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STATESSECURITIES AND EXCHANGE COMMISSIONWashington, D.C. 20549Â ____Â FORM 10-Q Â ____Â (Mark One)â˜’QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934For the quarterly period ended September 27, 2024orâ˜TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934For the transition period from ____ to ____ Commission File Number 1-16137 Â ____Â INTEGER HOLDINGS CORPORATION (Exact name of Registrant as specified in its charter)Â ____Â DelawareÂ 16-1531026(State or other jurisdiction of incorporation or organization)Â (I.R.S. Employer Identification No.)5830 Granite Parkway,Suite 1150Plano,TexasÂ 75024(Address of principal executive offices)Â (Zip Code)(214) 618-5243 (Registrantâ€™s telephone number, including area code)Securities registered pursuant to Section 12(b) of the Act:Title of each classTrading Symbol(s)Name of each exchange on which registeredCommon Stock, $0.001 par value per shareITGRNew York Stock ExchangeIndicate by check mark whether the registrant (1)Â has filed all reports required to be filed by SectionÂ 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)Â has been subject to such filing requirements for the past 90 days.Â Â Â Â YesÂ Â â˜’Â Â Â Â NoÂ Â â˜Indicate by checkmark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Â§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).Â Â Â Â YesÂ Â â˜’Â Â Â Â NoÂ Â â˜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 â€œlarge accelerated filer,â€ â€œaccelerated filer,â€ â€œsmaller reporting company,â€ and â€œemerging growth companyâ€ in Rule 12b-2 of the Exchange Act.Large accelerated filerâ˜’Â Â AcceleratedÂ filerâ˜Non-accelerated filerâ˜SmallerÂ reportingÂ companyâ˜Â Â Emerging growth company â˜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. Â Â â˜Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).Â Â Â Â YesÂ Â â˜Â Â Â Â NoÂ Â â˜’The number of shares outstanding of the Companyâ€™s common stock, $0.001 par value per share, as of OctoberÂ 18, 2024 was: 33,542,022 shares.INTEGER HOLDINGS CORPORATIONForm 10-QFor the Quarterly Period Ended SeptemberÂ 27, 2024TABLE OF CONTENTSPagePART Iâ€”FINANCIAL INFORMATIONITEM 1.Financial Statements3Condensed Consolidated Balance Sheets (Unaudited)3Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited)4Condensed Consolidated Statements of Cash Flows (Unaudited)5Condensed Consolidated Statements of Stockholdersâ€™ Equity (Unaudited)6Notes to Condensed Consolidated Financial Statements (Unaudited)7ITEM 2.Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations30ITEM 3.Quantitative and Qualitative Disclosures About Market Risk44ITEM 4. Controls and Procedures44PART IIâ€”OTHER INFORMATIONITEM 1. Legal Proceedings45ITEM 1A.Risk Factors45ITEM 5.Other Information45ITEM 6.Exhibits45SIGNATURES46- 2 -Table of ContentsPART Iâ€”FINANCIAL INFORMATIONITEM 1. FINANCIAL STATEMENTSINTEGER HOLDINGS CORPORATIONCONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)(in thousands except share and per share data)September 27,2024December 31,2023ASSETSCurrent assets:Cash and cash equivalents$35,574Â $23,674Â Accounts receivable, net of provision for credit losses of $0.2 million and $0.4 million, respectively241,708Â 231,283Â Inventories265,415Â 229,102Â Refundable income taxes8,216Â 1,998Â Contract assets99,287Â 85,871Â Prepaid expenses and other current assets24,956Â 28,035Â Current assets of discontinued operations held for sale54,876Â 17,705Â Total current assets730,032Â 617,668Â Property, plant and equipment, net472,315Â 392,569Â Goodwill1,033,078Â 994,007Â Other intangible assets, net805,174Â 779,598Â Deferred income taxes6,782Â 7,001Â Operating lease assets78,624Â 81,319Â Financing lease assets17,205Â 11,675Â Other long-term assets24,439Â 22,407Â Noncurrent assets of discontinued operations held for saleâ€”Â 36,409Â Total assets$3,167,649Â $2,942,653Â LIABILITIES AND STOCKHOLDERSâ€™ EQUITYCurrent liabilities:Current portion of long-term debt$5,000Â $â€”Â Accounts payable116,837Â 118,258Â Income taxes payable571Â 3,896Â Operating lease liabilities8,883Â 8,564Â Accrued expenses and other current liabilities86,138Â 86,748Â Current liabilities of discontinued operations held for sale4,969Â 3,503Â Total current liabilities222,398Â 220,969Â Long-term debt1,074,339Â 959,925Â Deferred income taxes143,236Â 143,552Â Operating lease liabilities69,115Â 72,126Â Financing lease liabilities13,996Â 10,272Â Other long-term liabilities23,379Â 14,303Â Noncurrent liabilities of discontinued operations held for saleâ€”Â 2,464Â Total liabilities1,546,463Â 1,423,611Â Stockholdersâ€™ equity:Common stock, $0.001 par value; 100,000,000 shares authorized; 33,541,480 and 33,329,648 shares issued, respectively; 33,541,478 and 33,329,648 shares outstanding, respectively34Â 33Â Additional paid-in capital736,125Â 727,435Â Treasury stock, at cost; 2 shares and 0 shares, respectivelyâ€”Â â€”Â Retained earnings858,544Â 771,351Â Accumulated other comprehensive income26,483Â 20,223Â Total stockholdersâ€™ equity1,621,186Â 1,519,042Â Total liabilities and stockholdersâ€™ equity$3,167,649Â $2,942,653Â The accompanying notes are an integral part of these condensed consolidated financial statements.- 3 -Table of ContentsINTEGER HOLDINGS CORPORATIONCONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (Unaudited)Â Three Months EndedNine Months Ended(in thousands except per share data)September 27,2024September 29,2023September 27,2024September 29,2023Sales$431,417Â $396,803Â $1,267,099Â $1,151,152Â Cost of sales314,849Â 291,813Â 924,881Â 850,827Â Gross profit116,568Â 104,990Â 342,218Â 300,325Â Operating expenses:Selling, general and administrative44,820Â 41,444Â 137,734Â 127,875Â Research, development and engineering11,923Â 14,068Â 42,811Â 48,917Â Restructuring and other charges1,814Â 702Â 10,467Â 3,742Â Total operating expenses58,557Â 56,214Â 191,012Â 180,534Â Operating income58,011Â 48,776Â 151,206Â 119,791Â Interest expense14,577Â 11,493Â 43,140Â 39,221Â (Gain) loss on equity investments(906)3,451Â (2,035)3,472Â Other loss, net916Â 580Â 1,796Â 1,699Â Income from continuing operations before taxes 43,424Â 33,252Â 108,305Â 75,399Â Provision for income taxes7,142Â 5,078Â 20,225Â 13,069Â Income from continuing operations36,282Â 28,174Â 88,080Â 62,330Â Income (loss) from discontinued operations, net of tax(843)(917)(887)1,963Â Net income$35,439Â $27,257Â $87,193Â $64,293Â Basic earnings per share:Income from continuing operations$1.08Â $0.84Â $2.62Â $1.87Â Income (loss) from discontinued operations(0.03)(0.03)(0.03)0.06Â Basic earnings per share1.05Â 0.82Â 2.60Â 1.93Â Diluted earnings per share:Income from continuing operations$1.01Â $0.83Â $2.49Â $1.85Â Income (loss) from discontinued operations(0.02)(0.03)(0.03)0.06Â Diluted earnings per share0.99Â 0.81Â 2.46Â 1.91Â Weighted average shares outstanding:Basic33,656Â 33,346Â 33,579Â 33,305Â Diluted35,791Â 33,774Â 35,441Â 33,679Â Comprehensive IncomeNet income$35,439Â $27,257Â $87,193Â $64,293Â Other comprehensive income (loss):Foreign currency translation gain (loss)27,335Â (12,370)9,986Â (7,346)Change in fair value of cash flow hedges, net of tax(1,466)(2,761)(3,726)(944)Other comprehensive income (loss)25,869Â (15,131)6,260Â (8,290)Comprehensive income$61,308Â $12,126Â $93,453Â $56,003Â The accompanying notes are an integral part of these condensed consolidated financial statements.- 4 -Table of ContentsINTEGER HOLDINGS CORPORATIONCONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)Â Nine Months Ended(in thousands)September 27,2024September 29,2023Cash flows from operating activities:Net income$87,193Â $64,293Â Adjustments to reconcile net income to net cash provided by operating activities:Depreciation and amortization82,104Â 73,116Â Debt related charges included in interest expense2,962Â 7,126Â Inventory step-up amortization1,056Â â€”Â Stock-based compensation18,729Â 17,099Â Non-cash lease expense6,928Â 8,124Â Non-cash (gain) loss on equity investments(2,035)3,472Â Contingent consideration fair value adjustmentâ€”Â (526)Other non-cash (gains) losses4,433Â (734)Deferred income taxesâ€”Â (5)Changes in operating assets and liabilities, net of acquisitions:Accounts receivable(4,888)(58)Inventories(31,515)(25,785)Prepaid expenses and other assets(495)(1,473)Contract assets(13,159)(14,863)Accounts payable4,295Â (869)Accrued expenses and other liabilities(5,355)7,401Â Income taxes(8,279)(11,692)Net cash provided by operating activities141,974Â 124,626Â Cash flows from investing activities:Acquisition of property, plant and equipment(86,267)(82,885)Purchase of intangible asset(250)â€”Â Proceeds from sale of property, plant and equipment30Â 100Â Acquisitions, net of cash acquired(138,544)â€”Â Net cash used in investing activities(225,031)(82,785)Cash flows from financing activities:Principal payments of long-term debt(2)(415,938)Proceeds from issuance of convertible notes, net of discountâ€”Â 486,250Â Proceeds from revolving credit facility234,500Â 294,603Â Payments of revolving credit facility(117,500)(353,993)Purchase of capped callsâ€”Â (35,000)Payment of debt issuance costs(2,071)(2,181)Proceeds from the exercise of stock options742Â 2,303Â Tax withholdings related to net share settlements of restricted stock unit awards(10,773)(3,067)Contingent consideration paymentsâ€”Â (7,660)Principal payments on finance leases(9,772)(854)Other financing activities501Â â€”Â Net cash provided by (used in) financing activities95,625Â (35,537)Effect of foreign currency exchange rates on cash and cash equivalents(668)1,566Â Net increase in cash and cash equivalents11,900Â 7,870Â Cash and cash equivalents, beginning of period23,674Â 24,272Â Cash and cash equivalents, end of period$35,574Â $32,142Â The accompanying notes are an integral part of these condensed consolidated financial statements.- 5 -Table of ContentsINTEGER HOLDINGS CORPORATIONCONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERSâ€™ EQUITY (Unaudited)Â Three Months EndedNine Months Ended(in thousands)September 27,2024September 29,2023September 27,2024September 29,2023Total stockholdersâ€™ equity, beginning balance$1,553,910Â $1,445,655Â $1,519,042Â $1,417,456Â Common stock and additional paid-in capitalBalance, beginning of period730,191Â 715,748Â 727,468Â 731,426Â Stock awards exercised or vested(147)72Â (10,038)(959)Stock-based compensation6,115Â 5,496Â 18,729Â 17,099Â Capped calls related to the issuance of convertible notes, net of taxâ€”Â â€”Â â€”Â (26,250)Balance, end of period736,159Â 721,316Â 736,159Â 721,316Â Retained earningsBalance, beginning of period823,105Â 717,737Â 771,351Â 680,701Â Net income35,439Â 27,257Â 87,193Â 64,293Â Balance, end of period858,544Â 744,994Â 858,544Â 744,994Â Accumulated other comprehensive incomeBalance, beginning of period614Â 12,170Â 20,223Â 5,329Â Other comprehensive income (loss)25,869Â (15,131)6,260Â (8,290)Balance, end of period26,483Â (2,961)26,483Â (2,961)Total stockholdersâ€™ equity, ending balance$1,621,186Â $1,463,349Â $1,621,186Â $1,463,349Â The accompanying notes are an integral part of these condensed consolidated financial statements.- 6 -Table of ContentsINTEGER HOLDINGS CORPORATIONNOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(1.)Â Â Â Â BASIS OF PRESENTATIONInteger Holdings Corporation (together with its consolidated subsidiaries, â€œIntegerâ€ or the â€œCompanyâ€) is a publicly-traded corporation listed on the New York Stock Exchange under the symbol â€œITGR.â€ Integer is a medical device contract development and manufacturing organization primarily serving the cardiac rhythm management, neuromodulation, and cardio and vascular markets. Integer is committed to enhancing the lives of patients worldwide by providing innovative, high-quality products and solutions. The Companyâ€™s customers include large multi-national original equipment manufacturers (â€œOEMsâ€) and their affiliated subsidiaries.On September 27, 2024, the Company entered into a stock purchase agreement with Ultralife Corporation (â€œUltralifeâ€), pursuant to which the Company agreed to sell 100% of the issued and outstanding shares of common stock of Electrochem Solutions, Inc. (â€œElectrochemâ€) to Ultralife for $50Â million in cash, subject to customary working capital adjustments. The consummation of the sale is expected to occur by the end of October 2024. The divestiture of Electrochem also represents a sale of the Companyâ€™s previously reported Non-Medical segment as the Electrochem business constituted substantially all of the assets and liabilities and operations reported in the Non-Medical segment. Under the new organizational and reporting structure all continuing operations are included in one reportable segment.As a result of the anticipated sale, Electrochem met the criteria to be reported as held for sale and discontinued operations as of September 27, 2024. Because Electrochem was previously a reportable operating segment, the Company concluded the divestiture was a strategic shift in its business and classified the related assets and liabilities associated with the discontinued operations as held for sale in the Condensed Consolidated Balance Sheets. The Condensed Consolidated Statements of Cash Flows include cash flows related to the discontinued operations due to Integerâ€™s (parent) centralized treasury and cash management processes. The Condensed Consolidated Balance Sheet as of December 31, 2023 was derived from the Companyâ€™s audited financial statements and has been retrospectively adjusted to reflect assets and liabilities held for sale. All results and information in the condensed consolidated financial statements is presented as continuing operations and excludes the Electrochem business unless otherwise noted specifically as discontinued operations. Refer to Note 3, â€œDiscontinued Operationsâ€ for additional information.The accompanying condensed consolidated financial statements are presented in accordance with the rules and regulations of the United States ("U.S.") Securities and Exchange Commission ("SEC") and do not include all of the disclosures normally required by U.S. generally accepted accounting principles (â€œU.S. GAAPâ€) as contained in the Companyâ€™s Annual Report on Form 10-K. Accordingly, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Companyâ€™s most recent Annual Report on Form 10-K for the year ended DecemberÂ 31, 2023.In the opinion of management, the condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the results of the Company for the periods presented. The results for interim periods are not necessarily indicative of results or trends that may be expected for the fiscal year as a whole. The condensed consolidated financial statements were prepared using U.S. GAAP, which require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, certain components of equity, sales, expenses, and related disclosures at the date of the financial statements and during the reporting period. Actual results could differ materially from these estimates.The third quarter and first nine months of 2024 ended on SeptemberÂ 27, 2024 and consisted of 91 days and 271 days, respectively. The third quarter and first nine months of 2023 ended on SeptemberÂ 29, 2023 and consisted of 91 days and 272 days, respectively.Factoring ArrangementsThe Company has receivable factoring arrangements, pursuant to which certain receivables may be sold on a non-recourse basis to financial institutions. Transactions under the receivables factoring arrangements are accounted for as sales under ASC 860, Transfers and Servicing of Financial Assets, with the sold receivables removed from the Companyâ€™s balance sheet. Under these arrangements, the Company does not maintain any beneficial interest in the receivables sold. Once sold, the receivables are no longer available to satisfy creditors in the event of bankruptcy. Sale proceeds are reflected in Cash flows from operating activities on the Condensed Consolidated Statements of Cash Flows. Factoring fees are recorded in Selling, general, and administrative expenses in the Companyâ€™s Condensed Consolidated Statements of Operations and Comprehensive Income. During the nine months ended SeptemberÂ 27, 2024 and SeptemberÂ 29, 2023, the Company sold accounts receivable of $162.6Â million and $97.4Â million, respectively. During the three and nine months ended SeptemberÂ 27, 2024, the Company recorded factoring fees of $0.3Â million and $1.1Â million, respectively. Factoring fees for the three and nine months ended SeptemberÂ 29, 2023 were $0.3Â million and $0.7Â million, respectively. - 7 -Table of ContentsINTEGER HOLDINGS CORPORATIONNOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(1.)Â Â Â Â BASIS OF PRESENTATION (Continued)Supplier Financing ArrangementsThe Company utilizes supplier financing arrangements with financial institutions to sell certain accounts receivable on a non-recourse basis. These transactions are treated as a sale of, and are accounted for as a reduction to, accounts receivable. The agreements transfer control and risk related to the receivables to the financial institutions. The Company has no continuing involvement in the transferred receivables subsequent to the sale. Fees for supplier financing arrangements are recorded in Selling, general, and administrative expenses in the Companyâ€™s Condensed Consolidated Statements of Operations and Comprehensive Income. During the nine months ended SeptemberÂ 27, 2024 and SeptemberÂ 29, 2023, the Company sold and de-recognized accounts receivable of $119.4Â million and $104.7Â million, respectively. The Company recorded costs associated with the supplier financing arrangements of $0.6Â million and $1.7Â million, respectively, for the three and nine months ended SeptemberÂ 27, 2024, compared to $0.5Â million and $1.3Â million, respectively, for the three and nine months ended SeptemberÂ 29, 2023.Recent Accounting PronouncementsThe Company considers the applicability and impact of all Accounting Standard Updates (â€œASUâ€) issued by the Financial Accounting Standards Board (â€œFASBâ€). The Company evaluated all recent accounting pronouncements issued, including those that are currently effective, and determined that the adoption of these pronouncements would not have a material effect on the financial position, results of operations or cash flows of the Company. There have been no new or material changes to the significant accounting policies discussed in the Companyâ€™s Annual Report on Form 10-K for the year ended DecemberÂ 31, 2023, that are of significance, or potential significance, to the Company.(2.)Â Â Â Â BUSINESS ACQUISITIONS2024 AcquisitionOn January 5, 2024, the Company acquired 100% of the outstanding capital stock of Pulse Technologies, Inc. (â€œPulseâ€), a privately-held technology, engineering and contract manufacturing company focused on complex micro machining of medical device components for high growth structural heart, heart pump, electrophysiology, leadless pacing, and neuromodulation markets. Based in Pennsylvania, Pulse also provides proprietary advanced technologies, including hierarchical structural surface restructuring (HSRTM), scratch-free surface finishes, and titanium nitride coatings. Consistent with the Companyâ€™s tuck-in acquisition strategy, the acquisition of Pulse further increases the Companyâ€™s end-to-end development capabilities and manufacturing footprint in targeted growth markets and provides customers with expanded capabilities, capacity and resources to accelerate the time to market for customer products. The Company funded the purchase price with borrowings under its Revolving Credit Facility (as defined below) during the first quarter of 2024.The Company has preliminarily estimated fair values for the assets purchased and liabilities assumed as of the date of the acquisition. The determination of estimated fair value required management to make significant estimates and assumptions based on information that was available at the time that the Condensed Consolidated Financial Statements were prepared. The amounts reported are considered preliminary as the Company is completing the valuations that are required to allocate the purchase price in areas such as property and equipment, intangible assets, liabilities and goodwill. As a result, the preliminary allocation of the purchase price may change in the future, including in ways which could be material.The total consideration transferred was $142.3Â million, including contingent consideration, working capital and other purchase price adjustments. The Company recorded contingent consideration with an estimated acquisition date fair value of $3.6Â million, representing the Companyâ€™s obligation, under the purchase agreement, to make an additional payment of up to $20.0Â million based on a specified revenue growth milestone being met in 2025. During the first nine months of 2024, the Company recorded measurement period adjustments, inclusive of working capital and other closing adjustments, resulting in decreases to goodwill and current liabilities. The measurement period adjustments recorded during the first nine months of 2024 were not material.- 8 -Table of ContentsINTEGER HOLDINGS CORPORATIONNOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(2.)Â Â Â Â BUSINESS ACQUISITIONS (Continued)The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed (in thousands):Fair value of net assets acquiredCurrent assets (excluding inventory)$7,456Â Inventory8,612Â Property, plant and equipment25,950Â Goodwill38,058Â Definite-lived intangible assets64,000Â Finance lease assets7,964Â Current liabilities(1,760)Finance lease liabilities(7,936)Fair value of net assets acquired$142,344Â The preliminary fair values of the assets acquired were determined using one of three valuation approaches: market, income or cost. The selection of a particular method for a given asset depended on the reliability of available data and the nature of the asset, among other considerations.Current Assets and LiabilitiesThe fair value of current assets and liabilities, excluding inventory, was assumed to approximate their carrying value as of the acquisition date due to the short-term nature of these assets and liabilities.The fair value of in-process and finished goods inventory acquired was estimated by applying a version of the income approach called the comparable sales method. This approach estimates the fair value of the assets by calculating the potential revenue generated from selling the inventory and subtracting from it the costs related to the completion and sale of that inventory and a reasonable profit allowance for these remaining efforts. Net book value was deemed to be a reasonable proxy for the fair value of raw materials. Based upon this methodology, the Company recorded the inventory acquired at fair value resulting in an increase in inventory of $1.1Â million.Property, Plant and EquipmentThe fair value of Property, Plant and Equipment acquired was estimated by applying the cost approach for personal property and leasehold improvements. The cost approach was applied by developing a replacement cost and adjusting for economic depreciation and obsolescence.LeasesThe Company recognized a finance lease liability and finance lease right-of-use asset for a manufacturing facility in accordance with ASC 842, Leases. The lease terms were determined to be at-market as of the acquisition date.GoodwillThe excess of the purchase price over the fair value of net tangible and intangible assets acquired and liabilities assumed was allocated to goodwill. The goodwill resulting from the transaction is primarily attributable to future customer relationships and the assembled workforce of the acquired business. The goodwill acquired in connection with the Pulse acquisition was allocated to the Medical segment and is deductible for tax purposes.- 9 -Table of ContentsINTEGER HOLDINGS CORPORATIONNOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(2.)Â Â Â Â BUSINESS ACQUISITIONS (Continued)Intangible AssetsThe purchase price was allocated to intangible assets as follows (dollars in thousands):Definite-lived Intangible AssetsFair Value AssignedWeighted Average Amortization Period (Years)Weighted Average Discount RateCustomer lists$48,000Â 20.013.0%Technology16,000Â 10.013.0%$64,000Â Customer Lists - Customer lists represent the estimated fair value of contractual and non-contractual customer relationships Pulse had as of the acquisition date. These relationships were valued separately from goodwill at the amount that an independent third party would be willing to pay for these relationships. The fair value of customer lists was determined using the multi-period excess-earnings method, a form of the income approach. The estimated useful life of the existing customer base was based upon the historical customer annual attrition rate of 5.0%, as well as managementâ€™s understanding of the industry and product life cycles.Technology - Technology consists of technical processes, patented and unpatented technology, manufacturing know-how, trade secrets and the understanding with respect to products or processes that have been developed by Pulse and that will be leveraged in current and future products. The fair value of technology acquired was determined utilizing the relief from royalty method, a form of the income approach, with a royalty rate of 7.5%. The estimated useful life of the technology is based upon managementâ€™s estimate of the product life cycle associated with the technology before it will be replaced by new technologies.Contingent Consideration - As part of the Pulse acquisition, the Company may be required to pay additional consideration based on a specified revenue growth milestone being met in 2025. Any amounts earned will be payable in 2026. The contingent consideration is classified as Level 3 in the fair value hierarchy and the fair value is measured based on a Monte Carlo simulation utilizing projections about future performance. Significant inputs include revenue volatility of 11%, a discount rate of 12% and projected financial information. See Note 14, â€œFinancial Instruments and Fair Value Measurements,â€ for additional information related to the fair value measurement of the contingent consideration.2023 AcquisitionEffective as of October 1, 2023, the Company acquired substantially all of the assets and assumed certain liabilities of InNeuroCo, Inc. (â€œInNeuroCoâ€), a privately-held company based in Florida. InNeuroCo is a recognized leader in neurovascular catheter innovation with strong development and manufacturing capabilities. InNeuroCoâ€™s expertise and highly differentiated neurovascular catheter innovation complements the Companyâ€™s existing capabilities and market focus. Consistent with the Companyâ€™s strategy, the addition of InNeuroCo further increases Integerâ€™s ability to provide enhanced solutions to its customers in the neurovascular catheter space. The Company funded the purchase price with borrowings under its Revolving Credit Facility.The total consideration transferred was $44.5Â million, which consists of an initial cash payment of $43.6Â million and $0.9Â million in estimated fair value of contingent consideration. The contingent consideration represents the estimated fair value of the Companyâ€™s obligation, under the purchase agreement, to make additional payments of up to $13.5Â million based on specified annual revenue growth milestones being met through 2027, and a one-time contingent payment to be made based on cumulative revenue amounts through 2027 exceeding a specified revenue target.The cost of the acquisition was allocated to the assets acquired and liabilities assumed based upon their estimated fair values at the date of the acquisition. From the date of acquisition through the quarter ended SeptemberÂ 27, 2024, the Company recorded measurement period adjustments to update the allocation of the purchase price to certain current assets and, based on analysis of information as of the acquisition date, reduced goodwill by $3.7Â million. During the nine months ended SeptemberÂ 27, 2024, the Company recorded a measurement period adjustment of $1.5Â million, resulting in an increase to current assets and a decrease to goodwill.- 10 -Table of ContentsINTEGER HOLDINGS CORPORATIONNOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(2.)Â Â Â Â BUSINESS ACQUISITIONS (Continued)The final purchase price allocation was as follows (in thousands):Fair value of net assets acquiredCurrent assets (excluding inventory)$8,471Â Inventory5,376Â Property, plant and equipment3,436Â Goodwill19,442Â Definite-lived intangible assets9,200Â Operating lease assets2,072Â Current liabilities(2,331)Operating lease liabilities(1,157)Fair value of net assets acquired$44,509Â Intangible AssetsThe purchase price was allocated to intangible assets as follows (dollars in thousands):Definite-lived Intangible AssetsFair Value AssignedCustomer lists$4,000Â Technology5,200Â $9,200Â Actual and Pro Forma disclosuresThe following table presents (in thousands) pro forma results of operations for the three and nine months ended SeptemberÂ 29, 2023 as if Pulse and InNeuroCo had been included in the Companyâ€™s financial results as of the beginning of fiscal year 2023. The pro forma results include the historical results of operations of the Company, Pulse and InNeuroCo, as well as adjustments for additional amortization of the assets acquired, additional interest expense related to the financing of the transactions and other transactional adjustments. The pro forma results do not include efficiencies, cost reductions or synergies expected to result from the acquisitions. The impact of discontinued operations have been removed from pro forma sales for each of the periods presented. These pro forma results do not purport to be indicative of the results that would have been obtained, or to be a projection of results that may be obtained in the future.Three Months EndedSeptemberÂ 29, 2023Nine Months EndedSeptemberÂ 29, 2023Sales$414,688Â $1,201,554Â Income from continuing operations27,790Â 52,915Â The results of operations from the Pulse acquisition have been included in the Companyâ€™s Medical segment since the acquisition date. From the date of acquisition through three and nine months ended SeptemberÂ 27, 2024, sales related to Pulse were $10.3Â million and $31.5Â million, respectively, and earnings were not material.Acquisition costsDuring the three and nine months ended SeptemberÂ 27, 2024, direct costs of the Pulse and InNeuroCo acquisitions of $0.2Â million and $5.9Â million, respectively, were expensed as incurred and included in Restructuring and other charges in the Condensed Consolidated Statements of Operations and Comprehensive Income. There were no direct costs incurred for these acquisitions during the three and nine months ended SeptemberÂ 29, 2023.- 11 -Table of ContentsINTEGER HOLDINGS CORPORATIONNOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(3.) Â Â Â Â DISCONTINUED OPERATIONSOn September 27, 2024, the Company entered into a stock purchase agreement with Ultralife, pursuant to which the Company agreed to sell 100% of the issued and outstanding shares of common stock of Electrochem to Ultralife. The Electrochem business represented substantially all of the assets and operations in our previously reported Non-Medical segment, which focused on non-medical applications for the energy, military and environmental sectors. Electrochem met the criteria to be reported as held for sale and discontinued operations as of September 27, 2024. As a result, the Company classified the results of operations of Electrochem as discontinued operations in the Condensed Consolidated Statements of Operations and Comprehensive Income for all periods presented and classified the related assets and liabilities associated with the discontinued operations as held for sale in the Condensed Consolidated Balance Sheets. All results and information in the unaudited condensed consolidated financial statements are presented as continuing operations and exclude the Electrochem business unless otherwise noted specifically as discontinued operations.The following amounts summarize the Electrochem assets and liabilities which have been segregated from Integerâ€™s continuing operations, and are reported as assets and liabilities of discontinued operations held for sale in the Condensed Consolidated Balance Sheets (in thousands):September 27,2024December 31,2023Accounts receivable, net of provision for credit losses of $0.1 and million $0.0 million, respectively$7,488Â $6,994Â Inventories11,443Â 10,614Â Prepaid expenses and other assets620Â 97Â Property, plant and equipment, net15,040Â â€”Â Goodwill17,000Â â€”Â Other intangible assets, net (Purchased technology and patents)3,285Â â€”Â Current assets54,876Â 17,705Â Property, plant and equipment, netâ€”Â 15,385Â Goodwillâ€”Â 17,000Â Other intangible assets, net (Purchased technology and patents)â€”Â 3,548Â Other long-term assetsâ€”Â 476Â Noncurrent assetsâ€”Â 36,409Â Total assets classified as held for sale(a)54,876Â 54,114Â Accounts payable1,361Â 2,035Â Deferred income taxes1,767Â â€”Â Accrued expenses and other liabilities1,841Â 1,468Â Current liabilities4,969Â 3,503Â Deferred income taxesâ€”Â 2,073Â Other long-term liabilitiesâ€”Â 391Â Noncurrent liabilitiesâ€”Â 2,464Â Total liabilities classified as held for sale(a)4,969Â 5,967Â Net assets$49,907Â $48,147Â __________(a) The assets and liabilities of the Electrochem business classified as held for sale are presented as current on the SeptemberÂ 27, 2024 Condensed Consolidated Balance Sheet as it is probable that the sale will occur and proceeds will be collected within one year.- 12 -Table of ContentsINTEGER HOLDINGS CORPORATIONNOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(3.) Â Â Â Â DISCONTINUED OPERATIONS (Continued)Income (loss) from discontinued operations, net of tax, were as follows (in thousands): Â Three Months EndedNine Months EndedSeptember 27,2024September 29,2023September 27,2024September 29,2023Sales$8,752Â $8,358Â $25,182Â $33,813Â Cost of sales6,405Â 7,792Â 19,252Â 26,105Â Gross profit2,347Â 566Â 5,930Â 7,708Â Selling, general and administrative expenses937Â 658Â 2,069Â 1,940Â Research, development and engineering costs413Â 471Â 1,382Â 1,597Â Restructuring and other charges461Â 138Â 675Â 145Â Interest expense719Â 474Â 2,105Â 1,459Â Income (loss) from discontinued operations before taxes(183)(1,175)(301)2,567Â Provision (benefit) for income taxes660Â (258)586Â 604Â Income (loss) from discontinued operations, net of tax(843)(917)(887)1,963Â In accordance with ASC 205-20, Allocation of Interest to Discontinued Operations, the Company elected to allocate interest expense to discontinued operations for the Company's debt that is not directly attributed to the Electrochem business. Interest expense was allocated based on a ratio of net assets of discontinued operations to the sum of consolidated net assets and consolidated debt.Cash flow information from discontinued operations was as follows (in thousands):Â Nine Months EndedSeptember 27,2024September 29,2023Cash provided by (used in) operating activities(116)7,993Â Cash used in investing activities (all capital expenditures)(218)(292)Depreciation and amortization975Â 913Â (4.)Â Â Â Â SUPPLEMENTAL CASH FLOW INFORMATIONThe following is supplemental information, including discontinued operations, relating to the Condensed Consolidated Statements of Cash Flows (in thousands):Nine Months EndedSeptember 27,2024September 29,2023Noncash investing and financing activities:Property, plant and equipment purchases included in accounts payable$12,777Â $11,806Â Supplemental lease disclosures:Assets acquired under operating leases3,491Â 912Â Assets acquired under finance leases7,283Â 493Â - 13 -Table of ContentsINTEGER HOLDINGS CORPORATIONNOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(5.)Â Â Â Â INVENTORIESInventories comprise the following (in thousands):September 27,2024December 31,2023Raw materials$113,302Â $109,036Â Work-in-process134,376Â 102,668Â Finished goods17,737Â 17,398Â Total$265,415Â $229,102Â (6.) Â Â Â Â GOODWILL AND OTHER INTANGIBLE ASSETS, NETSee Note 2, â€œBusiness Acquisitionsâ€ and Note 3, â€œDiscontinued Operationsâ€ for additional details regarding goodwill and intangible assets.GoodwillThe changes in the carrying amount of goodwill for the nine months ended SeptemberÂ 27, 2024 were as follows (in thousands):December 31, 2023$994,007Â Pulse acquisition (Note 2)38,094Â Acquisition-related adjustments (Note 2)(1,583)Foreign currency translation2,560Â September 27, 2024$1,033,078Â Intangible AssetsIntangible assets comprise the following (in thousands):GrossCarryingAmountAccumulatedAmortizationNetCarryingAmountSeptember 27, 2024Definite-lived:Purchased technology and patents$297,081Â $(202,310)$94,771Â Customer lists885,800Â (278,830)606,970Â Amortizing tradenames and other20,048Â (6,903)13,145Â Total amortizing intangible assets$1,202,929Â $(488,043)$714,886Â Indefinite-lived:Trademarks and tradenames$90,288Â December 31, 2023Definite-lived:Purchased technology and patents$286,535Â $(195,329)$91,206Â Customer lists837,453Â (253,267)584,186Â Amortizing tradenames and other21,035Â (7,117)13,918Â Total amortizing intangible assets$1,145,023Â $(455,713)$689,310Â Indefinite-lived:Trademarks and tradenames$90,288Â - 14 -Table of ContentsINTEGER HOLDINGS CORPORATIONNOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(6.) Â Â Â Â GOODWILL AND OTHER INTANGIBLE ASSETS, NETAggregate intangible asset amortization expense comprises the following (in thousands):Â Three Months EndedNine Months EndedÂ September 27,2024September 29,2023September 27,2024September 29,2023Cost of sales$5,080Â $3,953Â $12,961Â $11,799Â Selling, general and administrative expenses8,546Â 9,068Â 27,625Â 27,085Â Total intangible asset amortization expense$13,626Â $13,021Â $40,586Â $38,884Â Estimated future intangible asset amortization expense based on the carrying value as of SeptemberÂ 27, 2024 is as follows (in thousands):Remainder of 20242025202620272028After 2028Amortization Expense$14,195Â $54,338Â $53,562Â $52,019Â $50,166Â $490,606Â (7.) Â Â Â Â DEBTLong-term debt comprises the following (in thousands):Â September 27, 2024December 31, 2023Principal AmountUnamortizedDiscounts and Issuance CostsNet Carrying AmountPrincipal AmountUnamortizedDiscounts and Issuance CostsNet Carrying AmountSenior Secured Credit Facilities:Revolving credit facilities$216,000Â $â€”Â $216,000Â $99,000Â $â€”Â $99,000Â Term loan A375,000Â (1,401)373,599Â 375,000Â (1,687)373,313Â 2028 Convertible Notes499,998Â (10,258)489,740Â 500,000Â (12,388)487,612Â Total$1,090,998Â $(11,659)$1,079,339Â $974,000Â $(14,075)$959,925Â Current portion of long-term debt(5,000)â€”Â Long-term debt$1,074,339Â $959,925Â In September 2021, the Company entered into a credit agreement (the â€œ2021 Credit Agreementâ€), governing the Companyâ€™s senior secured credit facilities (the â€œSenior Secured Credit Facilitiesâ€). In February 2023, the Company issued $500Â million aggregate principal amount of 2.125% Convertible Senior Notes due in 2028 (the â€œ2028 Convertible Notesâ€). For additional details about the Senior Secured Credit Facilities, the 2028 Convertible Notes and the Capped Call Transactions as defined below, refer to Note 8, â€œDebtâ€ of the Notes to Consolidated Financial Statements in the Companyâ€™s Annual Report on Form 10-K for the year ended DecemberÂ 31, 2023.Third Amendment to the 2021 Credit AgreementOn July 1, 2024, the Company entered into a third amendment (the â€œThird Amendmentâ€) to the 2021 Credit Agreement. The Third Amendment amended the terms of the 2021 Credit Agreement to increase the maximum borrowing capacity of the Company under the Revolving Credit Facility pursuant to the 2021 Credit Agreement by $300Â million from $500Â million to $800Â million. All other terms of the 2021 Credit Agreement remain unchanged. In connection with the Third Amendment, the Company incurred and capitalized $2.1Â million of issuance costs in accordance with ASC 470-50, Debt Modifications and Extinguishment. These costs have been recorded as a component of Other long-term assets on the Condensed Consolidated Balance Sheets as of September 27, 2024 and will be amortized over the remaining term of the 2021 Credit Agreement.Senior Secured Credit FacilitiesAs of SeptemberÂ 27, 2024, the Company maintained Senior Secured Credit Facilities consisting of a five-year $800Â million revolving credit facility (the â€œRevolving Credit Facilityâ€) and a five-year â€œterm Aâ€ loan (the â€œTLA Facilityâ€).- 15 -Table of ContentsINTEGER HOLDINGS CORPORATIONNOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(7.) Â Â Â Â DEBT (Continued)Revolving Credit FacilityThe Revolving Credit Facility matures on February 15, 2028. As of SeptemberÂ 27, 2024, the Company had available borrowing capacity on the Revolving Credit Facility of $580.5Â million after giving effect to $216.0Â million of outstanding borrowings and $3.5Â million of outstanding standby letters of credit. Borrowings under the Revolving Credit Facility bear interest at a rate based on the secured overnight financing rate for the applicable interest period plus an adjustment of 0.10% per annum, in relation to any loan in U.S. dollars, and the Euro Interbank Offered Rate, in relation to any loan in Euros, plus a margin based on the Companyâ€™s Secured Net Leverage Ratio (as defined in the 2021 Credit Agreement). In addition, the Company is required to pay a commitment fee on the unused portion of the Revolving Credit Facility, which ranges between 0.15% and 0.25%, depending on the Companyâ€™s Secured Net Leverage Ratio. As of SeptemberÂ 27, 2024, the weighted average interest rate on outstanding borrowings under the Revolving Credit Facility was 6.46% and the commitment fee on the unused portion of the Revolving Credit Facility was 0.18%.TLA FacilityThe TLA Facility matures on February 15, 2028, and requires quarterly installments. The quarterly principal installments under the TLA Facility increase over the term of the loan. During 2023, the Company prepaid the contractual amounts due on the TLA Facility through the second quarter of 2025. The interest rate terms for the TLA Facility are the same as those described above for the Revolving Credit Facility borrowings in U.S. dollars. As of SeptemberÂ 27, 2024, the interest rate on the TLA Facility was 6.46%.CovenantsThe 2021 Credit Agreement contains customary terms and conditions, including representations and warranties and affirmative and negative covenants, as well as financial covenants for the benefit of the lenders under the Revolving Credit Facility and the TLA Facility, which require the Company to not exceed a specified maximum Total Net Leverage Ratio (as defined in the 2021 Credit Agreement) and an interest coverage ratio as of the end of each fiscal quarter. As of SeptemberÂ 27, 2024, the Company was in compliance with these financial covenants.Contractual principal maturities under the Senior Secured Credit Facilities as of SeptemberÂ 27, 2024, are as follows (in thousands):Remainder of 20242025202620272028Future minimum principal payments$â€”Â $10,000Â $27,500Â $30,000Â $523,500Â 2028 Convertible NotesIn February 2023, the Company issued the 2028 Convertible Notes with an aggregate principal amount of $500Â million in a private offering, which aggregate principal amount included the exercise in full of the initial purchasersâ€™ option to purchase up to an additional $65Â million principal amount of the 2028 Convertible Notes. The 2028 Convertible Notes were issued pursuant to an indenture dated as of February 3, 2023, by and between the Company and Wilmington Trust, National Association, as trustee. The 2028 Convertible Notes are senior unsecured obligations of the Company, which bear interest at a fixed rate of 2.125% per annum, payable semiannually in arrears on February 15 and August 15 of each year. The 2028 Convertible Notes will mature on February 15, 2028 unless repurchased, redeemed, or converted in accordance with their terms prior to such date and do not contain financial maintenance covenants. The 2028 Convertible Notes are convertible at an initial conversion rate of 11.4681 shares of the Companyâ€™s common stock per $1,000 principal amount of the 2028 Convertible Notes, which is equivalent to an initial conversion price of approximately $87.20 per share of common stock. The conversion rate is subject to standard anti-dilutive adjustments and adjustments upon the occurrence of specified events. The Company may not redeem the 2028 Convertible Notes prior to February 20, 2026. The Company may redeem for cash all or any portion of the 2028 Convertible Notes, at its option, on or after February 20, 2026 and prior to February 15, 2028, if the last reported sale price of its common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending not more than two trading days immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the 2028 Convertible Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.- 16 -Table of ContentsINTEGER HOLDINGS CORPORATIONNOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(7.) Â Â Â Â DEBT (Continued)Holders of the 2028 Convertible Notes may convert all or a portion of their 2028 Convertible Notes at their option prior to November 15, 2027, in multiples of $1,000 principal amounts, only under the following circumstances:â€¢during any calendar quarter commencing after the calendar quarter ended on March 31, 2023 (and only during such calendar quarter), if the last reported sale price of the Companyâ€™s common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; â€¢during the five business day period after any ten consecutive trading day period (the â€œMeasurement Periodâ€) in which the trading price (as defined in the indenture governing the 2028 Convertible Notes) per $1,000 principal amount of the 2028 Convertible Notes for each trading day of the Measurement Period was less than 98% of the product of the last reported sale price of the Companyâ€™s common stock and the conversion rate in effect on each such trading day; â€¢if the Company calls any or all of the 2028 Convertible Notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or â€¢upon the occurrence of specified corporate events.On or after November 15, 2027 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2028 Convertible Notes, in multiples of $1,000 principal amount, at the option of the holder regardless of the foregoing circumstances.Upon conversion, the 2028 Convertible Notes will be settled in cash up to the aggregate principal amount of the 2028 Convertible Notes to be converted, and in cash, shares of the Companyâ€™s common stock or a combination thereof, at the Companyâ€™s option, in respect of the remainder, if any, of the Companyâ€™s conversion obligation in excess of the aggregate principal amount of the 2028 Convertible Notes being converted. If the Company undergoes a fundamental change (as defined in the indenture governing the 2028 Convertible Notes), subject to certain conditions, holders may require the Company to repurchase for cash all or any portion of their 2028 Convertible Notes, in principal amounts of $1,000 or a multiple thereof, at a fundamental change repurchase price equal to 100% of the principal amount of the 2028 Convertible Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date. In addition, following certain corporate events or if the Company issues a notice of redemption, it will, under certain circumstances, increase the conversion rate for holders who elect to convert their 2028 Convertible Note in connection with such corporate event or during the relevant redemption period.As of SeptemberÂ 27, 2024, the conditions allowing holders of the 2028 Convertible Notes to convert had been met and, therefore, the 2028 Convertible Notes became eligible for conversion at the option of the holders beginning on July 1, 2024 and ending at the close of business on September 30, 2024. Subsequent to September 27, 2024, the sale price for conversion was satisfied as of September 30, 2024 and as a result, the Convertible Notes will continue to be eligible for optional conversion during the fourth quarter of 2024. Any determination regarding the convertibility of the 2028 Convertible Notes during future periods will be made in accordance with the terms of the indenture governing the 2028 Convertible Notes. If a conversion request occurs, the Company has the intent and ability to refinance the amounts that may become due with respect to the 2028 Convertible Notes using the available borrowing capacity under the Revolving Credit Facility. As such, the obligations associated with the 2028 Convertible Notes continue to be classified as a long-term liability on the Condensed Consolidated Balance Sheet at SeptemberÂ 27, 2024.The 2028 Convertible Notes are accounted for as a single liability measured at amortized cost. The discount and issuance costs related to the 2028 Convertible Notes are being amortized to interest expense over the contractual term of the 2028 Convertible Notes at an effective interest rate of 2.76%.Capped Call TransactionsIn connection with the issuance of the 2028 Convertible Notes, the Company entered into privately negotiated capped call transactions (the â€œCapped Callsâ€) with certain financial institutions. The Capped Calls are expected generally to reduce the potential dilution to the Companyâ€™s common stock in connection with any conversion of the 2028 Convertible Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of converted 2028 Convertible Notes, as the case may be, with such reduction and/or offset subject to a cap based on the strike price of written warrants. The initial upper strike price of the Capped Calls is $108.59 per share and is subject to certain adjustments under the terms of the Capped Calls.- 17 -Table of ContentsINTEGER HOLDINGS CORPORATIONNOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(8.) Â Â Â Â STOCK-BASED COMPENSATIONThe Company maintains certain stock-based compensation plans that were approved by the Companyâ€™s stockholders and are administered by the Board of Directors (the â€œBoardâ€) or the Compensation and Organization Committee (the â€œCompensation Committeeâ€) of the Board. The stock-based compensation plans provide for the granting of stock options, restricted stock awards, performance awards, time-based restricted stock units (â€œRSUsâ€), performance-based RSUs (â€œPRSUsâ€), stock appreciation rights and stock bonuses to employees, non-employee directors, consultants, and service providers. Stock-based Compensation ExpenseThe classification of stock-based compensation expense was as follows (in thousands):Â Three Months EndedNine Months EndedÂ September 27,2024September 29,2023September 27,2024September 29,2023RSUs and PRSUs$6,091Â $5,501Â $18,582Â $16,912Â Discontinued operations24Â (5)147Â 187Â Total stock-based compensation expense$6,115Â $5,496Â $18,729Â $17,099Â Cost of sales$955Â $889Â $3,035Â $3,115Â Selling, general and administrative4,845Â 4,348Â 14,625Â 12,867Â Research, development and engineering276Â 250Â 872Â 893Â Restructuring and other charges15Â 14Â 50Â 37Â Discontinued operations24Â (5)147Â 187Â Total stock-based compensation expense$6,115Â $5,496Â $18,729Â $17,099Â Stock OptionsThe following table summarizes the Companyâ€™s stock option activity for the nine month period ended SeptemberÂ 27, 2024:Number ofStockOptionsWeightedAverageExercisePriceWeightedAverageRemainingContractualLife(InÂ Years)AggregateIntrinsicValue(InÂ Millions)Outstanding at December 31, 2023158,089Â $40.35Â Exercised(28,006)43.69Â Outstanding and exercisable at September 27, 2024130,083Â $39.63Â 2.3$11.2Â Time-Based Restricted Stock UnitsMost RSUs granted to employees during the nine months ended SeptemberÂ 27, 2024 vest over a period of three years from the grant date, subject to the recipientâ€™s continuous service to the Company. RSUs are issued to members of the Board as a portion of their annual retainer and vest quarterly over a period of one year. The grant-date fair value of all RSUs is equal to the closing market price of Integer common stock on the date of grant.The following table summarizes RSU activity for the nine month period ended SeptemberÂ 27, 2024:Time-VestedActivityWeightedAverageGrant Date FairÂ ValueNonvested at December 31, 2023349,755Â $76.63Â Granted146,857Â 107.41Â Vested(150,188)80.13Â Forfeited(22,626)82.50Â Nonvested at September 27, 2024323,798Â $88.56Â - 18 -Table of ContentsINTEGER HOLDINGS CORPORATIONNOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(8.) Â Â Â Â STOCK-BASED COMPENSATION (Continued)Performance-Based Restricted Stock UnitsFor the Companyâ€™s PRSUs, in addition to service conditions, the ultimate number of shares to be earned (0% to 200% of the target award) depends on the achievement of financial and market-based performance conditions. The financial performance conditions are based on the Companyâ€™s sales targets over a three year performance period. The market-based performance conditions are based on the Companyâ€™s achievement of a relative total shareholder return performance requirement, on a percentile basis, compared to a defined group of peer companies over a three year performance period, or contingent upon achieving specified stock price milestones over a five year performance period.The following table summarizes PRSU activity for the nine month period ended SeptemberÂ 27, 2024:Performance-VestedActivityWeightedAverageGrant Date FairÂ ValueNonvested at December 31, 2023275,503Â $84.57Â Granted78,246Â 110.54Â Performance adjustment(a)111,590Â 93.38Â Vested(223,180)93.38Â Forfeited(3,786)83.02Â Nonvested at September 27, 2024238,373Â $89.00Â __________(a)Represents additional PRSUs earned related to above-target achievement of performance conditions, the achievement of which was based upon predefined performance targets established by the Compensation Committee at the initial grant date.The Company uses a Monte Carlo simulation model to determine the grant-date fair value of awards with market-based performance conditions. The grant-date fair value of all other PRSUs is equal to the closing market price of Integer common stock on the date of grant. The weighted average fair value and assumptions used to value the PRSU awards granted with market-based performance conditions are as follows:Â Nine Months EndedÂ September 27,2024September 29,2023Weighted average fair value$117.96Â $74.29Â Risk-free interest rate4.13Â %3.79Â %Expected volatility34Â %46Â %Expected life (in years)3.03.0Expected dividend yieldâ€”Â %â€”Â %The valuation of the market-based PRSUs granted during 2024 and 2023 also reflects a weighted average illiquidity discount of 8.00% and 11.23%, respectively, related to the six-month period that recipients are restricted from selling, transferring, pledging or assigning the underlying shares, in the event of vesting.- 19 -Table of ContentsINTEGER HOLDINGS CORPORATIONNOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(9.) Â Â Â Â RESTRUCTURING AND OTHER CHARGESRestructuring and other charges comprise the following (in thousands):Â Three Months EndedNine Months EndedÂ September 27,2024September 29,2023September 27,2024September 29,2023Restructuring charges (gains)$714Â (103)3,031Â $1,890Â Acquisition and integration costs1,017Â 777Â 8,408Â 1,715Â Other general expenses (gains)83Â 28Â (972)137Â Total restructuring and other charges$1,814Â $702Â $10,467Â $3,742Â Restructuring programsOperational excellenceThe Companyâ€™s operational excellence initiatives mainly consist of costs associated with executing on its sales force, manufacturing, business process and performance excellence operational strategic imperatives. These projects focus on changing the Companyâ€™s organizational structure to match product line growth strategies and customer needs, transitioning its manufacturing process into a competitive advantage and standardizing and optimizing its business processes.Strategic reorganization and alignmentThe Companyâ€™s strategic reorganization and alignment initiatives primarily include those that align resources with market conditions and the Companyâ€™s strategic direction in order to enhance the profitability of its portfolio of products.Manufacturing alignment to support growthThe Companyâ€™s manufacturing alignment to support growth initiatives are designed to reduce costs, improve operating efficiencies or increase capacity to accommodate growth, which may involve relocation or consolidation of manufacturing operations.The following table comprises restructuring and restructuring-related charges by classification in the Companyâ€™s Condensed Consolidated Statements of Operations and Comprehensive Income (in thousands):Â Three Months EndedNine Months EndedÂ September 27,2024September 29,2023September 27,2024September 29,2023Restructuring charges:Restructuring and other charges (gains)$714Â (103)3,031Â $1,890Â Restructuring-related expenses(a):Cost of sales869Â 401Â 1,599Â 1,093Â Selling, general and administrative331Â 151Â 937Â 1,517Â Research, development and engineering2Â 21Â 171Â 662Â Total restructuring and restructuring-related charges$1,916Â $470Â $5,738Â $5,162Â __________(a) Restructuring-related expenses primarily include retention bonuses, consulting expenses and professional fees.- 20 -Table of ContentsINTEGER HOLDINGS CORPORATIONNOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(9.) Â Â Â Â RESTRUCTURING AND OTHER CHARGES (Continued)The following table summarizes the activity for restructuring reserves (in thousands):OperationalexcellenceStrategic reorganization and alignmentManufacturing alignment to support growthTotalDecember 31, 2023$21Â $125Â $1,290Â $1,436Â Charges incurred, net of reversals1,423Â 432Â 1,176Â 3,031Â Cash payments(1,285)(251)(2,091)(3,627)Non-cash adjustmentsâ€”Â â€”Â (349)(349)September 27, 2024$159Â $306Â $26Â $491Â Acquisition and integration costsAcquisition and integration costs primarily consist of professional fees directly related to business acquisitions and costs to integrate the systems, processes and organizations acquired. During the nine months ended SeptemberÂ 27, 2024, acquisition and integration costs primarily related to the Pulse and InNeuroCo acquisitions. During the nine months ended SeptemberÂ 29, 2023, acquisition and integration costs primarily related to the Aran and Oscor acquisitions. Acquisition and integration costs for the nine months ended SeptemberÂ 29, 2023 included a benefit of $0.5Â million to adjust the fair value of acquisition-related contingent consideration liabilities. See Note 14, â€œFinancial Instruments and Fair Value Measurementsâ€ for additional information related to the fair value measurement of the contingent consideration.Other general expensesDuring the nine months ended SeptemberÂ 27, 2024 and SeptemberÂ 29, 2023, the Company recorded expenses related to other initiatives not described above, which primarily include gains and losses in connection with the disposal of property, plant and equipment. In addition, during the nine months ended SeptemberÂ 27, 2024, the Company recorded $1.2Â million of loss recoveries relating to property damage which occurred in the fourth quarter of 2023 at one of its manufacturing facilities.(10.)Â Â Â Â INCOME TAXESThe income tax provision for interim periods is determined using an estimate of the annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period. Each quarter, the estimate of the annual effective tax rate is updated, and if the estimated effective tax rate changes, a cumulative adjustment is made. There is a potential for volatility of the effective tax rate due to several factors, including discrete items, changes in the mix and amount of pre-tax income and the jurisdictions to which it relates, changes in tax laws and foreign tax holidays, business reorganizations, settlements with taxing authorities and foreign currency fluctuations. In addition, the Company continues to explore tax planning opportunities that may have a material impact on its effective tax rate. Â Three Months EndedNine Months EndedSeptember 27,2024September 29,2023September 27,2024September 29,2023Income from continuing operations before taxes$43,424Â $33,252Â $108,305Â $75,399Â Provision for income taxes7,142Â 5,078Â 20,225Â 13,069Â Effective tax rate16.4Â %15.3Â %18.7Â %17.3Â %The difference between the Companyâ€™s effective tax rates and the U.S. federal statutory income tax rate of 21% for the third quarter and first nine months of 2024 and 2023 is due principally to the net impact of the Companyâ€™s earnings outside the U.S., which are generally taxed at rates that differ from the U.S. federal rate, the Global Intangible Low-Taxed Income (â€œGILTIâ€) tax, the Foreign Derived Intangible Income (â€œFDIIâ€) deduction, the availability of tax credits and the recognition of certain discrete tax items.- 21 -Table of ContentsINTEGER HOLDINGS CORPORATIONNOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(10.)Â Â Â Â INCOME TAXES (Continued)For the third quarter and first nine months of 2024, the Company recorded discrete tax benefit of $1.6Â million and a discrete tax benefit of $1.9Â million, respectively. The discrete tax benefits for the third quarter and first nine months of 2024 are predominately related to favorable return to provision adjustments attributable to the 2023 U.S. tax return. The remainder of the discrete tax amounts relate predominately to excess tax benefits, net of deductibility limitations, recognized upon vesting of RSUs, partially offset by tax expense from shortfalls recorded for the forfeiture of certain PRSUs, as well as unfavorable return to provision adjustments attributable to certain foreign tax returns for the 2023 tax year.For the third quarter and first nine months of 2023, the Company recorded discrete tax benefits of $0.8Â million and $0.4Â million, respectively. The discrete tax expense for the third quarter and the nine months of 2023 predominately related to favorable return to provision adjustments attributable to the 2022 U.S. tax return. The remainder of the discrete tax amounts relate predominately to excess tax benefits recognized upon vesting of RSUs during those periods partially offset by tax expense from shortfalls recorded for the forfeiture of certain PRSUs, as well as unfavorable return to provision adjustments attributable to certain foreign tax returns for the 2022 tax year. On December 15, 2022, the European Union (â€œEUâ€) Member States formally adopted the EUâ€™s Pillar Two Directive, which generally provides for a minimum effective tax rate of 15%, as established by the Organization for Economic Co-operation and Development (â€œOECDâ€) Pillar Two Framework. The effective dates are January 1, 2024 and January 1, 2025, for different aspects of the directive. A significant number of other countries are expected to also implement similar legislation with varying effective dates in the future. The Company is continuing to evaluate the potential impact on future periods of the Pillar Two Framework, pending legislative adoption by additional individual countries. The Companyâ€™s 2024 provision for income taxes includes the impact of the Pillar Two 15% Global Minimum Tax, with an enactment date of January 1, 2024. Unrecognized tax benefits reflect the difference between positions taken or expected to be taken on income tax returns and the amounts reflected in the financial statements. As of SeptemberÂ 27, 2024, the Company had unrecognized tax benefits of approximately $6.5 million, substantially all of which would favorably impact the effective tax rate, net of federal benefit on state issues, if recognized. As of SeptemberÂ 27, 2024, the Company believes it is reasonably possible that a reduction of approximately $0.5Â million of the balance of unrecognized tax benefits may occur within the next 12 months as a result of various statute expirations, audit closures, and/or tax settlements.(11.)Â Â Â Â COMMITMENTS AND CONTINGENCIESContingent Consideration ArrangementsThe Company records contingent consideration liabilities related to the earn-out provisions for certain acquisitions. See Note 14, â€œFinancial Instruments and Fair Value Measurementsâ€ for additional information. LitigationThe Company is subject to litigation arising from time to time in the ordinary course of its business. The Company does not expect that the ultimate resolution of any pending legal actions will have a material effect on its consolidated results of operations, financial position, or cash flows. However, litigation is subject to inherent uncertainties. As such, there can be no assurance that any pending legal action, which the Company currently believes to be immaterial, will not become material in the future.- 22 -Table of ContentsINTEGER HOLDINGS CORPORATIONNOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(12.)Â Â Â Â EARNINGS PER SHARE (â€œEPSâ€)The following table sets forth a reconciliation of the information used in computing basic and diluted EPS (in thousands, except per share amounts):Â Three Months EndedNine Months EndedSeptember 27,2024September 29,2023September 27,2024September 29,2023Numerator for basic and diluted EPS:Income from continuing operations$36,282Â $28,174Â $88,080Â $62,330Â Income (loss) from discontinued operations(843)(917)(887)1,963Â Net income$35,439Â $27,257Â $87,193Â $64,293Â Denominator for basic and diluted EPS:Weighted average shares outstanding - Basic33,656Â 33,346Â 33,579Â 33,305Â Dilutive effect of share-based awards492Â 428Â 485Â 374Â Dilutive impact of convertible notes1,643Â â€”Â 1,377Â â€”Â Weighted average shares outstanding - Diluted35,791Â 33,774Â 35,441Â 33,679Â Basic earnings per share:Income from continuing operations$1.08Â $0.84Â $2.62Â $1.87Â Income (loss) from discontinued operations(0.03)(0.03)(0.03)0.06Â Basic earnings per share$1.05Â $0.82Â $2.60Â $1.93Â Diluted earnings per share:Income from continuing operations$1.01Â $0.83Â $2.49Â $1.85Â Income (loss) from discontinued operations(0.02)(0.03)(0.03)0.06Â Diluted earnings per share$0.99Â $0.81Â $2.46Â $1.91Â The diluted weighted average share calculations do not include the following securities, which are not dilutive to the EPS calculations or the performance criteria have not been met (in thousands):Â Three Months EndedNine Months EndedSeptember 27,2024September 29,2023September 27,2024September 29,2023RSUs1Â â€”Â 1Â 1Â PRSUs41Â 83Â 41Â 100Â The dilutive effect for the Company's 2028 Convertible Notes is calculated using the if-converted method. The Company is required, pursuant to the indenture governing the 2028 Convertible Notes, to settle the principal amount of the 2028 Convertible Notes in cash and may elect to settle the remaining conversion obligation (the in-the-money portion) in cash, shares of the Company's common stock, or a combination thereof. Because the principal amount of the 2028 Convertible Notes must be settled in cash, the dilutive impact of applying the if-converted method is limited to the in-the-money portion, if any, of the 2028 Convertible Notes. During the three and nine months ended SeptemberÂ 29, 2023, the potential conversion of the 2028 Convertible Notes was not included in the diluted earnings per share calculation because the conversion feature in the 2028 Convertible Notes was out of the money and all associated shares were antidilutive.- 23 -Table of ContentsINTEGER HOLDINGS CORPORATIONNOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(13.) Â Â Â Â STOCKHOLDERSâ€™ EQUITYCommon StockThe following is a summary of the number of shares of common stock issued and outstanding for the nine month periods ended SeptemberÂ 27, 2024 and SeptemberÂ 29, 2023: IssuedTreasury StockOutstandingBeginning balance at December 31, 202333,329,648Â â€”Â 33,329,648Â Stock options exercised23,981Â â€”Â 23,981Â Vested and settled RSUs and PRSUs, net of shares withheld to cover taxes187,846Â â€”Â 187,846Â Stock issued upon conversion of convertible debt5Â â€”Â 5Â Exercise of capped call upon conversion of convertible debtâ€”Â (2)(2)Ending balance at September 27, 202433,541,480Â (2)33,541,478Â Beginning balance at December 31, 202233,169,778Â â€”Â 33,169,778Â Stock options exercised72,125Â â€”Â 72,125Â Vested and settled RSUs and PRSUs, net of shares withheld to cover taxes84,744Â â€”Â 84,744Â Ending balance at September 29, 202333,326,647Â â€”Â 33,326,647Â Accumulated Other Comprehensive IncomeAccumulated other comprehensive income (â€œAOCIâ€) comprises the following (in thousands):DefinedBenefitPlanLiabilityCashFlowHedgesForeignCurrencyTranslationAdjustmentTotalPre-TaxAmountTaxNet-of-TaxAmountJune 28, 2024(28)(708)$1,180Â $444Â $170Â $614Â Unrealized loss on cash flow hedgesâ€”Â (2,555)â€”Â (2,555)537Â (2,018)Realized loss on foreign currency hedgesâ€”Â 699Â â€”Â 699Â (147)552Â Foreign currency translation gainâ€”Â â€”Â 27,335Â 27,335Â â€”Â 27,335Â September 27, 2024(28)(2,564)$28,515Â $25,923Â $560Â $26,483Â December 31, 2023(28)2,153Â $18,529Â $20,654Â (431)20,223Â Unrealized loss on cash flow hedgesâ€”Â (4,546)â€”Â (4,546)955Â (3,591)Realized gain on foreign currency hedgesâ€”Â (171)â€”Â (171)36Â (135)Foreign currency translation gainâ€”Â â€”Â 9,986Â 9,986Â â€”Â 9,986Â September 27, 2024(28)(2,564)$28,515Â $25,923Â $560Â $26,483Â - 24 -Table of ContentsINTEGER HOLDINGS CORPORATIONNOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(13.) Â Â Â Â STOCKHOLDERSâ€™ EQUITY (Continued)DefinedBenefitPlanLiabilityCashFlowHedgesForeignCurrencyTranslationAdjustmentTotalPre-TaxAmountTaxNet-of-TaxAmountJune 30, 2023(346)4,060Â $9,174Â $12,888Â (718)12,170Â Unrealized loss on cash flow hedgesâ€”Â (1,534)â€”Â (1,534)321Â (1,213)Realized gain on foreign currency hedgesâ€”Â (1,960)â€”Â (1,960)412Â (1,548)Foreign currency translation lossâ€”Â â€”Â (12,370)(12,370)â€”Â (12,370)September 29, 2023(346)566Â $(3,196)$(2,976)$15Â $(2,961)December 31, 2022$(346)$1,760Â $4,150Â $5,564Â (235)5,329Â Unrealized gain on cash flow hedgesâ€”Â 4,038Â â€”Â 4,038Â (849)3,189Â Realized gain on foreign currency hedgesâ€”Â (3,970)â€”Â (3,970)834Â (3,136)Realized gain on interest rate swap hedgeâ€”Â (1,262)â€”Â (1,262)265Â (997)Foreign currency translation lossâ€”Â â€”Â (7,346)(7,346)â€”Â (7,346)September 29, 2023(346)566Â $(3,196)$(2,976)$15Â $(2,961)(14.) Â Â Â Â FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTSAssets and Liabilities Measured at Fair Value on a Recurring BasisFair value measurement standards apply to certain financial assets and liabilities that are measured at fair value on a recurring basis (each reporting period). For the Company, these financial assets and liabilities include its derivative instruments and contingent consideration. The Company does not have any nonfinancial assets or liabilities that are measured at fair value on a recurring basis.The Company is exposed to global market risks, including the effect of changes in interest rates and foreign currency exchange rates, and may use derivatives to manage these exposures that occur in the normal course of business. The Company does not hold or issue derivatives for trading or speculative purposes. All derivatives are recorded at fair value on the Condensed Consolidated Balance Sheets.The following tables provide information regarding assets and liabilities recorded at fair value on a recurring basis (in thousands):Fair ValueQuotedPrices inActiveMarkets(Level 1)SignificantOtherObservableInputs(Level 2)SignificantUnobservableInputs(Level 3)September 27, 2024Assets: Foreign currency hedging contracts$477Â $â€”Â $477Â $â€”Â Liabilities: Foreign currency hedging contracts3,041Â â€”Â 3,041Â â€”Â Liabilities: Contingent consideration4,454Â â€”Â â€”Â 4,454Â December 31, 2023Assets: Foreign currency hedging contracts$2,153Â $â€”Â $2,153Â $â€”Â Liabilities: Contingent consideration876Â â€”Â â€”Â 876Â - 25 -Table of ContentsINTEGER HOLDINGS CORPORATIONNOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(14.) Â Â Â Â FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (Continued)Derivatives Designated as Hedging InstrumentsForeign Currency ContractsThe Company periodically enters into foreign currency forward contracts to hedge its exposure to foreign currency exchange rate fluctuations in its international operations. The Company has designated these foreign currency forward contracts as cash flow hedges.Information regarding outstanding foreign currency forward contracts as of SeptemberÂ 27, 2024 is as follows (dollars in thousands):Notional AmountMaturity Date$/Foreign CurrencyFair ValueBalance Sheet Location$12,976Â Dec 20241.0792Euro$477Â Prepaid expenses and other current assets4,958Â Dec 20240.0245UYU Peso(113)Accrued expenses and other current liabilities40,727Â Jun 20250.0528MXN Peso$(2,563)Accrued expenses and other current liabilities8,529Â Dec 20250.0519MXN Peso(365)Other long-term liabilitiesInformation regarding outstanding foreign currency forward contracts as of DecemberÂ 31, 2023 is as follows (dollars in thousands):Notional AmountMaturity Date$/Foreign CurrencyFair ValueBalance Sheet Location$51,389Â Dec 20241.0831Euro$1,389Â Prepaid expenses and other current assets19,392Â Dec 20240.0566MXN Peso182Â Prepaid expenses and other current assets19,201Â Dec 20240.0248UYU Peso582Â Prepaid expenses and other current assetsThe following tables present the effect of cash flow hedge derivative instruments on the Companyâ€™s Condensed Consolidated Statements of Operations and Comprehensive Income for the three and nine months ended SeptemberÂ 27, 2024 and SeptemberÂ 29, 2023 (in thousands):Three Months EndedSeptember 27, 2024September 29, 2023TotalAmount of Gain (Loss) on Cash Flow Hedge ActivityTotalAmount of Gain (Loss) on Cash Flow Hedge ActivitySales$431,417Â $163Â $396,803Â $53Â Cost of sales314,849Â (841)291,813Â 1,916Â Operating expenses58,557Â (21)56,214Â (9)Nine Months EndedSeptember 27, 2024September 29, 2023TotalAmount of Gain (Loss) on Cash Flow Hedge ActivityTotalAmount of Gain (Loss) on Cash Flow Hedge ActivitySales$1,267,099Â $97Â $1,151,152Â $(81)Cost of sales924,881Â (35)850,827Â 4,008Â Operating expenses191,012Â 109Â 180,534Â 43Â Interest expense43,140Â â€”Â 39,221Â 1,262Â - 26 -Table of ContentsINTEGER HOLDINGS CORPORATIONNOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(14.) Â Â Â Â FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (Continued)Unrealized Gain (Loss) Recognized in OCIRealized Gain (Loss) Reclassified from AOCIThree Months EndedLocation in Statements of Operations and ComprehensiveÂ IncomeThree Months EndedSeptember 27,2024September 29,2023September 27,2024September 29,2023Foreign exchange contracts$739Â $(1,690)Sales$163Â $53Â Foreign exchange contracts(3,104)218Â Cost of sales(841)1,916Â Foreign exchange contracts(190)(62)Operating expenses(21)(9)Nine Months EndedLocation in Statements of Operations and ComprehensiveÂ IncomeNine Months EndedSeptember 27,2024September 29,2023September 27,2024September 29,2023Interest rate swap$â€”Â $â€”Â Interest expense$â€”Â $1,262Â Foreign exchange contracts(815)(1,177)Sales97Â (81)Foreign exchange contracts(3,597)5,232Â Cost of sales(35)4,008Â Foreign exchange contracts(134)(17)Operating expenses109Â 43Â The Company expects to reclassify net losses totaling $2.2 million related to its cash flow hedges from AOCI into earnings during the next twelve months.Derivatives Not Designated as Hedging InstrumentsThe Company also has foreign currency exposure on balances, primarily intercompany, that are denominated in a foreign currency and are adjusted to current values using period-end exchange rates. To minimize foreign currency exposure, the Company enters into foreign currency contracts with a one month maturity. At SeptemberÂ 27, 2024 and DecemberÂ 31, 2023, the Company had total gross notional amounts of $30.0Â million and $23.0Â million, respectively, of foreign currency contracts outstanding that were not designated as hedges. The fair value of derivatives not designated as hedges was not material for any period presented. Gains/losses on foreign currency contracts not designated as hedging instruments are included in Other loss, net on the Condensed Consolidated Statements of Operations and Comprehensive Income. The Company recorded gains of $1.0Â million and losses of $0.2Â million, respectively, for the three and nine months ended SeptemberÂ 27, 2024, compared to net losses of approximately $0.6Â million and $0.7Â million, respectively, for the three and nine months ended SeptemberÂ 29, 2023. Each of the foreign currency contracts not designated as hedging instruments will have approximately offsetting effects from the underlying intercompany loans subject to foreign exchange remeasurement.Contingent ConsiderationThe following table presents the changes in the estimated fair values of the Companyâ€™s liabilities for contingent consideration measured using significant unobservable inputs (Level 3) for the three and nine months ended SeptemberÂ 27, 2024 and SeptemberÂ 29, 2023 (in thousands):Â Three Months EndedNine Months EndedSeptember 27,2024September 29,2023September 27,2024September 29,2023Fair value measurement at beginning of period$4,454Â $555Â $876Â $11,756Â Amount recorded for current year acquisitionsâ€”Â â€”Â 3,578Â â€”Â Fair value measurement adjustmentâ€”Â (261)â€”Â (526)Paymentsâ€”Â â€”Â â€”Â (11,177)Foreign currency translationâ€”Â â€”Â â€”Â 241Â Fair value measurement at end of period$4,454Â $294Â $4,454Â $294Â As of SeptemberÂ 27, 2024 and DecemberÂ 31, 2023, the contingent consideration liability of $4.5Â million and $0.9Â million, respectively, was non-current and included in Other long-term liabilities on the Condensed Consolidated Balance Sheets.- 27 -Table of ContentsINTEGER HOLDINGS CORPORATIONNOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(14.) Â Â Â Â FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (Continued)The contingent consideration at SeptemberÂ 27, 2024 is the estimated fair value of the Companyâ€™s remaining obligations, under the purchase agreements for Pulse and InNeuroCo, to make additional payments if certain revenue goals are met. The fair value of the contingent consideration liability relating to the acquisitions of Pulse and InNeuroCo was $3.6Â million and $0.9Â million, respectively, at the date of acquisition and at SeptemberÂ 27, 2024. See Note 2, â€œBusiness Acquisitions,â€ for additional information about the Pulse and InNeuroCo acquisitions and related contingent consideration.Assets and Liabilities Measured at Fair Value on a Nonrecurring BasisFair value standards also apply to certain assets and liabilities that are measured at fair value on a nonrecurring basis. The carrying amounts of cash, accounts receivable, accounts payable, and accrued expenses approximate fair value because of the short-term nature of these items.Borrowings under the Companyâ€™s Revolving Credit Facility and TLA Facility accrue interest at a floating rate tied to a standard short-term borrowing index, selected at the Companyâ€™s option, plus an applicable margin. The carrying amount of this floating rate debt approximates fair value based upon the respective interest rates adjusting with market rate adjustments.As of SeptemberÂ 27, 2024 and DecemberÂ 31, 2023, the estimated fair value of the 2028 Convertible Notes was approximately $783Â million and $635Â million, respectively. The estimated fair value of the 2028 Convertible Notes was determined through consideration of quoted market prices. The fair value of the 2028 Convertible Notes is categorized in Level 2 of the fair value hierarchy.Equity InvestmentsThe Company holds long-term, strategic investments in companies to promote business and strategic objectives. These investments are included in Other long-term assets on the Condensed Consolidated Balance Sheets.Equity investments comprise the following (in thousands):September 27,2024December 31,2023Equity method investment$10,053Â $7,771Â Non-marketable equity securities180Â 427Â Total equity investments$10,233Â $8,198Â The components of (Gain) loss on equity investments for each period were as follows (in thousands):Three Months EndedNine Months EndedSeptember 27,2024September 29,2023September 27,2024September 29,2023Equity method investment (gain) loss$(1,153)$199Â $(2,282)$220Â Impairment charges247Â 3,252Â 247Â 3,252Â (Gain) loss on equity investments(906)3,451Â $(2,035)$3,472Â During the third quarters of 2024 and 2023, the Company determined that certain of it investments in its non-marketable equity securities were impaired and determined the fair value to be zero based upon available information. During the third quarters of 2024 and 2023, we recorded impairment charges of $0.3Â million and $3.3Â million, respectively. These assessments were based on qualitative indications of impairment which are considered to be a Level 3 fair value measurement, as the fair value was determined based on significant inputs not observable in the market. Factors that significantly influenced the determination of the impairment losses included the investeeâ€™s financial condition, operational and financing cash flow activities, and priority claims to the equity security, distributions rights and preferences.The Companyâ€™s equity method investment is in a venture capital fund focused on investing in life sciences companies. As of SeptemberÂ 27, 2024, the Company owned 7.1% of this fund.- 28 -Table of ContentsINTEGER HOLDINGS CORPORATIONNOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)(15.)Â Â Â Â SEGMENTS AND DISAGGREGATED REVENUEThe Company's Electrochem business previously represented a reportable segment prior to being reclassified as discontinued operations. As a result of the anticipated sale of the Electrochem business, the Company's continuing operations represent only one reportable segment. Therefore, the Company has not disclosed results from continuing operations or from discontinued operations by segment. In accordance with discontinued operations accounting, intersegment sales to Electrochem that were previously eliminated in consolidation have been treated as third party sales and are included in sales from continuing operations as the Company will continue to supply the Electrochem business following its divestiture. Additional disclosures regarding the divestiture of the Electrochem business are provided in Note 3, â€œDiscontinued Operations.â€The following table presents sales by product line (in thousands):Â Three Months EndedNine Months EndedSeptember 27,2024September 29,2023September 27,2024September 29,2023Cardio & Vascular$241,009Â $214,004Â $694,278Â $613,701Â Cardiac Rhythm Management & Neuromodulation165,094Â 160,121Â 490,086Â 459,643Â Advanced Surgical, Orthopedics & Portable Medical25,314Â 22,678Â 82,735Â 77,808Â Total sales$431,417Â $396,803Â $1,267,099Â $1,151,152Â Revenue recognized from products and services transferred to customers over time represented 30% and 32%, respectively, of total revenue for the three and nine months ended SeptemberÂ 27, 2024, compared to 31% for the three and nine months ended SeptemberÂ 29, 2023.The following tables present revenues by significant customers, which are defined as any customer who individually represents 10% or more of a segmentâ€™s total revenues.Three Months EndedNine Months EndedSeptember 27, 2024September 29, 2023September 27, 2024September 29, 2023Customer A15%18%16%18%Customer B19%15%17%16%Customer C13%14%14%13%All other customers53%53%53%53%The following tables present revenues by significant ship to location, which is defined as any country where 10% or more of a segmentâ€™s total revenues are shipped.Three Months EndedNine Months EndedSeptember 27, 2024September 29, 2023September 27, 2024September 29, 2023United States56%56%57%56%All other countries44%44%43%44%Contract BalancesThe opening and closing balances of the Companyâ€™s contract assets and contract liabilities are as follows (in thousands):September 27,2024December 31,2023Contract assets$99,287Â $85,871Â Contract liabilities4,990Â 6,142Â During the three and nine months ended SeptemberÂ 27, 2024, the Company recognized $1.1Â million and $3.9Â million, respectively, of revenue that was included in the contract liability balance as of DecemberÂ 31, 2023. During the three and nine months ended SeptemberÂ 29, 2023, the Company recognized $0.4Â million and $3.1Â million, respectively, of revenue that was included in the contract liability balance as of DecemberÂ 31, 2022.- 29 -Table of ContentsITEM 2. MANAGEMENTâ€™S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONSThis Quarterly Report on Form 10-Q should be read in conjunction with the disclosures included in our Annual Report on Form 10-K for the year ended DecemberÂ 31, 2023. In addition, please read this section in conjunction with our Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements contained herein.Cautionary Note Regarding Forward-Looking StatementsSome statements contained in this report and other written and oral statements made from time to time by us and our representatives are not statements of historical or current fact. As such, they are â€œforward-looking statementsâ€ within the meaning of SectionÂ 27A of the Securities Act of 1933, as amended (the â€œSecurities Actâ€), and SectionÂ 21E of the Securities Exchange Act of 1934, and are subject to the safe harbor created thereby under the Private Securities Litigation Reform Act of 1995. We have based these forward-looking statements on our current expectations, and these statements are subject to known and unknown risks, uncertainties and assumptions. Forward-looking statements include, but are not limited to, statements relating to:â€¢future development and expected growth of our business and industry;â€¢our ability to execute our business model and our business strategy;â€¢having available sufficient cash and borrowing capacity to meet working capital, debt service and capital expenditure requirements for the next twelve months;â€¢our ability to refinance amounts that may become due upon a request for conversion of the 2028 Convertible Notes; â€¢the timing for the consummation of the sale of the Electrochem business; andâ€¢projected contractual debt service obligations.You can identify forward-looking statements by terminology such as â€œmay,â€ â€œwill,â€ â€œshould,â€ â€œcould,â€ â€œexpects,â€ â€œintends,â€ â€œplans,â€ â€œanticipates,â€ â€œbelieves,â€ â€œestimates,â€ â€œpredicts,â€ â€œprojects,â€ â€œforecast,â€ â€œoutlook,â€ â€œassume,â€ â€œpotentialâ€ or â€œcontinueâ€ or variations or the negative counterparts of these terms or other comparable terminology. These statements are only predictions and are not guarantees of future performance, and investors should not place undue reliance on forward-looking statements as predictive of future results. Actual events or results may differ materially from those stated or implied by these forward-looking statements. In evaluating these statements and our prospects, you should carefully consider the factors set forth below. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary factors and to others contained throughout this report.Although it is not possible to create a comprehensive list of all factors that may cause actual results to differ from the results expressed or implied by our forward-looking statements or that may affect our future results, some of these factors and other risks and uncertainties that arise from time to time are described in Item 1A â€œRisk Factorsâ€ of our Annual Report on Form 10-K and in our other periodic filings with the SEC and include the following:â€¢operational risks, such as our dependence upon a limited number of customers; pricing pressures and contractual pricing restraints we face from customers; our reliance on third-party suppliers for raw materials, key products and subcomponents; interruptions in our manufacturing operations; our ability to attract, train and retain a sufficient number of qualified associates to maintain and grow our business; the potential for harm to our reputation and competitive advantage caused by quality problems related to our products; our dependence upon our information technology systems and our ability to prevent cyber-attacks and other failures; global climate change and the emphasis on Environmental, Social and Governance matters by various stakeholders; our dependence upon our senior management team and key technical personnel; our energy market revenuesâ€™ dependence on conditions in the historically volatile oil and natural gas industries; and consolidation in the healthcare industry resulting in greater competition;â€¢strategic risks, such as the intense competition we face and our ability to successfully market our products; our ability to respond to changes in technology; our ability to develop new products and expand into new geographic and product markets; and our ability to successfully identify, make and integrate acquisitions to expand and develop our business in accordance with expectations;- 30 -Table of ContentsINTEGER HOLDINGS CORPORATIONMANAGEMENT'S DISCUSSION AND ANALYSISâ€¢financial and indebtedness risks, such as our ability to accurately forecast future performance based on operating results that often fluctuate; our significant amount of outstanding indebtedness and our ability to remain in compliance with financial and other covenants under the credit agreement governing our Senior Secured Credit Facilities; economic and credit market uncertainties that could interrupt our access to capital markets, borrowings or financial transactions; the conditional conversion feature of the 2028 Convertible Notes adversely impacting our liquidity, the conversion of our 2028 Convertible Notes, if it were to occur, diluting ownership interests of existing holders of our common stock; the counterparty risk associated with our capped call transaction; the counter financial and market risks related to our international operations and sales; our complex international tax profile; and our ability to realize the full value of our intangible assets;â€¢legal and compliance risks, such as regulatory issues resulting from product complaints, recalls or regulatory audits; the potential of becoming subject to product liability or intellectual property claims; our ability to protect our intellectual property and proprietary rights; our ability to comply with customer-driven policies and third-party standards or certification requirements; our ability to obtain and/or retain necessary licenses from third parties for new technologies; our ability and the cost to comply with environmental regulations; legal and regulatory risks from our international operations; the fact that the healthcare industry is highly regulated and subject to various regulatory changes; and our business being indirectly subject to healthcare industry cost containment measures that could result in reduced sales of our products; andâ€¢other risks and uncertainties that arise from time to time.Except as may be required by applicable law, we disclaim any obligation to update forward-looking statements in this Form 10-Q whether to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results, financial conditions or prospects, or otherwise.In this Form 10-Q, references to â€œInteger,â€ â€œwe,â€ â€œus,â€ â€œourâ€ and the â€œCompanyâ€ mean Integer Holdings Corporation and its subsidiaries, unless the context indicates otherwise.Our BusinessInteger Holdings Corporation is one of the largest medical device contract development and manufacturing organizations in the world, serving the cardiac rhythm management, neuromodulation, and cardio and vascular markets. As a strategic partner of choice to medical device companies and OEMs, we are committed to enhancing the lives of patients worldwide by providing innovative, high-quality products and solutions.The third quarter and first nine months of 2024 ended on SeptemberÂ 27, 2024 and consisted of 91 days and 271 days, respectively. The third quarter and first nine months of 2023 ended on SeptemberÂ 29, 2023 and consisted of 91 days and 272 days, respectively.Divestiture and Discontinued OperationsOn September 27, 2024, we entered into a stock purchase agreement with Ultralife Corporation (â€œUltralifeâ€), pursuant to which we agreed to sell 100% of the issued and outstanding shares of common stock of Electrochem Solutions, Inc. (â€œElectrochemâ€) for $50 million in cash, subject to customary working capital adjustments. The consummation of the sale is expected to occur by the end of October 2024. The Electrochem business represented substantially all of the assets and operations in our previously reported Non-Medical reporting segment The pending divestiture of Electrochem represents a strategic shift in our business. Consequently, the Electrochem business has been reclassified as a discontinued operation. For all periods presented, the assets and liabilities that will be transferred in the Electrochem divestiture (the â€œdisposal groupâ€) are presented as held for sale in our Condensed Consolidated Balance Sheets (unaudited), and operating results related to the Electrochem business are reflected as discontinued operations in our Condensed Consolidated Statements of Operations and Comprehensive Income (unaudited). Prior period amounts have been reclassified to conform to the continuing operations reporting presentation. All results and information presented exclude the Electrochem business unless otherwise noted specifically as discontinued operations.Refer to Note 3, â€œDiscontinued Operationsâ€ of the Notes to Condensed Consolidated Financial Statements contained in Item 1 of this report for more information regarding the presentation of the disposal group in our financial statements.The divestiture of Electrochem also represents a sale of the Non-Medical segment as the Electrochem business constituted substantially all of the assets and liabilities and operations reported in the Non-Medical segment. Under the new organizational and reporting structure, the Company has one reportable segment. Consequently, segment reporting previously disclosed is no longer applicable.- 31 -Table of ContentsINTEGER HOLDINGS CORPORATIONMANAGEMENT'S DISCUSSION AND ANALYSISImpact of Global EventsGlobal economic challenges, including the impact of military conflicts, severe and sustained inflation, fluctuations in global currencies, and supply chain disruptions may continue to cause economic uncertainty and volatility. The impact of these issues on our business will vary by geographic market and product line, but specific impacts to our business include increased borrowing costs, labor shortages, disruptions in the supply chain, delayed or reduced customer orders and sales, and delays in shipments to and from certain countries. We monitor economic conditions closely. In response to potential reductions in revenue, we can take actions to align our cost structure with changes in demand and manage our working capital. However, there can be no assurance as to the effectiveness of our efforts to mitigate any impact of the current and future adverse economic conditions and other developments.Business AcquisitionsOn January 5, 2024, we acquired 100% of the outstanding capital stock of Pulse Technologies, Inc. (â€œPulseâ€), a technology, engineering and contract manufacturing company focused on complex micro machining of medical device components for high growth structural heart, heart pump, electrophysiology, leadless pacing, and neuromodulation markets. Pulse also provides proprietary advanced technologies, including hierarchical surface restructuring (HSRTM), scratch-free surface finishes, and titanium nitride coatings. Consistent with our tuck-in acquisition strategy, the acquisition of Pulse further increases our end-to-end development capabilities and manufacturing footprint in targeted growth markets and provides customers with expanded capabilities, capacity and resources to accelerate the time to market for customer products.Effective as of October 1, 2023, we acquired substantially all of the assets and assumed certain liabilities of InNeuroCo, Inc. (â€œInNeuroCoâ€), a recognized leader in neurovascular catheter innovation with strong development and manufacturing capabilities. InNeuroCoâ€™s expertise and highly differentiated neurovascular catheter innovation complements our existing capabilities and market focus. Consistent with our acquisition strategy, the acquisition of InNeuroCo further increases our ability to provide enhanced solutions to our customers in the neurovascular catheter space.Refer to Note 2, â€œBusiness Acquisitionsâ€ of the Notes to Condensed Consolidated Financial Statements contained in ItemÂ 1 of this report for additional information about these acquisitions.Financial OverviewIncome from continuing operations for the third quarter and first nine months of 2024 was $36.3 million, or $1.01 per diluted share, and $88.1 million, or $2.49 per diluted share, respectively, compared to $28.2 million, or $0.83 per diluted share, and $62.3 million, or $1.85 per diluted share for the third quarter and first nine months of 2023, respectively. These variances are primarily the result of the following:â€¢Sales for the third quarter and first nine months of 2024 increased $34.6 million and $115.9 million, respectively, when compared to the same periods in 2023, driven by strong demand, new product ramps, growth from emerging customers with PMA (premarket approval) products and contributions from our recent acquisitions.â€¢Gross profit for the third quarter and first nine months of 2024 increased $11.6 million and $41.9 million, respectively, primarily from higher sales volume leverage, efficiencies gained from the continued improvement in the supply chain and contributions from our recent acquisitions.â€¢Operating expenses for the third quarter and first nine months of 2024 increased $2.3 million and $10.5 million, respectively, when compared to the same periods in 2023, due to higher SG&A and Restructuring and other charges, partially offset by lower RD&E costs.â€¢Interest expense for the third quarter and first nine months of 2024 increased $3.1 million and $3.9 million, respectively, compared to the same periods in 2023, primarily due to higher average debt outstanding, partially offset by a decrease in losses from extinguishment of debt.â€¢During the third quarter and first nine months of 2024, we recognized gains on equity investments of $0.9 million and $2.0 million, respectively, compared to losses of $3.5 million for the third quarter and first nine months of 2023. Gains and losses on equity investments are generally unpredictable in nature.â€¢Other loss, net for the third quarter and first nine months of 2024 were net losses of $0.9 million and $1.8 million, respectively, compared to net losses of $0.6 million and $1.7 million, respectively, for the third quarter and first nine months of 2023, primarily due to fluctuations in foreign currency gains and losses in the respective periods.â€¢We recorded provisions for income taxes for the third quarter and first nine months of 2024 of $7.1 million and $20.2 million, respectively, compared with provisions for income taxes of $5.1 million and $13.1 million, respectively, for the third quarter and first nine months of 2023. The changes in income tax expense were primarily due to relative changes in pre-tax income and the impact of discrete tax items.- 32 -Table of ContentsINTEGER HOLDINGS CORPORATIONMANAGEMENT'S DISCUSSION AND ANALYSISOur Financial ResultsThe following table presents selected financial information derived from our Condensed Consolidated Financial Statements, contained in ItemÂ 1 of this report, for the periods presented (dollars in thousands, except per share).Â Three Months EndedÂ Â Â September 27,September 29,ChangeÂ 20242023$%Product Line Sales:Cardio & Vascular$241,009Â $214,004Â $27,005Â 12.6Â %Cardiac Rhythm Management & Neuromodulation165,094Â 160,121Â 4,973Â 3.1Â %Advanced Surgical, Orthopedics & Portable Medical25,314Â 22,678Â 2,636Â 11.6Â %Total sales431,417Â 396,803Â 34,614Â 8.7Â %Cost of sales314,849Â 291,813Â 23,036Â 7.9Â %Gross profit116,568Â 104,990Â 11,578Â 11.0Â %Gross profit as a % of sales27.0Â %26.5Â %Operating expenses:Selling, general and administrative (â€œSG&Aâ€)44,820Â 41,444Â 3,376Â 8.1Â %SG&A as a % of sales10.4Â %10.4Â %Research, development and engineering (â€œRD&Eâ€)11,923Â 14,068Â (2,145)(15.2)%RD&E as a % of sales2.8Â %3.5Â %Restructuring and other charges1,814Â 702Â 1,112Â NMTotal operating expenses58,557Â 56,214Â 2,343Â 4.2Â %Operating income58,011Â 48,776Â 9,235Â 18.9Â %Operating expense as a % of sales13.6Â %14.2Â %Operating income as a % of sales13.4Â %12.3Â %Interest expense14,577Â 11,493Â 3,084Â 26.8Â %(Gain) loss on equity investments(906)3,451Â (4,357)NMOther loss, net916Â 580Â 336Â 57.9Â %Income from continuing operations before taxes43,424Â 33,252Â 10,172Â 30.6Â %Provision for income taxes7,142Â 5,078Â 2,064Â 40.6Â %Effective tax rate16.4Â %15.3Â %Income from continuing operations$36,282Â $28,174Â $8,108Â 28.8Â %Income from continuing operations as a % of sales8.4Â %7.1Â %Diluted earnings per share from continuing operations$1.01Â $0.83Â $0.18Â 21.7Â %NM - Calculated change not meaningful.- 33 -Table of ContentsINTEGER HOLDINGS CORPORATIONMANAGEMENT'S DISCUSSION AND ANALYSISNine Months EndedSeptember 27,September 29,Change20242023$%Product Line Sales:Cardio & Vascular$694,278Â $613,701Â $80,577Â 13.1Â %Cardiac Rhythm Management & Neuromodulation490,086Â 459,643Â 30,443Â 6.6Â %Advanced Surgical, Orthopedics & Portable Medical82,735Â 77,808Â 4,927Â 6.3Â %Total Sales1,267,099Â 1,151,152Â 115,947Â 10.1Â %Cost of sales924,881Â 850,827Â 74,054Â 8.7Â %Gross profit342,218Â 300,325Â 41,893Â 13.9Â %Gross profit as a % of sales27.0Â %26.1Â %Operating expenses:SG&A137,734Â 127,875Â 9,859Â 7.7Â %SG&A as a % of sales10.9Â %11.1Â %RD&E42,811Â 48,917Â (6,106)(12.5)%RD&E as a % of sales3.4Â %4.2Â %Restructuring and other charges10,467Â 3,742Â 6,725Â NMTotal operating expenses191,012Â 180,534Â 10,478Â 5.8Â %Operating income151,206Â 119,791Â 31,415Â 26.2Â %Operating expense as a % of sales15.1Â %15.7Â %Operating income as a % of sales11.9Â %10.4Â %Interest expense43,140Â 39,221Â 3,919Â 10.0Â %(Gain) loss on equity investments(2,035)3,472Â (5,507)NMOther loss, net1,796Â 1,699Â 97Â 5.7Â %Income from continuing operations before taxes108,305Â 75,399Â 32,906Â 43.6Â %Provision for income taxes20,225Â 13,069Â 7,156Â 54.8Â %Effective tax rate18.7Â %17.3Â %Income from continuing operations$88,080Â $62,330Â $25,750Â 41.3Â %Income from continuing operations as a % of sales7.0Â %5.4Â %Diluted earnings per share from continuing operations$2.49Â $1.85Â $0.64Â 34.6Â %NM - Calculated change not meaningful.- 34 -Table of ContentsINTEGER HOLDINGS CORPORATIONMANAGEMENT'S DISCUSSION AND ANALYSISProduct Line SalesFor the third quarter and first nine months of 2024, Cardio & Vascular (â€œC&Vâ€) sales increased $27.0 million, or 13%, and $80.6 million, or 13%, respectively, versus the comparable 2023 periods. The increase in C&V sales was driven by new product ramps in electrophysiology and structural heart, and the InNeuroCo and Pulse acquisitions. C&V sales for the third quarter and first nine months of 2024 included $13.5 million and $40.3 million, respectively, of sales from the recent Pulse and InNeuroCo acquisitions. Foreign currency exchange rate fluctuations did not have a material impact on C&V sales during the third quarter and first nine months of 2024 in comparison to 2023.For the third quarter and first nine months of 2024, Cardiac Rhythm Management & Neuromodulation (â€œCRM&Nâ€) sales increased $5.0 million, or 3%, and $30.4 million, or 7%, respectively, versus the comparable 2023 periods, driven by strong growth in emerging neuromodulation customers with PMA (premarket approval) products, and the Pulse acquisition. Foreign currency exchange rate fluctuations did not have a material impact on CRM&N sales during the third quarter and first nine months of 2024 in comparison to 2023.Advanced Surgical, Orthopedic & Portable Medical (â€œAS&Oâ€) sales for the third quarter and first nine months of 2024 increased $2.6 million, or 12%, and $4.9 million, or 6%, respectively, versus the comparable 2023 periods, primarily driven by fulfillment timing of last-time-buy orders related to the planned multi-year Portable Medical exit announced in 2022. Foreign currency exchange rate fluctuations did not have a material impact on AS&O sales during the third quarter and first nine months of 2024 in comparison to the 2023 periods.Gross ProfitThree Months EndedNine Months EndedSeptember 27,2024September 29,2023September 27,2024September 29,2023Gross profit (in thousands)$116,568Â $104,990Â 342,218Â 300,325Â Gross margin27.0Â %26.5Â %27.0Â %26.1Â %Gross margin for the third quarter and first nine months of 2024 increased 50 basis points and 90 basis points, respectively, compared to the comparable 2023 periods, primarily driven by higher sales volume leverage and efficiencies realized through our manufacturing excellence initiatives.- 35 -Table of ContentsINTEGER HOLDINGS CORPORATIONMANAGEMENT'S DISCUSSION AND ANALYSISSG&A ExpensesChanges to SG&A expenses from the prior year were due to the following (in thousands):Â Three Months EndedÂ September 27,2024September 29,2023ChangeCompensation and benefits(a)$23,379Â $20,550Â $2,829Â Depreciation and amortization expense(b)10,061Â 10,391Â (330)Professional fees(c)4,189Â 3,746Â 443Â Contract services(d)3,573Â 2,921Â 652Â Bank fees and charges(e)905Â 974Â (69)All other SG&A2,713Â 2,862Â (149)Total SG&A expense$44,820Â $41,444Â $3,376Â Â Nine Months EndedÂ September 27,2024September 29,2023ChangeCompensation and benefits(a)$72,311Â $66,196Â $6,115Â Depreciation and amortization expense(b)32,025Â 30,948Â 1,077Â Professional fees(c)11,694Â 11,045Â 649Â Contract services(d)10,464Â 8,603Â 1,861Â Bank fees and charges(e)2,594Â 2,163Â 431Â All other SG&A8,646Â 8,920Â (274)Total SG&A expense$137,734Â $127,875Â $9,859Â __________(a)Compensation and benefits increased primarily due to annual merit increases and an increase in headcount related to the recent Pulse and InNeuroCo acquisitions.(b)The changes in depreciation and amortization expense for the three and nine month periods were due to the mix and timing of depreciation and amortization of certain property, plant and equipment and intangible assets.(c)Professional fees increased primarily due to higher legal expense related to general corporate matters. (d)Contract services expense increased primarily due to higher software costs from information technology enhancements.(e)The increase in bank fees and charges during the first nine months of 2024 was driven by increased accounts receivable factoring and supplier financing fees primarily due to the launch of accounts receivable factoring arrangements during 2023.RD&ERD&E expense for the third quarter and first nine months of 2024 was $11.9 million and $42.8 million, respectively, compared to $14.1 million and $48.9 million, respectively, for the third quarter and first nine months of 2023. The decreases in RD&E expense during the third quarter and first nine months of 2024 compared to the same periods in 2023 were primarily due to lower labor costs and the timing of program milestone achievements for customer funded programs. RD&E expenses are influenced by the number and timing of in-process projects and labor hours and other costs associated with these projects. Our research and development initiatives continue to emphasize new product development, product improvements, and the development of new technological platform innovations.- 36 -Table of ContentsINTEGER HOLDINGS CORPORATIONMANAGEMENT'S DISCUSSION AND ANALYSISRestructuring and Other ChargesWe continuously evaluate our business and identify opportunities to realign resources to better serve our customers and markets, improve operational efficiency and capabilities, and lower operating costs. To realize the benefits associated with these opportunities, we undertake restructuring-type activities to transform our business. We incur costs associated with these activities, which primarily include exit and disposal costs and other costs directly related to the restructuring initiative. Restructuring charges include exit and disposal costs from these activities. In addition, from time to time, we incur costs associated with acquiring and integrating businesses, and certain other general expenses, including asset impairments.Restructuring and other charges comprise the following (in thousands):Â Three Months EndedNine Months EndedSeptember 27,2024September 29,2023September 27,2024September 29,2023Restructuring charges (gains)(a)$714Â (103)3,031Â $1,890Â Acquisition and integration costs(b)1,017Â 777Â 8,408Â 1,715Â Other general expenses (gains)(c)83Â 28Â (972)137Â Total restructuring and other charges$1,814Â $702Â $10,467Â $3,742Â __________(a)Restructuring charges for the first nine months of 2024 and 2023 primarily consist of costs associated with our strategic reorganization and alignment and manufacturing alignment to support growth initiatives.(b)Amounts for the first nine months of 2024 primarily include acquisition expenses related to the InNeuroCo and Pulse acquisitions. Amounts for the first nine months of 2023 primarily included integration expenses related to the Aran and Oscor acquisitions, partially offset by a benefit of $0.5Â million to adjust the fair value of acquisition-related contingent consideration liabilities.(c)Amounts include gains and losses in connection with the disposal of property, plant and equipment. In addition, during the second quarter of 2024 we recorded $1.2Â million of loss recoveries relating to property damage which occurred in the fourth quarter of 2023 at one of our manufacturing facilities.Refer to Note 9, â€œRestructuring and Other Chargesâ€ of the Notes to Condensed Consolidated Financial Statements contained in ItemÂ 1 of this report for additional information regarding these initiatives.- 37 -Table of ContentsINTEGER HOLDINGS CORPORATIONMANAGEMENT'S DISCUSSION AND ANALYSISInterest ExpenseInformation relating to our interest expense is as follows (dollars in thousands):Three Months EndedSeptember 27, 2024September 29, 2023ChangeAmountRateAmountRateAmountRate (bp)Contractual interest expense$13,276Â 4.94Â %$10,467Â 4.42Â %$2,809Â 52Amortization of deferred debt issuance costs and original issue discount1,093Â 0.45Â 921Â 0.45Â 172Â â€”Losses from extinguishment of debtâ€”Â â€”Â 87Â 0.04Â (87)(4)Interest expense on borrowings14,369Â 5.39Â %11,475Â 4.91Â %2,894Â 48Other interest expense208Â 18Â 190Â Total interest expense$14,577Â $11,493Â $3,084Â Nine Months EndedSeptember 27, 2024September 29, 2023ChangeAmountRateAmountRateAmountRate (bp)Contractual interest expense$39,672Â 4.89Â %$33,102Â 4.60Â %$6,570Â 29Gain on interest rate swapâ€”Â â€”Â (1,262)(0.16)1,262Â 16Amortization of deferred debt issuance costs and original issue discount2,962Â 0.41Â 2,608Â 0.41Â 354Â â€”Losses from extinguishment of debtâ€”Â â€”Â 4,518Â 0.62Â (4,518)(62)Interest expense on borrowings42,634Â 5.30Â %38,966Â 5.47Â %3,668Â (17)Other interest expense506Â 255Â 251Â Total interest expense$43,140Â $39,221Â $3,919Â During 2024, contractual interest expense has increased due to higher average debt balance outstanding. The higher average debt balance outstanding is primarily the result of borrowings on our Revolving Credit Facility to fund the Pulse and InNeuroCo acquisitions.Other components of interest expense on borrowings include gains on an interest rate swap contract and non-cash amortization and write-off (losses from extinguishment of debt) of deferred debt issuance costs and original issue discount. Gain on interest rate swap includes realized gains on an interest rate swap contract which matured as of June 30, 2023. Amortization of deferred debt issuance costs and original issue discount increased during 2024 compared to the same periods in 2023 as a result of higher unamortized balances related to new debt. The losses from extinguishment of debt during the first nine months of 2023 were related to prepayments of portions of the TLA Facility and full repayment of our seven-year â€œterm Bâ€ loan (the â€œTLB Facilityâ€) in connection with issuance of the 2028 Convertible Notes.As of SeptemberÂ 27, 2024 and DecemberÂ 31, 2023, approximately 46% and 51%, respectively, of our principal amount of debt are fixed rate borrowings.Â See Note 7, â€œDebt,â€ of the Notes to the Consolidated Financial Statements contained in ItemÂ 1 of this report for additional information pertaining to our debt.- 38 -Table of ContentsINTEGER HOLDINGS CORPORATIONMANAGEMENT'S DISCUSSION AND ANALYSIS(Gain) Loss on Equity Investments(Gain) loss on equity investments for each period were as follows (in thousands):Three Months EndedNine Months EndedSeptember 27,2024September 29,2023September 27,2024September 29,2023Equity method investment (gain) loss$(1,153)$199Â $(2,282)$220Â Impairment charges on non-marketable equity securities247Â 3,252Â 247Â 3,252Â (Gain) loss on equity investments(906)3,451Â $(2,035)$3,472Â Equity method investment (gain) loss for both periods in 2024 and 2023 relates to our share of equity method investee (gains) losses including unrealized appreciation/depreciation of the underlying interests of the investee. As of SeptemberÂ 27, 2024 and DecemberÂ 31, 2023, the carrying value of our equity method investment was $10.1 million and $7.8 million, respectively. During the third quarters of 2024 and 2023, we determined that, based upon available information, certain of our investments in non-marketable equity securities were impaired and determined the fair value to be zero. As a result, during the third quarters of 2024 and 2023 we recorded impairment charges of $0.3 million and $3.3 million, respectively. As of SeptemberÂ 27, 2024 and DecemberÂ 31, 2023, the carrying value of our non-marketable equity securities was $0.2 million and $0.4 million, respectively. See Note 14, â€œFinancial Instruments and Fair Value Measurementsâ€ of the Notes to the Condensed Consolidated Financial Statements contained in ItemÂ 1 of this report for further details regarding these investments.Other Loss, NetOther loss, net for the third quarter and first nine months of 2024 were net losses of $0.9 million and $1.8 million, respectively, compared to net losses of $0.6 million and $1.7 million for the third quarter and first nine months of 2023, respectively. Other loss, net primarily includes gains/losses from the impact of exchange rates on transactions denominated in foreign currencies. Our foreign currency transaction gains/losses are based primarily on fluctuations of the U.S. dollar relative to the Euro, Mexican peso, Uruguayan peso, Malaysian ringgits or Dominican peso.The impact of exchange rates on transactions denominated in foreign currencies included in Other loss, net for the third quarter and first nine months of 2024 were net losses of $0.8 million and $1.7 million, respectively, compared to losses of $0.5 million and $1.7 million for the third quarter and first nine months of 2023, respectively. We continually monitor our foreign currency exposures and seek to take steps to mitigate these risks. However, fluctuations in exchange rates could have a significant impact, positive or negative, on our financial results in the future.- 39 -Table of ContentsINTEGER HOLDINGS CORPORATIONMANAGEMENT'S DISCUSSION AND ANALYSISProvision for Income TaxesWe recognized income tax expense of $7.1 million for the third quarter of 2024 on $43.4 million of income before taxes (effective tax rate of 16.4%), compared to an income tax expense of $5.1 million on $33.3 million of income before taxes (effective tax rate of 15.3%) for the same period of 2023. The income tax expense for the first nine months of 2024 was $20.2 million on $108.3 million of income before taxes (effective tax rate of 18.7%), compared to income tax expense of $13.1 million on income before taxes of $75.4 million (effective tax rate of 17.3%) for the same period of 2023. Income tax expense for the third quarter and first nine months of 2024 included discrete benefits of $1.6Â million and $1.9Â million, respectively. For the third quarter and first nine months of 2023, we recorded discrete tax expense of $0.8Â million and $0.4Â million, respectively.Our effective tax rate for 2024 differs from the U.S. federal statutory tax rate of 21% due principally to the estimated impact of Federal Tax Credits (including R&D credits and Foreign tax credits), stock-based compensation windfalls or shortfalls, and the impact of U.S taxes on foreign earnings, including the GILTI provision which requires us to include foreign subsidiary earnings in excess of a deemed return on a foreign subsidiaryâ€™s tangible assets in our U.S. income tax return. The U.S. tax on foreign earnings is reflected net of a statutory deduction of 50% of the GILTI inclusion (subject to limitations based on U.S. taxable income, if any) and net of FDII that provides a 37.5% deduction to domestic companies for certain foreign sales and services income. In addition, our rate is impacted by earnings realized in foreign jurisdictions with statutory rates that are different than the U.S. federal statutory rate. The primary foreign jurisdictions in which we operate and the statutory tax rate for each respective jurisdiction include Switzerland (22%), Mexico (30%), Uruguay (25%), Ireland (12.5%) and Malaysia (24%). We previously operated under a tax holiday in Malaysia. We met the conditions of the Malaysian tax holiday and the holiday expired in accordance with its original terms on April 30, 2023. Our manufacturing operations in the Dominican Republic operate under a free trade zone agreement through March 2034.On December 15, 2022, the European Union (EU) Member States formally adopted the EUâ€™s Pillar Two Directive, which generally provides for a minimum effective tax rate of 15%, as established by the Organization for Economic Co-operation and Development (OECD) Pillar Two Framework. The effective dates are January 1, 2024 and January 1, 2025, for different aspects of the directive. A significant number of other countries are expected to also implement similar legislation with varying effective dates in the future. We continue to evaluate the potential impact on future periods of the Pillar Two Framework, pending legislative adoption by additional individual countries. Our 2024 provision for income taxes includes the impact of the Pillar Two 15% Global Minimum Tax, with an enactment date of January 1, 2024.There is a potential for volatility of our effective tax rate due to several factors, including changes in the mix of pre-tax income and the jurisdictions to which it relates, business acquisitions, settlements with taxing authorities, changes in tax rates, and foreign currency exchange rate fluctuations. We continue to closely monitor developments related to proposed changes in tax laws and tax rates. In addition, we continue to explore planning opportunities that may have a material impact on our effective tax rate.Income (loss) from discontinued operationsFor the third quarter and first nine months of 2024, we recognized losses from discontinued operations, net of income taxes, of $0.8 million and $0.9 million, respectively, compared to a loss of $0.9 million for the third quarter of 2023 and income of $2.0 million for the first nine months of 2023. Discontinued operations consists of the results of operations of the Electrochem business, the sale of which is expected to be completed by the end of October 2024.- 40 -Table of ContentsINTEGER HOLDINGS CORPORATIONMANAGEMENT'S DISCUSSION AND ANALYSISLiquidity and Capital ResourcesSources of Liquidity(dollars in thousands)September 27,2024December 31,2023Cash and cash equivalents$35,574Â $23,674Â Working capital from continuing operations(a)$457,727Â $382,497Â Current ratio from continuing operations(a)3.11Â 2.76Â __________(a)Excludes current assets and liabilities held for sale at September 27, 2024 and December 31, 2023.Cash and cash equivalents at SeptemberÂ 27, 2024 increased by $11.9 million from DecemberÂ 31, 2023, primarily as a result of cash generated by operating activities and net borrowings on our Revolving Credit Facility, mostly offset by purchases of property, plant and equipment and cash paid to acquire Pulse.Working capital from continuing operations increased by $75.2 million from DecemberÂ 31, 2023, or $63.3 million excluding the increase in cash and cash equivalents. The increase in working capital, exclusive of cash and cash equivalents, primarily relates to positive fluctuations in accounts receivable, inventory and contract assets. Inventory increased from higher sales volume and product demand which also contributed to the increase in contract assets and accounts receivable.At SeptemberÂ 27, 2024, $21.9 million of our cash and cash equivalents were held by foreign subsidiaries. We intend to limit our distributions from foreign subsidiaries to previously taxed income or current period earnings. If distributions are made utilizing current period earnings, we will record foreign withholding taxes in the period of the distribution.As of SeptemberÂ 27, 2024, our capital structure consisted of $1.079Â billion of debt, net of deferred debt issuance costs and unamortized discounts and 34Â million shares of common stock outstanding. As of SeptemberÂ 27, 2024, we had access to $580.5Â million of borrowing capacity under our Revolving Credit Facility, available for normal course of business and letters of credit, and are authorized to issue up to 100 million shares of common stock and 100 million shares of preferred stock. As of SeptemberÂ 27, 2024, our contractual debt service obligations for the next twelve months, consisting of principal and interest on our outstanding debt, are estimated to be approximately $54 million. Actual principal and interest payments may be higher if, for instance, the applicable interest rates on our Senior Secured Credit Facilities increase, we borrow additional amounts on our Revolving Credit Facility, or we pay principal amounts in excess of the required minimums reflected in the contractual debt service obligations above.Based on current expectations, we believe that our projected cash flows provided by operations, available cash and cash equivalents and borrowings under our Revolving Credit Facility are sufficient to meet our working capital, debt service and capital expenditure requirements for the next twelve months. If our future financing needs increase, we may need to arrange additional debt or equity financing. We continually evaluate and consider various financing alternatives to enhance or supplement our existing financial resources. However, we cannot be assured that we will be able to enter into any such arrangements on acceptable terms or at all.Credit Facilities and 2028 Convertible NotesAs of SeptemberÂ 27, 2024, we had Senior Secured Credit Facilities that consist of an $800 million Revolving Credit Facility, with an outstanding principal balance of $216 million, and a TLA Facility with an outstanding principal balance of $375 million. The Revolving Credit Facility and TLA Facility mature on February 15, 2028. The Senior Secured Credit Facilities include a mandatory prepayment provision customary for similar credit facilities.During the first quarter of 2023, we issued $500Â million aggregate principal amount of 2028 Convertible Notes, which mature on February 15, 2028 and bear interest at a fixed rate of 2.125% per annum. The total net proceeds from the issuance of the 2028 Convertible Notes, after deducting initial purchasers' discounts and commissions and debt issuance costs, were approximately $485Â million. We used the net proceeds from the issuance of the 2028 Convertible Notes to settle in full principal and interest due of $336.1 million under the TLB Facility, pay down principal and interest due of $113.9 million under the Revolving Credit Facility, to pay related fees and expenses, and to pay the cost of the capped calls related to the issuance of our 2028 Convertible Notes.- 41 -Table of ContentsINTEGER HOLDINGS CORPORATIONMANAGEMENT'S DISCUSSION AND ANALYSISAs of SeptemberÂ 27, 2024, the conditions allowing holders of the 2028 Convertible Notes to convert had been met and, therefore, the 2028 Convertible Notes became eligible for conversion at the option of the holders beginning on July 1, 2024 and ending at the close of business on September 30, 2024. Subsequent to SeptemberÂ 27, 2024, the sale price for conversion was satisfied as of September 30, 2024 and as a result, the Convertible Notes will continue to be eligible for optional conversion during the fourth quarter of 2024. Any determination regarding the convertibility of the 2028 Convertible Notes during future periods will be made in accordance with the terms of the indenture governing the 2028 Convertible Notes. If a conversion request occurs, we have the intent and ability to refinance the amounts that may become due with respect to the 2028 Convertible Notes using the available borrowing capacity under the Revolving Credit Facility. As such, these obligations with respect to the 2028 Convertible Notes continue to be classified as a long-term liability on the Condensed Consolidated Balance Sheet at SeptemberÂ 27, 2024.The Revolving Credit Facility and TLA Facility contain covenants requiring that we maintain (i) a Total Net Leverage Ratio not to exceed 5.00:1.00, subject to increase in certain circumstances following certain qualified acquisitions and (ii) an interest coverage ratio of at least 2.50:1.00. As of SeptemberÂ 27, 2024, we were in compliance with these financial covenants. As of SeptemberÂ 27, 2024, our Total Net Leverage Ratio, calculated in accordance with our Senior Secured Credit Facilities agreement, was approximately 2.6:1.0. For the twelve month period ended SeptemberÂ 27, 2024, our interest coverage ratio, calculated in accordance with our Senior Secured Credit Facilities agreement, was approximately 7.8:1.0.Failure to comply with these financial covenants would result in an event of default as defined under the Revolving Credit Facility and TLA Facility unless waived by the lenders. An event of default may result in the acceleration of our indebtedness. As a result, management believes that compliance with these covenants is material to us.See Note 7, â€œDebtâ€ of the Notes to the Condensed Consolidated Financial Statements contained in Item 1 of this report for a further information on the Companyâ€™s outstanding debt.Factoring ArrangementsWe utilize accounts receivable factoring arrangements with financial institutions to accelerate the timing of cash receipts and enhance our cash position. These arrangements, in all cases, do not contain recourse provisions, which would obligate us in the event of our customersâ€™ failure to pay. During the first nine months of 2024, we sold, without recourse, $162.6Â million of accounts receivable. We did not utilize receivable factoring arrangements prior to the second quarter of 2023. See Note 1, â€œBasis of Presentationâ€ of the Notes to the Condensed Consolidated Financial Statements contained in Item 1 of this report for further information regarding our factoring arrangements.Summary of Cash FlowThe following cash flow summary information includes cash flows related to discontinued operations.Â Nine Months Ended(in thousands)September 27,2024September 29,2023Cash provided by (used in):Operating activities$141,974Â $124,626Â Investing activities(225,031)(82,785)Financing activities95,625Â (35,537)Effect of foreign currency exchange rates on cash and cash equivalents(668)1,566Â Net change in cash and cash equivalents$11,900Â $7,870Â Operating Activities â€“ During the first nine months of 2024, we generated cash from operations of $142.0 million, compared to $124.6 million for the first nine months of 2023. The increase of $17.3 million was the result of a $29.4 million increase in net income adjusted for non-cash items such as depreciation and amortization, partially offset by a $12.1 million decrease in cash flow provided by changes in operating assets and liabilities.The increase in net income adjusted for non-cash items such as depreciation and amortization was primarily from higher sales volume and margin partially offset by higher acquisition costs due to the Pulse acquisition. The decrease associated with changes in operating assets and liabilities is primarily related to unfavorable cash flow impacts from accrued expenses. Accrued expenses included higher levels of profit sharing and bonus payments in the first nine months of 2024. Investing Activities â€“ The $142.2 million increase in net cash used in investing activities was primarily attributable to cash paid for an acquisition and increased purchases of property, plant and equipment. Investing activities for the first nine months of 2024 included net cash paid of $138.5 million for the Pulse acquisition.- 42 -Table of ContentsINTEGER HOLDINGS CORPORATIONMANAGEMENT'S DISCUSSION AND ANALYSISFinancing Activities â€“ Net cash provided by financing activities for the first nine months of 2024 was $95.6 million compared to $35.5 million used in financing activities for the first nine months of 2023. Cash provided by financing activities for the first nine months of 2024 was primarily due to net borrowings on our Revolving Credit Facility of $117.0 million, primarily to fund the Pulse acquisition. The cash used in financing activities for the first nine months of 2023 was primarily related to the issuance of our 2028 Convertible Notes of $486.3 million, which was partially offset by $335.6 million in full repayment of our TLB Facility, $55.3 million in repayments on our TLA Facility, $59.4 million of net payments on our Revolving Credit Facility and $35.0 million of capped call purchases related to the issuance of our 2028 Convertible Notes. Off-Balance Sheet ArrangementsWe do not currently have off balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our Condensed Consolidated Financial Statements.Impact of Recently Issued Accounting StandardsIn the normal course of business, we evaluate all new accounting pronouncements issued by the FASB, SEC, or other authoritative accounting bodies to determine the potential impact they may have on our Condensed Consolidated Financial Statements. See Note 1, â€œBasis of Presentationâ€ of the Notes to Condensed Consolidated Financial Statements contained in ItemÂ 1 of this report for additional information about these recently issued accounting standards and their potential impact on our financial condition or results of operations.Critical Accounting Policies and EstimatesThe preparation of our Condensed Consolidated Financial Statements in accordance with accounting principles generally accepted in the U.S. requires management to make estimates, assumptions and judgments that affect the amounts reported in the financial statements and accompanying notes. Our estimates, assumptions and judgments are based on historical experience and various other assumptions believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources. Making estimates, assumptions and judgments about future events is inherently unpredictable and is subject to significant uncertainties, some of which are beyond our control. Management believes the estimates, assumptions and judgments employed and resulting balances reported in the Condensed Consolidated Financial Statements are reasonable; however, actual results could differ materially.There have been no significant changes to the critical accounting policies and estimates as compared to those disclosed in Part II, Item 7, â€œManagementâ€™s Discussion and Analysis of Financial Condition and Results of Operationsâ€ in our Annual Report on Form 10-K for the year ended DecemberÂ 31, 2023.- 43 -Table of ContentsITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKRefer to information appearing under the caption â€œManagementâ€™s Discussion and Analysis of Financial Condition and Results of Operationsâ€ of this Form 10-Q. Furthermore, a discussion of market risk exposures is included in Part II, Item 7A, Quantitative and Qualitative Disclosure about Market Risk, of the Companyâ€™s Annual Report on Form 10-K for the year ended DecemberÂ 31, 2023.There have been no material changes in reported market risk since the inclusion of this discussion in the Companyâ€™s Annual Report on Form 10-K referenced above.ITEM 4. CONTROLS AND PROCEDURESa.Â Â Â Â Evaluation of Disclosure Controls and ProceduresOur management, including the principal executive officer and principal financial officer, evaluated our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) related to the recording, processing, summarization and reporting of information in our reports that we file with the Securities and Exchange Commission as of SeptemberÂ 27, 2024. These disclosure controls and procedures have been designed to provide reasonable assurance that material information relating to us, including our subsidiaries, is made known to our management, including these officers, by our employees, and that this information is recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the Securities and Exchange Commissionâ€™s rules and forms. Based on their evaluation, as of SeptemberÂ 27, 2024, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective.b.Â Â Â Â Changes in Internal Control Over Financial ReportingDuring the Companyâ€™s most recent fiscal quarter, there have been no changes in the Companyâ€™s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Companyâ€™s internal control over financial reporting.- 44 -Table of ContentsPART

IIâ€”OTHER INFORMATIONITEM 1.LEGAL PROCEEDINGSThere were no new material legal proceedings that are required to be reported in the quarter ended SeptemberÂ 27, 2024, and no material developments during the quarter in the Companyâ€™s legal proceedings as previously disclosed in the Companyâ€™s Annual Report on Form 10-K for the year ended DecemberÂ 31, 2023.ITEM 1A.RISK FACTORSThere have been no material changes to the Companyâ€™s risk factors as previously disclosed in the Companyâ€™s Annual Report on Form 10-K for the year ended DecemberÂ 31, 2023.ITEM 5.OTHER INFORMATIONDuring the fiscal quarter ended SeptemberÂ 27, 2024, none of the Companyâ€™s directors or executive officers adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any â€œnon-Rule 10b5-1 trading arrangement.â€ITEM 6.EXHIBITSExhibit NumberDescription31.1*Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act.31.2*Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act.32.1**Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.101.INS*XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.101.SCH*XBRL Extension Schema Document101.CAL*XBRL Extension Calculation Linkbase Document101.LAB*XBRL Extension Label Linkbase Document101.PRE*XBRL Extension Presentation Linkbase Document101.DEF*XBRL Extension Definition Linkbase Document104Cover Page Interactive Data File (embedded within the Inline XBRL document and included in Exhibit 101).*Filed herewith.**Furnished herewith.#Indicates exhibits that are management contracts or compensation plans or arrangements.- 45 -Table of ContentsSIGNATURESPursuant 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.Dated:October 24, 2024Â INTEGER HOLDINGS CORPORATIONÂ By:/s/ Joseph W. DziedzicÂ Joseph W. DziedzicÂ President and Chief Executive OfficerÂ (Principal Executive Officer)Â By:/s/ Diron SmithÂ Diron SmithÂ Executive Vice President and Chief Financial OfficerÂ (Principal Financial Officer)Â By:/s/ Tom P. ThomasÂ Tom P. ThomasÂ Vice President, Corporate ControllerÂ (Principal Accounting Officer)- 46 -DocumentExhibit 31.1CERTIFICATIONI, Joseph W. Dziedzic, certify that:Â 1.I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended SeptemberÂ 27, 2024 of Integer Holdings Corporation;2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report;3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;4.The registrantâ€™s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:Â 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;Â 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;Â c.Evaluated the effectiveness of the registrantâ€™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; andÂ d.Disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting.5.The registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditor and the audit committee of registrantâ€™s board of directors (or persons performing the equivalent functions):Â 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 registrantâ€™s ability to record, process, summarize and report financial information; andÂ b.Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™s internal control over financial reporting.Dated:October 24, 2024Â /s/ Joseph W. DziedzicÂ Joseph W. DziedzicÂ President and Â Â Chief Executive OfficerÂ (Principal Executive Officer)DocumentExhibit 31.2CERTIFICATIONI, Diron Smith, certify that:1.I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended SeptemberÂ 27, 2024 of Integer Holdings Corporation;2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report;3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;4.The registrantâ€™s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:Â 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;Â 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;Â c.Evaluated the effectiveness of the registrantâ€™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; andÂ d.Disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting.5.The registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditor and the audit committee of registrantâ€™s board of directors (or persons performing the equivalent functions):Â 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 registrantâ€™s ability to record, process, summarize and report financial information; andÂ b.Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™s internal control over financial reporting.Dated:October 24, 2024Â /s/ Diron SmithÂ Diron SmithÂ Executive Vice President andÂ Â Chief Financial OfficerÂ (Principal Financial Officer)DocumentExhibit 32.1CERTIFICATIONPursuant to 18 U.S.C. SectionÂ 1350 as Adopted Pursuant to SectionÂ 906of the Sarbanes-Oxley Act of 2002Pursuant to 18 U.S.C. SectionÂ 1350 as adopted pursuant to SectionÂ 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Integer Holdings Corporation (the â€œCompanyâ€), does hereby certify, to such officerâ€™s knowledge, that:The Quarterly Report on Form 10-Q for the quarter ended SeptemberÂ 27, 2024 (the â€œForm 10-Qâ€) of the Company fully complies with the requirements of SectionÂ 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.Dated:October 24, 2024Â /s/ Joseph W. DziedzicÂ Joseph W. DziedzicÂ President and Chief Executive OfficerÂ (Principal Executive Officer)Dated:October 24, 2024Â /s/ Diron SmithÂ Diron SmithÂ Executive Vice President andÂ Â Chief Financial OfficerÂ (Principal Financial Officer)This certification is being furnished solely to accompany this Form 10-Q pursuant to 18 U.S.C. SectionÂ 1350, and is not being filed for purposes of SectionÂ 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, and is not to be deemed incorporated by reference into any filing of the Company except to the extent the Company specifically incorporates it by reference therein.