



NuVasive, Inc.
Q4 2019 Supplementary Financial Information
Reconciliation of GAAP to Non-GAAP Financial Measures
Results as of December 31, 2019; Guidance as of Q4 2019 Earnings Report on February 20, 2020
in thousands except per share data

Fourth Quarter 2019 Financial Highlights*

- Revenue increased 7.6% to \$310.4 million, or 7.8% on a constant currency basis;
- GAAP operating margin of 13.6%; Non-GAAP operating margin of 16.4%; and
- GAAP diluted earnings per share of \$0.55; Non-GAAP diluted earnings per share of \$0.73.

Full Year 2019 Financial Highlights**

- Revenue increased 6.0% to \$1.168 billion, or 6.6% on a constant currency basis;
- GAAP operating margin of 10.5%; Non-GAAP operating margin of 15.8%; and
- GAAP diluted earnings per share of \$1.23; Non-GAAP diluted earnings per share of \$2.47.

Full Year 2020 Guidance***

- Revenue growth range of 4.0% to 6.0%;
- GAAP operating margin range of 10.1% to 10.5%; Non-GAAP operating margin range of 15.8% to 16.2%; and
- GAAP diluted earnings per share range of \$1.15 to \$1.25; Non-GAAP diluted earnings per share range of \$2.55 to \$2.65.

*Compares Q4 2019 vs Q4 2018

**Compares full year 2019 vs full year 2018

***Compares full year 2020 guidance vs full year 2019 results

Revenue:	Q118	Q218	Q318	Q418	2018 FY	Q119	Q219	Q319	Q419	2019 FY	Q419 Growth	2019 FY Growth
U.S. Spinal Hardware	141,470	150,778	146,078	156,583	594,909	147,800	160,249	160,012	168,919	636,980	7.9%	7.1%
U.S. Surgical Support	69,557	74,032	72,572	75,299	291,460	72,157	73,938	71,863	77,326	295,284	2.7%	1.3%
International	49,495	56,754	52,651	56,445	215,345	54,819	57,918	58,960	64,109	235,806	13.6%	9.5%
Total Revenue	260,522	281,564	271,301	288,327	1,101,714	274,776	292,105	290,835	310,354	1,168,070	7.6%	6.0%

For accurate tax calculation, begin by building a GAAP model using the below GAAP income statement:

	Q118	Q218	Q318	Q418	2018 FY	Q119	Q219	Q319	Q419	2019 FY
Revenue	260,522	281,564	271,301	288,327	1,101,714	274,776	292,105	290,835	310,354	1,168,070
Cost of revenue (excluding below amortization of intangible assets)	73,814	77,056	74,160	86,129	311,159	74,494	77,579	77,028	83,256	312,357
Gross profit	186,708	204,508	197,141	202,198	790,555	200,282	214,526	213,807	227,098	855,713
GAAP gross margin %	71.7%	72.6%	72.7%	70.1%	71.8%	72.9%	73.4%	73.5%	73.2%	73.3%
Sales, marketing & administrative (SM&A)	146,766	145,658	141,211	142,201	575,836	145,076	152,853	152,887	160,365	611,181
Research and development (R&D)	14,491	14,856	15,254	17,094	61,695	17,575	17,553	18,143	19,109	72,380
Amortization of intangible assets	12,425	12,628	12,349	13,268	50,670	13,625	12,277	12,596	12,599	51,097
Purchase of in-process research and development ¹	—	—	8,913	—	8,913	—	—	—	—	—
Litigation liability loss (gain) ²	28,995	(1,195)	—	—	27,800	—	—	—	—	—
Business transition costs ³	2,253	3,998	1,443	3,779	11,473	3,833	1,646	(333)	(7,141)	(1,995)
GAAP operating expenses	204,930	175,945	179,170	176,342	736,387	180,109	184,329	183,293	184,932	732,663
GAAP operating profit (loss)	(18,222)	28,563	17,971	25,856	54,168	20,173	30,197	30,514	42,166	123,050
Interest and other expense, net	(19,036)	(12,219)	(4,666)	(9,524)	(45,445)	(9,470)	(9,314)	(14,730)	(9,019)	(42,533)
GAAP income (loss) before income taxes	(37,258)	16,344	13,305	16,332	8,723	10,703	20,883	15,784	33,147	80,517
GAAP income tax expense (benefit) rate	27.2%	29.4%	(19.7%)	25.6%	(43.1%)	12.3%	28.4%	30.2%	9.9%	19.0%
GAAP income tax (expense) benefit	10,126	(4,813)	2,618	(4,175)	3,756	(1,317)	(5,921)	(4,774)	(3,271)	(15,283)
GAAP net income (loss)	(27,132)	11,531	15,923	12,157	12,479	9,386	14,962	11,010	29,876	65,234
GAAP WASO	51,226	51,956	53,189	52,530	209,921	52,480	52,460	53,056	54,638	214,663
GAAP EPS	\$ (0.53)	\$ 0.22	\$ 0.30	\$ 0.23	\$ 0.24	\$ 0.18	\$ 0.29	\$ 0.21	\$ 0.55	\$ 1.23

To calculate EBITDA:

	Q118	Q218	Q318	Q418	2018 FY	Q119	Q219	Q319	Q419	2019 FY
GAAP net income / (loss)	(27,132)	11,531	15,923	12,157	12,479	9,386	14,962	11,010	29,876	65,234
Interest income / expense, net	9,333	9,840	9,905	9,193	37,271	9,104	9,323	9,034	9,147	36,608
GAAP income tax (expense) benefit	10,126	(4,813)	2,618	(4,175)	3,756	(1,317)	(5,921)	(4,774)	(3,271)	(15,283)
Depreciation and amortization	32,090	32,061	32,258	33,356	129,765	34,054	33,560	33,631	34,348	135,593
EBITDA margin	4.16%	58.24%	54.46%	58.88%	17.75%	53.86%	63.76%	58.44%	76.64%	25.71%
EBITDA margin %	1.6%	20.7%	20.1%	20.4%	16.0%	19.6%	21.8%	20.1%	24.7%	21.6%
Business transition costs ³	2,253	3,998	1,443	3,779	11,473	3,833	1,646	(333)	(7,141)	(1,995)
Non-cash purchase accounting adjustments on acquisitions ⁴	405	405	270	—	1,080	—	—	—	—	—
Purchase of in-process research and development ¹	—	—	8,913	—	8,913	—	—	—	—	—
Litigation related expenses and settlements ⁵	29,586	383	1,333	2,750	34,052	3,046	2,031	1,899	818	7,794
Non-recurring consulting fees ⁶	6,084	—	—	—	6,084	—	—	—	—	—
Net loss/(gain) on strategic investments	9,004	—	(5,137)	(30)	3,837	—	—	4,767	—	4,767
Stock based compensation	4,134	6,860	11,068	3,699	25,761	5,717	6,901	7,829	10,285	30,732
European medical device regulation ⁷	—	—	—	373	373	332	1,400	953	2,384	5,069
Adjusted EBITDA	55,631	69,891	72,358	69,452	267,332	66,789	75,744	73,564	82,988	299,085
Adjusted EBITDA margin %	21.4%	24.8%	26.7%	24.1%	24.3%	24.3%	25.9%	25.3%	26.7%	25.6%

To calculate Non-GAAP EPS, add back and tax effect Non-GAAP exclusions, which are detailed in each earnings press release:

	Q118	Q218	Q318	Q418	2018 FY	Q119	Q219	Q319	Q419	2019 FY
Amortization of intangible assets	12,425	12,628	12,349	13,268	50,670	13,625	12,277	12,596	12,599	51,097
Non-cash purchase accounting adjustments on acquisitions ⁴	405	405	270	—	1,080	—	—	—	—	—
Purchase of in-process research and development ¹	—	—	8,913	—	8,913	—	—	—	—	—
Non-cash interest expense on convertible notes	4,099	4,153	4,208	4,262	16,722	4,319	4,374	4,432	4,492	17,617
Business transition costs ³	2,253	3,998	1,443	3,779	11,473	3,833	1,646	(333)	(7,141)	(1,995)
Non-recurring consulting fees ⁶	6,084	—	—	—	6,084	—	—	—	—	—
Net loss/(gain) on strategic investments	9,004	—	(5,137)	(30)	3,837	—	—	4,767	—	4,767
Litigation related expenses and settlements ⁵	29,586	383	1,333	2,750	34,052	3,046	2,031	1,899	818	7,794
European medical device regulation ⁷	—	—	—	373	373	332	1,400	953	2,384	5,069
Sub-total exclusions for Non-GAAP	63,856	21,567	23,379	24,402	133,204	25,155	21,728	24,314	13,152	84,349
Tax related to exclusions	(16,109)	(2,775)	(9,798)	(444)	(29,126)	(6,933)	(3,881)	(4,455)	(4,513)	(19,782)
Tax affected exclusions for Non-GAAP	47,747	18,792	13,581	23,958	104,078	18,222	17,847	19,859	8,639	64,567
Non-GAAP net income	20,615	30,323	29,504	36,115	116,557	27,608	32,809	30,869	38,515	129,801
Non-GAAP WASO ⁸	51,742	51,956	52,539	52,471	209,750	52,480	52,460	52,590	52,979	214,988
Non-GAAP EPS	\$ 0.40	\$ 0.58	\$ 0.56	\$ 0.69	\$ 2.23	\$ 0.53	\$ 0.63	\$ 0.59	\$ 0.73	\$ 2.47

To calculate Non-GAAP line items:

	Q118	Q218	Q318	Q418	2018 FY	Q119	Q219	Q319	Q419	2019 FY
GAAP gross profit	186,708	204,508	197,141	202,198	790,555	200,282	214,526	213,807	227,098	855,713
GAAP ONLY non-cash purchase accounting adjustments on acquisitions ⁴	405	405	270	—	1,080	—	—	—	—	—
Non-GAAP gross profit	187,113	204,913	197,411	202,198	791,635	200,282	214,526	213,807	227,098	855,713
% of revenue	71.8%	72.8%	72.8%	70.1%	71.9%	72.9%	73.4%	73.5%	73.2%	73.3%
GAAP SM&A	146,766	145,658	141,211	142,201	575,836	145,076	152,853	152,887	160,365	611,181
GAAP ONLY litigation related expenses ⁵	(591)	(1,578)	(1,333)	(2,750)	(6,252)	(3,046)	(2,031)	(1,899)	(818)	(7,794)
GAAP ONLY European medical device regulation ⁷	—	—	—	—	—	—	(1,145)	(804)	(1,542)	(3,491)
GAAP ONLY non-recurring consulting fees ⁶	(6,084)	—	—	—	(6,084)	—	—	—	—	—
Non-GAAP SM&A	140,091	144,080	139,878	139,451	563,500	142,030	149,677	150,184	158,005	599,896
% of revenue	53.8%	51.2%	51.6%	48.4%	51.1%	51.7%	51.2%	51.6%	50.9%	51.4%
GAAP R&D	14,491	14,856	15,254	17,094	61,695	17,575	17,553	18,143	19,109	72,380
GAAP ONLY European medical device regulation ⁷	—	—	—	(373)	(373)	(332)	(255)	(149)	(842)	(1,578)
Non-GAAP R&D	14,491	14,856	15,254	16,721	61,322	17,243	17,298	17,994	18,267	70,802
% of revenue	5.6%	5.3%	5.6%	5.8%	5.6%	6.3%	5.9%	6.2%	5.9%	6.1%
Non-GAAP operating expenses	154,582	158,936	155,132	156,172	624,822	159,273	166,975	168,178	176,272	670,698
% of revenue	59.3%	56.4%	57.2%	54.2%	56.7%	58.0%	57.2%	57.8%	56.8%	57.4%
Non-GAAP operating profit	32,531	45,977	42,279	46,026	166,813	41,009	47,551	45,629	50,826	185,015
Non-GAAP operating margin	12.5%	16.3%	15.6%	16.0%	15.1%	14.9%	16.3%	15.7%	16.4%	15.8%
GAAP & Non-GAAP interest income	(134)	(116)	(130)	(206)	(586)	(409)	(327)	(620)	(561)	(1,917)
GAAP interest expense	9,467	9,956	9,035	9,399	37,857	9,513	9,650	9,654	9,708	38,525
GAAP ONLY non-cash interest expense on convertible notes	(4,099)	(4,153)	(4,208)	(4,262)	(16,722)	(4,319)	(4,374)	(4,432)	(4,492)	(17,617)
Non-GAAP interest expense	5,368	5,803	4,827	5,137	21,135	5,194	5,276	5,222	5,216	20,908
GAAP other expense (income), net	9,703	2,379	(4,239)	331	8,174	366	(9)	5,696	(128)	5,925
GAAP ONLY net (loss)/gain on strategic investments	(9,004)	—	5,137	30	(3,837)	—</				