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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 28, 2024

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____

Commission File Number 1-16137

INTEGER HOLDINGS CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware	**16-1531026**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5830 Granite Parkway, Suite 1150 Plano, Texas	**75024**
(Address of principal executive offices)	(Zip Code)

(214) 618-5243
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value per share	**ITGR**	**New York Stock Exchange**

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

Indicate by checkmark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares outstanding of the Company's common stock, $0.001 par value per share, as of July 19, 2024 was: 33,531,179 shares.

INTEGER HOLDINGS CORPORATION
Form 10-Q
For the Quarterly Period Ended June 28, 2024

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INTEGER HOLDINGS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(in thousands except share and per share data)	June 28, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 34,137	$ 23,674
Accounts receivable, net of provision for credit losses of $ 0.2 million and $ 0.4 million, respectively	240,504	238,277
Inventories	272,335	239,716
Refundable income taxes	9,072	1,998
Contract assets	97,212	85,871
Prepaid expenses and other current assets	23,720	28,132
Total current assets	676,980	617,668
Property, plant and equipment, net	466,296	407,954
Goodwill	1,042,183	1,011,007
Other intangible assets, net	813,727	783,146
Deferred income taxes	6,858	7,001
Operating lease assets	81,345	81,632
Financing lease assets	16,549	11,828
Other long-term assets	22,474	22,417
Total assets	$ 3,126,412	$ 2,942,653
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 119,446	$ 120,293
Income taxes payable	461	3,896
Operating lease liabilities	8,729	8,692
Accrued expenses and other current liabilities	77,355	88,088
Total current liabilities	205,991	220,969
Long-term debt	1,118,529	959,925
Deferred income taxes	144,101	145,625
Operating lease liabilities	71,935	72,339
Financing lease liabilities	13,491	10,388
Other long-term liabilities	18,455	14,365
Total liabilities	1,572,502	1,423,611
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Common stock, $ 0.001 par value; 100,000,000 shares authorized; 33,531,179 and 33,329,648 shares issued and outstanding, respectively	34	33
Additional paid-in capital	730,157	727,435
Retained earnings	823,105	771,351
Accumulated other comprehensive income	614	20,223
Total stockholders' equity	1,553,910	1,519,042
Total liabilities and stockholders' equity	$ 3,126,412	$ 2,942,653

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

INTEGER HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (Unaudited)

(in thousands except per share data)	Three Months Ended June 28, 2024	Three Months Ended June 30, 2023	Six Months Ended June 28, 2024	Six Months Ended June 30, 2023
Sales	$ 436,202	$ 400,044	$ 851,007	$ 778,829
Cost of sales	316,809	294,240	621,774	576,352
Gross profit	119,393	105,804	229,233	202,477
Operating expenses:				
Selling, general and administrative	47,117	45,827	94,046	87,713
Research, development and engineering	16,104	16,883	31,857	35,975
Restructuring and other charges	986	1,518	8,867	3,047
Total operating expenses	64,207	64,228	134,770	126,735
Operating income	55,186	41,576	94,463	75,742
Interest expense	15,278	11,459	29,949	28,713
(Gain) loss on equity investments	7	(134)	(1,129)	21
Other (gain) loss, net	(127)	359	880	1,119
Income before taxes	40,028	29,892	64,763	45,889
Provision for income taxes	8,782	5,921	13,009	8,853
Net income	$ 31,246	$ 23,971	$ 51,754	$ 37,036
Earnings per share:				
Basic	$ 0.93	$ 0.72	$ 1.54	$ 1.11
Diluted	$ 0.88	$ 0.71	$ 1.47	$ 1.10
Weighted average shares outstanding:				
Basic	33,600	33,312	33,540	33,285
Diluted	35,529	33,686	35,264	33,631
Comprehensive Income				
Net income	$ 31,246	$ 23,971	$ 51,754	$ 37,036
Other comprehensive income (loss):				
Foreign currency translation gain (loss)	(3,911)	(2,901)	(17,349)	5,024
Change in fair value of cash flow hedges, net of tax	(3,346)	105	(2,260)	1,817
Other comprehensive income (loss)	(7,257)	(2,796)	(19,609)	6,841
Comprehensive income	$ 23,989	$ 21,175	$ 32,145	$ 43,877

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

INTEGER HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(in thousands)	Six Months Ended June 28, 2024	Six Months Ended June 30, 2023
Cash flows from operating activities:		
Net income	$ 51,754	$ 37,036
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	53,410	48,569
Debt related charges included in interest expense	1,869	6,118
Inventory step-up amortization	1,056	—
Stock-based compensation	12,614	11,603
Non-cash lease expense	4,622	5,473
Non-cash (gain) loss on equity investments	(1,129)	21
Contingent consideration fair value adjustment	—	(265)
Other non-cash (gains) losses	1,408	(1,437)
Deferred income taxes	—	(4)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	3,465	(9,742)
Inventories	(27,235)	(21,646)
Prepaid expenses and other assets	(744)	1,308
Contract assets	(11,666)	(7,983)
Accounts payable	7,069	797
Accrued expenses and other liabilities	(16,155)	1,781
Income taxes	(9,864)	(9,296)
Net cash provided by operating activities	70,474	62,333
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(60,252)	(57,416)
Proceeds from sale of property, plant and equipment	—	50
Acquisitions, net of cash acquired	(138,544)	—
Net cash used in investing activities	(198,796)	(57,366)
Cash flows from financing activities:		
Principal payments of term loans	—	(398,438)
Proceeds from issuance of convertible notes, net of discount	—	486,250
Proceeds from revolving credit facility	208,500	229,604
Payments of revolving credit facility	(51,500)	(263,443)
Purchase of capped calls	—	(35,000)
Payment of debt issuance costs	—	(2,181)
Proceeds from the exercise of stock options	742	1,948
Tax withholdings related to net share settlements of restricted stock unit awards	(10,625)	(2,930)
Contingent consideration payments	—	(7,660)
Principal payments on finance leases	(8,956)	(557)
Other financing activities	607	—
Net cash provided by financing activities	138,768	7,593
Effect of foreign currency exchange rates on cash and cash equivalents	17	1,783
Net increase in cash and cash equivalents	10,463	14,343
Cash and cash equivalents, beginning of period	23,674	24,272
Cash and cash equivalents, end of period	$ 34,137	$ 38,615

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

INTEGER HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)

	Three Months Ended		Six Months Ended	
(in thousands)	**June 28, 2024**	**June 30, 2023**	**June 28, 2024**	**June 30, 2023**
Total stockholders' equity, beginning balance	$ 1,525,011	$ 1,417,936	$ 1,519,042	$ 1,417,456
Common stock and additional paid-in capital				
Balance, beginning of period	725,281	709,204	727,468	731,426
Stock awards exercised or vested	(856)	1,043	(9,891)	(1,031)
Stock-based compensation	5,766	5,501	12,614	11,603
Capped calls related to the issuance of convertible notes, net of tax	—	—	—	(26,250)
Balance, end of period	730,191	715,748	730,191	715,748
Retained earnings				
Balance, beginning of period	791,859	693,766	771,351	680,701
Net income	31,246	23,971	51,754	37,036
Balance, end of period	823,105	717,737	823,105	717,737
Accumulated other comprehensive income				
Balance, beginning of period	7,871	14,966	20,223	5,329
Other comprehensive income (loss)	(7,257)	(2,796)	(19,609)	6,841
Balance, end of period	614	12,170	614	12,170
Total stockholders' equity, ending balance	$ 1,553,910	$ 1,445,655	$ 1,553,910	$ 1,445,655

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

INTEGER HOLDINGS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(1.) BASIS OF PRESENTATION

Integer Holdings Corporation (together with its consolidated subsidiaries, “Integer” or the “Company”) is a publicly-traded corporation listed on the New York Stock Exchange under the symbol “ITGR.” Integer is 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 Company also develops custom power solutions for high-end niche applications in energy, military, and environmental markets. The Company’s customers include large multi-national original equipment manufacturers (“OEMs”) and their affiliated subsidiaries.

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 (“U.S. GAAP”) as contained in the Company’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 Company’s most recent Annual Report on Form 10-K for the year ended December 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 second quarter and first six months of 2024 ended on June 28, 2024 and consisted of 91 days and 180 days, respectively. The second quarter and first six months of 2023 ended on June 30, 2023 and consisted of 91 days and 181 days, respectively.

Factoring Arrangements

The 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 Company’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 Company’s Condensed Consolidated Statements of Operations and Comprehensive Income. During the six months ended June 28, 2024 and June 30, 2023, the Company sold accounts receivable of $ 116.8 million and $ 50.3 million, respectively. During the three and six months ended June 28, 2024, the Company recorded factoring fees of $ 0.4 million and $ 0.8 million, respectively. Factoring fees were $ 0.4 million for the three and six months ended June 30, 2023.

Supplier Financing Arrangements

The Company utilizes supplier financing arrangements with financial institutions to sell certain accounts receivable on a non-recourse basis. These transactions are treated as a sale of, and are accounted for as a reduction to, accounts receivable. The agreements transfer control and risk related to the receivables to the financial institutions. The Company has no continuing involvement in the transferred receivables subsequent to the sale. Fees for supplier financing arrangements are recorded in Selling, general, and administrative expenses in the Company’s Condensed Consolidated Statements of Operations and Comprehensive Income. During the six months ended June 28, 2024 and June 30, 2023, the Company sold and de-recognized accounts receivable and collected cash of $ 76.2 million and $ 64.0 million, respectively. The Company recorded costs associated with the supplier financing arrangements of $ 0.6 million and $ 1.1 million, respectively, for the three and six months ended June 28, 2024, compared to $ 0.4 million and $ 0.8 million, respectively, for the three and six months ended June 30, 2023.

(1.) BASIS OF PRESENTATION (Continued)

Recent Accounting Pronouncements

The Company considers the applicability and impact of all Accounting Standard Updates ("ASU") issued by the Financial Accounting Standards Board ("FASB"). 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 Company's Annual Report on Form 10-K for the year ended December 31, 2023, that are of significance, or potential significance, to the Company.

(2.) BUSINESS ACQUISITIONS

2024 Acquisition

On January 5, 2024, the Company acquired 100 % of the outstanding capital stock of Pulse Technologies, Inc. ("Pulse"), 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 surface restructuring (HSR™), scratch-free surface finishes, and titanium nitride coatings. Consistent with the Company's tuck-in acquisition strategy, the acquisition of Pulse further increases the Company'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. Pulse is included in the Company's Medical segment.

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 $ 142.3 million, including contingent consideration, working capital and other purchase price adjustments. The Company recorded contingent consideration with an estimated acquisition date fair value of $ 3.6 million, representing the Company's obligation, under the purchase agreement, to make an additional payment of up to $ 20.0 million based on a specified revenue growth milestone being met in 2025. During the first six 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 six months of 2024 were not material.

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

Fair value of net assets acquired

Current assets (excluding inventory)	$	7,456
Inventory		8,612
Property, plant and equipment		25,950
Goodwill		38,058
Definite-lived intangible assets		64,000
Finance lease assets		7,964
Current liabilities		(1,760)
Finance lease liabilities		(7,936)
Fair value of net assets acquired	$	142,344

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.

(2.) BUSINESS ACQUISITIONS (Continued)

Current Assets and Liabilities

The 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 $ 1.1 million.

Property, Plant and Equipment

The 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.

Leases

The Company recognized a finance lease liability and finance lease right-of-use asset for a manufacturing facility in accordance with ASC 842, *Lease*s. The lease terms were determined to be at-market as of the acquisition date.

Goodwill

The excess of the purchase price over the fair value of net tangible and intangible assets acquired and liabilities assumed was allocated to goodwill. The goodwill resulting from the transaction is primarily attributable to future customer relationships and the assembled workforce of the acquired business. The goodwill acquired in connection with the Pulse acquisition was allocated to the Medical segment and is deductible for tax purposes.

Intangible Assets

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

Definite-lived Intangible Assets	Fair Value Assigned	Weighted Average Amortization Period (Years)	Weighted Average Discount Rate
Customer lists	$ 48,000	20.0	13.0 %
Technology	16,000	10.0	13.0 %
	$ 64,000		

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 management's understanding of the industry and product life cycles.

Technology - Technology consists of technical processes, patented and unpatented technology, manufacturing know-how, trade secrets and the understanding with respect to products or processes that have been developed by 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 management'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 13, "Financial Instruments and Fair Value Measurements," for additional information related to the fair value measurement of the contingent consideration.

(2.) BUSINESS ACQUISITIONS (Continued)

2023 Acquisition

Effective as of October 1, 2023, the Company acquired substantially all of the assets and assumed certain liabilities of InNeuroCo, Inc. ("InNeuroCo"), a privately-held company based in Florida. InNeuroCo is a recognized leader in neurovascular catheter innovation with strong development and manufacturing capabilities. InNeuroCo's expertise and highly differentiated neurovascular catheter innovation complements the Company's existing capabilities and market focus. Consistent with the Company's strategy, the addition of InNeuroCo further increases Integer'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. InNeuroCo is included in the Company's Medical segment.

The total consideration transferred was $ 44.5 million, which consists of an initial cash payment of $ 43.6 million and $ 0.9 million in estimated fair value of contingent consideration. The contingent consideration represents the estimated fair value of the Company's obligation, under the purchase agreement, to make additional payments of up to $ 13.5 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 June 28, 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 $ 2.2 million. The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed (in thousands):

Fair value of net assets acquired

Current assets (excluding inventory)	$	6,924
Inventory		5,376
Property, plant and equipment		3,436
Goodwill		20,989
Definite-lived intangible assets		9,200
Operating lease assets		2,072
Current liabilities		(2,331)
Operating lease liabilities		(1,157)
Fair value of net assets acquired	$	44,509

Intangible Assets

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

Definite-lived Intangible Assets		**Fair Value Assigned**
Customer lists	$	4,000
Technology		5,200
	$	9,200

(2.) BUSINESS ACQUISITIONS (Continued)

Actual and Pro Forma disclosures

The following table presents (in thousands) pro forma results of operations for the three and six months ended June 30, 2023 as if Pulse and InNeuroCo had been included in the Company'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. 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 Ended June 30, 2023	Six Months Ended June 30, 2023
Sales	$ 415,836	$ 811,346
Net income	21,337	28,005

The results of operations from the Pulse acquisition have been included in the Company's Medical segment since the acquisition date. From the date of acquisition through three and six months ended June 28, 2024, sales related to Pulse were $ 10.5 million and $ 21.1 million, respectively, and earnings were no t material.

Acquisition costs

During the three and six months ended June 28, 2024, direct costs of the Pulse and InNeuroCo acquisitions of $ 0.1 million and $ 5.7 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 six months ended June 30, 2023.

(3.) SUPPLEMENTAL CASH FLOW INFORMATION

The following is supplemental information relating to the Condensed Consolidated Statements of Cash Flows (in thousands):

	Six Months Ended	
	June 28, 2024	June 30, 2023
Noncash investing and financing activities:		
Property, plant and equipment purchases included in accounts payable	$ 11,791	$ 9,059
Supplemental lease disclosures:		
Assets acquired under operating leases	4,104	912
Assets acquired under finance leases	5,862	331

(4.) INVENTORIES

Inventories comprise the following (in thousands):

	June 28, 2024	December 31, 2023
Raw materials	$ 124,509	$ 115,887
Work-in-process	131,822	106,032
Finished goods	16,004	17,797
Total	$ 272,335	$ 239,716

(5.) GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill

The changes in the carrying amount of goodwill by reportable segment for the six months ended June 28, 2024 were as follows (in thousands):

	Medical	Non- Medical	Total
December 31, 2023	$ 994,007	$ 17,000	$ 1,011,007
Pulse acquisition (Note 2)	38,094	—	38,094
Acquisition-related adjustments (Note 2)	(36)		(36)
Foreign currency translation	(6,882)	—	(6,882)
June 28, 2024	$ 1,025,183	$ 17,000	$ 1,042,183

As of December 31, 2023, the fair value of the Non-Medical reporting unit did not significantly exceed its carrying value. The Company has continued, and will continue, to monitor the performance of the Non-Medical reporting unit, as benchmarked against its long-term financial plan, and evaluate industry and Company-specific circumstances which affect the financial results of this reporting unit. At June 28, 2024, the Company concluded that no events or changes in circumstances have occurred which would indicate that the fair value of the Non-Medical reporting unit has more likely than not been reduced below its carrying amount.

The long-term financial plan for the Non-Medical reporting unit, which underlies the above conclusion, contains numerous assumptions including, but not limited to: macro-economic conditions, market and industry conditions, cost factors, the competitive environment, and the operational stability and overall financial performance of the reporting unit. If the Non-Medical reporting unit does not achieve the financial performance that the Company expects, it is reasonably possible that an impairment of goodwill may result in future periods.

Intangible Assets

See Note 2, “Business Acquisitions” for additional details regarding intangible assets acquired during 2024. Intangible assets comprise the following (in thousands):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
June 28, 2024			
Definite-lived:			
Purchased technology and patents	$ 304,657	$ (202,854)	$ 101,803
Customer lists	877,757	(269,481)	608,276
Amortizing tradenames and other	20,446	(7,086)	13,360
Total amortizing intangible assets	$ 1,202,860	$ (479,421)	$ 723,439
Indefinite-lived:			
Trademarks and tradenames			$ 90,288
December 31, 2023			
Definite-lived:			
Purchased technology and patents	$ 291,142	$ (196,388)	$ 94,754
Customer lists	837,453	(253,267)	584,186
Amortizing tradenames and other	21,035	(7,117)	13,918
Total amortizing intangible assets	$ 1,149,630	$ (456,772)	$ 692,858
Indefinite-lived:			
Trademarks and tradenames			$ 90,288

(5.) GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Aggregate intangible asset amortization expense comprises the following (in thousands):

	Three Months Ended		Six Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Cost of sales	$ 3,707	$ 4,037	$ 8,056	$ 8,014
Selling, general and administrative expenses	9,991	9,070	19,079	18,017
Total intangible asset amortization expense	$ 13,698	$ 13,107	$ 27,135	$ 26,031

Estimated future intangible asset amortization expense based on the carrying value as of June 28, 2024 is as follows (in thousands):

	Remainder of 2024	2025	2026	2027	2028	After 2028
Amortization Expense	$ 27,739	$ 54,052	$ 53,330	$ 51,838	$ 50,032	$ 486,448

(6.) DEBT

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

	June 28, 2024			December 31, 2023		
	Principal Amount	UnamortizedDiscounts and Issuance Costs	Net Carrying Amount	Principal Amount	UnamortizedDiscounts and Issuance Costs	Net Carrying Amount
Senior Secured Credit Facilities:						
Revolving credit facilities	$ 256,000	$ —	$ 256,000	$ 99,000	$ —	$ 99,000
Term loan A	375,000	(1,498)	373,502	375,000	(1,687)	373,313
2028 Convertible Notes	500,000	(10,973)	489,027	500,000	(12,388)	487,612
Total	$ 1,131,000	$ (12,471)	$ 1,118,529	$ 974,000	$ (14,075)	$ 959,925
Current portion of long-term debt			—			—
Long-term debt			$ 1,118,529			$ 959,925

In September 2021, the Company entered into a credit agreement (the “2021 Credit Agreement”), governing the Company’s senior secured credit facilities (the “Senior Secured Credit Facilities”). In February 2023, the Company issued $ 500 million aggregate principal amount of 2.125 % Convertible Senior Notes due in 2028 (the “2028 Convertible Notes”). 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, “Debt” of the Notes to Consolidated Financial Statements in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023.

Third Amendment to the 2021 Credit Agreement

On July 1, 2024, the Company entered into a third amendment (the “Third Amendment”) 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 $ 300 million from $ 500 million to $ 800 million. All other terms of the 2021 Credit Agreement remain unchanged.

Senior Secured Credit Facilities

As of June 28, 2024, the Company maintained Senior Secured Credit Facilities consisting of a five-year $ 500 million revolving credit facility (the “Revolving Credit Facility”) and a five-year “term A” loan (the “TLA Facility”).

(6.) DEBT (Continued)

Revolving Credit Facility

The Revolving Credit Facility matures on February 15, 2028. As of June 28, 2024, the Company had available borrowing capacity on the Revolving Credit Facility of $ 240.5 million after giving effect to $ 256.0 million of outstanding borrowings and $ 3.5 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 Company'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 Company's Secured Net Leverage Ratio. As of June 28, 2024, the weighted average interest rate on outstanding borrowings under the Revolving Credit Facility was 6.94 % and the commitment fee on the unused portion of the Revolving Credit Facility was 0.18 %.

TLA Facility

The 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 June 28, 2024, the interest rate on the TLA Facility was 6.94 %.

Covenants

The 2021 Credit Agreement contains customary terms and conditions, including representations and warranties and affirmative and negative covenants, as well as financial covenants for the benefit of the lenders under the Revolving Credit Facility and the TLA Facility, which require 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 June 28, 2024, the Company was in compliance with these financial covenants.

Contractual principal maturities under the Senior Secured Credit Facilities as of June 28, 2024, are as follows (in thousands):

	Remainder of 2024	2025	2026	2027	2028
Future minimum principal payments	$ —	$ 10,000	$ 27,500	$ 30,000	$ 563,500

2028 Convertible Notes

In February 2023, the Company issued the 2028 Convertible Notes with an aggregate principal amount of $ 500 million in a private offering, which aggregate principal amount included the exercise in full of the initial purchasers' option to purchase up to an additional $ 65 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 Company'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.

(6.) 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:

- during any calendar quarter commencing after the calendar quarter ending on March 31, 2023 (and only during such calendar quarter), if the last reported sale price of the Company'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;
- during the five business day period after any ten consecutive trading day period (the "Measurement Period") 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 Company's common stock and the conversion rate in effect on each such trading day;
- 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
- 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 Company's common stock or a combination thereof, at the Company's option, in respect of the remainder, if any, of the Company'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 June 28, 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. 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 after entry into the Third Amendment to the 2021 Credit Agreement on July 1, 2024. 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 June 28, 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 Transactions

In connection with the issuance of the 2028 Convertible Notes, the Company entered into privately negotiated capped call transactions (the "Capped Calls") with certain financial institutions. The Capped Calls are expected generally to reduce the potential dilution to the Company'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.

(7.) STOCK-BASED COMPENSATION

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

Stock-based Compensation Expense

The classification of stock-based compensation expense was as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Cost of sales	$ 823	$ 1,155	$ 2,084	$ 2,262
Selling, general and administrative	4,696	4,085	9,812	8,550
Research, development and engineering	232	259	683	728
Restructuring and other charges	15	2	35	63
Total stock-based compensation expense	$ 5,766	$ 5,501	$ 12,614	$ 11,603

Stock Options

The following table summarizes the Company's stock option activity for the six month period ended June 28, 2024:

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In Years)	Aggregate Intrinsic Value (In Millions)
Outstanding at December 31, 2023	158,089	$ 40.35		
Exercised	(16,621)	44.65		
Outstanding and exercisable at June 28, 2024	141,468	$ 39.84	2.5	$ 10.7

Time-Based Restricted Stock Units

Most RSUs granted to employees during the six months ended June 28, 2024 vest over a period of three years from the grant date, subject to the recipient'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 six month period ended June 28, 2024:

	Time-Vested Activity	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2023	349,755	$ 76.63
Granted	141,946	106.98
Vested	(143,773)	79.08
Forfeited	(22,626)	82.50
Nonvested at June 28, 2024	325,302	$ 88.38

(7.) STOCK-BASED COMPENSATION (Continued)

Performance-Based Restricted Stock Units

For the Company'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 Company's sales targets over a three year performance period. The market-based performance conditions are based on the Company'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 six month period ended June 28, 2024:

	Performance-Vested Activity	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2023	275,503	$ 84.57
Granted	78,246	110.54
Performance adjustment[(a)]	111,590	93.38
Vested	(223,180)	93.38
Forfeited	(3,786)	83.02
Nonvested at June 28, 2024	238,373	$ 89.00

(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:

	Six Months Ended	
	June 28, 2024	June 30, 2023
Weighted average fair value	$ 117.96	$ 74.29
Risk-free interest rate	4.13 %	3.79 %
Expected volatility	34 %	46 %
Expected life (in years)	3.0	3.0
Expected dividend yield	— %	— %

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.

INTEGER HOLDINGS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(8.) RESTRUCTURING AND OTHER CHARGES

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

	Three Months Ended		Six Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Restructuring charges	$ 1,103	$ 936	$ 2,531	$ 2,000
Acquisition and integration costs	1,056	556	7,391	938
Other general expenses	(1,173)	26	(1,055)	109
Total restructuring and other charges	$ 986	$ 1,518	$ 8,867	$ 3,047

Restructuring programs

Operational excellence

The Company’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 Company’s organizational structure to match product line growth strategies and customer needs, transitioning its manufacturing process into a competitive advantage and standardizing and optimizing its business processes.

Strategic reorganization and alignment

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

Manufacturing alignment to support growth

The Company’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 Company’s Condensed Consolidated Statements of Operations and Comprehensive Income (in thousands):

	Three Months Ended		Six Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Restructuring charges:				
Restructuring and other charges	$ 1,103	$ 936	$ 2,531	$ 2,000
Restructuring-related expenses [(a)]:				
Cost of sales	391	516	730	693
Selling, general and administrative	515	1,346	652	1,587
Research, development and engineering	168	318	169	641
Total restructuring and restructuring-related charges	$ 2,177	$ 3,116	$ 4,082	$ 4,921

[(a)] Restructuring-related expenses primarily include retention bonuses, consulting expenses and professional fees.

(8.) RESTRUCTURING AND OTHER CHARGES (Continued)

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

	Operational excellence	Strategic reorganization and alignment	Manufacturing alignment to support growth	Total
December 31, 2023	$ 21	$ 125	$ 1,290	$ 1,436
Charges incurred, net of reversals	1,104	181	1,246	2,531
Cash payments	(969)	(248)	(2,171)	(3,388)
Non-cash adjustments	—	—	(339)	(339)
June 28, 2024	$ 156	$ 58	$ 26	$ 240

Acquisition and integration costs

Acquisition and integration costs primarily consist of professional fees and other costs related to business acquisitions. During the six months ended June 28, 2024, acquisition and integration costs primarily related to the Pulse and InNeuroCo acquisitions. During the six months ended June 30, 2023, acquisition and integration costs primarily related to the Aran and Oscor acquisitions. Acquisition and integration costs for the six months ended June 30, 2023 included a benefit of $ 0.3 million to adjust the fair value of acquisition-related contingent consideration liabilities. See Note 13, “Financial Instruments and Fair Value Measurements” for additional information related to the fair value measurement of the contingent consideration.

Other general expenses

During the six months ended June 28, 2024 and June 30, 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 second quarter of 2024 the Company recorded $ 1.2 million of loss recoveries relating to property damage which occurred in the fourth quarter of 2023 at one of its manufacturing facilities.

(9.) INCOME TAXES

The 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.

The Company's effective tax rate for the second quarter of 2024 was 21.9 % on $ 40.0 million of income before taxes compared to 19.8 % on $ 29.9 million of income before taxes for the same period in 2023. The Company's effective tax rate for the six months ended June 28, 2024 was 20.1 % on $ 64.8 million of income before taxes compared to 19.3 % on $ 45.9 million of income before taxes for the same period of 2023. The difference between the Company's effective tax rates and the U.S. federal statutory income tax rate of 21% for the second quarter and first six months of 2024 and 2023 is due principally to the net impact of the Company'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 ("GILTI") tax, the Foreign Derived Intangible Income ("FDII") deduction, the availability of tax credits and the recognition of certain discrete tax items.

For the second quarter and first six months of 2024, the Company recorded discrete tax expense of $ 0.5 million and a discrete tax benefit of $ 0.3 million, respectively. The discrete tax expense for the second quarter of 2024 relates predominately to unfavorable return to provision adjustments attributable to certain foreign tax returns filed during the quarter. The net discrete tax benefit recorded for the six months of 2024 includes discrete tax amounts for the first quarter of 2024 predominately related to excess tax benefits, net of deductibility limitations, recognized upon vesting of RSUs. For the second quarter and first six months of 2023, the Company recorded discrete tax expense of $ 0.4 million and $ 0.5 million, respectively. The discrete tax expense for the second quarter and the six months of 2023 predominately related to unfavorable return to provision adjustments attributable to certain foreign tax returns filed during the quarter. 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.

On December 15, 2022, the European Union ("EU") Member States formally adopted the EU'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. 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 Company'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 June 28, 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 June 28, 2024, the Company believes it is reasonably possible that a reduction of approximately $ 0.5 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.

(10.) COMMITMENTS AND CONTINGENCIES

Contingent Consideration Arrangements

The Company records contingent consideration liabilities related to the earn-out provisions for certain acquisitions. See Note 13, "Financial Instruments and Fair Value Measurements" for additional information.

Litigation

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

(11.) EARNINGS PER SHARE ("EPS")

The following table sets forth a reconciliation of the information used in computing basic and diluted EPS (in thousands, except per share amounts):

	Three Months Ended		Six Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Numerator for basic and diluted EPS:				
Net income	$ 31,246	$ 23,971	$ 51,754	$ 37,036
Denominator for basic and diluted EPS:				
Weighted average shares outstanding - Basic	33,600	33,312	33,540	33,285
Dilutive effect of share-based awards	476	374	481	346
Dilutive impact of convertible notes	1,453	—	1,243	—
Weighted average shares outstanding - Diluted	35,529	33,686	35,264	33,631
Basic EPS	$ 0.93	$ 0.72	$ 1.54	$ 1.11
Diluted EPS	$ 0.88	$ 0.71	$ 1.47	$ 1.10

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):

	Three Months Ended		Six Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
RSUs	3	—	2	2
PRSUs	41	83	41	108

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 six months ended June 30, 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.

(12.) STOCKHOLDERS' EQUITY

Common Stock

The following is a summary of the number of shares of common stock issued and outstanding for the six month periods ended June 28, 2024 and June 30, 2023:

	Six Months Ended	
	June 28, 2024	June 30, 2023
Shares outstanding at beginning of period	33,329,648	33,169,778
Stock options exercised	16,621	58,413
Vested and settled RSUs and PRSUs, net of shares withheld to cover taxes	184,910	79,889
Shares outstanding at end of period	33,531,179	33,308,080

Accumulated Other Comprehensive Income

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

	Defined Benefit Plan Liability	Cash Flow Hedges	Foreign Currency Translation Adjustment	Total Pre-Tax Amount	Tax	Net-of-Tax Amount
March 29, 2024	$ (28)	$ 3,528	$ 5,091	$ 8,591	$ (720)	$ 7,871
Unrealized loss on cash flow hedges	—	(3,797)	—	(3,797)	797	(3,000)
Realized gain on foreign currency hedges	—	(439)	—	(439)	93	(346)
Foreign currency translation loss	—	—	(3,911)	(3,911)	—	(3,911)
June 28, 2024	$ (28)	$ (708)	$ 1,180	$ 444	$ 170	$ 614
December 31, 2023	$ (28)	$ 2,153	$ 18,529	$ 20,654	$ (431)	$ 20,223
Unrealized loss on cash flow hedges	—	(1,991)	—	(1,991)	418	(1,573)
Realized gain on foreign currency hedges	—	(870)	—	(870)	183	(687)
Foreign currency translation loss	—	—	(17,349)	(17,349)	—	(17,349)
June 28, 2024	$ (28)	$ (708)	$ 1,180	$ 444	$ 170	$ 614
March 31, 2023	$ (346)	$ 3,927	$ 12,075	$ 15,656	$ (690)	$ 14,966
Unrealized gain on cash flow hedges	—	2,126	—	2,126	(447)	1,679
Realized gain on foreign currency hedges	—	(1,318)	—	(1,318)	277	(1,041)
Realized gain on interest rate swap hedge	—	(675)	—	(675)	142	(533)
Foreign currency translation loss	—	—	(2,901)	(2,901)	—	(2,901)
June 30, 2023	$ (346)	$ 4,060	$ 9,174	$ 12,888	$ (718)	$ 12,170
December 31, 2022	$ (346)	$ 1,760	$ 4,150	$ 5,564	$ (235)	$ 5,329
Unrealized gain on cash flow hedges	—	5,572	—	5,572	(1,170)	4,402
Realized gain on foreign currency hedges	—	(2,010)	—	(2,010)	422	(1,588)
Realized gain on interest rate swap hedge	—	(1,262)	—	(1,262)	265	(997)
Foreign currency translation gain	—	—	5,024	5,024	—	5,024
June 30, 2023	$ (346)	$ 4,060	$ 9,174	$ 12,888	$ (718)	$ 12,170

(13.) FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

The Company is exposed to global market risks, including the effect of changes in interest rates and foreign currency exchange rates, and 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 Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 28, 2024				
Assets: Foreign currency hedging contracts	$ 313	$ —	$ 313	$ —
Liabilities: Foreign currency hedging contracts	1,021	—	1,021	—
Liabilities: Contingent consideration	4,454	—	—	4,454
December 31, 2023				
Assets: Foreign currency hedging contracts	$ 2,153	$ —	$ 2,153	$ —
Liabilities: Contingent consideration	876	—	—	876

<u>Derivatives Designated as Hedging Instruments</u>

Foreign Currency Contracts

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

Information regarding outstanding foreign currency forward contracts as of June 28, 2024 is as follows (dollars in thousands):

Notional Amount	Maturity Date	$/Foreign Currency		Fair Value	Balance Sheet Location
$ 25,911	Dec 2024	1.0807	Euro	$ (99)	Accrued expenses and other current liabilities
10,004	Dec 2024	0.0246	UYU Peso	286	Prepaid expenses and other current assets
46,418	Jun 2025	0.0542	MXN Peso	$ (922)	Accrued expenses and other current liabilities
8,655	Dec 2025	0.0506	MXN Peso	27	Other long-term assets

Information regarding outstanding foreign currency forward contracts as of December 31, 2023 is as follows (dollars in thousands):

Notional Amount	Maturity Date	$/Foreign Currency		Fair Value	Balance Sheet Location
$ 51,389	Dec 2024	1.0831	Euro	$ 1,389	Prepaid expenses and other current assets
19,392	Dec 2024	0.0566	MXN Peso	182	Prepaid expenses and other current assets
19,201	Dec 2024	0.0248	UYU Peso	582	Prepaid expenses and other current assets

(13.) FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following tables present the effect of cash flow hedge derivative instruments on the Company's Condensed Consolidated Statements of Operations and Comprehensive Income for the three and six months ended June 28, 2024 and June 30, 2023 (in thousands):

	Three Months Ended			
	June 28, 2024		June 30, 2023	
	Total	Amount of Gain (Loss) on Cash Flow Hedge Activity	Total	Amount of Gain (Loss) on Cash Flow Hedge Activity
Sales	$ 436,202	$ (76)	$ 400,044	$ (83)
Cost of sales	316,809	449	294,240	1,384
Operating expenses	64,207	66	64,228	17
Interest expense	15,278	—	11,459	675

	Six Months Ended			
	June 28, 2024		June 30, 2023	
	Total	Amount of Gain (Loss) on Cash Flow Hedge Activity	Total	Amount of Gain (Loss) on Cash Flow Hedge Activity
Sales	$ 851,007	$ (66)	$ 778,829	$ (134)
Cost of sales	621,774	806	576,352	2,092
Operating expenses	134,770	130	126,735	52
Interest expense	29,949	—	28,713	1,262

	Unrealized Gain (Loss) Recognized in OCI		Realized Gain (Loss) Reclassified from AOCI		
	Three Months Ended		Location in Statements of Operations and Comprehensive Income	Three Months Ended	
	June 28, 2024	June 30, 2023		June 28, 2024	June 30, 2023
Interest rate swap	$ —	$ 6	Interest expense	$ —	$ 675
Foreign exchange contracts	(295)	364	Sales	(76)	(83)
Foreign exchange contracts	(3,209)	1,739	Cost of sales	449	1,384
Foreign exchange contracts	(293)	17	Operating expenses	66	17

	Six Months Ended		Location in Statements of Operations and Comprehensive Income	Six Months Ended	
	June 28, 2024	June 30, 2023		June 28, 2024	June 30, 2023
Interest rate swap	$ —	$ —	Interest expense	$ —	$ 1,262
Foreign exchange contracts	(1,554)	513	Sales	(66)	(134)
Foreign exchange contracts	(493)	5,014	Cost of sales	806	2,092
Foreign exchange contracts	56	45	Operating expenses	130	52

The Company expects to reclassify net losses totaling $ 0.7 million related to its cash flow hedges from AOCI into earnings during the next twelve months.

INTEGER HOLDINGS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(13.) FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Derivatives Not Designated as Hedging Instruments

The Company also has foreign currency exposure on balances, primarily intercompany, that are denominated in a foreign currency and are adjusted to current values using period-end exchange rates. To minimize foreign currency exposure, the Company enters into foreign currency contracts with a one month maturity. At June 28, 2024 and December 31, 2023, the Company had total gross notional amounts of $ 25.0 million and $ 23.0 million, respectively, of foreign currency contracts outstanding that were not designated as hedges. The fair value of derivatives not designated as hedges was not material for any period presented. Gains/losses on foreign currency contracts not designated as hedging instruments are included in Other (gain) loss, net on the Condensed Consolidated Statements of Operations and Comprehensive Income. The Company recorded net losses of $ 0.3 million and $ 1.2 million, respectively, for the three and six months ended June 28, 2024, compared to net losses of approximately $ 0.1 million for the three and six months ended June 30, 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 Consideration

The following table presents the changes in the estimated fair values of the Company's liabilities for contingent consideration measured using significant unobservable inputs (Level 3) for the three and six months ended June 28, 2024 and June 30, 2023 (in thousands):

	Three Months Ended		Six Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Fair value measurement at beginning of period	$ 4,454	$ 11,732	$ 876	$ 11,756
Amount recorded for current year acquisitions	—	—	3,578	—
Fair value measurement adjustment	—	—	—	(265)
Payments	—	(11,177)	—	(11,177)
Foreign currency translation	—	—	—	241
Fair value measurement at end of period	$ 4,454	$ 555	$ 4,454	$ 555

The contingent consideration at June 28, 2024 is the estimated fair value of the Company's remaining obligations, under the purchase agreements for Pulse and InNeuroCo, to make additional payments if certain revenue goals are met. As of June 28, 2024 and December 31, 2023, the contingent consideration liability of $ 4.5 million and $ 0.9 million, respectively, was non-current and included in Other long-term liabilities on the Condensed Consolidated Balance Sheets.

On January 5, 2024, the Company acquired 100 % of the outstanding capital stock of Pulse. The fair value of the contingent consideration liability relating to the acquisition of Pulse was $ 3.6 million at the date of acquisition and at June 28, 2024. See Note 2, "Business Acquisitions," for additional information about the Pulse acquisition and related contingent consideration.

Effective as of October 1, 2023, the Company acquired certain assets and assumed certain liabilities of InNeuroCo. The fair value of the contingent consideration liability relating to the InNeuroCo acquisition was $ 0.9 million at the date of acquisition and at June 28, 2024. See Note 2, "Business Acquisitions," for additional information about the InNeuroCo acquisition and related contingent consideration.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

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

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

As of June 28, 2024 and December 31, 2023, the estimated fair value of the 2028 Convertible Notes was approximately $ 711 million and $ 635 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.

(13.) FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Equity Investments

The Company holds long-term, strategic investments in companies to promote business and strategic objectives. These investments are included in Other long-term assets on the Condensed Consolidated Balance Sheets.

Equity investments comprise the following (in thousands):

	June 28, 2024	December 31, 2023
Equity method investment	$ 8,900	$ 7,771
Non-marketable equity securities	427	427
Total equity investments	$ 9,327	$ 8,198

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

	Three Months Ended		Six Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Equity method investment (gain) loss	$ 7	$ (134)	$ (1,129)	$ 21

The Company’s equity method investment is in a venture capital fund focused on investing in life sciences companies. As of June 28, 2024, the Company owned 7.3 % of this fund.

INTEGER HOLDINGS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(14.) SEGMENT INFORMATION

The Company organizes its business into two reportable segments: (1) Medical and (2) Non-Medical. This segment structure reflects the financial information and reports used by the Company's management, specifically its Chief Operating Decision Maker, to make decisions regarding the Company's business, including resource allocations and performance assessments. This segment structure reflects the Company's current operating focus in compliance with ASC 280, *Segment Reporting*. For purposes of segment reporting, intercompany sales between segments are not material.

The following table presents sales by product line (in thousands):

	Three Months Ended		Six Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Segment sales by product line:				
Medical				
Cardio & Vascular	$ 231,335	$ 208,494	$ 453,171	$ 399,697
Cardiac Rhythm Management & Neuromodulation	167,635	153,411	323,892	298,550
Advanced Surgical, Orthopedics & Portable Medical	28,408	27,206	57,529	55,130
Total Medical	427,378	389,111	834,592	753,377
Non-Medical	8,824	10,933	16,415	25,452
Total sales	$ 436,202	$ 400,044	$ 851,007	$ 778,829

The following table presents income for the Company's reportable segments (in thousands):

	Three Months Ended		Six Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Segment income:				
Medical	$ 81,410	$ 68,497	$ 153,763	$ 123,303
Non-Medical	508	278	807	4,304
Total segment income	81,918	68,775	154,570	127,607
Unallocated operating expenses	(26,732)	(27,199)	(60,107)	(51,865)
Operating income	55,186	41,576	94,463	75,742
Unallocated expenses, net	(15,158)	(11,684)	(29,700)	(29,853)
Income before taxes	$ 40,028	$ 29,892	$ 64,763	$ 45,889

(15.) REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregated Revenue

In general, the Company's business segmentation is aligned according to the nature and economic characteristics of its products and customer relationships and provides meaningful disaggregation of each business segment's results of operations. For a summary by disaggregated product line sales for each segment, refer to Note 14, "Segment Information."

Revenue recognized from products and services transferred to customers over time represented 32 % and 33 %, respectively, of total revenue for the three and six months ended June 28, 2024, compared to 27 % for the three and six months ended June 30, 2023. Substantially all of the revenue recognized from products and services transferred to customers over time during the periods presented was within the Medical segment.

The following tables present revenues by significant customers, which are defined as any customer who individually represents 10% or more of a segment's total revenues.

	Three Months Ended			
	June 28, 2024		June 30, 2023	
Customer	Medical	Non-Medical	Medical	Non-Medical
Customer A	17 %	*	17 %	*
Customer B	16 %	*	17 %	*
Customer C	14 %	*	13 %	*
Customer D	*	22 %	*	20 %
Customer E	*	10 %	*	*
Customer F	*	12 %	*	*
All other customers	53 %	56 %	53 %	80 %

	Six Months Ended			
	June 28, 2024		June 30, 2023	
Customer	Medical	Non-Medical	Medical	Non-Medical
Customer A	17 %	*	18 %	*
Customer B	15 %	*	17 %	*
Customer C	14 %	*	13 %	*
Customer D	*	20 %	*	21 %
Customer E	*	12 %	*	*
Customer F	*	10 %	*	*
All other customers	54 %	58 %	52 %	79 %

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

(15.) REVENUE FROM CONTRACTS WITH CUSTOMERS

The following tables present revenues by significant ship to location, which is defined as any country where 10% or more of a segment's total revenues are shipped.

	Three Months Ended			
	June 28, 2024		June 30, 2023	
Ship to Location	**Medical**	**Non-Medical**	**Medical**	**Non-Medical**
United States	56 %	59 %	54 %	64 %
Canada	*	*	*	12 %
All other countries	44 %	41 %	46 %	24 %

	Six Months Ended			
	June 28, 2024		June 30, 2023	
Location	**Medical**	**Non-Medical**	**Medical**	**Non-Medical**
States	57 %	58 %	54 %	62 %
a	*	11 %	*	11 %
Kingdom	*	11 %	*	*
er countries	43 %	20 %	46 %	27 %

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

Contract Balances

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

	June 28, 2024	December 31, 2023
Contract assets	$ 97,212	$ 85,871
Contract liabilities	5,066	6,142

During the three and six months ended June 28, 2024, the Company recognized $ 1.3 million and $ 2.8 million, respectively, of revenue that was included in the contract liability balance as of December 31, 2023. During the three and six months ended June 30, 2023, the Company recognized $ 1.3 million and $ 2.7 million, respectively, of revenue that was included in the contract liability balance as of December 31, 2022.

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

This 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 December 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 Statements

Some statements contained in this report and other written and oral statements made from time to time by us and our representatives are not statements of historical or current fact. As such, they are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, 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:

- future development and expected growth of our business and industry;
- our ability to execute our business model and our business strategy;
- having available sufficient cash and borrowing capacity to meet working capital, debt service and capital expenditure requirements for the next twelve months;
- our ability to refinance amounts that may become due upon a request for conversion of the 2028 Convertible Notes;
- whether the fair value of the Non-Medical reporting unit has been reduced below its carrying value; and
- projected contractual debt service obligations.

You can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "projects," "forecast," "outlook," "assume," "potential" or "continue" 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 "Risk Factors" of our Annual Report on Form 10-K and in our other periodic filings with the SEC and include the following:

- 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 revenues' dependence on conditions in the historically volatile oil and natural gas industries; and consolidation in the healthcare industry resulting in greater competition;
- strategic risks, such as the intense competition we face and our ability to successfully market our products; our ability to respond to changes in technology; our ability to develop new products and expand into new geographic and product markets; and our ability to successfully identify, make and integrate acquisitions to expand and develop our business in accordance with expectations;

- financial 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;
- 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; and
- 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 “Integer,” “we,” “us,” “our” and the “Company” mean Integer Holdings Corporation and its subsidiaries, unless the context indicates otherwise.

Our Business

Integer Holdings Corporation is a leading medical device contract development and manufacturing organization primarily 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. We also develop custom power solutions for high-end niche applications in energy, military, and environmental markets.

We organize our business into two reportable segments, Medical and Non-Medical, and derive our revenues from four principal product lines. The Medical segment includes the Cardio & Vascular, Cardiac Rhythm Management & Neuromodulation and Advanced Surgical, Orthopedics & Portable Medical product lines and the Non-Medical segment comprises the Electrochem product line. For more information on our segments, please refer to Note 14 “Segment Information” of the Notes to Condensed Consolidated Financial Statements contained in Item 1 of this report.

The second quarter and first six months of 2024 ended on June 28, 2024 and consisted of 91 days and 180 days, respectively. The second quarter and first six months of 2023 ended on June 30, 2023 and consisted of 91 days and 181 days, respectively.

Impact of Global Events

Global economic challenges, including the impact of military conflicts, severe and sustained inflation, a rising interest rate environment, fluctuations in global currencies, and supply chain disruptions may continue to cause economic uncertainty and volatility. The impact of these issues on our business will vary by geographic market and product line, but specific impacts to our business include increased borrowing costs, labor shortages, disruptions in the supply chain, delayed or reduced customer orders and sales, 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 Acquisitions

On January 5, 2024, we acquired 100% of the outstanding capital stock of Pulse Technologies, Inc. (“Pulse”), 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 (HSR™), 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. (“InNeuroCo”), a recognized leader in neurovascular catheter innovation with strong development and manufacturing capabilities. InNeuroCo’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, “Business Acquisitions” of the Notes to Condensed Consolidated Financial Statements contained in Item 1 of this report for additional information about these acquisitions.

Financial Overview

Net income for the second quarter and first six months of 2024 was $31.2 million, or $0.88 per diluted share, and $51.8 million, or $1.47 per diluted share, respectively, compared to $24.0 million, or $0.71 per diluted share, and $37.0 million, or $1.10 per diluted share for the second quarter and first six months of 2023, respectively. These variances are primarily the result of the following:

- Sales for the second quarter and first six months of 2024 increased $36.2 million and $72.2 million, respectively, when compared to the same periods in 2023, driven by our Medical product lines with strong demand, new product ramps, growth from emerging customers with PMA (premarket approval) products and contributions from our recent acquisitions.
- Gross profit for the second quarter and first six months of 2024 increased $13.6 million and $26.8 million, respectively, primarily from higher sales volume leverage, efficiencies gained from the continued improvement in the supply chain and contributions from our recent acquisitions.
- Operating expenses for the second quarter of 2024 were flat compared to the second quarter of 2023 and increased $8.0 million for the first six months of 2024 when compared to the same period in 2023, primarily due to higher SG&A and acquisition and integration costs, partially offset by lower RD&E costs.
- Interest expense for the second quarter and first six months of 2024 increased $3.8 million and $1.2 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.
- During the first six months of 2024, we recognized gains on equity investments of $1.1 million, compared to negligible losses for the first six months of 2023. Gains and losses on equity investments are generally unpredictable in nature.
- Other (gain) loss, net for the second quarter and first six months of 2024 were net gains of $0.1 million and net losses of $0.9 million, respectively, compared to losses of $0.4 million and $1.1 million, respectively, for the second quarter and first six months of 2023, primarily due to fluctuations in foreign currency gains and losses in the respective periods.
- We recorded provisions for income taxes for the second quarter and first six months of 2024 of $8.8 million and $13.0 million, respectively, compared with provisions for income taxes of $5.9 million and $8.9 million, respectively, for the second quarter and first six 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.

Our Financial Results

The following table presents selected financial information derived from our Condensed Consolidated Financial Statements, contained in Item 1 of this report, for the periods presented (dollars in thousands, except per share).

	Three Months Ended		Change	
	June 28, 2024	June 30, 2023	$	%
Medical Sales:				
Cardio & Vascular	$ 231,335	$ 208,494	$ 22,841	11.0 %
Cardiac Rhythm Management & Neuromodulation	167,635	153,411	14,224	9.3 %
Advanced Surgical, Orthopedics & Portable Medical	28,408	27,206	1,202	4.4 %
Total Medical Sales	427,378	389,111	38,267	9.8 %
Non-Medical	8,824	10,933	(2,109)	(19.3)%
Total sales	436,202	400,044	36,158	9.0 %
Cost of sales	316,809	294,240	22,569	7.7 %
Gross profit	119,393	105,804	13,589	12.8 %
Gross profit as a % of sales	*27.4 %*	*26.4 %*		
Operating expenses:				
Selling, general and administrative (“SG&A”)	47,117	45,827	1,290	2.8 %
SG&A as a % of sales	*10.8 %*	*11.5 %*		
Research, development and engineering (“RD&E”)	16,104	16,883	(779)	(4.6)%
RD&E as a % of sales	*3.7 %*	*4.2 %*		
Restructuring and other charges	986	1,518	(532)	(35.0)%
Total operating expenses	64,207	64,228	(21)	— %
Operating income	55,186	41,576	13,610	32.7 %
Operating expense as a % of sales	*14.7 %*	*16.1 %*		
Operating income as a % of sales	*12.7 %*	*10.4 %*		
Interest expense	15,278	11,459	3,819	33.3 %
(Gain) loss on equity investments	7	(134)	141	(105.2)%
Other (gain) loss, net	(127)	359	(486)	(135.4)%
Income before taxes	40,028	29,892	10,136	33.9 %
Provision for income taxes	8,782	5,921	2,861	48.3 %
Effective tax rate	*21.9 %*	*19.8 %*		
Net income	$ 31,246	$ 23,971	$ 7,275	30.3 %
Net income as a % of sales	*7.2 %*	*6.0 %*		
Diluted earnings per share	$ 0.88	$ 0.71	$ 0.17	23.9 %

	Six Months Ended		Change	
	June 28, 2024	June 30, 2023	$	%
Medical Sales:				
Cardio & Vascular	$ 453,171	$ 399,697	$ 53,474	13.4 %
Cardiac Rhythm Management & Neuromodulation	323,892	298,550	25,342	8.5 %
Advanced Surgical, Orthopedics & Portable Medical	57,529	55,130	2,399	4.4 %
Total Medical Sales	834,592	753,377	81,215	10.8 %
Non-Medical	16,415	25,452	(9,037)	(35.5)%
Total Sales	851,007	778,829	72,178	9.3 %
Cost of sales	621,774	576,352	45,422	7.9 %
Gross profit	229,233	202,477	26,756	13.2 %
Gross profit as a % of sales	*26.9 %*	*26.0 %*		
Operating expenses:				
SG&A	94,046	87,713	6,333	7.2 %
SG&A as a % of sales	*11.1 %*	*11.3 %*		
RD&E	31,857	35,975	(4,118)	(11.4)%
RD&E as a % of sales	*3.7 %*	*4.6 %*		
Restructuring and other charges	8,867	3,047	5,820	191.0 %
Total operating expenses	134,770	126,735	8,035	6.3 %
Operating income	94,463	75,742	18,721	24.7 %
Operating expense as a % of sales	*15.8 %*	*16.3 %*		
Operating income as a % of sales	*11.1 %*	*9.7 %*		
Interest expense	29,949	28,713	1,236	4.3 %
(Gain) loss on equity investments	(1,129)	21	(1,150)	NM
Other (gain) loss, net	880	1,119	(239)	(21.4)%
Income before taxes	64,763	45,889	18,874	41.1 %
Provision for income taxes	13,009	8,853	4,156	46.9 %
Effective tax rate	*20.1 %*	*19.3 %*		
Net income	$ 51,754	$ 37,036	$ 14,718	39.7 %
Net income as a % of sales	*6.1 %*	*4.8 %*		
Diluted earnings per share	$ 1.47	$ 1.10	$ 0.37	33.6 %

NM - Calculated change not meaningful.

Product Line Sales

For the second quarter and first six months of 2024, Cardio & Vascular (“C&V”) sales increased $22.8 million, or 11%, and $53.5 million, or 13%, respectively, versus the comparable 2023 periods. The increase in C&V sales was driven by continued strong demand across most markets, new product ramps in electrophysiology and structural heart, and the InNeuroCo and Pulse acquisitions. C&V sales for the second quarter and first six months of 2024 included $14.2 million and $26.9 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 second quarter and first six months of 2024 in comparison to 2023.

For the second quarter and first six months of 2024, Cardiac Rhythm Management & Neuromodulation (“CRM&N”) sales increased $14.2 million, or 9%, and $25.3 million, or 8%, respectively, versus the comparable 2023 periods, driven by strong growth in emerging neuromodulation customers with PMA (premarket approval) products. Foreign currency exchange rate fluctuations did not have a material impact on CRM&N sales during the second quarter and first six months of 2024 in comparison to 2023.

Advanced Surgical, Orthopedic & Portable Medical (“AS&O”) sales for the second quarter and first six months of 2024 increased $1.2 million, or 4%, and $2.4 million, or 4%, respectively, versus the comparable 2023 periods, driven by growth of Advanced Surgical and Orthopedics, partially offset by a decline in Portable Medical from execution of the planned multi-year exit announced in 2022. Foreign currency exchange rate fluctuations did not have a material impact on AS&O sales during the second quarter and first six months of 2024 in comparison to the 2023 periods.

For the second quarter and first six months of 2024, Non-Medical sales decreased $2.1 million, or 19%, and $9.0 million, or 36%, respectively, versus the comparable 2023 periods, returning to a normalized run-rate after previously higher sales from the supply chain recovery. Foreign currency exchange rate fluctuations did not have a material impact on Non-Medical sales during the second quarter and first six months of 2024 in comparison to the 2023 periods.

Gross Profit

	Three Months Ended		Six Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Gross profit (in thousands)	$ 119,393	$ 105,804	229,233	202,477
Gross margin	27.4 %	26.4 %	26.9 %	26.0 %

Gross margin for the second quarter and first six months of 2024 increased 100 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.

SG&A Expenses

Changes to SG&A expenses from the prior year were due to the following (in thousands):

	Three Months Ended		
	June 28, 2024	June 30, 2023	Change
Compensation and benefits[a]	$ 25,188	$ 25,058	$ 130
Depreciation and amortization expense[b]	11,450	10,361	1,089
Professional fees	3,675	3,858	(183)
Contract services[c]	3,447	2,852	595
Bank fees and charges[d]	858	797	61
All other SG&A	2,499	2,901	(402)
Total SG&A expense	$ 47,117	$ 45,827	$ 1,290

	Six Months Ended		
	June 28, 2024	June 30, 2023	Change
Compensation and benefits[a]	$ 49,913	$ 46,647	$ 3,266
Depreciation and amortization expense[b]	21,964	20,557	1,407
Professional fees	7,564	7,329	235
Contract services[c]	6,899	5,684	1,215
Bank fees and charges[d]	1,690	1,191	499
All other SG&A	6,016	6,305	(289)
Total SG&A expense	$ 94,046	$ 87,713	$ 6,333

(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) Depreciation and amortization expense increased due to amortization of customer list intangible assets related to recent acquisitions.

(c) Contract services expense increased primarily due to higher software costs from information technology enhancements.

(d) The increase in bank fees and charges was driven by increased accounts receivable factoring and supplier financing fees primarily due to the launch of accounts receivable factoring arrangements during 2023.

RD&E

RD&E expense for the second quarter and first six months of 2024 was $16.1 million and $31.9 million, respectively, compared to $16.9 million and $36.0 million, respectively, for the second quarter and first six months of 2023. The decreases in RD&E expense during the second quarter and first six 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.

Restructuring and Other Charges

We continuously evaluate our business and identify opportunities to realign resources to better serve our customers and markets, improve operational efficiency and capabilities, and lower operating costs. To realize the benefits associated with these opportunities, we undertake restructuring-type activities to transform our business. We incur costs associated with these activities, which primarily include exit and disposal costs and other costs directly related to the restructuring initiative. Restructuring charges include exit and disposal costs from these activities. 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):

	Three Months Ended		Six Months Ended	
	June 28, 2024	**June 30, 2023**	**June 28, 2024**	**June 30, 2023**
Restructuring charges[a]	$ 1,103	$ 936	$ 2,531	$ 2,000
Acquisition and integration costs [b]	1,056	556	7,391	938
Other general expenses[c]	(1,173)	26	(1,055)	109
Total restructuring and other charges	$ 986	$ 1,518	$ 8,867	$ 3,047

(a) Restructuring charges for the first six 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 six months of 2024 primarily include acquisition expenses related to the InNeuroCo and Pulse acquisitions. Amounts for the first six months of 2023 primarily included integration expenses related to the Aran and Oscor acquisitions, partially offset by a benefit of $0.3 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 $1.2 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 8 “Restructuring and Other Charges” of the Notes to Condensed Consolidated Financial Statements contained in Item 1 of this report for additional information regarding these initiatives.

Interest Expense

Information relating to our interest expense is as follows (dollars in thousands):

	Three Months Ended					
	June 28, 2024		June 30, 2023		Change	
	Amount	Rate	Amount	Rate	Amount	Rate (bp)
Contractual interest expense	$ 14,186	4.92 %	$ 11,059	4.33 %	$ 3,127	59
Gain on interest rate swap	—	—	(675)	(0.26)	675	26
Amortization of deferred debt issuance costs and original issue discount	938	0.39	931	0.43	7	(4)
Losses from extinguishment of debt	—	—	38	0.02	(38)	(2)
Interest expense on borrowings	15,124	5.31 %	11,353	4.52 %	3,771	79
Other interest expense	154		106		48	
Total interest expense	$ 15,278		$ 11,459		$ 3,819	

	Six Months Ended					
	June 28, 2024		June 30, 2023		Change	
	Amount	Rate	Amount	Rate	Amount	Rate (bp)
Contractual interest expense	$ 27,780	4.87 %	$ 23,621	4.69 %	$ 4,159	18
Gain on interest rate swap	—	—	(1,262)	(0.25)	1,262	25
Amortization of deferred debt issuance costs and original issue discount	1,869	0.39	1,687	0.41	182	(2)
Losses from extinguishment of debt	—	—	4,431	0.89	(4,431)	(89)
Interest expense on borrowings	29,649	5.26 %	28,477	5.74 %	1,172	(48)
Other interest expense	300		236		64	
Total interest expense	$ 29,949		$ 28,713		$ 1,236	

During 2024, contractual interest expense has increased due to higher average debt 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 six months of 2023 were related to prepayments of portions of the TLA Facility and full repayment of our seven-year “term B” loan (the “TLB Facility”) in connection with issuance of the 2028 Convertible Notes.

As of June 28, 2024 and December 31, 2023, approximately 44% and 51%, respectively, of our principal amount of debt are fixed rate borrowings.

See Note 6, “Debt,” of the Notes to the Consolidated Financial Statements contained in Item 1 of this report for additional information pertaining to our debt.

(Gain) Loss on Equity Investments

(Gain) loss on equity investments for each period were as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Equity method investment (gain) loss	$ 7	$ (134)	$ (1,129)	$ 21

The amounts for both periods in 2024 and 2023 relate to our share of equity method investee (gains) losses including unrealized appreciation/depreciation of the underlying interests of the investee. As of June 28, 2024 and December 31, 2023, the carrying value of our equity investments was $9.3 million and $8.2 million, respectively. See Note 13, “Financial Instruments and Fair Value Measurements” of the Notes to the Condensed Consolidated Financial Statements contained in Item 1 of this report for further details regarding these investments.

Other (Gain) Loss, Net

Other (gain) loss, net for the second quarter and first six months of 2024 were net gains of $0.1 million and net losses of $0.9 million, respectively, compared to net losses of $0.4 million and $1.1 million for the second quarter and first six months of 2023. Other (gain) 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 (gain) loss, net for the second quarter and first six months of 2024 were net gains of $0.2 million and net losses of $0.9 million, respectively, compared to losses of $0.4 million and $1.2 million for the second quarter and first six 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.

Provision for Income Taxes

We recognized income tax expense of $8.8 million for the second quarter of 2024 on $40.0 million of income before taxes (effective tax rate of 21.9%), compared to an income tax expense of $5.9 million on $29.9 million of income before taxes (effective tax rate of 19.8%) for the same period of 2023. The income tax expense for the first six months of 2024 was $13.0 million on $64.8 million of income before taxes (effective tax rate of 20.1%), compared to income tax expense of $8.9 million on income before taxes of $45.9 million (effective tax rate of 19.3%) for the same period of 2023. Income tax expense for the second quarter and first six months of 2024 included discrete tax expense of $0.5 million and a discrete tax benefit of $0.3 million, respectively. For the second quarter and first six months of 2023, we recorded discrete tax expense of $0.4 million and $0.5 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 subsidiary’s tangible assets in our U.S. income tax return. The U.S. tax on foreign earnings is reflected net of a statutory deduction of 50% of the GILTI inclusion (subject to limitations based on U.S. taxable income, if any) and net of FDII that provides a 37.5% deduction to domestic companies for certain foreign sales and services income. 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 EU’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.

Liquidity and Capital Resources

Sources of Liquidity

(dollars in thousands)	June 28, 2024	December 31, 2023
Cash and cash equivalents	$ 34,137	$ 23,674
Working capital	$ 470,989	$ 396,699
Current ratio	3.29	2.80

Cash and cash equivalents at June 28, 2024 increased by $10.5 million from December 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 increased by $74.3 million from December 31, 2023, or $63.8 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 inventory, contract assets and accrued expenses. Inventory increased from higher sales volume and product demand which also contributed to the increase in contract assets. Accrued expenses decreased from payments of accrued profit sharing and bonuses.

At June 28, 2024, $15.1 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 June 28, 2024, our capital structure consisted of $1.119 billion of debt, net of deferred debt issuance costs and unamortized discounts and 34 million shares of common stock outstanding. As of June 28, 2024, we had access to $240.5 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 June 28, 2024, our contractual debt service obligations for the remainder of 2024, consisting of interest on our outstanding debt, are estimated to be approximately $27 million. Actual principal and interest payments may be higher if, for instance, the applicable interest rates on our Senior Secured Credit Facilities increase, we borrow additional amounts on our Revolving Credit Facility, or we pay principal amounts in excess of the required minimums reflected in the contractual debt service obligations above.

Refer to Note 6, “Debt” of the Notes to Condensed Consolidated Financial Statements contained in Item 1 of this report for information regarding the Third Amendment to the 2021 Credit Agreement, which increased the maximum borrowing capacity under the Revolving Credit Facility by $300 million from $500 million to $800 million. After giving effect to the Third Amendment on July 1, 2024, the available borrowing capacity under the Revolving Credit Facility was in excess of the notional amount of the 2028 Convertible Notes, which 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. 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.

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 Notes

As of June 28, 2024, we had Senior Secured Credit Facilities that consist of a $500 million Revolving Credit Facility, with an outstanding principal balance of $256 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.

Refer to Note 6, “Debt” of the Notes to Condensed Consolidated Financial Statements contained in Item 1 of this report for information regarding the Third Amendment to the 2021 Credit Agreement, entered into on July 1, 2024, which increased the maximum borrowing capacity under the Revolving Credit Facility by $300 million from $500 million to $800 million.

During the first quarter of 2023, we issued $500 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 $485 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.

As of June 28, 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. 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 after entry into the Third Amendment to the 2021 Credit Agreement on July 1, 2024. 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 June 28, 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 June 28, 2024, we were in compliance with these financial covenants. As of June 28, 2024, our Total Net Leverage Ratio, calculated in accordance with our Senior Secured Credit Facilities agreement, was approximately 2.7:1.0. For the twelve month period ended June 28, 2024, our interest coverage ratio, calculated in accordance with our Senior Secured Credit Facilities agreement, was approximately 8.0:1.0.

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 6, “Debt” of the Notes to the Condensed Consolidated Financial Statements contained in Item 1 of this report for a further information on the Company’s outstanding debt.

Factoring Arrangements

We 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 customers’ failure to pay. During the first six months of 2024, we sold, without recourse, $116.8 million of accounts receivable. We did not utilize receivable factoring arrangements prior to the second quarter of 2023. See Note 1 “Basis of Presentation” 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 Flow

	Six Months Ended	
(in thousands)	**June 28, 2024**	**June 30, 2023**
Cash provided by (used in):		
Operating activities	$ 70,474	$ 62,333
Investing activities	(198,796)	(57,366)
Financing activities	138,768	7,593
Effect of foreign currency exchange rates on cash and cash equivalents	17	1,783
Net change in cash and cash equivalents	$ 10,463	$ 14,343

Operating Activities – During the first six months of 2024, we generated cash from operations of $70.5 million, compared to $62.3 million for the first six months of 2023. The increase of $8.1 million was the result of a $18.5 million increase in net income adjusted for non-cash items such as depreciation and amortization, partially offset by a $10.4 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 related 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 and inventory, partially offset by the benefit of lower growth in accounts receivable. Accrued expenses included higher levels of profit sharing and bonus payments in the first six months of 2024. Inventory growth during the first six months of 2024 is consistent with the higher sales volume and product demand, Accounts receivable benefited from new factoring arrangements that were entered into after the first quarter of 2023.

Investing Activities – The $141.4 million increase in net cash used in investing activities was attributable to cash paid for an acquisition and increased purchases of property, plant and equipment. Investing activities for the first six months of 2024 included net cash paid of $138.5 million for the Pulse acquisition.

Financing Activities – Net cash provided by financing activities for the first six months of 2024 was $138.8 million compared to $7.6 million for the first six months of 2023. Cash provided by financing activities for the first six months of 2024 was primarily due to net borrowings on our Revolving Credit Facility of $157.0 million, primarily to fund the Pulse acquisition. The cash provided by financing activities for the first six 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, $23.8 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 Arrangements

We 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 Standards

In 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, “Basis of Presentation” of the Notes to Condensed Consolidated Financial Statements contained in Item 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 Estimates

The 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.

As part of our 2023 annual goodwill impairment testing for our Non-Medical reporting unit, we performed a quantitative analysis and determined that the fair value exceeded the carrying value of the Non-Medical reporting unit by approximately 11%. We continue to monitor the performance of the Non-Medical reporting unit, as benchmarked against its long-term financial plan, and evaluate industry and Company-specific circumstances which affect the financial results of this reporting unit. At June 28, 2024, we do not believe that any events or changes in circumstances have occurred which would indicate that the fair value of the Non-Medical reporting unit has more likely than not been reduced below its carrying amount. However, changes to the factors considered above could affect the estimated fair value of one or more of our reporting units and could result in a goodwill impairment charge in a future period. We may be unaware of one or more significant factors that, if we had been aware of, would cause our conclusion to change, which could result in a goodwill impairment charge in a future period.

There have been no significant changes to the critical accounting policies and estimates as compared to those disclosed in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Refer to information appearing under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations” 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 Company’s Annual Report on Form 10-K for the year ended December 31, 2023.

There have been no material changes in reported market risk since the inclusion of this discussion in the Company’s Annual Report on Form 10-K referenced above.

ITEM 4. CONTROLS AND PROCEDURES

a. Evaluation of Disclosure Controls and Procedures

Our management, including the principal executive officer and principal financial officer, evaluated our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) related to the recording, processing, summarization and reporting of information in our reports that we file with the Securities and Exchange Commission as of June 28, 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 Commission’s rules and forms. Based on their evaluation, as of June 28, 2024, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective.

b. Changes in Internal Control Over Financial Reporting

During the Company’s most recent fiscal quarter, there have been no changes in the Company’s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There were no new material legal proceedings that are required to be reported in the quarter ended June 28, 2024, and no material developments during the quarter in the Company's legal proceedings as previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 1A. RISK FACTORS

There have been no material changes to the Company's risk factors as previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 5. OTHER INFORMATION

During the fiscal quarter ended June 28, 2024, none of the Company'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 "non-Rule 10b5-1 trading arrangement."

ITEM 6. EXHIBITS

Exhibit Number	Description
10.1	Third Amendment to Credit Agreement, dated as of July 1, 2024, among, Integer Holdings Corporation, Greatbatch Ltd., the Subsidiary Guarantors party thereto, the Incremental Revolving Credit Lenders, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on July 1, 2024).
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act.
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	XBRL Extension Schema Document
101.CAL*	XBRL Extension Calculation Linkbase Document
101.LAB*	XBRL Extension Label Linkbase Document
101.PRE*	XBRL Extension Presentation Linkbase Document
101.DEF*	XBRL Extension Definition Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and included in Exhibit 101).

* Filed herewith.

** Furnished herewith.

\# Indicates exhibits that are management contracts or compensation plans or arrangements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: July 25, 2024

INTEGER HOLDINGS CORPORATION

By: /s/ Joseph W. Dziedzic
Joseph W. Dziedzic
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Diron Smith
Diron Smith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By: /s/ Tom P. Thomas
Tom P. Thomas
Vice President, Corporate Controller
(Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Joseph W. Dziedzic, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended June 28, 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 registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditor and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: July 25, 2024

/s/ Joseph W. Dziedzic

Joseph W. Dziedzic
President and
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Diron Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended June 28, 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 registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditor and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: July 25, 2024

/s/ Diron Smith

Diron Smith

Executive Vice President and
Chief Financial Officer

(Principal Financial Officer)

Exhibit 32.1

<u>CERTIFICATION</u>

Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Integer Holdings Corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended June 28, 2024 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated:	July 25, 2024	/s/ Joseph W. Dziedzic
		Joseph W. Dziedzic
		President and Chief Executive Officer
		(Principal Executive Officer)

Dated:	July 25, 2024	/s/ Diron Smith
		Diron Smith
		Executive Vice President and Chief Financial Officer
		(Principal Financial Officer)

This certification is being furnished solely to accompany this Form 10-Q pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 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.