

LivaNova

Health innovation that matters



4Q and Full-Year 2021

Earnings Performance

February 23, 2022



Safe Harbor

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

Trademarks for our Neuromodulation systems, the VNS Therapy™ System, the VITARIA™ System and our proprietary pulse generator products: Model 102 (Pulse™), Model 102R (Pulse Duo™), Model 103 (Demipulse™), Model 104 (Demipulse Duo™), Model 106 (AspireSR™), Model 1000 (SenTiva™), Model 1000-D (SenTiva™ Duo), Model 7103 (VITARIA™ and VITARIA TitrationAssist™) and Model 8103 (Symmetry™).

Trademarks for our Cardiopulmonary products and systems: Essenz™, S5™, S3™, S5 PRO™, B-Capta™, Inspire™, Heartlink™, XTRA™ Autotransfusion System, 3T Heater-Cooler™, Connect™ and Revolution™.

Trademarks for our extracorporeal life support systems: TandemLife™, TandemHeart™, TandemLung™, ProtekDuo™, and LifeSPARC™.

Trademarks for our obstructive sleep apnea system: ImThera™ and Aura6000™.

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Agenda

Segment Reporting Update

4Q and Full-Year 2021 Financial Results

2022 Guidance

Appendix

Segment Reporting Update

Segment Reporting Change

- Effective 4Q 2021, we changed our segment reporting from two reportable segments to three:
 - Neuromodulation
 - Cardiopulmonary (CP)
 - Advanced Circulatory Support (ACS)
- The change reflects the way we manage and evaluate our business, drives further accountability in execution and provides greater transparency to the growth and margin profiles.
- Historical financial results have been recast to maintain comparability.



Financial Results

4Q21 Financial Summary

4Q20 4Q21

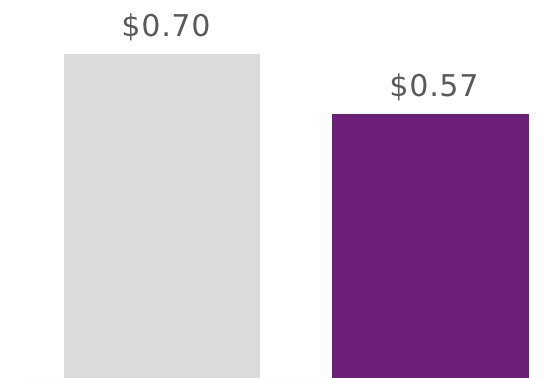
Net Sales (\$M)

■ Heart Valves*

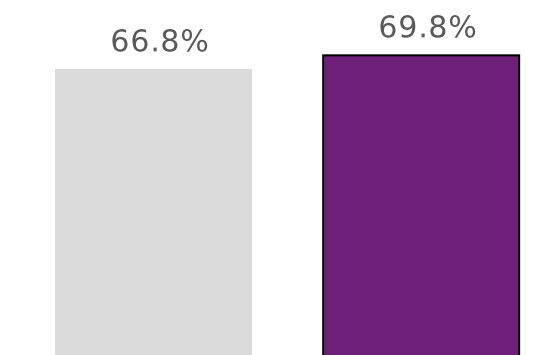


- Net sales increased 1.8 percent on a constant-currency basis
- Net sales, excluding sales related to the Heart Valves business that was divested effective June 1, 2021, increased 11.8 percent on a constant-currency basis

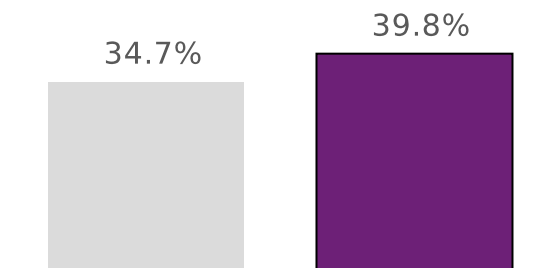
Adjusted Diluted EPS



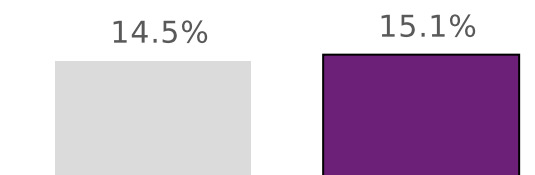
Adjusted Gross Profit %



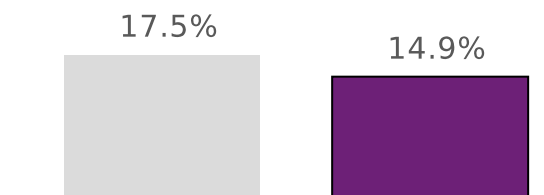
Adjusted SG&A %



Adjusted R&D %



Adjusted Operating Margin %



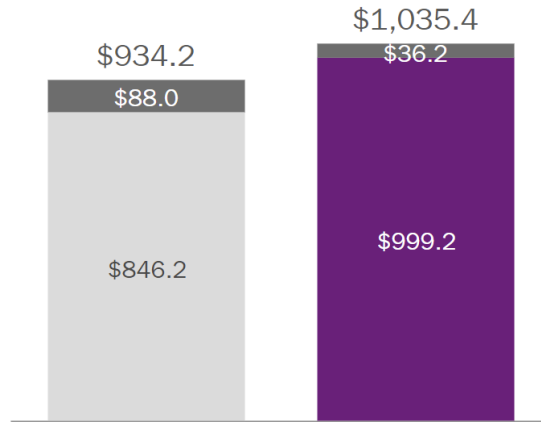
Note: Adjusted diluted EPS and adjusted gross profit, adjusted SG&A, adjusted R&D and adjusted operating margin all as a percentage of net sales are non-GAAP measures. All percent change performance is shown on a year-over-year constant-currency basis, which is a non-GAAP measure. Constant currency eliminates the effects of foreign currency fluctuations. For reconciliations of certain non-GAAP metrics, please see the tables in the appendix. Adjusted diluted EPS and adjusted gross profit and adjusted operating margin as a percentage of net sales for the fourth quarter of 2020 have been revised. See the the section entitled "Supplemental Unaudited Revised Financial Information and Non-GAAP Measures" in the 8-K furnished with the SEC on February 23, 2022 for additional details. Numbers may not add precisely due to rounding. * The Heart Valves business was divested effective June 1, 2021.

2021 Financial Summary

2020 2021

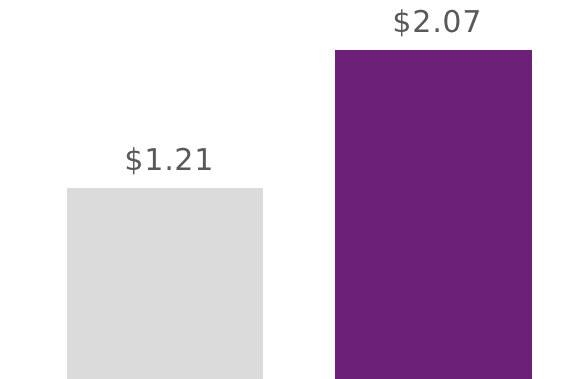
Net Sales (\$M)

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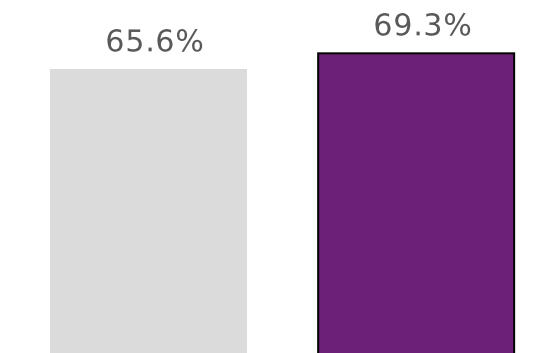


- Net sales increased 9.7 percent on a constant-currency basis
- Net sales, excluding sales related to the Heart Valves business that was divested effective June 1, 2021, increased 17.1 percent on a constant-currency basis

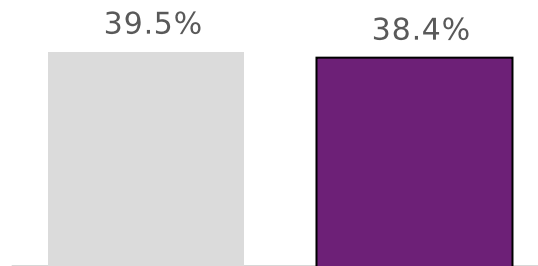
Adjusted Diluted EPS



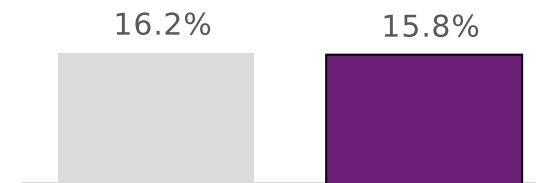
Adjusted Gross Profit %



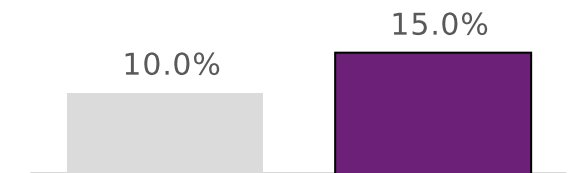
Adjusted SG&A %



Adjusted R&D %



Adjusted Operating Margin %



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4Q21 Net Sales

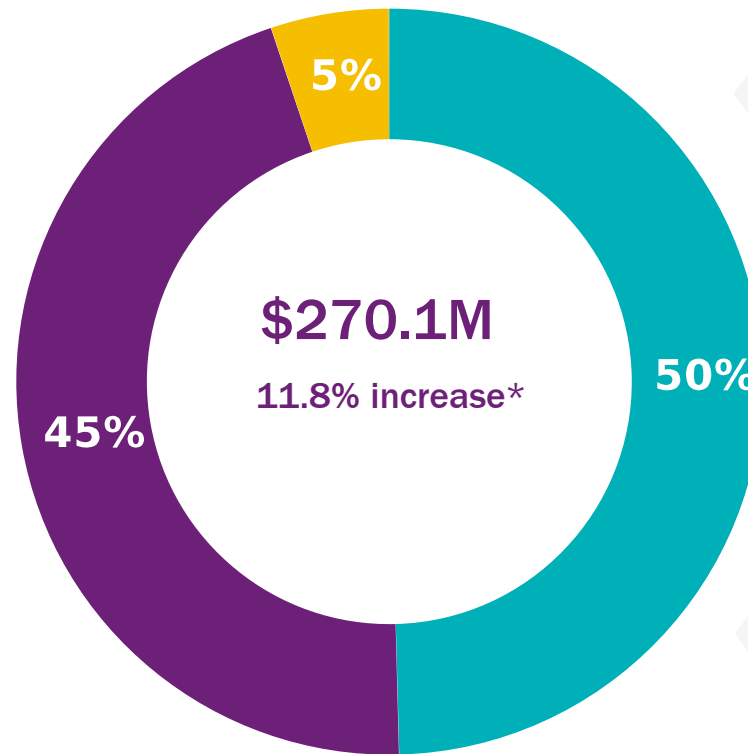
Neuromodulation

Vagus Nerve Stimulation Therapy (VNS Therapy)

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

Hypoglossal Nerve Stimulation Therapy (HGNS Therapy)

- Obstructive Sleep Apnea (OSA)



Cardiopulmonary (CP)

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

Advanced Circulatory Support (ACS)

- Extracorporeal Life Support (ECLS)
- Percutaneous Mechanical Circulatory Support (pMCS)

Numbers may not add precisely due to rounding. Amounts exclude the Heart Valves business that was divested effective June 1, 2021. Additionally, percentages by segment exclude "Other" sales.

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2021 Net Sales

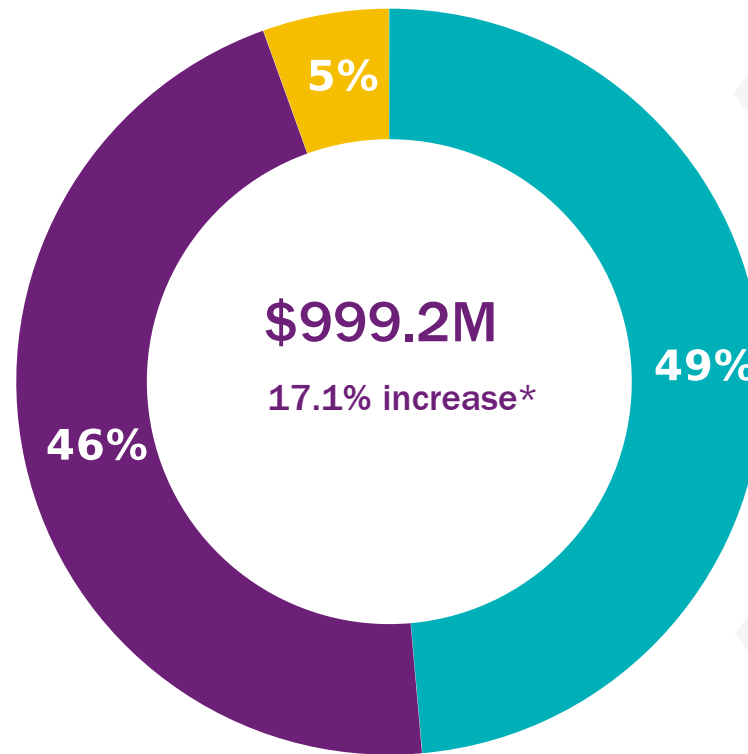
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Advanced Circulatory Support (ACS)

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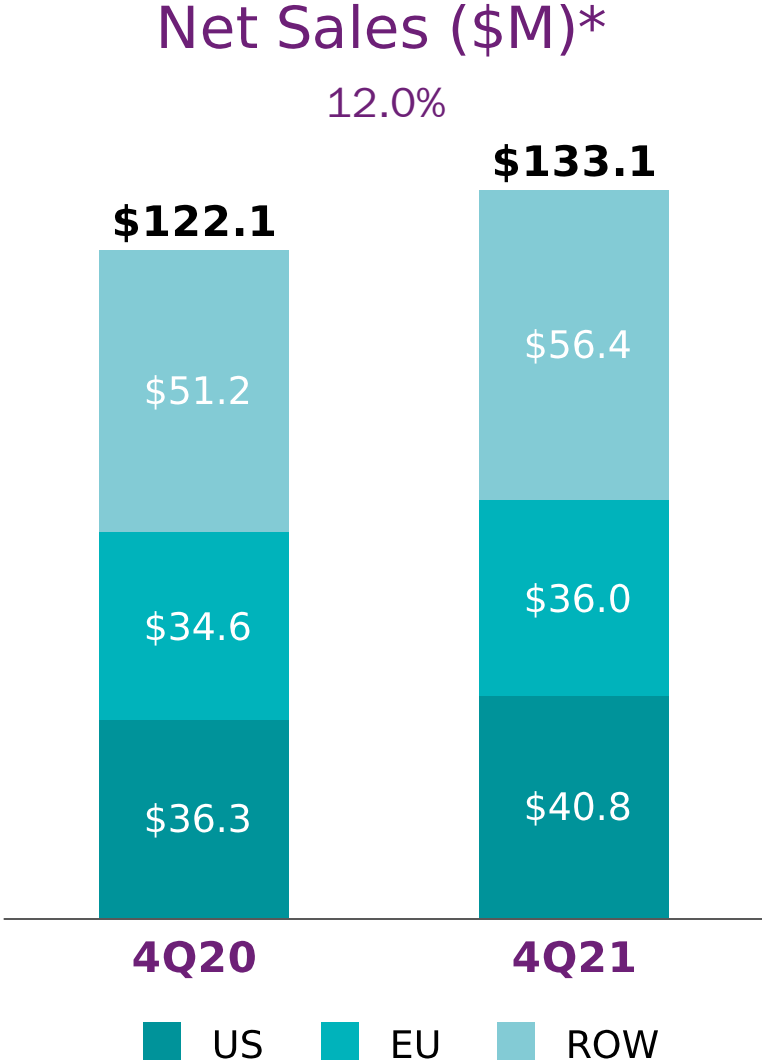
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4Q21 Cardiopulmonary Sales

Drivers/Impacts

- Global sales increased 12% with growth in all regions, reflecting an increase in surgical procedures. All regions also improved sequentially.
- Oxygenator sales grew by approximately 20% globally, driven by rising procedure volumes in Europe and Rest of World regions.
- HLM sales grew in the mid-single-digits globally, with over 40% growth in the US, offset by declines in Europe and Rest of World regions.



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4Q21 Neuromodulation Sales

Drivers/Impacts

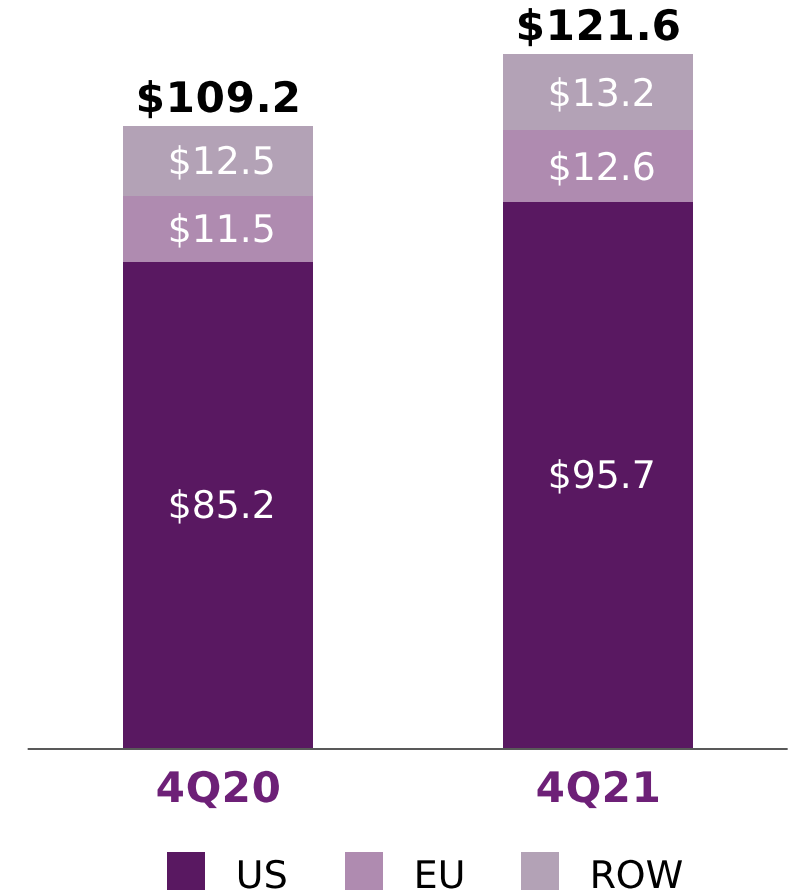
Global Neuromodulation sales increased 12% primarily due to Epilepsy growth of ~10% across all regions.

U.S. Epilepsy sales increased ~11% driven by replacement implants. Go-to-market commercial initiatives in comprehensive epilepsy centers (CECs) continued to deliver growth above the baseline business.

Europe grew 11%, led by the U.K. and Italy. Rest of World sales grew nearly 10%, led by China, Taiwan and Brazil, as non-emergent procedures continue to recover in these markets.

Net Sales (\$M)*

11.9%



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4Q21 Advanced Circulatory Support Sales

Drivers/Impacts

ACS sales grew 4% primarily due to increased disposable sales driven by the continued adoption and utilization of LifeSPARC™ in the U.S.

ACS sales declined 10% sequentially primarily due to a reduction in patients treated with ECMO given hospital staffing shortages and capacity limitations.

ACS ended the year with over 60 net new accounts versus 2020.

Net Sales (\$M)*

4.0%

\$13.3

\$13.8

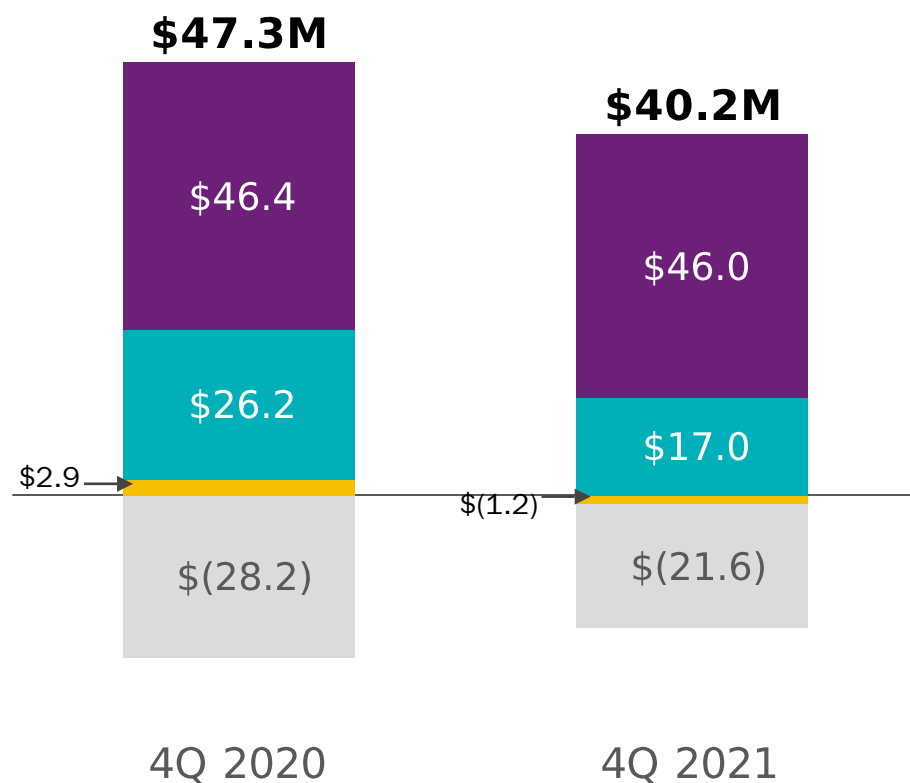
4Q20

4Q21

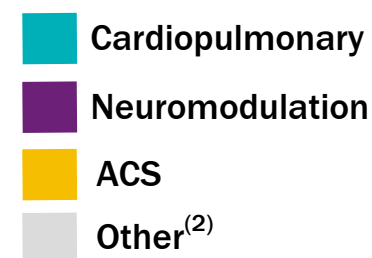
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4Q21 Adjusted Segment Operating Income and Margin⁽¹⁾

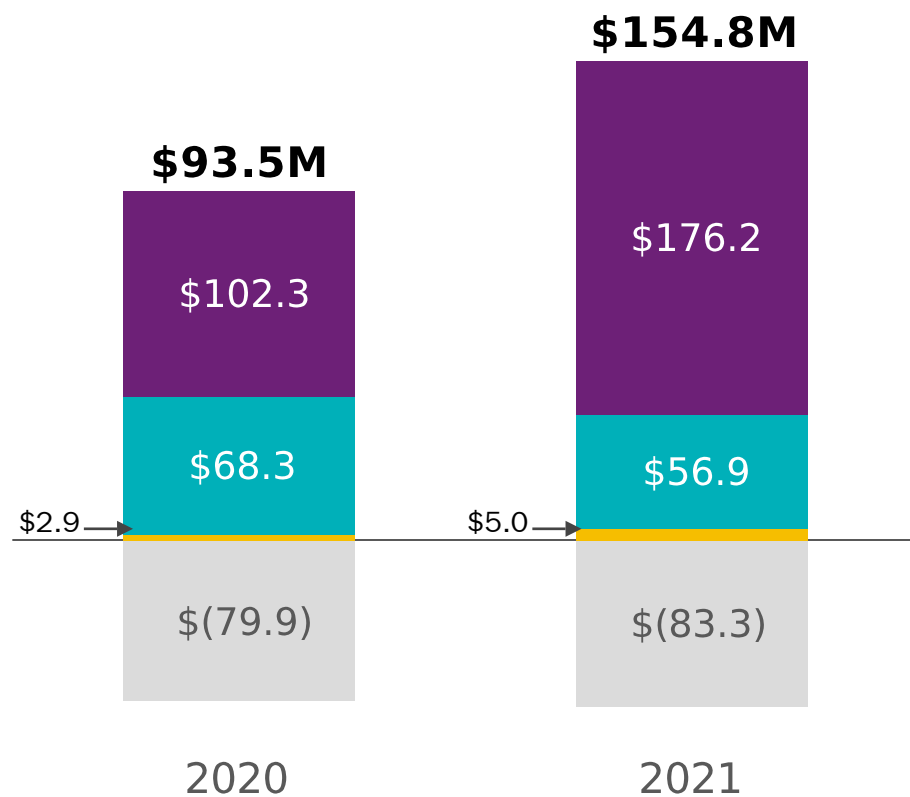


	% to Sales	
	4Q20	4Q21
Cardiopulmonary	21.4%	12.8%
Neuromodulation	42.5%	37.8%
ACS	21.9%	(8.6)%
Total	17.5%	14.9%

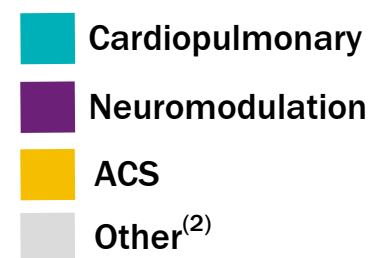


Numbers may not add precisely due to rounding. ⁽¹⁾ Adjusted segment operating income and margin are non-GAAP measures. These non-GAAP measures are reconciled to the most directly comparable GAAP measures in the appendix. Adjusted operating margin for the fourth quarter of 2020 has been revised. See the the section entitled "Supplemental Unaudited Revised Financial Information and Non-GAAP Measures" in the 8-K furnished with the SEC on February 23, 2022 for additional details. ⁽²⁾ Includes corporate shared service expenses for finance, legal, human resources, information technology and corporate business development. The three month period ended December 31, 2020 also includes an adjusted operating loss of \$8.7M related to the Heart Valves business that was divested effective June 1, 2021.

2021 Adjusted Segment Operating Income and Margin⁽¹⁾

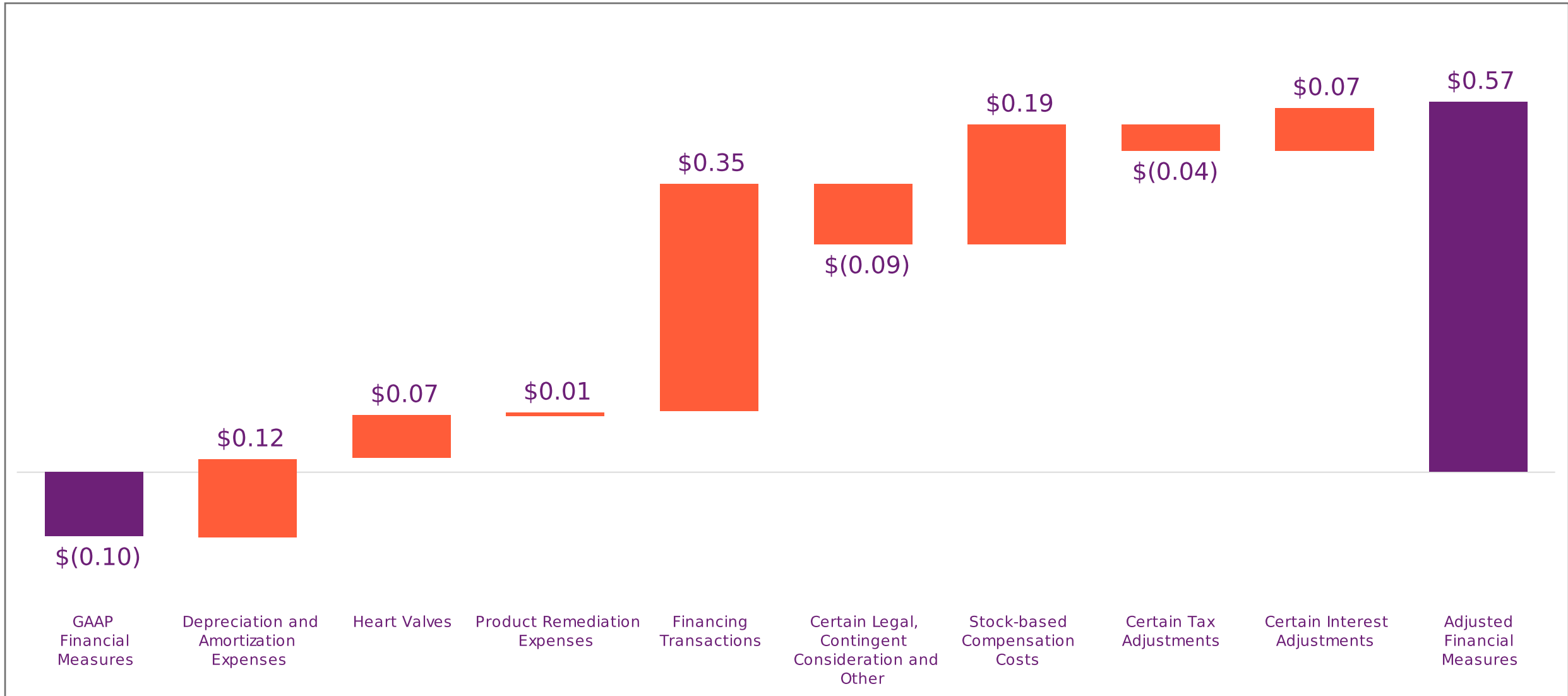


	% to Sales	
	2020	2021
Cardiopulmonary	15.3%	11.8%
Neuromodulation	28.8%	38.6%
ACS	6.8%	9.1%
Total	10.0%	15.0%



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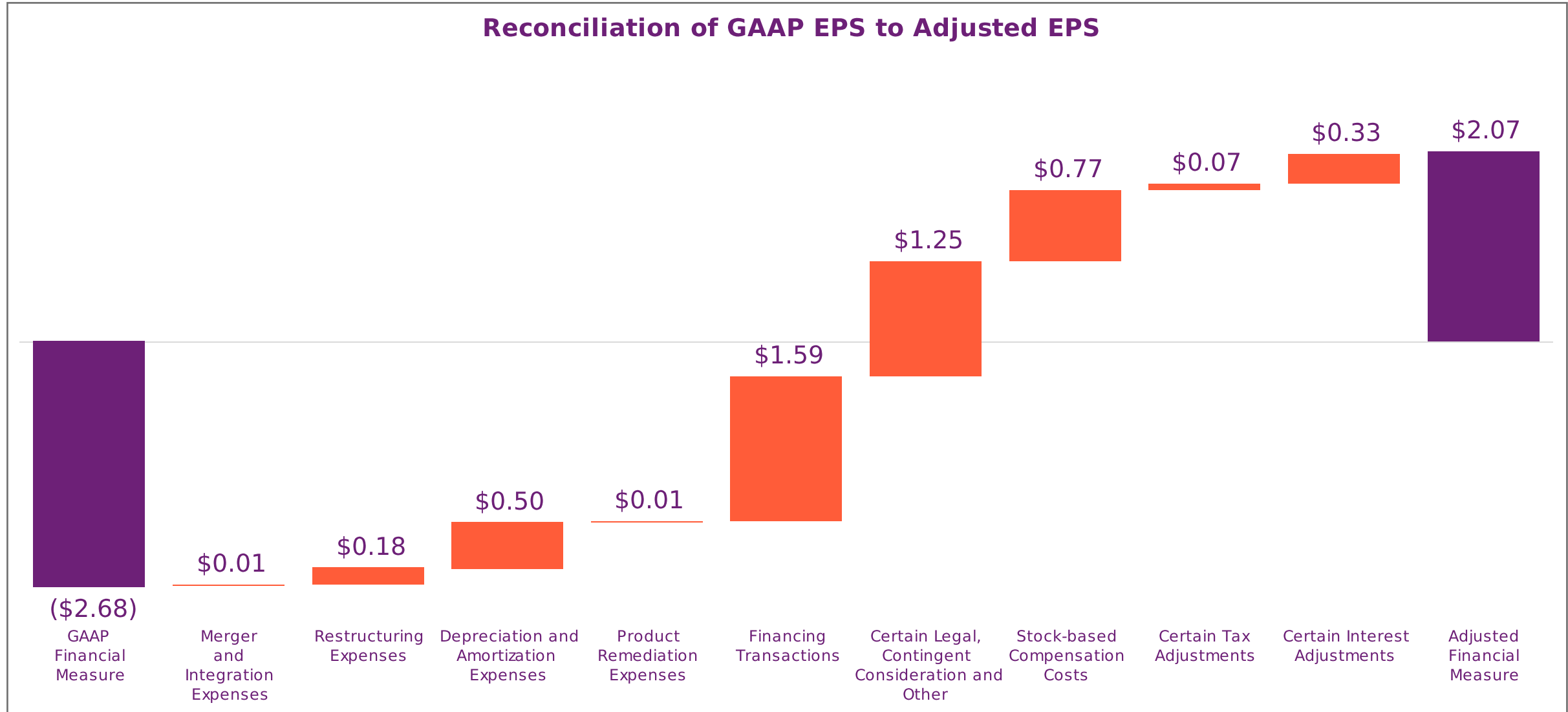
4Q21 Adjusted EPS from Continuing Operations*



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

2021 Adjusted EPS from Continuing Operations*

Reconciliation of GAAP EPS to Adjusted EPS



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

Net Sales Comparisons* by Region

Cardiopulmonary & Neuromodulation Net Sales by Region - Three and Twelve Months of 2021 versus 2020

(\$M)	Three Months Ended December 31,				Twelve Months Ended December 31,			
	2021	2020	% Change at Actual Currency Rates	% Change at Constant-Currency Rates	2021	2020	% Change at Actual Currency Rates	% Change at Constant-Currency Rates
Cardiopulmonary								
United States	\$40.8	\$36.3	12.3%	12.3%	\$154.1	\$132.5	16.2%	16.2%
Europe	36.0	34.6	3.9%	7.9%	134.6	122.1	10.2%	6.4%
Rest of World	56.4	51.2	10.2%	14.5%	194.3	192.1	1.2%	0.6%
Total	133.1	122.1	9.0%	12.0%	483.0	446.7	8.1%	6.8%
Neuromodulation								
United States	95.7	85.2	12.3%	12.3%	358.5	282.5	26.9%	26.9%
Europe	12.6	11.5	9.4%	10.9%	51.4	39.0	31.8%	25.1%
Rest of World	13.2	12.5	6.3%	9.6%	46.3	32.9	40.5%	40.3%
Total	121.6	109.2	11.3%	11.9%	456.2	354.4	28.7%	27.9%
Advanced Circulatory Support ⁽¹⁾	13.8	13.3	3.9%	4.0%	55.5	42.3	31.0%	30.9%
Other	1.6	25.0	(93.7)%	(93.4)%	40.8	90.7	(55.1)%	(57.6)%
Total Net Sales	\$270.1	\$269.6	0.2%	1.8%	\$1,035.4	\$934.2	10.8%	9.7%
Less: Heart Valves ⁽²⁾	—	24.2	**	**	36.2	88.0	**	**
Total Net Sales, Excluding Heart Valves	\$270.1	\$245.3	10.1%	11.8%	\$999.2	\$846.2	18.1%	17.1%

* 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.

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** Indicates that variance as a percentage is not meaningful.

⁽¹⁾ Growth driven by adoption and utilization of LifeSPARC following commercial launch in July 2020.

⁽²⁾ The Heart Valves business was divested effective June 1, 2021.

Net Sales Comparisons* by Region

Cardiopulmonary & Neuromodulation Net Sales by Region - Three and Twelve Months of 2021 versus 2019

(\$M)	Three Months Ended December 31,				Twelve Months Ended December 31,			
	2021	2019	% Change at Actual Currency Rates	% Change at Constant-Currency Rates	2021	2019	% Change at Actual Currency Rates	% Change at Constant-Currency Rates
Cardiopulmonary								
United States	\$40.8	\$41.9	(2.6)%	(2.6)%	\$154.1	\$161.5	(4.6)%	(4.6)%
Europe	36.0	35.7	0.7%	(2.2)%	134.6	135.6	(0.8)%	(6.1)%
Rest of World	56.4	55.0	2.6%	6.5%	194.3	207.6	(6.4)%	(4.9)%
Total	133.1	132.6	0.4%	1.3%	483.0	504.7	(4.3)%	(5.1)%
Neuromodulation								
United States	95.7	89.5	6.9%	6.9%	358.5	335.3	6.9%	6.9%
Europe	12.6	12.2	3.7%	(0.5)%	51.4	46.3	11.2%	4.3%
Rest of World	13.2	11.4	15.7%	22.6%	46.3	43.0	7.7%	12.1%
Total	121.6	113.1	7.5%	7.7%	456.2	424.5	7.4%	7.1%
Advanced Circulatory Support ⁽¹⁾	13.8	8.8	56.3%	56.2%	55.5	31.9	73.7%	73.5%
Other	1.6	33.1	(95.3)%	(95.4)%	40.8	123.0	(66.9)%	(68.0)%
Total Net Sales	\$270.1	\$287.6	(6.1)%	(5.6)%	\$1,035.4	\$1,084.2	(4.5)%	(5.1)%
Less: Heart Valves ⁽²⁾	—	32.1	**	**	36.2	120.0	**	**
Total Net Sales, Excluding Heart Valves	\$270.1	\$255.5	5.7%	6.2%	\$999.2	\$964.2	3.6%	3.0%

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Adjusted Free Cash Flow

Continued focus on maximization of cash generation

- Full-year 2021 adjusted free cash flow (FCF) exceed high end of guidance

Adjusted Free Cash Flow Reconciliation (\$M)	1Q 2021	2Q 2021	3Q 2021	4Q 2021	2021 YTD
Net cash provided by operating activities	\$19.5	\$25.6	\$24.0	\$33.5	\$102.5
Less: Purchases of plant, property and equipment	(8.2)	(6.4)	(3.3)	(7.6)	(25.5)
Less: Cash received from tax stimulus	(24.5)	—	—	—	(24.5)
Less: Dividends received from investment	—	(3.1)	(0.3)	—	(3.4)
Add: 3T litigation payments	5.1	3.6	19.6	6.5	34.8
Adjusted free cash flow	\$(8.1)	\$19.7	\$40.0	\$32.4	\$84.0
Adjusted net income from continuing operations					\$106.7
Adjusted free cash flow conversion ratio					79%

Adjusted Free Cash Flow (FCF) is a non-GAAP measure. Our definition and calculation of adjusted FCF may not be comparable to similarly titled measures of other companies.

2021 Summary

Financial

- 17% full-year sales growth, excluding Heart Valves, with growth across all segments and regions
- Operating margin expansion driven by favorable product mix and gross profit improvements, partially offset by higher costs
- Adjusted free cash flow of \$84M driven by higher earnings and improved cash conversion

Core Businesses

- U.S. Epilepsy go-to-market initiative made further progress with performance above baseline business
- Achieved over 30% ACS growth from continued adoption and utilization of LifeSPARC
- Delivered above market growth in Cardiopulmonary with continued progress on next-generation HLM

Strategic Portfolio Initiatives

- DTD: RECOVER study progresses with nearly 250 unipolar (UP) patients implanted
- OSA: OSPREY confirmatory clinical trial progresses with site activation and first patient implanted anticipated in 1Q22
- HF: ANTHEM-HFrEF pivotal trial achieved key milestones triggering the first interim analysis in 1Q22

2022 Guidance

2022 Guidance

Consolidated Guidance

As of February 23, 2022

Worldwide net sales growth, excluding Heart Valves⁽¹⁾⁽²⁾	3 - 5%
Adjusted diluted EPS⁽¹⁾⁽³⁾	\$2.50 - 2.80
Adjusted free cash flow⁽⁴⁾	\$90 - 110M

⁽¹⁾ Net sales are on a constant-currency basis. All financial measures are adjusted non-GAAP measures. ⁽²⁾ Worldwide net sales growth when including the Heart Valves business, which was divested effective June 1, 2021, is expected to be between 0-2%. ⁽³⁾ Adjusted diluted EPS assumes adjusted diluted weighted average shares outstanding of approximately 54 million for the full-year of 2022. ⁽⁴⁾ Adjusted free cash flow is defined as net cash provided by operating activities less cash used for the purchase of property, plant and equipment excluding the impact of 3T litigation payments, tax stimulus benefits and dividends received from investment.

Assumptions for 2022

REVENUE	3 - 5%*	<ul style="list-style-type: none"> • Epilepsy procedures expected to improve, resulting in 5-7% growth • LifeSPARC continued adoption and utilization expected to deliver at least 20% ACS growth • Cardiopulmonary sales expected to grow 0-2%; Essenz launch in 2H22
EPS	\$2.50 - 2.80	<ul style="list-style-type: none"> • Gross margin expected to improve led by recovery in Epilepsy and the divestiture of Heart Valves • Incremental supply chain costs anticipated, offset by productivity • Investments in core innovation, commercial expansion and SPIs to drive long-term value creation
CASH GENERATION	\$90 - 110M	<ul style="list-style-type: none"> • Enhanced working capital management, offset by inventory build to protect supply chain continuity and investments in IT infrastructure modernization • Targeting an adjusted free cash flow conversion ratio >80% for full-year 2022
STRATEGIC PORTFOLIO INITIATIVES	Continued Execution	<ul style="list-style-type: none"> • DTD: 250 UP patients implanted during 1Q22 with transition to registry expected in late-2022/early-2023 • HF: First analysis in 1Q22 with ability to submit to FDA or reassess after every 100 patients enrolled • OSA: First patient implant expected during 1Q22 in the OSPREY trial

* Worldwide net sales growth including the Heart Valves business, which was divested effective June 1, 2021, is expected to be between 0-2%.

UP: Unipolar

Our Strategic Priorities

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 20% ACS sales growth in 2022

Pipeline Execution

Multiple existing and pipeline initiatives to accelerate growth

- Achieve key study milestones in RECOVER, ANTHEM HFrEF and OSPREY
- Commercialize next-generation heart-lung machine, Essenz

Operational Excellence

Drive margin expansion and cash generation

- Expand operating margin through cost discipline
- Drive improvement in cash conversion



Appendix

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

	Three Months Ended December 31,		% Change	Constant-Currency % Change
	2021	2020		
Cardiopulmonary	\$133.1	\$122.1	9.0%	12.0%
Neuromodulation	121.6	109.2	11.3%	11.9%
Advanced Circulatory Support	13.8	13.3	3.9%	4.0%
Other(1)	1.6	25.0	**	**
Total Net Sales	\$270.1	\$269.6	0.2%	1.8%

	Twelve Months Ended December 31,		% Change	Constant-Currency % Change
	2021	2020		
Cardiopulmonary	\$483.0	\$446.7	8.1%	6.8%
Neuromodulation	456.2	354.4	28.7%	27.9%
Advanced Circulatory Support	55.5	42.3	31.0%	30.9%
Other(1)	40.8	90.7	**	**
Total Net Sales	\$1,035.4	\$934.2	10.8%	9.7%

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

(1) Includes the Heart Valves business, which was divested effective June 1, 2021.

** Indicates that variance as a percentage is not meaningful.

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 December 31, 2021	Specified Items										Adjusted Financial Measures
	GAAP Financial Measures	Restructuring Expenses (A)	Depreciation and Amortization Expenses (B)	Heart Valves (C)	Product Remediation Expenses (D)	Financing Transactions (E)	Certain Legal, Contingent Consideration and Other (F)	Stock-based Compensation Costs (G)	Certain Tax Adjustments (H)	Certain Interest Adjustments (I)	
Cost of sales	\$68.4	\$—	(\$3.9)	\$—	(\$0.4)	\$—	\$18.0	(\$0.4)	\$—	\$—	\$81.7
Gross profit percent	74.7 %	— %	1.4 %	— %	0.2 %	— %	(6.7)%	0.2 %	— %	— %	69.8 %
Selling, general and administrative	124.4	—	(3.0)	—	—	—	(6.9)	(7.2)	—	—	107.4
Selling, general and administrative as a percent of net sales	46.1 %	— %	(1.1)%	— %	— %	— %	(2.6)%	(2.7)%	— %	— %	39.8 %
Research and development	44.1	—	—	—	—	—	(0.9)	(2.4)	—	—	40.8
Research and development as a percent of net sales	16.3 %	— %	— %	— %	— %	— %	(0.3)%	(0.9)%	— %	— %	15.1 %
Other operating expenses	8.4	0.1	—	(2.6)	—	—	(5.8)	—	—	—	—
Operating income from continuing operations	24.8	(0.1)	6.8	2.6	0.4	—	(4.3)	10.0	—	—	40.2
Operating margin percent	9.2 %	— %	2.5 %	1.0 %	0.2 %	— %	(1.6)%	3.7 %	— %	— %	14.9 %
Income tax expense	2.8	(0.1)	0.3	(1.0)	0.1	—	0.7	—	2.2	—	5.0
Net (loss) income from continuing operations	(5.1)	0.1	6.5	3.6	0.3	19.0	(5.0)	10.0	(2.2)	3.6	30.7
Diluted EPS - Continuing Operations	(\$0.10)	\$—	\$0.12	\$0.07	\$0.01	\$0.35	(\$0.09)	\$0.19	(\$0.04)	\$0.07	\$0.57

GAAP results for the three months ended December 31, 2021 include:

- (A) Restructuring expenses related to organizational changes
- (B) Includes depreciation and amortization associated with purchase price accounting
- (C) Loss associated with the sale of Heart Valves
- (D) Costs related to the 3T Heater-Cooler remediation plan
- (E) Costs associated with the 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, 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 the Cash Exchangeable Senior Notes

* 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 December 31, 2020	GAAP Financial Measures	Specified Items										Adjusted Financial Measures
		Merger and Integration Expenses (A)	Restructuring Expenses (B)	Depreciation and Amortization Expenses (C)	Impairment (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	\$102.7	\$—	\$—	(\$4.8)	\$—	(\$1.0)	\$—	(\$6.7)	(\$0.5)	\$—	\$—	\$89.6
Gross profit percent	61.9 %	— %	— %	1.8 %	— %	0.4 %	— %	2.5 %	0.2 %	— %	— %	66.8 %
Selling, general and administrative	114.9	—	—	(4.5)	—	—	(0.2)	(10.0)	(6.5)	—	—	93.7
Selling, general and administrative as a percent of net sales	42.6 %	— %	— %	(1.7)%	— %	— %	(0.1)%	(3.7)%	(2.4)%	— %	— %	34.7 %
Research and development	44.5	—	—	—	—	—	—	(4.3)	(1.2)	—	—	39.0
Research and development as a percent of net sales	16.5 %	— %	— %	— %	— %	— %	— %	(1.6)%	(0.5)%	— %	— %	14.5 %
Other operating expenses	256.6	(0.7)	(5.5)	—	(208.2)	—	—	(42.1)	—	—	—	—
Operating (loss) income from continuing operations	(249.0)	0.7	5.5	9.4	208.2	1.0	0.2	63.1	8.2	—	—	47.3
Operating margin percent	(92.4)%	0.3 %	2.1 %	3.5 %	77.2 %	0.4 %	0.1 %	23.4 %	3.1 %	— %	— %	17.5 %
Income tax (benefit) expense	(18.4)	(0.3)	0.4	(1.3)	23.1	0.3	—	(0.1)	(0.4)	(4.0)	0.3	(0.4)
Net (loss) income from continuing operations	(280.6)	1.0	5.2	10.7	185.1	0.7	32.2	62.6	8.7	4.0	4.5	34.0
Diluted EPS - Continuing Operations	(\$5.77)	\$0.02	\$0.11	\$0.22	\$3.78	\$0.01	\$0.66	\$1.28	\$0.18	\$0.08	\$0.09	\$0.70

GAAP results for the three months ended December 31, 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) Impairments primarily associated with the classification of Heart Valves as held for sale
- (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 and other matters, remeasurement of contingent consideration related to acquisitions and provision for decommissioning at our Saluggia site
- (H) Non-cash expenses associated with stock-based compensation costs
- (I) Primarily relates to discrete tax items and the tax impact of intercompany transactions
- (J) Primarily relates to non-cash interest expense on our Senior Secured Term Loan and Cash Exchangeable Senior Notes and intellectual property migration

* 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)

Twelve Months Ended December 31, 2021	Specified Items											Adjusted Financial Measures
	GAAP 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	\$329.4	\$—	\$—	(\$15.7)	\$—	(\$0.8)	\$—	\$7.7	(\$2.5)	\$—	\$—	\$318.0
Gross profit percent	68.2 %	— %	— %	1.5 %	— %	0.1 %	— %	(0.7)%	0.2 %	— %	— %	69.3 %
Selling, general and administrative	471.9	—	—	(12.2)	—	—	—	(32.4)	(29.4)	—	—	397.8
Selling, general and administrative as a percent of net sales	45.6 %	— %	— %	(1.2)%	— %	— %	— %	(3.1)%	(2.8)%	— %	— %	38.4 %
Research and development	183.4	—	—	0.2	—	—	—	(11.2)	(8.7)	—	—	163.7
Research and development as a percent of net sales	17.7 %	— %	— %	— %	— %	— %	— %	(1.1)%	(0.8)%	— %	— %	15.8 %
Other operating expenses	51.5	(0.7)	(9.7)	—	(1.9)	—	—	(38.1)	—	—	—	1.0
Operating (loss) income from continuing operations	(0.8)	0.7	9.7	27.8	1.9	0.8	—	74.0	40.6	—	—	154.8
Operating margin percent	(0.1)%	0.1 %	0.9 %	2.7 %	0.2 %	0.1 %	— %	7.2 %	3.9 %	— %	— %	15.0 %
Income tax expense	11.2	—	0.2	1.9	2.1	0.3	—	1.7	0.7	(3.5)	—	14.6
Net (loss) income from continuing operations	(135.8)	0.7	9.5	25.8	(0.1)	0.6	81.7	64.2	39.9	3.5	16.8	106.7
Diluted EPS - Continuing Operations	(\$2.68)	\$0.01	\$0.18	\$0.50	\$—	\$0.01	\$1.59	\$1.25	\$0.77	\$0.07	\$0.33	\$2.07

GAAP results for the twelve months ended December 31, 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 the June 2020 financing transactions, including loss on debt extinguishment, 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) Primarily relates to discrete tax items and the tax impact of intercompany transactions
- (J) Primarily relates to non-cash interest expense on the Senior Secured Term Loan and Cash Exchangeable Senior Notes

* 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)

Twelve Months Ended December 31, 2020	Specified Items											Adjusted Financial Measures
	GAAP Financial Measures	Merger and Integration Expenses (A)	Restructuring Expenses (B)	Depreciation and Amortization Expenses (C)	Impairment (D)	Product Remediation Expenses (E)	Financing Transactions (F)	Certain Legal, Contingent Consideration and Other (G)	Stock-based Compensatio n Costs (H)	Certain Tax Adjustments (I)	Certain Interest Adjustments (J)	
Cost of sales	\$339.5	\$—	\$—	(\$20.9)	\$—	(\$7.9)	\$—	\$12.2	(\$1.9)	\$—	\$—	\$321.0
Gross profit percent	63.7 %	— %	— %	2.2 %	— %	0.8 %	— %	(1.3)%	0.2 %	— %	— %	65.6 %
Selling, general and administrative	446.6	—	—	(20.2)	—	—	(2.6)	(25.3)	(29.7)	—	—	368.8
Selling, general and administrative as a percent of net sales	47.8 %	— %	— %	(2.2)%	— %	— %	(0.3)%	(2.7)%	(3.2)%	— %	— %	39.5 %
Research and development	152.9	—	—	(0.1)	—	—	—	1.6	(3.5)	—	—	150.9
Research and development as a percent of net sales	16.4 %	— %	— %	— %	— %	— %	— %	0.2 %	(0.4)%	— %	— %	16.2 %
Other operating expenses	269.2	(7.3)	(7.6)	—	(208.2)	—	—	(46.1)	—	—	—	—
Operating (loss) income from continuing operations	(273.9)	7.3	7.6	41.2	208.2	7.9	2.6	57.5	35.1	—	—	93.5
Operating margin percent	(29.3)%	0.8 %	0.8 %	4.4 %	22.3 %	0.8 %	0.3 %	6.2 %	3.8 %	— %	— %	10.0 %
Income tax (benefit) expense	(1.0)	—	0.4	3.2	23.1	1.4	—	2.2	0.6	(29.1)	—	0.9
Net (loss) income from continuing operations	(347.3)	7.3	7.2	38.0	185.1	6.4	30.0	54.8	34.5	29.1	14.0	59.0
Diluted EPS - Continuing Operations	(\$7.15)	\$0.15	\$0.15	\$0.78	\$3.79	\$0.13	\$0.61	\$1.12	\$0.71	\$0.60	\$0.29	\$1.21

GAAP results for the twelve months ended December 31, 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) Impairments primarily associated with the classification of Heart Valves as held for sale
- (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 and other matters, remeasurement of contingent consideration related to acquisitions and provision for decommissioning at our Saluggia site
- (H) Non-cash expenses associated with stock-based compensation costs
- (I) Primarily relates to discrete tax items and the tax impact of intercompany transactions
- (J) Primarily relates to non-cash interest expense on our Senior Secured Term Loan and Cash Exchangeable Senior Notes, interest related to the 3T Heater-Cooler matter, 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)

Adjusted free cash flow reconciliation		FY2021
Net cash provided by operating activities	\$	102.5
Less: Purchases of plant, property and equipment		(25.5)
Less: Cash received from tax stimulus		(24.5)
Less: Dividends received from investment		(3.4)
Add: 3T litigation payments		<u>34.8</u>
Adjusted free cash flow	\$	<u><u>84.0</u></u>

Segment Non-GAAP Reconciliation - Unaudited

(U.S. dollars in thousands)

Three Months Ended December 31, 2021	Specified Items							Adjusted Financial Results	% to Sales
	GAAP Financial Results	Depreciation & Amortization (A)	Product Remediation (B)	Heart Valves (C)	Financing Transactions (D)	Certain Legal, Contingent Consideration and Other (E)	Stock-based Compensation (F)		
Cardiopulmonary	\$ 5,271	\$ 317	\$ 418	\$ —	\$ —	\$ 9,385	\$ 1,606	\$ 16,997	12.8 %
Neuromodulation	61,077	3	—	—	—	(17,393)	2,309	45,996	37.8 %
Advanced Circulatory Support	(1,274)	—	—	—	—	60	26	(1,188)	(8.6)%
Other ⁽¹⁾	(33,905)	(36)	—	2,640	—	3,606	6,048	(21,647)	**
Segment operating (loss) income	\$ 31,169	\$ 284	\$ 418	\$ 2,640	\$ —	\$ (4,342)	\$ 9,989	\$ 40,158	14.9 %

Twelve Months Ended December 31, 2021	Specified Items							Adjusted Financial Results	% to Sales
	GAAP Financial Results	Depreciation & Amortization (A)	Product Remediation (B)	Heart Valves (C)	Financing Transactions (D)	Certain Legal, Contingent Consideration and Other (E)	Stock-based Compensation (F)		
Cardiopulmonary	\$ (6,429)	\$ 1,405	\$ 824	\$ —	\$ —	\$ 54,936	\$ 6,152	\$ 56,888	11.8 %
Neuromodulation	169,499	8	—	—	—	(2,143)	8,841	176,205	38.6 %
Advanced Circulatory Support	2,195	—	—	—	—	2,746	99	5,040	9.1 %
Other ⁽¹⁾	(129,082)	(163)	—	1,942	26	18,509	25,472	(83,296)	**
Segment operating (loss) income	\$ 36,183	\$ 1,250	\$ 824	\$ 1,942	\$ 26	\$ 74,048	\$ 40,564	\$ 154,837	15.0 %

GAAP results for the three and twelve months ended December 31, 2021 include:

(A) Includes depreciation and amortization associated with purchase price accounting

(B) Costs related to the 3T Heater-Cooler remediation plan

(C) Loss associated with the sale of Heart Valves

(D) Costs associated with our June 2020 financing transactions, including the mark-to-market adjustment for the exchangeable option feature and capped call derivatives

(E) 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

(F) Non-cash expenses associated with stock-based compensation costs

* Numbers may not add precisely due to rounding.

** Indicates that variance as a percentage is not meaningful.

(1) Other includes the results of the Company's Heart Valves business, which was disposed of on June 1, 2021, and corporate shared service expenses for finance, legal, human resources, information technology and corporate business development.

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 fourth-quarter and full-year 2021 press release and during the conference call held in conjunction with the announcement of fourth-quarter and full-year 2021 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 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 rates 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 from continuing operations; adjusted segment operating income; adjusted income tax expense; adjusted net income from continuing operations; and adjusted diluted earnings per share from continuing operations, 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.