



NuVasive, Inc.
Q3 2019 Supplementary Financial Information
Reconciliation of GAAP to Non-GAAP Financial Measures
Results as of September 30, 2019; Guidance as of Q3 2019 Earnings Report on October 30, 2019
in thousands except per share data

Third Quarter 2019 Financial Highlights*

- Revenue increased 7.2% to \$290.8 million, or 7.5% on a constant currency basis;
- GAAP operating profit margin of 10.5%; Non-GAAP operating profit margin of 15.7%; and
- GAAP diluted earnings per share of \$0.21; Non-GAAP diluted earnings per share of \$0.59.

Full year 2019 guidance**: revenue growth of 5.1% to 5.8% with approximately \$1.16 billion or 5.6% to 6.3% on a constant currency basis; non-GAAP operating profit margin range of 15.5% to 15.9%; adjusted EBITDA margin range of 25.0% to 25.4%; and non-GAAP diluted EPS range of \$2.35 to \$2.40.

*Compares Q3 2019 vs Q3 2018

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

Revenue:	Q118	Q218	Q318	Q418	2018 FY	Q119	Q219	Q319	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	160,012	468,061	9.5%	6% to 7%
U.S. Surgical Support & Other	69,557	74,032	72,572	75,299	291,460	72,157	73,938	71,863	217,958	-1.0%	0% to 2%
International (including Puerto Rico)	49,495	56,754	52,651	56,445	215,345	54,819	57,918	58,960	171,697	12.0%	8% to 10% (10% to 12% ex FX)
Total Revenue	260,522	281,564	271,301	288,327	1,101,714	274,776	292,105	290,835	857,716	7.2%	5.1% to 5.8% (5.6% to 6.3% 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	Q319	2019 FY	
Revenue	260,522	281,564	271,301	288,327	1,101,714	274,776	292,105	290,835	857,716	~\$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	77,028	229,101	
Gross profit	186,708	204,508	197,141	202,198	790,555	200,282	214,526	213,807	628,615	
GAAP gross margin %	71.7%	72.6%	72.7%	70.1%	71.8%	72.9%	73.4%	73.5%	73.3%	72.8% to 73.2%
Sales, marketing & administrative (SM&A)	146,766	145,658	141,211	142,201	575,836	145,076	152,853	152,887	450,816	
Research and development (R&D)	14,491	14,856	15,254	17,094	61,695	17,575	17,553	18,143	53,271	
Amortization of intangible assets	12,425	12,628	12,349	13,268	50,670	13,625	12,277	12,596	38,498	
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	(333)	5,146	
GAAP operating expenses	204,930	175,945	179,170	176,342	736,387	180,109	184,329	183,293	547,731	
GAAP operating profit (loss)	(18,222)	28,563	17,971	25,856	54,168	20,173	30,197	30,514	80,884	
Interest and other expense, net	(19,036)	(12,219)	(4,666)	(9,524)	(45,445)	(9,470)	(9,314)	(14,730)	(33,514)	
GAAP income (loss) before income taxes	(37,258)	16,344	13,305	16,332	8,723	10,703	20,883	15,784	47,370	
GAAP income tax expense (benefit) rate	27.2%	29.4%	(19.7%)	25.6%	(43.1%)	12.3%	28.4%	30.2%	25.4%	~26%
GAAP income tax (expense) benefit	10,126	(4,813)	2,618	(4,175)	3,756	(1,317)	(5,921)	(4,774)	(12,012)	
GAAP net income (loss)	(27,132)	11,531	15,923	12,157	12,479	9,386	14,962	11,010	35,358	
GAAP WASO	51,226	51,956	53,189	52,530	210,930	52,480	52,460	53,056	210,476	~\$2.9M
GAAP EPS	\$ (0.53)	\$ 0.22	\$ 0.30	\$ 0.23	\$ 0.24	\$ 0.18	\$ 0.29	\$ 0.21	\$ 0.67	\$0.95 to \$1.00
To calculate EBITDA:	Q118	Q218	Q318	Q418	2018 FY	Q119	Q219	Q319	2019 FY	
GAAP net income / (loss)	(27,132)	11,531	15,923	12,157	12,479	9,386	14,962	11,010	35,358	
Interest income / expense, net	9,333	9,840	8,905	9,193	37,271	9,104	9,323	9,034	27,461	
GAAP income tax (expense) benefit	10,126	(4,813)	2,618	(4,175)	3,756	(1,317)	(5,921)	(4,774)	(12,012)	
Depreciation and amortization	32,090	32,061	32,258	33,356	129,765	34,054	33,560	33,631	101,245	
EBITDA margin	4,165	58,245	54,468	58,881	175,759	53,861	63,766	58,449	176,076	
EBITDA margin %	1.6%	20.7%	20.1%	20.4%	16.0%	19.6%	21.8%	20.1%	20.5%	
Business transition costs ³	2,253	3,998	1,443	3,779	11,473	3,833	1,646	(333)	5,146	
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	1,899	6,976	
Non-recurring consulting fees ⁶	6,084	—	—	—	6,084	—	—	—	—	
Net loss/(gain) on strategic investments	9,004	—	(5,137)	(30)	3,837	—	—	4,767	4,767	
Stock based compensation	4,134	6,860	11,068	3,699	25,761	5,717	6,901	7,829	20,447	
European medical device regulation ⁷	—	—	—	373	373	332	1,400	953	2,685	
Adjusted EBITDA	55,631	69,891	72,358	69,452	267,332	66,789	75,744	73,564	216,097	25.0% to 25.4%
Adjusted EBITDA margin %	21.4%	24.8%	26.7%	24.1%	24.3%	24.3%	25.9%	25.3%	25.2%	
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	Q319	2019 FY	
Amortization of intangible assets	12,425	12,628	12,349	13,268	50,670	13,625	12,277	12,596	38,498	
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	4,432	13,125	
Business transition costs ³	2,253	3,998	1,443	3,779	11,473	3,833	1,646	(333)	5,146	
Non-recurring consulting fees ⁶	6,084	—	—	—	6,084	—	—	—	—	
Net loss/(gain) on strategic investments	9,004	—	(5,137)	(30)	3,837	—	—	4,767	4,767	
Litigation related expenses and settlements ⁵	29,586	383	1,333	2,750	34,052	3,046	2,031	1,899	6,976	
European medical device regulation ⁷	—	—	—	373	373	332	1,400	953	2,685	
Sub-total exclusions for Non-GAAP	63,856	21,567	23,379	24,402	133,204	25,155	21,728	24,314	71,197	
Tax related to exclusions	(16,109)	(2,775)	(9,798)	(444)	(29,126)	(6,933)	(3,881)	(4,455)	(15,269)	
Tax affected exclusions for Non-GAAP	47,747	18,792	13,581	23,958	104,078	18,222	17,847	19,859	55,928	
Total exclusions for Non-GAAP, net of tax	47,747	18,792	13,581	23,958	104,078	18,222	17,847	19,859	55,928	
Non-GAAP net income	20,615	30,323	29,504	36,115	116,557	27,608	32,809	30,869	91,286	
Non-GAAP WASO ⁸	51,742	51,956	52,539	52,471	209,700	52,480	52,460	52,590	209,620	~\$2.6M
Non-GAAP EPS	\$ 0.40	\$ 0.58	\$ 0.56	\$ 0.69	\$ 2.23	\$ 0.53	\$ 0.63	\$ 0.59	\$ 1.74	\$2.35 to \$2.40
To calculate Non-GAAP line items:	Q118	Q218	Q318	Q418	2018 FY	Q119	Q219	Q319	2019 FY	
GAAP gross profit	186,708	204,508	197,141	202,198	790,555	200,282	214,526	213,807	628,615	
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	213,807	628,615	
% of revenue	71.8%	72.8%	72.8%	70.1%	71.9%	72.9%	73.4%	73.5%	73.3%	72.8% to 73.2%
GAAP SM&A	146,766	145,658	141,211	142,201	575,836	145,076	152,853	152,887	450,816	
GAAP ONLY litigation related expenses ⁵	(591)	(1,578)	(1,333)	(2,750)	(6,252)	(3,046)	(2,031)	(1,899)	(6,976)	
GAAP ONLY European medical device regulation ⁷	—	—	—	—	—	—	(1,145)	(804)	(1,949)	
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	150,184	441,891	
% of revenue	53.8%	51.2%	51.6%	48.4%	51.1%	51.7%	51.2%	51.6%	51.5%	50.9% to 51.7%
GAAP R&D	14,491	14,856	15,254	17,094	61,695	17,575	17,553	18,143	53,271	
GAAP ONLY European medical device regulation ⁷	—	—	—	(373)	(373)	(332)	(255)	(149)	(736)	
Non-GAAP R&D	14,491	14,856	15,254	16,721	61,322	17,243	17,298	17,994	52,535	
% of revenue	5.6%	5.3%	5.6%	5.8%	5.6%	6.3%	5.9%	6.2%	6.1%	~6.0%
Non-GAAP operating expenses	154,582	158,936	155,132	156,172	624,822	159,273	166,975	168,178	494,426	
% of revenue	59.3%	56.4%	57.2%	54.2%	56.7%	58.0%	57.2%	57.8%	57.6%	
Non-GAAP operating profit	32,531	45,977	42,279	46,026	166,813	41,009	47,551	45,629	134,189	
Non-GAAP operating margin	12.5%	16.3%	15.6%	16.0%	15.1%	14.9%	16.3%	15.7%	15.6%	15.5% to 15.9%
GAAP & Non-GAAP interest income	(134)	(116)	(130)	(206)	(586)	(409)	(327)	(620)	(1,356)	
GAAP interest expense	9,467	9,956	9,035	9,399	37,857	9,513	9,650	9,654	28,817	
GAAP ONLY non-cash interest expense on convertible notes	(4,099)	(4,153)	(4,208)	(4,262)	(16,722)	(4,319)	(4,374)	(4,432)	(13,125)	
Non-GAAP interest expense	5,368	5,803	4,827	5,137	21,135	5,194	5,276	5,222	15,692	
GAAP other expense (income), net	9,703	2,379	(4,239)	331	8,174	366	(9)	5,696	6,053	
GAAP ONLY net (loss)/gain on strategic investments	(9,004)	—	5,137	30	(3,837)	—	—	(4,767)	(4,767)	
Non-GAAP other expense, net	699	2,379	898	361	4,337	366	(9)	929	1,286	
Non-GAAP interest and other expense, net	5,933	8,066	5,595	5,292	24,886	5,151	4,940	<		