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First Quarter 2021 Earnings Remarks

SLIDE 2: Conference Call Logistics (JAKE)

Good morning everyone and welcome to the Teleflex Incorporated first quarter 2021 earnings conference call.

The press release and slides to accompany this call are available on our website at www.teleflex.com .

As a reminder, this call will be available on our website and a replay will be available by dialing (800) 585-8367 or for international calls, (416) 621-4642, pass code: 6194708.

SLIDE 3: Introductions (JAKE)

Participating on today's call are Liam Kelly, Chairman, President and Chief Executive Officer, and Thomas Powell, Executive Vice President and Chief Financial Officer.

Liam and Tom will provide prepared remarks and then we will open the call to Q and A.

SLIDE 4: Forward Looking Statements (JAKE)

Before we begin, I'd like to remind you that some of the matters discussed in the conference call will contain forward looking statements regarding future events as outlined in our slides.

We wish to caution you that such statements are in fact forward looking in nature and are subject to risks and uncertainties and actual events or results may differ materially.

The factors that could cause actual results or events to differ materially include, but are not limited to, factors referenced in our press release today, as well as our filings with the SEC, including our Form 10K which can be accessed on our website.

During this conference call you will hear management make statements regarding intra-quarter business performance. Management is providing this commentary to provide the

investment community with additional insights concerning trends, and these disclosures may not occur in subsequent quarters.

With that said, I would like to now turn the call over to Liam.

SLIDE 5: LIAM INTRO SLIDE

SLIDE 6: Q1'21 Highlights (LIAM)

Thank you, Jake, and good morning everyone. It's a pleasure to speak with you today.

We are delighted with our first quarter performance, which exceeded the expectations we provided to the investment community on our Q4 call in February, and reflected improvements in underlying revenue trends for the product categories most impacted by the postponement of deferrable procedures, most notably Interventional Urology, Interventional Access and Surgical.

Q1 revenue was $633.9 million, which was down 2.6% as compared to the prior year period on a constant currency basis, driven by continued COVID-19 headwinds. Adjusting for the 2 less selling days we had during the first quarter of 2021, as compared to the first quarter of 2020, Q1 constant currency growth was modestly positive at approximately 0.1%; which marks the third consecutive quarter of improving growth rates and a return to days-adjusted, constant currency, growth for the first time since the beginning of the COVID pandemic in the second quarter of 2020.

From an earnings per share perspective, our adjusted EPS of $2.87 also significantly exceeded the expectations we provided to the Street. This reflects the recovery we saw in monthly procedures as we moved throughout the quarter, coupled with prudent operating expense management.

Lastly, during the first quarter of 2021, we committed to a new restructuring plan designed to streamline various business functions. At Teleflex, we value continuous improvement and continue to execute on new opportunities to improve the efficiency and cost effectiveness of our business.

Turning to a more detailed review of our first quarter results.

SLIDE 7: Q1'21 Financial Results (LIAM)

As I mentioned, Q1 revenue declined 2.6% on a constant currency basis. The decline in revenue was primarily due to lingering COVID-19 headwinds, coupled with the impact of two fewer selling days in the quarter compared to the prior year period. When adjusting for selling days, we experienced positive day-sales adjusted contributions from Vascular, Anesthesia, Surgical, and Interventional Urology offset by declines in Interventional, OEM, and our Other segment.

From a margin perspective, we generated adjusted gross and operating margins of 59.4% and 27.5%, respectively. This translated into a year-over-year increase of 210 basis points at the gross margin line, and 190 basis points at the operating margin line. We were encouraged by our gross and operating margin performance, which demonstrated the ability of our business to generate significant leverage, despite the impacts of lingering COVID headwinds on our revenue line. In fact, we continue to show significant leverage across the P&L, as we generated the highest adjusted gross and operating margins since becoming a pure-play medical device company.

Q1 adjusted EPS was $2.87, up 5.5% year-over-year, and well ahead of the expectations we provided the Street on our Q4 call. Overall, I am happy with our first quarter financial performance, which demonstrates the resiliency of the diversified global product portfolio that we have built, while also reflecting progress towards our longer-term margin aspirations.

Turning now to a deeper look at revenue results.

SLIDE 8: Q1'21 Segment Revenue Review (LIAM)

I will begin with a review of our reportable segment revenues, and unless otherwise noted, the growth rates I will refer to are on a constant currency basis.

The Americas delivered revenues of $375.5 million in the first quarter, which represents growth of 4.7%, or 8.3% on a day-sales adjusted basis. Growth in the quarter was driven by strength in Vascular, Anesthesia, Surgical, and Interventional Urology on a days-adjusted basis.

EMEA reported revenues of $141.2 million, representing a 16.9% decline, or 14.4% on a days-adjusted basis. EMEA was impacted by a difficult year-over-year comparable, as

the prior year period saw a bolus of ordering ahead of the initial COVID surge, as well as a higher level of COVID-related restrictions and elective procedure deferrals that occurred during the first quarter of 2021.

Turning to Asia, revenues totaled $63.7 million, which represents 10.3% growth, with no selling day impact in this region. Importantly, we saw a solid double-digit recovery in China, along with double-digit growth in India and Korea. This more than offset declines in Japan, Australia, and New Zealand.

As we anticipated, the Americas and Asia continue to recover more quickly than Europe.

And lastly, our OEM business reported revenues of $53.5 million, which represents a 17.1% decline on a constant currency basis, or 16.3% decline adjusted for selling days. As anticipated, our OEM business continues to see a lagged impact related to COVID recovery. Investors familiar with Teleflex will be aware that our OEM business supplies device companies with complex catheters and surgical sutures, and the 1Q impact reflects reduced orders from these customers, whose businesses tie to non-emergent procedures. As it relates to the acquisition of HPC, we are pleased that the integration has been completed and we have additional capacity coming online over the next two months, which should help drive growth in the second half of the year.

Let’s now move to a discussion of our revenues by global product category.

SLIDE 9: Q1'21 Global Product Category Revenue Review (LIAM)

Consistent with my prior comments regarding our reportable segments, commentary on global product category growth will also be on a constant currency basis, with color provided for selling day adjustments as well.

Starting with Vascular Access, Q1 revenue increased by 5.8% to $164 million, or 9.3% adjusted for selling days, as we had strong contributions from our central venous catheters, EZ-IO and PICC product lines.

Moving to Interventional Access, first quarter revenue was $96.2 million, which is lower than the prior year by 6.4%. When adjusting for selling days, the year-over-year decline was 3.8%. The decrease was largely due to the delay in the recovery of certain non-emergent procedures due to COVID. The decline was somewhat offset by increases in

Manta large-bore closure revenue, which grew approximately 30% adjusted for selling days globally.

Turning to Anesthesia, Q1 revenue was $84.9 million, which represents growth of 7.0%, or 9.9% adjusted for selling days. The revenue growth was due to solid performance of Z-Medica, which performed better than anticipated, partly offset by lower sales of laryngeal masks, and regional anesthesia products.

Shifting to Surgical, revenue was $80.4 million, representing 2.3% growth, or 4.7% adjusted for selling days, driven by sales of our polymer ligation clips and instruments, partly offset by chest drainage and metal ligation declines.

Moving to Interventional Urology, Q1 revenue was $73.4 million, which was a decline of 1.3%. When adjusting for selling days, the UroLift product grew approximately 1.9%. During the quarter, we continued to see cancelled procedures negatively impact growth as COVID case counts surged in January and February. However, as the quarter progressed, we were very encouraged by the strong double-digit growth that occurred in March. The strong growth trends that occurred for UroLift in March continued during April, as we continued to see improvements in our average daily sales trends. Importantly, our average daily sales in April were, for the first time, back to pre-COVID daily rates on a consistent basis. We continue to view UroLift as one of the first procedures to be performed as the environment is starting to improve again. We also trained 115 new urologists in Q1 and are well on track to achieving our annual target of training between 450 and 500 new urologists during 2021.

And finally, our “Other” category, which consists of our respiratory and urology care products declined by 15.3%, or 12.6% adjusted for selling days, totaling $81.7 million. The decline reflects headwinds to elective procedures, as well as difficult comps from the prior year related to COVID ordering in EMEA.

That completes my comments on Q1 revenue performance.

Turning to some clinical and commercial updates.

SLIDE 10: Clinical and Commercial Updates DTC/UL2 Japan (LIAM)

I wanted to provide an update on our DTC efforts for UroLift.

On the strength of a successful 2020 campaign, where we doubled awareness for UroLift in the targeted population of men with BPH. As planned, we have decided to increase our investment in 2021 and run a national campaign for the full year. For this year's campaign, we are optimizing our network selection, refreshing the ads, and working in conjunction with social media campaigns to augment the overall impact.

We continue to view DTC as a multi-year catalyst for UroLift in the U.S., as we are still in the early innings of market adoption and patient awareness. Indeed, UroLift is leading the way in BPH and this is the first time in recent years that a BPH brand is reaching patients directly in a meaningful way.

Turning to Urolift 2, we continue to make progress with our controlled launch and we remain on track for a more fulsome rollout beginning in the second half of 2021. We remain confident that conversion to the UL2 will occur over time, and we continue to expect to generate significant margin expansion as the revenue base is fully converted.

As it relates to the UroLift ATC device, the launch continues to go well, as we've completed multiple case days and urologists find the use of the device to be intuitive, and they seem to appreciate that the device makes it easier to perform procedures with obstructive median lobes.

Regarding Japan, we remain on track for a reimbursement decision in 2021 and view the approximate $2 billion addressable market as an incremental growth driver that will be a positive catalyst for the foreseeable future.

And we continue to work towards commercialization in France. We anticipate performing our first cases during the second quarter.

With multiple catalysts in place across key geographies, including the U.S. and Japan, we remain confident that UroLift will become a robust global franchise, addressing a significant multi-billion opportunity.

Lastly, before turning the call over to Tom, I would like to provide clinical updates highlighting two recently published studies within our Interventional Access business unit.

SLIDE 11: Interventional Study Summary (LIAM)

The MARVEL real world study was recently published in December of 2020. This study tracked 500 patients across 10 centers globally who underwent transfemoral large bore percutaneous procedures. Primary endpoint of time to hemostasis was a median of 50 seconds, while the primary endpoint of the major vascular complication rate related to the MANTA access site was in-line with the Safe Manta IDE pivotal trial.

The study concluded that Manta was a safe and effective device for large bore access closure under real world conditions.

In addition to the registry study I just highlighted…

SLIDE 12: Interventional Study Summary (LIAM)

…A separate meta-analysis was published in February of 2021. This pooled analysis examined data for nearly 900 patients, drawing from the CE mark and SAFE pivotal trial, as well as the MARVEL registry study. Key findings included a high technical success rate, rapid hemostasis, and low complication rates. In this study, median time to hemostasis was 31 seconds.

Overall, we continue to invest in clinical and commercial catalysts that will help to sustain our upper single digit revenue growth aspirations for this strategic business unit in a normalized environment.

That completes my prepared remarks. Now I would like to turn the call over to Tom for a more detailed review of our first quarter financial results.

Tom…

SLIDE 13: TOM INTRO SLIDE

SLIDE 14: Q1'21 Financial Review (TOM)

Thanks Liam and good morning everyone.

Given the previous discussion of the Company's revenue performance, I'll begin at the gross profit line.

For the quarter, adjusted gross margin was the highest since Teleflex became a pure-play medical device company, totaling 59.4%, or an increase of 210 basis points versus the prior year period. The increase in gross margin was primarily attributable to product mix, M&A, and restructuring benefits, which were partly offset by foreign exchange.

Similarly, first quarter adjusted operating margin of 27.5% was also the highest since Teleflex became a pure-play medical device company and represented an increase of 190 basis points versus the prior year. The increase was driven largely by the gross margin improvement, partly offset by a normalization of compensation expense accruals.

Continuing down the P&L. For the quarter, net interest expense totaled $16.1 million, which is a slight increase from $14.9 million in the prior year period, reflecting higher average debt outstanding.

Post quarter close, we issued a notice of redemption to holders of our outstanding $400 million aggregate principal amount of 4.875% Senior Notes due 2026. We plan to fund the redemption using available borrowings under our revolving credit agreement.

Moving to taxes. For the first quarter, our adjusted tax rate was 13.9%, which is up 140 basis points as compared to the prior year period. The year-over-year increase in our adjusted tax rate is primarily due to less benefit from stock-based compensation as compared to the prior year period.

At the bottom line, first quarter adjusted earnings per share increased 5.5% to $2.87. Included in this result is an estimated positive impact from foreign exchange of approximately $0.13.

Now, I'd like to highlight another restructuring program that we recently announced.

During the first quarter of 2021, we committed to a restructuring plan designed to integrate the Z-Medica acquisition and to streamline various business functions. We estimate that we will incur aggregate pre-tax restructuring charges of between $7 million and $9 million, consisting primarily of termination benefits, and between $3 million and $4 million in restructuring related charges.

We expect to begin realizing plan-related savings in 2021 with total annual pre-tax savings of between $13 million and $16 million once the plan is fully implemented.

To summarize all of our ongoing restructuring and cost savings programs, the total remaining pre-tax savings across all currently active programs are expected to be between $53 million and $67 million. Further details of the programs are available in the appendix to the earnings presentation.

Approximately half of the remaining savings are expected to be realized during 2021 and 2022, with the majority realized by 2024. As such, we have good line of sight to non-revenue dependent margin expansion for the coming years.

Turning to select balance sheet and cash flow highlights.

For the first quarter of 2021, cash flow from operations totaled $110.8 million, as compared to a net use of cash of $11.5 million in the prior year period. The year-over-year increase of $122.3 million was driven by lower contingent consideration payments, lower payroll and benefit related payments, and higher accounts receivable collections as compared to the prior year.

Overall, the balance sheet remains in good shape. At the end of first quarter our cash balance was $324.6 million. During the quarter we paid down $100 million in debt and our net leverage at quarter end was approximately 2.9x.

Subsequent to quarter-end, we repaid an additional $25 million in revolver borrowings.

Now moving on to guidance.

SLIDE 15: 2021 Guidance Summary Slide (TOM)

Starting with revenue expectation for 2021. We now expect constant currency revenue growth of between 8.50% and 9.75% as compared to 2020. This compares to our initial guidance which called for constant currency revenue growth of between 8% and 9.5%. The increase in guidance reflects our confidence in the business, including first quarter results which were better than we anticipated.

We expect our Interventional Urology, Interventional, Surgical, and Anesthesia product offerings to be key contributors to our constant currency revenue growth during 2021. We continue to expect our Interventional Urology business will increase at least 30% over 2020 levels.

The mid-point of our constant currency guidance range also assumes an approximate 2.5% contribution from the acquisition of Z-Medica.

Turning to currency. We continue to expect foreign exchange rates will be a tailwind to revenue growth of approximately 2%.

As a result, we now expect our as-reported revenue to increase between 10.5% and 11.75% over 2020. This would equate to a dollar range of between $2.804 billion and $2.835 billion.

Turning next to gross margin. During 2021, we now anticipate adjusted gross margin to increase between 155 and 255 basis points, to a range of 58.25% to 59.25%. This is an increase of 25 basis points versus our prior guidance.

We expect gross margin expansion to be driven primarily by a favorable mix of high-margin products, including Interventional Urology, Interventional Access, and Surgical. Also contributing are benefits from manufacturing productivity improvement programs, benefits from previously announced footprint restructuring programs, and the acquisition of Z-Medica. Year-over-year gross margin expansion is expected to be somewhat offset by inflation.

Turning to adjusted operating margin. We continue to expect that adjusted operating margin will increase between 110 and 210 basis points to a range of between 26% and 27%.

The increase in adjusted operating margin will largely come from the gross margin line, partly offset by normalization of spending associated with items including management compensation, commissions, targeted headcount additions, and the potential for further strategic investments in support of key growth drivers such as UroLift and Manta.

Continuing down the P&L. We now expect interest expense to range between $61 and $63 million. This compares to our initial guide which called for interest expense of between $63 and $65 million. The reduction in interest expense is primarily due to faster than originally anticipated debt reductions, coupled with lower than expected Libor rates. The early retirement of the 2026 notes was always part of our full year interest expense assumptions.

Moving to taxes, we now expect our adjusted rate will be in the range of between 13% and 13.5%, or a 50-basis point reduction versus our prior guidance.

We are pleased that we are able to raise our adjusted EPS outlook by $0.15 to between $12.65 and $12.85, or an expected year-over-year increase of between 18.6% and 20.4%.

Lastly, given the on-going situation with COVID, I would like to provide some color regarding our outlook for the second quarter of the year. At the mid-point of our new guidance ranges we expect to realize approximately 24.5% of full-year as-reported revenue and approximately 22.5% of our full-year adjusted earnings per share during the second quarter of 2021.

Our outlook is predicated on the assumption that COVID will continue to cause disruption during the first half of the year.

That concludes my prepared remarks. I would now like to turn it back to Liam for closing commentary.

SLIDE 16: Key Takeaways (LIAM)

Thanks Tom.

In closing, I will highlight our three key takeaways from the quarter:

First, we delivered a strong first quarter, with a top and bottom line performance better than our expectations.

Second, we announced another restructuring program that reflects our organizational efforts for continuous improvement. This action also contributes to our confidence in long-term margin expansion efforts.

And third, we raised our revenue and adjusted EPS guidance, reflecting a strong Q1 and our outlook for the remainder of the year.

I would like to finish by thanking the entire Teleflex team around the world who have worked tirelessly through the pandemic. As we begin to come out the other slide of COVID, we will continue to meet our commitments to our patients, clinicians, communities, and shareholders.

That concludes my prepared remarks.

Now, I would like to turn the call back to the operator for Q&A.

CLOSING REMARKS (JAKE)

Thank you, operator.

And thank you to everyone that joined us on the call today.

This concludes the Teleflex Incorporated first quarter 2021 earnings conference call.

Have a nice day.