



# Second-Quarter 2016 Performance

August 3, 2016

# Safe Harbor

This material contains forward-looking statements within the meaning of Section 21E of the United States Securities Exchange Act of 1934, as amended. Forward-looking statements are not historical facts but are based on certain assumptions of management and describe our future plans, strategies and expectations. Forward-looking statements can generally be identified by the use of forward-looking terminology, including, but not limited to, "may," "could," "seek," "guidance," "predict," "potential," "likely," "believe," "will," "expect," "anticipate," "estimate," "plan," "intend," "forecast," or variations of these terms and similar expressions, or the negative of these terms or similar expressions. Forward-looking statements contained in this press release are based on information presently available to LivaNova and assumptions that LivaNova believes to be reasonable, but are inherently uncertain. As a result, our actual results, performance or achievements may differ materially from those expressed or implied by these forward-looking statements. Investors are cautioned that all such statements involve risks and uncertainties, including without limitation, the factors described in the "Risk Factors" section of LivaNova's 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, and/or announced or published pursuant to the rules of, the United States Securities and Exchange Commission and/or the United Kingdom Financial Conduct Authority by LivaNova, together with the risk that our internal leadership and organizational realignment will not lead to intended improvements, efficiency or results. This list of factors is not exhaustive. LivaNova does not give any assurance (1) that LivaNova will achieve its expectations, or (2) concerning any result or the timing thereof. These forward-looking statements speak only as of the date on which the statements were made. LivaNova does not undertake or assume any obligation to update publicly any of the forward-looking statements 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. We caution you not to place undue reliance on any forward-looking statements, which are made only as of the date of this presentation.

# Agenda



Highlights



Financial results



2016 guidance



Summary

# Highlights

# First Half 2016 Highlights:

## Progressing on multiple initiatives in cardiac surgery and CRM

### ▶ **March 2016:**

Received U.S. FDA approval and launched Perceval in the U.S.; the only sutureless heart valve on-market

### ▶ **March 2016:**

Received PMDA approval and launched KORA 250 in Japan; a full-body MRI compatible pacemaker

### ▶ **April 2016:**

Performed the first implant of Perceval in the PERSIST-AVR trial, which is a study with over 1,200 patients comparing Perceval with standard tissue valves

### ▶ **May 2016:**

Announced favorable results in our RESPOND-CRT clinical trial, which showed a **35** percent reduction in hospitalization with SonR cardiac resynchronization therapy device compared to echo

# Recent Highlights:

## Positioning the company for sustainable and long-term success

### ▶ **July 2016:**

Realigning our organization with leaders who will focus across geographies; supported by product business franchises to drive global marketing and R&D

### ▶ **July 2016:**

Bringing new talent to the organization including the appointment of Damien McDonald as COO; responsible for driving innovative product development and global expansion

### ▶ **July 2016:**

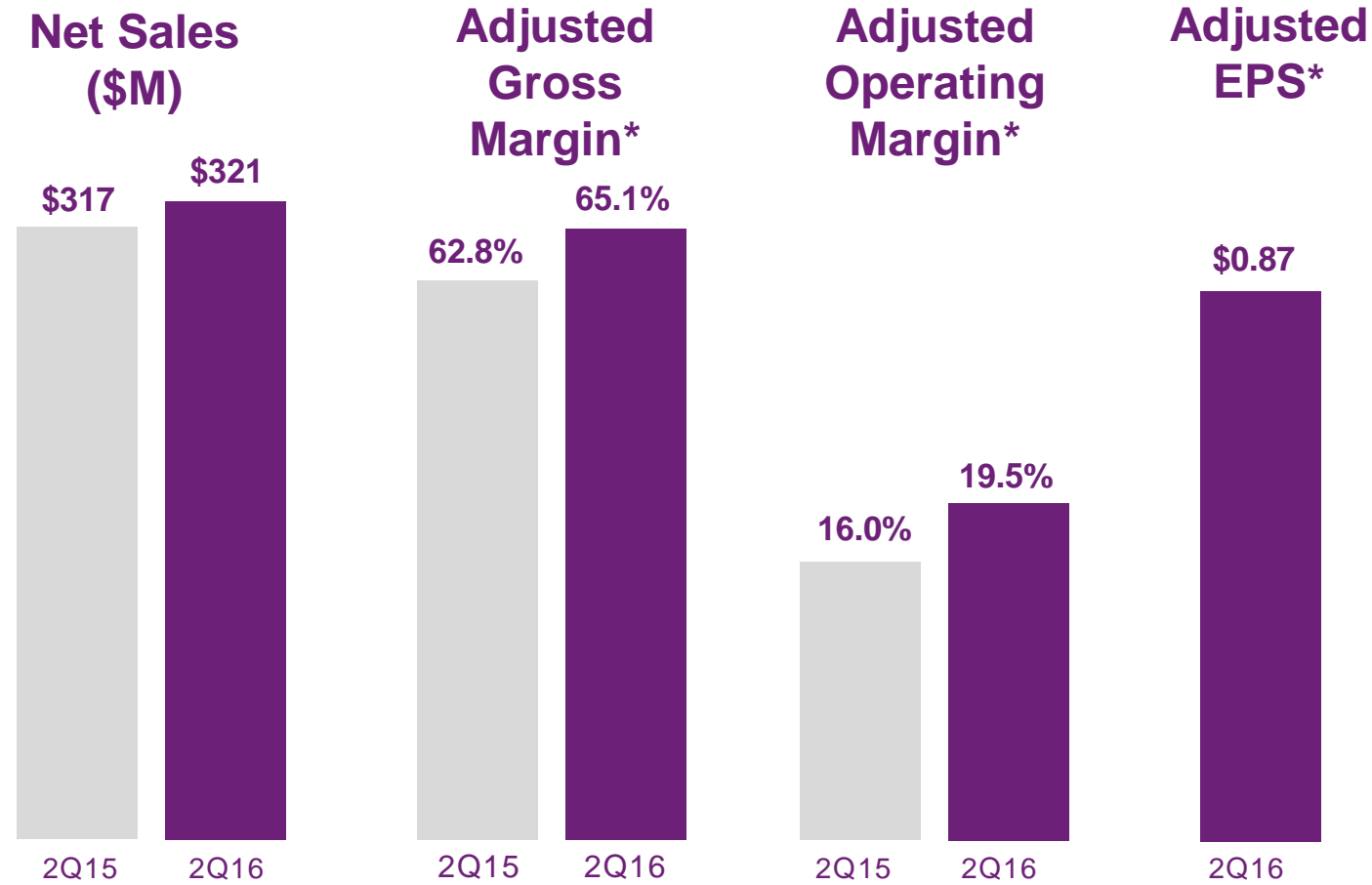
Bringing new perspectives and insights to our Board of Directors with Andrea L. Saia who has significant medical device and board experience

### ▶ **August 2016:**

Optimizing the use of cash by initiating a repurchase program of up to \$150 million by the end of 2018

# 2016 At A Glance:

Top line results negatively affected by challenging comparison to strong 2Q15; margins positively affected by favorable product mix



\* Adjusted gross margin, operating margin and diluted EPS for 2Q15 and 2Q16 are adjusted non-GAAP measures. Non-GAAP measures are reconciled to GAAP measures in the appendix.

# Financial Results



# Net sales: LivaNova

	2Q16 Net Sales	YOY Performance*	Drivers / Impacts
<b>Cardiac Surgery</b>	\$161.1M	(1.0%)	<ul style="list-style-type: none"> <li>+ Continued strong demand for INSPIRE, our newest range of oxygenators</li> <li>+ Positive performance of Perceval in Europe/U.S.</li> <li>- Timing of customer orders on heart-lung machines in Europe</li> <li>- Impact of heater/cooler import restriction</li> </ul>
<b>CRM</b>	\$69.6M	(9.9%)	<ul style="list-style-type: none"> <li>+ Growth in the high voltage segment with our newest device Platinum</li> <li>- Tough y-o-y comparison in low voltage due to strong sales of KORA 100 to Japan in 2Q15</li> </ul>
<b>Neuro-modulation</b>	\$90.0M	14.9%	<ul style="list-style-type: none"> <li>+ Benefits from both price and volume due to sales of Aspire SR</li> <li>+ Double digit new patient growth in the U.S.</li> <li>+ Strong growth in Europe</li> </ul>
<b>TOTAL</b>	<b>\$321.0M</b>	<b>0.7%</b>	

\* Percent change performance is shown on a year-over-year (YOY) constant-currency basis, which is a non-GAAP measure. Constant-currency does not include the impact from foreign currency fluctuations.

# 2Q16 Key Adjusted Financial Results\*

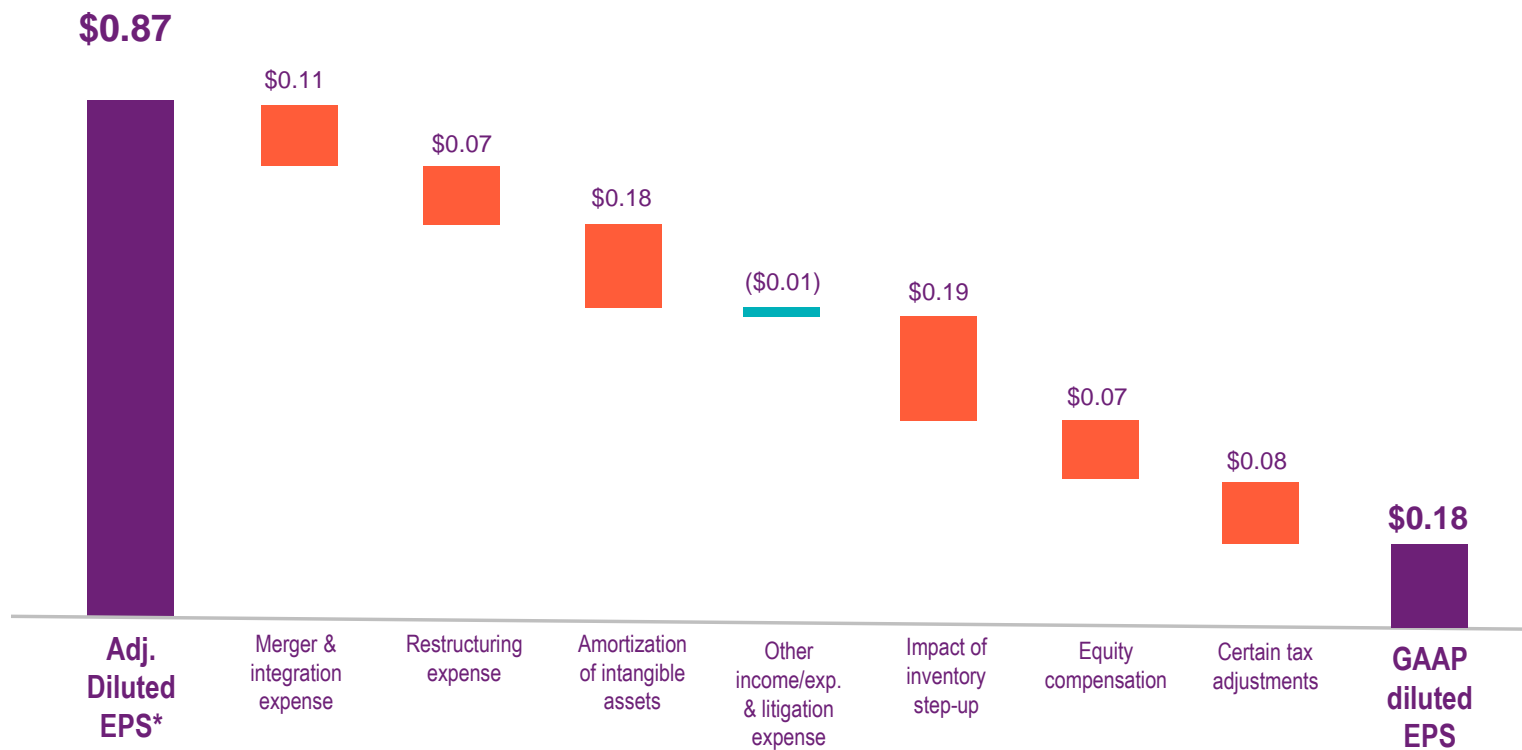
	2Q16 Results	YOY Performance	% of Net Sales
<b>Gross Margin</b>	\$209.0M	+4.9%	65.1%
<b>SG&amp;A</b>	\$116.3M	+2.9%	36.2%
<b>R&amp;D</b>	\$30.0M	(15.8%)	9.3%
<b>Operating Income</b>	\$62.8M	+23.8%	19.5%
<b>Net Income</b>	\$43.0M	n/a	13.4%

\* Gross margin, operating income and net income are adjusted non-GAAP measures. Non-GAAP measures are reconciled to GAAP measures in the appendix.

\*\* n/a is not applicable; there is no applicable adjusted net income reported for 2015

# 2Q16 Adjusted EPS\*

## Adjusted Diluted EPS to U.S. GAAP Reconciling Items



\* Adjusted diluted EPS is a non-GAAP measure. Non-GAAP measures are reconciled to GAAP measures in the appendix.

# 2016 Guidance

# Reiterating Full-Year 2016 Guidance

Global Net Sales Growth (constant currency basis) <sup>(1)</sup>	3% - 5%
Adjusted Gross Margin <sup>(2)</sup>	64% - 65%
Adjusted Income From Operations <sup>(2)</sup>	\$205M - \$230M
Effective Tax Rate <sup>(3)</sup>	24% - 26%
Adjusted Diluted EPS <sup>(2)</sup>	\$2.95 - \$3.15
Diluted Average Shares	~50M
Capital Spending	\$50M - \$60M
Synergies	~\$19M

\* Adjusted financial measures are considered non-GAAP. The company expects substantial one-time expenses in its reported financial statements during 2016 related to the recent merger, including purchase price accounting, amortization, merger, integration and restructuring expenses, and other one-time payments.

\*\* Average Euro/Dollar exchange rate of \$1.10.

1. Net sales are on a constant-currency basis which excludes the impact of foreign currency.
2. Adjusted gross margin, adjusted income from operations and adjusted diluted earnings per share exclude expenses related to purchase price accounting, merger, integration and restructuring expenses, other one-time payments, tax adjustments and equity compensation expense.
3. Tax expense excludes interest in minority investments.

# Summary

# Summary

## **Our product launches are gaining traction**

- Continued growth in oxygenators with INSPIRE
- Gaining momentum with KORA 250 in Japan
- Strong demand for our high voltage Platinum in Europe
- Successful initial launch of Perceval in the U.S.
- New patient growth driven by AspireSR

## **We are making progress against our 2016 goals**

- Maintaining relatively flat operating expenses
- Favorable margins due to product mix
- Tracking with our synergies
- Improving tax rate

## **We are positioning the company for long-term success**

- Bringing new talent to the organization, including the appointment of COO Damien McDonald
- Realigning organization to focus across geographies; supported by business franchises
- Bringing additional expertise to strengthen our Board of Directors
- We remain confident in our investments, including mitral-valve

# Appendix



# GAAP to Non-GAAP Reconciliations

## LIVANOVA PLC AND SUBSIDIARIES

### RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

U.S. dollars in millions, except share and per share amounts

Three Months Ended June 30, 2016	Sales	Gross Profit	Income From Operations	Net Income	Diluted EPS
GAAP Financial Measures	\$ 321.0	\$ 190.4	\$ 22.0	\$ 9.0	\$ 0.18
Specified Items					
Merger and integration expense <sup>(A)</sup>			6.2	5.2	0.11
Restructuring expense <sup>(B)</sup>			4.2	3.7	0.07
Amortization of intangible assets <sup>(C)</sup>		4.6	10.9	8.7	0.18
Other income/expenses & litigation <sup>(D)</sup>			1.5	(0.3)	(0.01)
Impact of inventory step-up <sup>(E)</sup>		13.7	13.7	9.4	0.19
Equity compensation <sup>(F)</sup>		0.3	4.2	3.5	0.07
Certain tax adjustments <sup>(G)</sup>				3.8	0.08
Adjusted financial measures	\$ 321.0	\$ 209.0	\$ 62.8	\$ 43.0	\$ 0.87

#### GAAP results for the three months ended June 30, 2016 include:

- (A) Expense related to merger and integration activities; includes \$0.3 of equity compensation based on the merger
- (B) Restructuring expenses, including CRM restructuring announced March 10, 2016 and severance related to corporate and shared service synergies
- (C) Includes amortization associated with final purchase price accounting
- (D) Includes a \$4.7 million reimbursement of damages related to 2012 earthquake that happened in Mirandola (Italy), a \$ 5.0 million write-off of receivables in relation to Greece distributors and a \$1.3 million expense primarily associated with litigation related to 3T heater/cooler
- (E) Includes the amortization of inventory step-up associated with final purchase price accounting
- (F) Includes \$3.6 million related to SG&A and \$0.2 million related to R&D
- (G) Relates to the impact of restructuring initiatives and IP migration

Please see "Use of Non-GAAP Financial Measures" **above**

# GAAP to Non-GAAP Reconciliations

## LIVANOVA PLC AND SUBSIDIARIES

### RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

U.S. dollars in millions, except share and per share amounts

Six Months Ended June 30, 2016	Sales	Gross Profit	Income From Operations	Net Income	Diluted EPS
GAAP Financial Measures	\$ 608.0	\$ 353.8	\$ (14.2)	\$ (31.4)	\$ (0.64)
Specified Items					
Merger and integration expense <sup>(A)</sup>			13.0	11.1	0.23
Restructuring expense <sup>(B)</sup>			32.8	30.5	0.62
Amortization of intangible assets <sup>(C)</sup>		4.6	26.8	19.6	0.40
Other income/expenses & litigation <sup>(D)</sup>			2.5	0.6	0.01
Impact of inventory step-up <sup>(E)</sup>		35.0	35.0	24.0	0.49
Equity compensation <sup>(F)</sup>		0.7	10.3	8.9	0.18
Certain tax adjustments <sup>(G)</sup>				6.2	0.13
Adjusted financial measures	\$ 608.0	\$ 394.1	\$ 106.3	\$ 69.5	\$ 1.42

#### GAAP results for the six months ended June 30, 2016 include:

- (A) Expense related to merger and integration activities; includes \$0.5 of equity compensation based on the merger
- (B) Restructuring expenses, including CRM restructuring announced March 10, 2016 and severance related to corporate and shared service synergies
- (C) Includes amortization associated with final purchase price accounting
- (D) Includes a \$4.7 million reimbursement of damages related to 2012 earthquake that happened in Mirandola (Italy), a \$ 5.0 million write-off of receivables in relation to Greece distributors and a \$2.3 million expense primarily associated with litigation related to 3T heater/cooler
- (E) Includes the amortization of inventory step-up associated with final purchase price accounting
- (F) Includes \$9.0 million related to SG&A and \$0.6 million related to R&D
- (G) Relates to the impact of restructuring initiatives and IP migration

Please see "Use of Non-GAAP Financial Measures" **above**

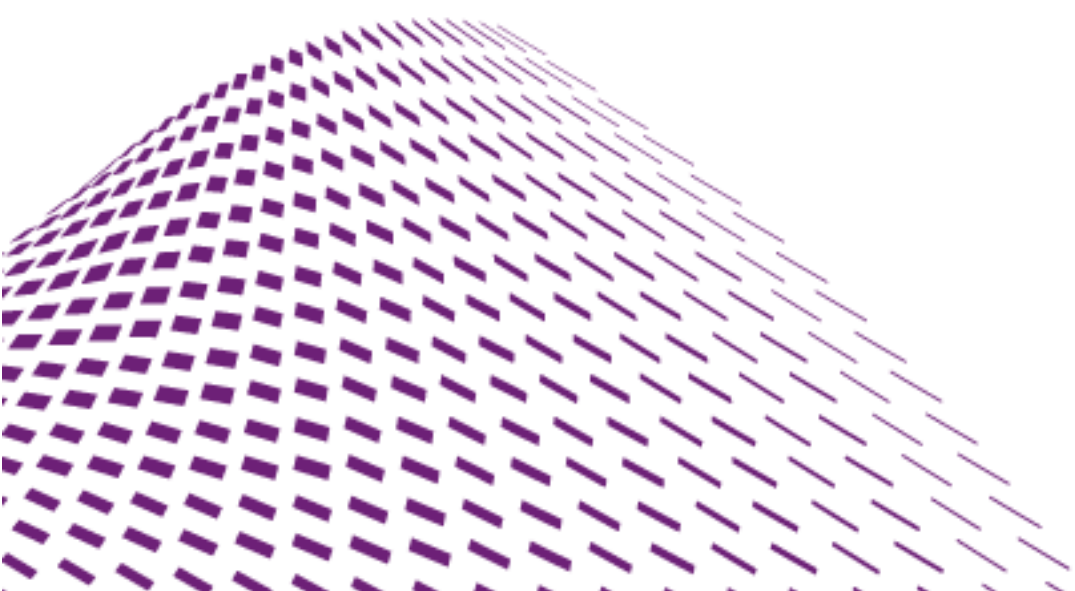
# GAAP to Non-GAAP Reconciliations

The preceding tables reconcile the most comparable U.S. Generally Accepted Accounting Principles (GAAP) measures to the non-GAAP financial and operating measures presented in LivaNova's second-quarter 2016 press release and during the conference call held in conjunction with the announcement of second-quarter 2016 results.

LivaNova uses various non-GAAP financial measures including, among others, net sales on a constant-currency basis, adjusted gross profit, adjusted operating margin, adjusted net income, and adjusted diluted earnings per share. These non-GAAP measures adjust for certain specified items that are described in the press release and attached schedules. LivaNova's management believes that these non-GAAP financial measures facilitate a more complete analysis and greater transparency into LivaNova's ongoing results of operations, particularly in comparing underlying results from period to period. Management uses these non-GAAP financial measures internally in financial planning to monitor business unit performance and in evaluating management performance. All non-GAAP financial measures are intended to supplement the applicable GAAP measures and should not be considered in isolation from, or a replacement for, financial measures prepared in accordance with GAAP.

# LivaNova

Health innovation that matters



[www.livanova.com](http://www.livanova.com)