



Integra LifeSciences Reports Record Third Quarter Net Income on 31% Growth in Product Sales

PLAINSBORO, N.J., Nov 7, 2001 (BUSINESS WIRE) --

Operating Earnings Before Interest, Taxes, Depreciation and Amortization Totaled \$5.4 Million

Led by strong growth in product sales, Integra LifeSciences Holdings Corporation (Nasdaq: IART) today reported record revenues and net income for the third quarter of 2001.

Pro forma fully-taxed earnings for the quarter were \$2.8 million, or \$0.09 per share, and included a \$256,000 pre-tax extraordinary loss from the early retirement of debt. These results compare to pro forma fully-taxed net income of \$1.2 million, or \$0.04 per share, in the third quarter of 2000.

Total revenues increased \$4.0 million, or 20%, over the third quarter of 2000 to \$23.8 million. Revenue growth was led by a \$5.2 million increase in product sales to \$22.3 million, a 31% increase over the third quarter of 2000.

Included in this increase was \$0.6 million in sales of product lines acquired in the second quarter of 2001. Sales in the Integra NeuroSciences division increased \$4.1 million to \$16.1 million, and included the \$0.6 million in sales of acquired product lines.

Contributing to the strong organic growth in the Integra NeuroSciences division were sales of the DuraGen[®]; Dural Graft Matrix, with domestic reorder rates continuing to exceed 80%, and the Selector[®]; Integra Ultrasonic Aspirator for the ablation of cranial tumors.

Sales of Integra LifeSciences division products increased \$1.1 million to \$6.2 million primarily due to growth in the Company's private label products.

Other revenues decreased by \$1.3 million to \$1.4 million in the third quarter of 2001. Other revenue in the third quarter of 2000 included \$1.5 million of event related payments from the achievement of specific contract goals and the licensing of technology.

"Once again, top line growth was led by increased product sales in the United States, as the expansion of our direct sales force earlier this year continued to pay dividends," commented Stuart M. Essig, Integra's President and Chief Executive Officer. "With the acquisitions of GMSmbH in Germany and Satelec Medical in France in April, we took our first steps in building a focused direct sales and marketing infrastructure in Europe."

Sales growth in the Integra NeuroSciences division is expected to be driven by the emphasis on European operations, the planned increase in the domestic sales force, and from recently launched products.

Consolidated gross margins on product sales increased to 59% in the third quarter of 2001 from 56% in the third quarter of 2000 as a result of an improved sales mix of higher gross margin products and increased capacity utilization. Consolidated operating expenses (excluding cost of product sales) increased \$0.6 million from the third quarter of 2000 to \$10.9 million in the third quarter of 2001.

This increase was the result of higher sales and marketing expenses attributable to the expansion of the Integra NeuroSciences direct sales force, increased research and development expenses for programs with strategic alliance partners, and increased goodwill and intangible asset amortization from recent acquisitions, offset by lower general and administrative expenses.

On a divisional operating basis, the Company reported the following results for the third quarter of 2001:

In the Integra NeuroSciences division:

-- Sales of neuro intensive care unit products increased \$0.8 million to \$7.0 million, including \$0.3 million in sales of acquired products.

-- Neuro operating room product sales increased \$3.3 million to \$9.1 million, including \$0.3 million in sales of acquired

products.

-- Gross margin on product sales was 61%, as compared to 59% in the third quarter of 2000.

-- Total other operating expenses increased \$1.2 million to \$6.5 million, with the division reporting a \$3.5 million operating profit. The increase in operating expenses was primarily related to higher sales and marketing spending.

In the Integra LifeSciences division:

-- Sales of private label products increased \$1.0 million to \$4.0 million.

-- Sales of distributed products increased \$0.1 million to \$2.2 million.

-- Gross margin on product sales was 54%, as compared to 48% in the third quarter of 2000.

-- Total other operating expenses decreased \$0.1 million to \$2.1 million, with the division reporting a \$2.4 million operating profit. The decrease in operating expenses was primarily related to lower sales and marketing expenses, offset by increased research and development expenses for programs with strategic alliance partners.

Divisional operating results exclude corporate general and administrative expenses and amortization of intangible assets and goodwill. For the quarter, corporate general and administrative expenses decreased \$0.6 million to \$1.4 million, while intangible asset amortization increased \$0.1 million as a result of the GMS and Satelec Medical acquisitions in April 2001.

The Company reported operating earnings before interest, taxes, depreciation and amortization (EBITDA) of \$5.4 million, as compared to \$3.4 million in the third quarter of 2000.

In August, the Company raised approximately \$113 million from a follow-on public offering of 4.7 million shares of its common stock, of which \$9.5 million was subsequently used to repay all outstanding indebtedness. Accordingly, net interest income for the quarter increased to \$556,000. The Company's cash and investments totaled \$122.3 million at September 30, 2001.

"The proceeds raised in our recent public offering of common stock provide us with resources to continue our strategy for growth through internal and external means," Mr. Essig said. "To complement a strong product pipeline which is expected to drive internal growth, Integra is constantly seeking external opportunities for growth through acquisitions or strategic alliances, especially in the neurosurgery and other niche medical technology markets."

Pro forma fully-taxed earnings are calculated by applying an assumed effective tax rate of 32% to actual pre-tax results in lieu of the Company's actual current effective tax rate of approximately 10% to 12%.

The Company is currently assessing the realizability of its approximately \$70 million in net operating loss carryforwards which, if recognized, would result in an effective rate approximating 32% going forward. This would not change the Company's actual cash tax rate, which is expected to remain in the 10% to 15% range through the year 2003.

Actual GAAP net income for the third quarter of 2001 was \$3.8 million, or \$0.13 per share, which included a \$0.01 per share effect from the extraordinary loss on the early retirement of debt. For the third quarter of 2000, actual reported net income was \$1.7 million, or \$0.07 per share.

The Company has scheduled a conference call for 9:00 am EST today, November 7, 2001, to discuss the financial results for the third quarter of 2001 and to provide forward-looking earnings guidance. The call is open to all listeners and will be followed by a question and answer session.

Access to the live conference call is available by dialing (973) 628-9554 or by connecting to a listen-only webcast via a link provided on the home page of Integra's website at <http://www.integra-LS.com>.

Integra LifeSciences Holdings Corporation develops, manufactures and markets medical devices, implants and biomaterials primarily used in the treatment of cranial and spinal disorders, soft tissue repair and orthopedics.

Integra is a leader in applying the principles of biotechnology to medical devices that improve patients' quality of life. The Company has its corporate headquarters in Plainsboro, New Jersey, with manufacturing and research facilities located throughout the world. The Company has approximately 585 permanent employees.

This news release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements concerning future growth in revenues, sales force

expansion and new product approvals.

Such forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from predicted or expected results.

Among other things, the Company's plans to expand its direct sales presence in the United States and Europe may affect growth in product sales, the willingness of physicians to adopt new products may affect the launch of and potential market size for new products, the actions of regulatory bodies may affect the approval of new products, the Company's research and business development efforts may affect its ability to develop or obtain distribution rights to new products in the future, and the Company's future financial results may affect the utilization of its available net operating loss carryforwards and its effective income tax rate.

In addition, the economic, competitive, governmental, technological and other factors identified under the heading "Risk Factors" included in the Business section of Integra's Annual Report on Form 10-K/A for the year ended December 31, 2000 and information contained in subsequent filings with the Securities and Exchange Commission could affect actual results.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
 CONSOLIDATED FINANCIAL RESULTS
 (In thousands, except per share data)
 (UNAUDITED)

Statement of Operations Data:

	Three Month Period		Nine Month Period	
	Ended September 30		Ended September 30	
	2001	2000	2001	2000
Product sales	\$22,319	\$17,084	\$63,988	\$46,243
Other revenue	1,431	2,697	4,366	5,155
Total revenue	23,750	19,781	68,354	51,398
Cost of product sales	9,153	7,504	26,057	21,403
Research and development	2,172	1,843	6,082	5,737
Selling and marketing	5,148	4,148	15,168	11,001
General and administrative	2,757	3,640	9,280	11,271
Amortization	784	663	2,193	1,813
Total costs and expenses	20,014	17,798	58,780	51,225
Operating income	3,736	1,983	9,574	173
Gain on disposition of product line	--	--	--	1,146
Interest income (expense), net	556	(204)	364	(372)
Other income (expense), net	96	45	(117)	177
Income before income taxes	4,388	1,824	9,821	1,124
Provision for income taxes	365	80	1,040	303
Income before extraordinary items and accounting change	4,023	1,744	8,781	821
Extraordinary loss, net of tax	(243)	--	(243)	--
Cumulative effect of accounting change	--	--	--	(470)
Net income	\$3,780	\$1,744	\$8,538	\$351
Preferred stock dividends used to compute diluted earnings per share	(135)	(405)	(405)	(5,250)
Net income (loss)				

applicable to common stockholders used to compute diluted earnings per share	\$3,645	\$1,339	\$8,133	\$(4,899)
Diluted earnings (loss) per share before extraordinary items and accounting change	\$0.14	\$0.07	\$0.32	\$(0.26)
Diluted earnings (loss) per share	\$0.13	\$0.07	\$0.31	\$(0.28)
Diluted weighted average common shares outstanding:	28,472	19,534	25,996	17,335
Reconciliation of Actual to Pro Forma Results:				
Income before income taxes	4,388	1,824	9,821	1,124
Less:				
Pre-tax extraordinary loss	(256)	--	--	--
Accounting change	--	--	--	(470)
Income before income taxes and after extraordinary items and accounting change	4,132	1,824	9,821	654
Pro forma provision for income taxes at 32% effective rate	1,322	584	3,143	209
Pro forma fully-taxed net income	2,810	1,240	6,678	445
Preferred stock dividends used to compute diluted earnings per share	(135)	(405)	(405)	(5,250)
Pro forma fully-taxed net income (loss) applicable to common stockholders used to compute diluted earnings per share	\$2,675	\$835	\$6,273	\$(4,805)
Diluted pro forma fully-taxed earnings (loss) per share	\$0.09	\$0.04	\$0.24	\$(0.28)
Balance Sheet Data:			30-SEP 2001	31-DEC 2000
Cash, cash equivalents & investments			\$122,320	\$15,138
Working capital			87,455	25,177
Total assets			206,556	86,514
Total debt			--	13,630
Total stockholders' equity			182,565	53,781

CONTACT: Integra LifeSciences Holdings Corporation, Plainsboro
John B. Henneman, III, 609/936-2481
jhenneman@integra-ls.com
or
John Bostjancic, 609/936-2239
jbostjancic@integra-ls.com

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