



Third Quarter 2022 Financial Results

Supplemental information to Q3 2022 earnings press release

November 9, 2022

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 third quarter 2022, as well as projections for 2022 financial guidance and expectations regarding longer-term financial performance. The Company’s results for the third quarter of 2022 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 2022 financial guidance and expectations regarding longer-term financial performance 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

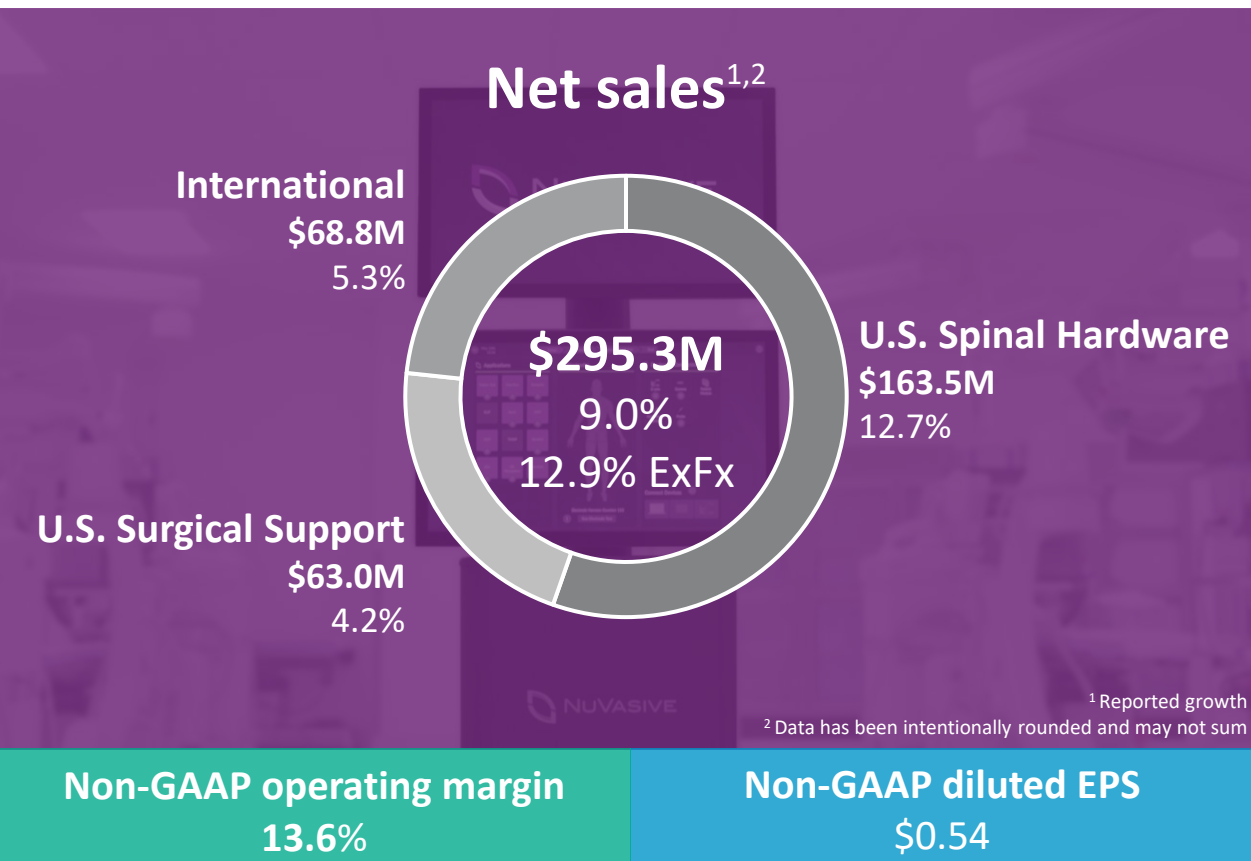
Management uses certain non-GAAP financial measures such as non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating margin, non-GAAP net income (loss), and non-GAAP diluted earnings (loss) per share. These non-GAAP financial measures exclude amortization of intangible assets, business transition costs, purchased in-process research and development, one-time restructuring charges, non-cash purchase accounting adjustments, inventory charges associated with product withdrawals, 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 charges, non-cash purchase accounting adjustments, inventory charges associated with product withdrawals, 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 third quarter 2022 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.

Third quarter 2022 overview

Financial results and highlights for the quarter ended September 30, 2022



Key third quarter highlights

- **Strong** year-over-year total net sales growth of 9.0% as reported and 12.9% on a constant currency basis, driven by:
 - **Higher procedure volume** in the U.S.
 - **Record quarter** in Cervical net sales led by C360 portfolio
 - Continued **solid international performance**
- **Updated full-year 2022 financial guidance**
 - Reported net sales growth of 5.5%-6.5%, constant currency net sales growth of 8.7%-9.7%
 - GAAP operating margin of 6.7%-7.4% and non-GAAP operating margin of 12.3%-13.0%
 - GAAP diluted EPS of \$0.50-\$0.60 and non-GAAP diluted EPS of \$2.00-\$2.10

Full-year 2022 financial guidance

NuVasive financial guidance as of November 9, 2022

	Prior guidance**		Current guidance**	
	GAAP	Non-GAAP	GAAP	Non-GAAP
Net sales growth (reported)*	6.0%-8.0%	6.0%-8.0%	5.5%-6.5%	5.5%-6.5%
Net sales growth (constant currency)*		8.7%-10.7%		8.7%-9.7%
Operating margin	7.6%-9.1%	13.0%-14.5%	6.7%-7.4%	12.3%-13.0%
Diluted earnings per share	\$0.95-\$1.25***	\$2.15-\$2.45	\$0.50-\$0.60***	\$2.00-\$2.10

* Reflects expectations for net sales growth in 2022 compared to 2021. Net sales growth on a constant currency basis excludes year-over-year currency fluctuations, which the Company currently expects to create a negative impact of approximately 320 basis points in 2022.

** Prior guidance reflects the range provided August 3, 2022. Current guidance reflects the range provided November 9, 2022.

*** Reflects updated expectations for the impact on diluted EPS of applying the if-converted method to the Company's convertible notes. Additionally, includes the impact of net unrealized foreign currency exchange gains and losses incurred as of September 30, 2022, and does not assume future net unrealized gains or losses related to foreign currency exchange rates.

Third quarter 2022 GAAP to non-GAAP select financial information

In thousands except per share data

	Non-GAAP Adjustments							Q3 2022 Non-GAAP	Q3 2021 Non-GAAP	Year-Over-Year Increase / (Decrease)
	Q3 2022 GAAP	Amortization of intangible assets	Litigation ¹	Business transition ²	European medical device regulation ³	Net loss on strategic investments	Other adjustments			
Net sales \$	295,280	—	—	—	—	—	—	295,280	270,836	9.0%
Cost of sales	80,872	—	—	—	—	—	—	80,872	73,880	9.5%
Gross profit	214,408	—	—	—	—	—	—	214,408	196,956	8.9%
Gross margin	72.6%							72.6%	72.7%	(10 bps)
Operating expenses										
Selling, general and administrative	154,005	—	(828)	—	(393)	—	—	152,784	144,658	5.6%
<i>% of net sales</i>	<i>52.2%</i>	—	—	—	—	—	—	<i>51.7%</i>	<i>53.4%</i>	<i>(170 bps)</i>
Research and development	23,666	—	—	—	(2,124)	—	—	21,542	21,909	(1.7%)
<i>% of net sales</i>	<i>8.0%</i>	—	—	—	—	—	—	<i>7.3%</i>	<i>8.1%</i>	<i>(80 bps)</i>
Amortization of intangible assets	12,157	(12,157)	—	—	—	—	—	—	—	—
Business transition costs	2,811	—	—	(2,811)	—	—	—	—	—	—
Operating profit	21,769	12,157	828	2,811	2,517	—	—	40,082	30,389	31.9%
Operating margin	7.4%							13.6%	11.2%	240 bps
Interest and other expense, net	24,585	—	—	(18,434)	—	(1,016)	—	5,135	7,099	(27.7%)
Income tax (benefit) expense ⁴	(839)	—	—	—	—	—	7,461	6,622	6,402	3.4%
Consolidated net (loss) income	(1,977)	12,157	828	21,245	2,517	1,016	(7,461)	28,325	16,888	67.7%
Diluted EPS \$	(0.04)							0.54	0.32	68.8%
WASO⁵	52,067						517	52,584	52,268	

¹ Represents expenses and settlements 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 affecting the adjustments above at their statutory tax rate.

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

Year-to-date 2022 GAAP to non-GAAP select financial information

In thousands except per share data

	Non-GAAP Adjustments							YTD 2022 Non-GAAP	YTD 2021 Non-GAAP	Year-Over-Year Increase / (Decrease)
	YTD 2022 GAAP	Amortization of intangible assets	Litigation ¹	Business transition ²	European medical device regulation ³	Net loss on strategic investments	Other adjustments			
Net sales \$	896,493	—	—	—	—	—	—	896,493	836,913	7.1%
Cost of sales	245,727	—	—	(557)	—	—	—	245,170	223,229	9.8%
Gross profit	650,766	—	—	557	—	—	—	651,323	613,684	6.1%
Gross margin	72.6%							72.7%	73.3%	(60 bps)
Operating expenses										
Selling, general and administrative	474,982	—	(3,676)	—	(1,362)	—	—	469,944	443,659	5.9%
<i>% of net sales</i>	<i>53.0%</i>	—	—	—	—	—	—	<i>52.4%</i>	<i>53.0%</i>	<i>(60 bps)</i>
Research and development	72,937	—	—	—	(6,101)	—	—	66,836	63,435	5.4%
<i>% of net sales</i>	<i>8.1%</i>	—	—	—	—	—	—	<i>7.5%</i>	<i>7.6%</i>	<i>(10 bps)</i>
Amortization of intangible assets	37,826	(37,826)	—	—	—	—	—	—	—	—
Business transition costs	(1,753)	—	—	1,753	—	—	—	—	—	—
Operating profit	66,774	37,826	3,676	(1,196)	7,463	—	—	114,543	106,590	7.5%
Operating margin	7.4%							12.8%	12.7%	10 bps
Interest and other expense, net	46,448	—	—	(34,209)	—	(1,248)	—	10,991	19,386	(43.3%)
Income tax expense ⁴	3,995	—	—	—	—	—	18,238	22,233	20,113	10.5%
Consolidated net income	16,331	37,826	3,676	33,013	7,463	1,248	(18,238)	81,319	67,091	21.2%
Diluted EPS \$	0.31							1.55	1.29	20.2%
WASO⁵	52,512						—	52,512	52,184	

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

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

Third quarter 2021 GAAP to non-GAAP select financial information

In thousands except per share data

	Non-GAAP Adjustments								Q3 2021 Non-GAAP	Q3 2020 Non-GAAP	Year-Over-Year Increase / (Decrease)
	Q3 2021 GAAP	Amortization of intangible assets	Litigation ¹	Business transition ²	Inventory charges associated with product withdrawals ³	European medical device regulation ⁴	Net gain on strategic investments	Other adjustments			
Net sales \$	270,836	—	—	—	—	—	—	—	270,836	295,282	(8.3%)
Cost of sales	88,652	—	—	(557)	(14,215)	—	—	—	73,880	84,633	(12.7%)
Gross profit	182,184	—	—	557	14,215	—	—	—	196,956	210,649	(6.5%)
Gross margin	67.3%								72.7%	71.3%	140 bps
Operating expenses											
Selling, general and administrative	146,056	—	(762)	—	—	(636)	—	—	144,658	144,571	0.1%
<i>% of net sales</i>	<i>53.9%</i>								<i>53.4%</i>	<i>49.0%</i>	<i>440 bps</i>
Research and development	23,405	—	—	—	—	(1,496)	—	—	21,909	19,548	12.1%
<i>% of net sales</i>	<i>8.6%</i>								<i>8.1%</i>	<i>6.6%</i>	<i>150 bps</i>
Amortization of intangible assets	14,805	(14,805)	—	—	—	—	—	—	—	—	—
Business transition costs	4,551	—	—	(4,551)	—	—	—	—	—	—	—
Operating (loss) profit	(6,633)	14,805	762	5,108	14,215	2,132	—	—	30,389	46,530	(34.7%)
Operating margin	(2.4%)								11.2%	15.8%	(460 bps)
Interest and other expense, net	17,379	—	—	(10,280)	—	—	—	—	7,099	9,050	(21.6%)
Income tax (benefit) expense ⁵	(2,373)	—	—	—	—	—	—	8,775	6,402	9,154	(30.1%)
Consolidated net (loss) income	(21,639)	14,805	762	15,388	14,215	2,132	—	(8,775)	16,888	28,326	(40.4%)
Diluted EPS \$	(0.42)								0.32	0.55	(41.8%)
WASO ⁶	51,669							599	52,268	51,805	

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 charges for inventory write-offs associated with the Company's product withdrawals. During the three months ended September 30, 2021, the Company made a determination to withdraw certain products marketed and sold by its wholly-owned subsidiary, NuVasive Specialized Orthopedics.

⁴ Represents costs specific to updating our quality system, product labeling, asset write-offs and product remanufacturing to comply with European medical device regulation.

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

Year-to-date 2021 GAAP to non-GAAP select financial information

In thousands except per share data

	Non-GAAP Adjustments								YTD 2021 Non-GAAP	YTD 2020 Non-GAAP	Year-Over-Year Increase / (Decrease)
	YTD 2021 GAAP	Amortization of intangible assets	Litigation ¹	Business transition ²	Inventory charges associated with product withdrawals ³	European medical device regulation ⁴	Net gain on strategic investments	Other adjustments			
Net sales \$	836,913	—	—	—	—	—	—	—	836,913	758,775	10.3%
Cost of sales	238,743	—	—	(1,299)	(14,215)	—	—	—	223,229	237,003	(5.8%)
Gross profit	598,170	—	—	1,299	14,215	—	—	—	613,684	521,772	17.6%
Gross margin	71.5%								73.3%	68.8%	450 bps
Operating expenses											
Selling, general and administrative	449,407	—	(4,010)	—	—	(1,738)	—	—	443,659	395,960	12.0%
<i>% of net sales</i>	<i>53.7%</i>								<i>53.0%</i>	<i>52.2%</i>	<i>80 bps</i>
Research and development	67,393	—	—	—	—	(3,958)	—	—	63,435	55,277	14.8%
<i>% of net sales</i>	<i>8.1%</i>								<i>7.6%</i>	<i>7.3%</i>	<i>30 bps</i>
Amortization of intangible assets	43,230	(43,230)	—	—	—	—	—	—	—	—	—
Business transition costs	21,688	—	—	(21,688)	—	—	—	—	—	—	—
Operating profit	16,452	43,230	4,010	22,987	14,215	5,696	—	—	106,590	70,535	51.1%
Operating margin	2.0%								12.7%	9.3%	340 bps
Interest and other expense, net	40,958	—	—	(23,673)	—	—	2,101	—	19,386	26,076	(25.7%)
Income tax expense ⁵	2,844	—	—	—	—	—	—	17,269	20,113	11,070	81.7%
Consolidated net (loss) income	(27,350)	43,230	4,010	46,660	14,215	5,696	(2,101)	(17,269)	67,091	33,389	100.9%
Diluted EPS \$	(0.53)								1.29	0.64	101.6%
WASO ⁶	51,539							645	52,184	52,033	

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.

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Net sales supplemental information*

Financial results for the quarter ended September 30, 2022; Growth rates compared to 2021

Net sales trend (\$)

(\$ in millions)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021	Q1 2022	Q2 2022	Q3 2022	YTD 2022
U.S. Spinal Hardware	145.2	160.1	145.1	160.5	610.8	155.6	165.1	163.5	484.3
U.S. Surgical Support	61.2	67.6	60.5	69.7	258.9	63.6	71.8	63.0	198.3
International	64.8	67.2	65.3	71.9	269.2	71.5	73.6	68.8	213.9
Total Net Sales	271.2	294.8	270.8	302.1	1,139.0	290.8	310.5	295.3	896.5

Net sales year-over-year growth (%)

	Third quarter 2022			Year-to-date 2022		
	Reported	FX	ExFx	Reported	FX	ExFx
U.S. Spinal Hardware	12.7%	-	12.7%	7.5%	-	7.5%
U.S. Surgical Support	4.2%	-	4.2%	4.8%	-	4.8%
International	5.3%	16.0%	21.3%	8.4%	11.8%	20.2%
Total Net Sales	9.0%	3.9%	12.9%	7.1%	2.8%	9.9%

* Data has been intentionally rounded and may not sum

Full-year 2022 financial guidance reconciliation of GAAP to Non-GAAP diluted EPS

Full-year 2022 financial guidance reconciliation of GAAP to non-GAAP diluted EPS

	2021 Actuals ¹	2022 guidance range ^{1,2}	
		Prior	Current
GAAP diluted earnings (loss) per share	\$ (1.24)	\$ 0.95-1.25	\$ 0.50-0.60
Impact of dilution ³	0.02	~0.05	-
Amortization of intangible assets	1.10	~1.00	~0.95
European medical device regulation ⁴	0.16	~0.25	~0.25
Inventory charges associated with product withdrawals ⁵	0.27	-	-
Other ⁶	1.83	~0.30	~0.75
Tax effect of adjustments ⁷	(0.45)	~(0.40)	~(0.45)
Non-GAAP diluted earnings per share	\$ 1.68	\$ 2.15-2.45	\$ 2.00-2.10

¹ Data has been intentionally rounded and may not sum.

² Prior guidance reflects the range provided August 3, 2022. Current guidance reflects the range provided November 9, 2022.

³ GAAP diluted EPS includes the dilutive impact of applying the if-converted method to the Company's convertible notes. 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.

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⁶ Includes costs primarily associated with litigation related expenses and settlements, non-cash acquisition-related foreign currency impacts, non-cash purchase accounting adjustments on acquisitions, net gain (loss) on strategic investments 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 affecting the adjustments above at their statutory tax rate.

Full-year 2022 financial guidance reconciliation of GAAP to Non-GAAP operating margin %

Full-year 2022 financial guidance reconciliation of GAAP to non-GAAP operating margin %

	2021 Actuals ¹	2022 guidance range ^{1, 2}	
		Prior	Current
GAAP operating margin %	(1.1%)	7.6% - 9.1%	6.7% - 7.4%
Amortization of intangible assets	5.0%	~4.4%	~4.2%
European medical device regulation ³	0.7%	~1.0%	~1.0%
Inventory charges associated with product withdrawals ⁴	1.3%	-	-
Other ⁵	6.8%	-	~0.4%
Non-GAAP operating margin %	12.8%	13.0% - 14.5%	12.3% - 13.0%

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² Prior guidance reflects the range provided August 3, 2022. Current guidance reflects the range provided November 9, 2022.

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⁵ Includes costs primarily associated with litigation related expenses and settlements, non-cash purchase accounting adjustments on acquisitions, 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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