

Real patients treated with VNS Therapy (Left to Right: Breanna; Candace; Jose, father of patient David)



# Fourth Quarter and Full-Year 2020 Earnings Performance

February 24, 2021

**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<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

Financial Results

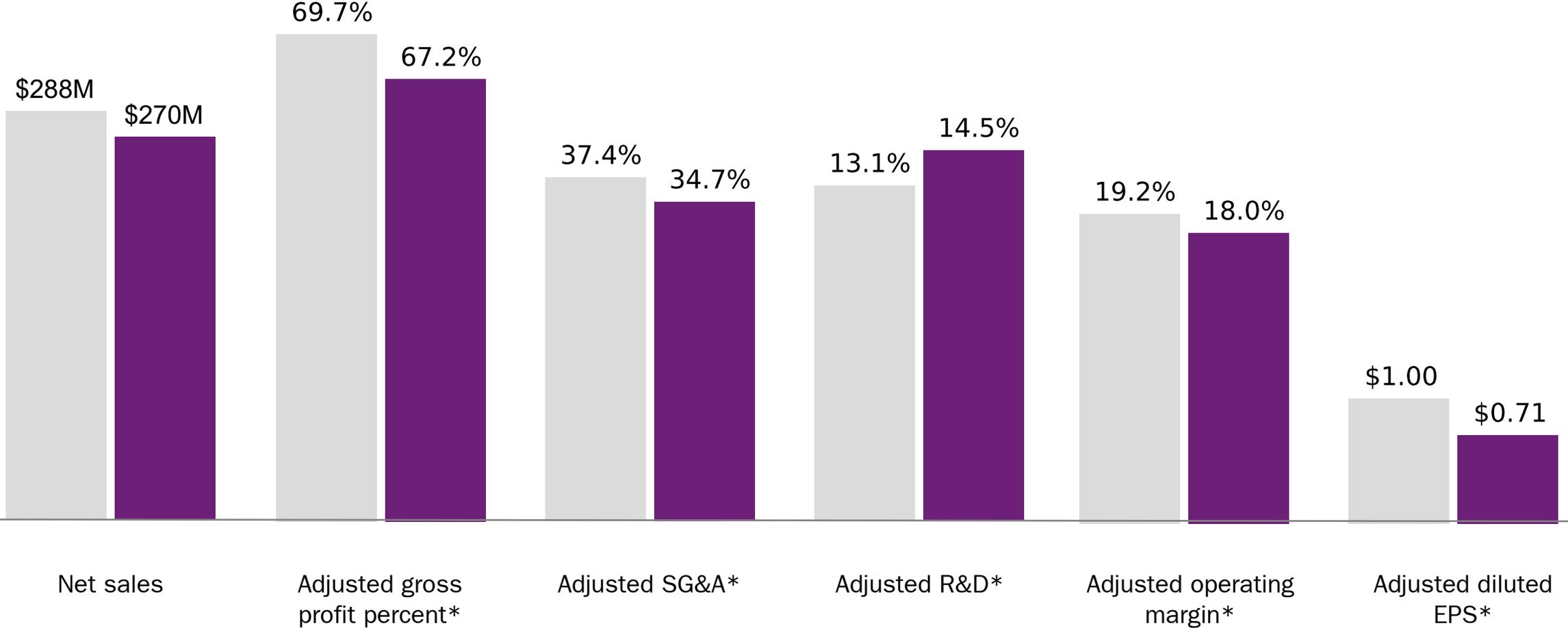
2020 Summary

2021 Guidance

# Financial Results

# 4Q 2020 Financial Summary

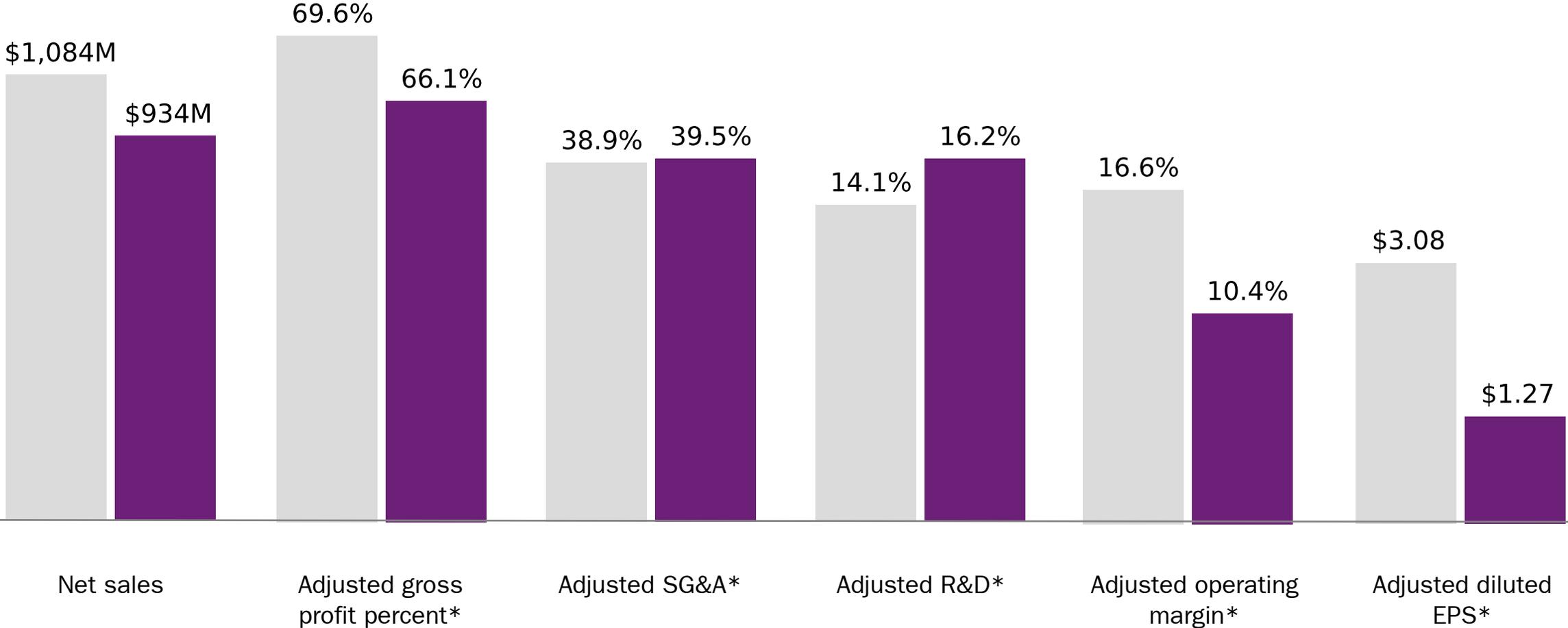
4Q19 4Q20



\* Adjusted gross profit percent, adjusted SG&A, adjusted R&D, adjusted operating margin and adjusted diluted EPS are non-GAAP measures.

# Full-Year 2020 Financial Summary

FY19 FY20

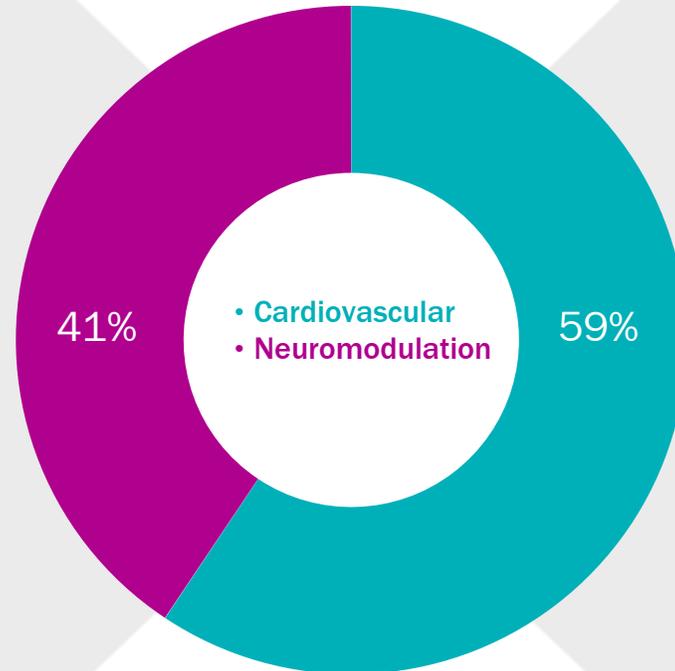


\* Adjusted gross profit percent, adjusted SG&A, adjusted R&D, adjusted operating margin and adjusted diluted EPS are non-GAAP measures.

# 4Q 2020 Net Sales

\$270M

7.7% decrease\*



## 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)

77%

## Cardiopulmonary (CP)

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

8%

## 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 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. For reconciliations of certain non-GAAP metrics, please see the tables in the appendix.

# Full-Year 2020 Net Sales

\$934M

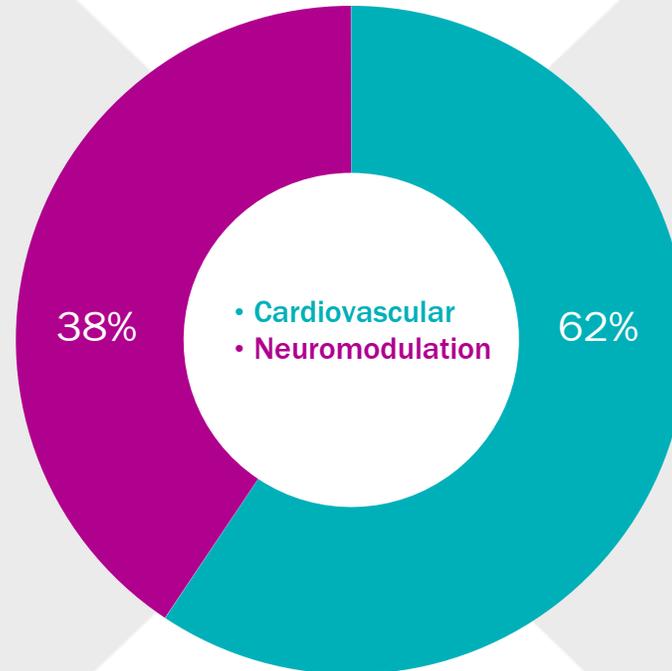
13.7% decrease\*

## 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)



78%

## Cardiopulmonary (CP)

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

7%

## Advanced Circulatory Support (ACS)

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

15%

## Heart Valves (HV)

- Sutureless tissue valves
- Mechanical valves
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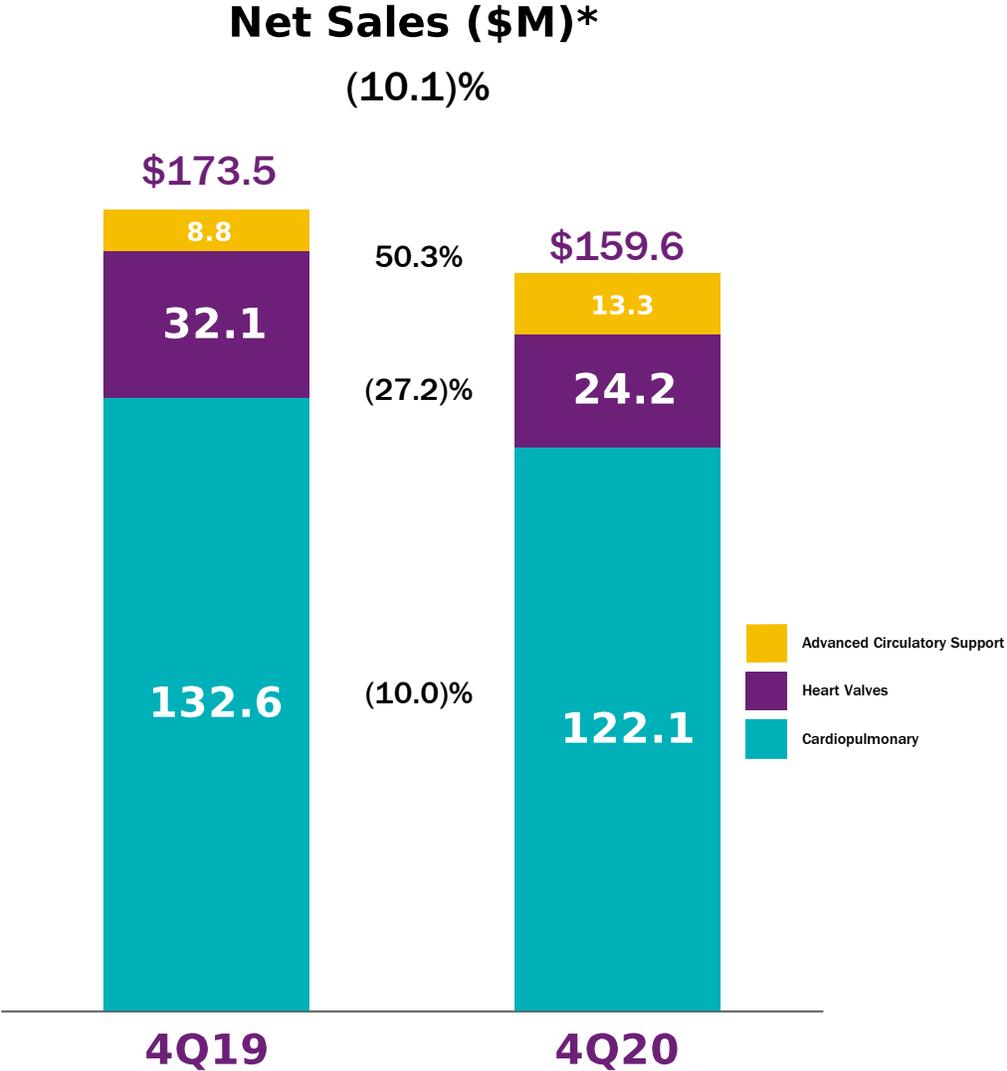
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# 4Q 2020 Cardiovascular Sales

## Drivers/Impacts

- +** Greater than 50% growth in ACS driven by the continued rollout of LifeSPARC and an increase in respiratory-related procedure volumes
- HLMs declined in the high-single digits due to capital spending budget constraints. All regions improved sequentially over third quarter
- Oxygenator volumes in the quarter were near 90% of normal due to continued softness in Europe. The Rest of World and U.S. regions had strong improvement sequentially
- Heart Valves overall declined by 27%. Japan had another quarter of double-digit growth driven by Perceval



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# 4Q 2020 Neuromodulation Sales

## Drivers/Impacts

- Global sales declined 3.8%, but improved sequentially over the third quarter
- U.S. sales declined 5%. Strong sequential implant improvement primarily driven by replacements versus the third quarter
- Sales in Europe performed nearly to 90% of prior year levels led by the Nordic region and Spain
- + Double-digit growth in the Rest of World region driven by strong performance in the Middle East

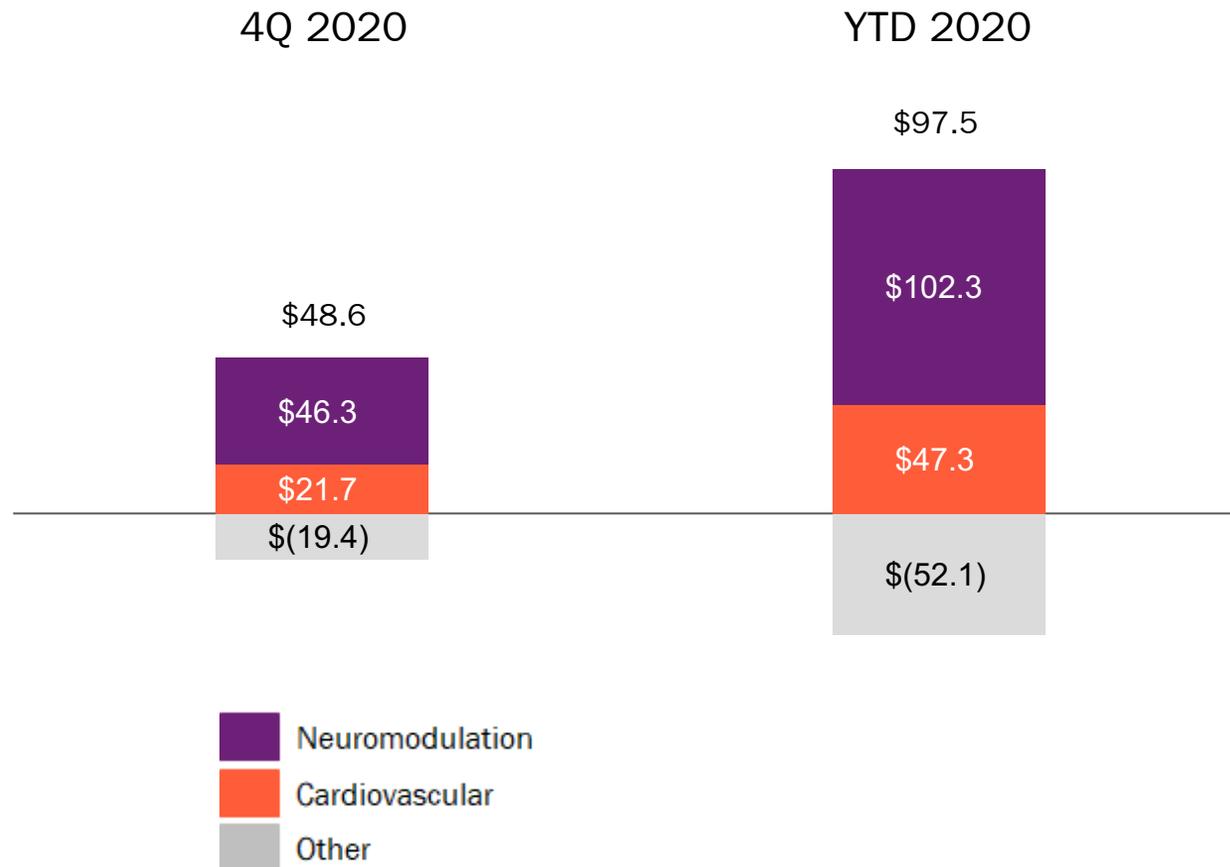


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# Adjusted Segment Operating Income and Margin

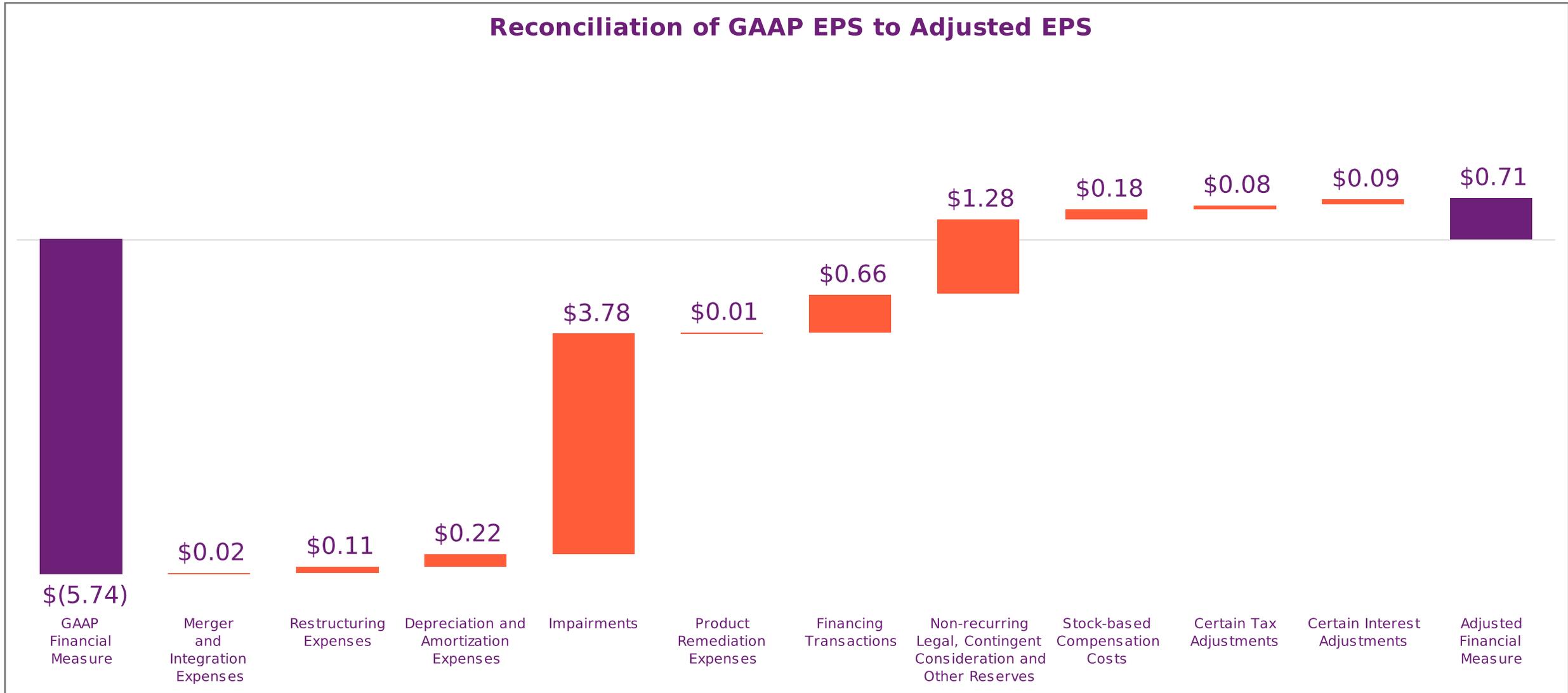
(\$M)



	% to Sales	
	4Q 2020	YTD 2020
Cardiovascular	13.6%	8.2%
Neuromodulation	42.4%	28.9%
Total	18.0%	10.4%

Adjusted segment operating income is a non-GAAP measure. This non-GAAP measure is reconciled to the most directly comparable GAAP measure in the appendix.

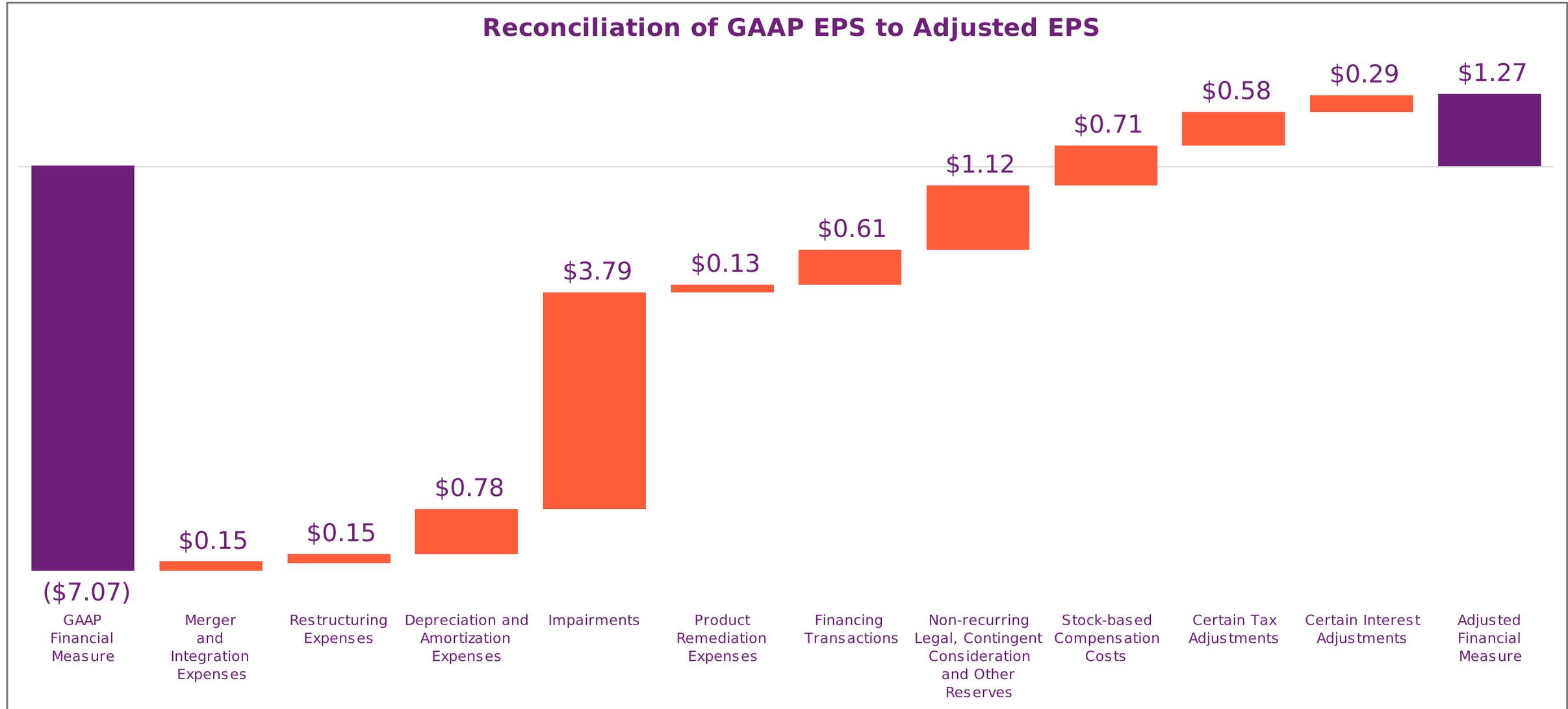
# 4Q 2020 Adjusted EPS from Continuing Operations\*



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

# FY 2020 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 this GAAP measure in the appendix.

# 2020 Summary

# 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 20% growth in ACS growth 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



# 2020 Summary

## Financial

- 14% full-year sales decline primarily related to COVID-19; all regions and product lines continued to improve during 2020
- Gross Margin decline primarily driven by sales volume and unfavorable manufacturing variances related to COVID-19
- Reallocation of resources and spending controls resulted in approximately \$65M in savings in 2020

## Strategic

- Greater than 30% ACS growth in 2020 and greater than 50% for the fourth quarter driven primarily by the launch and continued rollout of LifeSPARC
- U.S. Epilepsy go-to-market continues to make progress; positive trends reflected in all eight dedicated teams

## Pipeline

- ANTHEM-HFrEF pivotal trial continues to maintain strong momentum with more than 265 patients enrolled to date
- RECOVER depression study continues to make progress with more than 60% of sites activated
- OSA IDE submitted to the FDA and pending final approval

# 2021 Guidance

# 2021 Guidance

*Continued COVID-related uncertainty and returning to more normalized sales levels in the latter part of 2021*

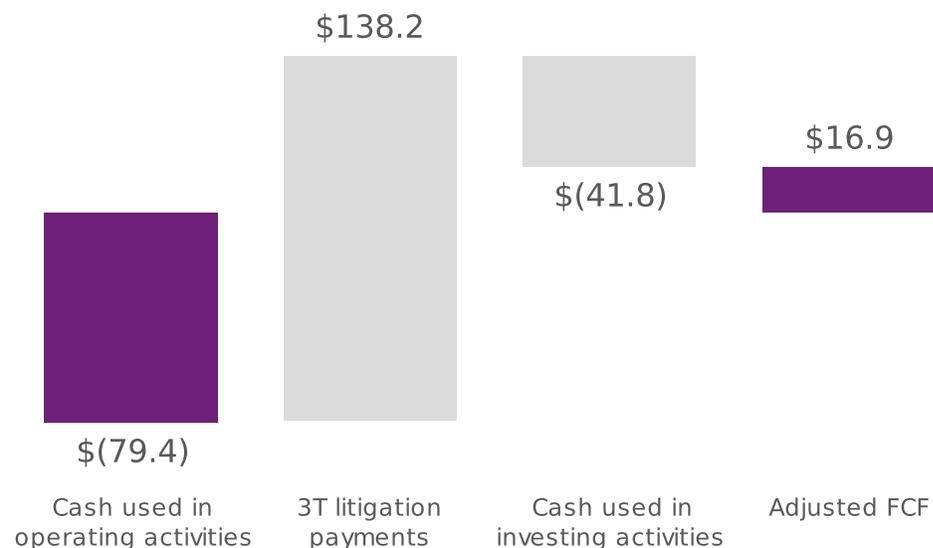
	Guidance as of February 24, 2021
Worldwide net sales growth <sup>(1)</sup>	8% - 13%
Diluted EPS <sup>(1) (2)</sup>	\$1.40 - \$1.90
Free Cash Flow (excl. extraordinary items) <sup>(3)</sup>	\$30M - \$50M

<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.

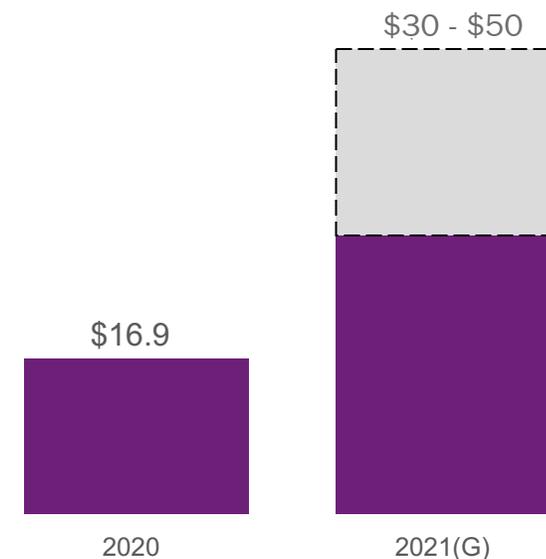
# Adjusted Free Cash Flow (FCF)

*Focused on strengthening adjusted FCF through working capital improvements and cost discipline*

Reconciliation of Net Cash Flows Used in Operating Activities to Adjusted FCF For the Year Ended December 31, 2020 (\$M)



Adjusted FCF 2020 - 2021(G) (\$M)



- Adjusted Free Cash Flow ("FCF") is a non-GAAP measure. For reconciliations of certain non-GAAP metrics, please see the tables in the appendix. Our definition and calculation of adjusted FCF may not be comparable to similarly-titled measures of other companies.
- 2021(G) represents adjusted FCF guidance as furnished on February 24, 2021.

# Assumptions for 2021

<p>REVENUE</p>	<p>8% - 13%</p>	<ul style="list-style-type: none"> <li>• Epilepsy surgeries expected to improve as pandemic subsides, resulting in 15-20% growth</li> <li>• LifeSPARC adoption expected to deliver at least 20% ACS growth in 2021</li> <li>• Total Cardiovascular expected to grow in the mid-to-high single digits, which includes the impact of lower capital equipment sales</li> </ul>
<p>EPS</p>	<p>\$1.40 - \$1.90</p>	<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 discipline will continue</li> <li>• Invest in core innovation and pipeline priorities to drive long-term value creation</li> </ul>
<p>CASH GENERATION</p>	<p>Disciplined, Focused Deployment</p>	<ul style="list-style-type: none"> <li>• Focused customer collections efforts to further improve days sales outstanding</li> <li>• Improve inventory turns through sales and operations planning process (S&amp;OP)</li> <li>• Continue to optimize and standardize procure-to-pay process</li> </ul>
<p>STRATEGIC PORTFOLIO INITIATIVES</p>	<p>Continued Execution</p>	<ul style="list-style-type: none"> <li>• DTD: 250 unipolar and/or 150 bipolar patients implanted in the RECOVER study arms by year end</li> <li>• Heart Failure: 300 patients enrolled in ANTHEM-HFrEF in first-half 2021</li> <li>• OSA: Start confirmatory trial mid-year</li> </ul>

# Appendix

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

\$ in millions Business / Product Line:	Three Months Ended December 31,		% Change	Constant-Currency % Change
	2020	2019		
<i>Cardiopulmonary</i>	\$122.1	\$132.6	(7.9%)	(10.0%)
<i>Heart Valves</i>	24.2	32.1	(24.6%)	(27.2%)
<i>Advanced Circulatory Support</i>	13.3	8.8	50.4%	50.3%
Cardiovascular	159.6	173.5	(8.0%)	(10.1%)
Neuromodulation	109.2	113.1	(3.5%)	(3.8%)
Other	0.8	1.0	(22.8%)	(27.3%)
Total Net Sales	\$269.6	\$287.6	(6.3%)	(7.7%)

\$ in millions Business / Product Line:	Twelve Months Ended December 31,		% Change	Constant-Currency % Change
	2020	2019		
<i>Cardiopulmonary</i>	\$446.7	\$504.7	(11.5%)	(11.4%)
<i>Heart Valves</i>	88.0	120.0	(26.6%)	(26.6%)
<i>Advanced Circulatory Support</i>	42.3	31.9	32.6%	32.6%
Cardiovascular	577.1	656.6	(12.1%)	(12.0%)
Neuromodulation	354.4	424.5	(16.5%)	(16.4%)
Other	2.7	3.0	(8.8%)	(10.7%)
Total Net Sales	\$934.2	\$1,084.2	(13.8%)	(13.7%)

Note: Numbers may not add 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 December 31, 2020	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)	Financing Transactions (F)	Non-recurring Legal, 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	\$95.9	\$—	\$—	(\$0.4)	\$—	\$—	\$—	(\$6.7)	(\$0.5)	\$—	\$—	\$88.3
Product remediation	1.0	—	—	—	—	(1.0)	—	—	—	—	—	—
Gross profit percent	64.1 %	— %	— %	0.1 %	— %	0.4 %	— %	2.5 %	0.2 %	— %	— %	67.2 %
Selling, general and administrative	110.3	—	—	—	—	—	(0.2)	(10.0)	(6.5)	—	—	93.7
Selling, general and administrative as a percent of net sales	40.9 %	— %	— %	— %	— %	— %	(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 %
Decommissioning provision	42.2	—	—	—	—	—	—	(42.2)	—	—	—	—
Litigation provision, net	(0.1)	—	—	—	—	—	—	0.1	—	—	—	—
Other operating expenses	223.4	(0.7)	(5.5)	(9.0)	(208.2)	—	—	—	—	—	—	—
Operating (loss) income from continuing operations	(247.7)	0.7	5.5	9.4	208.2	1.0	0.2	63.1	8.2	—	—	48.6
Operating margin percent	(91.9)%	0.3 %	2.1 %	3.5 %	77.2 %	0.4 %	0.1 %	23.4 %	3.1 %	— %	— %	18.0 %
Income tax (benefit) expense	(18.3)	(0.3)	0.4	(1.3)	23.1	0.3	—	(0.1)	(0.4)	(3.7)	0.3	—
Net (loss) income from continuing operations	(279.3)	1.0	5.2	10.7	185.1	0.7	32.2	62.6	8.7	3.7	4.5	34.9
Diluted EPS - Continuing Operations	(\$5.74)	\$0.02	\$0.11	\$0.22	\$3.78	\$0.01	\$0.66	\$1.28	\$0.18	\$0.08	\$0.09	\$0.71

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)

Three Months Ended December 31, 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	\$78.2	\$—	\$—	(\$0.4)	\$—	\$—	\$—	\$9.7	(\$0.3)	\$—	\$—	\$87.2
Product remediation	4.6	—	—	—	—	(4.6)	—	—	—	—	—	—
Gross profit percent	71.2 %	— %	— %	0.1 %	— %	1.6 %	— %	(3.4)%	0.1 %	— %	— %	69.7 %
Selling, general and administrative	130.5	—	—	(0.1)	—	—	(0.4)	(15.5)	(7.1)	—	—	107.5
Selling, general and administrative as a percent of net sales	45.4 %	— %	— %	— %	— %	— %	(0.1)%	(5.4)%	(2.5)%	— %	— %	37.4 %
Research and development	23.7	—	—	—	(2.7)	—	3.3	14.4	(1.1)	—	—	37.6
Research and development as a percent of net sales	8.2 %	— %	— %	— %	(0.9)%	— %	1.2 %	5.0 %	(0.4)%	— %	— %	13.1 %
Litigation provision, net	33.2	—	—	—	—	—	—	(33.2)	—	—	—	—
Other operating expenses	161.2	(9.1)	(7.7)	(10.7)	(133.7)	—	—	—	—	—	—	—
Operating (loss) income from continuing operations	(144.0)	9.1	7.7	11.2	136.4	4.6	(2.9)	24.6	8.4	—	—	55.3
Operating margin percent	(50.1)%	3.2 %	2.7 %	3.9 %	47.4 %	1.6 %	(1.0)%	8.6 %	2.9 %	— %	— %	19.2 %
Income tax (benefit) expense	(6.7)	0.3	1.1	1.1	11.3	1.0	(0.6)	0.2	0.4	(5.6)	0.3	2.7
Net (loss) income from continuing operations	(143.4)	8.9	6.5	10.2	125.1	3.6	(2.3)	24.4	8.1	5.6	2.1	48.8
Diluted EPS - Continuing Operations	(\$2.96)	\$0.18	\$0.13	\$0.21	\$2.56	\$0.07	(\$0.05)	\$0.50	\$0.17	\$0.11	\$0.04	\$1.00

GAAP results for the three months ended December 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) Impairment of Transcatheter Mitral Valve Replacement goodwill, intangible assets and other long-lived assets
- (E) Costs related to the 3T Heater-Cooler remediation plan
- (F) Costs related to acquisitions
- (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 AR reserves
- (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, interest related to 3T Heater-Cooler litigation settlement and other non-recurring impacts to interest expense

\* 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)	Impairments (D)	Product Remediation Expenses (E)	Financing Transactions (F)	Non-recurring Legal, 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	\$308.1	\$—	\$—	(\$1.4)	\$—	\$—	\$—	\$12.2	(\$1.9)	\$—	\$—	\$317.0
Product remediation	7.9	—	—	—	—	(7.9)	—	—	—	—	—	—
Gross profit percent	66.2 %	— %	— %	0.1 %	— %	0.8 %	— %	(1.3)%	0.2 %	— %	— %	66.1 %
Selling, general and administrative	427.8	—	—	(1.4)	—	—	(2.6)	(25.3)	(29.7)	—	—	368.8
Selling, general and administrative as a percent of net sales	45.8 %	— %	— %	(0.1)%	— %	— %	(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 %
Decommissioning provision	42.2	—	—	—	—	—	—	(42.2)	—	—	—	—
Litigation provision, net	3.9	—	—	—	—	—	—	(3.9)	—	—	—	—
Other operating expenses	261.4	(7.3)	(7.6)	(38.3)	(208.2)	—	—	—	—	—	—	—
Operating (loss) income from continuing operations	(269.9)	7.3	7.6	41.2	208.2	7.9	2.6	57.5	35.1	—	—	97.5
Operating margin percent	(28.9)%	0.8 %	0.8 %	4.4 %	22.3 %	0.8 %	0.3 %	6.2 %	3.8 %	— %	— %	10.4 %
Income tax (benefit) expense	(0.7)	—	0.4	3.2	23.1	1.4	—	2.2	0.6	(28.1)	—	2.1
Net (loss) income from continuing operations	(343.5)	7.3	7.2	38.0	185.1	6.4	30.0	54.8	34.5	28.1	14.0	61.9
Diluted EPS - Continuing Operations	(\$7.07)	\$0.15	\$0.15	\$0.78	\$3.79	\$0.13	\$0.61	\$1.12	\$0.71	\$0.58	\$0.29	\$1.27

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, except per share amounts)

Twelve Months Ended December 31, 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, 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	\$323.5	\$—	\$—	(\$2.4)	\$—	\$—	\$—	\$10.2	(\$1.3)	\$—	\$—	\$329.9
Product remediation	15.8	—	—	—	—	(15.8)	—	—	—	—	—	—
Gross profit percent	68.7 %	— %	— %	0.2 %	— %	1.5 %	— %	(0.9)%	0.1 %	— %	— %	69.6 %
Selling, general and administrative	506.5	—	—	(0.5)	—	—	(1.1)	(57.6)	(25.6)	—	—	421.6
Selling, general and administrative as a percent of net sales	46.7 %	— %	— %	— %	— %	— %	(0.1)%	(5.3)%	(2.4)%	— %	— %	38.9 %
Research and development	146.8	—	—	(0.2)	(3.6)	—	1.9	13.6	(5.6)	—	—	152.9
Research and development as a percent of net sales	13.5 %	— %	— %	— %	(0.3)%	— %	0.2 %	1.3 %	(0.5)%	— %	— %	14.1 %
Litigation provision, net	(0.6)	—	—	—	—	—	—	0.6	—	—	—	—
Other operating expenses	261.0	(23.5)	(12.3)	(40.4)	(184.9)	—	—	—	—	—	—	—
Operating (loss) income from continuing operations	(168.9)	23.5	12.3	43.5	188.5	15.8	(0.7)	33.3	32.6	—	—	179.7
Operating margin percent	(15.6)%	2.2 %	1.1 %	4.0 %	17.4 %	1.5 %	(0.1)%	3.1 %	3.0 %	— %	— %	16.6 %
Income tax (benefit) expense	(30.2)	3.5	2.3	9.3	23.7	4.6	(0.1)	5.6	6.0	(6.8)	1.1	19.0
Net (loss) income from continuing operations	(155.5)	19.9	10.0	34.2	164.8	11.2	(0.6)	27.7	26.6	6.8	5.3	150.4
Diluted EPS - Continuing Operations	(\$3.22)	\$0.41	\$0.20	\$0.70	\$3.38	\$0.23	(\$0.01)	\$0.57	\$0.54	\$0.14	\$0.11	\$3.08

GAAP results for the year ended December 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) Impairment of Transcatheter Mitral Valve Replacement goodwill, intangible assets and other long-lived assets and Obstructive Sleep Apnea intangible assets and other long-lived assets
- (E) Costs related to the 3T Heater-Cooler remediation plan
- (F) Costs related to acquisitions
- (G) 3T Heater-Cooler litigation provision, 3T insurance recovery, legal expenses primarily related to 3T Heater-Cooler defense, settlements and other matters, remeasurement of contingent consideration related to acquisitions and AR reserves
- (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, interest related to 3T Heater-Cooler litigation settlement and other non-recurring impacts to interest expense

\* 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)

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Adjusted free cash flow reconciliation		FY2020
Net cash provided by (used in) operating activities	\$	(79.4)
Less: Net cash used in investing activities		(41.8)
Add: 3T litigation payments		138.2
Adjusted free cash flow	\$	<u>16.9</u>

# Segment Non-GAAP Reconciliation - Unaudited

(U.S. dollars in thousands)

Three Months Ended December 31, 2020	Specified Items							Adjusted Financial Results	% to Sales
	GAAP Financial Results	Depreciation and Amortization Expenses (A)	Impairments (B)	Product Remediation Expenses (C)	Financing Transactions (D)	Non-recurring Legal and Contingent Consideration (E)	Stock-based Compensation Costs (F)		
Cardiovascular	\$ (186.2)	\$ 0.4	\$ 201.4	\$ 1.0	\$ —	\$ 3.6	\$ 1.5	\$ 21.7	13.6 %
Neuromodulation	27.0	—	6.8	—	—	11.3	1.2	46.3	42.4 %
Other	(73.3)	—	—	—	0.2	48.1	5.5	(19.4)	**
Segment operating (loss) income	\$ (232.5)	\$ 0.4	\$ 208.2	\$ 1.0	\$ 0.2	\$ 63.1	\$ 8.2	\$ 48.6	18.0 %

Twelve Months Ended December 31, 2020	Specified Items							Adjusted Financial Results	% to Sales
	GAAP Financial Results	Depreciation and Amortization Expenses (A)	Impairments (B)	Product Remediation Expenses (C)	Financing Transactions (D)	Non-recurring Legal and Contingent Consideration (E)	Stock-based Compensation Costs (F)		
Cardiovascular	\$ (194.3)	\$ 1.8	\$ 201.4	\$ 7.9	\$ —	\$ 25.3	\$ 5.2	\$ 47.3	8.2 %
Neuromodulation	109.3	1.2	6.8	—	—	(20.6)	5.7	102.3	28.9 %
Other	(131.7)	(0.1)	—	—	2.6	52.9	24.3	(52.1)	**
Segment operating (loss) income	\$ (216.6)	\$ 2.9	\$ 208.2	\$ 7.9	\$ 2.6	\$ 57.5	\$ 35.1	\$ 97.5	10.4 %

GAAP results for the three and twelve months ended December 31, 2020 include:

- (A) Includes depreciation and amortization associated with purchase price accounting
- (B) Impairments primarily associated with the classification of Heart Valves as held for sale
- (C) Costs related to the 3T Heater-Cooler remediation plan
- (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 and other matters, remeasurement of contingent consideration related to acquisitions and provision for decommissioning at our Saluggia site
- (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.

# 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 2020 press release and during the conference call held in conjunction with the announcement of fourth-quarter and full-year 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.