

# First Quarter 2019 Earnings Performance

May 1, 2019

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Certain statements in this presentation, 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 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,” “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. There are a number of risks, uncertainties and other important factors, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking statements contained in this presentation, including the risks associated with remediation of any material weaknesses or settlement of litigation, as well as 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, the Registration Statement on Form S-4 and other documents filed from time to time with the United States Securities and Exchange Commission by LivaNova. All information in this presentation is as of the date of its release. The Company does not undertake or assume any obligation to update publicly any of the forward-looking statements in this presentation 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.

# Intellectual Property

This report may contain references to our proprietary intellectual property, including among others:

Trademarks for our Neuromodulation systems, the VNS Therapy<sup>®</sup> System, the VITARIA<sup>®</sup> System and our proprietary pulse generator products: Model 102 (Pulse<sup>®</sup>), Model 102R (Pulse Duo<sup>®</sup>), Model 103 (Demipulse<sup>®</sup>), Model 104 (Demipulse Duo<sup>®</sup>), Model 105 (AspireHC<sup>®</sup>), Model 106 (AspireSR<sup>®</sup>) and Model 1000 (SenTiva<sup>®</sup>).

Trademarks for our Cardiopulmonary products and systems: S5<sup>®</sup> heart-lung machine, S3<sup>®</sup> heart-lung machine, Inspire<sup>®</sup>, Heartlink<sup>®</sup>, XTRA<sup>®</sup> Autotransfusion System, 3T Heater-Cooler<sup>®</sup> and Connect<sup>™</sup>.

Trademarks for our line of surgical tissue and mechanical heart valve replacements and repair products: Mitroflow<sup>®</sup>, Crown PRT<sup>®</sup>, Solo Smart<sup>™</sup>, Perceval<sup>®</sup>, Top Hat<sup>®</sup>, Reduced Series Aortic Valves<sup>™</sup>, Carbomedics Carbo-Seal<sup>®</sup>, Carbo-Seal Valsalva<sup>®</sup>, Carbomedics Standard<sup>®</sup>, Orbis<sup>™</sup> and Optiform<sup>®</sup>, and Mitral valve repair products: Memo 3D<sup>®</sup>, Memo 3D ReChord<sup>™</sup>, Memo 4D<sup>®</sup>, AnnuloFlo<sup>®</sup> and AnnuloFlex<sup>®</sup>.

These trademarks and tradenames are the property of LivaNova or the property of our consolidated subsidiaries and are protected under applicable intellectual property laws. Solely for convenience, our trademarks and tradenames referred to in this presentation may appear without the ® or ™ symbols, but such references are not intended to indicate in any way that we will not assert, to the fullest extent under applicable law, our rights to these trademarks and tradenames.

# Agenda

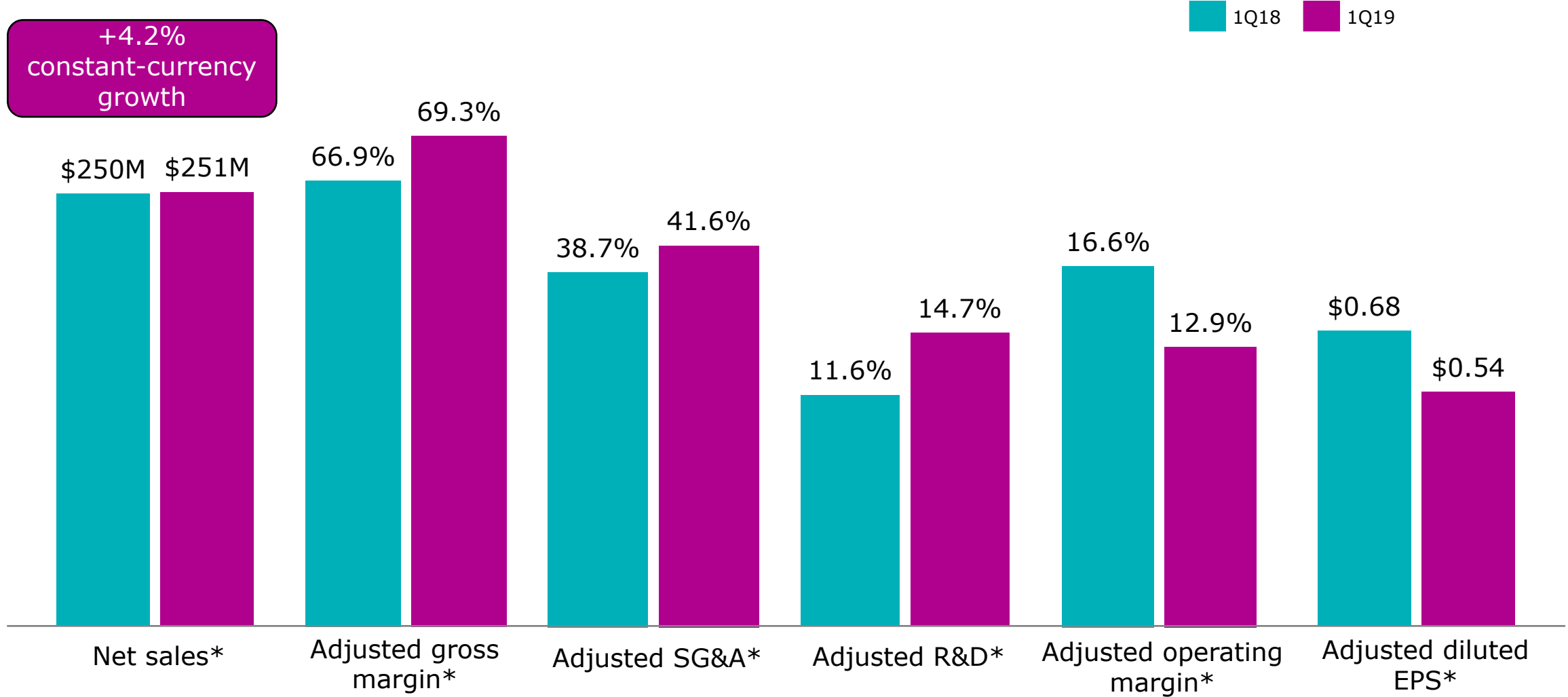
Financial Results

Guidance

Summary

# Financial Results

# 1Q19 at a Glance



# 1Q19 Net Sales

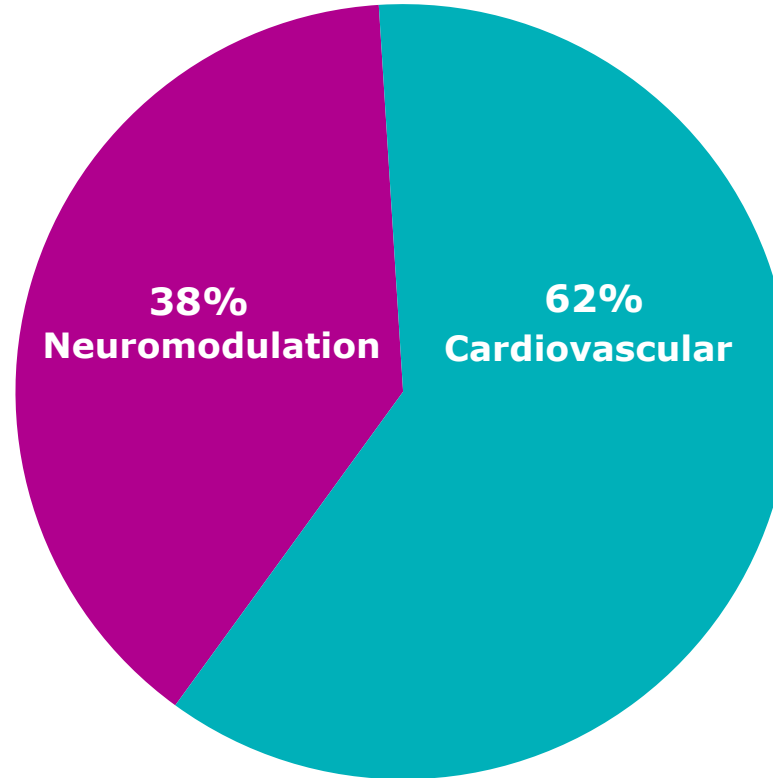
## Vagus Nerve Stimulation Therapy (VNS Therapy)

Drug-Resistant Epilepsy (DRE)  
Treatment-Resistant Depression (TRD)  
Heart Failure (HF)

## Hypoglossal Nerve Stimulation Therapy (HGNS Therapy)

Obstructive Sleep Apnea (OSA)

**\$251M**  
**4.2% Growth\***



**78%** **Cardiopulmonary (CP)**

Heart-lung machines (HLM)  
Oxygenators  
Autotransfusion systems (ATS)  
Cannulae

**5%** **Advanced Circulatory Support**

Extracorporeal Life Support (ECLS)  
percutaneous Mechanical Circulatory Support (pMCS)

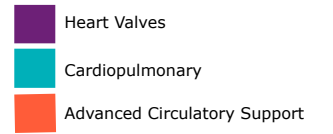
**17%** **Heart Valves (HV)**

Sutureless tissue valves  
Mechanical valves  
Traditional tissue valves  
Annuloplasty rings

Numbers may not add up precisely due to rounding.

\* All percent change performance is shown on a year-over-year constant-currency basis, which is a non-GAAP measure. Constant currency eliminates the effects of foreign currency fluctuations.

# 1Q19 Cardiovascular Sales

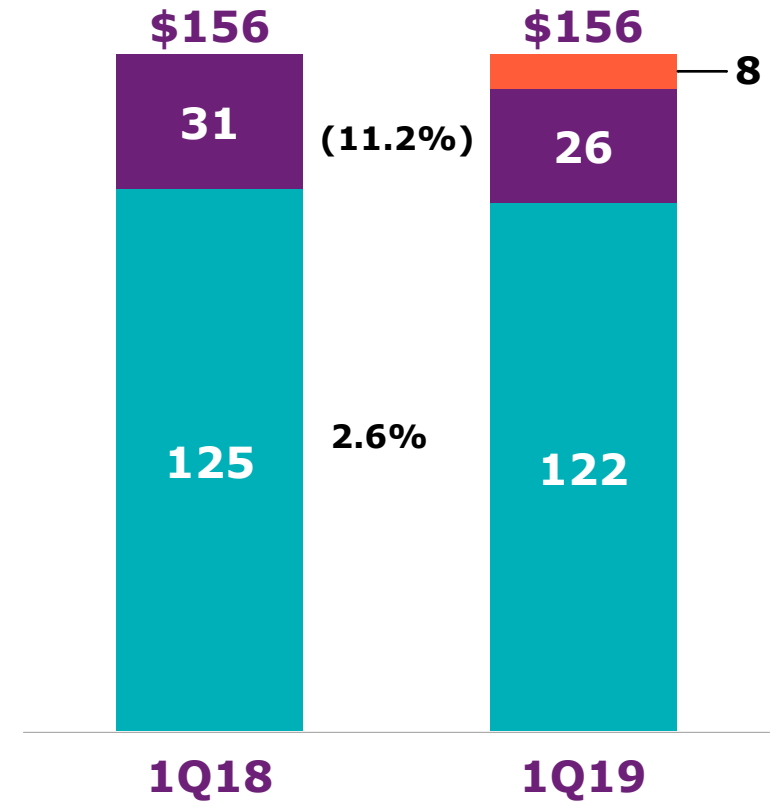


## Drivers/Impacts

- + Robust HLM growth in all regions due to continued S3 conversions and competitive placements
- + Sales of more than \$8 million resulting in greater than 40% growth in Advanced Circulatory Support
- + Solid Oxygenator growth driven by Rest of World, excluding a \$7.8M impact of exiting a low margin distribution agreement in Canada
- Declines in U.S. Perceval sales impacted by commercial execution

## Net Sales (\$M)\*

5.1%



Numbers may not add up precisely due to rounding.

\* All percent change performance is shown on a year-over-year constant-currency basis, which is a non-GAAP measure. Constant currency eliminates the effects of foreign currency fluctuations.



# 1Q19 Neuromodulation Sales

## Drivers/Impacts

- U.S. impacted by a combination of competitive pressures and sales force turnover

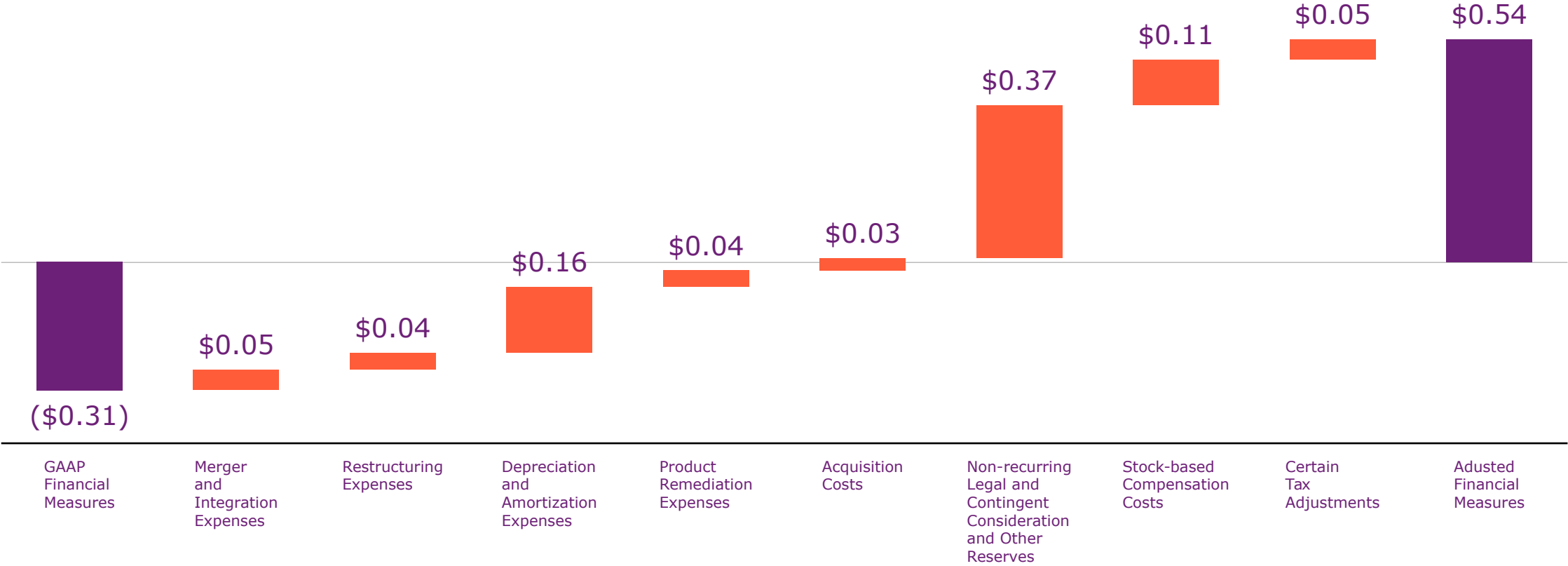
+ More than 35% growth in Rest of World through the expansion of our commercial capabilities

+ SenTiva VNS Therapy System continues to drive generator revenue in Europe resulting in double-digit growth



# 1Q19 Adjusted EPS from Continuing Operations\*

Reconciliation of GAAP EPS to Adjusted EPS



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

# 2019 Guidance

# Updated 2019 Guidance from Continuing Operations

Including impact of TRD investment and Canadian distribution agreement exit

	Guidance as of February 28, 2019	Guidance as of May 1, 2019
Worldwide net sales growth <sup>(1)</sup>	5% - 7%	1% - 3%
Gross margin <sup>(1)</sup>	69% - 70%	68.5% - 69.5%
R&D <sup>(1)</sup>	12.5% - 13.5%	13.5% - 14.0%
SG&A <sup>(1)</sup>	37% - 39%	38% - 39%
Operating margin <sup>(1)</sup>	18% -20%	16% -17%
Effective tax rate	17% - 19%	16% - 17%
Diluted EPS <sup>(1) (2)</sup>	\$3.55 - \$3.75	\$3.00 - \$3.10
Cash flow from operations <sup>(3)</sup>	\$180M - \$200M	\$150M - \$170M

1. Net sales are on a constant-currency basis. All financial measures are adjusted non-GAAP measures.

2. Diluted EPS assumes a share count of approximately 49 million shares.

3. Excludes integration, restructuring and product remediation payments.

# Summary

# 1Q19 Summary

## FINANCIAL GROWTH

- 4.2% top line growth through strong Cardiovascular sales offset by lower U.S. Neuromodulation sales
- Gross margin improvement continues from favorable mix and pricing discipline driving higher ASPs

## STRATEGIC GROWTH

- Neuromodulation Rest of World achieved another quarter of double-digit growth as our commercial expansion begins to show consistent execution and results
- Better than plan enrollment and site activation for our ANTHEM-HFrEF pivotal trial
- Continued advancement in our clinical and commercial capabilities for VNS Therapy for Treatment Resistant Depression

## PORTFOLIO GROWTH

- Advanced Circulatory Support fully integrated and driving growth in excess of 40%
- Continued strength in Heart-Lung Machines and Oxygenators

# Appendix

# GAAP to Non-GAAP Reconciliations- *Unaudited*

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

Three Months Ended March 31, 2019	Specified Items										Adjusted Financial Measures
	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)	
Cost of sales - exclusive of amortization	\$84.3	\$—	\$—	(\$0.7)	\$—	\$—	(\$6.2)	(\$0.3)	\$—	\$—	\$77.1
Product remediation	2.9	—	—	—	(2.9)	—	—	—	—	—	—
Gross profit percent	65.2%	—%	—%	0.3%	1.2%	—%	2.5%	0.1%	—%	—%	69.3%
Selling, general and administrative	\$125.7	\$—	\$—	(\$0.1)	\$—	(\$0.4)	(\$15.4)	(\$5.3)	\$—	\$—	\$104.5
Research and development	43.6	—	—	(0.1)	—	(1.7)	(3.7)	(1.3)	—	—	36.8
Other operating expenses	15.1	(3.3)	(2.5)	(9.3)	—	—	—	—	—	—	—
Operating (loss) income from continuing operations	(20.8)	3.3	2.5	10.2	2.9	2.1	25.3	6.9	—	—	32.5
Income tax (benefit) expense	(6.6)	0.6	0.6	2.6	0.9	0.5	7.2	1.6	(2.4)	(0.1)	4.9
Net (loss) income from continuing operations	(14.8)	2.6	2.0	7.6	2.0	1.6	18.1	5.3	2.4	(0.2)	26.6
Diluted EPS - Continuing Operations	(\$0.31)	\$0.05	\$0.04	\$0.16	\$0.04	\$0.03	\$0.37	\$0.11	\$0.05	\$—	\$0.54

### GAAP results for the three months ended March 31, 2019 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) Costs related to the 3T Heater-Cooler remediation plan
- (E) Costs related to acquisitions
- (F) Contingent consideration related to acquisitions and legal expenses primarily related to 3T Heater-Cooler defense and other matters
- (G) Non-cash expenses associated with stock-based compensation costs
- (H) Primarily relates to discrete tax items and the tax impact of intercompany transactions
- (I) Primarily relates to intellectual property migration and other non-recurring impacts to interest expense



# GAAP to Non-GAAP Reconciliations- *Unaudited*

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

Three Months Ended March 31, 2018	Specified Items										Adjusted Financial Measures
	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 and Contingent Consideration (F)	Stock-based Compensation Costs (G)	Certain Tax Adjustments (H)	Certain Interest Adjustments (I)	
Cost of sales - exclusive of amortization	\$84.6	\$—	\$—	(\$0.8)	\$—	\$—	(\$0.6)	(\$0.3)	\$—	\$—	\$83.0
Product remediation	3.7	—	—	—	(3.7)	—	—	—	—	—	—
Gross profit percent	64.7%	—%	—%	0.3%	1.5%	—%	0.2%	0.1%	—%	—%	66.9%
Selling, general and administrative	\$104.2	\$—	\$—	(\$0.2)	\$—	(\$0.4)	(\$3.4)	(\$3.3)	\$—	\$—	\$96.8
Research and development	31.8	—	—	(0.1)	—	(1.3)	(0.2)	(1.2)	—	—	29.1
Other operating expenses	13.6	(3.0)	(1.9)	(8.8)	—	—	—	—	—	—	—
Operating income from continuing operations	12.5	3.0	1.9	9.8	3.7	1.7	4.2	4.7	—	—	41.5
Gain on acquisition	11.5	—	—	—	—	(11.5)	—	—	—	—	—
Income tax expense (benefit)	3.9	0.6	0.5	2.4	0.9	0.4	1.1	1.1	(4.7)	0.2	6.3
Net income from continuing operations	17.8	2.4	1.4	7.4	2.8	(10.2)	3.1	3.6	4.7	0.5	33.6
Diluted EPS - Continuing Operations	\$0.36	\$0.05	\$0.03	\$0.15	\$0.06	(\$0.21)	\$0.06	\$0.07	\$0.10	\$0.01	\$0.68

### GAAP results for the three months ended March 31, 2018 include:

- (A) Merger and integration expenses related to our legacy companies
- (B) Restructuring expenses related to organizational changes
- (C) Includes depreciation and amortization associated with purchase price accounting
- (D) Costs related to the 3T Heater-Cooler remediation plan
- (E) Costs related to acquisitions
- (F) Contingent consideration related to acquisitions and legal expenses primarily related to 3T Heater-Cooler defense and other matters
- (G) Non-cash expenses associated with stock-based compensation costs
- (H) Primarily related to discrete tax items and the tax impact of intercompany transactions
- (I) Primarily related to intellectual property migration and other non-recurring impacts to interest expense

# 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 first-quarter 2019 press release and during the conference call held in conjunction with the announcement of first-quarter 2019 results.

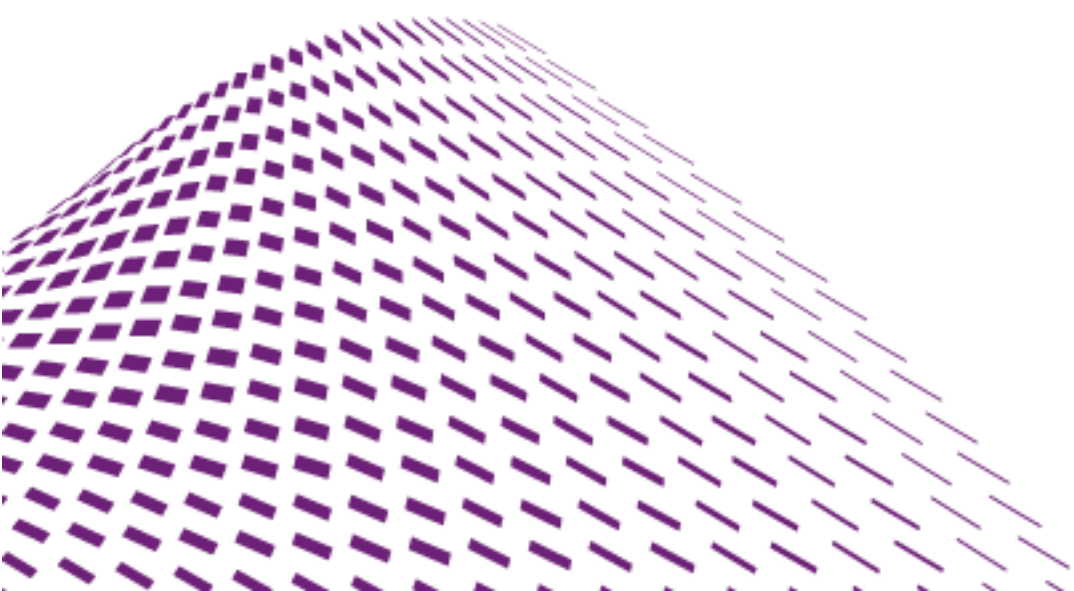
Unless otherwise noted, all sales growth rates in this presentation reflect comparable, constant-currency growth. Management believes that referring to comparable, constant-currency growth is the most useful way to evaluate the sales performance of LivaNova and to compare the sales performance of current 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 tax rate and 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, non-GAAP adjusted tax rate and adjusted diluted earnings per share are net sales, the effective tax rate 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 items above and the tax impact of 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.

The Company also believes adjusted financial measures such as adjusted gross profit; adjusted selling, general and administrative expense; adjusted research and development expense; adjusted other operating expenses; adjusted operating income from continued operations; adjusted income tax expense; adjusted net income from continuing operations; 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. 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.

# LivaNova

Health innovation that matters



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