

# Third Quarter 2020 Earnings Performance

October 29, 2020



# Safe Harbor

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 relating to the COVID-19 pandemic 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 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>), Model 1000 (SenTiva<sup>®</sup>) and Model 8103 (Symmetry<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>, Connect<sup>™</sup> and Revolution<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>, Perceval<sup>®</sup> Plus, Miami Instruments<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>, AnnuloFlex<sup>®</sup>, Bicarbon Slimline<sup>™</sup>, Bicarbon Filtline<sup>™</sup> and Bicarbon Overline<sup>™</sup>.

Trademarks for our extracorporeal life support systems: TandemLife<sup>®</sup>, TandemHeart<sup>®</sup>, TandemLung<sup>®</sup>, ProtekDuo<sup>®</sup>, and LifeSPARC<sup>™</sup>.

Trademarks for our obstructive sleep apnea system: ImThera<sup>®</sup> and Aura6000<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 <sup>®</sup> or <sup>™</sup> 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

Strategic Update

3Q 2020 Financial Results

Guidance

Summary

# Strategic Update

# Positioning LivaNova to Realize its Full Value

*Consistently deliver growth, pipeline and profitability*

## Core Growth

*Focus on portfolio optimization to support leadership positions in underserved markets*

- Expand the go-to market initiative for U.S. Epilepsy
- Forecast at least 30% ACS growth in 2020 and at least 20% in 2021

## Pipeline Execution

*Multiple existing and pipeline initiatives to accelerate growth*

- Achieve key study milestones in RECOVER and ANTHEM HFrEF
- Continued progress on next generation Heart-Lung Machine

## Operational Excellence

*Drive margin expansion*

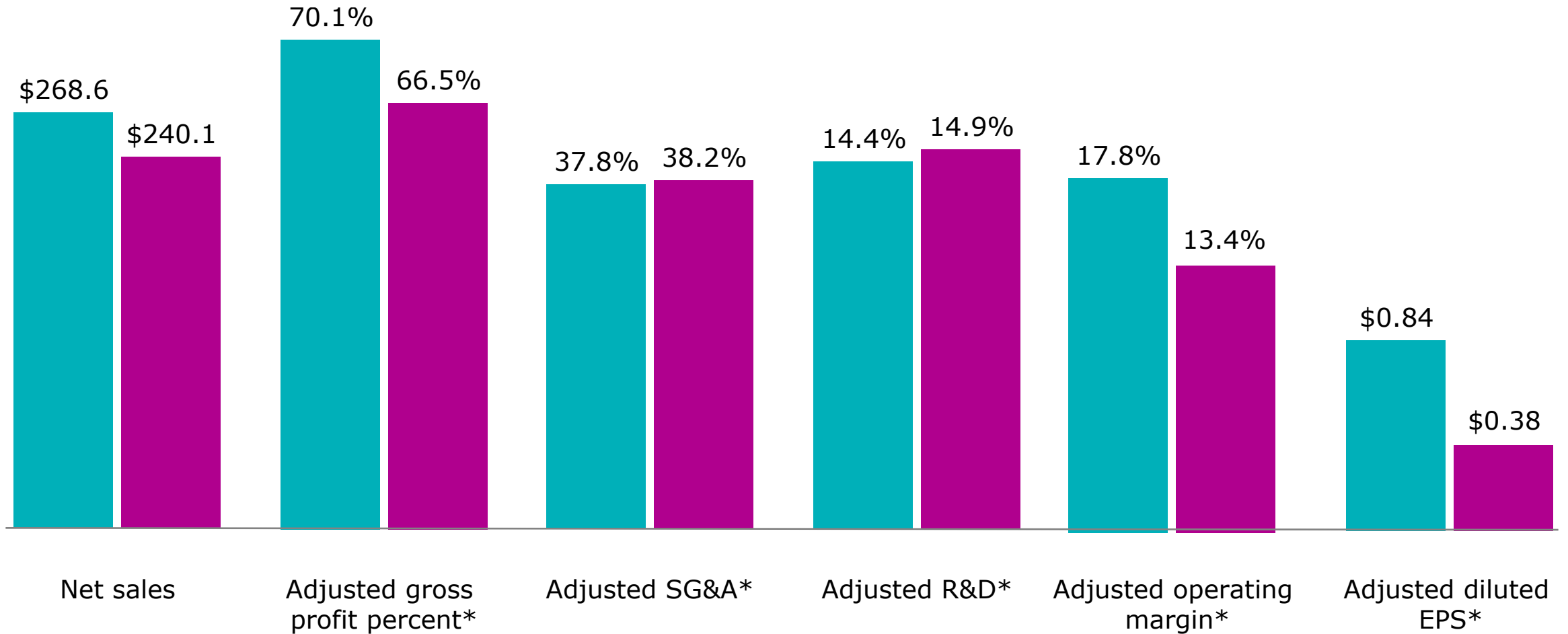
- Expand Operating margin through cost discipline
- Drive improvement in free cash flow generation



# Financial Results

# 3Q 2020 Financial Summary

3Q19 3Q20





# 3Q 2020 Net Sales

**Vagus Nerve Stimulation Therapy (VNS Therapy)**

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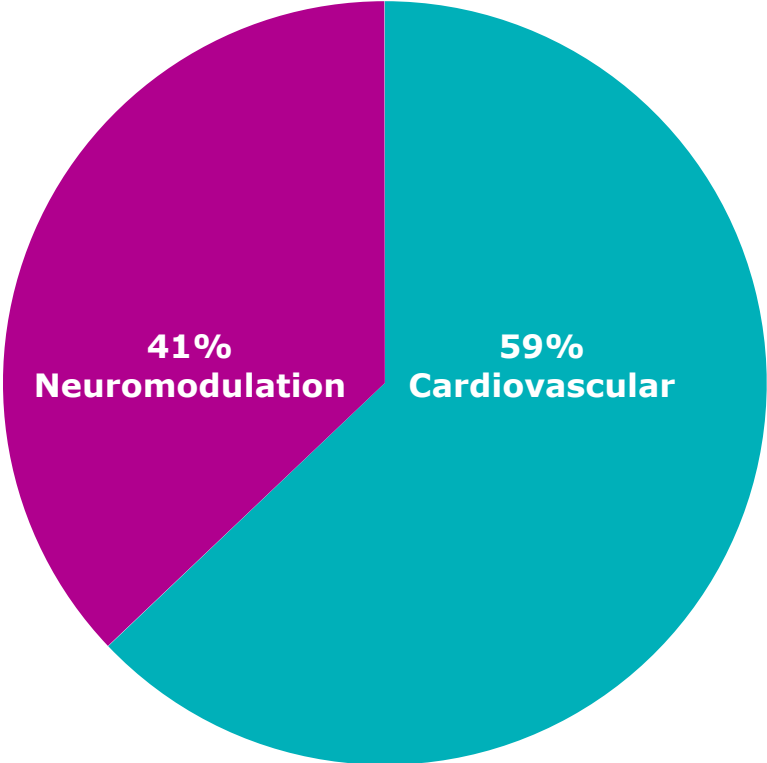
Drug-Resistant Epilepsy (DRE)  
 Difficult-to-Treat Depression (DTD)  
 Heart Failure (HF)

**Hypoglossal Nerve Stimulation Therapy (HGNS Therapy)**

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Obstructive Sleep Apnea (OSA)

**\$240.1M**  
**11.2% decrease\***



**76% Cardiopulmonary (CP)**

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

**9% Advanced Circulatory Support (ACS)**

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

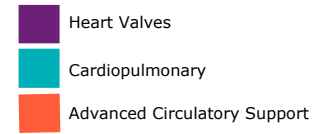
**15% Heart Valves (HV)**

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.

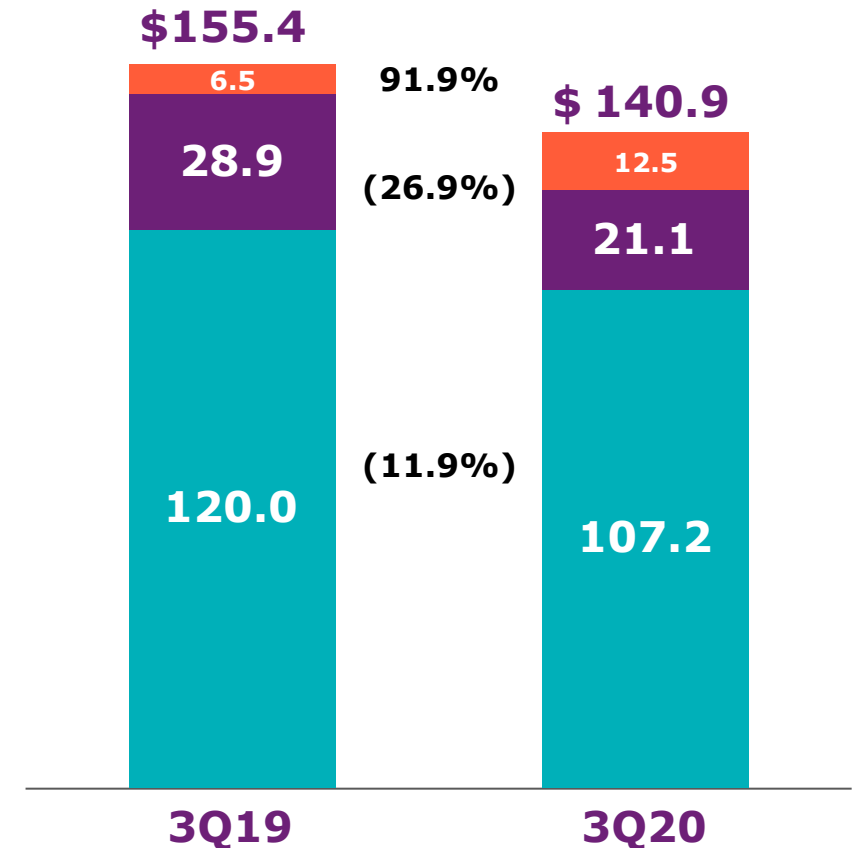
# 3Q 2020 Cardiovascular Sales



## Drivers/Impacts

- + Full U.S. commercial release of LifeSPARC in the third quarter resulting in 92% growth in the ACS business
- HLMs remained challenged globally due to capital spending budget constraints. U.S. improved sequentially
- + Oxygenators experienced a faster recovery in procedure volumes in the U.S. and Europe, each declining less than 10% in the quarter
- Heart Valves overall declined by 27%. Japan had solid double-digit growth driven by Perceval

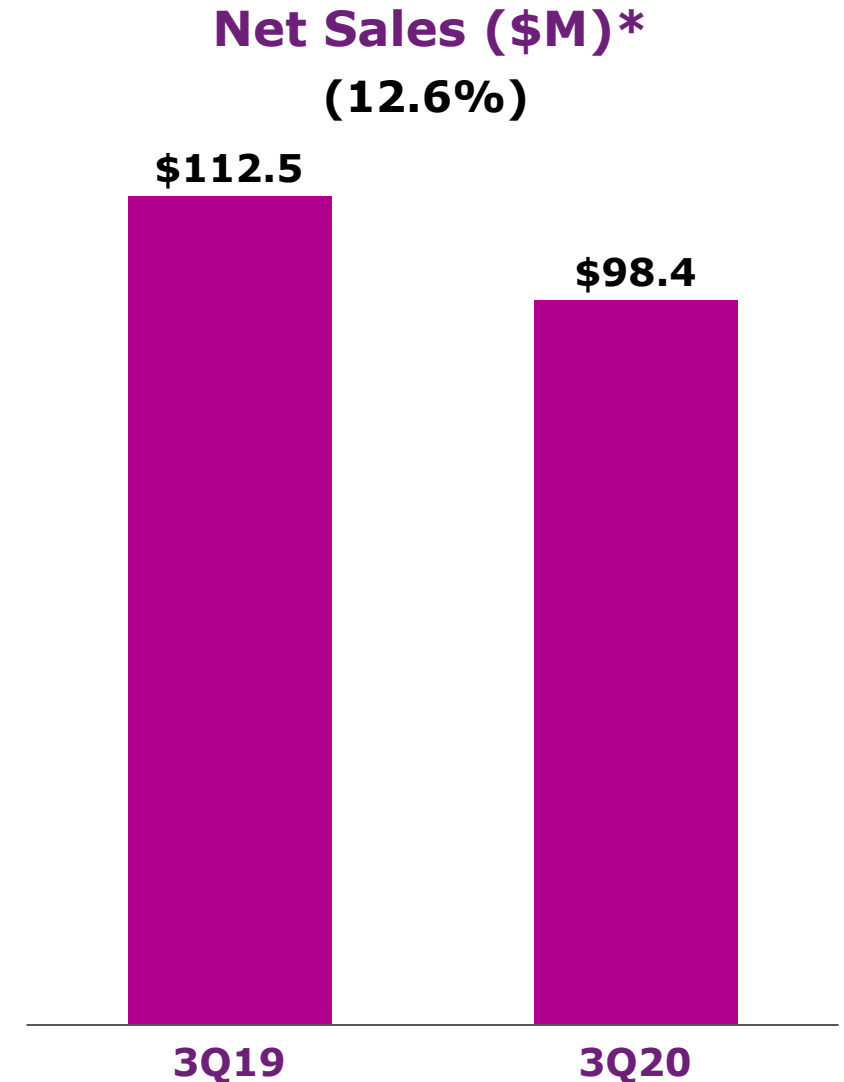
## Net Sales (\$M)\* (10.3%)



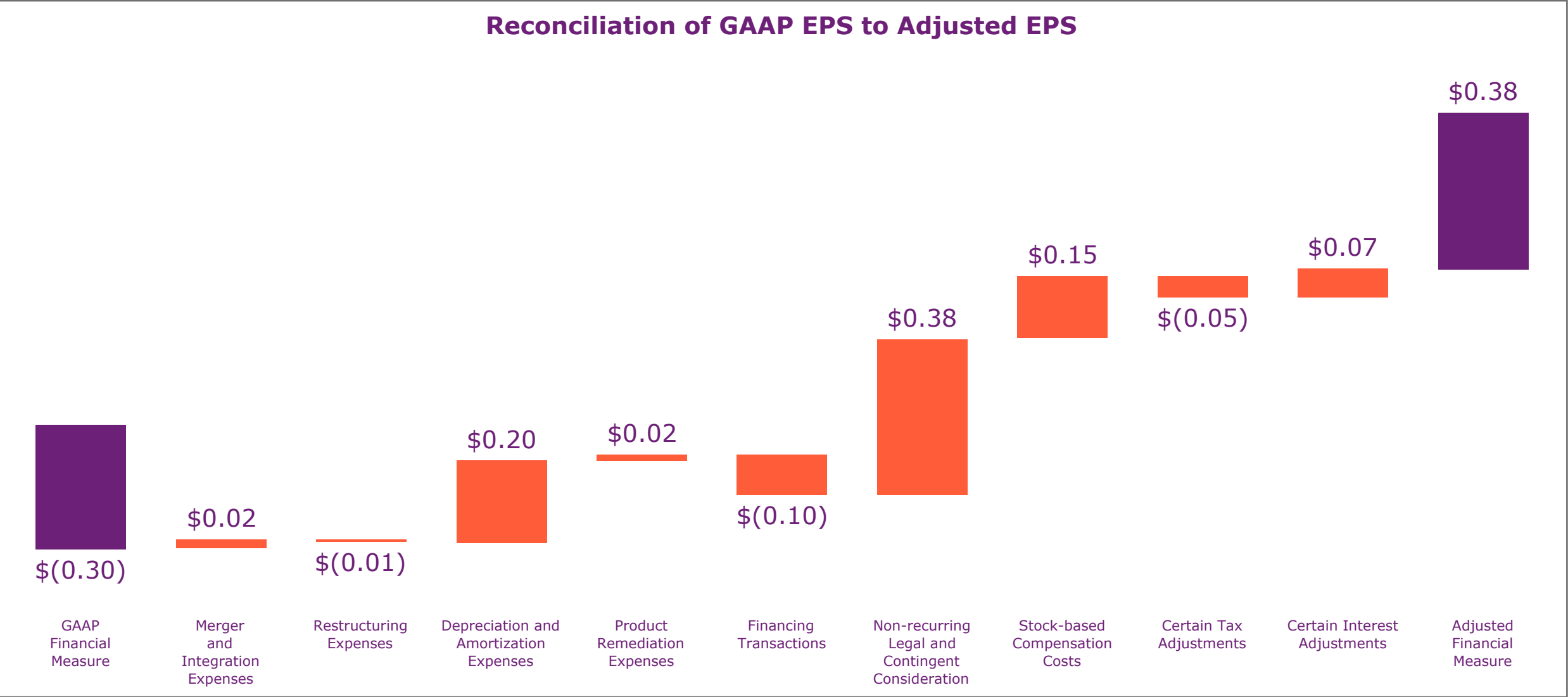
# 3Q 2020 Neuromodulation Sales

## Drivers/Impacts

- + On a global basis, sales improved sequentially over the second quarter
- + U.S. Epilepsy: Both new patient and replacement implants improved sequentially over the second quarter
- + Sales in Europe returned to 96% of prior year levels led by Germany and the Nordic region
- The Rest of World region continues to be challenged primarily due to COVID-19 impact in LATAM and Middle East



# 3Q 2020 Adjusted EPS from Continuing Operations\*



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

# 2020 Guidance

# 2020 Guidance

	Guidance as of February 26, 2020	Guidance as of April 29, 2020	Guidance as of July 29, 2020	Guidance as of October 29, 2020
Worldwide net sales growth <sup>(1)</sup>	3% - 5%	(17%) - (7%)	(17%) - (7%)	(17%) - (7%)
Gross profit percent <sup>(1)</sup>	70% - 71%	66% - 68%	65% - 66%	65% - 66%
R&D <sup>(1)</sup>	14% - 15%	14.5% - 15.5%	16% - 17%	16% - 17%
SG&A <sup>(1)</sup>	38.5% - 39.5%	40% - 41%	38.5% - 39.5%	38.5% - 39.5%
Operating margin <sup>(1)</sup>	16.5% - 17.5%	10.5% - 12.5%	9% - 11%	9% - 11%
Effective tax rate	14% - 16%	10% - 12%	10% - 12%	10% - 12%
Diluted EPS <sup>(1) (2)</sup>	\$3.10 - \$3.30	\$1.40 - \$1.70	\$1.15 - \$1.35	\$1.15 - \$1.35
Free Cash Flow (excl. extraordinary items) <sup>(3)</sup>			\$80M - \$100M	<b>\$10M - \$30M</b>

<sup>1</sup> Net sales are on a constant-currency basis. All financial measures are adjusted non-GAAP measures. <sup>2</sup> Diluted EPS assumes a share count of approximately 49 million shares. <sup>3</sup> Free Cash Flow is an additional metric which is net cash used in operating activities less investing activities and in this case, excludes the following one time extraordinary adjustments: 3T litigation payments and a tax stimulus benefit.

# Summary

# 3Q 2020 Summary

## FINANCIAL

- 11% sales decline related to COVID-19 - all segments improved over the second quarter, with the strongest sales in September
- Gross margin decline from mix of lower Neuromodulation sales and unfavorable manufacturing variances related to COVID-19
- Maintained cost control measures reducing SG&A ~\$10M versus prior year

## STRATEGIC

- ANTHEM-HFrEF heart failure pivotal trial has largely resumed enrollment and implants with more than 240 patients enrolled to date
- RECOVER depression study has been progressing with more than half of total expected sites activated

## PIPELINE

- U.S. full commercial release of LifeSPARC driving more than 90% ACS growth in the third quarter
- Building additional clinical evidence through publications to support VNS Therapy for Heart Failure



# Assumptions for 2020

<b>REVENUE</b>	7%-17% Decline	<ul style="list-style-type: none"><li>• COVID-19 to have a pronounced impact on sales for the full year</li><li>• U.S. Epilepsy surgeries expected to see the largest decline in 2Q, improving in 2H</li><li>• LifeSPARC commercialization expected to deliver at least 30% ACS growth in 2020</li></ul>
<b>EPS</b>	\$1.15-\$1.35	<ul style="list-style-type: none"><li>• Gross margin expected to improve from 2Q through year end led by recovery in Epilepsy</li><li>• Cost containment plans initiated in 1Q to continue through the year</li><li>• Invest in innovation and ringfence strategic initiatives to drive long-term value creation</li></ul>
<b>CASH GENERATION</b>	Disciplined, Focused Deployment	<ul style="list-style-type: none"><li>• Reduce integration and restructuring expenses by more than 50% versus prior year</li><li>• Manage net working capital through initiatives focused on AR, Inventory and AP</li></ul>
<b>STRATEGIC PORTFOLIO INITIATIVES</b>	Continued Execution	<ul style="list-style-type: none"><li>• DTD: Drive enrollment of RECOVER depression study with a full-year revenue contribution of \$5 - \$10 million</li><li>• Heart Failure: Enroll 250 patients in the ANTHEM-HFrEF heart failure trial by year-end</li></ul>

# Appendix

# Net Sales - Comparison of Actual Results to Constant Currency - *Unaudited*

<i>\$ in millions</i> <b>Business / Product Line:</b>	<b>Three Months Ended September 30,</b>		<b>% Change</b>	<b>Constant-Currency % Change</b>
	<b>2020</b>	<b>2019</b>		
<i>Cardiopulmonary</i>	\$107.2	\$120.0	(10.7%)	(11.9%)
<i>Heart Valves</i>	21.1	28.9	(26.8%)	(26.9%)
<i>Advanced Circulatory Support</i>	12.5	6.5	91.9%	91.9%
Cardiovascular	140.9	155.4	(9.4%)	(10.3%)
Neuromodulation	98.4	112.5	(12.6%)	(12.6%)
Other	0.8	0.6	24.3%	18.5%
<b>Total Net Sales</b>	<b>\$240.1</b>	<b>\$268.6</b>	<b>(10.6%)</b>	<b>(11.2%)</b>

Note: Numbers may not add up precisely due to rounding. Constant-currency percent change is considered a non-GAAP metric.

# 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 September 30, 2020	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)	Financing Transactions (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	\$86.5	\$—	\$—	(\$0.3)	\$—	\$—	(\$5.4)	(\$0.4)	\$—	\$—	\$80.3
Product remediation	1.1	—	—	—	(1.1)	—	—	—	—	—	—
Gross profit percent	63.5 %	— %	— %	0.1 %	0.5 %	— %	2.2 %	0.2 %	— %	— %	66.5 %
Selling, general and administrative	99.2	—	—	(1.2)	—	0.1	0.3	(6.6)	—	—	91.7
Selling, general and administrative as a percent of net sales	41.3 %	— %	— %	(0.5)%	— %	— %	0.1 %	(2.8)%	— %	— %	38.2 %
Research and development	47.4	—	—	—	—	—	(10.7)	(0.7)	—	—	35.9
Research and development as a percent of net sales	19.7 %	— %	— %	— %	— %	— %	(4.5)%	(0.3)%	— %	— %	14.9 %
Litigation provision, net	3.0	—	—	—	—	—	(3.0)	—	—	—	—
Other operating expenses	10.4	(1.1)	0.3	(9.7)	—	—	—	—	—	—	—
Operating (loss) income from continuing operations	(7.5)	1.1	(0.3)	11.3	1.1	(0.1)	18.7	7.8	—	—	32.1
Operating margin percent	(3.1)%	0.5 %	(0.1)%	4.7 %	0.5 %	— %	7.8 %	3.3 %	— %	— %	13.4 %
Income tax (benefit) expense	(4.0)	—	—	1.5	0.3	—	0.3	0.4	2.5	(0.3)	0.9
Net (loss) income from continuing operations	(14.8)	1.1	(0.4)	9.8	0.8	(4.8)	18.4	7.4	(2.5)	3.5	18.5
Diluted EPS - Continuing Operations	(\$0.30)	\$0.02	(\$0.01)	\$0.20	\$0.02	(\$0.10)	\$0.38	\$0.15	(\$0.05)	\$0.07	\$0.38

### GAAP results for the three months ended September 30, 2020 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 associated with our June 2020 financing transactions, including the mark-to-market adjustment for the exchangeable option feature and capped call derivatives
- (F) 3T Heater-Cooler litigation provision, legal expenses primarily related to 3T Heater-Cooler defense, settlements and other matters and remeasurement of contingent consideration related to acquisitions
- (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 non-cash interest expense on our Senior Secured Term Loan and Cash Exchangeable Senior Notes, intellectual property migration and interest reversed upon the settlement of a tax litigation matter

\* Numbers may not add precisely due to rounding.

# 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 September 30, 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	\$86.1	\$—	\$—	(\$0.6)	\$—	\$—	(\$5.0)	\$—	\$—	\$—	\$80.4
Product remediation	3.1	—	—	—	(3.1)	—	—	—	—	—	—
Gross profit percent	66.8 %	— %	— %	0.2 %	1.1 %	— %	1.9 %	— %	— %	— %	70.1 %
Selling, general and administrative	123.0	—	—	(0.1)	—	(0.1)	(14.4)	(6.9)	—	—	101.5
Selling, general and administrative as a percent of net sales	45.8 %	— %	— %	(0.1)%	— %	— %	(5.4)%	(2.6)%	— %	— %	37.8 %
Research and development	45.9	—	—	(0.1)	—	0.4	(5.9)	(1.6)	—	—	38.8
Research and development as a percent of net sales	17.1 %	— %	— %	— %	— %	0.2 %	(2.2)%	(0.6)%	— %	— %	14.4 %
Other operating expenses	(15.3)	(6.7)	(0.7)	(11.1)	—	—	33.8	—	—	—	—
Operating income from continuing operations	25.8	6.7	0.7	12.0	3.1	(0.4)	(8.5)	8.5	—	—	47.8
Operating margin percent	9.6 %	2.5 %	0.3 %	4.5 %	1.1 %	(0.1)%	(3.2)%	3.2 %	— %	— %	17.8 %
Income tax (benefit) expense	(10.7)	1.6	0.2	3.1	1.0	(0.1)	(4.2)	2.0	11.8	0.5	5.2
Net income from continuing operations	32.1	5.2	0.5	8.9	2.1	(0.3)	(4.3)	6.5	(11.8)	1.9	40.8
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:

- (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) Primarily relates to contingent consideration related to acquisitions, legal expenses related to 3T Heater-Cooler defense and other matters and insurance recovery
- (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, interest related to 3T Heater-Cooler litigation settlement and other non-recurring impacts to interest expense

\* Numbers may not add up precisely due to rounding.

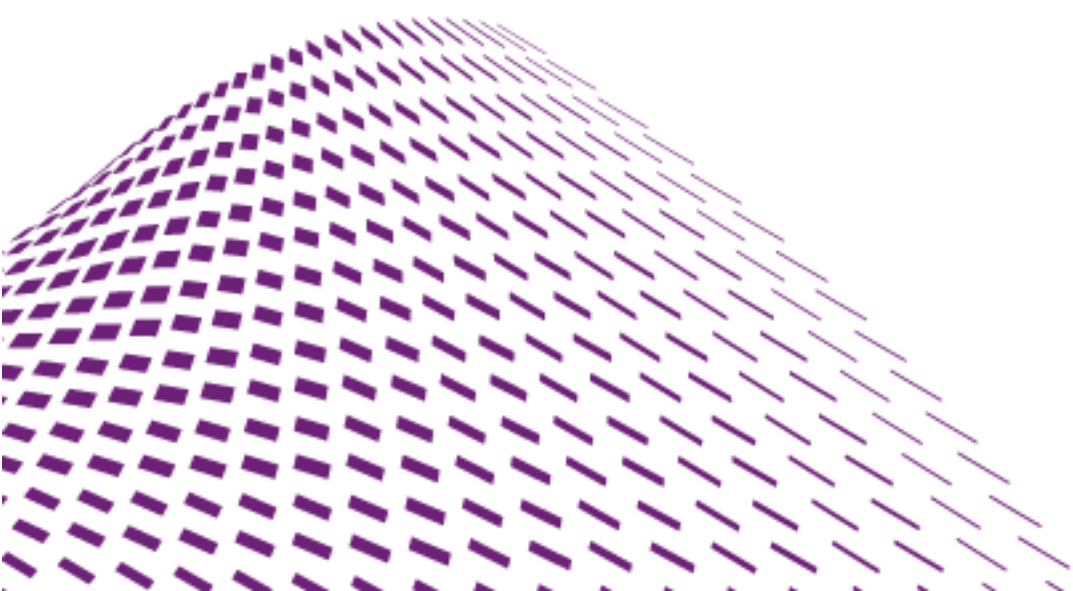
# GAAP to Non-GAAP Reconciliations

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 third-quarter 2020 press release and during the conference call held in conjunction with the announcement of third-quarter 2020 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 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.

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.



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