



NuVasive, Inc.
Q2 2019 Supplementary Financial Information
Reconciliation of GAAP to Non-GAAP Financial Measures
Results as of June 30, 2019; Guidance as of Q2 2019 Earnings Report on July 30, 2019
in thousands except per share data

Second Quarter 2019 Financial Highlights*

- Revenue increased 3.7% to \$292.1 million, or 4.7% on a constant currency basis;
- GAAP operating profit margin of 10.3%; Non-GAAP operating profit margin of 16.3%; and
- GAAP diluted earnings per share of \$0.29; Non-GAAP diluted earnings per share of \$0.63.

Full year 2019 guidance**: revenue growth of 3.4% to 5.4% 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 15.3% to 15.7%; adjusted EBITDA margin range of 25.5% to 25.9%; and non-GAAP diluted EPS range of \$2.25 to \$2.35.

*Compares Q2 2019 vs Q2 2018

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

Revenue:	Q118	Q218	Q318	Q418	2018 FY	Q119	Q219	2019 FY	Growth %	2019 FY Guidance % Growth
U.S. Spinal Hardware & Other	141,470	150,778	146,078	156,583	594,909	147,800	160,249	308,049	6.3%	3% to 5%
U.S. Surgical Support & Other	69,557	74,032	72,572	75,299	291,460	72,157	73,938	146,095	-0.1%	1% to 3%
International (including Puerto Rico)	49,495	56,754	52,651	56,445	215,345	54,819	57,918	112,737	2.1%	10% to 12% (12% to 14% ex FX)
Total Revenue	260,522	281,564	271,301	288,327	1,101,714	274,776	292,105	566,881	3.7%	3.4% to 5.4% (3.8% to 5.8% ex FX)

For accurate tax calculation, begin by building a GAAP model using the below GAAP income statement:

	Q118	Q218	Q318	Q418	2018 FY	Q119	Q219	2019 FY	
Revenue	260,522	281,564	271,301	288,327	1,101,714	274,776	292,105	566,881	2019 FY Guidance \$1.14B to \$1.16B
Cost of revenue (excluding below amortization of intangible assets)	73,814	77,056	74,160	86,129	311,159	74,494	77,579	152,073	
Gross profit	186,708	204,508	197,141	202,198	790,555	200,282	214,526	414,808	72.5% to 73.0%
GAAP gross margin %	71.7%	72.6%	72.7%	70.1%	71.8%	72.9%	73.4%	73.2%	
Sales, marketing & administrative (SM&A)	146,766	145,658	141,211	142,201	575,836	145,076	152,853	297,929	~24.0%
Research and development (R&D)	14,491	14,856	15,254	17,094	61,695	17,575	17,553	35,128	
Amortization of intangible assets	12,425	12,628	12,349	13,268	50,670	13,625	12,277	25,902	
Purchase of in-process research and development ¹	—	—	8,913	—	8,913	—	—	—	
Litigation liability loss (gain) ²	28,995	(1,195)	—	—	27,800	—	—	—	
Business transition costs ³	2,253	3,998	1,443	3,779	11,473	3,833	1,646	5,479	
GAAP operating expenses	204,930	175,945	179,170	176,342	736,387	180,109	184,329	364,438	
GAAP operating profit (loss)	(18,222)	28,563	17,971	25,856	54,168	20,173	30,197	50,370	
Interest and other expense, net	(19,036)	(12,219)	(4,666)	(9,524)	(45,445)	(9,470)	(9,314)	(18,784)	
GAAP income (loss) before income taxes	(37,258)	16,344	13,305	16,332	8,723	10,703	20,883	31,586	
GAAP income tax expense (benefit) rate	27.2%	29.4%	(19.7%)	25.6%	(43.1%)	12.3%	28.4%	22.9%	~24.0%
GAAP income tax (expense) benefit	10,126	(4,813)	2,618	(4,175)	3,756	(1,317)	(5,921)	(7,238)	
GAAP net income (loss)	(27,132)	11,531	15,923	12,157	12,479	9,386	14,962	24,348	~52.9M \$0.93 to \$1.03
GAAP WASO	51,226	51,956	53,189	52,530	52,355	52,480	52,460	52,471	
GAAP EPS	\$ (0.53)	\$ 0.22	\$ 0.30	\$ 0.23	\$ 0.24	\$ 0.18	\$ 0.29	\$ 0.46	
To calculate EBITDA:	Q118	Q218	Q318	Q418	2018 FY	Q119	Q219	2019 FY	
GAAP net income / (loss)	(27,132)	11,531	15,923	12,157	12,479	9,386	14,962	24,348	25.5% to 25.9%
Interest income / expense, net	9,333	9,840	8,905	9,193	37,271	9,104	9,323	18,427	
GAAP income tax (expense) benefit	10,126	(4,813)	2,618	(4,175)	3,756	(1,317)	(5,921)	(7,238)	
Depreciation and amortization	32,090	32,061	32,258	33,356	129,765	34,054	33,560	67,614	
EBITDA margin	4,165	58,245	54,468	58,881	175,759	53,861	63,766	117,627	
EBITDA margin %	1.6%	20.7%	20.1%	20.4%	16.0%	19.6%	21.8%	20.7%	
Business transition costs ³	2,253	3,998	1,443	3,779	11,473	3,833	1,646	5,479	
Non-cash purchase accounting adjustments on acquisitions ⁴	405	405	270	—	1,080	—	—	—	
Purchase of in-process research and development ¹	—	—	8,913	—	8,913	—	—	—	
Litigation related expenses and settlements ⁵	29,586	383	1,333	2,750	34,052	3,046	2,031	5,077	
Non-recurring consulting fees ⁶	6,084	—	—	—	6,084	—	—	—	
Net loss/(gain) on strategic investments	9,004	—	(5,137)	(30)	3,837	—	—	—	
Stock based compensation	4,134	6,860	11,068	3,699	25,761	5,717	6,901	12,618	
European medical device regulation ⁷	—	—	—	373	373	332	1,400	1,732	
Adjusted EBITDA	55,631	69,891	72,358	69,452	267,332	66,789	75,744	142,533	
Adjusted EBITDA margin %	21.4%	24.8%	26.7%	24.1%	24.3%	24.3%	25.9%	25.1%	
To calculate Non-GAAP EPS, add back and tax effect Non-GAAP exclusions, which are detailed in each earnings press release:	Q118	Q218	Q318	Q418	2018 FY	Q119	Q219	2019 FY	
Amortization of intangible assets	12,425	12,628	12,349	13,268	50,670	13,625	12,277	25,902	~52.6M \$2.25 to \$2.35
Non-cash purchase accounting adjustments on acquisitions ⁴	405	405	270	—	1,080	—	—	—	
Purchase of in-process research and development ¹	—	—	8,913	—	8,913	—	—	—	
Non-cash interest expense on convertible notes	4,099	4,153	4,208	4,262	16,722	4,319	4,374	8,693	
Business transition costs ³	2,253	3,998	1,443	3,779	11,473	3,833	1,646	5,479	
Non-recurring consulting fees ⁶	6,084	—	—	—	6,084	—	—	—	
Net loss/(gain) on strategic investments	9,004	—	(5,137)	(30)	3,837	—	—	—	
Litigation related expenses and settlements ⁵	29,586	383	1,333	2,750	34,052	3,046	2,031	5,077	
European medical device regulation ⁷	—	—	—	373	373	332	1,400	1,732	
Sub-total exclusions for Non-GAAP	63,856	21,567	23,379	24,402	133,204	25,155	21,728	46,883	
Tax related to exclusions	(16,109)	(2,775)	(9,798)	(444)	(29,126)	(6,933)	(3,881)	(10,814)	
Tax affected exclusions for Non-GAAP	47,747	18,792	13,581	23,958	104,078	18,222	17,847	36,069	
Total exclusions for Non-GAAP, net of tax	47,747	18,792	13,581	23,958	104,078	18,222	17,847	36,069	
Non-GAAP net income	20,615	30,323	29,504	36,115	116,557	27,608	32,809	60,417	
Non-GAAP WASO ⁸	51,742	51,956	52,539	52,471	52,178	52,480	52,460	52,471	
Non-GAAP EPS	\$ 0.40	\$ 0.58	\$ 0.56	\$ 0.69	\$ 2.23	\$ 0.53	\$ 0.63	\$ 1.15	
To calculate Non-GAAP line items:	Q118	Q218	Q318	Q418	2018 FY	Q119	Q219	2019 FY	
GAAP gross profit	186,708	204,508	197,141	202,198	790,555	200,282	214,526	414,808	72.5% to 73.0%
GAAP ONLY non-cash purchase accounting adjustments on acquisitions ⁴	405	405	270	—	1,080	—	—	—	
Non-GAAP gross profit	187,113	204,913	197,411	202,198	791,635	200,282	214,526	414,808	
% of revenue	71.8%	72.8%	72.8%	70.1%	71.9%	72.9%	73.4%	73.2%	
GAAP SM&A	146,766	145,658	141,211	142,201	575,836	145,076	152,853	297,929	
GAAP ONLY litigation related expenses ⁵	(591)	(1,578)	(1,333)	(2,750)	(6,252)	(3,046)	(2,031)	(5,077)	
GAAP ONLY European medical device regulation ⁷	—	—	—	—	—	—	(1,145)	(1,145)	
GAAP ONLY non-recurring consulting fees ⁶	(6,084)	—	—	—	(6,084)	—	—	—	
Non-GAAP SM&A	140,091	144,080	139,878	139,451	563,500	142,030	149,677	291,707	
% of revenue	53.8%	51.2%	51.6%	48.4%	51.1%	51.7%	51.2%	51.5%	
GAAP R&D	14,491	14,856	15,254	17,094	61,695	17,575	17,553	35,128	
GAAP ONLY European medical device regulation ⁷	—	—	—	(373)	(373)	(332)	(255)	(587)	
Non-GAAP R&D	14,491	14,856	15,254	16,721	61,322	17,243	17,298	34,541	
% of revenue	5.6%	5.3%	5.6%	5.8%	5.6%	6.3%	5.9%	6.1%	
Non-GAAP operating expenses	154,582	158,936	155,132	156,172	624,822	159,273	166,975	326,248	
% of revenue	59.3%	56.4%	57.2%	54.2%	56.7%	58.0%	57.2%	57.6%	
Non-GAAP operating profit	32,531	45,977	42,279	46,026	166,813	41,009	47,551	88,560	15.3% to 15.7%
Non-GAAP operating margin	12.5%	16.3%	15.6%	16.0%	15.1%	14.9%	16.3%	15.6%	
GAAP & Non-GAAP interest income	(134)	(116)	(130)	(206)	(586)	(409)	(327)	(736)	
GAAP interest expense	9,467	9,956	9,035	9,399	37,857	9,513	9,650	19,163	
GAAP ONLY non-cash interest expense on convertible notes	(4,099)	(4,153)	(4,208)	(4,262)	(16,722)	(4,319)	(4,374)	(8,693)	
Non-GAAP interest expense	5,368	5,803	4,827	5,137	21,135	5,194	5,276	10,470	
GAAP other expense (income), net	9,703	2,379	(4,239)	331	8,174	366	(9)	357	
GAAP ONLY net (loss)/gain on strategic investments	(9,004)	—	5,137	30	(3,837)	—	—	—	
Non-GAAP other expense, net	699	2,379	898	361	4,337	366	(9)	357	
Non-GAAP interest and other expense, net	5,933	8,066	5,595	5,292	24,886	5,151	4,940	10,091	
For Non-GAAP ONLY P&L modeling	Q118	Q218	Q318	Q418	2018 FY	Q119	Q219	2019 FY	
Non-GAAP pre-tax income	26,598	37,911	36,684	40,734	141,927	35,858	42,611	78,469	~23.0%
Non-GAAP P&L modeling tax rate	22.5%	20.0%	19.6%	11.3%	17.9%	23.0%	23.0%	23.0%	
Non-GAAP income tax expense ⁹	5,983	7,588	7,180	4,619	25,370	8,250	9,802	18,052	
Non-GAAP net income	20,615	30,323	29,504	36,115	116,557	27,608	32,809	60,417	

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

² Represents the loss (gain) recorded in connection with the Madsen Medical, Inc. litigation matter for fiscal year 2018.

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 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 Amounts recorded in line item 'Litigation liability loss (gain)' relate to the loss recorded in connection with the settlement of the Madsen Medical, Inc. litigation matter. Amounts recorded in line item 'Sales, marketing and administrative' relate to 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.

⁶ Non-recurring consulting fees associated with the implementation of our state tax-planning strategy.

⁷ Represents costs specific to updating our quality system, product labeling, asset write-offs and product remanufacturing to comply with European medical device regulation.

⁸ Adjusted non-GAAP diluted WASO excludes the impact of dilutive convertible notes and warrants for which the Company is economically hedged through its anti-dilutive bond hedge arrangements.

⁹ Represents the impact from tax effecting the adjustments above at their statutory tax rate.