



NuVasive, Inc.

Q4 18 Supplementary Financial Information
Reconciliation of GAAP to Non-GAAP Financial Measures

Results as of December 31, 2018; Guidance as of Q4 2018 Earnings Report on February 20, 2019
in thousands except per share data

Fourth Quarter 2018 Financial Highlights*

- Revenue increased 6.3% to \$288.3 million, or 6.9% on a constant currency basis;
- GAAP operating profit margin of 9.0%; Non-GAAP operating profit margin of 16.0%; and
- GAAP diluted earnings per share of \$0.23; Non-GAAP diluted earnings per share of \$0.69.

Full Year 2018 Financial Highlights**

- Revenue increased 7.3% to \$1,101.7 million, or 7.1% on a constant currency basis;
- GAAP operating profit margin of 4.9%; Non-GAAP operating profit margin of 15.1%; and
- GAAP diluted earnings per share of \$0.24; Non-GAAP diluted earnings per share of \$2.23.

Full year 2019 guidance***: revenue growth of ~3.5% to ~5.5% with a range of \$1.14 billion to \$1.16 billion or ~3.8% to ~5.8% on a constant currency basis; non-GAAP operating profit margin range of ~15.0% to ~15.5%; adjusted EBITDA margin range of ~25.2% to ~25.7%; and non-GAAP diluted EPS range of \$2.20 to \$2.30 — all guidance inclusive of acquisitions

*Compares Q4 2018 vs Q4 2017

**Compares full year 2018 vs full year 2017

***Compares full year 2019 guidance vs full year 2018 results

All prior year financial information has been recasted and presented based on our full retrospective method of adoption of ASC 606

Revenue:	Q117	Q217	Q317	Q417	2017 FY	Q118	Q218	Q318	Q418	2018 FY	Q418 Growth	2018 FY Growth	2019 FY Guidance % Growth
U.S. Spinal Hardware & Other	140,647	142,769	136,531	149,781	569,728	141,470	150,778	146,078	156,583	594,909	4.5%	4.4%	~2% to ~4%
U.S. Surgical Support & Other	69,598	69,880	61,980	69,123	270,581	69,557	74,032	72,572	75,299	291,460	8.9%	7.7%	~1% to ~3%
International (including Puerto Rico)	38,768	46,750	48,540	52,318	186,376	49,495	56,754	52,651	56,445	215,345	7.9%	15.5%	~12% to ~14%
Total Revenue	249,013	259,399	247,051	271,222	1,026,685	260,522	281,564	271,301	288,327	1,101,714	6.3%	7.3%	~14% to ~16% ex FX ~3.5% to ~5.5% ~3.8% to ~5.8% ex FX

For accurate tax calculation, begin by building a GAAP model - these #'s come from the GAAP income statement:

	Q117	Q217	Q317	Q417	2017 FY	Q118	Q218	Q318	Q418	2018 FY	2019 FY Guidance
Revenue	249,013	259,399	247,051	271,222	1,026,685	260,522	281,564	271,301	288,327	1,101,714	~\$1.148 to ~\$1.168
Cost of revenue (excluding below amortization of intangible assets)	61,443	66,186	65,507	75,305	268,441	73,814	77,056	74,160	86,129	311,159	
Gross profit	187,570	193,213	181,544	195,917	758,244	186,708	204,508	197,141	202,198	790,555	~72.5% to ~73.0%
GAAP gross margin %	75.3%	74.5%	73.5%	72.2%	73.9%	71.7%	72.6%	72.7%	70.1%	71.8%	
Sales, marketing & administrative (SM&A)	140,368	138,967	125,649	134,523	539,507	146,766	145,658	141,211	142,201	575,836	
Research and development (R&D)	12,414	12,572	12,720	12,719	50,425	14,491	14,856	15,254	17,094	61,695	
Amortization of intangible assets	12,061	11,349	11,630	12,999	48,039	12,425	12,628	12,349	13,268	50,670	
Purchase of in-process research and development ¹	-	-	-	-	-	-	-	8,913	-	8,913	
Litigation liability (gain) loss ²	-	-	750	3,750	4,500	28,995	(1,195)	-	-	27,800	
Business transition costs ³	55	1,369	345	2,518	4,287	2,253	3,998	1,443	3,779	11,473	
GAAP operating expenses	164,898	164,257	151,094	166,509	646,758	204,930	175,945	179,170	176,342	736,387	
GAAP operating profit (loss)	22,672	28,956	30,450	29,408	111,486	(18,222)	28,563	17,971	25,856	54,168	
Interest and other expense, net	(9,404)	(10,445)	(8,958)	(10,316)	(39,123)	(19,036)	(12,219)	(4,666)	(9,524)	(45,445)	
GAAP income (loss) before income taxes	13,268	18,511	21,492	19,092	72,363	(37,258)	16,344	13,305	16,332	8,723	
GAAP income tax expense (benefit) rate	9.7%	36.6%	(54.0%)	(20.7%)	(10.4%)	27.2%	29.4%	(19.7%)	25.6%	(43.1%)	~24.0%
GAAP income tax (expense) benefit	(1,285)	(6,776)	11,604	3,949	7,492	10,126	(4,813)	2,618	(4,175)	3,756	
Add back net loss attributable to non-controlling interest	(443)	(432)	(432)	(436)	(1,743)	-	-	-	-	-	
GAAP net income (loss)	12,426	12,167	33,528	23,477	81,598	(27,132)	11,531	15,923	12,157	12,479	~52.9M
GAAP WASO	57,786	58,330	52,794	51,857	223,867	55,193	51,956	53,189	52,530	215,761	~\$1.00 to ~\$1.10
GAAP EPS	\$ 0.22	\$ 0.21	\$ 0.64	\$ 0.45	\$ 1.48	\$ (0.53)	\$ 0.22	\$ 0.30	\$ 0.23	\$ 0.24	
To calculate EBITDA:	Q117	Q217	Q317	Q417	2017 FY	Q118	Q218	Q318	Q418	2018 FY	
GAAP net income / (loss)	12,426	12,167	33,528	23,477	81,598	(27,132)	11,531	15,923	12,157	12,479	
Interest income / expense, net	9,662	9,944	8,819	9,156	37,581	9,333	9,840	8,905	9,193	37,271	
GAAP income tax (expense) benefit	(1,285)	(6,776)	11,604	3,949	7,492	10,126	(4,813)	2,618	(4,175)	3,756	
Depreciation and amortization ⁵	29,158	28,856	29,858	32,055	119,927	32,090	32,061	32,258	33,356	129,765	
EBITDA margin	52,531	57,743	60,601	60,739	231,614	4,165	58,245	54,468	58,881	175,759	
EBITDA margin %	21.1%	22.3%	24.5%	22.4%	22.6%	1.6%	20.7%	20.1%	20.4%	16.0%	
Business transition costs ³	55	1,369	345	2,518	4,287	2,253	3,998	1,443	3,779	11,473	
Non-cash purchase accounting related charges ⁶	-	-	136	404	540	405	405	270	-	1,080	
Purchase of in-process research and development ¹	-	-	-	-	-	-	-	8,913	-	8,913	
Litigation related expenses and settlements ⁷	-	-	750	4,133	4,883	29,586	383	1,333	2,750	34,052	
Non-recurring consulting fees ⁸	-	-	-	-	-	6,084	-	-	-	6,084	
Net loss/(gain) on strategic investments	-	-	-	-	-	9,004	-	(5,137)	(30)	3,837	
Stock based compensation	7,017	8,394	(427)	7,407	22,391	4,134	6,860	11,068	3,699	25,761	
European medical device regulation ⁹	-	-	-	-	-	-	-	-	373	373	
Adjusted EBITDA	59,603	67,506	61,405	75,201	263,715	55,631	69,891	72,358	69,452	267,332	~25.2% to ~25.7%
Adjusted EBITDA margin %	23.9%	26.0%	24.9%	27.7%	25.7%	21.4%	24.8%	26.7%	24.1%	24.3%	
To calculate Non-GAAP EPS, add back and tax effect Non-GAAP exclusions, which are detailed in each earnings press release:	Q117	Q217	Q317	Q417	2017 FY	Q118	Q218	Q318	Q418	2018 FY	
Amortization of intangible assets ⁵	11,738	11,028	11,307	12,677	46,750	12,425	12,628	12,349	13,268	50,670	
Non-cash purchase accounting adjustments on acquisitions ⁶	-	-	136	404	540	405	405	270	-	1,080	
Purchase of in-process research and development ¹	-	-	-	-	-	-	-	8,913	-	8,913	
Non-cash interest expense on convertible notes	4,599	4,665	3,980	4,046	17,290	4,099	4,153	4,208	4,262	16,722	
Business transition costs ³	55	1,369	345	2,518	4,287	2,253	3,998	1,443	3,779	11,473	
Non-recurring consulting fees ⁸	-	-	-	-	-	6,084	-	-	-	6,084	
Net loss/(gain) on strategic investments	-	-	-	-	-	9,004	-	(5,137)	(30)	3,837	
Litigation related expenses and settlements ⁷	-	-	750	4,133	4,883	29,586	383	1,333	2,750	34,052	
European medical device regulation ⁹	-	-	-	-	-	-	-	-	373	373	
Sub-total exclusions for Non-GAAP	16,392	17,062	16,518	23,778	73,750	63,856	21,567	23,379	24,402	133,204	
Tax related to exclusions	(9,126)	(5,664)	(23,412)	(18,155)	(56,357)	(16,109)	(2,775)	(9,798)	(444)	(29,126)	
Tax affected exclusions for Non-GAAP	7,266	11,398	(6,894)	5,623	17,393	47,747	18,792	13,581	23,958	104,078	
Total exclusions for Non-GAAP, net of tax	7,266	11,398	(6,894)	5,623	17,393	47,747	18,792	13,581	23,958	104,078	
Non-GAAP net income	19,692	23,565	26,634	29,100	98,991	20,615	30,323	29,504	36,115	116,557	
Non-GAAP WASO ¹⁰	52,683	52,743	51,751	51,857	209,034	51,742	51,956	52,539	52,471	215,761	~52.7M
Non-GAAP EPS	\$ 0.37	\$ 0.45	\$ 0.51	\$ 0.56	\$ 1.89	\$ 0.40	\$ 0.58	\$ 0.56	\$ 0.69	\$ 2.23	~\$2.20 to ~\$2.30
To calculate Non-GAAP line items:	Q117	Q217	Q317	Q417	2017 FY	Q118	Q218	Q318	Q418	2018 FY	
GAAP gross profit	187,570	193,213	181,544	195,917	758,244	186,708	204,508	197,141	202,198	790,555	
GAAP ONLY non-cash purchase accounting adjustments on acquisitions ⁶	-	-	136	404	540	405	405	270	-	1,080	
Non-GAAP gross profit	187,570	193,213	181,680	196,321	758,784	187,113	204,913	197,411	202,198	791,635	
% of revenue	75.3%	74.5%	73.5%	72.4%	73.9%	71.8%	72.8%	72.8%	70.1%	71.9%	~72.5% to ~73.0%
GAAP SM&A	140,368	138,967	125,649	134,523	539,507	146,766	145,658	141,211	142,201	575,836	
GAAP ONLY litigation related expenses ⁷	-	-	-	(383)	(383)	(591)	(1,578)	(1,333)	(2,750)	(6,252)	
GAAP ONLY non-recurring consulting fees ⁸	-	-	-	-	-	(6,084)	-	-	-	(6,084)	
Non-GAAP SM&A	140,368	138,967	125,649	134,140	539,124	140,091	144,080	139,878	139,451	563,500	
% of revenue	56.4%	53.6%	50.9%	49.5%	52.5%	53.8%	51.2%	51.6%	48.4%	51.1%	~51.0% to ~52.0%
GAAP R&D	12,414	12,572	12,720	12,719	50,425	14,491	14,856	15,254	17,094	61,695	
GAAP ONLY European medical device regulation ⁹	-	-	-	-	-	-	-	-	(373)	(373)	
Non-GAAP R&D	12,414	12,572	12,720	12,719	50,425	14,491	14,856	15,254	16,721	61,322	
% of revenue	5.0%	4.8%	5.1%	4.7%	4.9%	5.6%	5.3%	5.6%	5.8%	5.6%	~6.0%
Non-GAAP operating expenses	152,782	151,539	138,369	146,859	589,549	154,582	158,936	155,132	156,172	624,822	
% of revenue	61.4%	58.4%	56.0%	54.1%	57.4%	59.3%	56.4%	57.2%	54.2%	56.7%	
Non-GAAP operating profit	34,788	41,674	43,311	49,462	169,235	32,531	45,977	42,279	46,026	166,813	
Non-GAAP operating margin	14.0%	16.1%	17.5%	18.2%	16.5%	12.5%	16.3%	15.6%	16.0%	15.1%	~15.0% to ~15.5%
GAAP & Non-GAAP interest income	(137)	(139)	(79)	(85)	(440)	(134)	(116)	(130)	(206)	(586)	
GAAP interest expense	9,799	10,083	8,898	9,240	38,020	9,467	9,956	9,035	9,399	37,857	
GAAP ONLY non-cash interest expense on convertible notes	(4,599)	(4,664)	(3,980)	(4,046)	(17,289)	(4,099)	(4,153)	(4,208)	(4,262)	(16,722)	
Non-GAAP interest expense	5,200	5,419	4,918	5,194	20,731	5,368	5,803	4,827	5,137	21,135	
GAAP other expense (income), net	(257)	500	139	1,159	1,541						