



NuVasive, Inc.

Q1 18 Supplementary Financial Information
Reconciliation of GAAP to Non-GAAP Financial Measures

Results as of March 31, 2018; Guidance as of Q1 2018 Earnings Report on May 1, 2018
in thousands except per share data

First Quarter Financial Highlights*

- Revenue increased 4.6% to \$260.5 million, or 3.4% on a constant currency basis;
- GAAP operating profit margin of (7.0%); Non-GAAP operating profit margin of 12.3%; and
- GAAP diluted earnings per share of (\$0.53); Non-GAAP diluted earnings per share increase of 5.4% to \$0.39

Full year 2018 guidance**: revenue growth of ~6.7% to ~7.6% with a range of \$1,095 million to \$1,105 million or ~5.7% to ~6.6% 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 1Q 2018 vs 1Q 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	% Growth	2018 FY Guidance % Growth
U.S. Spinal Hardware & Other	140,647	142,769	136,531	149,781	569,728	141,470	1%	~0.6% to ~2.4%
U.S. Surgical Support & Other	69,598	69,880	61,980	69,123	270,581	69,557	0%	~6.0%
International (including Puerto Rico)	38,768	46,750	48,540	52,318	186,376	49,495	28%	~26.1% (20.6% ex FX)
Total Revenue	249,013	259,399	247,051	271,222	1,026,685	260,522	5%	~6.7% to ~7.6% (5.7% to 6.6% ex FX)

For accurate tax calculation, begin by building a GAAP Model - these #'s come from the GAAP Income Statement:							2018 FY Guidance
	Q117	Q217	Q317	Q417	2017 FY	Q118	
Revenue	249,013	259,399	247,051	271,222	1,026,685	260,522	\$1,095M to \$1,105M
Cost of goods sold (excluding below amortization of intangible assets)	61,443	66,186	65,507	75,305	268,441	73,814	
Gross profit	187,570	193,213	181,544	195,917	758,244	186,708	
GAAP Gross margin %	75.3%	74.5%	73.5%	72.2%	73.9%	71.7%	
Sales, Marketing & Administrative (SM&A)	140,368	138,967	125,649	134,523	539,507	146,766	~\$47.4M
Research and Development (R&D)	12,414	12,572	12,720	12,719	50,425	14,491	
Amortization of intangible assets	12,061	11,349	11,630	12,999	48,039	12,425	
Litigation liability (gain) loss ¹	-	-	750	3,750	4,500	28,995	
Business transition costs ²	55	1,369	345	2,518	4,287	2,253	
GAAP Operating Expenses	164,898	164,257	151,094	166,509	646,758	204,930	
GAAP Operating Profit (Loss)	22,672	28,956	30,450	29,408	111,486	(18,222)	
Interest and other expense, net	(9,404)	(10,445)	(8,958)	(10,316)	(39,123)	(19,036)	~\$50.6M
GAAP income (loss) before income taxes	13,268	18,511	21,492	19,092	72,363	(37,258)	
GAAP income tax expense (benefit) rate	9.7%	36.6%	(54.0%)	(20.7%)	(10.4%)	27.2%	~31%
GAAP income tax (expense) benefit	(1,285)	(6,776)	11,604	3,949	7,492	10,126	
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)	
GAAP WASO	57,786	58,330	52,794	51,857	55,193	51,226	~\$2.6M
GAAP EPS	\$ 0.22	\$ 0.21	\$ 0.64	\$ 0.45	\$ 1.48	\$ (0.53)	~\$0.71 to ~0.74
To Calculate EBITDA:	Q117	Q217	Q317	Q417	2017 FY	Q118	
GAAP Net Income / (Loss)	12,426	12,167	33,528	23,477	81,598	(27,132)	
Interest (Income) / Expense, net	9,662	9,944	8,819	9,156	37,581	9,333	
GAAP income tax (expense) benefit	(1,285)	(6,776)	11,604	3,949	7,492	10,126	
Depreciation and amortization ³	29,158	28,856	29,858	32,055	119,927	32,090	
EBITDA Margin	52,531	57,743	60,601	60,739	231,614	4,165	
EBITDA Margin %	21.1%	22.3%	24.5%	22.4%	22.6%	1.6%	
Business Transition Costs ²	55	1,369	345	2,518	4,287	2,253	
Non-cash purchase accounting related charges ⁴	-	-	136	404	540	405	
Litigation liability (gain) loss ¹	-	-	750	3,750	4,500	28,995	
Non-recurring consulting fees ⁵	-	-	-	-	-	6,084	
Impairment of strategic investment	-	-	-	-	-	9,004	
Stock based compensation	7,017	8,394	(427)	7,407	22,391	4,134	
Adjusted EBITDA	59,603	67,506	61,405	74,818	263,332	55,040	
Adjusted EBITDA Margin %	23.9%	26.0%	24.9%	27.6%	25.6%	21.1%	~26.9%
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	
Amortization of intangible assets ³	11,738	11,028	11,307	12,677	46,750	12,425	~\$46.5M
Non-cash purchase accounting adjustments on acquisitions ⁴	-	-	136	404	540	405	~\$1.1M
Non-cash interest expense on convertible notes	4,599	4,665	3,980	4,046	17,290	4,099	~\$16.7M
Business Transition Costs ²	55	1,369	345	2,518	4,287	2,253	~\$3.5M
Non-recurring consulting fees ⁵	-	-	-	-	-	6,084	~\$6.1M
Impairment of strategic investment	-	-	-	-	-	9,004	~\$9.0M
Litigation liability (gain) loss ¹	-	-	750	3,750	4,500	28,995	~\$29.0M
Sub-total Exclusions for Non-GAAP	16,392	17,062	16,518	23,395	73,367	63,265	~\$111.9M
Tax Related to Exclusions	(9,126)	(5,664)	(23,412)	(18,011)	(56,213)	(15,976)	
Tax Affected Exclusions for Non-GAAP	7,266	11,398	(6,894)	5,384	17,154	47,289	
Total Exclusions for Non-GAAP, net of tax	7,266	11,398	(6,894)	5,384	17,154	47,289	
Non-GAAP Net Income	19,692	23,565	26,634	28,861	98,752	20,157	
Non-GAAP WASO	52,683	52,743	51,751	51,857	52,345	51,742	~\$2.2M
Non-GAAP EPS	\$ 0.37	\$ 0.45	\$ 0.51	\$ 0.56	\$ 1.89	\$ 0.39	~\$2.44 to ~\$2.47
To Calculate Non-GAAP Line Items:	Q117	Q217	Q317	Q417	2017 FY	Q118	
GAAP Gross Profit	187,570	193,213	181,544	195,917	758,244	186,708	
GAAP ONLY non-cash purchase accounting adjustments on acquisitions ⁴	-	-	136	404	540	405	
Non-GAAP Gross Profit	187,570	193,213	181,680	196,321	758,784	187,113	
% of revenue	75.3%	74.5%	73.5%	72.4%	73.9%	71.8%	~73.5%
GAAP SM&A	140,368	138,967	125,649	134,523	539,507	146,766	
GAAP ONLY Non-recurring consulting fees ⁵	-	-	-	-	-	(6,084)	
Non-GAAP SM&A	140,368	138,967	125,649	134,523	539,507	140,682	
% of revenue	56.4%	53.6%	50.9%	49.6%	52.5%	54.0%	~50.6%
GAAP & Non-GAAP R&D	12,414	12,572	12,720	12,719	50,425	14,491	
% of revenue	5.0%	4.8%	5.1%	4.7%	4.9%	5.6%	~5.3%
Non-GAAP Operating Expenses	152,782	151,539	138,369	147,242	589,932	155,173	
% of revenue	61.4%	58.4%	56.0%	54.3%	57.5%	59.6%	~55.9%
Non-GAAP Operating Profit	34,788	41,674	43,311	49,079	168,852	31,940	
Non-GAAP Operating Margin	14.0%	16.1%	17.5%	18.1%	16.4%	12.3%	~17.6%
GAAP & Non-GAAP interest (income)	(137)	(139)	(79)	(85)	(440)	(134)	
GAAP interest expense	9,799	10,083	8,898	9,240	38,020	9,467	
GAAP ONLY non-cash interest expense on convertible notes	(4,599)	(4,664)	(3,980)	(4,046)	(17,289)	(4,099)	
Non-GAAP interest expense	5,200	5,419	4,918	5,194	20,731	5,368	
GAAP other expense (income), net	(257)	500	139	1,159	1,541	9,703	
GAAP ONLY impairment of strategic investment	-	-	-	-	-	(9,004)	
GAAP ONLY amortization on non-controlling interest ³	322	321	323	324	1,290	-	
Non-GAAP other expense (income), net	65	821	462	1,483	2,831	699	
Non-GAAP interest and other expense, net	5,128	6,101	5,301	6,592	23,122	5,933	
For Non-GAAP Only P&L Modeling							
Non-GAAP Pre-Tax Income	29,660	35,573	38,010	42,487	145,730	26,007	
Non-GAAP P&L Modeling Tax Rate	35.1%	35.0%	31.1%	33.1%	33.4%	22.5%	~23%
Non-GAAP Income Tax Expense ⁶	10,411	12,440	11,808	14,062	48,721	5,850	
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	28,861	98,752	20,157	

¹ Related to the Medtronic litigation matter for fiscal year 2017 and for fiscal year 2018 represents the estimated loss contingency for the Madsen Medical, Inc. litigation matter.

² 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.

³ 2017 results exclude the amortization associated with non-controlling interest.

⁴ 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.

⁵ Non-recurring consulting fees associated with the implementation of our state tax-planning strategy.

⁶ 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 ~23% on a non-GAAP basis.