

# Second Quarter 2020

## Earnings Performance

July 29, 2020



**LifeSPARC™**

LIFE SUPPORT SIMPLIFIED.

**LivaNova**  
Health innovation that matters

# 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® 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 105 (AspireHC®), Model 106 (AspireSR®), Model 1000 (SenTiva®) and Model 8103 (Symmetry®).

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

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

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

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

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

2Q 2020 Highlights

Financial Results

Guidance

Summary

# 2Q 2020 Highlights

# 2Q 2020 Highlights

## Strengthening our future

### Financing

- We recently entered into two financing agreements, a five-year \$450M senior secured credit facility with Ares Capital Management and completed a \$287.5M offering of cash exchangeable notes. The combined proceeds were used to refinance all outstanding debt, improve liquidity, and increases financial flexibility.

### Difficult-to-Treat Depression (DTD)

- The *International Journal of Bipolar Disorders* published a sub-study that showed adding VNS Therapy to treatment as usual significantly improves outcomes in patients with treatment-resistant bipolar depression. The publication also showed that these patients treated with adjunctive VNS Therapy experienced a greater reduction in suicidality score.
- Earlier this month, LivaNova announced a publication in *Contemporary Clinical Trials* detailing the design of the RECOVER clinical study evaluating VNS Therapy for DTD.

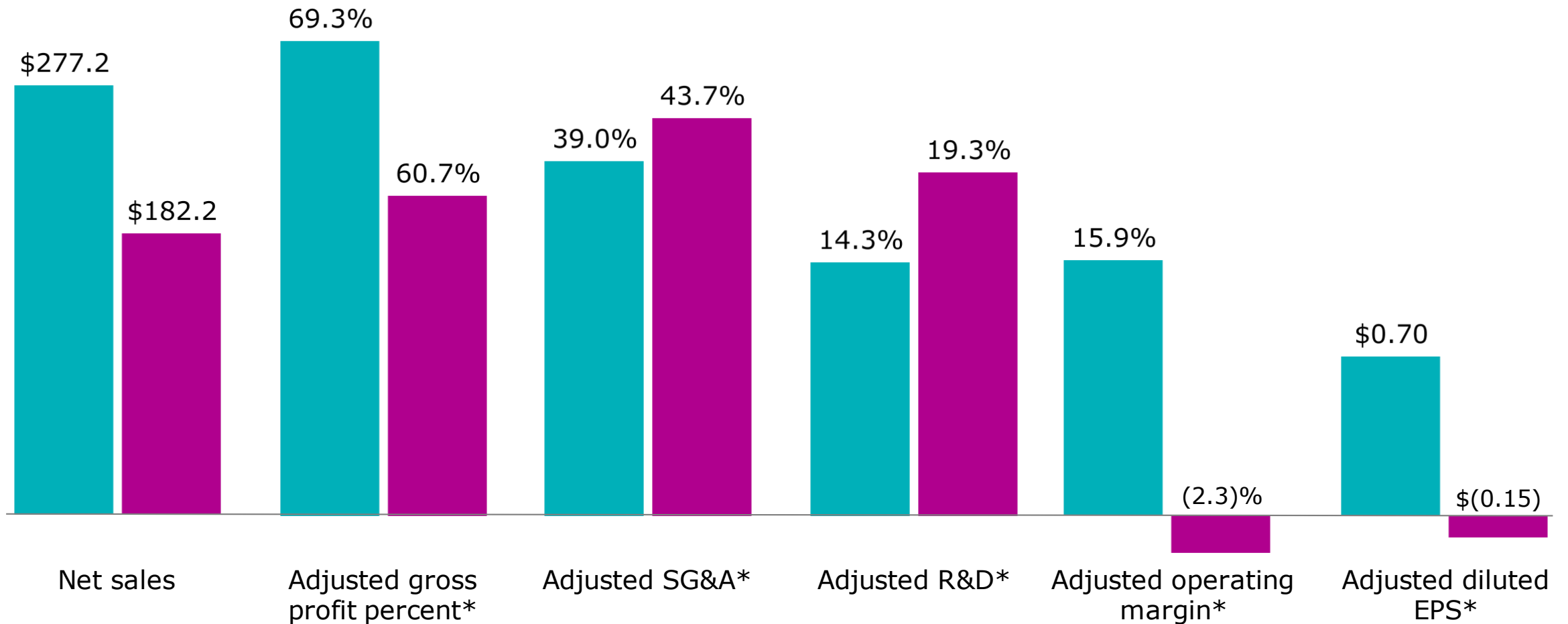
### Cardiovascular

- Data for the Perceval Sutureless Implant Versus Standard-Aortic Valve Replacement (PERSIST-AVR) clinical study were presented in May at the American Association of Thoracic Surgery annual meeting. The study demonstrated that Perceval is a reliable and essential technology to treat aortic valve disease, building on 13 years of clinical evidence for this technology.
- Perceval Plus was commercially launched in Europe, after having successfully completed a limited release. This new product is a key innovation in the Perceval platform, intended to deliver even better long-term patient outcomes.

# Financial Results

# 2Q 2020 Financial Summary

2Q19 2Q20





# 2Q 2020 Net Sales

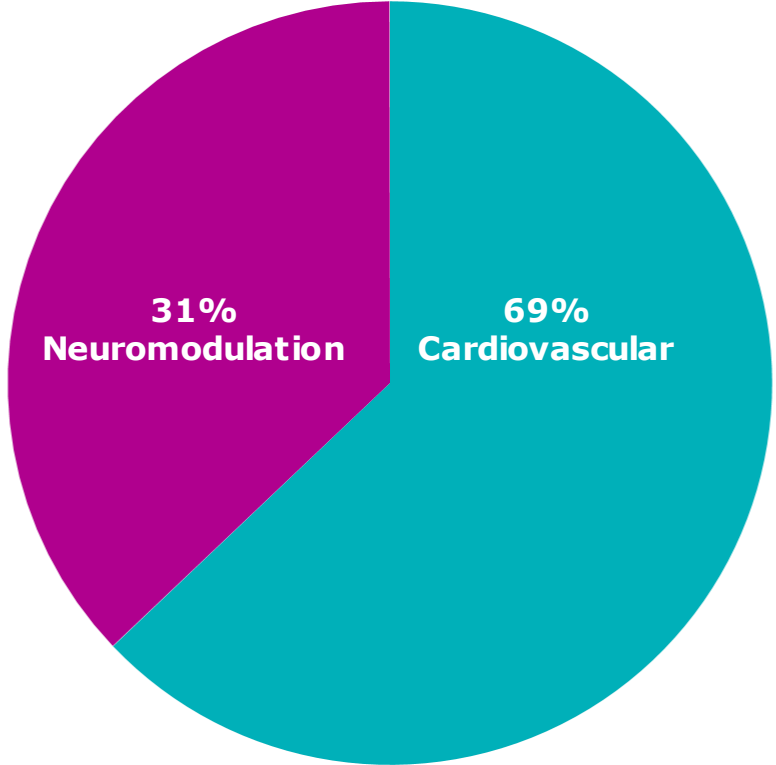
## Vagus Nerve Stimulation Therapy (VNS Therapy)

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

## Hypoglossal Nerve Stimulation Therapy (HGNS Therapy)

Obstructive Sleep Apnea (OSA)

**\$182.2M**  
**33.1% decrease\***



**81%** **Cardiopulmonary (CP)**

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

**5%** **Advanced Circulatory Support (ACS)**

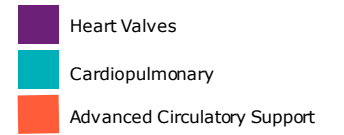
Extracorporeal Life Support (ECLS)  
 percutaneous Mechanical Circulatory Support (pMCS)

**14%** **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.

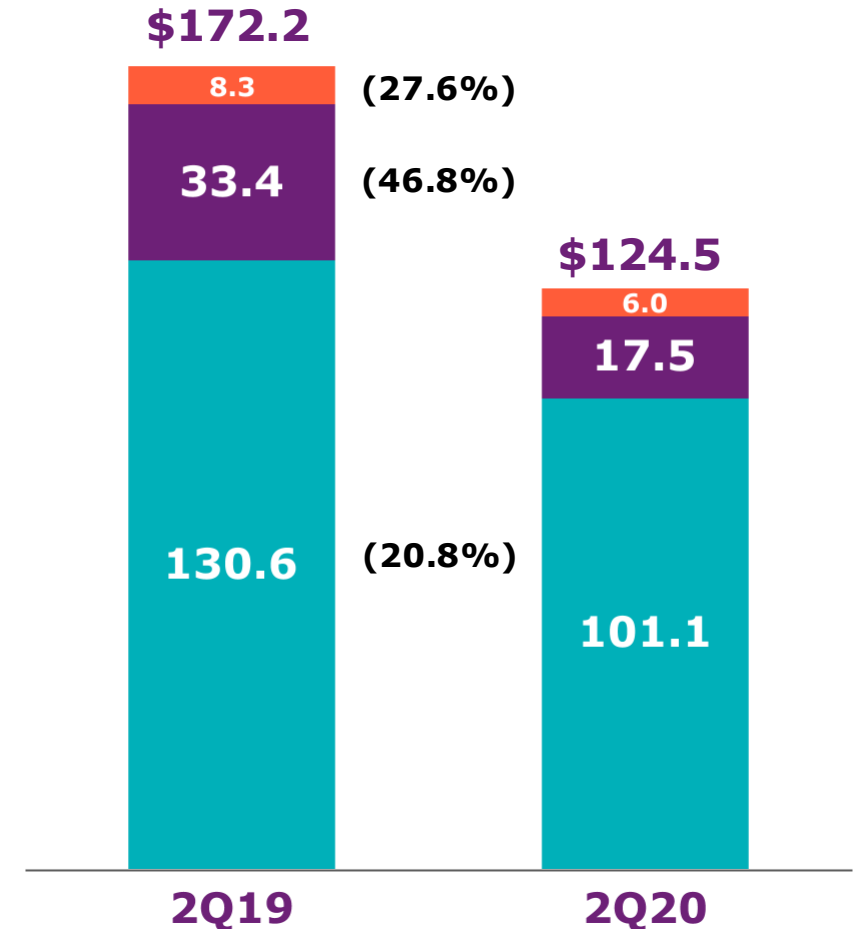
# 2Q 2020 Cardiovascular Sales



## Drivers/Impacts

- + Oxygenator sales declined by 25%, but accelerated through the quarter in all regions, with the Rest of World region returning to near-normal levels in June
- + Stronger than expected HLM sales in the U.S. and Rest of World region
- Heart Valves declined by 47% which reflects the impact of cardiac surgery procedure volumes from COVID-19
- ACS declined by 28%, as customers delayed purchases in anticipation of the LifeSPARC launch in the third quarter

## Net Sales (\$M)\* (26.2%)



Numbers may not add up precisely due to rounding.

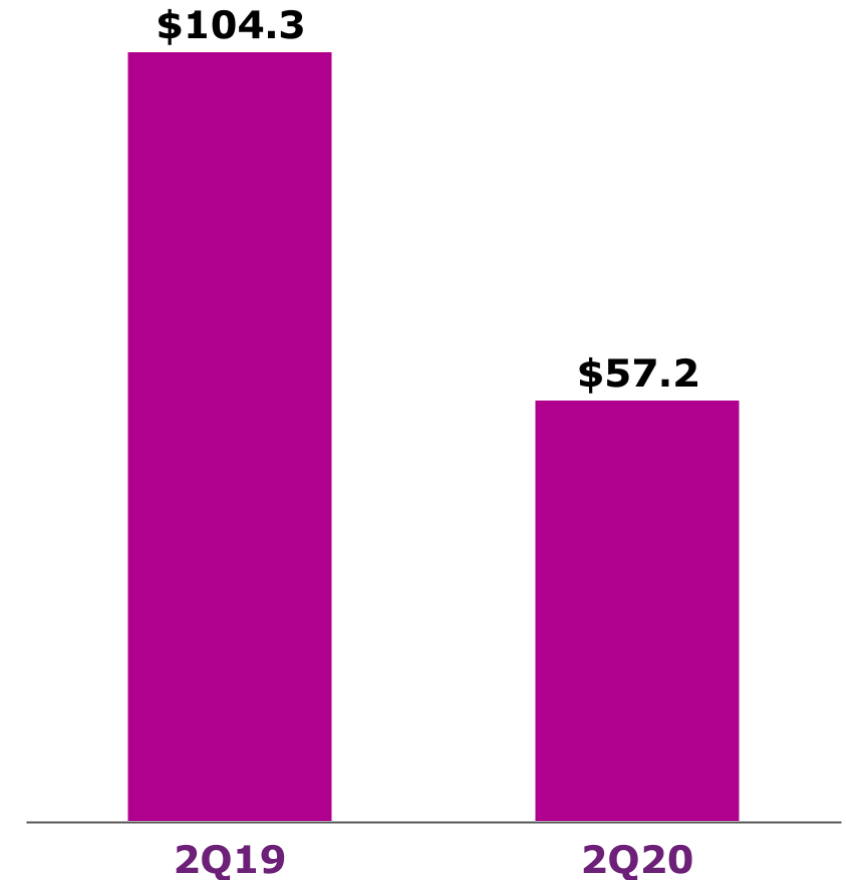
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# 2Q 2020 Neuromodulation Sales

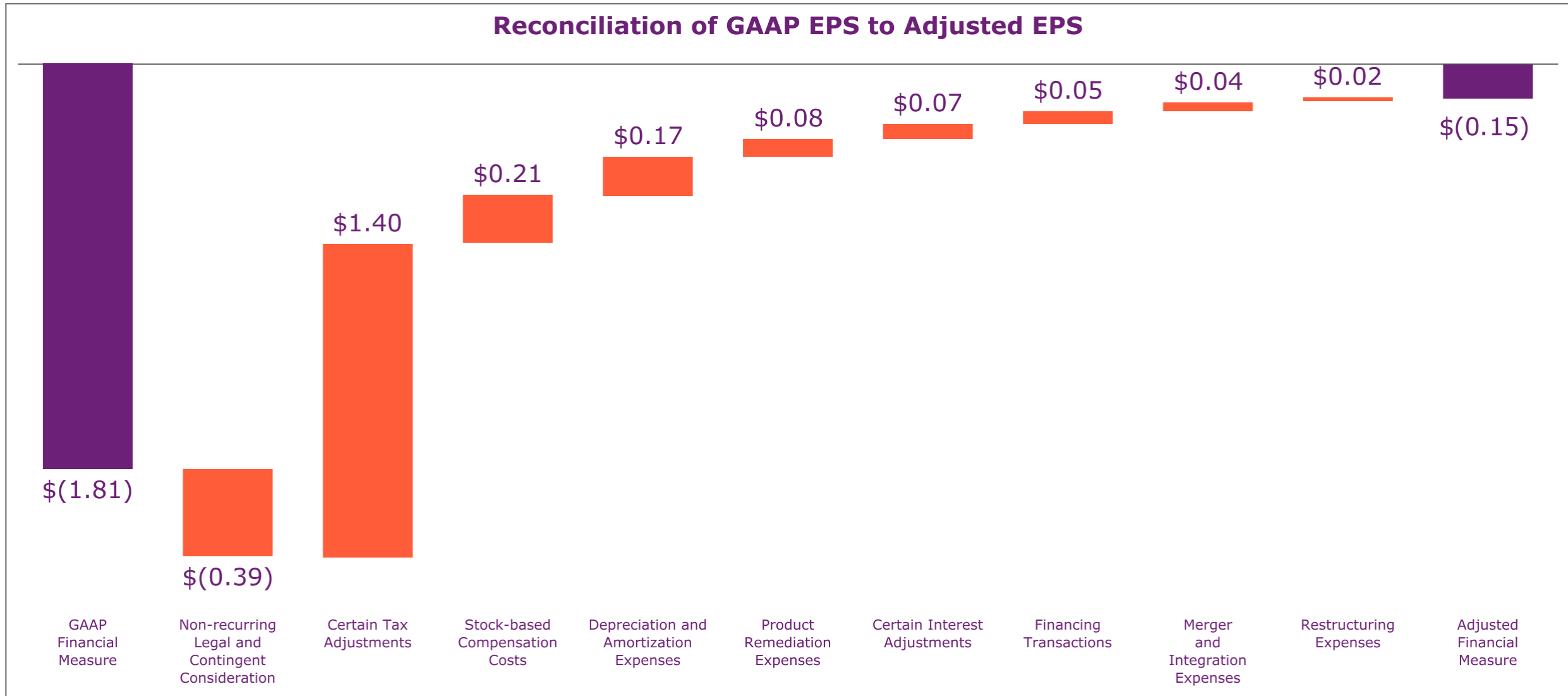
## Drivers/Impacts

- + On a global basis, implants and sales experienced a gradual improvement throughout the quarter
- U.S. Epilepsy sales declined by 45%, however June implants returned to 77% of prior-year levels
- Sales in Europe declined by 49% - regions with a high volume of COVID-19 cases accounted for the majority of the impact (e.g., U.K., Italy and France)
- The Rest of World region declined by 36% due to softness in APAC and Brazil

**Net Sales (\$M)\*  
(44.7%)**



# 2Q 2020 Adjusted EPS from Continuing Operations\*



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



# Updated Guidance from Continuing Operations

## Focused on execution, cash generation and cost containment

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

<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.



# 2Q 2020 Summary

## FINANCIAL

- 33% sales decline related to COVID-19 - all impacted businesses experienced sequential improvement throughout the quarter
- Gross margin decline from mix of lower Neuromodulation sales and unfavorable manufacturing variances related to COVID-19
- Executed cost control measures reducing SG&A approx. \$30M versus prior year

## STRATEGIC

- ANTHEM-HFrEF heart failure pivotal trial and the RECOVER depression study have been progressing on site activation, patient management and patient funnel expansion

## PORTFOLIO

- Preparations for early July commercial release of the LifeSPARC system; initial positive customer feedback
- Building additional clinical evidence through publications to support VNS Therapy awareness for DTD patients



# 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>• 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><li>• Refinancing of our debt was completed in 2Q</li></ul>
<b>CASH GENERATION</b>	Disciplined, Focused Deployment	<ul style="list-style-type: none"><li>• Reduce integration, restructuring expenses and capital spend by more than 50% versus prior year</li><li>• Manage working capital through various initiatives in AR and inventory</li></ul>
<b>STRATEGIC PORTFOLIO INITIATIVES</b>	Continued Execution	<ul style="list-style-type: none"><li>• DTD: Drive enrollment of RECOVER depression study during 3Q 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 June 30,</b>		<b>% Change</b>	<b>Constant-Currency % Change</b>
	<b>2020</b>	<b>2019</b>		
<i>Cardiopulmonary</i>	\$101.1	\$130.6	(22.6 %)	(20.8 %)
<i>Heart Valves</i>	17.5	33.4	(47.6 %)	(46.8 %)
<i>Advanced Circulatory Support</i>	6.0	8.3	(27.7 %)	(27.6 %)
Cardiovascular	124.5	172.2	(27.7 %)	(26.2 %)
Neuromodulation	57.2	104.3	(45.1 %)	(44.7 %)
Other	0.5	0.7	(30.0 %)	(28.5 %)
<b>Total Net Sales</b>	<b>\$182.2</b>	<b>\$277.2</b>	<b>(34.3 %)</b>	<b>(33.1 %)</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 June 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	\$ 56.8	\$ —	\$ —	\$ (0.3)	\$ —	\$ —	\$ 15.4	\$ (0.3)	\$ —	\$ —	\$ 71.6
Product remediation	4.3	—	—	—	(4.3)	—	—	—	—	—	—
Gross profit percent	66.5 %	— %	— %	0.2 %	2.3 %	— %	(8.5) %	0.2 %	— %	— %	60.7 %
Selling, general and administrative	98.0	—	—	(0.1)	—	(2.5)	(6.5)	(9.3)	—	—	79.7
Selling, general and administrative as a percent of net sales	53.8 %	— %	— %	— %	— %	(1.4) %	(3.6) %	(5.1) %	— %	— %	43.7 %
Research and development	25.2	—	—	—	—	—	10.5	(0.4)	—	—	35.2
Research and development as a percent of net sales	13.8 %	— %	— %	— %	— %	— %	5.7 %	(0.2) %	— %	— %	19.3 %
Litigation provision, net	1.0	—	—	—	—	—	(1.0)	—	—	—	—
Other operating expenses	12.2	(2.0)	(0.8)	(9.4)	—	—	—	—	—	—	—
Operating loss from continuing operations	(15.2)	2.0	0.8	9.8	4.3	2.5	(18.4)	10.0	—	—	(4.2)
Operating margin percent	(8.4) %	1.1 %	0.4 %	5.4 %	2.3 %	1.4 %	(10.1) %	5.5 %	— %	— %	(2.3) %
Income tax expense (benefit)	66.3	—	(0.2)	1.4	0.5	—	0.6	(0.4)	(67.9)	(0.5)	(0.2)
Net loss from continuing operations	(88.0)	2.0	1.0	8.4	3.8	2.7	(19.0)	10.4	67.9	3.3	(7.5)
Diluted EPS - Continuing Operations	\$ (1.81)	\$ 0.04	\$ 0.02	\$ 0.17	\$ 0.08	\$ 0.05	\$ (0.39)	\$ 0.21	\$ 1.40	\$ 0.07	\$ (0.15)

### GAAP results for the three months ended June 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, 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, interest related to the 3T Heater-Cooler matter 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)

Three Months Ended June 30, 2019	Specified Items												Adjusted Financial Measures
	GAAP Financial Measures	Merger and Integration Expenses (A)	Restructuring Expenses (B)	Depreciation and Amortization Expenses (C)	Impairments (D)	Product Remediation Expenses (E)	Acquisition Costs (F)	Non-recurring Legal and Contingent Consideration and Other Reserves (G)	Stock-based Compensation Costs (H)	Certain Tax Adjustments (I)	Certain Interest Adjustments (J)		
Cost of sales - exclusive of amortization	\$ 74.9	\$ —	\$ —	\$ (0.7)	\$ —	\$ —	\$ —	\$ 11.7	\$ (0.7)	\$ —	\$ —	\$ 85.2	
Product remediation	5.1	—	—	—	—	(5.1)	—	—	—	—	—	—	
Gross profit percent	71.1 %	— %	— %	0.3 %	— %	1.8 %	— %	(4.2) %	0.3 %	— %	— %	69.3 %	
Selling, general and administrative	127.2	—	—	(0.1)	—	—	(0.3)	(12.4)	(6.3)	—	—	108.1	
Selling, general and administrative as a percent of net sales	45.9 %	— %	— %	— %	— %	— %	(0.1) %	(4.5) %	(2.3) %	— %	— %	39.0 %	
Research and development	34.5	—	—	(0.1)	(0.9)	—	(0.2)	7.9	(1.7)	—	—	39.7	
Research and development as a percent of net sales	12.5 %	— %	— %	— %	(0.3) %	— %	(0.1) %	2.9 %	(0.6) %	— %	— %	14.3 %	
Other operating expenses	65.2	(4.4)	(1.3)	(9.2)	(50.3)	—	—	—	—	—	—	—	
Operating (loss) income from continuing operations	(29.9)	4.4	1.3	10.1	51.2	5.1	0.5	(7.3)	8.7	—	—	44.2	
Operating margin percent	(10.8) %	1.6 %	0.5 %	3.7 %	18.5 %	1.8 %	0.2 %	(2.6) %	3.1 %	— %	— %	15.9 %	
Income tax (benefit) expense	(6.2)	1.1	0.4	2.6	12.4	1.7	0.1	2.3	2.0	(10.6)	0.4	6.2	
Net (loss) income from continuing operations	(29.4)	3.3	1.0	7.5	38.8	3.4	0.4	(9.6)	6.7	10.6	1.6	34.3	
Diluted EPS - Continuing Operations	\$ (0.61)	\$ 0.07	\$ 0.02	\$ 0.15	\$ 0.80	\$ 0.07	\$ 0.01	\$ (0.20)	\$ 0.14	\$ 0.22	\$ 0.03	\$ 0.70	

### GAAP results for the three months ended June 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) Impairment of ImThera intangible assets and other long-lived assets
- (E) Costs related to the 3T Heater-Cooler remediation plan
- (F) Costs related to acquisitions
- (G) Contingent consideration related to acquisitions and legal expenses primarily related to 3T Heater-Cooler defense and other matters
- (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 intellectual property migration 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 second-quarter 2020 press release and during the conference call held in conjunction with the announcement of second-quarter 2020 results.

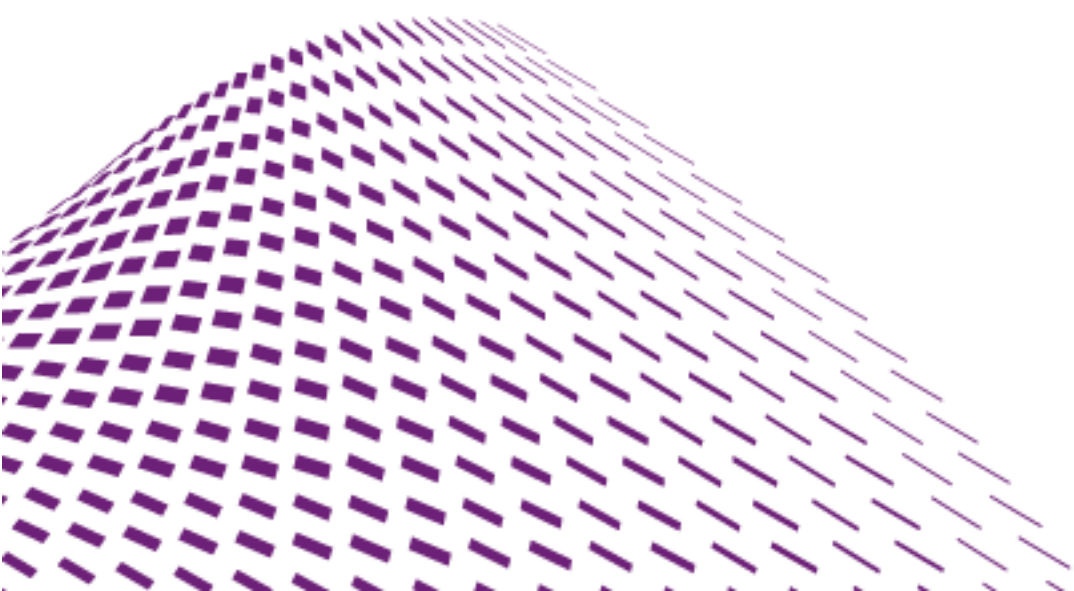
Unless otherwise noted, all sales growth rates in this presentation reflect comparable, constant-currency growth. Management believes that referring to comparable, constant-currency growth is the most useful way to evaluate the sales performance of LivaNova and to compare the sales performance of current 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.

# LivaNova

Health innovation that matters



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