



Q2 2021 Financial Results

Supplemental information to Q2 2021 earnings press release

July 28, 2021

Forward-looking statements

NuVasive, Inc. (“NuVasive” or the “Company”) cautions you that statements included in this presentation that are not a description of historical facts are forward-looking statements that involve risks, uncertainties, assumptions and other factors which, if they do not materialize or prove correct, could cause NuVasive's results to differ materially from historical results or those expressed or implied by such forward-looking statements.

In addition, this presentation contains selected financial results from the second quarter 2021, as well as projections for 2021 financial guidance and longer-term financial performance goals. The Company's results for the second quarter 2021 are prior to the completion of review and audit procedures by the Company's external auditors and are subject to adjustment. In addition, the Company's projections for 2021 financial guidance and longer-term financial performance goals represent initial estimates, and are subject to the risk of being inaccurate because of the preliminary nature of the forecasts, the risk of further adjustment, or unanticipated difficulty in selling products or generating expected profitability. The potential risks and uncertainties which contribute to the uncertain nature of these statements include, among others, the impact of the COVID-19 pandemic on the Company's business and financial results; the Company's ability to maintain operations to support its customers and patients in the near-term and to capitalize on future growth opportunities; risks associated with acceptance of the Company's surgical products and procedures by spine surgeons and hospitals, development and acceptance of new products or product enhancements, clinical and statistical verification of the benefits achieved via the use of NuVasive's products, the Company's ability to adequately manage inventory as it continues to release new products, its ability to recruit and retain management and key personnel, and the other risks and uncertainties more fully described in the Company's news releases and periodic filings with the Securities and Exchange Commission.

NuVasive's public filings with the Securities and Exchange Commission are available at www.sec.gov. NuVasive assumes no obligation to update any forward-looking statement to reflect events or circumstances arising after the date on which it was made.

Non-GAAP financial measures

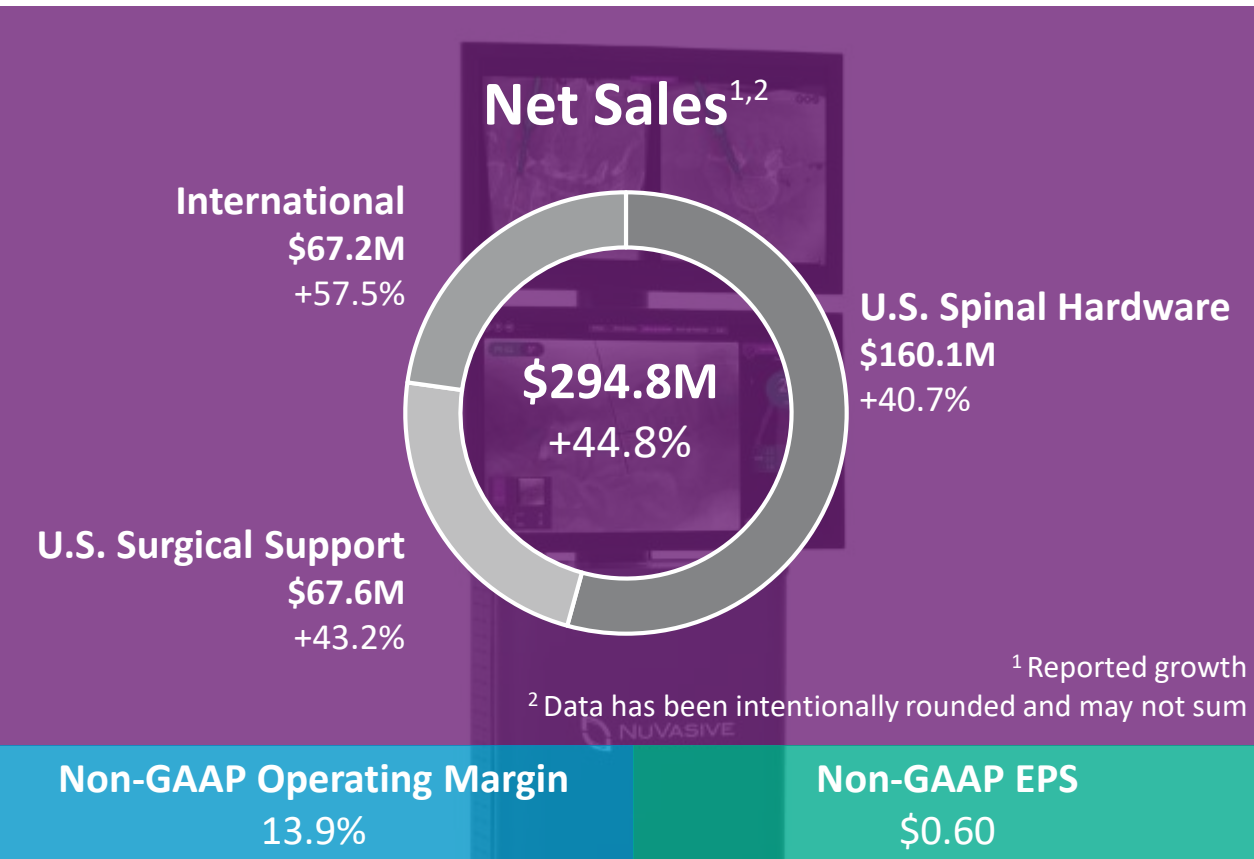
Management uses certain non-GAAP financial measures such as non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating margin, non-GAAP net income (loss), and non-GAAP diluted earnings (loss) per share. These non-GAAP financial measures exclude amortization of intangible assets, business transition costs, purchased in-process research and development, one-time restructuring, non-cash purchase accounting adjustments, certain foreign currency impacts and related items in connection with acquisitions, investments and divestitures, certain litigation expenses and settlements, certain European medical device regulation costs, gains and losses from strategic investments, gains and losses from changes in fair value of derivatives, non-cash interest expense (excluding debt issuance cost) and other significant one-time items. Management also uses certain non-GAAP measures which are intended to exclude the impact of foreign exchange currency fluctuations. The measure constant currency utilizes an exchange rate that eliminates fluctuations when calculating financial performance numbers.

The Company also uses measures such as free cash flow, which represents cash flow from operations less cash used in the acquisition and disposition of capital. Additionally, the Company uses an adjusted EBITDA measure which represents earnings before interest, taxes, depreciation and amortization and excludes the impact of stock-based compensation, business transition costs, purchased in-process research and development, one-time restructuring, non-cash purchase accounting adjustments, certain foreign currency impacts and related items in connection with acquisitions, investments and divestitures, certain litigation expenses and settlements, certain European medical device regulation costs, gains and losses on strategic investments, gains and losses from changes in fair value of derivatives and other significant one-time items. Management calculates the non-GAAP financial measures provided in this presentation excluding these costs and uses these non-GAAP financial measures to enable it to further and more consistently analyze the period-to-period financial performance of its core business operations. Management believes that providing investors with these non-GAAP measures gives them additional information to enable them to assess, in the same way management assesses, the Company's current and future continuing operations. These non-GAAP measures are not in accordance with, or an alternative for, GAAP, and may be different from non-GAAP measures used by other companies.

This presentation is intended to accompany and serve as a supplement to the Company's second quarter 2021 earnings announcement, which includes financial results reported on a GAAP and non-GAAP basis. For reconciliations of non-GAAP financial measures to the comparable GAAP financial measure, please refer to the earnings announcement, as well as supplemental financial information included herein, both of which are posted on the Investor Relations section of the Company's corporate website at www.nuvasive.com.

Q2 2021 overview

Financial results and highlights for the quarter ended June 30, 2021



Key Q2 2021 highlights

- ✓ Net sales increase driven by **recovery across all procedural segments** and continued **strong international growth**
- ✓ Pulse platform **clinical evaluations underway** in Europe following **latest CE certification**
- ✓ Company provides **full-year 2021 financial guidance**

Full-year 2021 financial guidance

NuVasive financial performance guidance as of July 28, 2021.

Net sales
\$1.19 billion to
\$1.21 billion

**Non-GAAP
operating margin**
14.4% to 14.9%

**Non-GAAP
diluted EPS**
\$2.25 to \$2.35

Q2 2021 GAAP to non-GAAP select financial information

For the quarter ended June 30, 2021; in thousands except per share data

	Non-GAAP Adjustments								Q2 2021 Non-GAAP	Q2 2020 Non-GAAP	Year-Over-Year Increase / (Decrease)
	Q2 2021 GAAP	Amortization of intangible assets	Litigation ¹	Business transition ²	European medical device regulation ³	Non-cash interest expense on convertible notes	Net gain on strategic investments	Other adjustments			
Net sales \$	294,828	—	—	—	—	—	—	—	294,828	203,612	44.8%
Cost of sales	78,280	—	—	(556)	—	—	—	—	77,724	80,505	(3.5%)
Gross profit	216,548	—	—	556	—	—	—	—	217,104	123,107	76.4%
Gross margin	73.4%								73.6%	60.5%	1,310 bps
Operating expenses											
Selling, general and administrative	157,397	—	(1,287)	—	(625)	—	—	—	155,485	124,767	24.6%
<i>% of net sales</i>	<i>53.4%</i>	—	—	—	—	—	—	—	<i>52.7%</i>	<i>61.3%</i>	<i>(860 bps)</i>
Research and development	21,764	—	—	—	(1,064)	—	—	—	20,700	18,213	13.7%
<i>% of net sales</i>	<i>7.4%</i>	—	—	—	—	—	—	—	<i>7.0%</i>	<i>8.9%</i>	<i>(190 bps)</i>
Amortization of intangible assets	15,088	(15,088)	—	—	—	—	—	—	—	—	—
Business transition costs	11,553	—	—	(11,553)	—	—	—	—	—	—	—
Operating profit	10,746	15,088	1,287	12,109	1,689	—	—	—	40,919	(19,873)	305.9%
Operating margin	3.6%								13.9%	(9.8%)	2,370 bps
Interest and other expense, net	3,110	—	—	(3,545)	—	—	2,101	—	1,666	5,966	(72.1%)
Income tax (benefit) expense ⁴	5,837	—	—	—	—	—	—	2,243	8,080	(5,473)	(247.6%)
Consolidated net (loss) income	1,799	15,088	1,287	15,654	1,689	—	(2,101)	(2,243)	31,173	(20,366)	253.1%
Diluted EPS \$	0.03								0.60	(0.40)	250.0%
WASO ⁵	52,211								52,211	51,224	

¹ Represents expenses associated with certain ongoing litigation matters, including infringement of the Company's intellectual property.

² Costs related to acquisition, integration and business transition activities which include inventory and contingent consideration fair market value adjustments, severance, relocation, consulting, leasehold exit costs, third-party merger and acquisitions costs, and other costs directly associated with such activities, as well as non-cash adjustments to acquisition-related intercompany balances and contingent consideration liabilities held in a foreign currency.

³ Represents costs specific to updating our quality system, product labeling, asset write-offs and product remanufacturing to comply with European medical device regulation.

⁴ Represents the impact from tax effecting the adjustments above at their statutory tax rate.

⁵ Adjusted non-GAAP diluted WASO excludes the impact of dilutive convertible notes for which the Company is economically hedged through its anti-dilutive bond hedge arrangements.

YTD 2021 GAAP to non-GAAP select financial information

For the six months ended June 30, 2021; in thousands except per share data

	Non-GAAP Adjustments										
	YTD 2021 GAAP	Amortization of intangible assets	Litigation ¹	Business transition ²	European medical device regulation ³	Non-cash interest expense on convertible notes	Net gain on strategic investments	Other adjustments	YTD 2021 Non-GAAP	YTD 2020 Non-GAAP	Year-Over-Year Increase / (Decrease)
Net sales \$	566,077	—	—	—	—	—	—	—	566,077	463,493	22.1%
Cost of sales	150,091	—	—	(742)	—	—	—	—	149,349	152,370	(2.0%)
Gross profit	415,986	—	—	742	—	—	—	—	416,728	311,123	33.9%
Gross margin	73.5%								73.6%	67.1%	650 bps
Operating expenses											
Selling, general and administrative	303,351	—	(3,248)	—	(1,103)	—	—	—	299,000	251,389	18.9%
<i>% of net sales</i>	<i>53.6%</i>	—	—	—	—	—	—	—	<i>52.8%</i>	<i>54.2%</i>	<i>(140 bps)</i>
Research and development	43,988	—	—	—	(2,461)	—	—	—	41,527	35,729	16.2%
<i>% of net sales</i>	<i>7.8%</i>	—	—	—	—	—	—	—	<i>7.3%</i>	<i>7.7%</i>	<i>(40 bps)</i>
Amortization of intangible assets	28,425	(28,425)	—	—	—	—	—	—	—	—	—
Business transition costs	17,137	—	—	(17,137)	—	—	—	—	—	—	—
Operating profit	23,085	28,425	3,248	17,879	3,564	—	—	—	76,201	24,005	217.4%
Operating margin	4.1%								13.5%	5.2%	830 bps
Interest and other expense, net	23,579	—	—	(13,393)	—	—	2,101	—	12,287	17,025	(27.8%)
Income tax expense ⁴	5,217	—	—	—	—	—	—	8,494	13,711	1,916	615.6%
Consolidated net (loss) income	(5,711)	28,425	3,248	31,272	3,564	—	(2,101)	(8,494)	50,203	5,064	891.4%
Diluted EPS \$	(0.11)								0.96	0.10	860.0%
WASO ⁵	51,473							667	52,140	52,148	

¹ Represents expenses associated with certain ongoing litigation matters, including infringement of the Company's intellectual property.

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³ Represents costs specific to updating our quality system, product labeling, asset write-offs and product remanufacturing to comply with European medical device regulation.

⁴ Represents the impact from tax effecting the adjustments above at their statutory tax rate.

⁵ Adjusted non-GAAP diluted WASO excludes the impact of dilutive convertible notes for which the Company is economically hedged through its anti-dilutive bond hedge arrangements.

Q2 2020 GAAP to non-GAAP select financial information

For the quarter ended June 30, 2020; in thousands except per share data

	Non-GAAP Adjustments								Q2 2020 Non-GAAP	Q2 2019 Non-GAAP	Year-Over-Year Increase / (Decrease)
	Q2 2020 GAAP	Amortization of intangible assets	Litigation ¹	Business transition ²	European medical device regulation ³	Non-cash interest expense on convertible notes	Net loss on strategic investments	Other adjustments ⁴			
Net sales \$	203,612	—	—	—	—	—	—	—	203,612	292,105	(30.3%)
Cost of sales	80,505	—	—	—	—	—	—	—	80,505	77,579	3.8%
Gross profit	123,107	—	—	—	—	—	—	—	123,107	214,526	(42.6%)
Gross margin	60.5%								60.5%	73.4%	(1,290 bps)
Operating expenses											
Selling, general and administrative	126,444	—	(1,187)	—	(490)	—	—	—	124,767	149,677	(16.6%)
<i>% of net sales</i>	<i>62.1%</i>	—	—	—	—	—	—	—	<i>61.3%</i>	<i>51.2%</i>	<i>1,010 bps</i>
Research and development	19,406	—	—	—	(1,193)	—	—	—	18,213	17,298	5.3%
<i>% of net sales</i>	<i>9.5%</i>	—	—	—	—	—	—	—	<i>8.9%</i>	<i>5.9%</i>	<i>300 bps</i>
Amortization of intangible assets	12,675	(12,675)	—	—	—	—	—	—	—	—	—
Business transition costs	874	—	—	(874)	—	—	—	—	—	—	—
Purchase of in-process research and development	1,011	—	—	—	—	—	—	(1,011)	—	—	—
Operating (loss) profit	(37,303)	12,675	1,187	874	1,683	—	—	1,011	(19,873)	47,551	(141.8%)
Operating margin	(18.3%)								(9.8%)	16.3%	(2,610 bps)
Interest and other expense, net	27,882	—	—	—	—	(9,615)	—	(12,301)	5,966	4,940	20.8%
Income tax (benefit) expense ⁵	(15,170)	—	—	—	—	—	—	9,697	(5,473)	9,802	(155.8%)
Consolidated net (loss) income	(50,015)	12,675	1,187	874	1,683	9,615	—	3,615	(20,366)	32,809	(162.1%)
Diluted EPS \$	(0.98)								(0.40)	0.63	(163.5%)
WASO ⁶	51,224								51,224	52,460	

¹ Represents expenses associated with certain ongoing litigation matters, including infringement of the Company's intellectual property.

² Costs related to acquisition, integration and business transition activities which include inventory and contingent consideration fair market value adjustments, severance, relocation, consulting, leasehold exit costs, third-party merger and acquisitions costs, and other costs directly associated with such activities, as well as non-cash adjustments to acquisition-related intercompany balances and contingent consideration liabilities held in a foreign currency.

³ Represents costs specific to updating our quality system, product labeling, asset write-offs and product remanufacturing to comply with European medical device regulation.

⁴ Includes purchase of in-process research and development and net change in fair value of the Company's derivative asset and liability associated with the 2023 Notes.

⁵ Represents the impact from tax effecting the adjustments above at their statutory tax rate.

⁶ Adjusted non-GAAP diluted WASO excludes the impact of dilutive convertible notes for which the Company is economically hedged through its anti-dilutive bond hedge arrangements.

YTD 2020 GAAP to non-GAAP select financial information

For the six months ended June 30, 2020; in thousands except per share data

	Non-GAAP Adjustments								YTD 2020 Non-GAAP	YTD 2019 Non-GAAP	Year-Over-Year Increase / (Decrease)
	YTD 2020 GAAP	Amortization of intangible assets	Litigation ¹	Business transition ²	European medical device regulation ³	Non-cash interest expense on convertible notes	Net loss on strategic investments	Other adjustments ⁴			
Net sales \$	463,493	—	—	—	—	—	—	—	463,493	566,881	(18.2%)
Cost of sales	152,370	—	—	—	—	—	—	—	152,370	152,073	0.2%
Gross profit	311,123	—	—	—	—	—	—	—	311,123	414,808	(25.0%)
Gross margin	67.1%								67.1%	73.2%	(610 bps)
Operating expenses											
Selling, general and administrative	256,675	—	(4,290)	—	(996)	—	—	—	251,389	291,707	(13.8%)
<i>% of net sales</i>	<i>55.4%</i>	—	—	—	—	—	—	—	<i>54.2%</i>	<i>51.5%</i>	<i>270 bps</i>
Research and development	37,663	—	—	—	(1,934)	—	—	—	35,729	34,541	3.4%
<i>% of net sales</i>	<i>8.1%</i>	—	—	—	—	—	—	—	<i>7.7%</i>	<i>6.1%</i>	<i>160 bps</i>
Amortization of intangible assets	25,324	(25,324)	—	—	—	—	—	—	—	—	—
Business transition costs	(566)	—	—	566	—	—	—	—	—	—	—
Purchase of in-process research and development	1,011	—	—	—	—	—	—	(1,011)	—	—	—
Operating (loss) profit	(8,984)	25,324	4,290	(566)	2,930	—	—	1,011	24,005	88,560	(72.9%)
Operating margin	(1.9%)								5.2%	15.6%	(1,040 bps)
Interest and other expense, net	46,076	—	—	—	—	(15,339)	(1,411)	(12,301)	17,025	10,091	68.7%
Income tax (benefit) expense ⁵	(10,343)	—	—	—	—	—	—	12,259	1,916	18,052	(89.4%)
Consolidated net (loss) income	(44,717)	25,324	4,290	(566)	2,930	15,339	1,411	1,053	5,064	60,417	(91.6%)
Diluted EPS \$	(0.87)								0.10	1.15	(91.3%)
WASO ⁶	51,531							617	52,148	52,471	

¹ Represents expenses associated with certain ongoing litigation matters, including infringement of the Company's intellectual property.

² Costs related to acquisition, integration and business transition activities which include inventory and contingent consideration fair market value adjustments, severance, relocation, consulting, leasehold exit costs, third-party merger and acquisitions costs, and other costs directly associated with such activities, as well as non-cash adjustments to acquisition-related intercompany balances and contingent consideration liabilities held in a foreign currency.

³ Represents costs specific to updating our quality system, product labeling, asset write-offs and product remanufacturing to comply with European medical device regulation.

⁴ Includes purchase of in-process research and development and net change in fair value of the Company's derivative asset and liability associated with the 2023 Notes.

⁵ Represents the impact from tax effecting the adjustments above at their statutory tax rate.

⁶ Adjusted non-GAAP diluted WASO excludes the impact of dilutive convertible notes for which the Company is economically hedged through its anti-dilutive bond hedge arrangements.

Net Sales supplemental information*

Financial results for the quarter ended June 30, 2021; Growth rates below include sales versus 2019 as well as 2020 as 2019 provides a more normalized baseline for comparison given the variability in the results caused by the COVID-19 pandemic throughout 2020

Net Sales Trend													
(\$ in millions)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020	Q1 2021	Q2 2021	YTD 2021
U.S. Spinal Hardware	147.8	160.2	160.0	168.9	637.0	138.5	113.8	161.2	155.2	568.7	145.2	160.1	305.3
U.S. Surgical Support	72.2	73.9	71.9	77.3	295.3	64.3	47.2	69.5	67.4	248.3	61.2	67.6	128.8
International	54.8	57.9	59.0	64.1	235.8	57.1	42.6	64.6	69.2	233.6	64.8	67.2	131.9
Total Net Sales	274.8	292.1	290.8	310.4	1,168.1	259.9	203.6	295.3	291.8	1,050.6	271.2	294.8	566.1

	Q2 2021 Net Sales Growth Overview						Year to Date 2021 Net Sales Growth Overview					
	From 2020			From 2019			From 2020			From 2019		
	Reported	Fx	ExFx	Reported	Fx	ExFx	Reported	Fx	ExFx	Reported	Fx	ExFx
U.S. Spinal Hardware	40.7%	-	40.7%	(0.1%)	-	(0.1%)	21.0%	-	21.0%	(0.9%)	-	(0.9%)
U.S. Surgical Support	43.2%	-	43.2%	(8.6%)	-	(8.6%)	15.6%	-	15.6%	(11.8%)	-	(11.8%)
International	57.5%	(7.2%)	50.3%	16.0%	(3.2%)	12.8%	32.3%	(6.3%)	26.0%	17.0%	(3.6%)	13.4%
Total Net Sales	44.8%	(1.5%)	43.3%	0.9%	(0.6%)	0.3%	22.1%	(1.4%)	20.8%	(0.1%)	(0.7%)	(0.9%)

* Data has been intentionally rounded and may not sum

Full-year 2021 financial guidance reconciliation of GAAP to Non-GAAP EPS

Full-Year 2021 Financial Guidance Reconciliation of GAAP to Non-GAAP EPS

	2020 Actuals ¹	2021 Guidance Range ^{1,2}
GAAP diluted earnings (loss) per share	\$ (0.72)	\$ 0.54 - 0.64
Impact of change to diluted share count ³	0.01	0.00 - 0.05
Amortization of intangible assets	0.99	1.09 - 1.14
Non-cash interest expense on convertible notes ⁴	0.79	
European medical device regulation ⁵	0.15	0.17 - 0.22
Other ⁶	0.60	0.72 - 0.77
Tax effect of adjustments ⁷	(0.59)	(0.33) - (0.38)
Non-GAAP diluted earnings per share	\$ 1.23	\$ 2.25 - 2.35

¹ Data has been intentionally rounded and may not sum.

² Guidance reflects the range provided July 28, 2021.

³ Adjusted non-GAAP diluted WASO excludes the impact of dilutive convertible notes for which the Company is economically hedged through its anti-dilutive bond hedge arrangements.

⁴ Discontinuation of debt discount accretion for our Senior Convertible Notes resulting from adopting ASU 2020-06 on January 1, 2021.

⁵ Represents costs specific to updating our quality system, product labeling, asset write-offs and product remanufacturing to comply with European medical device regulation.

⁶ Include costs primarily associated with litigation related expenses and settlements, non-cash acquisition-related foreign currency impacts, net loss recognized on change in fair value of derivatives and business transition costs. See Reconciliation of GAAP to Non-GAAP Financial Measures tables within respective earnings releases for further detail.

⁷ Represents the impact from tax effecting the adjustments above at their statutory tax rate.

Full-year 2021 financial guidance reconciliation of GAAP to Non-GAAP operating margin %

Full-Year 2021 Financial Guidance Reconciliation of GAAP to non-GAAP Operating Margin %

	2020 Actuals ¹	2021 Guidance Range ^{1, 2}
GAAP Operating Margin %	3.7%	6.5% - 7.0%
Amortization of intangible assets	4.9%	4.7% - 4.9%
European medical device regulation ³	0.7%	0.7% - 0.9%
Other ⁴	1.8%	2.2% - 2.4%
Non-GAAP Operating Margin %	11.1%	14.4% - 14.9%

¹ Data has been intentionally rounded and may not sum.

² Guidance reflects the range provided July 28, 2021.

³ Represents costs specific to updating our quality system, product labeling, asset write-offs and product remanufacturing to comply with European medical device regulation.

⁴ Include costs primarily associated with litigation related expenses and settlements, purchase of in-process research and development, and business transition costs. See Reconciliation of GAAP to Non-GAAP Financial Measures tables within respective earnings releases for further detail.

For questions, please contact:

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