



ICU Medical Announces Third Quarter 2022 Results

November 7, 2022

The Company Reaffirms 2022 Fiscal Year Guidance

SAN CLEMENTE, Calif., Nov. 07, 2022 (GLOBE NEWSWIRE) -- ICU Medical, Inc. (Nasdaq:ICUI), a leader in the development, manufacture and sale of innovative medical products, today announced financial results for the quarter ended September 30, 2022.

Third Quarter 2022 Results

Third quarter 2022 revenue was \$597.9 million, compared to \$336.1 million in the same period last year. GAAP gross profit for the third quarter of 2022 was \$186.4 million, as compared to \$127.8 million in the same period last year. GAAP gross margin for the third quarter of 2022 was 31%, as compared to 38% in the same period last year. GAAP net loss for the third quarter of 2022 was \$(13.2) million, or \$(0.55) per diluted share, as compared to GAAP net income of \$31.1 million, or \$1.43 per diluted share, for the third quarter of 2021. Adjusted diluted earnings per share for the third quarter of 2022 was \$1.75 as compared to \$2.07 for the third quarter of 2021. Also, adjusted EBITDA was \$92.6 million for the third quarter of 2022 as compared to \$71.9 million for the third quarter of 2021.

Adjusted EBITDA and adjusted diluted earnings per share are measures calculated and presented on the basis of methodologies other than in accordance with GAAP. Please refer to the Use of Non-GAAP Financial Information following the financial statements herein for further discussion and reconciliations of these measures to GAAP measures.

Vivek Jain, ICU Medical's Chief Executive Officer, said, "Legacy ICU Medical revenues were in line with expectations and results from the acquired Smiths Medical business reflect continued operational improvements."

Revenues by product line for the three and nine months ended September 30, 2022 and 2021 were as follows (in millions):

As a result of the acquisition of Smiths Medical on January 6, 2022, the following product lines are presented in addition to our legacy product lines: Infusion Systems-Smiths Medical, Vascular Access -Smiths Medical and Vital Care-Smiths Medical.

Product Line	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	\$ Change	2022	2021	\$ Change
Infusion Consumables	\$ 141.1	\$ 144.9	\$ (3.8)	\$ 426.1	\$ 407.5	\$ 18.6
Infusion Systems	87.8	90.7	(2.9)	262.1	259.7	2.4
IV Solutions*	96.4	89.2	7.2	279.0	271.8	7.2
Critical Care	10.8	11.3	(0.5)	35.3	36.8	(1.5)
Infusion Systems-Smiths Medical	96.9	—	96.9	241.0	—	241.0
Vascular Access-Smiths Medical	95.3	—	95.3	251.4	—	251.4
Vital Care-Smiths Medical	69.6	—	69.6	207.1	—	207.1
	<u>\$ 597.9</u>	<u>\$ 336.1</u>	<u>\$ 261.8</u>	<u>\$ 1,702.0</u>	<u>\$ 975.8</u>	<u>\$ 726.2</u>

*IV Solutions includes \$15.8 million and \$40.9 million of contract manufacturing to Pfizer for the three and nine months ended September 30, 2022, respectively. IV Solutions includes \$7.9 million and \$32.2 million of contract manufacturing to Pfizer for the three and nine months ended September 30, 2021, respectively.

The Company Reaffirms Fiscal Year 2022 Guidance

The Company is reaffirming its full year 2022 guidance but due to the impact primarily from foreign currency exchange rates, expects to end the fiscal year towards the lower end of the guidance range. The Company's full year 2022 GAAP net loss is estimated to be in the range of \$(95) million to \$(81) million and GAAP diluted loss per share estimated to be in the range of \$(3.93) to \$(3.35). The Company's previously provided adjusted EBITDA was in the range of \$350 million to \$370 million and adjusted diluted earnings per share was in the range of \$6.20 to \$6.80.

Conference Call

The Company will host a conference call to discuss its third quarter 2022 financial results, today at 4:30 p.m. ET (1:30 p.m. PT). The call can be accessed at (877) 300-8521, conference ID 10171949. The conference call will be simultaneously available by webcast, which can be accessed by going to the Company's website at www.icumed.com, clicking on the Investors tab, clicking on Event Calendar and clicking on the Webcast icon and following the prompts. The webcast will also be available by replay.

About ICU Medical

ICU Medical (Nasdaq:ICUI) is a global leader in infusion systems, infusion consumables and high-value critical care products used in hospital, alternate site and home care settings. Our team is focused on providing quality, innovation and value to our clinical customers worldwide. ICU Medical is headquartered in San Clemente, California. More information about ICU Medical can be found at www.icumed.com.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements contain words such as "will," "expect," "believe," "could," "would," "estimate," "continue," "build," "expand" or the negative thereof or comparable terminology, and may include (without limitation) information regarding the Company's expectations, goals or intentions regarding the future. These forward-looking statements are based on management's current expectations, estimates, forecasts and projections about the Company and assumptions management believes are reasonable, all of which are subject to risks and uncertainties that could cause actual results and events to differ materially from those stated in the forward-looking statements. These risks and uncertainties include, but are not limited to, decreased demand for the Company's products, decreased free cash flow, changes in product mix, increased competition from competitors,

lack of growth or improving efficiencies, unexpected changes in the Company's arrangements with its largest customers, the impact from fluctuations in foreign currency exchange rates, the impact of inflation on raw materials, freight charges and labor, rising interest rates, the impact of the ongoing COVID-19 pandemic on the Company and our financial results and the Company's ability to meet expectations regarding integration of the Smiths Medical business. Future results are subject to risks and uncertainties, including the risk factors, and other risks and uncertainties, described in the Company's filings with the Securities and Exchange Commission, which include those in the Company's most recent Annual Report on Form 10-K, as updated by the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022 and our subsequent filings. Forward-looking statements contained in this press release are made only as of the date hereof, and the Company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

ICU MEDICAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	September 30, 2022	December 31, 2021
	(Unaudited)	(1)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 243,879	\$ 552,827
Short-term investment securities	2,919	14,420
TOTAL CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENT SECURITIES	246,798	567,247
Accounts receivable, net of allowance for doubtful accounts	212,845	105,894
Inventories	625,268	290,235
Prepaid income taxes	20,170	19,586
Prepaid expenses and other current assets	94,283	46,847
TOTAL CURRENT ASSETS	1,199,364	1,029,809
PROPERTY, PLANT AND EQUIPMENT, net	656,383	468,365
OPERATING LEASE RIGHT-OF-USE ASSETS	76,438	39,847
LONG-TERM INVESTMENT SECURITIES	1,831	4,620
GOODWILL	1,369,717	43,439
INTANGIBLE ASSETS, net	1,020,658	188,311
DEFERRED INCOME TAXES	15,482	42,604
OTHER ASSETS	110,604	63,743
TOTAL ASSETS	\$ 4,450,477	\$ 1,880,738
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 205,042	\$ 81,128
Accrued liabilities	244,303	118,195
Current portion of long-term obligations	24,375	—
Income tax payable	15,014	1,454
Contingent earn-out liability	300	—
TOTAL CURRENT LIABILITIES	489,034	200,777
CONTINGENT EARN-OUT LIABILITY	25,942	2,589
LONG-TERM OBLIGATIONS	1,629,849	—
OTHER LONG-TERM LIABILITIES	119,251	41,830
DEFERRED INCOME TAXES	153,599	1,490
INCOME TAX LIABILITY	19,997	18,021
COMMITMENTS AND CONTINGENCIES	—	—
STOCKHOLDERS' EQUITY:		
Convertible preferred stock, \$1.00 par value; Authorized — 500 shares; Issued and outstanding — none	—	—
Common stock, \$0.10 par value; Authorized — 80,000 shares; Issued — 23,980 and 21,280 shares at September 30, 2022 and December 31, 2021, respectively, and outstanding — 23,979 and 21,280 shares at September 30, 2022 and December 31, 2021, respectively	2,398	2,128
Additional paid-in capital	1,323,178	721,412
Treasury stock, at cost	(126)	(27)
Retained earnings	853,037	911,787
Accumulated other comprehensive loss	(165,682)	(19,269)
TOTAL STOCKHOLDERS' EQUITY	2,012,805	1,616,031
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 4,450,477	\$ 1,880,738

(1) December 31, 2021 balances were derived from audited consolidated financial statements.

ICU MEDICAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(In thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
TOTAL REVENUES	\$ 597,857	\$ 336,060	\$ 1,701,983	\$ 975,783
COST OF GOODS SOLD	411,461	208,269	1,179,167	611,783
GROSS PROFIT	186,396	127,791	522,816	364,000
OPERATING EXPENSES:				
Selling, general and administrative	153,452	74,815	465,412	221,127
Research and development	23,105	12,238	69,538	34,332
Restructuring, strategic transaction and integration	14,365	2,358	61,795	8,994
Change in fair value of contingent earn-out	(4,059)	—	(31,253)	—
Contract settlement	—	—	—	127
TOTAL OPERATING EXPENSES	186,863	89,411	565,492	264,580
(LOSS) INCOME FROM OPERATIONS	(467)	38,380	(42,676)	99,420
INTEREST EXPENSE	(21,151)	(168)	(51,068)	(492)
OTHER INCOME (EXPENSE), net	311	(287)	782	921
(LOSS) INCOME BEFORE INCOME TAXES	(21,307)	37,925	(92,962)	99,849
BENEFIT (PROVISION) FOR INCOME TAXES	8,099	(6,844)	34,212	(16,639)
NET (LOSS) INCOME	\$ (13,208)	\$ 31,081	\$ (58,750)	\$ 83,210
NET (LOSS) INCOME PER SHARE				
Basic	\$ (0.55)	\$ 1.47	\$ (2.47)	\$ 3.93
Diluted	\$ (0.55)	\$ 1.43	\$ (2.47)	\$ 3.83
WEIGHTED AVERAGE NUMBER OF SHARES				
Basic	23,908	21,214	23,828	21,189
Diluted	23,908	21,730	23,828	21,735

ICU MEDICAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In thousands)

	Nine months ended September 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (58,750)	\$ 83,210
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	178,338	66,564
Amortization of inventory step-up	22,676	—
Noncash lease expense	17,382	7,165
Provision for doubtful accounts	214	342
Provision for warranty and returns	3,439	752
Stock compensation	28,597	19,236
Loss on disposal of property, plant and equipment and other assets	2,391	1,083
Bond premium amortization	254	514
Debt issuance costs amortization	5,254	216
Change in fair value of contingent earn-out	(31,253)	—
Product-related charges	—	3,380
Usage of spare parts	7,915	9,831
Other	(2,855)	2,908
Changes in operating assets and liabilities, net of amounts acquired:		
Accounts receivable	(8,956)	3,807
Inventories	(151,840)	16,510
Prepaid expenses and other current assets	20,074	3,557
Other assets	(22,594)	(13,593)
Accounts payable	30,413	(10,374)
Accrued liabilities	(38,070)	(8,317)
Income taxes, including excess tax benefits and deferred income taxes	(63,047)	(1,874)
Net cash (used in) provided by operating activities	(60,418)	184,917
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(68,715)	(46,464)
Proceeds from sale of assets	933	218
Business acquisitions, net of cash acquired	(1,844,164)	—
Intangible asset additions	(6,560)	(10,216)
Investments in non-marketable equity investments	—	(3,250)
Purchases of investment securities	(3,397)	(10,034)
Proceeds from sale and maturities of investment securities	36,433	12,000
Net cash used in investing activities	(1,885,470)	(57,746)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from issuance of long-term debt, net of lender debt issuance costs	1,672,631	—
Principal repayments of long-term debt	(20,250)	—
Payment of third-party debt issuance costs	(1,852)	—
Proceeds from exercise of stock options	7,906	6,966
Payments on finance leases	(477)	(448)
Tax withholding payments related to net share settlement of equity awards	(10,541)	(8,109)
Net cash provided by (used in) financing activities	1,647,417	(1,591)
Effect of exchange rate changes on cash	(10,477)	(2,192)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(308,948)	123,388
CASH AND CASH EQUIVALENTS, beginning of period	552,827	396,097
CASH AND CASH EQUIVALENTS, end of period	\$ 243,879	\$ 519,485

Use of Non-GAAP Financial Information

This press release contains financial measures that are not calculated in accordance with U.S. generally accepted accounting principles ("GAAP"). The non-GAAP financial measures should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. There are material limitations in using these non-GAAP financial measures because they are not prepared in accordance with GAAP and may not be comparable to similarly titled non-GAAP financial measures used by other companies, including peer companies. Our management believes that the non-GAAP data provides useful supplemental information to management and investors regarding our performance and facilitates a more meaningful comparison of results of operations between current and prior periods. We use non-GAAP financial measures in addition to and in conjunction with GAAP financial measures to analyze and assess the overall performance of our business, in making financial, operating and planning decisions, and in determining executive incentive compensation.

The non-GAAP financial measures include adjusted EBITDA, adjusted revenue, adjusted gross profit, adjusted selling, general and administrative, adjusted research and development, adjusted restructuring, strategic transaction and integration, adjusted change in fair value of contingent earn-out, adjusted (loss) income before income taxes, adjusted benefit (provision) for income taxes, adjusted net (loss) income and adjusted diluted (loss) earnings per share, all of which exclude special items because they are highly variable or unusual and impact year-over-year comparisons.

For the three months ended September 30, 2022 and 2021, special items include the following:

Stock compensation expense: Stock-based compensation is generally fixed at the time the stock-based instrument is granted and amortized over a period of several years. The value of stock options is determined using a complex formula that incorporates factors, such as market volatility, that are beyond our control. The value of our restricted stock awards is determined using the grant date stock price, which may not be indicative of our operational performance over the expense period. Additionally, in order to establish the fair value of performance-based stock awards, which are currently an element of our ongoing stock-based compensation, we are required to apply judgment to estimate the probability of the extent to which performance objectives will be achieved. Based on the above factors, we believe it is useful to exclude stock-based compensation in order to better understand our operating performance.

Intangible asset amortization expense: We do not acquire businesses or capitalize certain patent costs on a predictable cycle. The amount of purchase price allocated to intangible assets and the term of amortization can vary significantly and are unique to each acquisition. Capitalized patent costs can vary significantly based on our current level of development activities. We believe that excluding amortization of intangible assets provides the users of our financial statements with a consistent basis for comparison across accounting periods.

Restructuring, strategic transaction and integration: We incur restructuring and strategic transaction charges that result from events, which arise from unforeseen circumstances and/or often occur outside of the ordinary course of our ongoing business. Although these events are reflected in our GAAP financial statements, these unique transactions may limit the comparability of our ongoing operations with prior and future periods.

Adjustment to reverse the cost recognition related to the purchase accounting write-up of inventory to fair market value: The inventory step-up represents the expense recognition of fair value adjustments in excess of the historical cost basis of inventory obtained through acquisition, these charges are outside of our normal operations and are excluded.

Contract settlement: Occasionally, we are involved in contract renegotiations that may result in one-time settlements. We exclude these settlements as they have no direct correlation to the operation of our ongoing business.

Quality system and product-related remediation: We exclude certain quality system product-related remediation charges in determining our non-GAAP financial measures as they may limit the comparability of our ongoing operations with prior and future periods and distort the evaluation of our normal operating performance.

From time to time in the future, there may be other items that we may exclude if we believe that doing so is consistent with the goal of providing useful information to investors and management.

In addition to the above special items, Adjusted EBITDA additionally excludes the following items from net income:

Depreciation expense: We exclude depreciation expense in deriving adjusted EBITDA because companies utilize productive assets of different ages and the depreciable lives can vary significantly resulting in considerable variability in depreciation expense among companies.

Interest, net: We exclude interest in deriving adjusted EBITDA as interest can vary significantly among companies depending on a company's level of income generating instruments and/or level of debt.

Taxes: We exclude taxes in deriving adjusted EBITDA as taxes are deemed to be non-core to the business and may limit the comparability of our ongoing operations with prior and future periods and distort the evaluation of our normal operating performance.

We also present Free cash flow as a non-GAAP financial measure as management believes that this is an important measure for use in evaluating overall company financial performance as it measures our ability to generate additional cash flow from business operations. Free cash flow should be considered in addition to, rather than as a substitute for, net income as a measure of our performance or net cash (used in) provided by operating activities as a measure of our liquidity. Additionally, our definition of free cash flow is limited and does not represent residual cash flows available for discretionary expenditures due to the fact that the measure does not deduct the payments required for debt service and other obligations or payments made for business acquisitions. Therefore, we believe it is important to view free cash flow as supplemental to our entire statement of cash flows.

The following tables reconcile our GAAP and non-GAAP financial measures:

shares

Adjusted (Non-GAAP)	\$582,077	\$202,755	\$	107,472	\$	22,697	\$	—	\$	—	\$	72,586	\$	51,746	\$	(9,561)	\$	42,185	\$	1.75
Adjusted percent of total revenues (or percent of (loss) income before income taxes for benefit (provision) for income taxes)		35%		18%		4%		—%		—%		12%		9%		18.5%		7%		

ICU MEDICAL, INC. AND SUBSIDIARIES
Reconciliation of GAAP to Non-GAAP Financial Measures (Unaudited)(continued)
(In thousands, except percentages and per share)

The company's U.S. GAAP results for the three months ended September 30, 2021 included special items which impacted the U.S. GAAP measures as follows:

	Total revenues	Gross profit	Selling, general and administrative	Research and development	Restructuring, strategic transaction and integration	Income from operations	Income before income taxes	Provision for income taxes	Net income	Diluted earnings per share
Reported (GAAP)	\$ 336,060	\$ 127,791	\$ 74,815	\$ 12,238	\$ 2,358	\$ 38,380	\$ 37,925	\$ (6,844)	\$ 31,081	\$ 1.43
Reported percent of total revenues (or percent of income before income taxes for benefit provision for income taxes)		38%	22%	4%	1%	11%	11%	18.0%	9%	
Contract manufacturing	(7,919)	—	—	—	—	—	—	—	—	—
Stock compensation expense	—	988	(5,240)	(305)	—	6,533	6,533	(1,568)	4,965	0.23
Amortization expense	—	45	(5,768)	—	—	5,813	5,813	(1,371)	4,442	0.21
Restructuring, strategic transaction and integration	—	—	—	—	(2,358)	2,358	2,358	(566)	1,792	0.08
Product-related charges	—	3,380	—	—	—	—	3,380	(811)	2,569	0.12
Adjusted (Non-GAAP)	\$ 328,141	\$ 132,204	\$ 63,807	\$ 11,933	\$ —	\$ 53,084	\$ 56,009	\$ (11,160)	\$ 44,849	\$ 2.07
Adjusted percent of total revenues (or percent of income before income taxes for provision for income taxes)		40%	19%	4%	—%	16%	17%	19.9%	14%	

ICU MEDICAL, INC. AND SUBSIDIARIES
Reconciliation of Net Cash (Used in) Provided by Operating Activities to Free Cash Flow (Unaudited)
(In thousands)

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Net cash (used in) provided by operating activities	\$ 2,309	\$ 78,835	\$ (60,418)	\$ 184,917
Purchase of property, plant and equipment	(20,676)	(16,771)	(68,715)	(46,464)
Proceeds from sale of assets	33	15	933	218
Free cash flow	\$ (18,334)	\$ 62,079	\$ (128,200)	\$ 138,671

ICU MEDICAL, INC. AND SUBSIDIARIES
Fiscal Year 2022 Outlook (Unaudited)
(In millions, except per share data)

	<u>Low End of Guidance</u>	<u>High End of Guidance</u>
GAAP net loss	\$ (95)	\$ (81)
Non-GAAP adjustments:		
Interest, net	67	67
Stock compensation expense	37	37
Depreciation and amortization expense	238	238
Restructuring, strategic transaction and integration	79	79
Quality and regulatory initiatives and remediation	69	69
Adjustment to reverse the cost recognition related to the purchase accounting write-up of inventory to fair market value	23	23
Change in fair value of contingent earn-out	(31)	(31)
Provision for income taxes	(37)	(31)
Total non-GAAP adjustments	<u>\$ 445</u>	<u>\$ 451</u>
Adjusted EBITDA	<u>\$ 350</u>	<u>\$ 370</u>
GAAP diluted loss per share	\$ (3.93)	\$ (3.35)
Non-GAAP adjustments:		
Stock compensation expense	1.53	1.53
Amortization expense	5.95	5.95
Restructuring, strategic transaction and integration	3.26	3.26
Quality and regulatory initiatives and remediation	2.85	2.85
Adjustment to reverse the cost recognition related to the purchase accounting write-up of inventory to fair market value	0.95	0.95
Change in fair value of contingent earn-out	(1.28)	(1.28)
Estimated income tax impact from adjustments	(3.13)	(3.11)
Adjusted diluted earnings per share	<u>\$ 6.20</u>	<u>\$ 6.80</u>

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Source: ICU Medical, Inc.