, financial condition and results of operations.

Revenues of products manufactured in the TEI Boston facility for the nine months ended September 30, 2022 were approximately 5.5% of consolidated revenues.

ACQUISITIONS & DIVESTITURES

Divestitures

On August 31, 2022, the Company completed the sale of its previously announced sale of its non-core traditional wound care ("TWC") business to Gentell, LLC ("Gentell") for $28.8 million, which consists of $27.8 million in cash plus $1.0 million in contingent consideration which may be received upon achieving certain revenue-based performance milestones two years after the closing date. The proceeds from the sale of the TWC business of $27.8 million is presented in the consolidated statement of cash flows net of cash transferred of $3.5 million and other transaction fees. The transaction included the sale of the Company's TWC products, such as sponges, gauze and conforming bandages, and certain advanced wound care dressings, such as supportive, calcium alginate, hydrogel, and foam dressings. In connection with the sale, the Company recognized $0.6 million as a gain from the sale of business in the consolidated statement of operations for the nine months ended September 30, 2022. The transaction is subject to final working capital adjustments. See Note 2, *Acquisitions and Divestitures*, to the Notes to Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for details.

On January 4, 2021, the Company completed its sale of its Extremity Orthopedics business to Smith & Nephew. The transaction included the sale of the Company's upper and lower Extremity Orthopedics product portfolio, including ankle and shoulder arthroplasty and hand and wrist product lines. The Company received an aggregate purchase price of $240.0 million from Smith & Nephew and concurrently paid $41.5 million to the Consortium of Focused Orthopedists, LLC ("CFO"), effectively terminating the licensing agreement between Integra and CFO relating to the development of shoulder arthroplasty products. In connection with the sale, the Company recognized a $41.8 million as Gain from the sale of business in the consolidated statement of operations for the year ended December 31, 2021. See Note 2, *Acquisitions and Divestitures*, to the Notes to Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for details.

Acquisition

On January 20, 2021, the Company acquired ACell, Inc. for an acquisition purchase price of $306.9 million plus contingent consideration obligations of up to $100 million, that may be payable upon achieving certain revenue-based performance milestones in 2022, 2023 and 2025. ACell was a privately held company that offered a portfolio of regenerative products for complex wound management, including developing and commercializing products based on MatriStem Urinary Bladder Matrix ("UBM"), a technology platform derived from porcine urinary bladder extracellular matrix. See Note 2, *Acquisitions and Divestitures*, to the Notes to Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for details.

OPTIMIZATION AND INTEGRATION ACTIVITIES

As a result of our ongoing acquisition strategy and significant growth in recent years, we have undertaken cost-saving initiatives to consolidate manufacturing operations, distribution facilities and transfer activities, implement a common ERP system, eliminate duplicative positions, realign various sales and marketing activities, and expand and upgrade production capacity for our regenerative technology products. These efforts are expected to continue and while we expect a positive impact from ongoing restructuring, integration, and manufacturing transfer and expansion activities, such results remain uncertain. In support of our continued focus on product margins during 2022, we closed a manufacturing facility located in France and began the transfer of production to the Company's existing Switzerland facility. The transfer is expected to be completed by the fourth quarter of 2022. In addition, we announced plans to outsource certain transactional back-office finance and customer service activities to enhance customer quality, build scale for future growth, and capture cost efficiencies. We expect this transition to be completed by the fourth quarter of 2022.

RESULTS OF OPERATIONS

Executive Summary

Net income for the three months ended September 30, 2022 was $49.9 million, or $0.60 per diluted share, as compared to $43.2 million or $0.51 per diluted share for the three months ended September 30, 2021.

Net income for the nine months ended September 30, 2022 was $127.6 million, or $1.53 per diluted share, as compared to $123.7 million or $1.45 per diluted share for the nine months ended September 30, 2021. The increase in net income for the nine months ended September 30, 2022, was primarily driven by an increase in revenue as well as a decrease in the income tax provision as compared to prior year. This increase was partially offset by an increase in non-operating income in the prior period due to the gain of $42.0 million recognized as result of the sale of the Extremity Orthopedics business.

Special Charges

Income before taxes includes the following special charges**:**

Dollars in thousands	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Acquisition, divestiture and integration-related charges[1]	$ (13,842)	$ 2,637	$ (19,552)	$ (13,588)
Structural optimization charges	10,112	6,719	24,604	15,410
EU medical device regulation ("EU MDR")	13,208	7,077	32,970	16,240
Total	$ 9,478	$ 16,433	$ 38,022	$ 18,062

[1] See Note 2, *Acquisitions and Divestitures* for details.

The items reported above are reflected in the condensed consolidated statements of operations as follows:

Dollars in thousands	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Cost of goods sold	$ 4,198	$ 5,854	$ 13,859	$ 26,757
Research and development	5,723	5,517	15,528	13,140
Selling, general and administrative	877	6,386	12,440	24,443
Gain from the sale of businesses[1]	(644)	230	(644)	(41,967)
Other income	(676)	(1,554)	(3,161)	$ (4,311)
Total	$ 9,478	$ 16,433	$ 38,022	$ 18,062

[1] See Note 2, *Acquisitions and Divestitures* for details.

We typically define special charges as items for which the amounts and/or timing of such expenses may vary significantly from period to period, depending upon our acquisition, divestiture, integration and restructuring activities, and for which the amounts are non-cash in nature, or for which the amounts are not expected to recur at the same magnitude. We believe that given our ongoing strategy of acquisitions and divestitures and efforts to optimize our manufacturing, distribution, commercial and administration infrastructure, some of the special charges discussed above could recur with similar materiality in the future.

We believe that the separate identification of these special charges provides important supplemental information to investors regarding financial and business trends relating to our financial condition and results of operations. Investors may find this information useful in assessing comparability of our operating performance from period to period, against the business model objectives that management has established, and against other companies in our industry. We provide this information to investors so that they can analyze our operating results in the same way that management does and to use this information in their assessment of our core business and valuation of Integra.

Revenues and Gross Margin

The Company's revenues and gross margin on product revenues were as follows:

Dollars in thousands	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Segment Net Sales				
Codman Specialty Surgical	$ 249,796	$ 256,497	$ 754,967	$ 754,575
Tissue Technologies	135,395	130,364	404,677	382,349
Total revenues	$ 385,191	$ 386,861	$ 1,159,644	1,136,924
Cost of goods sold	148,445	144,468	439,418	441,558
Gross margin on total revenues	$ 236,746	$ 242,393	$ 720,226	$ 695,366
Gross margin as a percentage of total revenues	61.5 %	62.7 %	62.1 %	61.2 %

Three Months Ended September 30, 2022 as Compared to Three Months Ended September 30, 2021

Revenues

For the three months ended September 30, 2022, total revenues decreased by $1.7 million to $385.2 million from $386.9 million for the same period in 2021, inclusive of a unfavorable foreign currency impact of $11.8 million on revenues. Domestic revenues increased by $6.2 million, or 2.3%, to $282.0 million and were 73.2% of total revenues for the three months ended September 30, 2022 compared to $275.8 million during the same period in the prior year. International revenues decreased by $7.9 million or 7.1% to $103.2 million for the three months ended September 30, 2022 compared to $111.1 million during the same period in the prior year, which is inclusive of a unfavorable foreign currency impact of $11.8 million.

In the CSS segment, revenues were $249.8 million which was a decrease of $6.7 million, or 2.6% as compared to the prior-year period, inclusive of $10.5 million unfavorable foreign currency impact on revenue. Excluding the impact of foreign currency, the CSS segment revenues in the third quarter increased $3.8 million as compared to the prior year period. The increase was driven primarily by low single digits growth in our Neurosurgery portfolio, partially offset by low single digits declines in our our Instruments business. This increase in our Neurosurgery portfolio was primarily driven by the growth in advanced energy, CSF management, and dural access and repair, partially offset by declines in neuro monitoring which was impacted by the voluntary recall of the CereLink ICP monitoring system.

In the TT segment, revenues were $135.4 million which was an increase of $5.0 million, or 3.9% from the prior-year period, inclusive of a $1.2 million unfavorable foreign currency impact on revenue. Excluding the impact of foreign currency of $1.2 million and the divestiture impact of TWC of $2.9 million, the TT segment revenues in the third quarter increased by $9.1 million. This increase was driven by high single digits increases in our Wound Reconstruction business, led by Integra® Dermal Matrices, amniotic tissue products and ACell MicroMatrix, and low single digit increases in our Private Label business as compared to the same period in the prior year.

Gross Margin

Gross margin was $236.7 million for the three months ended September 30, 2022, a decrease of $5.6 million from $242.4 million for the same period in 2021. Gross margin as a percentage of revenues was 61.5% for the three months ended September 30, 2022 and 62.7% or the same period in 2021. This decrease in gross margin was driven by CereLink recall impacts, unfavorable regional mix, and higher material and labor costs, partially offset by favorable price and other procurement and margin improvement initiatives.

Operating Expenses

The following is a summary of operating expenses as a percent of total revenues:

	Three Months Ended September 30,	
	2022	2021
Research and development	6.4 %	6.7 %
Selling, general and administrative	37.3 %	40.3 %
Intangible asset amortization	0.8 %	1.1 %
Total operating expenses	44.5 %	48.1 %

Total operating expenses, which consist of research and development, selling, general and administrative, and amortization expenses, decreased by $14.3 million, or 7.7% to $171.7 million in the three months ended September 30, 2022, compared to $186.0 million in the same period in 2021.

The Company continues to prioritize its operating costs to increase organic investments that will drive long-term growth including the support of new product development and introductions, clinical studies, geographic expansion and targeted U.S. sales channel expansion.

Research and Development

Research and development expenses for the three months ended September 30, 2022 decreased by $1.1 million as compared to the same period in the prior year due to a decrease in spending during the period associated with project supplies and materials, partially offset by an increase in professional services and costs associated with EU MDR compliance.

Selling, General and Administrative

Selling, general and administrative costs for the three months ended September 30, 2022 decreased by $12.2 million as compared to the same period in the prior year driven primarily due to the reduction of $13.1 million in the change in the fair value of contingent consideration for ACell.

Intangible Asset Amortization

Amortization expense (excluding amounts reported in cost of product revenues for technology-based intangible assets) for the three months ended September 30, 2022 was $3.1 million compared to $4.1 million for the same period in prior year.

Non-Operating Income and Expenses

The following is a summary of non-operating income and expenses:

	Three Months Ended September 30,	
Dollars in thousands	2022	2021
Interest income	$ 3,264	$ 1,786
Interest expense	(12,809)	(12,192)
Other income, net	2,648	4,985
Gain (loss) from the sale of businesses	644	(230)
Total non-operating income and expense	$ (6,253)	$ (5,651)

Interest Income

Interest income for the three months ended September 30, 2022 increased by $1.5 million as compared to the same period last year due to higher interest earned on higher cash balances and favorable rates on the net investment hedges entered into during the second quarter of 2022.

Interest Expense

Interest expense for the three months ended September 30, 2022 increased by $0.6 million as compared to the same period last year.

Gain from the sale of businesses

On August 31, 2022, the Company completed its previously announced sale of its TWC business to Gentell and recognized $0.6 million as a gain from the sale of the business for the three months ended September 30, 2022. On January 4, 2021, the Company completed its sale of its Extremity Orthopedics business and recorded a decrease to the gain from the sale of the business of $0.2 million for the three months ended September 30, 2021 as a result of working capital adjustment.

Other Income, net

Other income, net for the three months ended September 30, 2022 decreased by $2.3 million compared to the same period in the prior year primarily due to lower income associated with the transition services agreement from the divestiture of the Extremity Orthopedics business.

Income Taxes

	Three Months Ended September 30,	
Dollars in thousands	2022	2021
Income before income taxes	$ 58,796	$ 50,788
Income tax (benefit) expense	8,881	7,559
Effective tax rate	15.1 %	14.9 %

The Company’s effective income tax rates for the three months ended September 30, 2022 and 2021 were 15.1% and 14.9%, respectively. For the three months ended September 30, 2022, the primary driver of the higher tax rate is a decrease of income in lower-taxed jurisdictions, offset by a $1.2 million benefit related to prior year amended tax returns.

The effective tax rate may vary from period to period depending on, among other factors, the geographic and business mix of taxable earnings and losses, tax planning and settlements with various taxing authorities. We consider these factors and others, including the Company's history of generating taxable earnings, in assessing our ability to realize tax assets on a quarterly basis.

Nine Months Ended September 30, 2022 as Compared to Nine Months Ended September 30, 2021

Revenues and Gross Margin

For the nine months ended September 30, 2022, total revenues increased by $22.7 million to $1,159.6 million from $1,136.9 million for the same period in 2021, inclusive of an unfavorable foreign currency impact of $26.7 million on revenues. Domestic revenues increased by $31.0 million, or 3.9%, to $832.7 million and were 71.8% of total revenues for the nine months ended September 30, 2022. International revenues decreased by $8.2 million, or 2.5% to $326.9 million for the nine months ended September 30, 2022 compared to $335.2 million during the same period in the prior year, which is inclusive of a unfavorable foreign currency impact of $26.7 million.

In the CSS segment, revenues were $755.0 million, which was an increase of $0.4 million, or 0.1% from the prior-year period, inclusive of a $23.9 million unfavorable foreign currency impact on revenue. Excluding the impact of foreign currency, the CSS segment revenues increased $24.3 million as compared to the prior year period. This increase was primarily driven by low single digits growth in both our Neurosurgery and Instruments portfolios as compared to the same period in the prior year. The increase in our Neurosurgery portfolio was primarily driven by growth in advanced energy and CSF management, partially offset by the voluntary recall of the CereLink ICP monitoring system.

In the TT segment, revenues were $404.7 million, which was an increase of $22.3 million, or 5.8% from the prior-year period, inclusive of a $2.7 million unfavorable foreign currency impact on revenue. Excluding the impact of foreign currency of $2.7 million and the divestiture impact of TWC of $2.9 million, the TT segment revenues in the third quarter increased by $27.9 million. This increase was driven by mid-single digit increases in our Wound Reconstruction business, led by Integra® Dermal Matrices, SurgiMend® and ACell MicroMatrix and low double digit increased in our Private Label business driven by higher customer demand and favorable order timing.

Gross Margin

Gross margin was $720.2 million for the nine months ended September 30, 2022, an increase of $24.9 million from $695.4 million for the same period last year. Gross margin as a percentage of total revenue increased to 62.1% for the nine months ended September 30, 2022 from 61.2% in the same period last year. The increase in gross margin percentage was due to higher revenues and a reduction of inventory step-up amortization in connection with the acquisition of ACell in the prior year.

Operating Expenses

The following is a summary of operating expenses as a percent of total revenues:

	Nine Months Ended September 30,	
	2022	**2021**
Research and development	6.4 %	6.0 %
Selling, general and administrative	40.0 %	41.8 %
Intangible asset amortization	0.9 %	1.1 %
Total operating expenses	47.4 %	48.9 %

Total operating expenses, which consist of selling, general and administrative expenses, research and development expenses, and amortization expenses, decreased by $7.2 million, or 1.3% to $549.1 million in the nine months ended September 30, 2022, compared to $556.4 million in the same period in 2021.

The Company continues to prioritize its operating costs to increase organic investments that will drive long-term growth including the support of new product development and introductions, clinical studies, geographic expansion and targeted U.S. sales channel expansion.

Research and Development

Research and development expenses for the nine months ended September 30, 2022 increased by $6.1 million as compared to the same period in the prior year. This increase in spending resulted from additional spending on new product development, clinical studies and additional spending due to the EU MDR compliance.

Selling, General and Administrative

Selling, general and administrative costs decreased by $10.8 million as compared to the same period in the prior year driven primarily by reduced employee related costs and stock-based compensation, partially offset by increased selling costs on commissions and investment in sales force expansion. Additionally, the decrease in the nine months ended September 30, 2022 as compared to the same period in the prior year was also due to the reduction of $16.8 million in the change in fair value of contingent consideration for ACell, partially offset by increased spending in acquisition related costs for acquiring ACell as well as the sale of its Extremity Orthopedics business to Smith & Nephew.

Intangible Asset Amortization

Amortization expense (excluding amounts reported in cost of product revenues for technology-based intangible assets) for the nine months ended September 30, 2022 was $10.3 million compared to $12.8 million for the same period in prior year.

We expect total annual amortization expense to be approximately $19.1 million for the remainder of 2022, $76.3 million in 2023, $75.7 million in 2024, $75.7 million in 2025, $75.5 million in 2026, $73.6 million in 2027 and $499.0 million thereafter.

Non-Operating Income and Expenses

The following is a summary of non-operating income and expenses:

	Nine Months Ended September 30,	
Dollars in thousands	2022	2021
Interest income	$ 6,606	$ 5,298
Interest expense	(36,700)	(38,270)
Gain from the sale of businesses	644	41,967
Other income, net	8,056	14,888
Total non-operating income and expense	$ (21,394)	$ 23,883

Interest Income

Interest income for the nine months ended September 30, 2022 increased by $1.3 million as compared to the same period last year due to higher interest earned on higher cash balances.

Interest Expense

Interest expense for the nine months ended September 30, 2022 decreased by $1.6 million as compared to the same period last year primarily from a lower outstanding borrowing on the Senior Secured Credit Facility.

Gain from the sale of businesses

On August 31, 2022, the Company completed its previously announced sale of its TWC business to Gentell and recognized $0.6 million as a gain from the sale of the business for the nine months ended September 30, 2022. On January 4, 2021, the Company completed its sale of its Extremity Orthopedics business and recognized a gain of $42.0 million for the nine months ended September 30, 2021.

Other Income, net

Other income, net for the nine months ended September 30, 2022, decreased by $6.8 million compared to the same period in the prior year primarily due unfavorable impact of foreign exchange, as well as lower income associated with the transition services agreement from the divestiture of the Extremity Orthopedics business.

Income Taxes

	Nine Months Ended September 30,	
Dollars in thousands	2022	2021
Income before income taxes	$ 149,686	$ 162,890
Income tax (benefit) expense	22,082	39,199
Effective tax rate	14.8 %	24.1 %

The Company’s effective income tax rates for the nine months ended September 30, 2022 and 2021 were 14.8% and 24.1%, respectively. For the nine months ended September 30, 2022, the primary driver of the lower tax rate is a $5.5 million benefit related to excess tax benefits from stock compensation, offset by the prior year tax impact of the gain on the sale of the Extremity Orthopedics business, which was completed during the first quarter of 2021.

The effective tax rate may vary from period to period depending on, among other factors, the geographic and business mix of taxable earnings and losses, tax planning and settlements with various taxing authorities. We consider these factors and others, including the Company's history of generating taxable earnings, in assessing our ability to realize tax assets on a quarterly basis.

Additionally, changes to income tax laws and regulations, in any of the tax jurisdictions in which the Company operates, could impact the effective tax rate. Various governments, both U.S. and non-U.S., are increasingly focused on tax reform and revenue-raising legislation. Further, legislation in foreign jurisdictions may be enacted, in response to the BEPS project begun by the OECD. The OECD recently finalized major reform of the international tax system with respect to a minimum tax rate. Such changes in U.S. and Non-U.S. jurisdictions could have an adverse effect on the Company’s effective tax rate.

While it is often difficult to predict the outcome or the timing of the resolution of a particular matter with the various federal, state, and foreign tax authorities, we believe that our reserves reflect the most probable outcome of known tax contingencies. Settlement of a particular issue would usually require the use of cash. A favorable resolution would be recognized as a reduction to our annual effective tax rate in the year of resolution. The Company's tax reserves are presented in the balance sheet within other liabilities, except for amounts relating to items we expect to pay in the coming year, which would be classified as current income taxes payable.

GEOGRAPHIC PRODUCT REVENUES AND OPERATIONS

The Company attributes revenues to geographic areas based on the location of the customer. Total revenue by major geographic area consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Dollars in thousands	2022	2021	2022	2021
United States	$ 282,016	$ 275,775	$ 832,714	$ 801,754
Europe	38,301	46,458	128,907	140,714
Asia Pacific	42,774	45,015	133,856	136,616
Rest of World	22,100	19,613	64,167	57,840
Total Revenues	$ 385,191	$ 386,861	$ 1,159,644	$ 1,136,924

The Company generates significant revenues outside the U.S., a portion of which are U.S. dollar-denominated transactions conducted with customers that generate revenue in currencies other than the U.S. dollar. As a result, currency fluctuations between the U.S. dollar and the currencies in which those customers do business could have an impact on the demand for the Company's products in foreign countries. Local economic conditions, regulatory compliance or political considerations, the effectiveness of our sales representatives and distributors, local competition and changes in local medical practice all may combine to affect our sales into markets outside the U.S.

Domestic revenues increased by $6.2 million for the three months ended September 30, 2022 compared to the same period last year. European sales decreased by $8.2 million for the three months ended September 30, 2022 compared to the same period last year. Sales to customers in Asia Pacific decreased by $2.2 million for the three months ended September 30, 2022 compared to the same period last year. The Rest of World for the three months ended September 30, 2022 increased by $2.5 million compared to the same period last year. The international revenues were impacted by a $11.7 million unfavorable foreign exchange impact. Sales in China, Japan and Canada were the primary drivers of international growth.

Domestic revenues increased by $31.0 million for the nine months ended September 30, 2022 compared to the same period last year. European sales decreased by $11.8 million for the nine months ended September 30, 2022 compared to the same period last year. Sales to customers in Asia Pacific decreased by $2.8 million for the nine months ended September 30, 2022 compared to the same period last year. The Rest of World for the nine months ended September 30, 2022 increased by $6.3 million compared to the same period last year. The international revenues were impacted by a $26.6 million unfavorable foreign exchange impact. Sales in Japan, China, and Canada were the primary drivers of international growth.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

The Company's working capital as of September 30, 2022 and December 31, 2021 was $892.0 million and $813.7 million, respectively. Working capital consists of total current assets less total current liabilities as presented in the consolidated balance sheets.

Cash and Marketable Securities

The Company had cash and cash equivalents totaling approximately $511.9 million and $513.4 million at September 30, 2022 and December 31, 2021 respectively, which are valued based on Level 1 measurements in the fair value hierarchy. At September 30, 2022, our non-U.S. subsidiaries held approximately $317.7 million of cash and cash equivalents that are available for use outside the U.S. On October 3, 2022, the Company settled cross-currency swaps designated as cash flow hedges of intercompany loans and approximately $100 million of cash was repatriated to the U.S. Refer to See Note 7, *Derivative Instruments* of the Notes to Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for additional details The Company asserts that it has the ability and intends to indefinitely reinvest the undistributed earnings from its foreign operations unless there is no material tax cost to remit the earnings into the U.S.

Cash Flows

	Nine Months Ended September 30,	
Dollars in thousands	2022	2021
Net cash provided by operating activities	$ 179,135	$ 243,150
Net cash used in investing activities	(3,760)	(133,958)
Net cash used in financing activities	(154,254)	(98,747)
Effect of exchange rate fluctuations on cash	(22,632)	(10,380)

Cash Flows Provided by Operating Activities

Operating cash flows for the nine months ended September 30, 2022 decreased by $64.0 million compared to the same period in 2021. Net income after removing the impact of the gain on sale of businesses and non-cash adjustments increased for the nine months ended September 30, 2022 by approximately $29.1 million as compared to the same period in 2021 primarily due to earnings from higher revenues. The changes in assets and liabilities, net of business acquisitions, decreased cash flows by $49.7 million in 2022 as compared to the increase in cash flows of $43.4 million for the same period in 2021. The change in 2022 is mainly attributable to increases in inventory, increases in accounts receivable due to higher revenues and decreases in accrued expenses and other current liabilities due to the Company being in an income tax refund position in the current year.

Operating cash flows for the nine months ended September 30, 2021 increased by $119.6 million compared to the same period in 2020. Net income after removing the impact of the gain on sale of business and non-cash adjustments increased for the nine months ended September 30, 2021 by approximately $25.4 million as compared to the same period in 2020 primarily due to the continuing revenue recovery in the current year as compared to the height of the COVID-19 pandemic in the first half of the 2020. The changes in assets and liabilities, net of business acquisitions, increased cash flows by $43.4 million as compared to the decrease of $50.8 million for the same period in 2020. The improvement in 2021 working capital is attributable to a smaller increase in inventory of $3.6 million due to investments in building safety stock made in the prior year where inventory increased by $45.5 million.

Cash Flows Used in Investing Activities

During the nine months ended September 30, 2022, the Company paid $27.9 million for capital expenditures to support operations improvement initiatives at a number of our manufacturing facilities and other information technology investments as well as the $4.7 million payment related to the final developmental milestone for Rebound Therapeutics Corporation. This was partially offset by the net proceeds from the sale of the TWC business of $24.0 million. The proceeds from the sale of the TWC business of $27.8 million is presented net of cash transferred of $3.5 million and other transaction fees. Additionally, the Company also received $4.9 million proceeds on cross-currency swaps designated as net investment hedge.

During the nine months ended September 30, 2021, we paid a net cash amount of $303.9 million in relation to the acquisition of ACell and received net proceeds of $190.5 million for the sale of the Extremity Orthopedics business. The Company also paid for $20.6 million capital expenditures to support operations improvement initiatives at a number of our manufacturing facilities and other information technology investments.

Cash Flows Used in Financing Activities

Uses of cash from financing activities in the nine months ended September 30, 2022 primarily related to the repurchase of treasury stock of $125.0 million under the 2022 accelerated share repurchase agreement that was completed in the first quarter of 2022. In addition, the Company had $24.3 million in cash taxes paid for net equity settlements as a result of the departure of the former chief executive officer of the Company. The Company also had repayments of $40.8 million under our Senior Credit Facility and Securitization Facility offset by $34.3 million borrowings under our Senior Credit Facility and Securitization Facility.

Uses of cash from financing activities in the nine months ended September 30, 2021 were repayments of $114.3 million under our Senior Credit Facility and Securitization Facility. In addition, the Company had $4.3 million in cash taxes paid in net equity settlements. These uses were offset by $6.6 million proceeds from the exercise of stock options and $13.5 million borrowings under our Senior Credit Facility and Securitization Facility.

Amended and Restated Senior Credit Agreement, Convertible Senior Notes, Securitization and Related Hedging Activities

See Note 6, *Debt*, to the Notes to Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for a discussion of our Amended and Restated Senior Credit Agreement, the 2025 Notes and Securitization Facility and Note 7, *Derivative Instruments*, to the Notes to Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for discussion of our hedging activities. We are forecasting that sales and earnings for the next twelve months will be sufficient to remain in compliance with our financial covenants under the terms of the February 2020 Amendment to the Senior Credit Facility.

Share Repurchase Plan

On April 26, 2022, the Board of Directors authorized the Company to repurchase up to $225.0 million of the Company’s common stock. The program allows the Company to repurchase its shares opportunistically from time to time. The repurchase authorization expires in December 2024. This stock repurchase authorization replaces the previous $225 million stock repurchase authorization, of which $100 million remained authorized at the time of its replacement, and which was otherwise set to expire on December 31, 2022. Purchases may be affected through one or more open market transactions, privately negotiated transactions, transactions structured through investment banking institutions, or a combination of the foregoing

On January 12, 2022, the Company entered into a $125.0 million accelerated share repurchase ("2022 ASR") and received 1.48 million shares of the Company common stock at inception, which represented approximately 80% of the expected total shares. On March 24, 2022, the early exercise provision was exercised by 2022 ASR counterparty. Upon settlement on March 24, 2022, the Company received an additional 0.46 million shares determined using the volume-weighted average price of the Company's common stock during the term of the 2022 ASR.

See Note 11, *Treasury Stock* of the Notes to Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for further details.

Dividend Policy

We have not paid any cash dividends on our common stock since our formation. Our Senior Credit Facility limits the amount of dividends that we may pay. Any future determinations to pay cash dividends on our common stock will be at the discretion of the Board and will depend upon our financial condition, results of operations, cash flows and other factors deemed relevant by the Board.

Capital Resources

We believe that our cash and available borrowings under the Senior Credit Facility are sufficient to finance our operations and capital expenditures for the foreseeable future. Our future capital requirements will depend on many factors, including the growth of our business, the timing and introduction of new products and investments, strategic plans and acquisitions, among others. Additional sources of liquidity available to us include short term borrowings and the issuance of long term debt and equity securities.

Off-Balance Sheet Arrangements

We do not have any off–balance sheet financing arrangements during the nine months ended September 30, 2022 that have or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to our interests.

Contractual Obligations and Commitments

We will continue to have cash requirements to support seasonal working capital needs and capital expenditures, to pay interest, to service debt, and to fund acquisitions. As part of our ongoing operations, we enter into contractual arrangements that obligate us to make future cash payments.

Our primary obligations include principal and interest payments on revolving portion and Term Loan component of the Senior Credit Facility, Securitization Facility and Convertible Securities. See Note 6, *Debt*, to the Notes to Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for details. The Company also leases some of our manufacturing facilities and office buildings which have future minimum lease payments associated. See Note 10, *Leases and Related Party Leases* to the Notes to Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for a schedule of our future minimum lease payments. Amounts related to the Company's other obligations, including employment agreements and purchase obligations were not material.

The Company has contingent consideration obligation related to prior and current year acquisitions and future pension contribution obligations. See Note 9, *Retirement Plans* and Note 16, *Commitments and Contingencies* to the Notes to Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for details. The associated obligations are not fixed. The Company also has a liability for uncertain tax benefits including interest and penalties. See Note 12, *Income Taxes* to the Notes to Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for details. The Company cannot make a reliable estimate of the period in which the uncertain tax benefits may be realized.

Employee Termination Benefits

The Company incurred employee termination costs on restructuring activities associated with a closure of a manufacturing facility located in France, outsourcing plans for select transactional back office activities, and executive reorganization in the consolidated statement of operations for the nine months ended September 30, 2022. Restructuring costs were included in accrued expenses and other current liabilities in the consolidated balance sheet for the nine months ended September 30, 2022 and year ended December 31, 2021. See Note 1, *Basis of Presentation* of the Notes to Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for additional details.

OTHER MATTERS

Critical Accounting Estimates

The critical accounting estimates included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021 have not materially changed.

Recently Issued Accounting Standards

Information regarding new accounting pronouncements is included in Note 1, *Basis of Presentation* to the current period’s condensed consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various market risks, including changes in foreign currency exchange rates and interest rates that could adversely affect our results of operations and financial condition. To manage the volatility relating to these typical business exposures, we may enter into various derivative transactions when appropriate. We do not hold or issue derivative instruments for trading or other speculative purposes.

Foreign Currency Exchange and Other Rate Risks

We operate on a global basis and are exposed to the risk that changes in foreign currency exchange rates could adversely affect our financial condition, results of operations and cash flows. We are primarily exposed to foreign currency exchange rate risk with respect to transactions and net assets denominated in Euros, British pounds, Swiss francs, Canadian dollars, Japanese yen, Mexican pesos, Brazilian reais, Australian dollars and Chinese yuan. We manage the foreign currency exposure centrally, on a combined basis, which allows us to net exposures and to take advantage of any natural offsets. To mitigate the impact of currency fluctuations on transactions denominated in nonfunctional currencies, we periodically enter into derivative financial instruments in the form of foreign currency exchange forward contracts with major financial institutions. We temporarily record realized and unrealized gains and losses on these contracts that qualify as cash flow hedges in other comprehensive income, and then recognize them in other income or expense when the hedged item affects net earnings.

From time to time, we enter into foreign currency forward exchange contracts to manage currency exposures for transactions denominated in a currency other than an entity's functional currency. As a result, the impact of foreign currency gains/losses recognized in earnings are partially offset by gains/losses on the related foreign currency forward exchange contracts in the same reporting period. Refer to Note 7, *Derivative Instruments* of the Notes to Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for further information.

We maintain written policies and procedures governing our risk management activities. With respect to derivatives, changes in hedged items are generally expected to be completely offset by changes in the fair value of hedge instruments. Consequently, foreign currency exchange contracts would not subject us to material risk due to exchange rate movements, because gains and losses on these contracts offset gains and losses on the assets, liabilities or transactions being hedged.

The results of operations discussed herein have not been materially affected by inflation.

Interest Rate Risk

Cash and Cash Equivalents - We are exposed to the risk of interest rate fluctuations on the interest income earned on our cash and cash equivalents. A hypothetical 100 basis points movement in interest rates applicable to our cash and cash equivalents outstanding at September 30, 2022 would have impacted interest income by approximately $5.1 million on an annual basis. We are subject to foreign currency exchange risk with respect to cash balances maintained in foreign currencies.

Debt - Our interest rate risk relates primarily to U.S. dollar LIBOR-indexed borrowings. We use interest rate swap derivative instruments to manage our earnings and cash flow exposure to changes in interest rates. These interest rate swaps fix the interest rate on a portion of our expected LIBOR-indexed floating-rate borrowings. These interest rate swaps were designated as cash flow hedges as of September 30, 2022. The total notional amounts related to the Company's interest rate swaps were $1.8 billion with $875.0 million effective as of September 30, 2022. Based on our outstanding borrowings at September 30, 2022, a 100 basis points change in interest rates would have impacted interest expense on the unhedged portion of the debt by $1.1 million on an annualized basis. See Note 7, *Derivative Instruments*, for the details of interest rate swaps.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our Exchange Act report is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Management has designed our disclosure controls and procedures to provide reasonable assurance of achieving the desired control objectives.

As required by Exchange Act Rule 13a-15(b), the Company has carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2022. Based upon this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2022 to provide such reasonable assurance.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

In response to business integration activities, the Company has and will continue to further align and streamline the design and operation of the financial control environment to be responsive to the changing business model.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information pertaining to legal proceedings can be found in Note 16, *Commitment and Contingencies*.

ITEM 1A. RISK FACTORS

There have been no material changes in the Company's risk factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 and subsequent periodic reports filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act").

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

Exhibits	
#10.1	Separation Agreement and General Release, dated September 23, 2022, by and between Glenn Coleman, Integra LifeSciences Corporation and Integra LifeSciences Holdings Corporation (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 23, 2022)
#10.2	Form of Indemnification Agreement, by and between Integra LifeSciences Holdings Corporation and each of its directors and executive officers (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 19, 2022)
*#10.3	Form of Non-Deferred Contract Stock/Restricted Units Award Agreement (Executive Officers)
*31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32.1	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32.2	Certification of Principal Financial Officer 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.DEF	XBRL Definition Linkbase Document
*†101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
*†101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith

\# Indicates a management contract or compensatory plan or arrangement.

† The financial information of Integra LifeSciences Holdings Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 filed on October 26, 2022 formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations and Comprehensive Income, (ii) the Condensed Consolidated Balance Sheets, (iii) Parenthetical Data to the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements, is furnished electronically herewith.

SIGNATURES

Pursuant to the requirements 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.

		INTEGRA LIFESCIENCES HOLDINGS CORPORATION
Date:	October 26, 2022	/s/ Jan De Witte
		Jan De Witte President and Chief Executive Officer (Principal Executive Officer)
Date:	October 26, 2022	/s/ Carrie L. Anderson
		Carrie L. Anderson Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date:	October 26, 2022	/s/ Jeffrey A. Mosebrook
		Jeffrey A. Mosebrook Senior Vice President, Finance (Principal Accounting Officer)

Notice of Grant of Award and Award Agreement	Integra LifeSciences Holdings Corporation ID: 51-0317849 1100 Campus Road Princeton, New Jersey 08540
[Name] [Address]	Award Number: [Award#] Plan: [Plan#] ID: [EMP ID]

Effective [Grant Date], you have been granted **[Total Shares]** Restricted Stock Units (RSUs) based on a closing price of US$[IART Close Price]. These units are restricted until the vest dates shown below, at which time you will receive shares of Integra LifeSciences Holdings Corporation (the "Company") common stock.

The award will vest in increments in the dates shown:

Shares	Full Vest Date
[Tranche 1 Shares]	[Vest Date 1]
[Tranche 2 Shares]	[Vest Date 2]
[Tranche 3 Shares]	[Vest Date 3]

By your signature and the Company's signature below, you and the Company agree that this Award is granted under and governed by the terms and conditions of the Company's Award Plan as amended and the Award Agreement, all of which are attached and made a part of this document.

Integra LifeSciences Holdings Corporation	Date
[Name]	Date

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONTRACT STOCK / RESTRICTED UNITS AGREEMENT
Pursuant to
2003 EQUITY INCENTIVE PLAN

CONTRACT STOCK / RESTRICTED UNITS AGREEMENT, dated as of **[Grant Date]**, by and between Integra LifeSciences Holdings Corporation, a Delaware corporation (the "Company"), and **[Name]** (the "Executive").

WHEREAS, the Company maintains the Integra LifeSciences Holdings Corporation Fifth Amended and Restated 2003 Equity Incentive Plan (the "Plan"), the terms of which are hereby incorporated by reference and made part of this Agreement;

WHEREAS, the Plan provides for the award of Contract Stock on the terms and conditions set forth therein; and

WHEREAS, the Committee has determined that, as an inducement to the Executive to enter into or remain in the service of the Company, it would be to the advantage and in the best interest of the Company and its stockholders to grant to Executive an aggregate of **[Total Shares]** shares of Contract Stock under the Plan in the form of restricted units (the "Units"), representing the right to receive an equal number of shares of common stock of the Company, par value $.01 per share ("Common Stock"), on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration the legal sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Definitions. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Plan, unless otherwise indicated.

2. Grant of Units. Executive is hereby granted, as of **[Grant Date]** (the "Grant Date"), **[Total Shares]** Units pursuant to the terms of this Agreement and the Plan. The Executive's right to receive the shares of Common Stock underlying the Units shall be subject to forfeiture as provided in Section 4 of this Agreement.

3. Vesting.

(a) Subject to paragraph (b) and Section 4 below, the Units shall vest in cumulative installments as follows:

(i) **[Tranche 1 Shares]** of the Units shall vest on the [Vest Date 1] anniversary of the Grant Date;

(ii) **[Tranche 2 Shares]** of the Units shall vest on the [Vest Date 2] anniversary of the Grant Date; and

(iii) **[Tranche 3 Shares]** of the Units shall vest on the [Vest Date 3] anniversary of the Grant Date;

(b) One hundred percent (100%) of the then outstanding Units shall vest in the event that:

(i) the Executive incurs a Termination of Service (as defined below) (1) by reason of the Executive's "Disability" (as defined in the Plan), or (2) by reason of the Executive's death;

(ii) a Change in Control occurs, and the Executive incurs a Qualifying Termination on or within twenty-four (24) months following the date of such Change in Control.

(c) For purposes of this Agreement, "Qualifying Termination" means a Termination of Service by the Company without Cause or by the Executive for Good Reason.

(d) For purposes of this Agreement, "Termination of Service" shall mean the time when the Executive ceases to provide services to the Company and its Related Corporations and Affiliates as an employee or Associate for any reason with or without Cause, including, but not by way of limitation, a termination by resignation, discharge, death, or disability. A Termination of Service shall not include a termination where the Executive is simultaneously reemployed by, or remains employed by, or continues to provide services to, the Company and/or one or more of its Related Corporations and Affiliates or a successor entity thereto.

4. Forfeiture of Units. Immediately upon (i) if prior to a Change in Control or more than 24 months following a Change in Control, in either case, a Termination of Service for any reason other than the Executive's death or Disability or (ii) if on or within 24 months following a Change in Control, a Termination of Service for any reason other than the Executive's death, Disability or Qualifying Termination, the Executive shall forfeit any and all Units which have not vested or do not vest on or prior to such termination, and the Executive's rights in any such Units which are not so vested shall terminate, lapse and expire (including the Executive's right to receive the shares underlying such Units).

5. [RESERVED].

6. Payment of Units.

(a) The shares of Common Stock underlying Units ("Unit Shares") which become vested under Section 3 shall be paid out to Executive within thirty (30) days following the date on which the Units vest pursuant to Section 3.

(b) All payments of shares of Common Stock underlying Units shall be made by the Company in the form of whole shares of Common Stock, and any fractional share shall be distributed in cash in an amount equal to the value of such fractional share determined based on the Fair Market Value (as defined in the Plan) as of the date immediately prior to such distribution.

(d) Except as otherwise provided in this Agreement, Executive shall not be deemed to be a holder of any Common Stock pursuant to a Unit until the date of the issuance of a certificate to him for such shares and, except as otherwise provided in this Agreement, Executive shall not have any rights to dividends or any other rights of a shareholder with respect to the shares of Common Stock covered by a Unit until such shares of Common Stock have been issued to him, which issuance shall not be unreasonably delayed.

(e) The Company shall be entitled to withhold in cash, shares or deduction from other compensation payable to the Executive any sums required by federal, state or local tax law to be withheld with respect to the grant, vesting, distribution or payment of the Units or the Unit Shares. In satisfaction of the foregoing requirement with respect to the grant, vesting, distribution or payment of the Units or Unit Shares, to the extent permitted by Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations), including Treas. Reg. Section 1.409A-3(j)(4)(vi), the Company shall withhold shares of Common Stock otherwise issuable upon payment of the Units having a Fair Market Value equal to the sums required to be withheld. In the event that the number of shares of Common Stock having a Fair Market Value equal to the sums required to be withheld is not a whole number of shares, the number of shares so withheld shall be rounded up to the nearest whole share.

(f) Executive's right to receive payment of any amounts under this Agreement shall be an unfunded entitlement and shall be an unsecured claim against the general assets of the Company.

(g) After payment in accordance with this Section 6, the Unit Shares may not be sold, transferred or otherwise disposed of by Executive for a period of five days after receipt of such shares by Executive, except that no such restrictions shall apply in the case of a Change in Control or in the event that Unit Shares are sold or withheld in order to satisfy any obligations Executive may have with respect to any applicable tax withholding requirements on vesting or receipt of Unit Shares (including, without limitation, pursuant to Section 6(e) above).

7. Clawback. Notwithstanding anything contained in the Plan or this Agreement to the contrary, the Units and shares of Common Stock represented by the Units shall be subject to the provisions of any clawback, repayment or recapture policy implemented by the Company, including any such policy adopted to comply with applicable law (including without limitation the Dodd-Frank Wall Street Reform and Consumer Protection Act) or securities exchange listing standards and any rules or regulations promulgated thereunder, to the extent set forth in such policy and/or in any notice or agreement relating to the Units and shares of Common Stock under the Plan.

8. Representations. The Company represents and warrants that this Agreement has been authorized by all necessary action of the Company, has been approved by the Board and is a valid and binding agreement of the Company enforceable against it in accordance with its terms and that the Unit Shares will be issued pursuant to and in accordance with the Plan, will be listed with NASDAQ or the principal United States securities exchange on which the Common Stock is admitted to trading, and will be validly issued, fully paid and non-assessable shares. The Company further represents and warrants that the grant of Units under this Agreement has been approved by the Company's Compensation Committee, that the Plan has and will have sufficient shares available to effect the distribution of the Unit Shares.

9. No Right to Employment. Nothing in this Agreement shall confer upon Executive the right to remain in employ of the Company or any subsidiary of the Company.

10. Nontransferability. This Agreement shall not be assignable or transferable by the Company (other than to successors of the Company) and this Agreement and the Units shall not be assignable or transferable by the Executive otherwise than by will or by the laws of descent and distribution, and the Units may be paid out during the lifetime of the Executive only to him. More particularly, but without limiting the generality of the foregoing, the Units may not be assigned, transferred (except as provided in the preceding sentence), pledged, or hypothecated in any way (whether by operation of law or otherwise), and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Units contrary to the provisions of this Agreement, and any levy of any attachment or similar process upon the Units, shall be null and void and without effect.

11. Entire Agreement. This Agreement contains all the understandings between the parties hereto pertaining to the matters referred to herein, and supersedes all undertakings and agreements, whether oral or in writing, previously entered into by them with respect thereto. The

Executive represents that, in executing this Agreement, he does not rely and has not relied upon any representation or statement not set forth herein made by the Company with regard to the subject matter, basis or effect of this Agreement or otherwise.

12. Amendment or Modification; Waiver. No provision of this Agreement may be amended, modified or waived unless such amendment or modification is agreed to in writing, signed by the Executive and by a duly authorized officer of the Company, and such waiver is set forth in writing and signed by the party to be charged. No waiver by any party hereto of any breach by another party hereto of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of a similar or dissimilar condition or provision at the same time, any prior time or any subsequent time.

13. Notices. Any notice to be given hereunder shall be in writing and shall be deemed given when delivered personally, sent by courier or telecopy or registered or certified mail, postage prepaid, return receipt requested, addressed to the party concerned at the address indicated below or to such other address as such party may subsequently give notice of hereunder in writing:

To the Executive: at Executive's most recent address on the records of the Company

To the Company:

Integra LifeSciences Holdings Corporation
1100 Campus Road
Princeton NJ 08540
Attention: Chairman
Facsimile: 609-275-9006
(with a copy to the Company's General Counsel)

Any notice delivered personally or by courier under this Section 13 shall be deemed given on the date delivered and any notice sent by telecopy or registered or certified mail, postage prepaid, return receipt requested, shall be deemed given on the date telecopied or mailed.

14. Severability. If any provision of this Agreement or the application of any such provision to any party or circumstances shall be determined by any court of competent jurisdiction to be invalid and unenforceable to any extent, the remainder of this Agreement or the application of such provision to such person or circumstances, other than those to which it is so determined to be invalid and unenforceable, shall not be affected thereby, and each provision hereof shall be validated and shall be enforced to the fullest extent permitted by law.

15. Noncontravention. The Company represents that the Company is not prevented from entering into, or performing, this Agreement by the terms of any law, order, rule or regulation, its certificate of incorporation or by-laws, or any agreement to which it is a party.

16. Survivorship. The respective rights and obligations of the parties hereunder shall survive any termination of this Agreement or Executive's employment to the extent necessary for the intended preservation of such rights and obligations.

17. Successors. This Agreement shall inure to the benefit of and be binding upon each successor of the Company, and upon the Executive's beneficiaries, legal representatives or estate, as the case may be.

18. Construction. Except as would be in conflict with any specific provision herein, this Agreement is made under and subject to the provisions of the Plan as in effect on the Grant Date and, except as would conflict with the provisions of this Agreement, all of the provisions of the Plan as in effect on the Grant Date are hereby incorporated herein as provisions of this Agreement. In the event of any such conflict, the terms of this Agreement shall govern.

19. Governing Law. This agreement will be governed by and construed in accordance with the laws of the State of Delaware, without regard to its conflicts of laws principles.

20. Headings. All descriptive headings of sections and paragraphs in this Agreement are for convenience of reference only, and they form no part of this Agreement and shall not affect its interpretation.

21. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

22. Section 409A of the Code. This Agreement is intended to be exempt from or comply with the requirements of Section 409A of the Code and shall in all respects be administered and interpreted in accordance with Section 409A. Notwithstanding any other provision of this Agreement, the Company shall have the right in its sole discretion (without any obligation to do so or to indemnify Holder or any other person for failure to do so) to adopt such amendments to the Plan or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Company determines are necessary or appropriate either for the Units to be exempt from the application of Section 409A or to comply with the requirements of Section 409A. Nothing in this Agreement, shall provide a basis for any person to take action against the Company based on matters covered by Section 409A of the Code, including the tax treatment of any amount paid or Units granted under this Agreement, and the Company shall have no liability to Executive or his or her estate or any other party for any taxes, penalties or interest due on amounts paid or payable under this Agreement, including taxes, penalties or interest imposed under Section 409A. Notwithstanding anything in the Agreement to the contrary, to the extent the Units constitute non-qualified deferred compensation under Section 409A of the Code ("Deferred Compensation"), payment may only be made under the Agreement upon an event or a date and in a manner permitted by Section 409A of the Code. To the extent the Units constitute Deferred Compensation, any payment to be made on the date of, or a date that is by reference of, Executive's termination of employment under this Agreement shall not be made unless and until Executive experiences a "separation from service" within the meaning of the Code and its corresponding regulations, and if Executive is a "specified employee" within the meaning of the Code and its corresponding regulations shall be made within thirty (30) days following the first business day that occurs immediately following the 6-month period after the date of Executive's "separation from service." To the extent that any provision of the Agreement would cause a conflict with the requirements of Section 409A of the Code or would cause the administration of the Agreement to fail to satisfy the requirements of Section 409A, such provision shall be deemed null and void to the extent permitted by applicable law.

[*Signature page follows*]

IN WITNESS WHEREOF, the parties hereto have executed this Contract Stock / Restricted Units Agreement as of the date first above written.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

By: ___________________________________
Name:
Title:

EXECUTIVE

____
[Name]

Exhibit 31.1

Certification of Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jan De Witte, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Integra LifeSciences 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 this 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 we 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; and
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 auditors and the audit committee of the 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.

Date: October 26, 2022

/s/ Jan De Witte
Jan De Witte
President and Chief Executive Officer

Exhibit 31.2

Certification of Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Carrie L. Anderson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Integra LifeSciences 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 this 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 we 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; and
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 auditors and the audit committee of the 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.

Date: October 26, 2022

/s/ Carrie L. Anderson
Carrie L. Anderson
Executive Vice President and Chief Financial Officer

Exhibit 32.1

Certification of Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Jan De Witte, President and Chief Executive Officer of Integra LifeSciences Holdings Corporation (the “Company”), hereby certify that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022 (the “Report”) fully complies with the requirement of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 26, 2022

/s/ Jan De Witte
Jan De Witte
President and Chief Executive Officer

Exhibit 32.2

Certification of Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Carrie L. Anderson, Executive Vice President and Chief Financial Officer of Integra LifeSciences Holdings Corporation (the "Company"), hereby certify that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022 (the "Report") fully complies with the requirement of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 26, 2022

/s/ Carrie L. Anderson
Carrie L. Anderson
Executive Vice President and Chief Financial Officer