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

FORM 10-Q

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

For the quarterly period ended: June 30, 2021
or

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

For the transition period from: to

Commission File No.: 001-34634

ICU MEDICAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	**33-0022692**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
951 Calle Amanecer , San Clemente , California	**92673**
(Address of principal executive offices)	(Zip Code)

(949) 366-2183
(Registrant's telephone number including area code)

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 x No o

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

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	x	Accelerated filer	o
Non-accelerated filer	o	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. o

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

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

Title of each class	**Trading Symbol**	**Name of each exchange on which registered**
		The Nasdaq Stock Market LLC
Common stock, par value $0.10 per share	ICUI	(Global Select Market)

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	**Outstanding at July 31, 2021**
Common	21,207,648

ICU MEDICAL, INC. AND SUBSIDIARIES
Form 10-Q
June 30, 2021

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PART I - FINANCIAL INFORMATION
Item1. Financial Statements (Unaudited)

ICU MEDICAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value data)

	June 30, 2021	December 31, 2020
	(Unaudited)	(1)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 462,037	$ 396,097
Short-term investment securities	14,661	14,687
TOTAL CASH, CASH EQUIVALENTS AND INVESTMENT SECURITIES	476,698	410,784
Accounts receivable, net of allowance for doubtful accounts of $14,590 at June 30, 2021 and $21,490 at December 31, 2020	120,782	124,093
Inventories	299,610	314,928
Prepaid income tax	38,285	29,480
Prepaid expenses and other current assets	37,979	41,492
TOTAL CURRENT ASSETS	973,354	920,777
PROPERTY AND EQUIPMENT, net	458,785	466,628
OPERATING LEASE RIGHT-OF-USE ASSETS	43,315	46,571
LONG-TERM INVESTMENT SECURITIES	15,670	12,974
GOODWILL	32,927	33,001
INTANGIBLE ASSETS, net	189,620	197,231
DEFERRED INCOME TAXES	31,120	31,034
OTHER ASSETS	58,051	55,475
TOTAL ASSETS	$ 1,802,842	$ 1,763,691
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 69,782	$ 71,864
Accrued liabilities	85,283	97,021
Income tax liability	2,299	303
Contingent earn-out liability	26,300	26,300
TOTAL CURRENT LIABILITIES	183,664	195,488
OTHER LONG-TERM LIABILITIES	42,951	47,835
DEFERRED INCOME TAXES	1,663	1,663
INCOME TAX LIABILITY	17,299	16,440
COMMITMENTS AND CONTINGENCIES (Note 18)	—	—
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 — 21,219 shares at June 30, 2021 and 21,058 shares at December 31, 2020 and outstanding — 21,208 shares at June 30, 2021 and 21,058 shares at December 31, 2020	2,122	2,106
Additional paid-in capital	705,582	693,068
Treasury stock, at cost (11,223 and 209 shares, respectively)	(2,269)	(39)
Retained earnings	860,781	808,652
Accumulated other comprehensive loss	(8,951)	(1,522)
TOTAL STOCKHOLDERS' EQUITY	1,557,265	1,502,265
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,802,842	$ 1,763,691

(1) December 31, 2020 balances were derived from audited consolidated financial statements.

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

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
TOTAL REVENUES	$ 321,677	$ 303,379	$ 639,723	$ 631,986
COST OF GOODS SOLD	198,148	197,095	403,514	404,287
GROSS PROFIT	123,529	106,284	236,209	227,699
OPERATING EXPENSES:				
Selling, general and administrative	73,921	67,242	146,312	139,547
Research and development	11,385	10,279	22,094	21,025
Restructuring, strategic transaction and integration	3,753	6,482	6,636	18,789
Change in fair value of contingent earn-out	—	2,700	—	2,700
Contract settlement	—	25	127	25
TOTAL OPERATING EXPENSES	89,059	86,728	175,169	182,086
INCOME FROM OPERATIONS	34,470	19,556	61,040	45,613
INTEREST EXPENSE	(163)	(771)	(324)	(967)
OTHER INCOME (EXPENSE), net	525	2,053	1,208	(3,427)
INCOME BEFORE INCOME TAXES	34,832	20,838	61,924	41,219
PROVISION FOR INCOME TAXES	(6,434)	(1,930)	(9,795)	(5,477)
NET INCOME	$ 28,398	$ 18,908	$ 52,129	$ 35,742
NET INCOME PER SHARE				
Basic	$ 1.34	$ 0.91	$ 2.46	$ 1.72
Diluted	$ 1.31	$ 0.88	$ 2.40	$ 1.66
WEIGHTED AVERAGE NUMBER OF SHARES				
Basic	21,200	20,880	21,176	20,831
Diluted	21,703	21,506	21,718	21,545

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

ICU MEDICAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(In thousands)

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
NET INCOME	$ 28,398	$ 18,908	$ 52,129	$ 35,742
Other comprehensive income (loss), net of tax:				
Cash flow hedge adjustments, net of taxes of $(111) and $356 for the three months ended June 30, 2021 and 2020, respectively, and $(409) and $(577) for the six months ended June 30, 2021 and 2020, respectively	(352)	1,126	(1,296)	(1,826)
Foreign currency translation adjustment, net of taxes of $— for all periods	1,302	4,604	(6,156)	(5,872)
Other adjustments, net of taxes of $— for all periods	12	4	23	(78)
Other comprehensive income (loss), net of taxes	962	5,734	(7,429)	(7,776)
TOTAL COMPREHENSIVE INCOME	$ 29,360	$ 24,642	$ 44,700	$ 27,966

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

ICU MEDICAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)
(Amounts in thousands)

	Common Stock						
	Shares	Amount	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2021	**21,058**	**$ 2,106**	**$ 693,068**	**$ (39)**	**$ 808,652**	**$ (1,522)**	**$ 1,502,265**
Issuance of restricted stock and exercise of stock options	198	16	2,496	2,352	—	—	4,864
Tax withholding payments related to net share settlement of equity awards	(37)	—	—	(7,723)	—	—	(7,723)
Stock compensation	—	—	6,022	—	—	—	6,022
Other comprehensive loss, net of tax	—	—	—	—	—	(8,391)	(8,391)
Net income	—	—	—	—	23,731	—	23,731
Balance, March 31, 2021	**21,219**	**$ 2,122**	**$ 701,586**	**$ (5,410)**	**$ 832,383**	**$ (9,913)**	**$ 1,520,768**
Issuance of restricted stock and exercise of stock options	—	—	(2,685)	3,237	—	—	552
Tax withholding payments related to net share settlement of equity awards	—	—	—	(96)	—	—	(96)
Stock compensation	—	—	6,681	—	—	—	6,681
Other comprehensive income, net of tax	—	—	—	—	—	962	962
Net income	—	—	—	—	28,398	—	28,398
Balance, June 30, 2021	**21,219**	**$ 2,122**	**$ 705,582**	**$ (2,269)**	**$ 860,781**	**$ (8,951)**	**$ 1,557,265**

	Common Stock						
	Shares	Amount	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2020	**20,742**	**$ 2,074**	**$ 668,947**	**$ (157)**	**$ 721,782**	**$ (15,402)**	**$ 1,377,244**
Issuance of restricted stock and exercise of stock options	155	9	(10,207)	10,758	—	—	560
Tax withholding payments related to net share settlement of equity awards	(64)	—	—	(12,174)	—	—	(12,174)
Stock compensation	—	—	6,939	—	—	—	6,939
Other comprehensive loss, net of tax	—	—	—	—	—	(13,510)	(13,510)
Net income	—	—	—	—	16,834	—	16,834
Balance, March 31, 2020	**20,833**	**$ 2,083**	**$ 665,679**	**$ (1,573)**	**$ 738,616**	**$ (28,912)**	**$ 1,375,893**
Issuance of restricted stock and exercise of stock options	106	11	4,408	1,820	—	—	6,239
Tax withholding payments related to net share settlement of equity awards	(2)	—	—	(387)	—	—	(387)
Stock compensation	—	—	5,410	—	—	—	5,410
Other comprehensive income, net of tax	—	—	—	—	—	5,734	5,734
Net income	—	—	—	—	18,908	—	18,908
Balance, June 30, 2020	**20,937**	**$ 2,094**	**$ 675,497**	**$ (140)**	**$ 757,524**	**$ (23,178)**	**$ 1,411,797**

ICU MEDICAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In thousands)

	Six months ended June 30,	
	2021	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 52,129	$ 35,742
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	44,319	42,575
Amortization of right-of-use assets	4,780	4,527
Provision for doubtful accounts	342	162
Provision for warranty and returns	(345)	(1,221)
Stock compensation	12,703	12,349
Loss on disposal of property and equipment and other assets	829	1,078
Bond premium amortization	364	85
Debt issuance costs amortization	144	144
Change in fair value of contingent earn-out	—	2,700
Product-related charges	—	2,626
Usage of spare parts	5,356	5,045
Other	1,574	1,615
Changes in operating assets and liabilities:		
Accounts receivable	2,078	5,293
Inventories	13,368	8,481
Prepaid expenses and other assets	759	(9,333)
Other assets	(7,632)	(7,223)
Accounts payable	(1,648)	(23,305)
Accrued liabilities	(17,068)	(15,257)
Income taxes, including excess tax benefits and deferred income taxes	(5,970)	2,657
Net cash provided by operating activities	106,082	68,740
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(29,693)	(38,517)
Proceeds from sale of asset	203	147
Intangible asset additions	(4,136)	(4,104)
Purchases of investment securities	(10,034)	(7,082)
Proceeds from sale of investment securities	7,000	16,400
Net cash used in investing activities	(36,660)	(33,156)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term debt	—	150,000
Proceeds from exercise of stock options	5,416	6,799
Payments on finance leases	(296)	(116)
Tax withholding payments related to net share settlement of equity awards	(7,819)	(12,561)
Net cash (used in) provided by financing activities	(2,699)	144,122
Effect of exchange rate changes on cash	(783)	(2,242)
NET INCREASE CASH AND CASH EQUIVALENTS	65,940	177,464
CASH AND CASH EQUIVALENTS, beginning of period	396,097	268,670
CASH AND CASH EQUIVALENTS, end of period	$ 462,037	$ 446,134

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

ICU MEDICAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) - CONTINUED

(In thousands)

	Six months ended June 30,	
	2021	**2020**
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:		
Accounts payable for property and equipment	$ 1,857	$ 9,775

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

Note 1: Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S.") and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and reflect all adjustments, consisting of only normal recurring adjustments, which are, in the opinion of management, necessary for a fair statement of the consolidated results for the interim periods presented. Results for the interim period are not necessarily indicative of results for the full year. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Annual Report on Form 10-K of ICU Medical, Inc., ("ICU") a Delaware corporation, filed with the SEC for the year ended December 31, 2020.

We are engaged in the development, manufacturing and sale of innovative medical products used in vascular therapy and critical care applications. We sell the majority of our products through our direct sales force and through independent distributors throughout the U.S. and internationally. Additionally, we sell our products on an original equipment manufacturer basis to other medical device manufacturers. All subsidiaries are wholly owned and are included in the condensed consolidated financial statements. All intercompany balances and transactions have been eliminated.

Note 2: New Accounting Pronouncements

Recently Issued Accounting Standards

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in this update provide optional guidance for a limited period of time to ease the potential burden for reference rate reform on financial reporting. Due to concerns about structural risks of interbank offered rates and, particularly, the risk of cessation of the London Interbank Offered Rate ("LIBOR"), regulators around the world have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or transaction based and less susceptible to manipulation. The amendments in this update apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued as a result of reference rate reform. Optional expedients may be applied to contracts that are modified as a result of the reference rate reform. Modifications of contracts within the scope of Topic 470, Debt, should be accounted for by prospectively adjusting the effective interest rate. Modifications of contracts within the scope of ASC 842, Leases, should be accounted for as a continuation of the existing contracts with no reassessments of the lease classification and the discount rate (incremental borrowing rate). Exceptions to Topic 815, Derivatives and Hedging, results in not having a dedesignation of a hedging relationship if certain criteria are met. The amendments in this ASU are effective for all entities as of March 12, 2020 through December 31, 2022. The impact of this ASU on our contracts has not been material.

Note 3: Restructuring, Strategic Transaction and Integration

Restructuring, strategic transaction and integration expenses were $3.8 million and $6.6 million for the three and six months ended June 30, 2021 respectively, as compared to $6.5 million and $18.8 million for the three and six months ended June 30, 2020 respectively.

Restructuring

During the three and six months ended June 30, 2021 restructuring charges were $0.1 million and $0.1 million, respectively. During the three and six months ended June 30, 2020 restructuring charges were $0.9 million and $8.1 million, respectively. Restructuring charges for the three and six months ended June 30, 2021 were primarily related to severance charges. Restructuring charges for the three and six months ended June 30, 2020 were primarily related to severance charges and costs related to office and other facility closures. Restructuring charges are included in the above restructuring, strategic transaction and integration expenses in our condensed consolidated statement of operations.

The following table summarizes the details of changes in our restructuring-related accrual for the period ended June 30, 2021 (in thousands):

	Accrued Balance January 1, 2021	Charges Incurred	Payments	Currency Translation	Accrued Balance June 30, 2021
Severance pay and benefits	$ 1,858	$ 143	$ (695)	$ 28	$ 1,334
Facility closure expenses	1,563	—	—	39	1,602
	$ 3,421	$ 143	$ (695)	$ 67	$ 2,936

Strategic transaction and integration expenses

We incurred and expensed $3.7 million and $6.5 million in strategic transaction and integration expenses during the three and six months ended June 30, 2021, as compared to $5.6 million and $10.7 million during the three and six months ended June 30, 2020, respectively, which are included in restructuring, strategic transaction and integration expenses in our condensed consolidated statement of operations. The strategic transaction and integration expenses during the three and six months ended June 30, 2021 were primarily related to integration costs associated with acquisitions, the Hospira Infusion Systems ("HIS") earn-out dispute with Pfizer and one-time costs incurred to comply with regulatory initiatives. The strategic transaction and integration expenses during the three and six months ended June 30, 2020 were primarily related to the integration of the HIS business acquired in 2017 from Pfizer, which included the migration of IT systems at our Austin facility.

Note 4: Revenue

Our primary product lines are Infusion Consumables, Infusion Systems, IV Solutions and Critical Care. The vast majority of our sales of these products are made on a stand-alone basis to hospitals and distributors. Revenue is typically recognized upon transfer of control of the products, which we deem to be at point of shipment. However, for purposes of revenue recognition for our software licenses and renewals, we consider the control of these products to be transferred to a customer at a certain point in time; therefore, we recognize revenue at the start of the applicable license term.

Payment is typically due in full within 30 days of delivery or the start of the contract term. Revenue is recorded in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. We offer certain volume-based rebates to our distribution customers, which we record as variable consideration when calculating the transaction price. Rebates are offered on both a fixed and tiered/variable basis. In both cases, we use information available at the time and our historical experience with each customer to estimate the most likely rebate amount. We also provide chargebacks to distributors that sell to end-customers at prices determined under a contract between us and the end-customer. Chargebacks are the difference between the prices we charge our distribution customers and the contracted prices we have with the end customer which are processed as credits to our distribution customers. In estimating the expected value of chargeback amounts in order to determine the transaction price, we use information available at the time, including our historical experience.

We also warranty products against defects and have a policy permitting the return of defective products, for which we accrue and expense at the time of sale using information available at that time and our historical experience. We also provide for extended service-type warranties, which we consider to be separate performance obligations. We allocate a portion of the transaction price to the extended service-type warranty based on its estimated relative selling price, and recognize revenue over the period the warranty service is provided. Our revenues are recorded at the net sales price, which includes an estimate for variable consideration related to rebates, chargebacks and product returns.

Revenue disaggregated

The following table represents our revenues disaggregated by geography (in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
Geography	**2021**	**2020**	**2021**	**2020**
Europe, the Middle East and Africa	$ 37,761	$ 28,583	$ 72,560	$ 66,511
Other Foreign	59,249	66,572	115,145	127,093
Total Foreign	97,010	95,155	187,705	193,604
United States	224,667	208,224	452,018	438,382
Total Revenues	$ 321,677	$ 303,379	$ 639,723	$ 631,986

The following table represents our revenues disaggregated by product (in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
Product line	**2021**	**2020**	**2021**	**2020**
Infusion Consumables	$ 136,200	$ 110,993	$ 262,569	$ 234,500
Infusion Systems	84,661	91,088	168,995	179,468
IV Solutions	88,421	89,178	182,597	193,469
Critical Care	12,395	12,120	25,562	24,549
Total Revenues	$ 321,677	$ 303,379	$ 639,723	$ 631,986

Contract balances

The following table presents our changes in the contract balances for the six months ended June 30, 2021 and 2020 (in thousands):

	Contract Liabilities
Beginning balance, January 1, 2021	$ (6,430)
Equipment revenue recognized	4,754
Equipment revenue deferred due to implementation	(5,435)
Software revenue recognized	4,355
Software revenue deferred due to implementation	(2,212)
Ending balance, June 30, 2021	$ (4,968)
Beginning balance, January 1, 2020	$ (4,855)
Equipment revenue recognized	3,263
Equipment revenue deferred due to implementation	(10,347)
Software revenue recognized	3,340
Software revenue deferred due to implementation	(3,643)
Ending balance, June 30, 2020	$ (12,242)

As of June 30, 2021, revenue from remaining performance obligations related to implementation of software and equipment is $3.7 million. We expect to recognize substantially all of this revenue within the next three to six months dependent on implementation restrictions due to the novel coronavirus and its variants ("COVID-19"). Revenue from remaining performance obligations related to annual software licenses is $1.3 million. We expect to recognize substantially all of this revenue over the next twelve months.

Note 5: Leases

Leases

We determine if an arrangement is a lease at inception. Our operating lease assets are separately stated in operating lease right-of-use ("ROU") assets and our financing lease assets are included in other assets on our condensed consolidated balance sheets. Our lease liabilities are included in accrued liabilities, and other long-term liabilities on our condensed consolidated balance sheets. We have elected not to recognize an ROU asset and lease liability for leases with terms of twelve months or less.

Lease ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. Most of our leases do not provide an implicit rate, therefore we use our incremental borrowing rate, which is the rate incurred to borrow on a collateralized basis over a similar term based on the information available at commencement date. Our lease ROU assets exclude lease incentives and initial direct costs incurred. Our lease terms include options to extend when it is reasonably certain that we will exercise that option. All of our leases have

stated lease payments, which may include fixed rental increases. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

Our leases are for corporate, research and development and sales and support offices, a distribution facility, device service centers and certain equipment. Our leases have original lease terms of one year to fifteen years, some of which include options to extend the leases for up to an additional five years. For all of our leases, we do not include optional periods of extension in our current lease terms for the exercise of options to extend is not reasonably certain.

The following table presents the components of our lease cost (in thousands):

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Operating lease cost	$ 2,822	$ 2,776	$ 5,657	$ 5,567
Finance lease cost - interest	32	26	63	32
Finance lease cost - amortization of ROU asset	166	102	317	126
Short-term lease cost	6	73	9	128
Total lease cost	$ 3,026	$ 2,977	$ 6,046	$ 5,853

Interest expense on our finance leases is included in other income (expense), net in our condensed consolidated statement of operations. The amortization of the operating and finance ROU asset is included in selling, general and administrative expenses in our condensed consolidated statement of operations.

The following table presents the supplemental cash flow information related to our leases (in thousands):

	For the six months ended June 30,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 5,657	$ 4,706
Operating cash flows from finance leases	$ 63	$ 32
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 1,282	$ 20,175
Finance leases	$ 332	$ 2,815

The following table presents the supplemental balance sheet information related to our operating leases (in thousands, except lease term and discount rate):

	As of June 30, 2021	As of December 31, 2020
Operating leases		
Operating lease right-of-use assets	$ 43,315	$ 46,571
Accrued liabilities	$ 8,846	$ 8,740
Other long-term liabilities	37,636	41,019
Total operating lease liabilities	$ 46,482	$ 49,759
Weighted Average Remaining Lease Term		
Operating leases	6.3 years	6.7 years
Weighted Average Discount Rate		
Operating leases	4.99 %	5.02 %

The following table presents the supplemental balance sheet information related to our finance leases (in thousands, except lease term and discount rate):

	As of June 30, 2021	As of December 31, 2020
Financing leases		
Financing lease right-of-use assets	$ 2,861	$ 2,915
Accrued liabilities	$ 624	$ 554
Other long-term liabilities	2,284	2,388
Total financing lease liabilities	$ 2,908	$ 2,942
Weighted Average Remaining Lease Term		
Financing leases	5.9 years	6.4 years
Weighted Average Discount Rate		
Financing leases	4.28 %	4.27 %

As of June 30, 2021, the maturities of our operating and financing lease liabilities for each of the next five years is approximately (in thousands):

	Operating Leases	Finance Leases
Remainder of 2021	$ 5,568	$ 367
2022	10,395	733
2023	9,192	733
2024	8,348	419
2025	5,023	219
2026	4,747	189
Thereafter	10,649	615
Total Lease Payments	53,922	3,275
Less imputed interest	(7,440)	(367)
Total	$ 46,482	$ 2,908

Note 6: Net Income Per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the period plus dilutive securities. Dilutive securities include outstanding common stock options and unvested restricted stock units, less the number of shares that could have been purchased with the proceeds from the exercise of the options, using the treasury stock method. Options and restricted stock units that are anti-dilutive are not included in the treasury stock method calculation. There were 12,107 and 57,091 anti-dilutive securities for the three months ended June 30, 2021 and 2020, respectively. There were 12,080 and 15,045 anti-dilutive securities for the six months ended June 30, 2021 and 2020, respectively.

The following table presents the calculation of net earnings per common share ("EPS") — basic and diluted (in thousands, except per share data):

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Net income	$ 28,398	$ 18,908	$ 52,129	$ 35,742
Weighted-average number of common shares outstanding (for basic calculation)	21,200	20,880	21,176	20,831
Dilutive securities	503	626	542	714
Weighted-average common and common equivalent shares outstanding (for diluted calculation)	21,703	21,506	21,718	21,545
EPS — basic	$ 1.34	$ 0.91	$ 2.46	$ 1.72
EPS — diluted	$ 1.31	$ 0.88	$ 2.40	$ 1.66

Note 7: Derivatives and Hedging Activities

Hedge Accounting and Hedging Program

The purpose of our hedging program is to manage the foreign currency exchange rate risk on forecasted expenses denominated in currencies other than the functional currency of the operating unit. We do not issue derivatives for trading or speculative purposes.

To receive hedge accounting treatment, all hedging relationships are formally documented at the inception of the hedge, and the hedges must be highly effective in offsetting changes to future cash flows on hedged transactions. The par forward contract is designated and qualifies as a cash flow hedge. Our derivative instruments are recorded at fair value on the condensed consolidated balance sheets and are classified based on the instrument's maturity date. We record changes in the intrinsic value of the effective portion of the gain or loss on the derivative instrument as a component of Other Comprehensive Income and we reclassify that gain or loss into earnings in the same line item associated with the forecasted transaction and in the same period during which the hedged transaction affects earnings.

In March 2020, we entered into a one-year cross-currency par forward contract that extends our current hedge of a portion of our Mexico forecasted expenses denominated in Pesos ("MXN"). The total notional amount of this outstanding derivative as of June 30, 2021 was approximately 218.4 million MXN. The term of the one-year contract is November 3, 2020 to December 1, 2021. The derivative instrument matures in equal monthly amounts at a fixed forward rate of 24.26 MXN/USD.

In November 2018, we entered into a one-year cross-currency par forward contract that hedges of a portion of our Mexico forecasted expenses denominated in MXN. The term of the one-year hedge was November 1, 2019 to November 3, 2020. The derivative instrument matured in equal monthly amounts at a fixed forward rate of 22.109 MXN/USD.

The following table presents the fair values of our derivative instruments included within the Condensed Consolidated Balance Sheets as of June 30, 2021 and December 31, 2020 (in thousands):

	Derivatives		
	Condensed Consolidated Balance Sheet Location	June 30, 2021	December 31, 2020
Derivatives designated as cash flow hedging instruments			
Foreign exchange forward contract:			
	Prepaid expenses and other current assets	$ 1,849	$ 3,555
Total derivatives designated as cash flow hedging instruments		$ 1,849	$ 3,555

The following table presents the amounts affecting the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2021 and 2020 (in thousands):

	Line Item in the Condensed Consolidated Statements of Operations	Three months ended June 30,		Six months ended June 30,	
		2021	2020	2021	2020
Derivatives designated as cash flow hedging instruments					
Foreign exchange forward contracts	Cost of goods sold	$ 903	$ (219)	$ 1,744	$ 473

We recognized the following gains (losses) on our foreign exchange contracts designated as a cash flow hedge (in thousands):

	Amount of Gain Recognized in Other Comprehensive Income on Derivatives		Amount of Gain (Loss) Reclassified From Accumulated Other Comprehensive Income into Income		
	Three months ended June 30,			Three months ended June 30,	
	2021	2020	Location of Gain (Loss) Reclassified From Accumulated Other Comprehensive Income into Income	2021	2020
Derivatives designated as cash flow hedges:					
Foreign exchange forward contract	$ 441	$ 1,262	Cost of goods sold	$ 903	$ (219)
Total derivatives designated as cash flow hedging instruments	$ 441	$ 1,262		$ 903	$ (219)

	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives		Amount of Gain Reclassified From Accumulated Other Comprehensive Income into Income		
	Six months ended June 30,			Six months ended June 30,	
	2021	2020	Location of Gain Reclassified From Accumulated Other Comprehensive Income into Income	2021	2020
Derivatives designated as cash flow hedges:					
Foreign exchange forward contract	$ 39	$ (1,930)	Cost of goods sold	$ 1,744	$ 473
Total derivatives designated as cash flow hedging instruments	$ 39	$ (1,930)		$ 1,744	$ 473

As of June 30, 2021, we expect approximately $1.8 million of the deferred gains on the outstanding derivatives in accumulated other comprehensive income to be reclassified to net income during the next six months concurrent with the underlying hedged transactions also being reported in net income.

Note 8: Fair Value Measurement

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three levels of inputs that may be used to measure fair value:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
- Level 3: unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets or liabilities.

Earn-out Liability

In 2017, we recognized an earn-out liability upon the acquisition of HIS from Pfizer. Pfizer was entitled to receive between $191.3 million and $225.0 million in additional cash consideration based on the achievement of certain performance targets for the combined company for the three years ending December 31, 2019. The initial fair value of the earn-out was determined by employing a Monte Carlo simulation in a risk neutral framework. The underlying simulated variable was adjusted EBITDA. The adjusted EBITDA volatility estimate was based on a study of historical asset volatility for a set of comparable public companies. The model included other assumptions including the market price of risk, which was calculated as the weighted average cost of capital ("WACC") less the long term risk free rate. The initial value assigned to the contingent consideration was a result of forecasted product demand of our HIS business. At each reporting date subsequent to the acquisition we remeasured the earn-out using the same methodology above and recognized any changes in value. As of December 31, 2019, we determined that we did not meet the necessary performance targets that would require payout of any of the HIS earn-out liability. Pfizer disputed our determination that the performance targets requiring payout of the HIS earn-out liability were not met, therefore the dispute is being resolved by binding arbitration. As of this filing, we expect the arbitrator to render a decision on this matter in August 2021. Given the uncertainty of any arbitration, it may be possible that we will incur a loss with regards to this matter. If we are unsuccessful in arbitration such that it is determined that we met the necessary performance targets for any of the HIS earn-out liability, we will be obligated to pay Pfizer between $191.3 million and $225.0 million in additional cash consideration.

In the fourth quarter of 2019, we recognized an earn-out liability related to the acquisition of Pursuit Vascular, Inc. ("Pursuit"). Pursuit's former equity holders are entitled up to $50.0 million in additional cash consideration contingent upon the achievement of certain sales and gross profit targets for specific customers. The earn-out is calculated as a percentage of gross profit achieved during the earn-out period against a pre-determined target gross profit, not to exceed $50.0 million. During the earn-out period, we used a Monte Carlo simulation model to determine the fair value of the earn-out liability. The Monte Carlo

simulation model utilizes multiple input variables to determine the value of the earn-out liability including historical volatility, a risk free interest rate, counter party credit risk and projected future gross profit (see the simulation input table below related to Pursuit). The historical volatility is based on the median of ICU and a certain peer group. The risk-free interest rate is equal to the yield, as of the valuation date, of the zero-coupon U.S. Treasury bill that is commensurate with the term of the earn-out. The counter party credit risk is based on a synthetic credit rating of B1. As of June 30, 2021, the earn-out measurement period had ended. Based on the actual sales and gross profit achieved during the measurement period, we calculated the actual earn-out amount to be $26.3 million. Pursuit's former equity holders are entitled to an earn-out review period during which they may dispute the final earn-out amount. Assuming Pursuit's former equity holders accept out calculation, we expect to pay the $26.3 million earn-out during the third quarter of 2021. Our contingent earn-out liability is separately stated in our condensed consolidated balance sheets.

The following tables provide a reconciliation of the Level 3 earn-out liabilities measured at estimated fair value (in thousands):

	Pursuit Earn-out Liability
Accrued balance, January 1, 2021	$ 26,300
Change in fair value of earn-out (included in income from operations as a separate line item)	—
Accrued balance, March 31, 2021	$ 26,300
Change in fair value of earn-out (included in income from operations as a separate line item)	—
Accrued balance, June 30, 2021	$ 26,300

	Pursuit Earn-out Liability
Accrued balance, January 1, 2020	$ 17,300
Change in fair value of earn-out (included in income from operations as a separate line item)	—
Accrued balance, March 31, 2020	$ 17,300
Change in fair value of earn-out (included in income from operations as a separate line item)	2,700
Accrued balance, June 30, 2020	$ 20,000

The following tables provide quantitative information about Level 3 inputs for fair value measurement of our earn-out liabilities during the earn-out measurement period:

Pursuit Earn-out

Simulation Input	As of December 31, 2020	As of June 30, 2020
Revenue/Gross Profit Volatility	25.00 %	30.00 %
Discount Rate	12.50 %	12.50 %
Risk Free Rate	0.09 %	0.16 %
Counter Party Risk	3.10 %	6.30 %

Investments and Foreign Currency Contracts

The fair value of our investments is estimated using observable market-based inputs such as quoted prices, interest rates and yield curves or Level 2 inputs, which consisted of corporate bonds.

The fair value of our Level 2 forward currency contracts are estimated using observable market inputs such as known notional value amounts, spot and forward exchange rates. These inputs relate to liquid, heavily traded currencies with active markets which are available for the full term of the derivative.

Our assets and liabilities measured at fair value on a recurring basis consisted of the following Level 1, 2 and 3 inputs as defined above (in thousands):

	Fair value measurements at June 30, 2021			
	Total carrying value	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Assets:				
Available for sale securities:				
Short-term	$ 14,661	$ —	$ 14,661	$ —
Long-term	15,670	—	15,670	—
Foreign exchange forwards:				
Prepaid expenses and other current assets	1,849	—	1,849	—
Total Assets	$ 32,180	$ —	$ 32,180	$ —
Liabilities:				
Earn-out liability	$ 26,300	$ —	$ —	$ 26,300
Total Liabilities	$ 26,300	$ —	$ —	$ 26,300

	Fair value measurements at December 31, 2020			
	Total carrying value	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Assets:				
Available for sale securities:				
Short-term	$ 14,687	$ —	$ 14,687	$ —
Long-term	12,974	—	12,974	—
Foreign exchange forwards:				
Prepaid expenses and other current assets	3,555	—	3,555	—
Total Assets	$ 31,216	$ —	$ 31,216	$ —
Liabilities:				
Earn-out liability	$ 26,300	$ —	$ —	$ 26,300
Total Liabilities	$ 26,300	$ —	$ —	$ 26,300

Note 9: Investment Securities

Our investment securities currently consist of short-term and long-term corporate bonds. Our investment securities are considered available-for-sale and are “investment grade” and carried at fair value. Available-for-sale securities are recorded at fair value, and unrealized holding gains and losses are recorded, net of tax, as a component of accumulated other comprehensive income. Unrealized losses on available-for-sale securities are charged against net earnings when a decline in fair value is determined to be other than temporary. Our management reviews several factors to determine whether a loss is other than temporary, such as the length and extent of the fair value decline, the financial condition and near term prospects of the issuer, and for equity investments, our intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. The amortized cost of the debt securities are adjusted for the amortization of premiums computed under the effective interest method. Such amortization is included in investment income in other income (expense), net on our condensed consolidated statements of operations. There have been no realized gains or losses on their disposal. Realized gains and losses are accounted for on the specific identification method. The scheduled maturities of the debt securities are between 2021 and 2024. All short-term investment securities are callable within one year.

Our short investment securities consisted of the following (in thousands):

	As of June 30, 2021		
	Amortized Cost	Unrealized Holding Gains (Losses)	Fair Value
Short-term corporate bonds	$ 14,661	$ —	$ 14,661
Long-term corporate bonds	15,670	—	15,670
Total investment securities	$ 30,331	$ —	$ 30,331

	As of December 31, 2020		
	Amortized Cost	Unrealized Holding Gains (Losses)	Fair Value
Short-term corporate bonds	$ 14,687	$ —	$ 14,687
Long-term corporate bonds	12,974	—	12,974
Total investment securities	$ 27,661	$ —	$ 27,661

Note 10: Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following (in thousands):

	June 30, 2021	December 31, 2020
Other prepaid expenses and receivables	$ 17,705	$ 14,964
Deferred costs	4,341	6,402
Prepaid insurance and property taxes	3,099	6,178
VAT/GST receivable	3,519	3,676
Deferred tax charge	4,053	3,542
Foreign exchange forward contract	1,849	3,555
Deposits	1,349	1,353
Other	2,064	1,822
	$ 37,979	$ 41,492

Note 11: Inventories

Inventories are stated at the lower of cost or net realizable value with cost determined using the first-in, first-out method. Inventory costs consist of those costs directly attributable to products prior to sale including among other things raw material, labor and overhead. Inventories consisted of the following (in thousands):

	June 30, 2021	December 31, 2020
Raw materials	$ 119,424	$ 126,499
Work in process	37,571	33,053
Finished goods	142,615	155,376
Total inventories	$ 299,610	$ 314,928

Note 12: Property and Equipment

Property and equipment consisted of the following (in thousands):

	June 30, 2021	December 31, 2020
Machinery and equipment	$ 301,573	$ 291,331
Land, building and building improvements	242,163	241,199
Molds	60,381	60,381
Computer equipment and software	99,408	98,311
Furniture and fixtures	7,711	7,767
Instruments placed with customers[(1)]	97,095	90,383
Construction in progress	57,250	53,724
Total property and equipment, cost	865,581	843,096
Accumulated depreciation	(406,796)	(376,468)
Property and equipment, net	$ 458,785	$ 466,628

[(1)] Instruments placed with customers consist of drug-delivery and monitoring systems placed with customers under operating leases.

Depreciation expense was $16.3 million and $32.7 million for the three and six months ended June 30, 2021, respectively, as compared to $15.8 million and $31.0 million for the three and six months ended June 30, 2020, respectively.

Note 13: Goodwill and Intangible Assets, Net

Goodwill

The following table presents the changes in the carrying amount of our goodwill (in thousands):

	Total
Balance as of January 1, 2021	$ 33,001
Currency translation	(74)
Balance as of June 30, 2021	$ 32,927

Intangible Assets, Net

Intangible assets, carried at cost less accumulated amortization and amortized on a straight-lined basis, were as follows (in thousands):

	Weighted Average Amortization Life in Years	June 30, 2021		
		Cost	Accumulated Amortization	Net
Patents	10	$ 26,083	$ 15,889	$ 10,194
Customer contracts	12	10,390	6,023	4,367
Non-contractual customer relationships	9	57,817	29,947	27,870
Trademarks	4	425	425	—
Trade name	15	18,266	4,117	14,149
Developed technology	13	152,893	43,177	109,716
Non-compete	3	2,500	1,389	1,111
Total amortized intangible assets		$ 268,374	$ 100,967	$ 167,407
Internally developed software*		$ 22,213		$ 22,213
Total intangible assets		$ 290,587	$ 100,967	$ 189,620

* Internally developed software will be amortized when the projects are complete and the assets are ready for their intended use.

	Weighted Average Amortization Life in Years	December 31, 2020		
		Cost	Accumulated Amortization	Net
Patents	10	$ 24,797	$ 15,056	$ 9,741
Customer contracts	12	10,365	5,852	4,513
Non-contractual customer relationships	9	58,061	26,711	31,350
Trademarks	4	425	425	—
Trade name	15	18,270	3,500	14,770
Developed technology	13	152,893	36,927	115,966
Non-compete	3	2,500	972	1,528
Total amortized intangible assets		$ 267,311	$ 89,443	$ 177,868
Internally developed software*		$ 19,363		$ 19,363
Total intangible assets		$ 286,674	$ 89,443	$ 197,231

* Internally developed software will be amortized when the projects are complete and the assets are ready for their intended use.

Intangible assets with definite lives are amortized on a straight-line basis over their estimated useful lives. During the three and six months ended June 30, 2021, respectively, intangible asset amortization expense was $5.8 million and $11.6 million, respectively, as compared to $5.8 million and $11.6 million for the three and six months ended June 30, 2020, respectively.

As of June 30, 2021 estimated annual amortization for our intangible assets for each of the next five years is approximately (in thousands):

Remainder of 2021	$ 12,052
2022	22,877
2023	21,854
2024	21,765
2025	16,094
2026	15,188
Thereafter	57,577
Total	$ 167,407

Note 14: Accrued Liabilities and Other Long-Term Liabilities

Accrued liabilities consist of the following (in thousands):

	June 30, 2021	December 31, 2020
Salaries and benefits	$ 27,708	$ 25,786
Incentive compensation	14,779	27,023
Operating lease liability-ST	8,846	8,740
Accrued sales taxes	2,024	2,146
Restructuring accrual	2,936	3,421
Deferred revenue	5,358	5,566
Accrued other taxes	2,418	3,540
Accrued professional fees	596	1,273
Legal accrual	852	900
Distribution fees	4,862	5,300
Warranties and returns	487	1,027
Accrued freight	7,576	6,784
Other	6,841	5,515
	$ 85,283	$ 97,021

Other long-term liabilities consist of the following (in thousands):

	June 30, 2021	December 31, 2020
Operating lease liability-LT	$ 37,636	$ 41,019
Benefits	1,150	1,183
Accrued rent	1,397	1,462
Contract liabilities-LT	270	337
Financing lease liability-LT	2,284	2,388
Other	214	1,446
	$ 42,951	$ 47,835

Note 15: Income Taxes

Income taxes were accrued at an estimated effective tax rate of 18% and 16% for the three and six months ended June 30, 2021, respectively, as compared to 9% and 13% for the three and six months ended June 30, 2020, respectively.

The effective tax rate for the three and six months ended June 30, 2021 differs from the federal statutory rate of 21% principally because of the effect of the mix of U.S. and foreign incomes, state income taxes, global intangible low-taxed income ("GILTI"), foreign-derived intangible income ("FDII") and tax credits. The effective tax rate during the three and six months ended June 30, 2021 included a discrete tax benefit of $0.4 million and $2.2 million, respectively, related to excess tax benefits recognized on stock option exercises and the vesting of restricted stock units during the period.

The effective tax rate for the three and six months ended June 30, 2020 differs from the federal statutory rate of 21% principally because of the effect of the mix of U.S. and foreign incomes, state income taxes, GILTI, FDII and tax credits. The effective tax rate during the three and six months ended June 30, 2020 included a discrete tax benefit of $3.0 million and $3.5 million, respectively, related to excess tax benefits recognized on stock option exercises and the vesting of restricted stock units during the period.

Note 16: Long-Term Obligations

Five-year Senior Secured Revolving Credit Facility ("Credit Facility")

On November 8, 2017, we entered into a Credit Facility with various lenders for $150.0 million, with Wells Fargo Bank, N.A. as the administrative agent, swingline lender and issuing lender. During March 2020, as a result of market uncertainty caused by COVID-19, we preemptively borrowed $150.0 million on our Credit Facility as a conservative measure to manage any potential short-term liquidity risk. In September 2020, we fully repaid the borrowings under our Credit Facility.

As of June 30, 2021, we had no borrowings and $150.0 million of availability under the Credit Facility. Principal payments on the revolving Credit Facility are made at our discretion with the unpaid amount due at maturity. The Credit Facility matures on November 8, 2022. Interest on borrowings under the Credit Facility, at our option, is based on the Base Rate plus applicable margin or the London Interbank Offered Rate ("LIBOR") plus applicable margin, see further details in Part II, Item 8, of our 2020 Annual Report on Form 10-K.

Debt Covenants

The Credit Facility contains certain financial covenants pertaining to Consolidated Fixed Charge Coverage and Consolidated Total Leverage Ratios. In addition, the Credit Facility has restrictions pertaining to limitations on debt, liens, negative pledges, loans, advances, acquisitions, other investments, dividends, distributions, redemptions, repurchases of equity interests, fundamental changes and asset sales and other dispositions, prepayments, redemptions and purchases of subordinated debt and other junior debt, transactions with affiliates, dividend and payment restrictions affecting subsidiaries, changes in line of business, fiscal year and accounting practices and amendment of organizational documents and junior debt documents.

The Consolidated Leverage Ratio is defined as the ratio of Consolidated Total Funded Indebtedness on such date, to Consolidated Adjusted EBITDA, as defined under the Credit Facility Agreement, for the most recently completed four fiscal quarters. The maximum Consolidated Leverage Ratio is not more than 3.00 to 1.00.

The Consolidated Fixed Charge Coverage Ratio is defined as the ratio of: (a) Consolidated Adjusted EBITDA less the sum of (i) capital expenditures, (ii) federal, state, local and foreign income taxes paid in cash and (iii) cash restricted payments made after the closing date, to (b) Consolidated Fixed Charges for the most recently completed four fiscal quarters, calculated on a pro forma basis. The minimum Consolidated Fixed Charge Coverage Ratio is 2.00 to 1.00.

We were in compliance with all financial covenants as of June 30, 2021.

Note 17: Stockholders' Equity

Treasury Stock

In August 2019, our Board of Directors approved a new share purchase plan to purchase up to $100.0 million of our common stock. This plan replaced our existing plan and has no expiration date. During the six months ended June 30, 2021, we did not purchase any shares of our common stock under our stock purchase plans. As of June 30, 2021, all of the $100.0 million available for purchase was remaining under the plan. We are currently limited on share purchases in accordance with the terms and conditions of our Credit Facility (see Note 16: Long-Term Obligations).

For the six months ended June 30, 2021, we withheld 37,882 shares of our common stock from employee vested restricted stock units in consideration for $7.8 million in payments made on the employee's behalf for their minimum statutory income tax withholding obligations. For the six months ended June 30, 2020, we withheld 65,392 shares of our common stock from employee vested restricted stock units in consideration for $12.6 million in payments made on the employee's behalf for

their minimum statutory income tax withholding obligations. Treasury stock is used to issue shares for stock option exercises, restricted stock grants and employee stock purchase plan stock purchases.

Accumulated Other Comprehensive (Loss) Income

The components of accumulated other comprehensive (loss) income ("AOCI"), net of tax, were as follows (in thousands):

	Foreign Currency Translation Adjustments	Unrealized Gains on Cash Flow Hedges	Other Adjustments	Total
Balance as of January 1, 2021	$ (4,381)	$ 2,784	$ 75	$ (1,522)
Other comprehensive (loss) income before reclassifications	(7,458)	(306)	12	(7,752)
Amounts reclassified from AOCI	—	(639)	—	(639)
Other comprehensive (loss) income	(7,458)	(945)	12	(8,391)
Balance as of March 31, 2021	$ (11,839)	$ 1,839	$ 87	$ (9,913)
Other comprehensive income before reclassifications	1,302	335	12	1,649
Amounts reclassified from AOCI	—	(687)	—	(687)
Other comprehensive income	1,302	(352)	12	962
Balance as of June 30, 2021	$ (10,537)	$ 1,487	$ 99	$ (8,951)

	Foreign Currency Translation Adjustments	Unrealized Gains on Cash Flow Hedges	Other Adjustments	Total
Balance as of January 1, 2020	$ (17,310)	$ 1,880	$ 28	$ (15,402)
Other comprehensive loss before reclassifications	(10,477)	(2,426)	(81)	(12,984)
Amounts reclassified from AOCI	—	(526)	—	(526)
Other comprehensive loss	(10,477)	(2,952)	(81)	(13,510)
Balance as of March 31, 2020	$ (27,787)	$ (1,072)	$ (53)	$ (28,912)
Other comprehensive income before reclassifications	4,604	960	4	5,568
Amounts reclassified from AOCI	—	166	—	166
Other comprehensive income	4,604	1,126	4	5,734
Balance as of June 30, 2020	$ (23,183)	$ 54	$ (49)	$ (23,178)

Note 18: Commitments and Contingencies

Legal Proceedings

From time to time, we are involved in various legal proceedings, most of which are routine litigation, in the normal course of business. Our management does not believe that the resolution of the unsettled legal proceedings that we are involved with will have a material adverse impact on our financial position or results of operations.

Off-Balance Sheet Arrangements

In the normal course of business, we have agreed to indemnify our officers and directors to the maximum extent permitted under Delaware law and to indemnify customers as to certain intellectual property matters or other matters related to sales of our products. There is no maximum limit on the indemnification that may be required under these agreements. Although we can provide no assurances, we have never incurred, nor do we expect to incur, any material liability for indemnification.

Contingencies

During November 2019, we acquired Pursuit. Total consideration for the acquisition includes a potential contractual earn-out of up to $50.0 million, to be paid to former Pursuit equity holders, calculated based upon the achievement of certain performance targets during the earn-out period. As of June 30, 2021, the earn-out measurement period has ended and based on the actual sales and gross profit achieved during the measurement period we calculated the actual earn-out to be $26.3 million. Pursuit's former equity holders are entitled to an earn-out review period, during which they may dispute the final earn-out amount (see Note 8: Fair Value Measurement).

We had a contractual obligation in connection with our 2017 acquisition of HIS, which as of December 31, 2019 we determined did not meet the necessary performance targets that would require payout of any of the HIS earn-out liability. Pfizer disputed our determination that the performance targets requiring payout of the HIS earn-out liability were not me, therefore the dispute is being resolved by binding arbitration. As of this filing, we expect the arbitrator to render a decision on this matter in August 2021. Given the uncertainty of any arbitration, it may be possible that we will incur a loss with regards to this matter. If we are unsuccessful in arbitration such that it is determined that we met the necessary performance targets for any of the HIS earn-out liability, we will have to pay between $191.3 million and $225.0 million in additional cash consideration (see Note 8, Fair Value Measurements).

Commitments

We have non-cancellable operating lease agreements where we are contractually obligated to pay certain lease payment amounts (see Note 5: Leases).

Note 19: Collaborative and Other Arrangements

On February 3, 2017, we entered into two Manufacturing and Supply Agreements ("MSAs"), (i) whereby Pfizer will manufacture and supply us with certain agreed upon products for an initial five-year term with a one-time two-year option to extend and (ii) whereby we will manufacture and supply Pfizer certain agreed upon products for a term of five or ten years depending on the product, also with a one-time two-year option to extend. The MSAs provide each party with mutually beneficial interests and both of the MSAs are to be jointly managed by both Pfizer and ICU. The initial supply price, which will be annually updated, is in full consideration for all costs associated with the manufacture, documentation, packaging and certification of the products. On January 1, 2021, we amended our MSA with Pfizer, whereby we manufacture and supply certain agreed upon products to Pfizer. The amendments included a change to the term of the agreement to end on December 31, 2024 with Pfizer's unilateral election to extend through December 31, 2025. Other changes to the terms of the MSA included (i) amendments to our level of supply of products to Pfizer, (ii) certain changes to our manufacturing lines, (iii) updates to our supply price with added volume price tiers for annual periods and (iv) certain minimum purchase requirements for certain products.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in conjunction with the condensed consolidated financial statements and accompanying notes in this Form 10-Q, as well as the audited consolidated financial statements and related notes for the fiscal year ended December 31, 2020 included in our Annual Report on Form 10-K.

When used in this report, the terms “we,” “us,” and “our” refer to ICU Medical, Inc ("ICU") and its subsidiaries included in our condensed consolidated financial statements unless context requires otherwise.

Business Overview

We are one of the world's leading pure-play infusion therapy companies with global operations and a wide-ranging product portfolio that includes IV solutions, IV smart pumps with pain management and safety software technology, dedicated and non-dedicated IV sets and needlefree connectors designed to help meet clinical, safety and workflow goals. In addition, we manufacture automated pharmacy IV compounding systems with workflow technology, closed systems transfer devices for preparing and administering hazardous IV drugs, and cardiac monitoring systems for critically ill patients.

Our primary customers are acute care hospitals, wholesalers, ambulatory clinics and alternate site facilities, such as clinics, home health care providers and long-term care facilities. We sell our products in more than 90 countries throughout the world.

We categorize our products into four main product lines: Infusion Consumables, Infusion Systems, IV Solutions and Critical Care. We have presented our financial results in accordance with these product lines, with our primary products in each line listed below.

Operations Overview

COVID-19

The novel coronavirus and its variants ("COVID-19") continues to have an impact on our business operations. Our manufacturing, distribution and pump service facilities continue to operate under our business continuity plan and our precautionary safety measures implemented to maximize the safety of our employees and mitigate disruption of our business are still in effect. For greater detail on the above mentioned safety measures and a discussion of how future results may potentially be impacted by COVID-19 see Part II, Item 7, of our 2020 Annual Report on Form 10-K.

While we continually monitor the ongoing and evolving impact of the effect of the COVID-19 pandemic on our operations the overall impact will not be fully reflected in our results of operations until future periods. The duration and extent of the impact from the COVID-19 pandemic depends on future developments that cannot be fully predicted at this time, as such, the impact of the pandemic on our overall financial performance remain uncertain and cannot as yet be quantified.

Infusion Consumables

Infusion therapy sets, used in hospitals and ambulatory clinics, consist of a tube running from a bottle or plastic bag containing a solution to a catheter inserted in a patient's vein, that may or may not be used with an IV pump. Our primary Infusion Consumable products are:

- *Clave™ needlefree products*, including the MicroClave, MicroClave Clear, and NanoClave™ brand of connectors, accessories, extension and administration sets used for the administration of IV fluids and medications and the Neutron catheter patency device, used to help maintain patency of central venous catheters;
- *SwabCap* disinfecting cap, used to protect and disinfect any needlefree connector, including competitive brands of connectors;
- *ClearGuard HD* antimicrobial barrier caps for hemodialysis catheters; and
- *Tego™* hemodialysis connector used to cap and protect hemodialysis central venous catheter hubs;

Closed System Transfer Devices ("CSTD") and hazardous drug compounding systems are used to prepare and deliver hazardous IV medications such as those used in chemotherapy, which, if released, can have harmful effects on the healthcare worker and environment. Our products are:

- *ChemoLock™* CSTD which utilizes a proprietary needlefree connection method, is used for the preparation and administration of hazardous drugs. ChemoLock is used to limit the escape of hazardous drug or vapor concentrations, block the transfer of environmental contaminants into the system, and eliminates the risk of needlestick injury;
- *ChemoClave™*, an ISO Connection standard and universally compatible CSTD used for the preparation and administration of hazardous drugs. ChemoClave utilizes standard ISO luer locking connections, making it compatible with all brands of needlefree connectors and pump delivery systems. ChemoClave also is used to limit the escape of hazardous drug or vapor concentrations, block the transfer of environmental contaminants into the system, and eliminate the risk of needlestick injury; and

- *Diana™* hazardous drug compounding system, an automated sterile compounding system that incorporates ChemoClave and ChemoLock CSTD consumables and IV workflow technology for the accurate, safe, and efficient preparation of hazardous drugs. It is a user-controlled automated system that provides repeatable accuracy of drug mixes and minimizes clinician exposure to hazardous drugs while helping to maintain the sterility of the drugs being mixed.

The preparation of hazardous drugs typically takes place in a pharmacy where drugs are removed from vials and prepared for delivery to a patient. Those prepared drugs are then transferred to a nursing unit where the chemotherapy is administered via an infusion pump set to a patient. Components of the ChemoClave and ChemoLock product lines are used both in pharmacies and on the nursing floors for the preparation and administration of hazardous drugs.

Infusion Systems

We offer a wide range of infusion pumps, dedicated IV sets and software. Our primary Infusion System products are dedicated IV sets and the following:

Infusion Pump Hardware:

- *Plum 360*™: The Plum 360™ infusion pump is an ICU Medical MedNet™ ready large volume infusion pump with an extensive drug library and wireless capability. Plum 360 was named the 2018, 2019 and 2020 Best in KLAS winner as top-performing IV smart pump and is the first medical device to be awarded UL Cybersecurity Assurance Program Certification; and

- *LifeCare PCA*™: The LifeCare PCA infusion pump is an ICU Medical MedNet™ ready patient-controlled analgesia pump ("PCA"), providing complete IV-EHR interoperability since 2016.

IV Mediation Safety Software:

- *ICU Medical MedNet*™: ICU Medical MedNet is an enterprise-class medication management platform for any sized healthcare system that can help reduce medication errors, improve quality of care, streamline workflows and maximize revenue capture. ICU Medical MedNet connects our industry-leading smart pumps to a hospital's Electronic Health Records ("EHR"), asset tracking systems, and alarm notification platforms with the largest array of integration partners.

Professional Services:

- In addition to the products above, our teams of clinical, information technology, and professional services experts work with customers to develop and deliver safe and efficient infusion systems, providing customized and personalized configuration, implementation, and data analytics services to complement our infusion hardware and software.

IV Solutions

We provide a broad portfolio of IV solutions to meet our customers' clinical needs, providing a consistent supply of IV solutions, irrigation, and nutritionals to help provide safe and effective patient care. Our primary IV Solutions products are:

IV Therapy and Diluents:

- Including Sodium Chloride, Dextrose, Balanced Electrolyte Solutions, Lactated Ringer's, Ringer's, Mannitol, Sodium Chloride/Dextrose and Sterile Water.

Irrigation:

- Including Sodium Chloride Irrigation, Sterile Water Irrigation, Physiologic Solutions, Ringer's Irrigation, Acetic Acid Irrigation, Glycine Irrigation, Sorbitol-Mannitol Irrigation, Flexible Containers and Pour Bottle Options.

Critical Care

Our Critical Care products help clinicians get accurate real-time access to patients' hemodynamic and cardiac status with an extensive portfolio of monitoring systems and advanced sensors & catheters. Measurements provided by our systems help clinicians determine how well the heart is pumping blood and how efficiently oxygen from the blood is being used by the tissues. Our primary Critical Care products are:

- Cogent™ 2-in-1 hemodynamic monitoring system;
- CardioFlo™ hemodynamic monitoring system;
- TDQ™ and OptiQ™ cardiac output monitoring catheters;
- TriOx™ venous oximetry catheters;
- Transpac™ blood pressure transducers; and
- SafeSet™ closed blood sampling and conservation system.

The following table summarizes our total worldwide revenue by domestic and international markets by amount and as a percentage of total revenue (in millions, except percentages):

	Three months ended June 30,				Six months ended June 30,			
	2021		2020		2021		2020	
	$	% of Revenue	$	% of Revenue	$	% of Revenue	$	% of Revenue
Domestic	$ 224.7	70 %	$ 208.2	69 %	$ 452.0	71 %	$ 438.4	69 %
International	97.0	30 %	95.2	31 %	187.7	29 %	193.6	31 %
Total Revenue	$ 321.7	100 %	$ 303.4	100 %	$ 639.7	100 %	$ 632.0	100 %

The following table sets forth, for the periods indicated, total revenue by product line as a percentage of total revenue:

	Three months ended June 30,		Six months ended June 30,	
Product line	2021	2020	2021	2020
Infusion Consumables	42 %	37 %	41 %	37 %
Infusion Systems	26 %	30 %	26 %	28 %
IV Solutions	28 %	29 %	29 %	31 %
Critical Care	4 %	4 %	4 %	4 %
	100 %	100 %	100 %	100 %

We manage our product distribution in the U.S. through a network of two owned and one leased distribution facilities in combination with independent distributors and third-party fulfillment and logistics providers. Our end customers, which include healthcare providers and original equipment manufacturer suppliers, may order and receive our products directly from us or through an independent full-line distributor. Internationally, we manage distribution utilizing international regional hubs and through independent distributors.

In the U.S. a substantial amount of our products are sold to group purchasing organization member hospitals. We believe that as healthcare providers continue to either consolidate or join major buying organizations, the success of our products will depend, in part, on our ability, either independently or through strategic relationships to secure long-term contracts with large healthcare providers and major buying organizations. Although we believe that we are not dependent on any single distributor, large healthcare provider or major buying organization for distribution of our products, the loss of a strategic relationship with any one of these organizations or a decline in the demand for our products could have a material adverse effect on our operating results.

We believe that achievement of our growth objectives worldwide will require increased efforts by us in sales and marketing and product acquisition and development; however, there is no assurance that we will be successful in implementing our growth strategy. Product development or acquisition efforts may not succeed, and even if we do develop or acquire additional products, there is no assurance that we will achieve profitable sales of such products. Increased expenditures for sales and marketing and product acquisition and development may not yield desired results when expected, or at all. While we have

taken steps to control these risks, there are certain risks that may be outside of our control, and there is no assurance that steps we have taken will succeed.

Seasonality/Quarterly Results

There are no significant seasonal aspects to our business. We may experience fluctuations in net sales as a result of variations in the ordering patterns of our largest customers, which may be driven more by production scheduling and their inventory levels, rather than by seasonality. Our expenses often do not fluctuate in the same manner as net sales, which may cause fluctuations in operating income that are disproportionate to fluctuations in our revenue.

Consolidated Results of Operations

We present income statement data in Part I, Item 1 - Financial Statements. The following table shows, for the three and six months ended June 30, 2021 and 2020, the percentages of each income statement caption in relation to total revenue:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Total revenue	100 %	100 %	100 %	100 %
Gross margin	38 %	35 %	37 %	36 %
Selling, general and administrative expenses	23 %	22 %	23 %	22 %
Research and development expenses	4 %	3 %	3 %	3 %
Restructuring and strategic transaction	1 %	2 %	1 %	3 %
Change in fair value of contingent earn-out	— %	1 %	— %	— %
Contract settlement	— %	— %	— %	— %
Total operating expenses	28 %	28 %	27 %	28 %
Income from operations	10 %	7 %	10 %	8 %
Interest expense	— %	— %	— %	— %
Other income (expense), net	— %	1 %	— %	(1)%
Income before income taxes	10 %	8 %	10 %	7 %
Provision for income taxes	(2)%	(1)%	(2)%	(1)%
Net income	8 %	7 %	8 %	6 %

In addition to comparing changes in revenue on a U.S. GAAP basis, we also compare the changes in revenue from one period to another using constant currency. We provide constant currency information to enhance the visibility of underlying business trends, excluding the effects of changes in foreign currency translation rates. To calculate our constant currency results, we apply the average exchange rate for revenues from the prior year to the current year results. These results should be considered in addition to, not as a substitute for, results reported in accordance with GAAP. Results on a constant currency basis, as we present them, may not be comparable to similarly titled measures used by other companies and are not measures of performance presented in accordance with GAAP.

Infusion Consumables

The following table summarizes our total Infusion Consumables revenue (in millions):

	Three months ended June 30,				Six months ended June 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
Infusion Consumables	$ 136.2	$ 111.0	$ 25.2	22.7 %	$ 262.6	$ 234.5	$ 28.1	12.0 %

Infusion Consumables revenue increased for the three and six months ended June 30, 2021, as compared to the same periods in the prior year due to lower hospital census in the second quarter of 2020 driven by the onset of the COVID-19 pandemic, growth in our oncology and renal products, and the impact of foreign exchange. For the three and six months ended June 30, 2021, on a constant currency basis, Infusion Consumables revenue would have been $131.4 million and $254.5 million, respectively, an increase of $20.4 million or 18.4% and $20.0 million or 8.5%, respectively, as compared to the same periods in the prior year.

Infusion Systems

The following table summarizes our total Infusion Systems revenue (in millions):

	Three months ended June 30,				Six months ended June 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
Infusion Systems	$ 84.7	$ 91.1	$ (6.4)	(7.0)%	$ 169.0	$ 179.5	$ (10.5)	(5.8)%

Infusion Systems revenue decreased for the three and six months ended June 30, 2021, as compared to the same periods in the prior year due to large volume pumps sales driven by higher COVID-19-related purchases during the second quarter of 2020 and a decline in our non-large volume pump business. For the three and six months ended June 30, 2021, on a constant currency basis Infusion Systems revenue would have been $83.2 million and $166.5 million, respectively, a decrease of $7.9 million or 8.7% and $13.0 million or 7.2%, respectively, as compared to the same periods in the prior year.

IV Solutions

The following table summarizes our total IV Solutions revenue (in millions):

	Three months ended June 30,				Six months ended June 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
IV Solutions	$ 88.4	$ 89.2	$ (0.8)	(0.9)%	$ 182.6	$ 193.5	$ (10.9)	(5.6)%

IV Solutions sales was essentially flat for the three months ended June 30, 2021, as compared to the same period in the prior year as growth due to lower hospital census in the second quarter of 2020 driven by the onset of the COVID-19 pandemic, offset by lower contract manufacturing sales to Pfizer in the second quarter of 2021. For the six months ended June 30, 2021, IV Solutions revenue decreased primarily due to lower contract manufacturing sales to Pfizer and customer stocking in the first quarter of the prior year driven by the COVID-19 pandemic.

Critical Care

The following table summarizes our total Critical Care revenue (in millions):

	Three months ended June 30,				Six months ended June 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
Critical Care	$ 12.4	$ 12.1	$ 0.3	2.5 %	$ 25.5	$ 24.5	$ 1.0	4.1 %

Critical Care revenue increased for the three and six months ended June 30, 2021, as compared to the same period in the prior year, primarily as a result of the impact of foreign exchange.

Gross Margins

For the three and six months ended June 30, 2021, gross margins were 38.4% and 36.9%, respectively, as compared to 35.0% and 36.0%, respectively, for the three and six months ended June 30, 2020. The increase in gross margin for the three months ended June 30, 2021, as compared to the same period in the prior year was primarily due to product mix and increased

plant volumes, offset by increased costs for raw materials, direct labor and freight. The increase in gross margin for the six months ended June 30, 2021, as compared to the same period in the prior year was primarily due to product mix and increased plant volumes, offset by capitalized manufacturing variances from the shutdown of our Austin plant in the fourth quarter of 2020, additional weather-related costs at our Austin plant during the first quarter of 2021 and increased costs for raw materials, direct labor and freight..

Selling, General and Administrative ("SG&A") Expenses

The following table summarizes our total SG&A Expenses (in millions):

	Three months ended June 30,				Six months ended June 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
SG&A	$ 73.9	$ 67.2	$ 6.7	10.0 %	$ 146.3	$ 139.5	$ 6.8	4.9 %

SG&A expenses increased for the three and six months ended June 30, 2021, as compared to the same periods in the prior year. For the three months ended June 30, 2021 as compared to the same period in the prior year, compensation expense increased $2.1 million, dealer fees increased $1.6 million and stock compensation increased $1.2 million. Compensation expense increased primarily due to increased headcount and annual compensation merit increases. Dealer fees increased due to an increase in revenue from distributors in the current year. Stock compensation increased in the current period due to a current quarter change in the number of performance shares estimated to vest.

For the six months ended June 30, 2021, as compared to the same period in the prior year, dealer fees increased $3.0 million, compensation increased $2.9 million, and legal expenses increased $1.5 million. Dealer fees increased due to an increase in revenue from distributors in the current year. Compensation expense increased primarily due to increased headcount and annual compensation merit increases. Legal fees increased due to additional services performed in the current year related to various legal matters.

Research and Development ("R&D") Expenses

The following table summarizes our total R&D Expenses (in millions):

	Three months ended June 30,				Six months ended June 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
R&D	$ 11.4	$ 10.3	$ 1.1	10.7 %	$ 22.1	$ 21.0	$ 1.1	5.2 %

R&D expenses slightly increased for the three and six months ended June 30, 2021, as compared to the same periods in the prior year, due to timing and nature of various R&D projects. R&D expense during both periods primarily relates to compensation and related benefit expenses on current R&D projects.

Restructuring and Strategic Transaction and Integration Expenses

Restructuring and strategic transaction and integration expenses were $3.8 million and $6.6 million for the three and six months ended June 30, 2021, respectively, as compared to $6.5 million and $18.8 million for the three and six months ended June 30, 2021 and 2020, respectively.

Restructuring charges

Restructuring charges were $0.1 million and $0.1 million for the three and six months ended June 30, 2021, respectively, as compared to $0.9 million and $8.1 million for the three and six months ended June 30, 2020, respectively. Restructuring charges for the three and six months ended June 30, 2021 were primarily related to severance costs. Restructuring charges for the three and six months ended June 30, 2020 were primarily related to severance charges and costs related to office and facility closures. We expect to pay our unpaid restructuring charges as of June 30, 2021 by the end of the year.

Strategic transaction and integration expenses

Strategic transaction and integration expenses were $3.7 million and $6.5 million for the three and six months ended June 30, 2021, respectively, as compared to $5.6 million and $10.7 million for the three and six months ended June 30, 2020, respectively. The strategic transaction and integration expenses during the three and six months ended June 30, 2021 were primarily related to integration costs associated with acquisitions, the Hospira Infusion Systems ("HIS") earn-out dispute with Pfizer and one-time costs incurred to comply with regulatory initiatives. The strategic transaction and integration expenses during the three and six months ended June 30, 2020 were primarily related to the integration of the HIS business acquired in 2017 from Pfizer, which included the migration of IT systems at our Austin facility.

Change in Fair Value of Contingent Earn-out

For the three and six months ended June 30, 2021 there was no change in fair value of the Pursuit earn-out liability for each period, as the underlying forecasts and actual results for those periods did not materially change. For the three and six months ended June 30, 2020, the fair value revaluation of our Pursuit earn-out liability resulted in an increase in value of $2.7 million.

Contract Settlement

For the six months ended June 30, 2021, we recorded $0.1 million in contract settlement expense.

Interest Expense

Interest expense was $0.2 million and $0.3 million for the three and six months ended June 30, 2021, respectively, as compared to $0.8 million and $1.0 million for the three and six months ended June 30, 2020, respectively. The three and six months ended June 30, 2021 primarily includes interest expense related to the per annum commitment fee charged on the unused portion of the revolver under our Credit Facility and the amortization of financing costs that were incurred in 2017 in connection with entering into the Credit Facility. During March 2020, we borrowed $150.0 million under our Credit Facility and, accordingly the interest expense for the three and six months ended June 30, 2020 also includes interest incurred on borrowings under the Credit Facility (see Note 16: Long-Term Obligations in our accompanying condensed consolidated financial statements for additional information).

Other Income (Expense), net

Other income (expense) netted to $0.5 million and $1.2 million for the three and six months ended June 30, 2021, respectively, as compared to $2.1 million and ($3.4) million for the three and six months ended June 30, 2020. For the three months ended June 30, 2021, the other income, net was related to $0.7 million of interest income and $0.2 million of miscellaneous income, partially offset by $0.2 million in foreign exchange losses and $0.2 million of loss from disposed assets. For the six months ended June 30, 2021, the other income, net was related to $1.4 million of interest income, $0.4 million of miscellaneous income and $0.3 million in foreign exchange gains, partially offset by $0.8 million of loss from disposed assets. For the three months ended June 30, 2020, the other income, net was primarily related to $1.5 million in foreign exchange gains. For the six months ended June 30, 2020, the other expense, net was primarily related to $4.7 million in foreign exchange losses as a result of the strengthening of the U.S. dollar from the impact of COVID-19 during the first quarter, partially offset by interest income.

Income Taxes

For the three and six months ended June 30, 2021, income taxes were accrued at an estimated effective tax rate of 18% and 16%, respectively, as compared to 9% and 13%, for the three and six months ended June 30, 2020, respectively.

The effective tax rate for the three and six months ended June 30, 2021 differs from the federal statutory rate of 21% principally because of the effect of the mix of U.S. and foreign incomes, state income taxes, global intangible low-taxed income ("GILTI"), foreign-derived intangible income ("FDII") and tax credits. The effective tax rate during the three and six months ended June 30, 2021 included a tax benefit of $0.4 million and $2.2 million, respectively, related to the excess tax benefits recognized on stock option exercises and the vesting of restricted stock units during the period.

The effective tax rate for the three and six months ended June 30, 2020 differs from the federal statutory rate of 21% principally because of the effect of the mix of U.S. and foreign incomes, state income taxes, GILTI, FDII and tax credits. The effective tax rate during the three and six months ended June 30, 2020 included a tax benefit of $3.0 million and $3.5 million,

respectively, related to the excess tax benefits recognized on stock option exercises and the vesting of restricted stock units during the period.

Liquidity and Capital Resources

During the first six months of 2021, our cash, cash equivalents and short and long-term investments increased by $68.6 million from $423.8 million at December 31, 2020 to $492.4 million at June 30, 2021.

Cash Flows from Operating Activities

Our net cash provided by operations for the six months ended June 30, 2021 was $106.1 million. Net income plus adjustments for non-cash net expenses contributed $122.2 million. Net cash used in operations as a result of changes in operating assets and liabilities was $16.1 million. The changes in operating assets and liabilities included a $17.1 million decrease in accrued liabilities, a $7.6 million increase in other assets, $6.0 million in net changes in income taxes, including excess tax benefits and deferred income taxes and a $1.6 million decrease in accounts payable. Offsetting these amounts was a $13.4 million decrease in inventories, a $2.1 million decrease in accounts receivables, and a $0.8 million decrease in prepaid expenses and other assets. The decrease in accrued liabilities was primarily due to the payment of annual bonuses. The net changes in income taxes was a result of the timing of payments. The increase in other assets was due to the purchase of spare parts. The decrease in accounts payable was due to the timing of payments. The decrease in inventory was primarily due to the timing of production and customer purchases combined with the reduction in capitalized manufacturing variances. The decrease in accounts receivable is primarily due to collection efforts. The net decrease in prepaid expenses and other current assets was primarily due to a decrease in prepaid insurance, property taxes and deferred costs, offset by an increase in annual software renewals.

Our net cash provided by operations for the six months ended June 30, 2020 was $68.7 million. Net income plus adjustments for non-cash net expenses contributed $107.4 million. Net cash used in operations as a result of changes in operating assets and liabilities was $38.7 million. The changes in operating assets and liabilities included a $23.3 million decrease in accounts payable, a $15.3 million decrease in accrued liabilities, a $9.3 million increase in prepaid expenses and other current assets and a $7.2 million increase in other assets. Offsetting these amounts was a $8.5 million decrease in inventories, a $5.3 million decrease in accounts receivables, and a $2.7 million in net changes in income taxes, including excess tax benefits and deferred income taxes. The decrease in accounts payable was due to the timing of payments. The decrease in accrued liabilities was due to the payment of accrued supply chain reorganization costs. The increase in prepaid expenses and other current assets was primarily due to an increase in deferred costs. The increase in other assets was due to the purchase of spare parts. The decrease in inventory was primarily due to improved inventory management. The decrease in accounts receivable is due to lower sales and collections partially due to decreased demand from hospital customers due to COVID-19. The net changes in income taxes was a result of the timing of payments.

Cash Flows from Investing Activities

The following table summarizes the changes in our investing cash flows (in thousands):

	Six months ended June 30,			
	2021	2020	Change	
Investing Cash Flows:				
Purchases of property and equipment	$ (29,693)	$ (38,517)	$ 8,824	(1)
Proceeds from sale of assets	203	147	56	
Intangible asset additions	(4,136)	(4,104)	(32)	
Purchases of investment securities	(10,034)	(7,082)	(2,952)	(2)
Proceeds from sale of investment securities	7,000	16,400	(9,400)	(3)
Net cash used in investing activities	$ (36,660)	$ (33,156)	$ (3,504)	

(1) Our purchases of property and equipment will vary from period to period based on additional investments needed to support new and existing products and expansion of our manufacturing facilities

(2) Our purchases of investment securities will vary from period to period based on current cash needs, planning for known future transactions and due to changes in our investment strategy.
(3) Proceeds from the sale or maturity of our investment securities will vary from period to period based on the maturity dates of the investments we currently hold.

While we can provide no assurances, we estimate that our capital expenditures in 2021 will be approximately $70.0 million to $80.0 million. We anticipate making additional investments in machinery and equipment in our manufacturing operations in the U.S., Costa Rica, and Mexico to support new and existing products and in infusion pumps that are placed with customers outside the U.S. We expect to use our cash and cash equivalents to fund our capital purchases. Amounts of spending are estimates and actual spending may substantially differ from those amounts.

Cash Flows from Financing Activities

The following table summarizes the changes in our financing cash flows (in thousands):

	Six months ended June 30,		
	2021	**2020**	**Change**
Financing Cash Flows:			
Proceeds from short-term debt	$ —	$ 150,000	$ (150,000) (1)
Proceeds from exercise of stock options	5,416	6,799	(1,383) (2)
Payments on finance leases	(296)	(116)	(180)
Tax withholding payments related to net share settlement of equity awards	(7,819)	(12,561)	4,742 (3)
Net cash (used in) provided by financing activities	$ (2,699)	$ 144,122	$ (146,821)

(1) During March 2020, as a result of market uncertainty caused by COVID-19, we borrowed $150.0 million under our revolving Credit Facility. We fully repaid the amounts borrowed under our revolving Credit Facility in September 2020.
(2) Proceeds from the exercise of stock options will vary from period to period based on the volume of options exercised and the exercise price of the specific options exercised.
(3) During the six months ended June 30, 2021, our employees surrendered 37,882 shares of our common stock from vested restricted stock awards as consideration for approximately $7.8 million in minimum statutory withholding obligations paid on their behalf. During the six months ended June 30, 2020, our employees surrendered 65,392 shares of our common stock from vested restricted stock awards as consideration for approximately $12.6 million in minimum statutory withholding obligations paid on their behalf.

In August 2019, our Board of Directors approved a share purchase plan to purchase up to $100.0 million of our common stock. This plan replaced our existing plan and has no expiration date. As of June 30, 2021, all of the $100 million available for purchase was remaining under the plan.

We have a substantial cash and investment security position generated from operations. We maintain this position to address any operational challenges related to COVID-19, fund our growth, meet increasing working capital requirements, fund capital expenditures and to take advantage of acquisition opportunities that may arise. Our primary investment goal is capital preservation.

Access to Capital

We believe that our existing cash and cash equivalents along with funds expected to be generated from future operations will provide us with sufficient funds to finance our current operations for the next twelve months. In the event that we experience downturns, cyclical fluctuations in our business that are more severe or longer than anticipated, fail to achieve anticipated revenue and expense levels, or have significant unplanned cash expenditures, we may need to obtain or seek alternative sources of capital or financing, and we can provide no assurances that the terms of such capital or financing will be available to us on favorable terms, if at all. Our ability to generate cash flows from operations, issue debt or enter into other financing arrangements on acceptable terms could be adversely affected if there is a material decline in the demand for our

products or in the solvency of our customers or suppliers, deterioration in our key financial ratios or credit ratings or other significantly unfavorable changes in conditions.

Credit Facility

We have a five-year Credit Facility with various lenders for $150.0 million, with Wells Fargo Bank, N.A. as the administrative agent (see Note 16: Long-Term Obligations). The Credit Facility has an accordion feature that would enable us to increase the borrowing capacity of the Credit Facility by the greater of (i) $100.0 million and (ii) 2.00x Total Leverage. Under the terms of the Credit Facility, we will be subject to certain financial covenants pertaining to leverage and fixed charge coverage ratios. Borrowings under the Credit Facility will bear interest at LIBOR plus an applicable margin tied to the leverage ratio in effect. Any unused portion of the Credit Facility will be subject to a per annum commitment fee which is also calculated using the leverage ratio in effect. The Credit Facility matures in 2022. During March 2020, as a precautionary measure in response to market uncertainty driven by the COVID-19 pandemic, we preemptively increased our liquidity by borrowing $150.0 million under our Credit Facility. In September 2020, we fully repaid the borrowings under our Credit Facility.

Financial Covenants

The Credit Facility contains certain negative financial covenants, including, Consolidated Total Leverage and Consolidated Fixed Charge Coverage Ratios.

The Consolidated Leverage Ratio is defined as the ratio of Consolidated Total Funded Indebtedness on such date, to Consolidated Adjusted EBITDA, as defined under the Credit Facility Agreement, for the most recently completed four fiscal quarters. The maximum Consolidated Leverage Ratio is not more than 3.00 to 1.00.

The Consolidated Fixed Charge Coverage Ratio is defined as the ratio of: (a) Consolidated Adjusted EBITDA less the sum of (i) capital expenditures, (ii) federal, state, local and foreign income taxes paid in cash and (iii) cash restricted payments made after the closing date, to (b) Consolidated Fixed Charges for the most recently completed four fiscal quarters, calculated on a pro forma basis. The minimum Consolidated Fixed Charge Coverage Ratio is 2.00 to 1.00.

We were in compliance with all financial covenants as of June 30, 2021.

Off-Balance Sheet Arrangements

In the normal course of business, we have agreed to indemnify our officers and directors to the maximum extent permitted under Delaware law and to indemnify customers as to certain intellectual property matters related to sales of our products. There is no maximum limit on the indemnification that may be required under these agreements. Although we can provide no assurances, we have never incurred, nor do we expect to incur, any material liability for indemnification.

Contractual Obligations

There have been no material changes to our contractual obligations disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 ("Annual Report").

Critical Accounting Policies

In our Annual Report, we identified the critical accounting policies which affect our more significant estimates and assumptions used in preparing our consolidated financial statements, there have been no material changes to our critical accounting policies from those previously disclosed in our Annual Report.

New Accounting Pronouncements

See Note 2 to Part I, Item 1. Financial Statements.

Forward Looking Statements

Various portions of this Quarterly Report on Form 10-Q, including this Management's Discussion and Analysis of Financial Condition and Results of Operations, and documents referenced herein, describe trends in our business and finances that we perceive and state some of our expectations and beliefs about our future. These statements about the future are "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, and we may identify them by using words such as "anticipate," "believe," "expect," "estimate," "intend," "plan," "will," "continue," "could," "may," and by similar expressions and statements about aims, goals and plans. The forward looking statements are based on the best information currently available to us and assumptions that we believe are reasonable, but we do not intend the statements to be representations as to future results. They include, without limitation, statements about:

- future growth; future operating results and various elements of operating results, including future expenditures and effects with respect to sales and marketing and product development and acquisition efforts; future sales and unit volumes of products; expected increases and decreases in sales; deferred revenue; accruals for restructuring charges, future license, royalty and revenue share income; production costs; gross margins; litigation expense; future SG&A and R&D expenses; manufacturing expenses; future costs of expanding our business; income; losses; cash flow; amortization; source of funds for capital purchases and operations; future tax rates; alternative sources of capital or financing; changes in working capital items such as receivables and inventory; selling prices; and income taxes;

- factors affecting operating results, such as shipments to specific customers; reduced dependence on current proprietary products; loss of a strategic relationship; change in demand; domestic and international sales; expansion in international markets, selling prices; future increases or decreases in sales of certain products and in certain markets and distribution channels; maintaining strategic relationships and securing long-term and multi-product contracts with large healthcare providers and major buying organizations; increases in systems capabilities; introduction, development and sales of new products, acquisition and integration of businesses and product lines; benefits of our products over competing systems; qualification of our new products for the expedited Section 510(k) clearance procedure; possibility of lengthier clearance process for new products; planned increases in marketing; warranty claims; rebates; product returns; bad debt expense; amortization expense; inventory requirements; lives of property and equipment; manufacturing efficiencies and cost savings; unit manufacturing costs; establishment or expansion of production facilities inside or outside of the United States; planned new orders for semi-automated or fully automated assembly machines for new products; adequacy of production capacity; results of R&D; our plans to repurchase shares of our common stock; asset impairment losses; relocation of manufacturing facilities and personnel; effect of expansion of manufacturing facilities on production efficiencies and resolution of production inefficiencies; the effect of costs to customers and delivery times; business seasonality and fluctuations in quarterly results; customer ordering patterns and the effects of new accounting pronouncements; and

- new or extended contracts with manufacturers and buying organizations; dependence on a small number of customers; loss of larger distributors and the ability to locate other distributors; growth of our Clave products in future years; design features of Clave products; the outcome of our strategic initiatives; regulatory approvals and compliance; outcome of litigation; patent protection and intellectual property landscape; patent infringement claims and the impact of newly issued patents on other medical devices; competitive and market factors, including continuing development of competing products by other manufacturers; improved production processes and higher volume production; innovation requirements; consolidation of the healthcare provider market and downward pressure on selling prices; distribution or financial capabilities of competitors; healthcare reform legislation; use of treasury stock; working capital requirements; liquidity and realizable value of our investment securities; future investment alternatives; foreign currency denominated financial instruments; foreign exchange risk; commodity price risk; our expectations regarding liquidity and capital resources over the next twelve months; capital expenditures; plans to convert existing space; acquisitions of other businesses or product lines, indemnification liabilities and contractual liabilities.

Forward-looking statements involve certain risks and uncertainties, which may cause actual results to differ materially from those discussed in each such statement. First, one should consider the factors and risks described in the statements themselves or otherwise discussed herein. Those factors are uncertain, and if one or more of them turn out differently than we currently expect, our operating results may differ materially from our current expectations.

Second, investors should read the forward looking statements in conjunction with the Risk Factors discussed in Part I, Item 1A of our Annual Report on Form 10-K with the SEC for the year ended December 31, 2020, Part II, Item 1A of this Quarterly Report on Form 10-Q and our other reports filed with the SEC. Also, actual future operating results are subject to other important factors and risks that we cannot predict or control, including without limitation, the following:

- the impacts of the COVID-19 pandemic on us, our business and on domestic and global economies generally;
- general economic and business conditions, both in the U.S. and internationally;
- unexpected changes in our arrangements with Pfizer or our other large customers;
- outcome of litigation;
- fluctuations in foreign exchange rates and other risks of doing business internationally;
- increases in labor costs or competition for skilled workers;
- increases in costs or availability of the raw materials need to manufacture our products;
- the effect of price and safety considerations on the healthcare industry;
- competitive factors, such as product innovation, new technologies, marketing and distribution strength and price erosion;
- the successful development and marketing of new products;
- unanticipated market shifts and trends;
- the impact of legislation affecting government reimbursement of healthcare costs;
- changes by our major customers and independent distributors in their strategies that might affect their efforts to market our products;
- the effects of additional governmental regulations;
- unanticipated production problems;
- the availability of patent protection and the cost of enforcing and of defending patent claims; and
- natural disasters and outbreak of disease or illness.

The forward-looking statements in this report are subject to additional risks and uncertainties, including those detailed from time to time in our other filings with the Securities and Exchange Commission. These forward-looking statements are made only as of the date hereof and, except as required by law, we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

If we were to incur borrowings under our Credit Facility, we would face market risk stemming from changes in interest rates.

Foreign Exchange Risk

We transact business globally in multiple currencies, some of which are considered volatile. Our international revenues and expenses and working capital positions denominated in these foreign currencies expose us to the risk of fluctuations in foreign currency exchange rates against the U.S. dollar. As the receiver of foreign currencies we are adversely affected by the strengthening of the U.S. dollar relative to the foreign currency.

In our European operations, our net Euro asset position at June 30, 2021 was approximately €41.1 million. A 10% change in the conversion of the Euro to the U.S. dollar for our cash, accounts receivable, accounts payable and accrued liabilities from the June 30, 2021 spot rate would impact our consolidated amounts on these balance sheet items by approximately $4.9 million, or 1.1% of these consolidated net assets. We expect that in the future, with the growth of our

European distribution operations, net Euro denominated instruments will continue to increase. We currently do not hedge our Euro foreign currency exposures.

We have manufacturing facilities and conduct business transactions denominated in the Mexican Peso. We hedge a portion of our manufacturing spend, which reduces our exposure to the foreign currency exchange risk related to the Mexican Peso (see Note 7: Derivatives and Hedging to the condensed consolidated financial statements in Part I, Item 1 of this Form 10-Q).

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our principal executive officer and principal financial officer have concluded, based on their evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this Report, that our disclosure controls and procedures are effective to ensure that the information we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and that such information is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC.

There was no change in our internal control over financial reporting during the quarter ended June 30, 2021 that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Certain legal proceedings in which we are involved are discussed in Part I, Item 1. "Financial Statements" of this Form 10-Q in Note 18. Commitments and Contingencies to the Condensed Consolidated Financial Statements, and is incorporated herein by reference.

Item 1A. Risk Factors

In evaluating an investment in our common stock, investors should consider carefully, among other things, the risk factors previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2020, as well as the information contained in this Quarterly Report and our other reports and registration statements filed with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchase of Equity Securities

The following is a summary of our stock repurchasing activity during the second quarter of 2021:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of a publicly announced program	Approximate dollar value that may yet be purchased under the program[1]
04/01/2021 — 04/30/2021	—	$ —	—	$ 100,000,000
05/01/2021 — 05/31/2021	—	$ —	—	$ 100,000,000
06/01/2021 — 06/30/2021	—	$ —	—	$ 100,000,000
Second quarter of 2021 total	—	$ —	—	$ 100,000,000

(1) Our common stock purchase plan, which authorized the repurchase of up to $100.0 million of our common stock, was authorized by our Board of Directors and publicly announced in August, 2019. This plan has no expiration date. We are not obligated to make any purchases under our stock purchase program. Subject to applicable state and federal corporate and securities laws, purchases under a stock purchase program may be made at such times and in such amounts as we deem appropriate. Purchases made under our stock purchase program can be discontinued at any time we feel additional purchases are not warranted.

Item 6. Exhibits

See the Exhibit Index following the signature page to this Quarterly Report on Form 10-Q for a list of exhibits filed or furnished with this report, which Exhibit Index is incorporated herein by reference.

Signature

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.

ICU Medical, Inc.

(Registrant)

/s/ Brian M. Bonnell Date: August 4, 2021

Brian M. Bonnell
Chief Financial Officer
(Principal Financial Officer)

Exhibit Index

Exhibit 31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 101.INS	XBRL Instance Document - this instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
Exhibit 104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Vivek Jain, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ICU Medical, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: August 4, 2021

/s/ Vivek Jain

Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Brian M. Bonnell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ICU Medical, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: August 4, 2021

/s/ Brian M. Bonnell
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ICU Medical, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Vivek Jain, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

August 4, 2021

/s/ Vivek Jain
Vivek Jain

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ICU Medical, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian M. Bonnell, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

August 4, 2021

/s/ Brian M. Bonnell
Brian M. Bonnell