

## **Tornier Reports Third Quarter 2011 Financial Results**

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### ***Extremity Product Sales Growth Reported at 15%, 12% Constant Currency***

AMSTERDAM--(BUSINESS WIRE)-- Tornier N.V. (NASDAQ: TRNX), a global medical device company focused on providing surgical solutions to orthopaedic extremity specialists, reported sales of \$57.6 million for the third quarter of 2011 compared to sales of \$49.7 million for the third quarter of 2010, an increase of 16% as reported and 11% in constant currency. Year to date sales were reported at \$192.1 million compared to sales of \$166.1 million in the comparable nine month period of 2010, an increase of 16% as reported and 12% in constant currency. Third quarter 2011 sales of Tornier's extremity product categories increased 15% as reported and 12% in constant currency over the prior year's third quarter, and represented 82% of reported global sales.

Douglas W. Kohrs, President and Chief Executive Officer of Tornier, commented, "Led by upper extremity product lines, and despite economic and healthcare utilization headwinds, Tornier recorded another quarter of solid double digit sales growth both as reported and in constant currency. Growth in our international markets was particularly strong, while our US market performance was below our expectations in our lower extremity and sports medicine and biologics product lines. However, we remain confident that our ongoing instrument set investments and new product launches are positioning us for continued double digit extremities growth."

The Company's third quarter 2011 adjusted EBITDA, as defined in the GAAP to non-GAAP reconciliation provided later in this release, was \$4.9 million or 8.5% of sales, compared to \$2.7 million or 5.4% of sales in the same quarter last year. For the first nine months of 2011, adjusted EBITDA reached \$20.3 million or 10.5% of sales, compared to \$13.4 million or 8.1% of sales in the same period last year, an increase of 51%.

Mr. Kohrs continued, "Although our adjusted EBITDA was affected by our geographic and product mix in the quarter, our tight control of operating expenses allowed us to deliver another quarter of significant expansion in our adjusted EBITDA margin. Our plans for product insourcing and other manufacturing efficiencies remain on track to support improving factory utilization and expanding margins."

### **Sales and Product Review**

Tornier's third quarter 2011 constant currency sales growth of 11% continued to be led by its extremity product line categories which together posted constant currency growth of 12% over third quarter 2010. Within the extremity products group, third quarter constant currency growth of the upper extremity joints and trauma category was 14.2%, led by the new *Aequalis*<sup>™</sup> *Ascend*<sup>™</sup> shoulder arthroplasty system, the continued adoption of the *Aequalis*<sup>™</sup> reverse shoulder arthroplasty system and the *CortiLoc*<sup>™</sup> glenoid. Further positive contributions came from the Company's 2011 launch of the new *Simpliciti*<sup>™</sup> stemless shoulder system in select European markets and the *Latitude*<sup>®</sup> total elbow prosthesis. Tornier's lower extremity joints and trauma and sports medicine and biologics product categories posted constant currency sales growth rates of 4.3% and 1.6%, respectively. At the end of the third quarter, Tornier initiated an expansion of instrument sets to support recently launched lower extremity products such as the *Stabilis*<sup>™</sup> ankle fusion system. Also in the third quarter, Tornier initiated clinical use of several new sports medicine and biologics products including the *Insite*<sup>®</sup> FT PEEK anchors, its shoulder instability system and the *Accel-PRP*<sup>™</sup> system. Tornier's large joints and other product category, which includes hips and knees sold in select international markets, continued its constant currency growth at above market rates in the third quarter at 6.7% over the same quarter last year.

On a geographic basis as compared to the third quarter of 2010, Tornier's international sales increased 26.6% as reported and 14.3% in constant currency, representing 43% of global sales. Sales in the United States increased by 8.8% and represented 57% of global sales.

## **Outlook**

The Company is updating its previous guidance and now projects 2011 sales in the range of \$257.5 to \$260 million, representing global growth of 13% to 14% as reported, and 10% to 11% in constant currency over 2010 sales. Full year total extremities product sales are expected to grow 14% to 15% as reported or 12% to 13% in constant currency. The Company projects 2011 adjusted EBITDA, as described in the GAAP to non-GAAP reconciliation provided later in this release, of \$26.8 to \$27.8 million or 10% to 11% of total sales.

For the fourth quarter of 2011, the Company projects sales in the range of \$65.5 to \$68.0 million, representing growth of 7% to 11% based on recent currency exchange rates, and 6% to 10% in constant currency over the fourth quarter 2010. Fourth quarter extremities sales are expected to grow 9% to 13% both as reported and in constant currency. The Company projects adjusted EBITDA for the fourth quarter of 2011 of \$6.5 to \$7.5 million, representing 10% to 11% of total sales.

## **Earnings Call Information**

Tornier will host a conference call today at 5:30 p.m. eastern time to discuss its third quarter 2011 financial results. The conference call will be available to interested parties through a live audio webcast available through the Company's website at [www.tornier.com](http://www.tornier.com) where it will be available for replay beginning two hours after completion of the call for at least 12 months. Those without internet access may join the call from within the U.S. by dialing 877-673-5355; outside the U.S., dial +1-760-666-3805.

## **Forward-Looking Statements**

Statements contained in this release that relate to future, not past, events are forward-looking statements under the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current expectations of future events and often can be identified by words such as "expect," "should," "project," "anticipate," "intend," "will," "may," "believe," "could," "would," "continue," "outlook," "guidance," other words of similar meaning or the use of future dates. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Uncertainties and risks may cause Tornier's actual results to be materially different than those expressed in or implied by Tornier's forward-looking statements. For Tornier, such uncertainties and risks include, among others, Tornier's future operating results and financial performance, fluctuations in foreign currency exchange rates, the effect of global economic conditions and the European debt crisis, the timing of regulatory approvals and introduction of new products, physician acceptance, endorsement, and use of new products; the effect of regulatory actions, changes in and adoption of reimbursement rates, potential product recalls, competitor activities and the costs and effects of litigation and changes in tax and other legislation. More detailed information on these and other factors that could affect Tornier's actual results are described in Tornier's filings with the U.S. Securities and Exchange Commission, including its most recent annual report on Form 10-K and subsequent quarterly reports on Form 10-Q. Tornier undertakes no obligation to update its forward-looking statements.

## **About Tornier**

Tornier is a global medical device company focused on serving extremities specialists who treat orthopaedic conditions of the shoulder, elbow, wrist, hand, ankle and foot. The Company's broad offering of approximately 90 product lines includes joint replacement, trauma, sports medicine, and biologic products to treat the extremities, as well as joint replacement products for the hip and knee in certain international markets. Since its founding approximately 70 years ago, Tornier's "Specialists Serving Specialists" philosophy has fostered a tradition of innovation, intense focus on surgeon education, and commitment to advancement of orthopaedic technology stemming from its close collaboration with orthopaedic surgeons and thought leaders throughout the world. For more information regarding Tornier, visit [www.tornier.com](http://www.tornier.com).

## **Use of Non-GAAP Financial Measures**

To supplement Tornier's consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP), Tornier uses certain non-GAAP financial measures in this release. Reconciliations of the non-GAAP financial measures used in this release to the most comparable U.S. GAAP measures for the respective periods can be found in tables later in this release immediately following the detail of revenue by geography. Non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation or as a substitute for Tornier's financial results prepared in accordance with GAAP.

**Tornier N.V.**  
**Consolidated Statements of Operations**  
(in thousands, except per share data)

|   | Three Months Ended |                    | Nine Months Ended  |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | (unaudited)        |                    | (unaudited)        |                    |
|   | October 2, 2011    | October 3, 2010    | October 2, 2011    | October 3, 2010    |
| <b>Revenue</b>  | \$ 57,556          | \$ 49,707          | \$ 192,149         | \$ 166,113         |
| <b>Cost of goods sold</b>                             | 16,650             | 13,553             | 54,708             | 45,554             |
| <b>Gross profit</b>                                   | <u>40,906</u>      | <u>36,154</u>      | <u>137,441</u>     | <u>120,559</u>     |
| <b>Operating expenses</b>                             |                    |                    |                    |                    |
| Sales and marketing                                   | 31,764             | 29,474             | 101,335            | 93,665             |
| General and administrative                            | 6,173              | 5,449              | 18,560             | 16,643             |
| Research and development                              | 4,309              | 3,898              | 14,608             | 12,714             |
| Amortization of intangible assets                     | 2,741              | 2,842              | 8,448              | 8,720              |
| Special charges                                       | 56                 | 54                 | 188                | 306                |
| Total operating expenses                              | <u>45,043</u>      | <u>41,717</u>      | <u>143,139</u>     | <u>132,048</u>     |
| <b>Operating (loss)</b>                               | (4,137)            | (5,563)            | (5,698)            | (11,489)           |
| <b>Other income (expense)</b>                         |                    |                    |                    |                    |
| Interest expense                                      | (379)              | (5,282)            | (3,346)            | (16,047)           |
| Foreign currency transaction gain (loss)              | (228)              | (3,728)            | (81)               | (9,467)            |
| Loss on extinguishment of debt                        | -                  | -                  | (29,475)           | -                  |
| Other non-operating income (expense)                  | 993                | 283                | 1,009              | 344                |
| <b>Loss before income taxes</b>                       | <u>(3,751)</u>     | <u>(14,290)</u>    | <u>(37,591)</u>    | <u>(36,659)</u>    |
| Income tax (expense) benefit                          | 2,114              | 1,531              | 9,116              | 5,246              |
| <b>Consolidated net loss</b>                          | <u>(1,637)</u>     | <u>(12,759)</u>    | <u>(28,475)</u>    | <u>(31,413)</u>    |
| Net loss attributable to non-controlling interest     | <u>-</u>           | <u>-</u>           | <u>-</u>           | <u>(695)</u>       |
| <b>Net loss attributable to Tornier N.V.</b>          | <u>(1,637)</u>     | <u>(12,759)</u>    | <u>(28,475)</u>    | <u>(30,718)</u>    |
| Accretion of non-controlling interest                 | <u>-</u>           | <u>-</u>           | <u>-</u>           | <u>(679)</u>       |
| <b>Net loss attributable to ordinary shareholders</b> | <u>\$ (1,637)</u>  | <u>\$ (12,759)</u> | <u>\$ (28,475)</u> | <u>\$ (31,397)</u> |

**Net loss per share**

|                   |    |        |    |        |    |        |    |        |
|-------------------|----|--------|----|--------|----|--------|----|--------|
| Basic and diluted | \$ | (0.04) | \$ | (0.43) | \$ | (0.75) | \$ | (1.15) |
|-------------------|----|--------|----|--------|----|--------|----|--------|

**Weighted average ordinary shares outstanding**

|                   |        |        |        |        |
|-------------------|--------|--------|--------|--------|
| Basic and diluted | 39,150 | 29,569 | 37,882 | 27,192 |
|-------------------|--------|--------|--------|--------|

**Tornier N.V.**  
**Condensed Consolidated Balance Sheets**  
(in thousands)

|  | October 2, 2011   | January 2, 2011   |
|--|-------------------|-------------------|
|  | (unaudited)       |                   |
| <b>Assets</b>  |                   |                   |
| Current assets   |                   |                   |
| Cash and cash equivalents                                  | \$ 55,848         | \$ 24,838         |
| Accounts receivable, net                                   | 42,703            | 42,758            |
| Inventories  | 85,726            | 77,525            |
| Deferred income taxes and other current assets             | 19,783            | 28,093            |
| Total current assets                                       | <u>204,060</u>    | <u>173,214</u>    |
| Instruments, net   | 48,802            | 42,378            |
| Property, plant and equipment, net                         | 33,454            | 33,680            |
| Goodwill and intangibles, net                              | 235,748           | 240,854           |
| Deferred income taxes and other assets                     | 1,755             | 1,052             |
| Total assets   | <u>\$ 523,819</u> | <u>\$ 491,178</u> |
| <b>Liabilities and shareholders' equity</b>                |                   |                   |
| Current liabilities  |                   |                   |
| Short-term borrowing and current portion of long-term debt | \$ 20,956         | \$ 28,392         |
| Accounts payable   | 12,010            | 12,890            |
| Accrued liabilities and deferred income taxes              | 31,407            | 34,967            |
| Total current liabilities                                  | <u>64,373</u>     | <u>76,249</u>     |
| Notes payable  | -                 | 84,261            |
| Other long-term debt                                       | 24,356            | 25,467            |
| Deferred income taxes and other long-term liabilities      | 23,918            | 34,962            |
| Total liabilities  | <u>112,647</u>    | <u>220,939</u>    |
| Shareholders' equity                                       | 411,172           | 270,239           |
| Total liabilities and shareholders' equity                 | <u>\$ 523,819</u> | <u>\$ 491,178</u> |

**Tornier N.V.**  
**Consolidated Statements of Cash Flow**  
(in thousands)

|   | Three Months Ended |                 | Nine Months Ended |                 |
|---|--------------------|-----------------|-------------------|-----------------|
|   | (unaudited)        |                 | (unaudited)       |                 |
|   | October 2, 2011    | October 3, 2010 | October 2, 2011   | October 3, 2010 |
| <b>Cash flows from operating activities</b>   |                    |                 |                   |                 |
| Consolidated net loss   | \$ (1,637)         | \$ (12,759)     | \$ (28,475)       | \$ (31,413)     |
| Adjustments to reconcile consolidated net loss to net cash provided by (used in) operating activities |                    |                 |                   |                 |
| Depreciation and amortization   | 7,147              | 6,831           | 21,038            | 19,842          |
| Non-cash foreign currency (gain) loss   | (216)              | 4,681           | 387               | 8,787           |
| Deferred income taxes   | (2,828)            | (1,848)         | (8,993)           | (5,570)         |
| Share-based compensation  | 1,831              | 1,352           | 4,741             | 4,187           |
| Non-cash interest expense and discount amortization   | -                  | 4,780           | 2,040             | 14,599          |
| Inventory obsolescence  | 1,348              | 1,293           | 3,814             | 4,031           |
| Loss on extinguishment of debt  | -                  | -               | 29,475            | -               |
| Other non-cash items affecting earnings   | (683)              | (82)            | (347)             | 745             |
| Changes in operating assets and liabilities   |                    |                 |                   |                 |
| Accounts receivable   | 3,123              | 2,038           | (534)             | 660             |
| Inventories   | (4,335)            | (6,792)         | (11,015)          | (17,235)        |
| Accounts payable and accruals   | (5,460)            | (596)           | (3,449)           | 4,590           |
| Other current assets and liabilities  | 261                | (1,961)         | 3,556             | (3,855)         |
| Other non-current assets and liabilities  | (55)               | 49              | (1,277)           | 127             |
| Net cash provided by (used in) operating activities   | (1,504)            | (3,014)         | 10,961            | (505)           |
| <b>Cash flows from investing activities</b>   |                    |                 |                   |                 |
| Acquisition-related cash payments   | (418)              | (340)           | (2,053)           | (1,992)         |
| Additions of instruments  | (6,586)            | (2,654)         | (15,042)          | (10,508)        |
| Purchases of property, plant and equipment  | (2,296)            | 111             | (3,772)           | (5,540)         |
| Net cash provided by (used in) investing activities   | (9,300)            | (2,883)         | (20,867)          | (18,040)        |
| <b>Cash flows from financing activities</b>   |                    |                 |                   |                 |
| Change in short-term debt   | 8,579              | (6,672)         | (8,185)           | 7,129           |
| Repayments of long-term debt  | (2,443)            | 2,294           | (6,458)           | (5,003)         |
| Proceeds from issuance of long-term debt  | 1,242              | 3,186           | 4,751             | 5,351           |
| Deferred financing costs  | (102)              | (1,151)         | (2,731)           | (1,676)         |
| Repayment of notes payable  | -                  | -               | (116,108)         | -               |
| Issuance of ordinary shares   | 2,907              | (132)           | 171,215           | 806             |
| Net cash provided by (used in) financing activities   | 10,183             | (2,475)         | 42,484            | 6,607           |
| <b>Effect of currency exchange rates on cash and cash equivalents</b>                                 | (3,264)            | 665             | (1,568)           | (529)           |

|   |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|
| <b>Increase (decrease) in cash and cash equivalents</b> | (3,885)          | (7,707)          | 31,010           | (12,467)         |
| <b>Cash and cash equivalents at beginning of period</b> | 59,733           | 33,209           | 24,838           | 37,969           |
| <b>Cash and cash equivalents at end of period</b>       | <u>\$ 55,848</u> | <u>\$ 25,502</u> | <u>\$ 55,848</u> | <u>\$ 25,502</u> |

**Tornier N.V.**

**Selected Revenue Information**

(in thousands)

|                                    | Three Months Ended |                    |                   | Nine Months Ended  |                    |                   |
|------------------------------------|--------------------|--------------------|-------------------|--------------------|--------------------|-------------------|
|                                    | (unaudited)        |                    |                   | (unaudited)        |                    |                   |
|                                    | October 2,<br>2011 | October 3,<br>2010 | Percent<br>change | October 2,<br>2011 | October 3,<br>2010 | Percent<br>change |
| <b>Revenue by product category</b> |                    |                    |                   |                    |                    |                   |
| Upper extremity joints and trauma  | \$ 37,690          | \$ 31,990          | 17.8%             | \$ 120,640         | \$ 102,577         | 17.6%             |
| Lower extremity joints and trauma  | 5,943              | 5,558              | 6.9%              | 19,023             | 17,406             | 9.3%              |
| Sports medicine and biologics      | 3,329              | 3,170              | 5.0%              | 10,769             | 9,687              | 11.2%             |
| Total extremities                  | 46,962             | 40,718             | 15.3%             | 150,432            | 129,670            | 16.0%             |
| Large joints and other             | 10,594             | 8,989              | 17.9%             | 41,717             | 36,443             | 14.5%             |
| Total                              | <u>\$ 57,556</u>   | <u>\$ 49,707</u>   | <u>15.8%</u>      | <u>\$ 192,149</u>  | <u>\$ 166,113</u>  | <u>15.7%</u>      |
| <b>Revenue by geography</b>        |                    |                    |                   |                    |                    |                   |
| United States                      | \$ 32,781          | \$ 30,132          | 8.8%              | \$ 104,197         | \$ 94,597          | 10.1%             |
| International                      | 24,775             | 19,575             | 26.6%             | 87,952             | 71,516             | 23.0%             |
| Total                              | <u>\$ 57,556</u>   | <u>\$ 49,707</u>   | <u>15.8%</u>      | <u>\$ 192,149</u>  | <u>\$ 166,113</u>  | <u>15.7%</u>      |

**Tornier N.V.**

**Reconciliation of Revenue to Non-GAAP Revenue on a Constant Currency Basis**

(in thousands)

|                                    | Three Months Ended  |   |                                      |   |
|------------------------------------|---------------------|---|--------------------------------------|---|
|                                    | (unaudited)         |   |                                      |   |
|                                    | October 2, 2011     |   | October 3, 2010                      |   |
|                                    | Revenue as reported | Foreign exchange impact as compared to prior period | Revenue on a constant currency basis | Percent change on a constant currency basis |
| <b>Revenue by product category</b> |                     |   |                                      |   |
| Upper extremity joints and trauma  | \$ 37,690           | \$ (1,153)  | \$ 36,537                            | \$ 31,990 14.2%                             |
| Lower extremity joints and trauma  | 5,943               | (148)   | 5,795                                | 5,558 4.3%                                  |
| Sports medicine and biologics      | 3,329               | (108)   | 3,221                                | 3,170 1.6%                                  |

|                        |           |            |           |           |       |
|------------------------|-----------|------------|-----------|-----------|-------|
| Total extremities      | 46,962    | (1,409)    | 45,553    | 40,718    | 11.9% |
| Large joints and other | 10,594    | (1,001)    | 9,593     | 8,989     | 6.7%  |
| Total                  | \$ 57,556 | \$ (2,410) | \$ 55,146 | \$ 49,707 | 10.9% |

#### Revenue by geography

|               |           |            |           |           |       |
|---------------|-----------|------------|-----------|-----------|-------|
| United States | \$ 32,781 | \$ -       | \$ 32,781 | \$ 30,132 | 8.8%  |
| International | 24,775    | (2,410)    | 22,365    | 19,575    | 14.3% |
| Total         | \$ 57,556 | \$ (2,410) | \$ 55,146 | \$ 49,707 | 10.9% |

#### Nine Months Ended

(unaudited)

October 2, 2011

October 3, 2010

|  | Foreign<br>exchange<br>impact as<br>compared to<br>Revenue as reported<br>prior period | Revenue on a<br>constant<br>currency basis |                     | Percent<br>change on<br>a constant<br>currency basis |
|--|--|--|---------------------|--|
|  |  |  | Revenue as reported |  |

#### Revenue by product category

|                                   |            |            |            |            |       |
|-----------------------------------|------------|------------|------------|------------|-------|
| Upper extremity joints and trauma | \$ 120,640 | \$ (3,027) | \$ 117,613 | \$ 102,577 | 14.7% |
| Lower extremity joints and trauma | 19,023     | (412)      | 18,611     | 17,406     | 6.9%  |
| Sports medicine and biologics     | 10,769     | (267)      | 10,502     | 9,687      | 8.4%  |
| Total extremities                 | 150,432    | (3,706)    | 146,726    | 129,670    | 13.2% |
| Large joints and other            | 41,717     | (2,749)    | 38,968     | 36,443     | 6.9%  |
| Total                             | \$ 192,149 | \$ (6,455) | \$ 185,694 | \$ 166,113 | 11.8% |

#### Revenue by geography

|               |            |            |            |            |       |
|---------------|------------|------------|------------|------------|-------|
| United States | \$ 104,197 | \$ -       | \$ 104,197 | \$ 94,597  | 10.1% |
| International | 87,952     | (6,455)    | 81,497     | 71,516     | 14.0% |
| Total         | \$ 192,149 | \$ (6,455) | \$ 185,694 | \$ 166,113 | 11.8% |

#### Tornier N.V.

### Reconciliation of Net Loss to Non-GAAP Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) (in thousands)

|                              | Three Months Ended |                 | Nine Months Ended |                 |
|------------------------------|--------------------|-----------------|-------------------|-----------------|
|                              | (unaudited)        |                 | (unaudited)       |                 |
|                              | October 2, 2011    | October 3, 2010 | October 2, 2011   | October 3, 2010 |
| <b>Net loss, as reported</b> | \$ (1,637)         | \$ (12,759)     | \$ (28,475)       | \$ (31,413)     |
| Interest expense             | 379                | 5,282           | 3,346             | 16,047          |
| Income tax expense (benefit) | (2,114)            | (1,531)         | (9,116)           | (5,246)         |
| Depreciation                 | 4,406              | 3,989           | 12,590            | 11,122          |

|  |                 |                 |                  |                  |
|--|-----------------|-----------------|------------------|------------------|
| Amortization                             | 2,741           | 2,842           | 8,448            | 8,720            |
| Subtotal Non-GAAP EBITDA (Loss)          | 3,775           | (2,177)         | (13,207)         | (770)            |
| Other non-operating (income) expense     | (993)           | (283)           | (1,009)          | (344)            |
| Foreign currency transaction (gain) loss | 228             | 3,728           | 81               | 9,467            |
| Share-based compensation                 | 1,831           | 1,352           | 4,741            | 4,187            |
| Loss on extinguishment of debt           | -               | -               | 29,475           | -                |
| Special charges                          | 56              | 54              | 188              | 306              |
| Operating expenses from consolidated VIE | -               | -               | -                | 594              |
| <b>Non-GAAP Adjusted EBITDA</b>          | <b>\$ 4,897</b> | <b>\$ 2,674</b> | <b>\$ 20,269</b> | <b>\$ 13,440</b> |

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