



NuVasive, Inc.
Q3 2020 Supplementary Financial Information
Reconciliation of GAAP to Non-GAAP Financial Measures
Results as of September 30, 2020; Earnings Report on October 29, 2020
in thousands except per share data

Third Quarter 2020 Financial Highlights*

- Net sales increased 1.5% to \$295.3 million, or 1.2% on a constant currency basis;
- GAAP operating margin of 9.2%; Non-GAAP operating margin of 15.8%; and
- GAAP diluted earnings per share of \$0.11; Non-GAAP diluted earnings per share of \$0.55.

Full Year 2020 Guidance

On April 14, 2020, NuVasive withdrew its annual financial guidance for 2020 due to the uncertainty related to COVID-19, and is not reinstating its annual financial guidance for the remainder of the year.

*Compares Q3 2020 vs Q3 2019

Net Sales:	Q119	Q219	Q319	Q419	2019 FY	Q120	Q220	Q320	2020 FY	Q320 Growth	2020 FY Growth
U.S. Spinal Hardware	147,800	160,249	160,012	168,919	636,980	138,513	113,766	161,239	413,518	0.8%	-11.7%
U.S. Surgical Support	72,157	73,938	71,863	77,326	295,284	64,281	47,198	69,453	180,932	-3.4%	-17.0%
International	54,819	57,918	58,960	64,109	235,806	57,087	42,648	64,590	164,325	9.5%	-4.3%
Total Net Sales	274,776	292,105	290,835	310,354	1,168,070	259,881	203,612	295,282	758,775	1.5%	-11.5%

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

	Q119	Q219	Q319	Q419	2019 FY	Q120	Q220	Q320	2020 FY
Net Sales	274,776	292,105	290,835	310,354	1,168,070	259,881	203,612	295,282	758,775
Cost of sales (excluding below amortization of intangible assets)	74,494	77,579	77,028	83,256	312,357	71,865	80,505	84,633	237,003
Gross profit	200,282	214,526	213,807	227,098	855,713	188,016	123,107	210,649	521,772
GAAP gross margin %	72.9%	73.4%	73.5%	73.2%	73.3%	72.3%	60.5%	71.3%	68.8%
Selling, general & administrative (SG&A)	145,076	152,853	152,887	160,365	611,181	130,231	126,444	146,260	402,935
Research and development (R&D)	17,575	17,553	18,143	19,109	72,380	18,257	19,406	20,404	58,067
Amortization of intangible assets	13,625	12,277	12,596	12,599	51,097	12,649	12,675	13,826	39,150
Purchase of in-process research and development ¹	—	—	—	—	—	—	1,011	—	1,011
Business transition costs ²	3,833	1,646	(333)	(7,141)	(1,995)	(1,440)	874	3,107	2,541
GAAP operating expenses	180,109	184,329	183,293	184,932	732,663	159,697	160,410	183,597	503,704
GAAP operating profit (loss)	20,173	30,197	30,514	42,166	123,050	28,319	(37,303)	27,052	18,068
Interest and other expense, net	(9,470)	(9,314)	(14,730)	(9,019)	(42,533)	(18,194)	(27,882)	(20,601)	(66,677)
GAAP income (loss) before income taxes	10,703	20,883	15,784	33,147	80,517	10,125	(65,185)	6,451	(48,609)
GAAP income tax rate	12.3%	28.4%	30.2%	9.9%	19.0%	47.7%	23.3%	9.0%	20.1%
GAAP income tax (expense) benefit	(1,317)	(5,921)	(4,774)	(3,271)	(15,283)	(4,827)	15,170	(579)	9,764
GAAP net income (loss)	9,386	14,962	11,010	29,876	65,234	5,298	(50,015)	5,872	(38,845)
GAAP WASO	52,480	52,460	53,056	54,638	53,160	53,727	51,224	51,805	51,440
GAAP EPS	\$ 0.18	\$ 0.29	\$ 0.21	\$ 0.55	\$ 1.23	\$ 0.10	\$ (0.98)	\$ 0.11	\$ (0.76)
To calculate EBITDA:	Q119	Q219	Q319	Q419	2019 FY	Q120	Q220	Q320	2020 FY
GAAP net income (loss)	9,386	14,962	11,010	29,876	65,234	5,298	(50,015)	5,872	(38,845)
Interest expense/(income), net	9,104	9,323	9,034	9,147	36,608	10,786	16,220	20,852	47,858
GAAP income tax (expense) benefit	(1,317)	(5,921)	(4,774)	(3,271)	(15,283)	(4,827)	15,170	(579)	9,764
Depreciation and amortization	34,054	33,560	33,631	34,348	135,593	34,972	35,166	35,959	106,097
EBITDA margin	53.861	63.766	58.449	76.642	252.718	55.883	(13.799)	63.262	105.346
EBITDA margin %	19.6%	21.8%	20.1%	24.7%	21.6%	21.5%	-6.8%	21.4%	13.9%
Purchase of in-process research and development ¹	—	—	—	—	—	—	1,011	—	1,011
Business transition costs ²	3,833	1,646	(333)	(7,141)	(1,995)	(1,440)	874	3,107	2,541
Litigation related expenses and settlements ³	3,046	2,031	1,899	818	7,794	3,103	1,187	1,396	5,686
Net loss/(gain) on strategic investments	—	—	4,767	—	4,767	1,411	—	(1,132)	278
Stock-based compensation	5,717	6,901	7,829	10,285	30,732	(2,858)	5,037	7,572	9,751
European medical device regulation ⁴	332	1,400	953	2,384	5,069	1,247	1,683	1,149	4,079
Net loss recognized on change in fair value of derivatives ⁵	—	—	—	—	—	—	12,301	—	12,301
Adjusted EBITDA	66,789	75,744	73,564	82,988	299,085	57,346	8,294	75,354	140,993
Adjusted EBITDA margin %	24.3%	25.9%	25.3%	26.7%	25.6%	22.1%	4.1%	25.5%	18.6%

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	Q220	Q320	2020 FY
Amortization of intangible assets	13,625	12,277	12,596	12,599	51,097	12,649	12,675	13,826	39,150
Purchase of in-process research and development ¹	—	—	—	—	—	—	1,011	—	1,011
Non-cash interest expense on convertible notes	4,319	4,374	4,432	4,492	17,617	5,724	9,615	12,683	28,022
Business transition costs ²	3,833	1,646	(333)	(7,141)	(1,995)	(1,440)	874	3,107	2,541
Net loss/(gain) on strategic investments	—	—	4,767	—	4,767	1,411	—	(1,132)	278
Litigation related expenses and settlements ³	3,046	2,031	1,899	818	7,794	3,103	1,187	1,396	5,686
European medical device regulation ⁴	332	1,400	953	2,384	5,069	1,247	1,683	1,149	4,079
Net loss recognized on change in fair value of derivatives ⁵	—	—	—	—	—	—	12,301	—	12,301
Sub-total exclusions for Non-GAAP	25,155	21,728	24,314	13,152	84,349	22,694	39,346	31,029	93,068
Tax related to exclusions	(6,933)	(3,881)	(4,455)	(4,513)	(19,782)	(2,562)	(9,697)	(8,575)	(20,834)
Tax affected exclusions for Non-GAAP	18,222	17,847	19,859	8,639	64,567	20,132	29,649	22,454	72,234
Non-GAAP net income (loss)	27,608	32,809	30,869	38,515	129,801	25,430	(20,366)	28,326	33,389
Non-GAAP WASO ⁶	52,480	52,460	52,590	52,979	52,629	52,532	51,224	51,805	52,033
Non-GAAP EPS	\$ 0.53	\$ 0.63	\$ 0.59	\$ 0.73	\$ 2.47	\$ 0.48	\$ (0.40)	\$ 0.55	\$ 0.64
To calculate Non-GAAP line items:	Q119	Q219	Q319	Q419	2019 FY	Q120	Q220	Q320	2020 FY
GAAP gross profit	200,282	214,526	213,807	227,098	855,713	188,016	123,107	210,649	521,772
Non-GAAP gross profit	200,282	214,526	213,807	227,098	855,713	188,016	123,107	210,649	521,772
% of net sales	72.9%	73.4%	73.5%	73.2%	73.3%	72.3%	60.5%	71.3%	68.8%
GAAP SG&A	145,076	152,853	152,887	160,365	611,181	130,231	126,444	146,260	402,935
GAAP ONLY litigation related expenses and settlements ³	(3,046)	(2,031)	(1,899)	(818)	(7,794)	(3,103)	(1,187)	(1,396)	(5,686)
GAAP ONLY European medical device regulation ⁴	—	(1,145)	(804)	(1,542)	(3,491)	(506)	(490)	(293)	(1,289)
Non-GAAP SG&A	142,030	149,677	150,184	158,005	599,896	126,622	124,767	144,571	395,960
% of net sales	51.7%	51.2%	51.6%	50.9%	51.4%	48.7%	61.3%	49.0%	52.2%
GAAP R&D	17,575	17,553	18,143	19,109	72,380	18,257	19,406	20,404	58,067
GAAP ONLY European medical device regulation ⁴	(332)	(255)	(149)	(842)	(1,578)	(741)	(1,193)	(856)	(2,790)
Non-GAAP R&D	17,243	17,298	17,994	18,267	70,802	17,516	18,213	19,548	55,277
% of net sales	6.3%	5.9%	6.2%	5.9%	6.1%	6.7%	8.9%	6.6%	7.3%
Non-GAAP operating expenses	159,273	166,975	168,178	176,272	670,698	144,138	142,980	164,119	451,237
% of net sales	58.0%	57.2%	57.8%	56.8%	57.4%	55.5%	70.2%	55.6%	59.5%
Non-GAAP operating profit (loss)	41,009	47,551	45,629	50,826	185,015	43,878	(19,873)	46,530	70,535
Non-GAAP operating margin	14.9%	16.3%	15.7%	16.4%	15.8%	16.9%	-9.8%	15.8%	9.3%
GAAP & Non-GAAP interest income	(409)	(327)	(620)	(561)	(1,917)	(731)	(304)	(271)	(1,306)
GAAP interest expense	9,513	9,650	9,654	9,708	38,525	11,517	16,524	21,123	49,164
GAAP ONLY non-cash interest expense on convertible notes	(4,319)	(4,374)	(4,432)	(4,492)	(17,617)	(5,724)	(9,615)	(12,683)	(28,022)
Non-GAAP interest expense	5,194	5,276	5,222	5,216	20,908	5,793	6,909	8,440	21,142
GAAP other expense (income), net	366	(9)	5,696	(128)	5,925	7,408	11,662	(251)	18,819
GAAP ONLY net (loss)/gain on strategic investments	—	—	(4,767)	—	(4,767)	(1,411)	—	1,132	(278)
GAAP ONLY net loss recognized on change in fair value of derivatives ⁵	—	—	—	—	—	—	(12,301)	—	(12,301)
Non-GAAP other expense (income), net	366	(9)	929	(128)	1,158	5,997	(639)	881	6,240
Non-GAAP interest and other expense, net	5,151	4,940	5,531	4,527	20,149	11,059	5,966	9,050	26,076
For Non-GAAP ONLY P&L modeling									
Non-GAAP pre-tax income (loss)	35,858	42,611	40,098	46,299	164,866	32,819	(25,839)	37,480	44,459
Non-GAAP P&L modeling tax rate	23.0%	23.0%	23.0%	16.8%	21.3%	22.5%	21.2%	24.4%	24.9%
Non-GAAP income tax expense (benefit) ⁷	8,250	9,802	9,229	7,784	35,065	7,389	(5,473)	9,154	11,070
Non-GAAP net income (loss)	27,608	32,809	30,869	38,515	129,801	25,430	(20,366)	28,326	33,389

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

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 with such activities.

³ Represents expenses associated with certain ongoing litigation matters, including infringement of the Company's intellectual property.

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

⁵ Represents the net change in fair value of the Company's derivative asset and liability associated with the 2023 Notes.

⁶ 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, and excludes the impact of all dilutive securities when the Company recognizes a non-GAAP net loss.

⁷ Represents the impact from tax affecting the adjustments above at their statutory tax rate.