

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 3, 2022



LivaNova PLC

(Exact Name of Registrant as Specified in its Charter)

England and Wales
(State or Other Jurisdiction
of Incorporation)

001-37599
(Commission
File Number)

98-1268150
(IRS Employer
Identification No.)

20 Eastbourne Terrace
London, W2 6LG
United Kingdom
(Address of Principal Executive Offices)

+44 20 33250660
(Registrant's Telephone Number, Including Area Code)

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name on each exchange on which registered
Ordinary Shares - £1.00 par value per share	LIVN	NASDAQ Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

☐

Item 2.02 Results of Operations and Financial Condition.

On August 3, 2022, LivaNova PLC (the “Company”) issued a press release announcing financial results for the quarter ended June 30, 2022. The Company will host a business update conference call and webcast today, August 3, 2022, at 1 p.m. London time (8 a.m. Eastern Daylight Time), during which the Company will discuss the financial results. The conference call will be available through the LivaNova website at www.livanova.com.

A copy of the Company’s press release related to the foregoing matters is attached hereto as Exhibit 99.1. The information in Exhibit 99.1 is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and is not to be incorporated by reference into any filing by the Company under the Securities Act of 1933, as amended or the Exchange Act, regardless of any general incorporation language contained in such filing, unless otherwise expressly stated in such filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

<u>Exhibit</u>	<u>Description</u>
99.1	Press Release of LivaNova PLC dated August 3, 2022
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

LivaNova PLC

Date: August 3, 2022

By: /s/ Keyna Skeffington

Name: Keyna Skeffington

Title: Senior Vice President & General Counsel



LivaNova Reports Second-Quarter 2022 Results

London, August 3, 2022 – LivaNova PLC (Nasdaq: LIVN), a market-leading medical technology and innovation company, today reported results for the quarter ended June 30, 2022.

Financial Summary and Highlights¹

- Revenue of \$254.2 million for the quarter, decreased 3.9 percent on a reported basis and increased 0.5 percent on a constant-currency basis, as compared to the prior-year period
- Revenue, excluding sales from the Heart Valves business which was divested effective June 1, 2021, increased 1.8 percent on a reported basis and 6.5 percent on a constant-currency basis, as compared to the prior-year period
- U.S. GAAP diluted earnings per share were \$0.30 and adjusted diluted earnings per share were \$0.53
- Closed term loan facilities in July 2022 for an aggregate principal amount of up to \$350 million and repaid in full and terminated the prior \$220 million bridge facility
- Received New Technology Add-on Payment (NTAP) approval from the U.S. Centers for Medicare and Medicaid for the Hemolung Respiratory Assist System for in-patient care
- Updating full-year 2022 outlook to reflect foreign currency headwinds and supply chain pressures, including the inflationary environment

"We delivered revenue growth in the second quarter, excluding foreign currency headwinds, driven by our Cardiopulmonary and Neuromodulation businesses," said Damien McDonald, Chief Executive Officer of LivaNova. "Based on our first-half performance, we now forecast higher full-year revenue growth on strong demand in Cardiopulmonary. To reflect the impact of foreign currency and increased supply chain pressures, we now expect lower adjusted earnings and free cash flow. We are committed to executing on our core growth drivers, delivering on our extensive clinical and product pipeline opportunities, and improving profitability and cash generation."

¹ Constant-currency percent change, revenue excluding sales from the Heart Valves business, adjusted operating income, adjusted diluted earnings per share and adjusted free cash flow are non-GAAP measures. For an explanation of these and other non-GAAP measures used in this release, see the section entitled "Use of Non-GAAP Financial Measures." For reconciliations of certain non-GAAP measures, see the tables that accompany this press release.

Second-Quarter 2022 Results

The following table summarizes sales for the second quarter of 2022 by segment (in millions):

	Three Months Ended June 30,		% Change	Constant-Currency % Change
	2022	2021		
Cardiopulmonary	\$125.8	\$117.9	6.7 %	14.3 %
Neuromodulation	117.8	117.6	0.1 %	2.3 %
Advanced Circulatory Support	9.4	13.3	(29.6)%	(29.1)%
Other ⁽¹⁾	1.2	15.7	(92.5)%	(91.3)%
Total Net Sales	254.2	264.5	(3.9)%	0.5 %
Less: Heart Valves ⁽¹⁾	—	14.7	N/A	N/A
Total Net Sales, Excluding Heart Valves	\$254.2	\$249.8	1.8 %	6.5 %

- Note: Numbers may not add precisely due to rounding. Constant-currency percent change and Total Net Sales, Excluding Heart Valves are non-GAAP metrics. For an explanation of these and other non-GAAP metrics used in this release, see the section entitled "Use of Non-GAAP Financial Measures." For reconciliations of certain non-GAAP metrics, see the tables that accompany this press release.

⁽¹⁾ Three-month period ended June 30, 2021 includes the results of the Heart Valves business, which was divested effective June 1, 2021.

All revenue growth rates below reflect comparable, constant-currency growth. Constant-currency growth accounts for the impact from fluctuations in the various currencies in which the Company operates as compared to reported growth.

Cardiopulmonary revenue increased 14.3 percent versus the second quarter of 2021 with growth across all regions. This growth was primarily driven by oxygenator sales due to an increase in cardiac surgery procedures and strength in heart-lung machine sales in the Rest of World and U.S. regions.

Neuromodulation revenue increased 2.3 percent versus the second quarter of 2021 driven by the Europe and Rest of World regions and by favorable pricing in the U.S., partially offset by lower implant volumes.

Advanced Circulatory Support (ACS) revenue decreased 29.1 percent compared to the second quarter of 2021 primarily due to a reduction in patients treated with extracorporeal membrane oxygenation (ECMO) related to fewer severe COVID-19 cases and hospital staffing challenges, partially offset by growth in non-COVID-19 cases.

Financial Performance²

On a U.S. GAAP basis, second-quarter 2022 operating income was \$31.8 million, as compared to an operating loss of \$36.3 million for the second quarter of 2021. Adjusted operating income for the second quarter of 2022 was \$33.4 million, as compared to \$37.9 million for the second quarter of 2021.

On a U.S. GAAP basis, second-quarter 2022 diluted earnings per share was \$0.30, as compared to a diluted loss per share of \$1.15 in the second quarter of 2021. Second-quarter 2022 adjusted diluted earnings per share was \$0.53, as compared to \$0.50 per share in the second quarter of 2021.

Updated Full-Year 2022 Outlook

LivaNova now expects revenue for full-year 2022 to grow between 4 and 6 percent on a constant-currency basis, excluding the impact of the Heart Valves divestiture. Foreign currency is now expected to be a 4 to 5 percent headwind.

Adjusted diluted earnings per share for 2022 are now expected to be in the range of \$2.25 to \$2.45, assuming a fully diluted share count of 54 million for full-year 2022. In 2022, the Company now estimates that adjusted free cash flow will be in the range of \$60 to \$80 million.

Conference Call Instructions

The Company will host a live audiocast at 1 p.m. London time (8 a.m. EDT) on Wednesday, August 3, 2022 that will be accessible at www.livanova.com/events. Listeners should register in advance and log on approximately 10 minutes in advance to ensure proper setup. To listen to the conference call by telephone, dial +1 844 200 6205 (if dialing from within the U.S.) or +1 929 526 1599 (if dialing from outside the U.S.). The conference call access code is 469820. Within 24 hours of the audiocast, a replay will be available at www.livanova.com/events, where it will be archived and accessible for approximately 90 days.

² During the fourth quarter of 2021, the Company identified and rectified an error related to foreign currency exchange rates utilized to calculate inventory and cost of sales for the years ended December 31, 2017 through 2020 and the nine months ended September 30, 2021. Accordingly, prior period results on a GAAP and non-GAAP basis were revised. See the section entitled "Supplemental Unaudited Revised Financial Information and Non-GAAP Measures" in the Form 8-K furnished on February 23, 2022.

About LivaNova

LivaNova PLC is a global medical technology and innovation company built on nearly five decades of experience and a relentless commitment to provide hope for patients and their families through innovative medical technologies, delivering life-changing improvements for both the Head and Heart. Headquartered in London, LivaNova employs approximately 3,000 employees and has a presence in more than 100 countries for the benefit of patients, healthcare professionals and healthcare systems worldwide. For more information, please visit www.livanova.com.

Use of Non-GAAP Financial Measures

In this press release, management has disclosed financial measurements that present financial information not in accordance with GAAP. Company management uses these measurements as aids in monitoring the Company's ongoing financial performance from quarter to quarter and year to year on a regular basis and for benchmarking against other medical technology companies. Non-GAAP financial measures used by the Company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies. These non-GAAP financial measures should be considered along with, but not as alternatives to, operating performance measures as prescribed by GAAP.

Unless otherwise noted, all sales growth rates in this release reflect comparable, constant-currency growth. Management believes that referring to comparable, constant-currency growth is the most useful way to evaluate the sales performance of LivaNova and to compare the sales performance of current periods to prior periods on a consistent basis. Constant-currency growth, a non-GAAP financial measure, measures the change in sales between current and prior-year periods using average exchange rates in effect during the applicable prior-year period.

LivaNova calculates forward-looking non-GAAP financial measures based on internal forecasts that omit certain amounts that would be included in GAAP financial measures. For example, forward-looking net sales growth projections are estimated on a constant-currency basis and exclude the impact of foreign currency fluctuations. Forward-looking non-GAAP adjusted diluted earnings per share guidance exclude other items such as, but not limited to, changes in fair value of derivatives and contingent consideration arrangements and asset impairment charges that would be included in comparable GAAP financial measures. The most directly comparable GAAP measure for constant-currency net sales, non-GAAP adjusted tax rate and adjusted diluted earnings per share are net sales, the effective tax rate and earnings per share, respectively. The most directly comparable GAAP measure for adjusted free cash flow is net cash provided by operating activities. However, non-GAAP financial adjustments on a forward-looking basis are subject to uncertainty and variability as they are dependent on

many factors, including but not limited to, the effect of foreign currency exchange fluctuations, impacts from potential acquisitions or divestitures, the ultimate outcome of legal proceedings, gains or losses on the potential sale of businesses or other assets, restructuring costs, merger and integration activities, changes in fair value of derivatives and contingent consideration arrangements, asset impairment charges and the tax impact of the aforementioned items, tax law changes or other tax matters. Accordingly, forward-looking GAAP financial measures and reconciliations to the most directly comparable forward-looking GAAP financial measures are not available without unreasonable effort.

The Company also believes adjusted financial measures such as adjusted gross profit percentage, adjusted selling, general and administrative expense, adjusted research and development expense, adjusted other operating expenses, adjusted operating income, adjusted income tax expense, adjusted net income and adjusted diluted earnings per share, are measures by which LivaNova generally uses to facilitate management review of the operational performance of the company, to serve as a basis for strategic planning and to assist in the design of compensation incentive plans. Additionally, the Company also uses the non-GAAP liquidity measure adjusted free cash flow. Furthermore, adjusted financial measures allow investors to evaluate the Company's core performance for different periods on a more comparable and consistent basis, and with other entities in the medical technology industry by adjusting for items that are not related to the ongoing operations of the Company or incurred in the ordinary course of business.

Safe Harbor Statement

Certain statements in this press release, other than purely historical information, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements include, but are not limited to, LivaNova's plans, objectives, strategies, financial performance and outlook, trends, the amount and timing of future cash distributions, prospects or future events and involve known and unknown risks that are difficult to predict. As a result, our actual financial results, performance, achievements or prospects may differ materially from those expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as "may," "could," "seek," "guidance," "outlook," "predict," "potential," "likely," "believe," "will," "should," "expect," "anticipate," "estimate," "plan," "intend," "forecast," "foresee," or variations of these terms and similar expressions, or the negative of these terms or similar expressions. Such forward-looking statements are necessarily based on estimates and assumptions that, while considered reasonable by LivaNova and its management based on their knowledge and understanding of the business and industry, are inherently uncertain. These statements are not guarantees of future performance, and stockholders should not

place undue reliance on forward-looking statements. Investors are cautioned that all such statements involve risks and uncertainties, including without limitation, statements concerning achieving a stronger future, driving sustainable growth and value to our shareholders, projected net sales, adjusted diluted earnings per share, cash flow from operations, capital expenditures, depreciation and amortization, advancing our growth, driving product launches and funding our equity investments, executing on our synergy targets and retaining our focus, energy and discipline as a company, and serving the needs of our customers and patients. Important factors that may cause actual results to differ include, but are not limited to: (i) risks related to reductions, interruptions or increasing costs related to the supply of raw materials and components and the distribution of finished products, including as a result of inflation and war and related to inflationary pressure; (ii) volatility in the global market and worldwide economic conditions, including volatility caused by the invasion of Ukraine, inflation, changes to existing trade agreements and relationships between the U.S. and other countries including the implementation of sanctions; (iii) risks relating to the outbreak and spread of COVID-19 and its variants around the world, including market volatility, reductions in business operations and reduction in medical procedures; (iv) non-U.S. operational and economic risks and concerns including the effect of changes in foreign exchange rates on quarterly operating results; (v) failure to retain key personnel, prevent labor shortages, or manage labor costs; (vi) changes in technology, including the development of superior or alternative technology or devices by competitors and/or competition from providers of alternative medical therapies; (vii) losses or costs from pending or future lawsuits and governmental investigations, including any amount of liability or damages imposed by the Appeals Court or the Supreme Court of Italy with respect to SNIA S.p.A.; (viii) failure to develop and commercialize new products and the rate and degree of market acceptance of such products; (ix) failure to obtain approvals or maintain the current regulatory approvals for our products' approved indications; (x) failure to comply with, or changes in, laws, regulations or administrative practices affecting government regulation of our products, including, but not limited to, U.S. Food and Drug Administration ("FDA") laws and regulations; (xi) changes in customer spending patterns; (xii) failure to establish, expand or maintain market acceptance of our products for the treatment of our approved indications; (xiii) any legislative or administrative reform to the healthcare system, including the U.S. Medicare or Medicaid systems or international reimbursement systems, that significantly reduces reimbursement for our products or procedures or denies coverage for such products or procedures or enhances coverage for competitive products or procedures, as well as adverse decisions by administrators of such systems on coverage or reimbursement issues relating to our products; (xiv) failure to obtain or maintain coverage and reimbursement for our products' approved indications and risks related to cost containment efforts of healthcare purchasing organizations; (xv) unfavorable results from clinical studies or failure to meet milestones; (xvi) risks relating to our indebtedness under the exchangeable senior notes, our revolving credit facility and our 2022 Term Facilities; (xvii) effectiveness of our internal controls over financial reporting; (xviii) changes in our profitability and/or failure to

manage costs and expenses; (xix) fluctuations in future quarterly operating results and/or variations in sales and operating expenses relative to estimates; (xx) cyber-attacks or other disruptions to our information technology systems; (xxi) product liability, intellectual property, shareholder-related, environmental-related, income tax and other litigation, disputes, losses and costs; (xxii) protection, expiration and validity of our intellectual property; (xxiii) failure to comply with applicable U.S. laws and regulations, including federal and state privacy and security laws and regulations, and applicable non-U.S. laws and regulations; (xxiv) harsh weather or natural disasters, including as a result of climate change, that interrupt our business operations or the business operations of our hospital-customers or failure to comply with evolving environmental laws; (xxv) failure of new acquisitions to further our strategic objectives or strengthen our existing businesses; (xxvi) changes in tax laws and regulations, including exposure to additional income tax liabilities; (xxvii) changes in our common stock price; and (xxviii) activist investors causing disruptions to the business.

The foregoing list of factors is not exhaustive. You should carefully consider the foregoing factors and the other risks and uncertainties that affect the Company's business, including those described in the "Risk Factors" section of Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other documents filed from time to time with the United States Securities and Exchange Commission by LivaNova.

We caution you not to place undue reliance on any forward-looking statements, which are made only as of the date of this press release. The Company does not undertake or assume any obligation to update publicly any of the forward-looking statements in this press release to reflect actual results, new information or future events, changes in assumptions or changes in other factors affecting forward-looking statements, except to the extent required by applicable law. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

Briana Gotlin
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LIVANOVA PLC
NET SALES
(U.S. dollars in millions)

	Three Months Ended June 30,			
	2022	2021	% Change at Actual Currency Rates	% Change at Constant-Currency Rates ⁽¹⁾
Cardiopulmonary				
US	\$37.9	\$37.4	1.3 %	1.3 %
Europe	33.2	35.1	(5.6) %	6.8 %
Rest of World	54.8	45.4	20.8 %	30.9 %
Total	125.8	117.9	6.7 %	14.3 %
Neuromodulation				
US	91.4	91.8	(0.4) %	(0.4)%
Europe	13.7	14.6	(6.1) %	6.5 %
Rest of World	12.7	11.3	12.5 %	18.9 %
Total	117.8	117.6	0.1 %	2.3 %
Advanced Circulatory Support				
US	8.8	13.0	(32.2) %	(32.2)%
Europe	0.5	0.2	NM	NM
Rest of World	0.1	0.1	NM	NM
Total	9.4	13.3	(29.6) %	(29.1)%
Other				
US	—	2.2	(100.0 %)	(100.0)%
Europe	—	6.1	(100.0 %)	(100.0)%
Rest of World	1.2	7.4	(83.9) %	(81.6)%
Total	1.2	15.7	(92.5) %	(91.3)%
Totals				
US	138.1	144.3	(4.3) %	(4.3)%
Europe ⁽²⁾	47.4	56.0	(15.5) %	(4.3)%
Rest of World	68.7	64.1	7.2 %	15.7 %
Total	\$254.2	\$264.5	(3.9) %	0.5 %

(1) Constant-currency growth, a non-GAAP financial measure, measures the change in sales between current and prior-year periods using average exchange rates in effect during the applicable prior-year period.

(2) Europe sales include those countries in which we have a direct sales presence, whereas European countries in which we sell through distributors are included in "Rest of World."

NM Indicates that variance as a percentage is not meaningful.

* The sales results presented are unaudited. Numbers may not add precisely due to rounding.

LIVANOVA PLC
NET SALES
(U.S. dollars in millions)

	Six Months Ended June 30,			
	2022	2021	% Change at Actual Currency Rates	% Change at Constant-Currency Rates ⁽¹⁾
Cardiopulmonary				
US	\$76.0	\$73.1	3.8 %	3.8 %
Europe	65.2	65.8	(0.8) %	9.2 %
Rest of World	101.7	87.7	16.0 %	24.5 %
Total	242.9	226.6	7.2 %	13.4 %
Neuromodulation				
US	178.6	174.1	2.6 %	2.6 %
Europe	26.2	26.3	(0.4) %	9.4 %
Rest of World	23.2	21.0	10.7 %	16.7 %
Total	228.0	221.3	3.0 %	4.8 %
Advanced Circulatory Support				
US	19.8	25.5	(22.6) %	(22.6)%
Europe	1.1	0.4	NM	NM
Rest of World	0.2	0.3	NM	NM
Total	21.0	26.3	(19.9) %	(19.5)%
Other				
US	—	4.9	(100.0 %)	(100.0)%
Europe	—	14.4	(100.0 %)	(100.0)%
Rest of World	2.4	18.6	(87.2) %	(85.7)%
Total	2.4	37.9	(93.7) %	(93.0)%
Totals				
US	274.4	277.7	(1.2) %	(1.2)%
Europe ⁽²⁾	92.5	106.9	(13.4) %	(4.8)%
Rest of World	127.5	127.6	(0.1) %	7.0 %
Total	\$494.3	\$512.1	(3.5) %	0.1 %

(1) Constant-currency growth, a non-GAAP financial measure, measures the change in sales between current and prior-year periods using average exchange rates in effect during the applicable prior-year period.

(2) Europe sales include those countries in which we have a direct sales presence, whereas European countries in which we sell through distributors are included in "Rest of World."

NM Indicates that variance as a percentage is not meaningful.

* The sales results presented are unaudited. Numbers may not add precisely due to rounding.

LIVANOVA PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED
(U.S. dollars in millions, except per share amounts)

	Three Months Ended June 30,		% Change
	2022	2021	
Net sales	\$254.2	\$264.5	
Cost of sales	69.8	92.2	
Gross profit	184.4	172.3	7.0 %
Operating expenses:			
Selling, general and administrative	116.5	122.7	
Research and development	34.2	52.6	
Other operating expenses	1.9	33.2	
Operating income (loss)	31.8	(36.3)	(187.6)%
Interest expense	(14.4)	(16.5)	
Foreign exchange and other income/(expense)	1.6	0.2	
Income (loss) before tax	19.0	(52.5)	(136.2)%
Income tax expense	2.5	3.9	
Net income (loss)	\$16.4	(\$56.5)	(129.1)%
Basic income (loss) per share	\$0.31	(\$1.15)	
Diluted income (loss) per share	\$0.30	(\$1.15)	
Weighted average common shares outstanding:			
Basic	53.5	48.9	
Diluted	54.1	48.9	

* Numbers may not add precisely due to rounding.

Adjusted Financial Measures (U.S. dollars in millions, except per share amounts)

	Three Months Ended June 30,		% Change ⁽¹⁾
	2022	2021	
Adjusted SG&A ⁽¹⁾	\$101.1	\$101.5	(0.4)%
Adjusted R&D ⁽¹⁾	41.8	43.6	(4.2)%
Adjusted operating income ⁽¹⁾	33.4	37.9	(12.0)%
Adjusted net income ⁽¹⁾	28.6	24.7	15.6 %
Adjusted diluted earnings per share ⁽¹⁾	\$0.53	\$0.50	6.5 %

(1) Adjusted financial measures are non-GAAP measures and exclude specified items as described and reconciled in the "Reconciliation of GAAP to non-GAAP Financial Measures" contained in the press release.

Statistics (as a % of net sales, except for income tax rate)

	GAAP Three Months Ended June 30,		Adjusted ⁽¹⁾ Three Months Ended June 30,	
	2022	2021	2022	2021
Gross profit	72.5 %	65.1 %	69.3 %	69.2 %
SG&A	45.8 %	46.4 %	39.8 %	38.4 %
R&D	13.5 %	19.9 %	16.4 %	16.5 %
Operating income (loss)	12.5 %	(13.7)%	13.1 %	14.3 %
Net income (loss)	6.5 %	(21.4)%	11.2 %	9.3 %
Income tax rate	13.2 %	(7.4)%	4.8 %	14.1 %

(1) Adjusted financial measures are non-GAAP measures and exclude specified items as described and reconciled in the "Reconciliation of GAAP to non-GAAP Financial Measures" contained in the press release.

LIVANOVA PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED
(U.S. dollars in millions, except per share amounts)

	Six Months Ended June 30,		
	2022	2021	% Change
Net sales	\$494.3	\$512.1	
Cost of sales	141.5	176.4	
Gross profit	352.8	335.7	5.1 %
Operating expenses:			
Selling, general and administrative	235.0	238.4	
Research and development	75.1	97.2	
Other operating expenses	1.4	42.0	
Operating income (loss)	41.3	(42.0)	(198.3)%
Interest expense	(22.2)	(32.5)	
Foreign exchange and other income/(expense)	5.5	(6.2)	
Income (loss) before tax	24.6	(80.6)	(130.5)%
Income tax expense	5.1	6.6	
Losses from equity method investments	(0.1)	(0.1)	
Net income (loss)	\$19.4	(\$87.2)	(122.3)%
Basic income (loss) per share	\$0.36	(\$1.79)	
Diluted income (loss) per share	\$0.36	(\$1.79)	
Weighted average common shares outstanding:			
Basic	53.4	48.8	
Diluted	54.1	48.8	

* Numbers may not add precisely due to rounding.

Adjusted Financial Measures (U.S. dollars in millions, except per share amounts)

	Six Months Ended June 30,		% Change ⁽¹⁾
	2022	2021	
Adjusted SG&A ⁽¹⁾	\$203.0	\$197.8	2.6 %
Adjusted R&D ⁽¹⁾	81.8	85.5	(4.3)%
Adjusted operating income ⁽¹⁾	61.7	68.2	(9.5)%
Adjusted net income ⁽¹⁾	54.6	41.3	32.1 %
Adjusted diluted earnings per share ⁽¹⁾	\$1.01	\$0.83	21.2 %

(1) Adjusted financial measures are non-GAAP measures and exclude specified items as described and reconciled in the "Reconciliation of GAAP to non-GAAP Financial Measures" contained in the press release.

Statistics (as a % of net sales, except for income tax rate)

	GAAP Six Months Ended June 30,		Adjusted ⁽¹⁾ Six Months Ended June 30,	
	2022	2021	2022	2021
Gross profit	71.4 %	65.6 %	70.1 %	68.6 %
SG&A	47.5 %	46.6 %	41.1 %	38.6 %
R&D	15.2 %	19.0 %	16.6 %	16.7 %
Operating income (loss)	8.3 %	(8.2)%	12.5 %	13.3 %
Net income (loss)	3.9 %	(17.0)%	11.0 %	8.1 %
Income tax rate	20.6 %	(8.1)%	6.0 %	12.4 %

(1) Adjusted financial measures are non-GAAP measures and exclude specified items as described and reconciled in the "Reconciliation of GAAP to non-GAAP Financial Measures" contained in the press release.

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES - UNAUDITED
(U.S. dollars in millions, except per share amounts)

Three Months Ended June 30, 2022	Specified Items									Adjusted Financial Measures
	GAAP Financial Measures	Merger and Integration Expenses (A)	Restructuring Expenses (B)	Depreciation and Amortization Expenses (C)	Financing Transactions (D)	Certain Legal, Contingent Consideration and Other (E)	Stock-based Compensation Costs (F)	Certain Tax Adjustments (G)	Certain Interest Adjustments (H)	
Cost of sales	\$69.8	\$—	\$—	(\$3.7)	\$—	\$12.5	(\$0.6)	\$—	\$—	\$78.0
Gross profit percent	72.5 %	— %	— %	1.5 %	— %	(4.9)%	0.2 %	— %	— %	69.3 %
Selling, general and administrative	116.5	—	—	(2.9)	—	(4.8)	(7.8)	—	—	101.1
Selling, general and administrative as a percent of net sales	45.8 %	— %	— %	(1.1)%	— %	(1.9)%	(3.1)%	— %	— %	39.8 %
Research and development	34.2	—	—	—	—	10.6	(3.2)	—	—	41.8
Research and development as a percent of net sales	13.5 %	— %	— %	— %	— %	4.2 %	(1.2)%	— %	— %	16.4 %
Other operating expenses	1.9	(0.2)	(0.6)	—	—	(1.1)	—	—	—	—
Operating income	31.8	0.2	0.6	6.6	—	(17.3)	11.5	—	—	33.4
Operating margin percent	12.5 %	0.1 %	0.2 %	2.6 %	— %	(6.8)%	4.5 %	— %	— %	13.1 %
Income tax expense	2.5	—	—	0.4	—	0.4	0.1	(2.1)	—	1.4
Income tax rate	13.2 %	— %	3.3 %	6.6 %	— %	(2.5)%	1.2 %	N/A	— %	4.8 %
Net income	16.4	0.2	0.6	6.1	(1.5)	(17.7)	11.4	2.1	10.9	28.6
Net income as a percent of net sales	6.5 %	0.1 %	0.2 %	2.4 %	(0.6)%	(7.0)%	4.5 %	0.8 %	4.3 %	11.2 %
Diluted EPS	\$0.30	\$—	\$0.01	\$0.11	(\$0.03)	(\$0.33)	\$0.21	\$0.04	\$0.20	\$0.53

GAAP results for the three months ended June 30, 2022 include:

- (A) Merger and integration expenses related to the acquisition of ALung Technologies, Inc.
- (B) Restructuring expenses related to organizational changes
- (C) Includes depreciation and amortization associated with purchase price accounting
- (D) Mark-to-market adjustments for the exchangeable option feature and capped call derivatives
- (E) 3T Heater-Cooler litigation provision, legal expenses primarily related to 3T Heater-Cooler defense, costs related to the SNIA matter, other matters and remeasurement of contingent consideration related to acquisitions
- (F) Non-cash expenses associated with stock-based compensation costs
- (G) Relates to discrete tax items, R&D tax credits and the tax impact of intercompany transactions
- (H) Non-cash interest expense on the Cash Exchangeable Senior Notes and 2021 Revolving Credit Facility, and interest expense on the 2022 Bridge Loan

* Numbers may not add precisely due to rounding.

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES - UNAUDITED
(U.S. dollars in millions, except per share amounts)

Three Months Ended June 30, 2021	GAAP Financial Measures	Specified Items										Adjusted Financial Measures
		Merger and Integration Expenses (A)	Restructuring Expenses (B)	Depreciation and Amortization Expenses (C)	Heart Valves (D)	Production Remediation (E)	Financing Transactions (F)	Certain Legal, Contingent Consideration and Other (G)	Stock-based Compensation Costs (H)	Certain Tax Adjustments (I)	Certain Interest Adjustments (J)	
Cost of sales	\$92.2	\$—	\$—	(\$3.9)	\$—	(\$0.4)	\$—	(\$5.2)	(\$1.1)	\$—	\$—	\$81.5
Gross profit percent	65.1 %	— %	— %	1.5 %	— %	0.1 %	— %	2.0 %	0.4 %	— %	— %	69.2 %
Selling, general and administrative	122.7	—	—	(3.1)	—	—	—	(12.2)	(6.0)	—	—	101.5
Selling, general and administrative as a percent of net sales	46.4 %	— %	— %	(1.2)%	— %	— %	— %	(4.6)%	(2.3)%	— %	— %	38.4 %
Research and development	52.6	—	—	—	—	—	—	(6.3)	(2.8)	—	—	43.6
Research and development as a percent of net sales	19.9 %	— %	— %	— %	— %	— %	— %	(2.4)%	(1.0)%	— %	— %	16.5 %
Other operating expenses	33.2	(0.1)	(3.6)	—	(0.1)	—	—	(29.4)	—	—	—	—
Operating (loss) income	(36.3)	0.1	3.6	7.0	0.1	0.4	—	53.1	9.9	—	—	37.9
Operating margin percent	(13.7)%	— %	1.4 %	2.6 %	— %	0.1 %	— %	20.1 %	3.7 %	— %	— %	14.3 %
Income tax expense	3.9	—	0.2	0.5	3.6	0.1	—	(0.6)	0.3	(4.0)	—	4.1
Income tax rate	(7.4)%	3.4 %	5.6 %	7.7 %	2,771.5 %	26.8 %	— %	(1.2)%	3.4 %	N/A	— %	14.1 %
Net (loss) income	(56.5)	0.1	3.4	6.4	(3.5)	0.3	5.7	50.5	9.6	4.0	4.6	24.7
Net (loss) income as a percent of net sales	(21.4)%	— %	1.3 %	2.4 %	(1.3)%	0.1 %	2.2 %	19.1 %	3.6 %	1.5 %	1.7 %	9.3 %
Diluted EPS	(\$1.15)	\$—	\$0.07	\$0.13	(\$0.07)	\$0.01	\$0.11	\$1.01	\$0.19	\$0.08	\$0.09	\$0.50

GAAP results for the three months ended June 30, 2021 include:

- (A) Merger and integration expenses related to our legacy companies and recent acquisitions
- (B) Restructuring expenses related to organizational changes
- (C) Includes depreciation and amortization associated with purchase price accounting
- (D) Loss associated with the sale of Heart Valves
- (E) Costs related to the 3T Heater-Cooler remediation plan
- (F) Costs associated with our June 2020 financing transactions, including the mark-to-market adjustment for the exchangeable option feature and capped call derivatives
- (G) 3T Heater-Cooler litigation provision, legal expenses primarily related to 3T Heater-Cooler defense, settlements, other matters, remeasurement of contingent consideration related to acquisitions and dividend income
- (H) Non-cash expenses associated with stock-based compensation costs
- (I) Relates to discrete tax items and the tax impact of intercompany transactions
- (J) Non-cash interest expense on our Senior Secured Term Loan and Cash Exchangeable Senior Notes

* Numbers may not add precisely due to rounding.

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES - UNAUDITED
(U.S. dollars in millions, except per share amounts)

Six Months Ended June 30, 2022	Specified Items									Adjusted Financial Measures
	GAAP Financial Measures	Merger and Integration Expenses (A)	Restructuring Expenses (B)	Depreciation and Amortization Expenses (C)	Financing Transactions (D)	Certain Legal, Contingent Consideration and Other (E)	Stock-based Compensation Costs (F)	Certain Tax Adjustments (G)	Certain Interest Adjustments (H)	
Cost of sales	\$141.5	\$—	\$—	(\$7.4)	\$—	\$14.4	(\$0.8)	\$—	\$—	\$147.7
Gross profit percent	71.4 %	— %	— %	1.5 %	— %	(2.9)%	0.2 %	— %	— %	70.1 %
Selling, general and administrative	235.0	—	—	(5.8)	—	(10.5)	(15.6)	—	—	203.0
Selling, general and administrative as a percent of net sales	47.5 %	— %	— %	(1.2)%	— %	(2.1)%	(3.2)%	— %	— %	41.1 %
Research and development	75.1	—	—	0.1	—	11.8	(5.3)	—	—	81.8
Research and development as a percent of net sales	15.2 %	— %	— %	— %	— %	2.4 %	(1.1)%	— %	— %	16.6 %
Other operating expenses	1.4	(0.2)	(0.5)	—	—	(0.7)	—	—	—	—
Operating income	41.3	0.2	0.5	13.1	—	(15.1)	21.7	—	—	61.7
Operating margin percent	8.3 %	— %	0.1 %	2.6 %	— %	(3.1)%	4.4 %	— %	— %	12.5 %
Income tax expense	5.1	—	—	0.9	—	0.8	0.2	(3.5)	—	3.5
Income tax rate	20.6 %	— %	4.0 %	6.8 %	— %	(5.1)%	1.0 %	N/A	— %	6.0 %
Net income	19.4	0.2	0.5	12.2	(2.6)	(15.9)	21.5	3.5	15.7	54.6
Net income as a percent of net sales	3.9 %	— %	0.1 %	2.5 %	(0.5)%	(3.2)%	4.4 %	0.7 %	3.2 %	11.0 %
Diluted EPS	\$0.36	\$—	\$0.01	\$0.23	(\$0.05)	(\$0.29)	\$0.40	\$0.06	\$0.29	\$1.01

GAAP results for the six months ended June 30, 2022 include:

- (A)** Merger and integration expenses related to the acquisition of ALung Technologies, Inc.
- (B)** Restructuring expenses related to organizational changes
- (C)** Includes depreciation and amortization associated with purchase price accounting
- (D)** Mark-to-market adjustments for the exchangeable option feature and capped call derivatives
- (E)** 3T Heater-Cooler litigation provision, legal expenses primarily related to 3T Heater-Cooler defense, costs related to the SNIA matter, other matters and remeasurement of contingent consideration related to acquisitions
- (F)** Non-cash expenses associated with stock-based compensation costs
- (G)** Relates to discrete tax items, R&D tax credits and the tax impact of intercompany transactions
- (H)** Non-cash interest expense on the Cash Exchangeable Senior Notes and 2021 Revolving Credit Facility, and interest expense on the 2022 Bridge Loan

* Numbers may not add precisely due to rounding.

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES - UNAUDITED
(U.S. dollars in millions, except per share amounts)

Six Months Ended June 30, 2021	GAAP Financial Measures	Specified Items										Adjusted Financial Measures
		Merger and Integration Expenses (A)	Restructuring Expenses (B)	Depreciation and Amortization Expenses (C)	Heart Valves (D)	Product Remediation Expenses (E)	Financing Transactions (F)	Certain Legal, Contingent Consideration and Other (G)	Stock-based Compensation Costs (H)	Certain Tax Adjustments (I)	Certain Interest Adjustments (J)	
Cost of sales	\$176.4	\$—	\$—	(\$7.9)	\$—	(\$0.4)	\$—	(\$5.6)	(\$1.8)	\$—	\$—	\$160.6
Gross profit percent	65.6 %	— %	— %	1.5 %	— %	0.1 %	— %	1.1 %	0.3 %	— %	— %	68.6 %
Selling, general and administrative	238.4	—	—	(6.1)	—	—	—	(21.1)	(13.3)	—	—	197.8
Selling, general and administrative as a percent of net sales	46.6 %	— %	— %	(1.2)%	— %	— %	— %	(4.1)%	(2.6)%	— %	— %	38.6 %
Research and development	97.2	—	—	0.1	—	—	—	(7.5)	(4.3)	—	—	85.5
Research and development as a percent of net sales	19.0 %	— %	— %	— %	— %	— %	— %	(1.5)%	(0.8)%	— %	— %	16.7 %
Other operating expenses	42.0	(0.7)	(9.7)	—	0.8	—	—	(32.4)	—	—	—	—
Operating (loss) income	(42.0)	0.7	9.7	14.0	(0.8)	0.4	—	66.6	19.5	—	—	68.2
Operating margin percent	(8.2)%	0.1 %	1.9 %	2.7 %	(0.2)%	0.1 %	— %	13.0 %	3.8 %	— %	— %	13.3 %
Income tax expense	6.6	—	0.3	1.1	3.7	0.1	—	—	0.5	(6.5)	—	5.9
Income tax rate	(8.1)%	0.9 %	3.3 %	7.8 %	(445.9)%	26.9 %	— %	— %	2.7 %	N/A	— %	12.4 %
Net (loss) income	(87.2)	0.7	9.4	12.9	(4.6)	0.3	16.4	58.9	18.9	6.5	9.2	41.3
Net (loss) income from continuing operations as a percent of net sales	(17.0)%	0.1 %	1.8 %	2.5 %	(0.9)%	0.1 %	3.2 %	11.5 %	3.7 %	1.3 %	1.8 %	8.1 %
Diluted EPS	(\$1.79)	\$0.01	\$0.19	\$0.26	(\$0.09)	\$0.01	\$0.33	\$1.18	\$0.38	\$0.13	\$0.18	\$0.83

GAAP results for the six months ended June 30, 2021 include:

- (A) Merger and integration expenses related to our legacy companies and recent acquisitions
- (B) Restructuring expenses related to organizational changes
- (C) Includes depreciation and amortization associated with purchase price accounting
- (D) Gain associated with the sale of Heart Valves
- (E) Costs related to the 3T Heater-Cooler remediation plan
- (F) Costs associated with our June 2020 financing transactions, including the mark-to-market adjustment for the exchangeable option feature and capped call derivatives
- (G) 3T Heater-Cooler litigation provision, legal expenses primarily related to 3T Heater-Cooler defense, settlements, other matters, remeasurement of contingent consideration related to acquisitions , gain from remeasurement of an investment and dividend income
- (H) Non-cash expenses associated with stock-based compensation costs
- (I) Relates to discrete tax items and the tax impact of intercompany transactions
- (J) Non-cash interest expense on our Senior Secured Term Loan and Cash Exchangeable Senior Notes

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LIVANOVA PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED
(U.S. dollars in millions)

	June 30, 2022	December 31, 2021
ASSETS		
<i>Current Assets:</i>		
Cash and cash equivalents	\$109.0	\$208.0
Restricted cash	297.7	—
Accounts receivable, net of allowance	176.9	185.4
Inventories	119.4	105.8
Prepaid and refundable taxes	30.9	37.6
Current derivative assets	2.5	106.6
Prepaid expenses and other current assets	35.4	35.7
Total Current Assets	771.9	679.2
Property, plant and equipment, net	143.3	150.1
Goodwill	898.1	899.5
Intangible assets, net	389.4	399.7
Operating lease assets	38.4	40.6
Investments	14.0	16.6
Deferred tax assets	2.4	2.2
Long-term derivative assets	61.6	—
Other assets	17.1	13.1
Total Assets	\$2,336.2	\$2,201.0
LIABILITIES AND STOCKHOLDERS' EQUITY		
<i>Current Liabilities:</i>		
Current debt obligations	\$6.2	\$229.7
Accounts payable	74.3	68.0
Accrued liabilities and other	84.0	88.9
Current derivative liabilities	3.2	183.1
Current litigation provision liability	31.0	32.8
Taxes payable	14.9	15.1
Accrued employee compensation and related benefits	50.3	79.3
Total Current Liabilities	263.9	697.0
Long-term debt obligations	459.8	9.8
Contingent consideration	91.8	86.8
Deferred tax liabilities	7.7	7.7
Long-term operating lease liabilities	31.9	35.9
Long-term employee compensation and related benefits	17.9	19.1
Long-term derivative liabilities	134.1	—
Other long-term liabilities	47.2	49.9
Total Liabilities	1,054.2	906.3
Total Stockholders' Equity	1,282.0	1,294.6
Total Liabilities and Stockholders' Equity	\$2,336.2	\$2,201.0

* Numbers may not add precisely due to rounding.

LIVANOVA PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED
(U.S. dollars in millions)

Operating Activities:

	Six Months Ended June 30,	
	2022	2021
Net income (loss)	\$19.4	(\$87.2)
Non-cash items included in net income (loss):		
Remeasurement of contingent consideration to fair value	(27.4)	10.7
Stock-based compensation	21.8	19.5
Amortization	12.9	13.4
Amortization of debt issuance costs	11.7	9.0
Depreciation	11.1	12.3
Remeasurement of derivative instruments	(5.1)	13.2
Amortization of operating lease assets	4.9	8.9
Remeasurement of Respicardia investment and loan	—	(4.6)
Deferred tax expense	0.6	0.9
Other	1.3	1.4

Changes in operating assets and liabilities:

Accounts receivable, net	(0.9)	(4.7)
Inventories	(16.5)	3.9
Other current and non-current assets	2.8	18.8
Accounts payable and accrued current and non-current liabilities	(19.4)	3.6
Taxes payable	0.1	2.5
Litigation provision liability	(2.1)	23.7
Net cash provided by operating activities	15.6	45.1

Investing Activities:

Purchases of property, plant and equipment	(11.3)	(14.6)
Acquisition, net of cash acquired	(8.9)	—
Purchase of investments	(0.8)	(2.1)
Proceeds from sale of Heart Valves, net of cash disposed	—	41.8
Proceeds from sale of Respicardia investment and loan	—	23.1
Other	(0.7)	(1.4)
Net cash (used in) provided by investing activities	(21.6)	46.7

Financing Activities:

Proceeds from long-term debt obligations	218.3	—
Shares repurchased from employees for minimum tax withholding	(8.2)	(11.1)
Payment of debt issuance costs	(2.9)	(0.4)
Proceeds from share issuances under ESPP	1.8	1.8
Payment of contingent consideration	—	(4.4)
Repayment of long-term debt obligations	(0.8)	(1.3)
Other	0.3	1.3
Net cash provided by (used in) financing activities	208.6	(14.1)

Effect of exchange rate changes on cash, cash equivalents and restricted cash

	(3.7)	(1.2)
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Net increase in cash, cash equivalents and restricted cash

Cash, cash equivalents and restricted cash at beginning of period	208.0	252.8
Cash, cash equivalents and restricted cash at end of period	\$406.8	\$329.4

* Numbers may not add precisely due to rounding.

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES - UNAUDITED
(U.S. dollars in millions)

	Three Months Ended June 30,		% Change at Actual Currency Rates	% Change at Constant-Currency Rates ⁽¹⁾
	2022	2021		
Total GAAP net sales	\$254.2	\$264.5	(3.9)%	0.5 %
Less Heart Valves net sales	—	14.7	N/A	N/A
Total net sales, excluding Heart Valves	<u>\$254.2</u>	<u>\$249.8</u>	1.8 %	6.5 %

(1) Constant-currency growth, a non-GAAP financial measure, measures the change in sales between current and prior-year periods using average exchange rates in effect during the applicable prior-year period.

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The following table presents the reconciliation of GAAP diluted weighted average shares outstanding, used in the computation of GAAP diluted net loss per common share, to adjusted diluted weighted average shares outstanding, used in the computation of adjusted diluted earnings per common share (in millions of shares):

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES - UNAUDITED
(shares in millions)

	Three Months Ended June 30, 2021	Six Months Ended June 30, 2021
GAAP diluted weighted average shares outstanding	48.9	48.8
Add effects of stock-based compensation instruments	0.9	0.9
Adjusted diluted weighted average shares outstanding ⁽¹⁾	<u>49.8</u>	<u>49.7</u>

(1) Adjusted diluted weighted average shares outstanding is a non-GAAP measure and includes the effects of stock-based compensation instruments, as reconciled in the above table.

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