



NuVasive, Inc.
Q1 2020 Supplementary Financial Information
Reconciliation of GAAP to Non-GAAP Financial Measures
Results as of March 31, 2020; Earnings Report on May 6, 2020
in thousands except per share data

First Quarter 2020 Financial Highlights*

- Revenue decreased -5.4% to \$259.9 million, or -5.1% on a constant currency basis;
- GAAP operating margin of 10.9%; Non-GAAP operating margin of 16.9%; and
- GAAP diluted earnings per share of \$0.10; Non-GAAP diluted earnings per share of \$0.48.

Full Year 2020 Guidance

On April 14, 2020, NuVasive withdrew its annual financial guidance for 2020. The COVID-19 pandemic has had a significant negative impact on elective procedure volumes. As visibility for spine surgery volumes for the remainder of the year is limited, and the Company is not able to predict when or how quickly elective surgery volumes will recover, the Company is not providing financial guidance for 2020 at this time.

*Compares Q1 2020 vs Q1 2019

Revenue:	Q119	Q219	Q319	Q419	2019 FY	Q120	Q120 Growth
U.S. Spinal Hardware	147,800	160,249	160,012	168,919	636,980	138,513	(6.3)%
U.S. Surgical Support	72,157	73,938	71,863	77,326	295,284	64,281	(10.9)%
International	54,819	57,918	58,960	64,109	235,806	57,087	4.1%
Total Revenue	274,776	292,105	290,835	310,354	1,168,070	259,881	(5.4)%

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

	Q119	Q219	Q319	Q419	2019 FY	Q120
Revenue	274,776	292,105	290,835	310,354	1,168,070	259,881
Cost of revenue (excluding below amortization of intangible assets)	74,494	77,579	77,028	83,256	312,357	71,865
Gross profit	200,282	214,526	213,807	227,098	855,713	188,016
GAAP gross margin %	72.9%	73.4%	73.5%	73.2%	73.3%	72.3%
Sales, marketing & administrative (SM&A)	145,076	152,853	152,887	160,365	611,181	130,231
Research and development (R&D)	17,575	17,553	18,143	19,109	72,380	18,257
Amortization of intangible assets	13,625	12,277	12,596	12,599	51,097	12,649
Business transition costs ¹	3,833	1,646	(333)	(7,141)	(1,995)	(1,440)
GAAP operating expenses	180,109	184,329	183,293	184,932	732,663	159,697
GAAP operating profit	20,173	30,197	30,514	42,166	123,050	28,319
Interest and other expense, net	(9,470)	(9,314)	(14,730)	(9,019)	(42,533)	(18,194)
GAAP income before income taxes	10,703	20,883	15,784	33,147	80,517	10,125
GAAP income tax expense rate	12.3%	28.4%	30.2%	9.9%	19.0%	47.7%
GAAP income tax expense	(1,317)	(5,921)	(4,774)	(3,271)	(15,283)	(4,827)
GAAP net income	9,386	14,962	11,010	29,876	65,234	5,298
GAAP WASO	52,480	52,460	53,056	54,638	53,160	53,727
GAAP EPS	\$ 0.18	\$ 0.29	\$ 0.21	\$ 0.55	\$ 1.23	\$ 0.10

To calculate EBITDA:

	Q119	Q219	Q319	Q419	2019 FY	Q120
GAAP net income	9,386	14,962	11,010	29,876	65,234	5,298
Interest expense/(income), net	9,104	9,323	9,034	9,147	36,608	10,786
GAAP income tax expense	(1,317)	(5,921)	(4,774)	(3,271)	(15,283)	(4,827)
Depreciation and amortization	34,054	33,560	33,631	34,348	135,593	34,972
EBITDA margin	53.861	63.766	58.449	76.642	252.718	55.883
EBITDA margin %	19.6%	21.8%	20.1%	24.7%	21.6%	21.5%
Business transition costs ¹	3,833	1,646	(333)	(7,141)	(1,995)	(1,440)
Litigation related expenses and settlements ²	3,046	2,031	1,899	818	7,794	3,103
Net loss on strategic investments	—	—	4,767	—	4,767	1,411
Stock-based compensation	5,717	6,901	7,829	10,285	30,732	(2,858)
European medical device regulation ³	332	1,400	953	2,384	5,069	1,247
Adjusted EBITDA	66,789	75,744	73,564	82,988	299,085	57,346
Adjusted EBITDA margin %	24.3%	25.9%	25.3%	26.7%	25.6%	22.1%

To calculate Non-GAAP EPS, add back and tax effect Non-GAAP exclusions, which are detailed in each earnings press release:

	Q119	Q219	Q319	Q419	2019 FY	Q120
Amortization of intangible assets	13,625	12,277	12,596	12,599	51,097	12,649
Non-cash interest expense on convertible notes	4,319	4,374	4,432	4,492	17,617	5,724
Business transition costs ¹	3,833	1,646	(333)	(7,141)	(1,995)	(1,440)
Net loss on strategic investments	—	—	4,767	—	4,767	1,411
Litigation related expenses and settlements ²	3,046	2,031	1,899	818	7,794	3,103
European medical device regulation ³	332	1,400	953	2,384	5,069	1,247
Sub-total exclusions for Non-GAAP	25,155	21,728	24,314	13,152	84,349	22,694
Tax related to exclusions	(6,933)	(3,881)	(4,455)	(4,513)	(19,782)	(2,562)
Tax affected exclusions for Non-GAAP	18,222	17,847	19,859	8,639	64,567	20,132
Non-GAAP net income	27,608	32,809	30,869	38,515	129,801	25,430
Non-GAAP WASO ⁴	52,480	52,460	52,590	52,979	52,629	52,532
Non-GAAP EPS	\$ 0.53	\$ 0.63	\$ 0.59	\$ 0.73	\$ 2.47	\$ 0.48

To calculate Non-GAAP line items:

	Q119	Q219	Q319	Q419	2019 FY	Q120
GAAP gross profit	200,282	214,526	213,807	227,098	855,713	188,016
Non-GAAP gross profit	200,282	214,526	213,807	227,098	855,713	188,016
% of revenue	72.9%	73.4%	73.5%	73.2%	73.3%	72.3%
GAAP SM&A	145,076	152,853	152,887	160,365	611,181	130,231
GAAP ONLY litigation related expenses and settlements ²	(3,046)	(2,031)	(1,899)	(818)	(7,794)	(3,103)
GAAP ONLY European medical device regulation ³	—	(1,145)	(804)	(1,542)	(3,491)	(506)
Non-GAAP SM&A	142,030	149,677	150,184	158,005	599,896	126,622
% of revenue	51.7%	51.2%	51.6%	50.9%	51.4%	48.7%
GAAP R&D	17,575	17,553	18,143	19,109	72,380	18,257
GAAP ONLY European medical device regulation ³	(332)	(255)	(149)	(842)	(1,578)	(741)
Non-GAAP R&D	17,243	17,298	17,994	18,267	70,802	17,516
% of revenue	6.3%	5.9%	6.2%	5.9%	6.1%	6.7%
Non-GAAP operating expenses	159,273	166,975	168,178	176,272	670,698	144,138
% of revenue	58.0%	57.2%	57.8%	56.8%	57.4%	55.5%
Non-GAAP operating profit	41,009	47,551	45,629	50,826	185,015	43,878
Non-GAAP operating margin	14.9%	16.3%	15.7%	16.4%	15.8%	16.9%
GAAP & Non-GAAP interest income	(409)	(327)	(620)	(561)	(1,917)	(731)
GAAP interest expense	9,513	9,650	9,654	9,708	38,525	11,517
GAAP ONLY non-cash interest expense on convertible notes	(4,319)	(4,374)	(4,432)	(4,492)	(17,617)	(5,724)
Non-GAAP interest expense	5,194	5,276	5,222	5,216	20,908	5,793
GAAP other expense (income), net	366	(9)	5,696	(128)	5,925	7,408
GAAP ONLY net loss on strategic investments	—	—	(4,767)	—	(4,767)	(1,411)
Non-GAAP other expense, net	366	(9)	929	(128)	1,158	5,997
Non-GAAP interest and other expense, net	5,151	4,940	5,531	4,527	20,149	11,059

For Non-GAAP ONLY P&L modeling

	Q119	Q219	Q319	Q419	2019 FY	Q120
Non-GAAP pre-tax income	35,858	42,611	40,098	46,299	164,866	32,819
Non-GAAP P&L modeling tax rate	23.0%	23.0%	23.0%	16.8%	21.3%	22.5%
Non-GAAP income tax expense ⁵	8,250	9,802	9,229	7,784	35,065	7,389
Non-GAAP net income	27,608	32,809	30,869	38,515	129,801	25,430

¹ 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 with such activities.

² Represents expenses associated with certain ongoing litigation matters, including infringement of the Company's intellectual property.

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 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.

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