INTEGRA LIFESCIENCES HOLDINGS CORP
Form 10-Q
April 29, 2019
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019
or
o 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. 0-26224

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	51-0317849 (I.R.S. EMPLOYER IDENTIFICATION NO.)
311 ENTERPRISE DRIVE PLAINSBORO, NEW JERSEY	08536
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (609) 275-0500

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 and posted 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 and post 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	o

Emerging growth company o

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 Act). Yes o No ý

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes o No ý

The number of shares of the registrant’s Common Stock, $0.01 par value, outstanding as of April 25, 2019 was 85,476,801.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME
(UNAUDITED)
(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2019	2018
Total revenue, net	$359,690	$357,082
Costs and expenses:		
Cost of goods sold	128,912	144,222
Research and development	18,321	18,325
Selling, general and administrative	174,870	163,566
Intangible asset amortization	5,279	5,390
Total costs and expenses	327,382	331,503
Operating income	32,308	25,579
Interest income	2,428	76
Interest expense	(13,149)	(18,768)
Other income, net	3,236	2,245
Income before income taxes	24,823	9,132
Income tax benefit	(7,933)	(1,860)
Net income	$32,756	$10,992
Net income per share		
Basic	$0.38	$0.14
Diluted	$0.38	$0.14
Weighted average common shares outstanding (See Note 13):		
Basic	85,343	78,552
Diluted	86,258	79,834
Comprehensive income (See Note 14)	$21,520	$32,604

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

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INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(In thousands, except per share amounts)

	March 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$157,025	$138,838
Trade accounts receivable, net of allowances of $4,099 and $3,719	279,072	265,737
Inventories, net	286,962	280,347
Prepaid expenses and other current assets	99,627	90,160
Total current assets	822,686	775,082
Property, plant and equipment, net	306,350	300,112
Intangible assets, net	1,058,630	1,079,496
Goodwill	922,508	926,475
Deferred tax assets, net	16,404	6,805
Other assets	79,133	19,917
Total assets	$3,205,711	$3,107,887
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term portion of borrowings under senior credit facility	$33,750	$22,500
Accounts payable, trade	100,553	76,050
Deferred revenue	3,750	3,764
Accrued compensation	57,561	75,693
Accrued expenses and other current liabilities	92,492	84,545
Total current liabilities	288,106	262,552
Long-term borrowings under senior credit facility	1,205,025	1,210,513
Long-term borrowings under securitization facility	126,000	121,200
Deferred tax liabilities	57,660	57,778
Other liabilities	131,890	80,048
Total liabilities	1,808,681	1,732,091
Commitments and contingencies (Refer to Note 16)		
Stockholders' equity:		
Preferred stock; no par value; 15,000 authorized shares; none outstanding	—	—
Common stock; $0.01 par value; 240,000 authorized shares; 88,304 and 88,044 issued at March 31, 2019 and December 31, 2018, respectively	882	880
Additional paid-in capital	1,191,807	1,192,601
Treasury stock, at cost; 2,869 shares and 2,881 shares at March 31, 2019 and December 31, 2018, respectively	(120,109)	(120,615)
Accumulated other comprehensive loss	(56,679)	(45,443)
Retained earnings	381,129	348,373
Total stockholders' equity	1,397,030	1,375,796
Total liabilities and stockholders' equity	$3,205,711	$3,107,887

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

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INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(In thousands)

	Three Months Ended March 31,	
	2019	2018
OPERATING ACTIVITIES:		
Net income	$32,756	$10,992
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	27,093	27,096
Deferred income tax	(6,843)	(1,636)
Amortization of debt issuance costs	1,357	1,519
Loss on disposal of property and equipment	367	146
Change in fair value of contingent consideration and other	194	379
Share-based compensation	4,083	4,731
Changes in assets and liabilities, net of business acquisitions:		
Accounts receivable	(13,705)	(18,400)
Inventories	(12,048)	1,297
Prepaid expenses and other current assets	(12,949)	12,163
Other non-current assets	(628)	339
Accounts payable, accrued expenses and other current liabilities	5,387	2,974
Deferred revenue	(188)	—
Other non-current liabilities	4,608	(69)
Net cash provided by operating activities	29,484	41,531
INVESTING ACTIVITIES:		
Purchases of property and equipment	(16,086)	(15,387)
Proceeds from note receivable	245	221
Proceeds from sale of property and equipment	35	148
Cash provided by business acquisitions	—	5,720
Net cash used in investing activities	(15,806)	(9,298)
FINANCING ACTIVITIES:		
Proceeds from borrowings of long-term indebtedness	67,200	25,000
Payments on debt	(57,400)	(35,000)
Net cash paid for contingent consideration	—	(7,772)
Proceeds from exercised stock options	1,750	3,662
Cash taxes paid in net equity settlement	(6,157)	(6,776)
Net cash provided by (used in) financing activities	5,393	(20,886)
Effect of exchange rate changes on cash and cash equivalents	(884)	3,114
Net increase in cash and cash equivalents	18,187	14,461
Cash and cash equivalents at beginning of period	138,838	174,935
Cash and cash equivalents at end of period	$157,025	$189,396

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

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY (UNAUDITED)
(In thousands)

	Three Months Ended March 31, 2019							
	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Equity
	Shares	Amount	Shares	Amount				
	(In thousands)							
Balance, January 1, 2019	88,044	$ 880	(2,881)	$(120,615)	$1,192,601	$ (45,443)	$348,373	$1,375,796
Net income	—	—	—	—	—	—	32,756	32,756
Other comprehensive income (loss), net of tax	—	—	—	—	—	(11,236)	—	(11,236)
Issuance of common stock through employee stock purchase plan	17	—	—	—	716	—	—	716
Issuance of common stock for vesting of share based awards, net of shares withheld for taxes	243	2	12	506	(5,629)	—	—	(5,121)
Share-based compensation	—	—	—	—	4,119	—	—	4,119
Balance, March 31, 2019	88,304	$ 882	(2,869)	$(120,109)	$1,191,807	$ (56,679)	$381,129	$1,397,030

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

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INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY (UNAUDITED)
(In thousands)

	Three Months Ended March 31, 2018							
	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Equity
	Shares	Amount	Shares	Amount				
	(In thousands)							
Balance, January 1, 2018	81,306	$ 813	(2,927)	$(121,644)	$821,758	$ (23,807)	$285,186	$962,306
Net income	—	—	—	—	—	—	10,992	10,992
Adoption of Update No. 2014-09	—	—	—	—	—	—	1,854	1,854
Other comprehensive income (loss), net of tax	—	—	—	—	—	22,144	(532)	21,612
Issuance of common stock	297	3	—	—	3,107	—	—	3,110
Issuance of common stock through employee stock purchase plan	—	—	—	—	553	—	—	553
Issuance of common stock for vesting of share based awards, net of shares withheld for taxes	108	1	37	910	(7,643)	—	—	(6,732)
Share-based compensation	—	—	—	—	4,745	—	—	4,745
Balance, March 31, 2018	81,711	$ 817	(2,890)	$(120,734)	$822,520	$ (1,663)	$297,500	$998,440

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

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

General

The terms “we,” “our,” “us,” “Company” and “Integra” refer to Integra LifeSciences Holdings Corporation, a Delaware corporation, and its subsidiaries unless the context suggests otherwise.

In the opinion of management, the March 31, 2019 unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary for a fair statement of the financial position, results of operations and cash flows of the Company. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2018 included in the Company’s Annual Report on Form 10-K. The December 31, 2018 consolidated balance sheet was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States. Operating results for the three month period ended March 31, 2019 are not necessarily indicative of the results to be expected for the entire year.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Significant estimates affecting amounts reported or disclosed in the consolidated financial statements include allowances for doubtful accounts receivable and sales returns and allowances, net realizable value of inventories, valuation of intangible assets including amortization periods for acquired intangible assets, discount rates and estimated projected cash flows used to value and test impairments of long-lived assets and goodwill, estimates of projected cash flows and depreciation and amortization periods for long-lived assets, computation of taxes, valuation allowances recorded against deferred tax assets, the valuation of stock-based compensation, valuation of derivative instruments, valuation of pension assets and liabilities, valuation of contingent liabilities, the fair value of debt instruments and loss contingencies. These estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the current circumstances. Actual results could differ from these estimates.

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (the New Lease Standard). The New Lease Standard requires that lessees recognize virtually all of its leases on the balance sheet by recording a right-of-use asset and lease liability (other than leases that meet the definition of a "short-term lease"). This update became effective for all annual periods and interim reporting periods beginning after December 15, 2018.

The Company adopted the New Lease Standard as of January 1, 2019 using a modified retrospective transition. Under this method, financial results reported in periods prior to January 1, 2019 are unchanged. The Company also elected the package of practical expedients, which among other things, does not require reassessment of lease classification. As most of our leases do not provide an implicit rate, we used our collateralized incremental borrowing rate based on the information available at the lease implementation date in determining the present value of the lease payments. The adoption of the New Lease Standard had an impact on our consolidated balance sheet due to the recognition of $76.4 million of lease liabilities with corresponding right-of-use assets ("ROU") of $67.3 million for operating leases. The difference between lease liabilities and right-of-use assets is primarily attributed to unamortized lease incentives which will be amortized over the term of each respective lease.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The ASU is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The ASU requires the measurement of all expected credit losses for financial assets including trade receivables held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company is evaluating the impact, if any, that this pronouncement will have on our financial position and results of operations.

In August 2018, the FASB issued ASU 2018-14, Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans. The new guidance modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans, including removing certain previous disclosure requirements, adding certain new disclosure requirements, and clarifying certain other disclosure requirements. The ASU will be effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Early adoption is permitted. The adoption is not expected to have a material impact on the Condensed and Consolidated Financial Statements.

In August 2018, the FASB issued ASU No. 2018-15, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40), relating to a customer's accounting for implementation, set-up, and other upfront costs incurred in a cloud computing arrangement that is hosted by a vendor (i.e., a service contract). Under the new guidance, a customer will apply the same criteria for capitalizing implementation costs as it would for an arrangement that has a software license. The new guidance also prescribes the balance sheet, income statement, and cash flow classification of the capitalized implementation costs and related amortization expense, and requires additional quantitative and qualitative disclosures. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early application is permitted. The Company can choose to adopt the new guidance (1) prospectively to eligible costs incurred on or after the date this guidance is first applied or (2) retrospectively. The Company is evaluating the impact, if any, that this pronouncement will have on our financial position and results of operations.

There are no other recently issued accounting pronouncements that are expected to have any significant effect on the Company's financial position, results of operations or cash flows.

2. BUSINESS DEVELOPMENT

Integrated Shoulder Collaboration, Inc.

On January 4, 2019, the Company entered into a licensing agreement with Integrated Shoulder Collaboration, Inc ("ISC"). Under the terms of the agreement, the Company paid ISC $1.7 million for the exclusive, worldwide license to commercialize its short stem and stemless shoulder system. A patent related to short stem and stemless shoulder systems was issued to ISC during the first quarter of 2019. ISC is eligible to receive royalties on sales of the short stem and stemless shoulder system. The Company has the option to acquire ISC at a date four years subsequent to the first commercial sale, which becomes mandatory upon the achievement of a certain sales threshold of the short stem and stemless shoulder system, for an amount not to exceed $80.0 million. The transaction was accounted for as an asset acquisition as the Company concluded that it acquired primarily one asset. The total upfront payment of $1.7 million was expensed as a component of research and development expense and the future milestone and option payments will be recorded if the corresponding events become probable.

3. REVENUES FROM CONTRACTS WITH CUSTOMERS

Summary of Accounting Policies on Revenue Recognition

Revenue is recognized upon the transfer of control of promised products or services to the customers in an amount that reflects the consideration the Company expects to receive in exchange for those products and services.

Total revenue, net, includes product sales, product royalties and other revenues, such as fees received for services.

For products shipped with FOB shipping point terms, the control of the product passes to the customer at the time of shipment. For shipments in which the control of the product is transferred when the customer receives the product, the Company recognizes revenue upon receipt by the customer. Certain products that the Company produces for private label customers have no alternative use and the Company has a right of payment for performance to date. Revenues from those products are recognized over the period that the Company manufactures these products, which is typically one to three months. The Company uses the input method to measure the manufacturing activities completed to date, which depicts the progress of the Company's performance obligation of transferring control of goods being manufactured for private label customers.

A portion of the Company's product revenue is generated from consigned inventory maintained at hospitals and distributors, and also from inventory physically held by field sales representatives. For these types of products sales, the Company retains control until the product has been used or implanted, at which time revenue is recognized.

Revenues from sale of products and services are evidenced by either a contract with the customer or a valid purchase order and an invoice which includes all relevant terms of sale. For product sales, invoices are generally issued upon the transfer of control (or upon the completion of the manufacturing in the case of the private label transactions recognized over time) and are typically payable thirty days after the invoice date. The Company performs a review of each specific customer's creditworthiness and ability to pay prior to acceptance as a customer. Further, the Company performs periodic reviews of its customers' creditworthiness prospectively.

Performance Obligations

The Company's performance obligations consist mainly of transferring control of goods and services identified in the contracts, purchase orders, or invoices. The Company has no significant multi-element contracts with customers.

Significant Judgments

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

Usage-based royalties and licenses are estimated based on the provisions of contracts with customers and recognized in the same period that the royalty-based products are sold by the Company's strategic partners. The Company estimates and recognizes royalty revenue based upon communication with licensees, historical information, and expected sales trends. Differences between actual reported licensee sales and those that were estimated are adjusted in the period in which they become known, which is typically the following quarter. Historically, such adjustments have not been significant.

The Company estimates returns, price concessions, and discount allowances using the expected value method based on historical trends and other known factors. Rebate allowances are estimated using the most likely method based on each customer contract.

The Company's return policy, as set forth in its product catalogs and sales invoices, requires the Company to review and authorize the return of a product in advance. Upon the authorization, a credit will be issued for the goods returned within a set amount of days from the shipment, which is generally ninety days.

The Company disregards the effects of a financing component if the Company expects, at contract inception, that the period between the transfer and customer payment for the good or services will be one year or less. The Company has no significant revenues recognized on payments expected to be received more than one year after the transfer of control of products or services to customers.

Contract Asset and Liability

Revenues recognized from the Company's private label business that are not invoiced to the customers as a result of recognizing revenue over time are recorded as a contract asset included in the prepaid expenses and other current assets account in the consolidated balance sheet.

Other operating revenues may include fees received under service agreements. Non-refundable fees received under multiple-period service agreements are recognized as revenue as the Company satisfies the performance obligations to the other party. A portion of the transaction price allocated to the performance obligations to be satisfied in the future periods is recognized as contract liability.

The following table summarizes the changes in the contract asset and liability balances for the three months ended March 31, 2019:

Contract Asset	
Contract asset, January 1, 2019	$4,193
Transferred to trade receivable of contract asset included in beginning of the year contract asset	(4,193)
Contract asset, net of transferred to trade receivables on contracts during the period	5,848
Contract asset, March 31, 2019	$5,848
Contract Liability	
Contract liability, January 1, 2019	$12,716
Recognition of revenue included in beginning of year contract liability	(1,165)
Contract liability, net of revenue recognized on contracts during the period	800
Foreign currency translation	4
Contract liability, March 31, 2019	$12,355

At March 31, 2019, the short-term portion of the contract liability of $3.8 million and the long-term portion of $8.6 million were included in accrued expenses and other current liabilities and other liabilities in the consolidated balance sheet.

As of March 31, 2019, the Company is expected to recognize revenue of approximately $3.0 million for the remainder of 2019, $2.9 million in 2020, $2.2 million in 2021, $1.3 million in 2022, $0.8 million in 2023, and $2.2 million thereafter.

Shipping and Handling Fees

The Company elected to account for shipping and handling activities as a fulfillment cost rather than a separate performance obligation. Amounts billed to customers for shipping and handling are included as part of the transaction price and recognized as revenue when control of underlying products is transferred to the customer. The related shipping and freight charges incurred by the Company are included in the cost of goods sold.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Product Warranties

Certain of the Company's medical devices, including monitoring systems and neurosurgical systems, are designed to operate over long periods of time. These products are sold with warranties which may extend for up to two years from the date of purchase. The warranties are not considered a separate performance obligation. The Company estimates its product warranties using the expected value method based on historical trends and other known factors. The Company includes them in accrued expenses and other current liabilities in the consolidated balance sheet.

Taxes Collected from Customers

The Company elected to exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the entity from a customer.

Disaggregated Revenue

The following table presents revenues disaggregated by the major sources of revenues for the three months ended March 31, 2019 and 2018 (amounts in thousands):

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
	(amounts in thousands)	
Neurosurgery	$166,415	$166,898
Precision Tools and Instruments	68,153	69,217
Total Codman Specialty Surgical	234,568	236,115
Wound Reconstruction and Care	74,963	72,287
Extremity Orthopedics	22,685	22,635
Private Label	27,474	26,045
Total Orthopedics and Tissue Technologies	125,122	120,967
Total revenue	$359,690	$357,082

Prior period amounts were reclassified between categories within the Orthopedics and Tissue Technologies segment to conform to the current period presentation.

See Note 15, Segment and Geographical Information, for details of revenues based on the location of the customer.

Effect of Adoption of ASC Topic 606

On January 1, 2018, the Company adopted Topic 606 using the modified retrospective method applied to all contracts which were not completed as of January 1, 2018. Results of operations for the reporting periods after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with Topic 605, Revenue Recognition.

The adoption of Topic 606 resulted in an increase to the opening retained earnings of $1.9 million, which was recorded net of taxes as of January 1, 2018 to reflect the change in timing of the recognition of revenue related to the Company's private label business from point in time to over time during the manufacturing process and goods in transit for which control was transferred to customers at the time of shipment. The total assets and liabilities increased by $7.1 million and $5.2 million, respectively, as of January 1, 2018.

The impact of adoption in the year of implementation of Topic 606 to the Company's consolidated statement of operations for the three months ended March 31, 2018 was as follows:

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

	Three Months Ended March 31, 2018	
	As Reported	Excluding Impact of Topic 606
	(Amounts in thousands)	
Statement of Operations		
Total revenue, net	$357,082	$356,622
Cost of goods sold	144,222	144,019
Income tax benefit	(1,860)	(1,924)
Net income	10,992	10,799

4. INVENTORIES

Inventories, net consisted of the following:

	March 31, 2019	December 31, 2018
	(In thousands)	
Finished goods	$178,263	$ 179,885
Work in process	52,640	47,715
Raw materials	56,059	52,747
	$286,962	$ 280,347

5. GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of goodwill for the three-month period ended March 31, 2019 were as follows:

	Codman Specialty Surgical	Orthopedics and Tissue Technologies	Total
	(In thousands)		
Goodwill at December 31, 2018	$625,760	$ 300,715	$926,475
Foreign currency translation	(2,679)	(1,288)	(3,967)
Goodwill at March 31, 2019	$623,081	$ 299,427	$922,508

The components of the Company’s identifiable intangible assets were as follows:

	March 31, 2019			
	Weighted Average Life	Cost	Accumulated Amortization	Net
	(Dollars in thousands)			
Completed technology	19 years	$852,751	$ (178,506)	$674,245
Customer relationships	13 years	231,111	(110,519)	120,592
Trademarks/brand names	28 years	103,820	(25,665)	78,155
Codman trade name	Indefinite	161,025	—	