



NuVasive, Inc.
Q3 18 Supplementary Financial Information
Reconciliation of GAAP to Non-GAAP Financial Measures
Results as of September 30, 2018; Guidance as of Q3 2018 Earnings Report on October 30, 2018
in thousands except per share data

Third Quarter Financial Highlights*

- Revenue increased 9.8% to \$271.3 million, or 10.2% on a constant currency basis;
- GAAP operating profit margin of 6.6%; Non-GAAP operating profit margin of 15.6%; and
- GAAP diluted earnings per share of \$0.30; Non-GAAP diluted earnings per share of \$0.56.

Full year 2018 guidance**: revenue growth of ~7.6% to ~8.1% with a range of \$1,105 million to \$1,110 million or ~7.4% to ~7.9% on a constant currency basis; Non-GAAP operating profit margin in the range of 15.0% to 15.5%; adjusted EBITDA margin in the range of 24.4% to 24.9%; and Non-GAAP diluted EPS in the range of \$2.15 to \$2.23 — all guidance inclusive of acquisitions

*Compares Q3 2018 vs Q3 2017

**Compares full year 2018 guidance vs full year 2017 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	% Growth	2018 FY Guidance	% Growth
U.S. Spinal Hardware & Other	140,647	142,769	136,531	149,781	569,728	141,470	150,778	146,078	7.0%	\$1,105M to \$1,110M	~4.4% to ~5.2%
U.S. Surgical Support & Other	69,598	69,880	61,980	69,123	270,581	69,557	74,032	72,572	17.1%		~9.2%
International (including Puerto Rico)	38,768	46,750	48,540	52,318	186,376	49,495	56,754	52,651	8.5%		~15.3% (~14.0% ex FX)
Total Revenue	249,013	259,399	247,051	271,222	1,026,685	260,522	281,564	271,301	9.8%		~7.6% to ~8.1% (~7.4% to ~7.9% 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			
Revenue	249,013	259,399	247,051	271,222	1,026,685	260,522	281,564	271,301			
Cost of goods sold (excluding below amortization of intangible assets)	61,443	66,186	65,507	75,305	268,441	73,814	77,056	74,160			
Gross profit	187,570	193,213	181,544	195,917	758,244	186,708	204,508	197,141			
GAAP gross margin %	75.3%	74.5%	73.5%	72.2%	73.9%	71.7%	72.6%	72.7%			
Sales, marketing & administrative (SM&A)	140,368	138,967	125,649	134,523	539,507	146,766	145,658	141,211			
Research and development (R&D)	12,414	12,572	12,720	12,719	50,425	14,491	14,856	15,254			
Amortization of intangible assets	12,061	11,349	11,630	12,999	48,039	12,425	12,628	12,349			
Purchase of in-process research and development ¹	-	-	-	-	-	-	-	8,913	~\$49.7M		
Litigation liability (gain) loss ²	-	-	750	3,750	4,500	28,995	(1,195)	-			
Business transition costs ³	55	1,369	345	2,518	4,287	2,253	3,998	1,443			
GAAP operating expenses	164,898	164,257	151,094	166,509	646,758	204,930	175,945	179,170			
GAAP operating profit (loss)	22,672	28,956	30,450	29,408	111,486	(18,222)	28,563	17,971			
Interest and other expense, net	(9,404)	(10,445)	(8,958)	(10,316)	(39,123)	(19,036)	(12,219)	(4,666)	~\$45.5M		
GAAP income (loss) before income taxes	13,268	18,511	21,492	19,092	72,363	(37,258)	16,344	13,305			
GAAP income tax expense (benefit) rate	9.7%	36.6%	(54.0%)	(20.7%)	(10.4%)	27.2%	29.4%	(19.7%)	~18%		
GAAP income tax (expense) benefit	(1,285)	(6,776)	11,604	3,949	7,492	10,126	(4,813)	2,618			
Add back net loss attributable to non-controlling interest	(443)	(432)	(432)	(436)	(1,743)	-	-	-	~\$0.0M		
GAAP net income (loss)	12,426	12,167	33,528	23,477	81,598	(27,132)	11,531	15,923			
GAAP WASO	57,786	58,330	52,794	51,857	55,193	51,226	51,956	53,189	~\$2.9M		
GAAP EPS	\$ 0.22	\$ 0.21	\$ 0.64	\$ 0.45	\$ 1.48	\$ (0.53)	\$ 0.22	\$ 0.30	~\$0.22 to ~\$0.31		

To calculate EBITDA:											
	Q117	Q217	Q317	Q417	2017 FY	Q118	Q218	Q318			
GAAP net income / (loss)	12,426	12,167	33,528	23,477	81,598	(27,132)	11,531	15,923			
Interest (income) / expense, net	9,662	9,944	8,819	9,156	37,581	9,333	9,840	8,905			
GAAP income tax (expense) benefit	(1,285)	(6,776)	11,604	3,949	7,492	10,126	(4,813)	2,618			
Depreciation and amortization ⁴	29,158	28,856	29,858	32,055	119,927	32,090	32,061	32,258			
EBITDA margin	52.531	57.743	60.619	60.739	231.614	4.165	58.245	54.468			
EBITDA margin %	21.1%	22.3%	24.5%	22.4%	22.6%	1.6%	20.7%	20.1%			
Business transition costs ³	55	1,369	345	2,518	4,287	2,253	3,998	1,443			
Non-cash purchase accounting related charges ⁵	-	-	136	404	540	405	405	270			
Purchase of in-process research and development ¹	-	-	-	-	-	-	-	8,913			
Litigation related expenses and settlements ⁷	-	-	750	4,133	4,883	29,586	383	1,333			
Non-recurring consulting fees ⁸	-	-	-	-	-	6,084	-	-			
Net loss/(gain) on strategic investments	-	-	-	-	-	9,004	-	(5,137)			
Stock based compensation	7,017	8,394	(427)	7,407	22,391	4,134	6,860	11,068			
Adjusted EBITDA	59,603	67,506	61,405	75,201	263,715	55,631	69,891	72,358	~24.4% to ~24.9%		
Adjusted EBITDA margin %	23.9%	26.0%	24.9%	27.7%	25.7%	21.4%	24.8%	26.7%			

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			
Amortization of intangible assets ⁵	11,738	11,028	11,307	12,677	46,750	12,425	12,628	12,349	~\$49.7M		
Non-cash purchase accounting adjustments on acquisitions ⁶	-	-	136	404	540	405	405	270	~\$1.1M		
Purchase of in-process research and development ¹	-	-	-	-	-	-	-	8,913	~\$8.9M		
Non-cash interest expense on convertible notes	4,599	4,665	3,980	4,046	17,290	4,099	4,153	4,208	~\$16.7M		
Business transition costs ³	55	1,369	345	2,518	4,287	2,253	3,998	1,443	~\$8.0M		
Non-recurring consulting fees ⁸	-	-	-	-	-	6,084	-	-	~\$6.1M		
Net loss/(gain) on strategic investments	-	-	-	-	-	9,004	-	(5,137)	~\$3.9M		
Litigation related expenses and settlements ⁷	-	-	750	4,133	4,883	29,586	383	1,333	~\$32.8M		
Sub-total exclusions for Non-GAAP	16,392	17,062	16,518	23,778	73,750	63,856	21,567	23,379	~\$127.2M		
Tax related to exclusions	(9,126)	(5,664)	(23,412)	(18,155)	(56,357)	(16,109)	(2,775)	(9,798)			
Tax affected exclusions for Non-GAAP	7,266	11,398	(6,894)	5,623	17,393	47,747	18,792	13,581			
Total exclusions for Non-GAAP, net of tax	7,266	11,398	(6,894)	5,623	17,393	47,747	18,792	13,581			
Non-GAAP net income	19,692	23,565	26,634	29,100	98,991	20,615	30,323	29,504	~\$2.3M		
Non-GAAP WASO	52,683	52,743	51,751	51,857	52,345	51,742	51,956	52,539	~\$2.15 to ~\$2.23		
Non-GAAP EPS	\$ 0.37	\$ 0.45	\$ 0.51	\$ 0.56	\$ 1.89	\$ 0.40	\$ 0.58	\$ 0.56	~2018 FY Guidance		

To calculate Non-GAAP line items:											
	Q117	Q217	Q317	Q417	2017 FY	Q118	Q218	Q318			
GAAP gross profit	187,570	193,213	181,544	195,917	758,244	186,708	204,508	197,141			
GAAP ONLY non-cash purchase accounting adjustments on acquisitions ⁶	-	-	136	404	540	405	405	270			
Non-GAAP gross profit	187,570	193,213	181,680	196,321	758,784	187,113	204,913	197,411	~72.3%		
% of revenue	75.3%	74.5%	73.5%	72.4%	73.9%	71.8%	72.8%	72.8%			
GAAP SM&A	140,368	138,967	125,649	134,523	539,507	146,766	145,658	141,211			
GAAP ONLY litigation related expenses ⁷	-	-	-	(383)	(383)	(591)	(1,578)	(1,333)			
GAAP ONLY non-recurring consulting fees ⁸	-	-	-	-	-	(6,084)	-	-			
Non-GAAP SM&A	140,368	138,967	125,649	134,140	539,124	140,091	144,080	139,878	~51.5% to ~52.0%		
% of revenue	56.4%	53.6%	50.9%	49.5%	52.5%	53.8%	51.2%	51.6%			
GAAP & Non-GAAP R&D	12,414	12,572	12,720	12,719	50,425	14,491	14,856	15,254	~5.3%		
% of revenue	5.0%	4.8%	5.1%	4.7%	4.9%	5.6%	5.3%	5.6%			
Non-GAAP operating expenses	152,782	151,539	138,369	146,859	589,549	154,582	158,936	155,132	~56.8% to 57.3%		
% of revenue	61.4%	58.4%	56.0%	54.1%	57.4%	59.3%	56.4%	57.2%			
Non-GAAP operating profit	34,788	41,674	43,311	49,462	169,235	32,531	45,977	42,279	~15.0% to ~15.5%		
Non-GAAP operating margin	14.0%	16.1%	17.5%	18.2%	16.5%	12.5%	16.3%	15.6%			
GAAP & Non-GAAP interest income	(137)	(139)	(79)	(85)	(440)	(134)	(116)	(130)			
GAAP interest expense	9,799	10,083	8,898	9,240	38,020	9,467	9,956	9,035			
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)			
Non-GAAP interest expense	5,200	5,419	4,918	5,194	20,731	5,368	5,803	4,827			
GAAP other expense (income), net	(257)	500	139	1,159	1,541	9,703	2,379	897			
GAAP ONLY net (loss)/gain on strategic investments	-	-	-	-	-	(9,004)	-	5,137			
GAAP ONLY amortization on non-controlling interest ⁵	322	321	323	324	1,290	-	-	-			
Non-GAAP other expense, net	65	821	462	1,483	2,831	699	2,379	6,034			
Non-GAAP interest and other expense, net	5,128	6,101	5,301	6,592	23,122	5,933	8,066	10,731			

For Non-GAAP ONLY P&L modeling											
	Q117	Q217	Q317	Q417	2017 FY	Q118	Q218	Q318			
Non-GAAP pre-tax income	29,660	35,573	38,010	42,870	146,113	26,598	37,911	36,684			
Non-GAAP P&L modeling tax rate	35.1%	35.0%	31.1%	33.1%	33.4%	22.5%	20.0%	19.6%	~21%		
Non-GAAP income tax expense ⁹	10,411	12,440	11,808	14,206	48,865	5,983	7,588	7,180			
Add back net loss attributable to non-controlling interest	443	432	432	436	1,743	-	-	-			
Non-GAAP net income	19,692	23,565	26,634	29,100	98,991	20,615	30,323	29,504			

¹ Purchase of an in-process research and development asset which had no future alternative use.

² Related to the Medtronic litigation matter for fiscal year 2017 and for fiscal year 2018 represents the loss recorded in connection with the Madsen Medical, Inc. litigation matter.

³ Costs related to acquisition, integration and business transition activities which include severance, relocation, consulting, leasehold exit costs, third party merger and acquisitions costs, contingent consideration fair value adjustments, and other costs directly associated to such activities.

⁴ During the quarter ended June 30, 2018, the Company began excluding from its non-GAAP financial results certain litigation related expenses associated with ongoing litigation with a former Board member and his current employer related to various matters, including infringement of the Company's intellectual property. For consistency and comparability, the Company has re-casted non-GAAP financial results for each of the quarters ended December 31, 2017 and March 31, 2018 to exclude these litigation expenses in such periods, which were \$0.4 million and \$0.6 million, respectively.

⁵ The 2017 results exclude the amortization associated with non-controlling interest. In January 2018, the Company completed the acquisition of the non-controlling interest.

⁶ Represents costs associated with