

Third Quarter Financial Highlights*

- Revenue increased 3.2% to \$247.4 million, or 3.4% on a constant currency basis;
- GAAP operating profit margin of 12.4%; Non-GAAP operating profit margin of 17.6%; and
- GAAP diluted earnings per share of \$0.64; Non-GAAP diluted earnings per share increase of 30.0% to \$0.52

Full year 2017 guidance**: revenue growth of ~7.1% to \$1.030B or ~7.2% on a constant currency basis; non-GAAP operating profit margin of ~16.6%; adjusted EBITDA margin of ~25.9%; and non-GAAP diluted EPS of \$1.91 — all guidance inclusive of acquisitions

*Compares 3Q 2017 vs 3Q 2016

**Compares full year 2017 vs full year 2016

Revenue (grouping conformed to 2017 Guidance)	Q116 A	Q216 A	Q316 A	Q416 A	2016 FY A	Q117 A	Q217 A	Q317 A	2017 YTD	% Growth	2017 FY Guidance % Growth
U.S. Spinal Hardware & Other	126,755	137,752	133,155	153,807	551,469	139,375	141,857	135,169	416,401	1.5%	~2.7%
U.S. Surgical Support & Other	59,641	60,651	72,968	78,596	271,856	71,721	71,966	63,722	207,409	-12.7%	~3.2%
International (including Puerto Rico)	28,708	37,807	33,526	38,706	138,747	38,768	46,750	48,540	134,058	44.8%	~31.9% (33.2% ex FX)
Total Revenue	215,104	236,210	239,649	271,109	962,072	249,864	260,573	247,431	757,868	3.2%	~7.1% (7.2% ex FX)

For accurate tax calculation, begin by building a GAAP Model - these #'s come from the GAAP Income Statement:

	Q116 A (restated) ^{5,6}	Q216 A	Q316 A	Q416 A	2016 FY A	Q117 A	Q217 A	Q317 A	2017 YTD	2017 FY Guidance
Revenue	215,104	236,210	239,649	271,109	962,072	249,864	260,573	247,431	757,868	~\$1.030B
Cost of goods sold (excluding below amortization of intangible assets)	54,226	59,745	59,196	66,926	240,093	61,613	66,421	65,583	193,617	
Gross profit	160,878	176,465	180,453	204,183	721,979	188,251	194,152	181,848	564,251	
GAAP Gross margin %	74.8%	74.7%	75.3%	75.3%	75.0%	75.3%	74.5%	73.5%	74.5%	
Sales, Marketing & Administrative (SM&A)	124,838	134,487	131,886	142,413	533,624	140,502	139,109	125,800	405,411	
Research and Development (R&D)	10,629	11,871	12,516	12,983	47,999	12,414	12,572	12,720	37,706	
Amortization of intangible assets	7,871	10,603	11,438	12,089	42,001	12,061	11,349	11,630	35,040	~\$49.4M
Litigation liability (gain) loss	-	(43,310)	-	-	(43,310)	-	-	750	750	
Business transition costs ²	5,307	2,756	3,451	6,624	18,138	55	1,369	345	1,769	
GAAP Operating Expenses	148,645	116,407	159,291	174,109	598,452	165,032	164,399	151,245	480,676	
GAAP Operating Profit (Loss)	12,233	60,058	21,162	30,074	123,527	23,219	29,753	30,603	83,575	
Interest and other expense, net	(25,538)	(10,377)	(10,695)	(12,209)	(58,819)	(9,404)	(10,445)	(8,958)	(28,807)	~\$38.8M
GAAP income (loss) before income taxes	(13,305)	49,681	10,467	17,865	64,708	13,815	19,308	21,645	54,768	
GAAP income tax expense (benefit) rate	71%	40%	67%	67%	45%	11%	37%	(53%)	(5%)	~7%
GAAP income tax (expense) benefit	9,480	(19,891)	(6,972)	(11,899)	(29,282)	(1,490)	(7,079)	11,540	2,971	
Add back Net Loss attributable to Non-Controlling Interest	(457)	(423)	(431)	(410)	(1,721)	(443)	(432)	(432)	(1,307)	~\$1.7M
GAAP Net Income (Loss)	(3,368)	30,213	3,926	6,376	37,147	12,768	12,661	33,617	59,046	
GAAP WASO	49,617	53,159	55,782	55,913	54,102	57,786	58,330	52,794	56,304	~\$5.2M
GAAP EPS	\$(0.07)	\$0.57	\$0.07	\$0.11	\$0.69	\$0.22	\$0.22	\$0.64	\$1.05	~\$1.37

To Calculate EBITDA:

	Q116 A (restated) ^{5,6}	Q216 A	Q316 A	Q416 A	2016 FY A	Q117 A	Q217 A	Q317 A	2017 YTD	2017 FY Guidance
GAAP Net Income / (Loss)	(3,368)	30,213	3,926	6,376	37,147	12,768	12,661	33,617	59,046	
Interest (Income) / Expense, net	8,144	10,131	10,789	10,365	39,429	9,662	9,944	8,819	28,425	
Loss on repurchases of convertible notes	17,444	-	-	1,641	19,085	-	-	-	-	
GAAP income tax (expense) benefit	(9,480)	19,891	6,972	11,899	29,282	1,490	7,079	(11,540)	(2,971)	
Depreciation and amortization ¹	20,894	24,813	27,158	28,573	101,438	29,158	28,856	29,858	87,872	
EBITDA Margin	33,634	85,048	48,845	58,854	226,381	53,078	58,540	60,754	172,372	
EBITDA Margin %	15.6%	36.0%	20.4%	21.7%	23.5%	21.2%	22.5%	24.6%	22.7%	
Stock based compensation	4,492	7,865	7,288	7,279	26,924	7,017	8,394	(427)	14,984	
Litigation Liability	-	(43,310)	-	-	(43,310)	-	-	750	750	
Non-cash purchase accounting related charges ³	4,916	7,374	2,457	-	14,747	-	-	136	136	
Business Transition Costs ²	5,307	2,756	3,451	6,624	18,138	55	1,369	345	1,769	
Adjusted EBITDA	48,349	59,733	62,041	72,757	242,880	60,150	68,303	61,558	190,011	
Adjusted EBITDA Margin %	22.5%	25.3%	25.9%	26.8%	25.2%	24.1%	26.2%	24.9%	25.1%	~25.9%

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

	Q116 A (restated) ^{5,6}	Q216 A	Q316 A	Q416 A	2016 FY A	Q117 A	Q217 A	Q317 A	2017 YTD	2017 FY Guidance
Amortization of intangible assets ¹	7,549	10,281	11,115	11,767	40,712	11,738	11,028	11,307	34,073	~\$48.1M
Loss on repurchases of convertible notes	17,444	-	-	1,641	19,085	-	-	-	-	
Non-cash purchase accounting adjustments on acquisitions ³	4,916	7,374	2,457	-	14,747	-	-	136	136	~\$0.5M
Non-cash interest expense on convertible notes	4,310	5,051	5,186	4,992	19,539	4,599	4,665	3,980	13,244	~\$17.3M
Business Transition Costs ²	5,307	2,756	3,451	6,624	18,138	55	1,369	345	1,769	~\$2.2M
Litigation Liability	-	(43,310)	-	-	(43,310)	-	-	750	750	~\$0.8M
Sub-total Exclusions for Non-GAAP	39,526	(17,848)	22,209	25,024	68,911	16,392	17,062	16,518	49,972	~\$68.9M
Tax Related to Exclusions	(19,004)	8,255	(5,010)	(3,843)	(19,602)	(9,123)	(5,661)	(23,413)	(38,197)	
Tax Affected Exclusions for Non-GAAP	20,522	(9,593)	17,199	21,181	49,309	7,269	11,401	(6,895)	11,775	
Total Exclusions for Non-GAAP, net of tax	20,522	(9,593)	17,199	21,181	49,309	7,269	11,401	(6,895)	11,775	
Non-GAAP Net Income	17,154	20,620	21,125	27,557	86,456	20,037	24,062	26,722	70,821	
Non-GAAP WASO	50,959	51,928	52,633	52,399	51,981	52,683	52,743	51,751	52,507	~\$2.4M
Non-GAAP EPS	\$0.34	\$0.40	\$0.40	\$0.53	\$1.66	\$0.38	\$0.46	\$0.52	\$1.35	~\$1.91

To Calculate Non-GAAP Line Items:

	Q116 A (restated) ^{5,6}	Q216 A	Q316 A	Q416 A	2016 FY A	Q117 A	Q217 A	Q317 A	2017 YTD	2017 FY Guidance
GAAP Gross Profit	160,878	176,465	180,453	204,183	721,979	188,251	194,152	181,848	564,251	
Non-cash purchase accounting adjustments on acquisitions ³	4,916	7,374	2,457	-	14,747	-	-	136	136	
Non-GAAP Gross Profit	165,794	183,839	182,910	204,183	736,726	188,251	194,152	181,984	564,387	
% of revenue	77.1%	77.8%	76.3%	75.3%	76.6%	75.3%	74.5%	73.5%	74.5%	~74.2%
GAAP SM&A	124,838	134,487	131,886	142,413	533,624	140,502	139,109	125,800	405,411	
Non-GAAP SM&A	124,838	134,487	131,886	142,413	533,624	140,502	139,109	125,800	405,411	
% of revenue	58.0%	56.9%	55.0%	52.5%	55.5%	56.2%	53.4%	50.8%	53.5%	~52.7%
GAAP ONLY Business Transition Costs	(50)	2,756	3,451	6,624	12,781	55	1,369	345	1,769	
recast from SM&A [GAAP Only Business Transition Costs]	5,357	-	-	-	5,357	-	-	-	-	
Total GAAP ONLY Business Transition Costs ²	5,307	2,756	3,451	6,624	18,138	55	1,369	345	1,769	
% of revenue	2.5%	1.2%	1.4%	2.4%	1.9%	0.0%	0.5%	0.1%	0.2%	
GAAP R&D	10,629	11,871	12,516	12,983	47,999	12,414	12,572	12,720	37,706	
GAAP Only Expenses [R&D]	-	-	-	-	-	-	-	-	-	
Non-GAAP R&D	10,629	11,871	12,516	12,983	47,999	12,414	12,572	12,720	37,706	
% of revenue	4.9%	5.0%	5.2%	4.8%	5.0%	5.0%	4.8%	5.1%	5.0%	~5.0%
Non-GAAP Operating Expenses	135,467	146,358	144,402	155,396	581,623	152,916	151,681	138,520	443,117	
% of revenue	63.0%	62.0%	60.3%	57.3%	60.5%	61.2%	58.2%	56.0%	58.5%	~57.6%
Non-GAAP Operating Profit	30,327	37,481	38,508	48,787	155,103	35,335	42,471	43,464	121,270	
Non-GAAP Operating Margin	14.1%	15.9%	16.1%	18.0%	16.1%	14.1%	16.3%	17.6%	16.0%	~16.6%

For Non-GAAP Only P&L Modeling

	Q116 A (restated) ^{5,6}	Q216 A	Q316 A	Q416 A	2016 FY A	Q117 A	Q217 A	Q317 A	2017 YTD	2017 FY Guidance
Non-GAAP Pre-Tax Income	26,221	31,833	32,676	42,889	133,619	30,207	36,370	38,163	104,740	
Non-GAAP P&L Modeling Tax Rate	36.3%	36.6%	36.7%	36.7%	36.6%	35.1%	35.0%	31.1%	33.6%	~34%
Non-GAAP Income Tax Expense ⁴	9,524	11,636	11,982	15,742	48,884	10,613	12,740	11,873	35,226	
Add back Net Loss attributable to Non-Controlling Interest	457	423	431	410	1,721	443	432	432	1,307	
Non-GAAP Net Income	17,154	20,620	21,125	27,557	86,456	20,037	24,062	26,722	70,821	

¹ Excludes the amortization associated with non-controlling interest.

² 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.

³ 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.

⁴ The impact on results from taxes include tax effecting the adjustments above at the statutory rate as well as taking into account discrete items and including those discrete items in the annual effective tax rate calculation. The Company also includes those adjustments that would have benefited the tax rate in lieu of the above adjustments as part of the Company's tax filings. For the current year, the impact of the changes to the tax rate results in an annual estimated rate of ~34% on a non-GAAP basis.

⁵ Prior periods has been recasted to include the GAAP only expenses related to acquisition, integration and business transition activities which include severance, relocation, consulting, leasehold exit costs, third party merger and acquisitions costs and other costs directly associated to such activities, to the line item Business Transition Costs, to conform with current presentation. Historically, certain of these costs were included in SM&A.

⁶ As a result of the adoption of FASB Accounting Standards Update (ASU) for employee share-based payment accounting in the second Quarter 2016 effective as of January 1, 2016, the Q1 2