



NuVasive, Inc.
Q2 2020 Supplementary Financial Information
Reconciliation of GAAP to Non-GAAP Financial Measures
Results as of June 30, 2020; Earnings Report on August 4, 2020
in thousands except per share data

Second Quarter 2020 Financial Highlights*

- Net sales decreased -30.3% to \$203.6 million, or -30.2% on a constant currency basis;
- GAAP operating margin of -18.3%; Non-GAAP operating margin of -9.8%; and
- GAAP diluted net loss per share of -\$0.98; Non-GAAP diluted net loss per share of -\$0.40.

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. NuVasive is not reinstating its annual financial guidance as visibility for spine surgery volumes for the remainder of the year continues to be limited and the Company is unable to predict when or how quickly elective surgery volumes will recover.

*Compares Q2 2020 vs Q2 2019

Net Sales:	Q119	Q219	Q319	Q419	2019 FY	Q120	Q220	2020 FY	Q220 Growth	2020 FY Growth
U.S. Spinal Hardware	147,800	160,249	160,012	168,919	636,980	138,513	113,766	252,279	-29.0%	-18.1%
U.S. Surgical Support	72,157	73,938	71,863	77,326	295,284	64,281	47,198	111,479	-36.2%	-23.7%
International	54,819	57,918	58,960	64,109	235,806	57,087	42,648	99,735	-26.4%	-11.5%
Total Net Sales	274,776	292,105	290,835	310,354	1,168,070	259,881	203,612	463,493	-30.3%	-18.2%

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

	Q119	Q219	Q319	Q419	2019 FY	Q120	Q220	2020 FY
Net Sales	274,776	292,105	290,835	310,354	1,168,070	259,881	203,612	463,493
Cost of sales (excluding below amortization of intangible assets)	74,494	77,579	77,028	83,256	312,357	71,865	80,505	152,370
Gross profit	200,282	214,526	213,807	227,098	855,713	188,016	123,107	311,123
GAAP gross margin %	72.9%	73.4%	73.5%	73.2%	73.3%	72.3%	60.5%	67.1%
Selling, general & administrative (SG&A)	145,076	152,853	152,887	160,365	611,181	130,231	126,444	256,675
Research and development (R&D)	17,575	17,553	18,143	19,109	72,380	18,257	19,406	37,663
Amortization of intangible assets	13,625	12,277	12,596	12,599	51,097	12,649	12,675	25,324
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	(566)
GAAP operating expenses	180,109	184,329	183,293	184,932	732,663	159,697	160,410	320,107
GAAP operating profit (loss)	20,173	30,197	30,514	42,166	123,050	28,319	(37,303)	(8,984)
Interest and other expense, net	(9,470)	(9,314)	(14,730)	(9,019)	(42,533)	(18,194)	(27,882)	(46,076)
GAAP income (loss) before income taxes	10,703	20,883	15,784	33,147	80,517	10,125	(65,185)	(55,060)
GAAP income tax rate	12.3%	28.4%	30.2%	9.9%	19.0%	47.7%	23.3%	18.8%
GAAP income tax (expense) benefit	(1,317)	(5,921)	(4,774)	(3,271)	(15,283)	(4,827)	15,170	10,343
GAAP net income (loss)	9,386	14,962	11,010	29,876	65,234	5,298	(50,015)	(44,717)
GAAP WASO	52,480	52,460	53,056	54,638	53,160	53,727	51,224	51,531
GAAP EPS	\$ 0.18	\$ 0.29	\$ 0.21	\$ 0.55	\$ 1.23	\$ 0.10	\$ (0.98)	\$ (0.87)
To calculate EBITDA:	Q119	Q219	Q319	Q419	2019 FY	Q120	Q220	2020 FY
GAAP net income (loss)	9,386	14,962	11,010	29,876	65,234	5,298	(50,015)	(44,717)
Interest expense/(income), net	9,104	9,323	9,034	9,147	36,608	10,786	16,220	27,006
GAAP income tax (expense) benefit	(1,317)	(5,921)	(4,774)	(3,271)	(15,283)	(4,827)	15,170	10,343
Depreciation and amortization	34,054	33,560	33,631	34,348	135,593	34,972	35,166	70,138
EBITDA margin	53,861	63,766	58,449	76,642	252,718	55,883	(13,799)	42,084
EBITDA margin %	19.6%	21.8%	20.1%	24.7%	21.6%	21.5%	-6.8%	9.1%
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	(566)
Litigation related expenses and settlements ³	3,046	2,031	1,899	818	7,794	3,103	1,187	4,290
Net loss on strategic investments	—	—	4,767	—	4,767	1,411	—	1,411
Stock-based compensation	5,717	6,901	7,829	10,285	30,732	(2,858)	5,037	2,179
European medical device regulation ⁴	332	1,400	953	2,384	5,069	1,247	1,683	2,930
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	65,640
Adjusted EBITDA margin %	24.3%	25.9%	25.3%	26.7%	25.6%	22.1%	4.1%	14.2%
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	2020 FY
Amortization of intangible assets	13,625	12,277	12,596	12,599	51,097	12,649	12,675	25,324
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	15,339
Business transition costs ²	3,833	1,646	(333)	(7,141)	(1,995)	(1,440)	874	(566)
Net loss on strategic investments	—	—	4,767	—	4,767	1,411	—	1,411
Litigation related expenses and settlements ³	3,046	2,031	1,899	818	7,794	3,103	1,187	4,290
European medical device regulation ⁴	332	1,400	953	2,384	5,069	1,247	1,683	2,930
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	62,040
Tax related to exclusions	(6,933)	(3,881)	(4,455)	(4,513)	(19,782)	(2,562)	(9,697)	(12,259)
Tax affected exclusions for Non-GAAP	18,222	17,847	19,859	8,639	64,567	20,132	29,649	49,781
Non-GAAP net income (loss)	27,608	32,809	30,869	38,515	129,801	25,430	(20,366)	5,064
Non-GAAP WASO ⁶	52,480	52,460	52,590	52,979	52,629	52,532	51,224	52,148
Non-GAAP EPS	\$ 0.53	\$ 0.63	\$ 0.59	\$ 0.73	\$ 2.47	\$ 0.48	\$ (0.40)	\$ 0.10
To calculate Non-GAAP line items:	Q119	Q219	Q319	Q419	2019 FY	Q120	Q220	2020 FY
GAAP gross profit	200,282	214,526	213,807	227,098	855,713	188,016	123,107	311,123
Non-GAAP gross profit	200,282	214,526	213,807	227,098	855,713	188,016	123,107	311,123
% of net sales	72.9%	73.4%	73.5%	73.2%	73.3%	72.3%	60.5%	67.1%
GAAP SG&A	145,076	152,853	152,887	160,365	611,181	130,231	126,444	256,675
GAAP ONLY litigation related expenses and settlements ³	(3,046)	(2,031)	(1,899)	(818)	(7,794)	(3,103)	(1,187)	(4,290)
GAAP ONLY European medical device regulation ⁴	—	(1,145)	(804)	(1,542)	(3,491)	(506)	(490)	(996)
Non-GAAP SG&A	142,030	149,677	150,184	158,005	599,896	126,622	124,767	251,389
% of net sales	51.7%	51.2%	51.6%	50.9%	51.4%	48.7%	61.3%	54.2%
GAAP R&D	17,575	17,553	18,143	19,109	72,380	18,257	19,406	37,663
GAAP ONLY European medical device regulation ⁴	(332)	(255)	(149)	(842)	(1,578)	(741)	(1,193)	(1,934)
Non-GAAP R&D	17,243	17,298	17,994	18,267	70,802	17,516	18,213	35,729
% of net sales	6.3%	5.9%	6.2%	5.9%	6.1%	6.7%	8.9%	7.7%
Non-GAAP operating expenses	159,273	166,975	168,178	176,272	670,698	144,138	142,980	287,118
% of net sales	58.0%	57.2%	57.8%	56.8%	57.4%	55.5%	70.2%	61.9%
Non-GAAP operating profit (loss)	41,009	47,551	45,629	50,826	185,015	43,878	(19,873)	24,005
Non-GAAP operating margin	14.9%	16.3%	15.7%	16.4%	15.8%	16.9%	-9.8%	5.2%
GAAP & Non-GAAP interest income	(409)	(327)	(620)	(561)	(1,917)	(731)	(304)	(1,035)
GAAP interest expense	9,513	9,650	9,654	9,708	38,525	11,517	16,524	28,041
GAAP ONLY non-cash interest expense on convertible notes	(4,319)	(4,374)	(4,432)	(4,492)	(17,617)	(5,724)	(9,615)	(15,339)
Non-GAAP interest expense	5,194	5,276	5,222	5,216	20,908	5,793	6,909	12,702
GAAP other expense (income), net	366	(9)	5,696	(128)	5,925	7,408	11,662	19,070
GAAP ONLY net loss on strategic investments	—	—	(4,767)	—	(4,767)	(1,411)	—	(1,411)
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)	5,358
Non-GAAP interest and other expense, net	5,151	4,940	5,531	4,527	20,149	11,059	5,966	17,025
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)	6,980
Non-GAAP P&L modeling tax rate	23.0%	23.0%	23.0%	16.8%	21.3%	22.5%	21.2%	27.4%
Non-GAAP income tax expense (benefit) ⁷	8,250	9,802	9,229	7,784	35,065	7,389	(5,473)	1,916
Non-GAAP net income (loss)	27,608	32,809	30,869	38,515	129,801	25,430	(20,366)	5,064

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.