



NuVasive, Inc.
Q1 19 Supplementary Financial Information
Reconciliation of GAAP to Non-GAAP Financial Measures
Results as of March 31, 2019; Guidance as of Q1 2019 Earnings Report on May 1, 2019
in thousands except per share data

First Quarter 2019 Financial Highlights*

- Revenue increased 5.5% to \$274.8 million, or 6.4% on a constant currency basis;
- GAAP operating profit margin of 7.3%; Non-GAAP operating profit margin of 14.9%; and
- GAAP diluted earnings per share of \$0.18; Non-GAAP diluted earnings per share of \$0.53.

Full year 2019 guidance**: revenue growth of ~3.5% to ~5.5% with a range of \$1.14 billion to \$1.16 billion or ~3.8% to ~5.8% on a constant currency basis; non-GAAP operating profit margin range of ~15.0% to ~15.5%; adjusted EBITDA margin range of ~25.2% to ~25.7%; and non-GAAP diluted EPS range of \$2.20 to \$2.30.

*Compares Q1 2019 vs Q1 2018

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

Revenue:	Q118	Q218	Q318	Q418	2018 FY	Q119	Q119 Growth	2019 FY Guidance % Growth
U.S. Spinal Hardware & Other	141,470	150,778	146,078	156,583	594,909	147,800	4.5%	~2% to ~4%
U.S. Surgical Support & Other	69,557	74,032	72,572	75,299	291,460	72,157	3.7%	~1% to ~3%
International (including Puerto Rico)	49,495	56,754	52,651	56,445	215,345	54,819	10.8%	~12% to ~14% (~14% to ~16% ex FX)
Total Revenue	260,522	281,564	271,301	288,327	1,101,714	274,776	5.5%	~3.5% to ~5.5% (~3.8% to ~5.8% ex FX)

For accurate tax calculation, begin by building a GAAP model - these #'s come from the GAAP income statement:

	Q118	Q218	Q318	Q418	2018 FY	Q119	2019 FY Guidance
Revenue	260,522	281,564	271,301	288,327	1,101,714	274,776	~\$1.14B to ~\$1.16B
Cost of revenue (excluding below amortization of intangible assets)	73,814	77,056	74,160	86,129	311,159	74,494	~72.5% to ~73.0%
Gross profit	186,708	204,508	197,141	202,198	790,555	200,282	
GAAP gross margin %	71.7%	72.6%	72.7%	70.1%	71.8%	72.9%	
Sales, marketing & administrative (SM&A)	146,766	145,658	141,211	142,201	575,836	145,076	
Research and development (R&D)	14,491	14,856	15,254	17,094	61,695	17,575	
Amortization of intangible assets	12,425	12,628	12,349	13,268	50,670	13,625	
Purchase of in-process research and development ¹	-	-	8,913	-	8,913	-	
Litigation liability (gain) loss ²	28,995	(1,195)	-	-	27,800	-	
Business transition costs ³	2,253	3,998	1,443	3,779	11,473	3,833	
GAAP operating expenses	204,930	175,945	179,170	176,342	736,387	180,109	
GAAP operating profit (loss)	(18,222)	28,563	17,971	25,856	54,168	20,173	
Interest and other expense, net	(19,036)	(12,219)	(4,666)	(9,524)	(45,445)	(9,470)	
GAAP income (loss) before income taxes	(37,258)	16,344	13,305	16,332	8,723	10,703	~22.0%
GAAP income tax expense (benefit) rate	27.2%	29.4%	(19.7%)	25.6%	(43.1%)	12.3%	
GAAP income tax (expense) benefit	10,126	(4,813)	2,618	(4,175)	3,756	(1,317)	
GAAP net income (loss)	(27,132)	11,531	15,923	12,157	12,479	9,386	~53.0M
GAAP WASO	51,226	51,956	53,189	52,530	52,355	52,480	~\$0.95 to ~\$1.05
GAAP EPS	\$ (0.53)	\$ 0.22	\$ 0.30	\$ 0.23	\$ 0.24	\$ 0.18	
To calculate EBITDA:	Q118	Q218	Q318	Q418	2018 FY	Q119	
GAAP net income / (loss)	(27,132)	11,531	15,923	12,157	12,479	9,386	
Interest income / expense, net	9,333	9,840	8,905	9,193	37,271	9,104	
GAAP income tax (expense) benefit	10,126	(4,813)	2,618	(4,175)	3,756	(1,317)	
Depreciation and amortization	32,090	32,061	32,258	33,356	129,765	34,054	
EBITDA margin	4.16%	58.24%	54.46%	58.88%	175.75%	53.86%	
EBITDA margin %	1.6%	20.7%	20.1%	20.4%	16.0%	19.6%	
Business transition costs ³	2,253	3,998	1,443	3,779	11,473	3,833	
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	
Non-recurring consulting fees ⁶	6,084	-	-	-	6,084	-	
Net loss/(gain) on strategic investments	9,004	-	(5,137)	(30)	3,837	-	
Stock based compensation	4,134	6,860	11,068	3,699	25,761	5,717	
European medical device regulation ⁷	-	-	-	373	373	332	
Adjusted EBITDA	55,631	69,891	72,358	69,452	267,332	66,789	~25.2% to ~25.7%
Adjusted EBITDA margin %	21.4%	24.8%	26.7%	24.1%	24.3%	24.3%	
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	
Amortization of intangible assets	12,425	12,628	12,349	13,268	50,670	13,625	
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	
Business transition costs ³	2,253	3,998	1,443	3,779	11,473	3,833	
Non-recurring consulting fees ⁶	6,084	-	-	-	6,084	-	
Net loss/(gain) on strategic investments	9,004	-	(5,137)	(30)	3,837	-	
Litigation related expenses and settlements ⁵	29,586	383	1,333	2,750	34,052	3,046	
European medical device regulation ⁷	-	-	-	373	373	332	
Sub-total exclusions for Non-GAAP	63,856	21,567	23,379	24,402	133,204	25,155	
Tax related to exclusions	(16,109)	(2,775)	(9,798)	(444)	(29,126)	(6,933)	
Tax affected exclusions for Non-GAAP	47,747	18,792	13,581	23,958	104,078	18,222	
Total exclusions for Non-GAAP, net of tax	47,747	18,792	13,581	23,958	104,078	18,222	
Non-GAAP net income	20,615	30,323	29,504	36,115	116,557	27,608	~52.7M
Non-GAAP WASO ⁸	51,742	51,956	52,539	52,471	52,178	52,480	~\$2.20 to ~\$2.30
Non-GAAP EPS	\$ 0.40	\$ 0.58	\$ 0.56	\$ 0.69	\$ 2.23	\$ 0.53	
To calculate Non-GAAP line items:	Q118	Q218	Q318	Q418	2018 FY	Q119	
GAAP gross profit	186,708	204,508	197,141	202,198	790,555	200,282	
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	
% of revenue	71.8%	72.8%	72.8%	70.1%	71.9%	72.9%	~72.5% to ~73.0%
GAAP SM&A	146,766	145,658	141,211	142,201	575,836	145,076	
GAAP ONLY litigation related expenses ⁵	(591)	(1,578)	(1,333)	(2,750)	(6,252)	(3,046)	
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	
% of revenue	53.8%	51.2%	51.6%	48.4%	51.1%	51.7%	~51.0% to ~52.0%
GAAP R&D	14,491	14,856	15,254	17,094	61,695	17,575	
GAAP ONLY European medical device regulation ⁷	-	-	-	(373)	(373)	(332)	
Non-GAAP R&D	14,491	14,856	15,254	16,721	61,322	17,243	
% of revenue	5.6%	5.3%	5.6%	5.8%	5.6%	6.3%	~6.0%
Non-GAAP operating expenses	154,582	158,936	155,132	156,172	624,822	159,273	
% of revenue	59.3%	56.4%	57.2%	54.2%	56.7%	58.0%	
Non-GAAP operating profit	32,531	45,977	42,279	46,026	166,813	41,009	~15.0% to ~15.5%
Non-GAAP operating margin	12.5%	16.3%	15.6%	16.0%	15.1%	14.9%	
GAAP & Non-GAAP interest income	(134)	(116)	(130)	(206)	(586)	(409)	
GAAP interest expense	9,467	9,956	9,035	9,399	37,857	9,513	
GAAP ONLY non-cash interest expense on convertible notes	(4,099)	(4,153)	(4,208)	(4,262)	(16,722)	(4,319)	
Non-GAAP interest expense	5,368	5,803	4,827	5,137	21,135	5,194	
GAAP other expense (income), net	9,703	2,379	(4,239)	331	8,174	366	
GAAP ONLY net (loss)/gain on strategic investments	(9,004)	-	5,137	30	(3,837)	-	
Non-GAAP other expense, net	699	2,379	898	361	4,337	366	
Non-GAAP interest and other expense, net	5,933	8,066	5,595	5,292	24,886	5,151	
For Non-GAAP ONLY P&L modeling	Q118	Q218	Q318	Q418	2018 FY	Q119	
Non-GAAP pre-tax income	26,598	37,911	36,684	40,734	141,927	35,858	
Non-GAAP P&L modeling tax rate	22.5%	20.0%	19.6%	11.3%	17.9%	23.0%	~23.0%
Non-GAAP income tax expense ⁹	5,983	7,588	7,180	4,619	25,370	8,250	
Non-GAAP net income	20,615	30,323	29,504	36,115	116,557	27,608	

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

² Represents the loss recorded in connection with the Madsen Medical, Inc. litigation matter for fiscal year 2018.

³ 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.

⁴ 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.

⁵ Amounts recorded in line item 'Litigation liability loss' relate to the loss recorded in connection with the settlement of the Madsen Medical, Inc. litigation matter. Amounts recorded in line item 'Sales, marketing and administrative' relate to expenses associated with ongoing litigation with a former Board member and his current employer related to various matters, including infringement of the Company's intellectual property.

⁶ Non-recurring consulting fees associated with the implementation of our state tax-planning strategy.

⁷ Represents costs specific to updating our quality system, product labeling, asset write-offs and product remanufacturing to comply with European medical device regulation.

⁸ Adjusted non-GAAP diluted WASO excludes the impact of dilutive convertible notes and warrants for which the Company is economically hedged through its anti-dilutive bond hedge arrangements.

⁹ Represents the impact from tax effecting the adjustments above at their statutory tax rate.