



NuVasive, Inc.
Q4 17 Supplementary Financial Information
Reconciliation of GAAP to Non-GAAP Financial Measures
Results as of December 31, 2017; Guidance as of Q4 2017 Earnings Report on February 26, 2018
in thousands except per share data

Fourth Quarter 2017 Financial Highlights*

- Revenue remained flat at \$271.7 million compared to prior year, with strong international growth of 34% on a constant currency basis;
- GAAP operating profit margin of 11.0%; Non-GAAP operating profit margin of 18.2%; and
- GAAP diluted earnings per share of \$0.46; Non-GAAP diluted earnings per share increase of 5.7% to \$0.56

Full Year 2017 Financial Highlights**

- Revenue increased to \$1,029.5 million, or 7.0% on a reported and constant currency basis;
- GAAP operating profit margin of 11.0%; Non-GAAP operating profit margin of 15.5%; and
- GAAP diluted earnings per share of \$1.50; Non-GAAP diluted earnings per share increase of 15.1% to \$1.91

Full year 2018 guidance***: revenue growth of "6.4% to "7.3% with a range of \$1,095 million to \$1,105 million or "5.9% to "6.9% on a constant currency basis; non-GAAP operating profit margin of "17.6%; adjusted EBITDA margin of "26.9%; and non-GAAP diluted EPS of \$2.44 to \$2.47 — all guidance inclusive of acquisitions

*Compares Q4 2017 vs Q4 2016
 **Compares full year 2017 vs full year 2016
 ***Compares full year 2018 guidance vs full year 2017 results

Revenue (grouping conformed to 2017 Guidance)	Q116	Q216	Q316	Q416	2016 FY	Q117	Q217	Q317	Q417	2017 FY	% Growth	2018 FY Guidance % Growth
U.S. Spinal Hardware & Other	126,755	137,752	133,155	153,807	551,469	139,375	141,857	135,169	148,424	564,825	2.4%	"0.2% to "1.8%
U.S. Surgical Support & Other	59,641	60,651	72,968	78,596	271,856	71,721	71,966	63,722	70,910	278,319	2.4%	"8.0% to "8.2%
International (Including Puerto Rico)	28,708	37,807	33,526	38,706	138,747	38,768	46,750	48,540	52,318	186,376	34.3%	"23.0% (20.5% ex FX) to "6.4% to "7.3% (5.9% to 6.9% ex FX)
Total Revenue	215,104	236,210	239,649	271,109	962,072	249,864	260,573	247,431	271,652	1,029,520	7.0%	6.4% to 7.3%

For accurate tax calculation, begin by building a GAAP Model - these #'s come from the GAAP Income Statement:	Q116 1,2	Q216	Q316	Q416	2016 FY	Q117	Q217	Q317	Q417	2017 FY
Revenue	215,104	236,210	239,649	271,109	962,072	249,864	260,573	247,431	271,652	1,029,520
Cost of goods sold (excluding below amortization of intangible assets)	54,226	59,745	59,196	66,926	240,093	61,613	66,421	65,583	75,391	269,008
Gross profit	160,878	176,465	180,453	204,183	721,979	188,251	194,152	181,848	196,261	760,512
GAAP Gross margin %	74.8%	74.7%	75.3%	75.3%	75.0%	75.3%	74.5%	73.5%	72.2%	73.9%
Sales, Marketing & Administrative (SM&A)	124,838	134,487	131,886	142,413	533,624	140,502	139,109	125,800	134,502	539,913
Research and Development (R&D)	10,629	11,871	12,516	12,983	47,999	12,414	12,572	12,720	12,719	50,425
Amortization of intangible assets	7,871	10,603	11,438	12,089	42,001	12,061	11,349	11,630	12,999	48,039
Litigation liability (gain) loss ¹	-	(43,310)	-	-	(43,310)	-	-	-	750	4,500
Business transition costs ²	5,307	2,756	3,451	6,624	18,138	55	1,369	345	2,518	4,287
GAAP Operating Expenses	148,645	156,407	159,291	174,109	598,452	165,032	164,399	151,245	166,488	647,164
GAAP Operating Profit (Loss)	12,233	60,058	21,162	30,074	123,527	23,219	29,753	30,603	29,773	113,348
Interest and other expense, net	(25,538)	(10,377)	(10,695)	(12,209)	(58,819)	(9,404)	(10,445)	(8,958)	(10,316)	(39,123)
GAAP income (loss) before income taxes	(13,305)	49,681	10,467	17,865	64,708	13,815	19,308	21,645	19,457	74,225
GAAP income tax expense (benefit) rate	71.3%	40.0%	66.6%	66.6%	45.3%	40.8%	36.7%	(53.3%)	(20.9%)	(9%)
GAAP income tax expense (benefit)	9,480	(19,891)	(6,972)	(11,899)	(29,282)	(4,400)	(7,079)	11,540	4,067	7,038
Add back Net Loss attributable to Non-Controlling Interest	(457)	(423)	(431)	(410)	(1,721)	(443)	(432)	(432)	(436)	(1,743)
GAAP Net Income (Loss)	(3,368)	30,213	3,926	6,376	37,147	12,768	12,661	33,617	23,960	83,006
GAAP WASO	45,617	53,159	55,782	55,913	54,102	57,786	58,330	52,794	51,857	55,193
GAAP EPS	(6.07)	6.57	6.07	6.11	6.69	0.22	0.22	0.64	0.46	1.50

To Calculate EBITDA:	Q116 1,2	Q216	Q316	Q416	2016 FY	Q117	Q217	Q317	Q417	2017 FY
GAAP Net Income / Loss	(3,368)	30,213	3,926	6,376	37,147	12,768	12,661	33,617	23,960	83,006
Interest (income) / Expense, net	8,144	10,131	10,789	10,365	39,429	9,662	9,944	8,819	9,156	37,581
Loss on repurchases of convertible notes	17,444	-	-	1,641	19,085	-	-	-	-	-
GAAP income tax expense (benefit)	9,480	(19,891)	(6,972)	(11,899)	(29,282)	(4,400)	(7,079)	11,540	4,067	7,038
Depreciation and amortization ³	20,894	24,813	27,158	28,573	101,438	29,158	28,856	29,858	32,055	119,927
EBITDA Margin	33,634	85,048	48,845	58,854	226,381	53,078	58,540	60,754	61,104	233,476
EBITDA Margin %	15.6%	36.0%	20.4%	21.7%	23.5%	21.2%	22.5%	24.6%	22.5%	22.7%
Stock based compensation	4,492	7,865	7,288	7,279	26,924	7,269	7,269	11,401	(6,895)	5,122
Litigation liability (gain) loss ¹	-	(43,310)	-	-	(43,310)	-	-	-	750	4,500
Non-cash purchase accounting related charges ²	4,916	7,374	2,457	2,457	14,747	-	-	-	136	404
Business Transition Costs ³	5,307	2,756	3,451	6,624	18,138	55	1,369	345	2,518	4,287
Adjusted EBITDA	48,349	59,733	62,041	72,757	242,880	60,150	68,303	61,558	75,183	265,194
Adjusted EBITDA Margin %	22.5%	25.3%	25.9%	26.8%	25.2%	24.3%	26.2%	24.9%	27.7%	25.8%

To Calculate Non-GAAP EPS, add back and tax effect Non-GAAP exclusions, which are detailed in each earnings press release:	Q116 1,2	Q216	Q316	Q416	2016 FY	Q117	Q217	Q317	Q417	2017 FY
Amortization of intangible assets ⁴	7,549	10,281	11,115	11,767	40,712	11,738	11,028	11,307	12,677	46,750
Loss on repurchases of convertible notes ⁵	17,444	-	-	1,641	19,085	-	-	-	-	-
Non-cash purchase accounting adjustments on acquisitions ⁶	4,916	7,374	2,457	2,457	14,747	-	-	136	404	540
Non-cash interest expense on convertible notes	4,310	5,051	5,186	4,992	19,539	4,509	4,665	4,046	4,046	17,290
Business Transition Costs ³	5,307	2,756	3,451	6,624	18,138	55	1,369	345	2,518	4,287
Litigation liability (gain) loss ¹	-	(43,310)	-	-	(43,310)	-	-	-	750	4,500
Sub-total Exclusions for Non-GAAP	39,526	(17,848)	22,209	25,024	68,911	16,392	17,062	16,518	23,395	73,367
Tax Related to Exclusions	(19,004)	8,255	(5,010)	(3,843)	(19,602)	(9,123)	(5,661)	(23,413)	(18,273)	(56,470)
Tax Affected Exclusions for Non-GAAP	20,522	(9,593)	(17,199)	(21,181)	(49,309)	7,269	11,401	(6,895)	5,122	16,897
Total Exclusions for Non-GAAP, net of tax	20,522	(9,593)	(17,199)	(21,181)	(49,309)	7,269	11,401	(6,895)	5,122	16,897
Non-GAAP Net Income	17,154	20,620	21,125	27,577	86,456	20,037	24,062	26,722	29,082	99,903
Non-GAAP WASO	50,959	51,928	52,633	52,399	51,981	52,683	52,743	51,751	51,857	52,345
Non-GAAP EPS	0.34	0.40	0.40	0.53	1.66	0.38	0.46	0.52	0.56	1.91

To Calculate Non-GAAP Line Items:	Q116 1,2	Q216	Q316	Q416	2016 FY	Q117	Q217	Q317	Q417	2017 FY
GAAP Gross Profit	160,878	176,465	180,453	204,183	721,979	188,251	194,152	181,848	196,261	760,512
Non-cash purchase accounting adjustments on acquisitions ⁶	4,916	7,374	2,457	2,457	14,747	-	-	136	404	540
Non-GAAP Gross Profit	165,794	183,839	182,910	204,183	736,726	188,251	194,152	181,984	196,665	761,052
% of revenue	77.1%	77.8%	76.3%	75.3%	76.6%	75.3%	74.5%	73.5%	72.4%	73.9%
GAAP SM&A	124,838	134,487	131,886	142,413	533,624	140,502	139,109	125,800	134,502	539,913
Non-GAAP SM&A	124,838	134,487	131,886	142,413	533,624	140,502	139,109	125,800	134,502	539,913
% of revenue	58.0%	56.9%	55.0%	52.5%	55.5%	56.2%	53.4%	50.8%	49.5%	52.4%
GAAP ONLY Business Transition Costs	(50)	2,756	3,451	6,624	12,781	55	1,369	345	2,518	4,287
recast from SM&A (GAAP Only Business Transition Costs)	5,357	-	-	-	5,357	-	-	-	-	-
Total GAAP ONLY Business Transition Costs ¹	5,307	2,756	3,451	6,624	18,138	55	1,369	345	2,518	4,287
% of revenue	2.5%	1.2%	1.4%	2.4%	1.9%	0.0%	0.5%	0.1%	0.9%	0.4%
GAAP R&D	10,629	11,871	12,516	12,983	47,999	12,414	12,572	12,720	12,719	50,425
% of revenue	4.9%	5.0%	5.2%	4.8%	5.0%	5.0%	4.8%	5.1%	4.7%	4.9%
Non-GAAP Operating Expenses	135,467	146,358	144,402	155,396	581,623	152,916	151,681	138,520	147,221	590,338
% of revenue	63.0%	62.0%	60.3%	57.3%	60.5%	61.2%	58.2%	56.0%	54.2%	57.3%
Non-GAAP Operating Profit	30,327	37,481	38,508	48,787	155,103	35,335	42,471	43,464	49,444	170,714
Non-GAAP Operating Margin	14.1%	15.9%	16.1%	18.0%	16.1%	14.1%	16.3%	17.6%	18.2%	16.6%

For Non-GAAP Only P&L Modeling	Q116 1,2	Q216	Q316	Q416	2016 FY	Q117	Q217	Q317	Q417	2017 FY
Non-GAAP Pre-Tax Income	26,221	31,833	32,676	42,889	133,619	30,207	36,370	38,163	42,852	147,592
Non-GAAP P&L Modeling Tax Rate	36.3%	36.6%	36.7%	36.7%	36.7%	35.1%	35.0%	31.1%	33.2%	33.5%
Non-GAAP Income Tax Expense ⁷	9,524	11,636	11,982	15,742	48,884	10,613	12,740	11,873	14,206	49,432
Add back Net Loss attributable to Non-Controlling Interest	457	423	431	410	1,721	443	432	432	436	1,743
Non-GAAP Net Income	17,154	20,620	21,125	27,577	86,456	20,037	24,062	26,722	29,082	99,903

¹ Prior periods has been restated to include the GAAP only expenses related to acquisition, integration and business transition activities which include severance, relocation, consulting, leasehold exit costs, third party merger and acquisitions costs and other costs directly associated to such activities, to the line item Business Transition Costs, to conform with current presentation. Historically, certain of these costs were included in SM&A.

² As a result of the adoption of FASB Accounting Standards Update (ASU) for employee share-based payment accounting in the second Quarter 2016 effective as of January 1, 2016, the Q1 2016 results as reported were restated. The impacted line items (both GAAP and non-GAAP) include income tax expense, net income, and EPS.

³ Related to the Medtronic litigation matter.

⁴ 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.

⁵ Excludes the amortization associated with non-controlling interest.

⁶ Represents costs associated with non-cash purchase accounting adjustments, such as acquired inventory fair market value adjustments, which are amortized over the period in which underlying products are sold.

⁷ The impact on results from taxes include tax effecting the adjustments above at the statutory rate as well as taking into account discrete items and including those discrete items in the annual effective tax rate calculation. The Company also includes those adjustments that would have benefited the tax rate in lieu of the above adjustments as part of the Company's tax filings. For the current year, the impact of the changes to the tax rate results in an annual estimated rate of "33.5% on a non-GAAP basis.



NuVasive, Inc.
Q4 17 Supplementary Financial Information
Reconciliation of GAAP to Non-GAAP Financial Measures
Results as of December 31, 2017; Guidance as of Q4 2017 Earnings Report on February 26, 2018
in thousands except per share data

THE FOLLOWING TABLES ILLUSTRATE THE IMPACTS TO THE COMPANY'S PREVIOUSLY REPORTED RESULTS AS FILED WITH THE SEC RESULTING FROM THE ADOPTION OF ASC 606 BEGINNING IN Q1 2018 THE SUPPLEMENTAL FILE WILL PRESENT HISTORICAL BALANCES IN COMPLIANCE WITH ASC 606

	2016 FY	Q117	Q217	Q317	Q417	2017 FY	% Growth
Revenue (grouping conformed to 2017 Guidance)							
U.S. Spinal Hardware & Other	551,469	139,375	141,857	135,169	146,424	564,825	2.4%
U.S. Surgical Support & Other	271,856	71,721	71,966	63,722	70,910	278,319	2.4%
International (including Puerto Rico)	138,747	38,768	46,750	48,540	52,318	186,376	34.3%
Total Revenue	962,072	249,864	260,573	247,431	271,652	1,029,520	7.0%
Revenue grouping reclass adjustments effective January 1, 2018							
U.S. Spinal Hardware & Other	9,144	2,123	2,086	1,742	1,787	7,738	*
U.S. Surgical Support & Other	(9,144)	(2,123)	(2,086)	(1,742)	(1,787)	(7,738)	*
International (including Puerto Rico)	-	-	-	-	-	-	*
Total Revenue	-	-	-	-	-	-	*
Revenue guidance ASC 606 adjustments effective January 1, 2018							
U.S. Spinal Hardware & Other	60	(851)	(1,174)	(380)	(430)	(2,835)	*
U.S. Surgical Support & Other	-	-	-	-	-	-	*
International (including Puerto Rico)	-	-	-	-	-	-	*
Total Revenue	60	(851)	(1,174)	(380)	(430)	(2,835)	*
Revenue (grouping conformed to 2018 Guidance)							
U.S. Spinal Hardware & Other	560,673	140,647	142,769	136,531	149,781	569,728	1.6%
U.S. Surgical Support & Other	262,712	69,598	69,880	61,980	69,123	270,581	3.0%
International (including Puerto Rico)	138,747	38,768	46,750	48,540	52,318	186,376	34.3%
Total Revenue	962,132	249,013	259,399	247,051	271,222	1,026,685	6.7%

IMPACT OF ASC 606

	2016 FY	Q117	Q217	Q317	Q417	2017 FY
Revenue	60	(851)	(1,174)	(380)	(430)	(2,835)
Cost of goods sold (excluding below amortization of intangible assets)	12	(170)	(235)	(76)	(86)	(567)
Gross profit	48	(681)	(839)	(304)	(344)	(2,268)
GAAP Gross margin %	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Sales, Marketing & Administrative (SM&A)	(24)	(134)	(142)	(151)	21	(406)
GAAP Operating Expenses	(24)	(134)	(142)	(151)	21	(406)
GAAP Operating Profit (Loss)	72	(547)	(797)	(153)	(365)	(1,862)
GAAP income (loss) before income taxes	72	(547)	(797)	(153)	(365)	(1,862)
GAAP income tax expense (benefit) rate	37.5%	(37.5%)	(38.0%)	(41.8%)	32.3%	(24.4%)
GAAP income tax (expense) benefit	(27)	205	303	64	(118)	454
GAAP Net Income (Loss)	45	(342)	(494)	(89)	(483)	(1,408)

RECASTED TO CONFORM TO GUIDANCE IN ASC 606

	2016 FY	Q117	Q217	Q317	Q417	2017 FY
Revenue	962,132	249,013	259,399	247,051	271,222	1,026,685
Cost of goods sold (excluding below amortization of intangible assets)	240,105	61,443	66,186	65,507	75,305	268,441
Gross profit	722,027	187,570	193,213	181,544	195,917	758,244
GAAP Gross margin %	75.0%	75.3%	74.5%	73.5%	72.2%	73.9%
Sales, Marketing & Administrative (SM&A)	533,600	140,368	138,967	125,649	134,523	539,507
Research and Development (R&D)	47,999	12,414	12,572	12,720	12,719	50,425
Amortization of intangible assets	42,001	12,061	11,349	11,630	12,999	48,039
Litigation liability (gain) loss ¹	(43,310)	-	-	750	3,750	4,500
Business transition costs ²	18,138	55	1,369	245	2,518	4,287
GAAP Operating Expenses	598,428	164,898	164,257	151,094	166,509	646,758
GAAP Operating Profit (Loss)	123,599	22,672	28,956	30,450	29,408	111,486
Interest and other expense, net	(58,819)	(9,404)	(10,445)	(8,958)	(10,316)	(39,123)
GAAP income (loss) before income taxes	64,780	13,268	18,511	21,492	19,092	72,363
GAAP income tax expense (benefit) rate	45.2%	9.7%	36.6%	(54.0%)	(20.7%)	(10.4%)
GAAP income tax (expense) benefit	(29,309)	(1,285)	(6,776)	11,604	3,949	7,492
Add back Net Loss attributable to Non-Controlling Interest	(1,721)	(443)	(432)	(432)	(436)	(1,743)
GAAP Net Income (Loss)	37,192	12,426	12,167	33,528	23,477	81,598
GAAP WASO	54,102	57,786	58,330	52,794	51,857	55,193
GAAP EPS	\$ 0.69	\$ 0.22	\$ 0.21	\$ 0.64	\$ 0.45	\$ 1.48
GAAP Net Income / (Loss)	37,192	12,426	12,167	33,528	23,477	81,598
Interest (Income) / Expense, net	39,429	9,662	9,944	8,819	9,156	37,581
Loss on repurchases of convertible notes	19,085	-	-	-	-	-
GAAP income tax (expense) benefit	(29,309)	(1,285)	(6,776)	11,604	3,949	7,492
Depreciation and amortization ³	101,438	29,158	28,856	29,858	32,055	119,927
EBITDA Margin	226,453	52,531	57,743	60,601	60,739	231,614
EBITDA Margin %	23.5%	21.1%	22.3%	24.5%	22.4%	22.6%
Stock based compensation	26,924	7,017	8,394	(427)	7,407	22,391
Litigation liability (gain) loss ³	(43,310)	-	-	750	3,750	4,500
Non-cash purchase accounting related charges ⁴	14,747	-	-	136	404	540
Business Transition Costs ⁵	19,138	55	1,369	345	2,518	4,287
Adjusted EBITDA	242,952	59,603	67,506	61,405	74,818	263,332
Adjusted EBITDA Margin %	25.3%	23.9%	26.0%	24.9%	27.6%	25.6%
GAAP Gross Profit	722,027	187,570	193,213	181,544	195,917	758,244
Non-cash purchase accounting adjustments on acquisitions ⁶	14,747	-	-	136	404	540
Non-GAAP Gross Profit	736,774	187,570	193,213	181,680	196,321	758,784
% of revenue	76.6%	75.3%	74.5%	73.5%	72.4%	73.9%
Non-GAAP SM&A	533,600	140,368	138,967	125,649	134,523	539,507
% of revenue	55.5%	56.4%	53.6%	50.9%	49.6%	52.5%
Non-GAAP R&D	47,999	12,414	12,572	12,720	12,719	50,425
% of revenue	5.0%	5.0%	4.8%	5.1%	4.7%	4.9%
Total Non-GAAP Operating Expenses	581,599	152,782	151,539	138,369	147,242	589,932
% of revenue	60.4%	61.4%	58.4%	56.0%	54.3%	57.5%
Non-GAAP Operating Profit	155,175	34,788	41,674	43,311	49,079	168,852
Non-GAAP Operating Margin	16.1%	14.0%	16.1%	17.5%	18.1%	16.4%
Non-GAAP Pre-Tax Income	133,691	29,660	35,573	38,010	42,487	145,730
Non-GAAP P&L Modeling Tax Rate	36.6%	35.1%	35.0%	31.1%	33.1%	33.4%
Non-GAAP Income Tax Expense ⁷	48,911	10,411	12,440	11,808	14,062	48,721
Add back Net Loss attributable to Non-Controlling Interest	(1,721)	(443)	(432)	(432)	(436)	(1,743)
Non-GAAP Net Income	86,501	19,692	23,965	26,634	28,861	96,752
Non-GAAP Tax Related to Exclusions	(19,602)	(9,126)	(9,664)	(23,412)	(18,013)	(56,213)
Non-GAAP WASO	51,981	52,683	52,743	51,751	51,857	52,345
Non-GAAP EPS	\$ 1.66	\$ 0.37	\$ 0.45	\$ 0.51	\$ 0.56	\$ 1.89