

# 3Q 2019 Earnings Results

## Financial Summary<sup>1</sup>

**\$269M**

Net Sales

**70%**

Adjusted  
Gross Margin

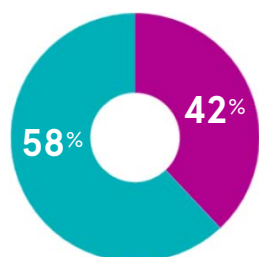
**18%**

Adjusted  
Operating Margin

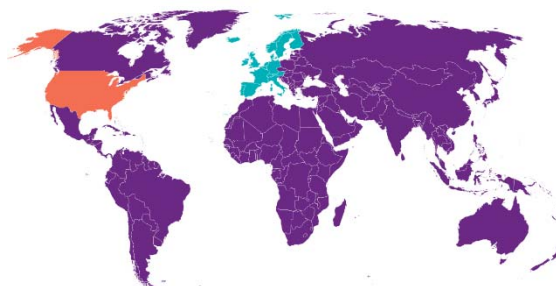
**\$0.84**

Adjusted  
Diluted EPS

## Sales Summary<sup>2</sup>



- Neuromodulation
- Cardiovascular



US \$138M ↓ 1%

EU \$50M ↑ 3%

ROW \$80M ~ 0%

## 2019 Full-Year Guidance<sup>3</sup>

Net Sales

↑ 1%-3%  
Growth

Adjusted EPS

  
\$3.00 - \$3.10

*"We are confident in our growth prospects and will continue to focus on execution, strong portfolio management and developing the talent and culture of LivanoVa."*

- Damien McDonald, CEO

## Other Highlights

**1<sup>st</sup>**

TRD Patient Enrolled  
in RECOVER Study  
a landmark achievement

**8%**

Growth in  
Neuromodulation  
with growth in all regions

**8**

Consecutive  
Quarters  
of growth in Europe



Strong Organic  
Growth  
in Rest of World<sup>4</sup>

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 on the back of this document. All EPS measures in this document refer to diluted EPS from continuing operations. 2) Unless otherwise noted, all sales growth rates in this document reflect constant-currency sales growth, which eliminates the effects of foreign currency fluctuations. 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. 3) 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 contingent consideration arrangements, asset impairment charges and product remediation costs that would be included in comparable GAAP financial measures. The most directly comparable GAAP measure for constant currency net sales and adjusted diluted earnings per share are net sales and earnings per share, respectively. 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, gains or losses on the potential sale of businesses or other assets, restructuring costs, merger and integration activities, changes in fair value of contingent consideration arrangements, product remediation costs, asset impairment charges and the tax impact of the aforementioned items, tax law changes or other tax matters. Accordingly, reconciliations to the most directly comparable forward-looking GAAP financial measures are not available without unreasonable effort. 4) Organic growth excludes the impact of the exit of a Canadian distribution agreement on January 1, 2019, which accounted for \$8.0 million in sales during the three months ended September 30, 2018.

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

### Three Months Ended September 30, 2019

	GAAP Financial Measures	Merger and Integration Expenses (A)	Restructuring Expenses (B)	Depreciation and Amortization Expenses (C)	Product Remediation Expenses (D)	Acquisition Costs (E)	Non-recurring Legal, Contingent Consideration and Other Reserves (F)	Stock-based Compensation Costs (G)	Certain Tax Adjustments (H)	Certain Interest Adjustments (I)	Adjusted Financial Measures
Gross Margin	66.8%	—%	—%	0.2%	1.1%	—%	1.9%	—%	—%	—%	70.1%
Operating Margin	9.6%	2.5%	0.3%	4.5%	1.1%	(0.1)%	(3.2)%	3.2%	—%	—%	17.8%
Diluted EPS – Continuing Operations	\$0.66	\$0.11	\$0.01	\$0.18	\$0.04	(\$0.01)	(\$0.09)	\$0.13	(\$0.24)	\$0.04	\$0.84

### GAAP results for the three months ended September 30, 2019 include:

- Merger and integration expenses related to our legacy companies and recent acquisitions
- Restructuring expenses related to organizational changes
- Includes depreciation and amortization associated with purchase price accounting
- Costs related to the 3T Heater-Cooler remediation plan
- Costs related to acquisitions
- Primarily relates to contingent consideration related to acquisitions, legal expenses related to 3T Heater-Cooler defense and other matters and insurance recovery
- Non-cash expenses associated with stock-based compensation costs
- Primarily relates to discrete tax items and the tax impact of intercompany transactions
- Primarily relates to intellectual property migration, interest related to 3T Heater-Cooler litigation settlement and other non-recurring impacts to interest expense

## NET SALES: COMPARISON OF ACTUAL RESULTS TO CONSTANT CURRENCY – UNAUDITED

(U.S. dollars in millions)

Business / Product Line	Three months ended September 30,		% Change at Actual Currency Rates	% Change at Constant-Currency Rates
	2019	2018		
Cardiovascular	155.4	166.6	(6.7%)	(4.9%)
Neuromodulation	112.5	104.9	7.2%	7.8%
Other	0.6	0.6	10.9%	16.4%
<b>Total Net Sales</b>	<b>\$268.6</b>	<b>\$272.1</b>	<b>(1.3%)</b>	<b>0.0%</b>

Region	Three months ended September 30,		% Change at Actual Currency Rates	% Change at Constant-Currency Rates
	2019	2018		
US	138.4	139.7	(0.9%)	(0.9%)
Europe	50.2	51.1	(1.8%)	3.2%
Rest of World	79.9	81.3	(1.6%)	(0.4%)
<b>Total Net Sales</b>	<b>\$268.6</b>	<b>\$272.1</b>	<b>(1.3%)</b>	<b>0.0%</b>

\* 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.

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