



Globus Medical Reports First Quarter 2024 Results

May 7, 2024

AUDUBON, Pa., May 07, 2024 (GLOBE NEWSWIRE) -- Globus Medical, Inc. (NYSE: GMED), a leading musculoskeletal solutions company, today announced its financial results for the quarter ended March 31, 2024.

- Worldwide net sales were \$606.7 million, an increase of 119.3%, or 119.8% on a constant currency basis
- GAAP net loss for the quarter was \$7.1 million
- GAAP diluted earnings per share ("EPS") was (\$0.05) and non-GAAP diluted EPS was \$0.72
- Non-GAAP adjusted EBITDA was \$166.6 million, or 27.5% of net sales

"Since the NuVasive merger closed in September of last year, we worked aggressively to execute our integration strategy and are making significant progress towards rapidly reaching steady state. I am pleased with the first quarter results delivered by strong teamwork and partnership throughout our organization. Surgeons and hospitals are responding favorably to our best-in-class product offering of clinically advanced devices and enabling technologies and worldwide sales reflect the long-term potential of our company," said Dan Scavilla, President and Chief Executive Officer. "We are pleased with the engagement and retention levels of our surgeon customers and sales force and continue to see great opportunities to improve patient care. We are now one company with one galvanizing mission of being the most innovative musculoskeletal technology company in the world. I believe the potential for Globus has never been greater, as we continue to redefine surgery with procedural solutions built around enabling technology."

"Our first quarter was focused on driving salesforce retention and alignment, process standardization and delivering on actions to improve operating efficiencies moving ahead, while achieving planned cost synergies," commented Keith Pfeil, COO-CFO. "As we are now almost nine months into operating as a combined company, I am pleased to see us executing against our integration objectives and realizing the early stages of our vision. We continue to be well positioned in delivering against our commitments for the year."

Worldwide net sales for the first quarter of 2024 were \$606.7 million, an as-reported increase of 119.3% over the first quarter of 2023. U.S. net sales for the first quarter of 2024 increased by 106.3% compared to the first quarter of 2023. International net sales increased by 190.7% over the first quarter of 2023 on an as-reported basis, and an increase of 194.1% on a constant currency basis. Net Sales increases were driven by the addition of NuVasive, as well as increased volume of spine product sales and enabling technology products and services.

GAAP net loss for the first quarter of 2024 was \$7.1 million, a decrease of 114.5% over the same period in the prior year. Diluted EPS for the first quarter was (\$0.05), compared to \$0.48 for the first quarter of 2023. The GAAP net loss was primarily driven by the amortization costs of purchase-accounting-related fair-value step ups and restructuring costs. Non-GAAP diluted EPS for the first quarter of 2024, which excludes, among other costs, both acquisition related and restructuring costs, was \$0.72, compared to \$0.53 in the first quarter of 2023, an increase of 36.4%.

Net cash provided by operating activities was \$52.4 million, and non-GAAP free cash flow was \$23.8 million for the first quarter of 2024.

2024 Annual Guidance

The Company today updated its guidance for full year 2024 revenue in the range of \$2.460 to \$2.485 billion, and non-GAAP fully diluted earnings per share in the range of \$2.75 to \$2.85. This updated guidance is an increase over the prior full year 2024 revenue guidance of \$2.450 to \$2.475 billion, and non-GAAP fully diluted earnings per share guidance of \$2.68 to \$2.70.

Conference Call Information

Globus Medical will hold a teleconference to discuss its first quarter 2024 results with the investment community at 4:30 p.m. Eastern Time today. Participants may access the conference call live via webcast on the Investors page of Globus Medical's website at <http://www.investors.globusmedical.com/news-events/events-webcasts>.

To participate via telephone, please register in advance at this [link](#). Upon registration, all telephone participants will receive a confirmation email detailing how to join the conference call, including the dial-in number along with a unique passcode and registrant ID that can be used to access the call. The audio archive will be available after the call on the Investor page of the Globus Medical website.

About Globus Medical, Inc.

Based in Audubon, Pennsylvania, Globus Medical, Inc. was founded in 2003 by an experienced team of professionals with a shared vision to create products that enable surgeons to promote healing in patients with musculoskeletal disorders. Additional information can be accessed at www.globusmedical.com.

Non-GAAP Financial Measures

To supplement our financial statements prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), management uses certain non-GAAP financial measures. For example, non-GAAP Adjusted EBITDA, which represents net income before interest income, net and other non-operating expenses, provision for income taxes, depreciation and amortization, stock-based compensation expense, provision for litigation, acquisition of in-process research and development, merger and acquisition related costs/licensing, restructuring related costs, certain foreign currency acquisition-related impacts, and gains and losses from strategic investments, is useful as an additional measure of operating performance,

and particularly as a measure of comparative operating performance from period to period, as it is reflective of changes in pricing decisions, cost controls and other factors that affect operating performance, and it removes the effect of our capital structure, asset base, income taxes and interest income and expense. Our management also uses non-GAAP Adjusted EBITDA for planning purposes, including the preparation of our annual operating budget and financial projections. Provision for litigation represents costs incurred for litigation settlements or unfavorable verdicts when the loss is known or considered probable and the amount can be reasonably estimated, or in the case of a favorable settlement, when income is realized. Merger and acquisition related costs/licensing represents the change in fair value of business-acquisition-related contingent consideration; costs related to integrating recently acquired businesses, including but not limited to costs to exit or convert contractual obligations, severance, retention bonus, duplicative costs and information system conversion; and specific costs related to the consummation of the acquisition process such as banker fees, legal fees, and other acquisition related professional fees, as well as one-time licensing fees. Restructuring related costs include severance, retention bonus, accelerated stock-based compensation expense, and costs associated with consolidating facilities. Acquisition of in-process research and development represents the expensing of acquired assets with no alternative future use and related fees. We also adjusted for certain foreign currency impacts related to the acquisition costs and gains/losses on strategic investments within other assets as we believe these impacts are not a measure of our operating performance.

In addition, for the period ended March 31, 2024 and for other comparative periods, we are presenting non-GAAP net income and non-GAAP Diluted Earnings Per Share, which represent net income and diluted earnings per share excluding the provision for litigation, amortization of intangibles, acquisition of in-process research and development, merger and acquisition related costs/licensing, restructuring related costs, certain foreign currency impacts, gains and losses from strategic investments, the impact of dilution attributable to the Convertible Notes, and the tax effects of all of the foregoing adjustments. We also present Non-GAAP gross profit, which excludes the impacts of any inventory acquisition-related costs within cost of goods sold. The tax effect adjustment represents the tax effect of the pre-tax non-GAAP adjustments excluded from non-GAAP net income. The tax impact of the non-GAAP adjustments is calculated based on the consolidated effective tax rate on a GAAP basis, applied to the non-GAAP adjustments, unless the underlying item has a materially different tax treatment, in which case the estimated tax rate applicable to the adjustment is used. We believe these non-GAAP measures are also useful indicators of our operating performance, and particularly as additional measures of comparative operating performance from period to period as they remove the effects of the foregoing items, which we believe are not reflective of underlying business trends. Additionally, for the period ended March 31, 2024 and for other comparative periods, we also define the non-GAAP measure of free cash flow as the net cash provided by operating activities, adjusted for the impact of restricted cash, less the cash impact of purchases of property and equipment. We believe that this financial measure provides meaningful information for evaluating our overall financial performance for comparative periods as it facilitates an assessment of funds available to satisfy current and future obligations and fund acquisitions. Furthermore, the non-GAAP measure of constant currency net sales growth is calculated by translating current year net sales at the same average exchange rates in effect during the applicable prior year period. We believe constant currency net sales growth provides insight to the comparative increase or decrease in period net sales, in dollar and percentage terms, excluding the effects of fluctuations in foreign currency exchange rates.

Non-GAAP adjusted EBITDA, non-GAAP net income, non-GAAP diluted earnings per share, non-GAAP gross profit, free cash flow and constant currency net sales growth are not calculated in conformity with U.S. GAAP. Non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation or as a substitute for financial measures prepared in accordance with U.S. GAAP. These measures do not include certain expenses that may be necessary to evaluate our liquidity or operating results. Our definitions of non-GAAP adjusted EBITDA, non-GAAP net income, non-GAAP diluted earnings per share, non-GAAP gross profit, free cash flow and constant currency net sales growth may differ from that of other companies and therefore may not be comparable.

Safe Harbor Statements

All statements included in this press release other than statements of historical fact are forward-looking statements and may be identified by their use of words such as “believe,” “may,” “might,” “could,” “will,” “aim,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “plan” and other similar terms. These forward-looking statements are based on our current assumptions, expectations and estimates of future events and trends. Forward-looking statements are only predictions and are subject to many risks, uncertainties and other factors that may affect our businesses and operations and could cause actual results to differ materially from those predicted. These risks and uncertainties include, but are not limited to, the risks and costs associated with the integration of the NuVasive business and our ability to successfully integrate and achieve anticipated synergies with the integration, health epidemics, pandemics and similar outbreaks, factors affecting our quarterly results, our ability to manage our growth, our ability to sustain our profitability, demand for our products, our ability to compete successfully (including without limitation our ability to convince surgeons to use our products and our ability to attract and retain sales and other personnel), our ability to rapidly develop and introduce new products, our ability to develop and execute on successful business strategies, our ability to comply with laws and regulations that are or may become applicable to our businesses, our ability to safeguard our intellectual property, our success in defending legal proceedings brought against us, trends in the medical device industry, general economic conditions, and other risks. For a discussion of these and other risks, uncertainties and other factors that could affect our results, you should refer to the disclosure contained in our most recent annual report on Form 10-K filed with the U.S. Securities and Exchange Commission, including the sections labeled “Risk Factors” and “Cautionary Note Concerning Forward-Looking Statements,” and in our Forms 10-Q, Forms 8-K and other filings with the U.S. Securities and Exchange Commission. These documents are available at www.sec.gov. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for us to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements. Forward-looking statements contained in this press release speak only as of the date of this press release. We undertake no obligation to update any forward-looking statements as a result of new information, events or circumstances or other factors arising or coming to our attention after the date hereof.

GLOBUS MEDICAL, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF INCOME (unaudited)

	Three Months Ended	
	March 31,	
	2024	2023
(In thousands, except per share amounts)		
Net sales	\$ 606,666	\$ 276,688

Cost of sales	241,487	70,825
Gross profit	365,179	205,863
Operating expenses:		
Research and development	57,268	21,082
Selling, general and administrative	248,710	122,416
Provision for litigation, net	(31)	—
Amortization of intangibles	29,676	4,601
Acquisition-related costs	2,418	1,361
Restructuring Costs	19,141	—
Total operating expenses	357,182	149,460
Operating income/(loss)	7,997	56,403
Other income/(expense), net		
Interest income/(expense), net	(1,894)	6,497
Foreign currency transaction gain/(loss)	(15,371)	212
Other income/(expense)	710	77
Total other income/(expense), net	(16,555)	6,786
Income/(loss) before income taxes	(8,558)	63,189
Income tax provision/(benefit)	(1,441)	14,060
Net income/(loss)	\$ (7,117)	\$ 49,129
Other comprehensive income/(loss), net of tax:		
Unrealized gain/(loss) on marketable securities	379	4,298
Foreign currency translation gain/(loss)	(1,232)	910
Total other comprehensive income/(loss), net of tax	(853)	5,208
Comprehensive income/(loss)	\$ (7,970)	\$ 54,337
Earnings per share:		
Basic	\$ (0.05)	\$ 0.49
Diluted	\$ (0.05)	\$ 0.48
Weighted average shares outstanding:		
Basic	135,358	100,279
Diluted	135,358	102,196

GLOBUS MEDICAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	March 31, 2024	December 31, 2023
<i>(In thousands, except share and per share values)</i>		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 354,062	\$ 467,292
Short-term marketable securities	80,408	50,497
Accounts receivable, net of allowances of \$11,527 and \$8,934, respectively	534,333	503,235
Inventories	816,196	848,135
Prepaid expenses and other current assets	43,209	44,580
Income taxes receivable	366	1,635
Total current assets	1,828,574	1,915,374
Property and equipment, net of accumulated depreciation of \$447,122 and \$425,695, respectively	578,887	586,932
Operating lease right of use assets	56,347	59,931
Long-term marketable securities	51,256	75,428
Intangible assets, net	888,208	924,603
Goodwill	1,451,106	1,434,540

Other assets	78,216	78,590
Deferred income taxes	11,018	10,685
Total assets	\$ 4,943,612	\$ 5,086,083

LIABILITIES AND EQUITY

Current liabilities:

Accounts payable	\$ 50,487	\$ 56,671
Accrued expenses	210,011	240,460
Operating lease liabilities	11,749	11,967
Income taxes payable	43,058	3,845
Senior convertible notes	424,044	—
Business acquisition liabilities	29,649	61,035
Deferred revenue	17,077	18,369
Payable to broker	249	—
Total current liabilities	786,324	392,347
Business acquisition liabilities, net of current portion	81,661	78,323
Operating lease liabilities	89,809	91,037
Senior convertible notes	—	417,400
Deferred income taxes and other tax liabilities	39,952	84,421
Other liabilities	23,505	24,596
Total liabilities	1,021,251	1,088,124

Equity:

Class A common stock; \$0.001 par value. Authorized 500,000,000 shares; issued and outstanding 112,626,136 and 113,905,565 shares at March 31, 2024 and December 31, 2023, respectively

113 114

Class B common stock; \$0.001 par value. Authorized 275,000,000 shares; issued and outstanding 22,430,097 and 22,430,097 shares at March 31, 2024 and December 31, 2023, respectively

22 22

Additional paid-in capital	2,886,436	2,870,749
Accumulated other comprehensive income/(loss)	(11,045)	(10,192)
Retained earnings	1,046,835	1,137,266
Total equity	3,922,361	3,997,959
Total liabilities and equity	\$ 4,943,612	\$ 5,086,083

GLOBUS MEDICAL, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	Three Months Ended	
	March 31,	
	2024	2023
(In thousands)		
Cash flows from operating activities:		
Net income	\$ (7,117)	\$ 49,129
Adjustments to reconcile net income to net cash provided by operating activities:		
Acquired in-process research and development	12,613	—
Depreciation and amortization	55,261	18,108
Amortization of premiums on marketable securities	24	482
Provision for excess and obsolete inventory	3,914	2,055
Amortization of inventory fair value step up	53,670	—
Amortization of 2025 Note fair value step up	6,658	—
Stock-based compensation expense	17,260	8,953
Allowance for doubtful accounts	2,968	810
Change in fair value of business acquisition liabilities	(165)	(446)
Change in deferred income taxes	(45,091)	(3,979)
(Gain)/loss on disposal of assets, net	34	81
Payment of business acquisition-related liabilities	(16,115)	(772)
Net (gain)/loss from foreign currency adjustment	11,191	—
(Increase) decrease in:		

Accounts receivable	(36,393)	(9,861)
Inventories	(8,986)	(22,470)
Prepaid expenses and other assets	1,778	836
Increase (decrease) in:		
Accounts payable	(5,753)	3,916
Accrued expenses and other liabilities	(33,881)	(9,969)
Income taxes payable/receivable	40,517	16,440
Net cash provided by/(used in) operating activities	52,387	53,313
Cash flows from investing activities:		
Purchases of marketable securities	(8,017)	(69,141)
Maturities of marketable securities	85	85,546
Sales of marketable securities	2,565	13,240
Purchases of property and equipment	(28,568)	(15,991)
Acquisition of businesses, net of cash acquired and purchases of intangible and other assets	(12,649)	(2,662)
Net cash provided by/(used in) investing activities	(46,584)	10,992
Cash flows from financing activities:		
Payment of business acquisition-related liabilities	(30,475)	(1,919)
Net proceeds from exercise of stock options	3,413	4,859
Payments related to tax withholdings for share-based compensation	(5,343)	—
Repurchase of common stock	(83,316)	—
Net cash provided by/(used in) financing activities	(115,721)	2,940
Effect of foreign exchange rates on cash	(3,312)	(26)
Net increase/(decrease) in cash and cash equivalents	(113,230)	67,219
Cash and cash equivalents at beginning of period	467,292	150,466
Cash and cash equivalents at end of period	\$ 354,062	\$ 217,685
Supplemental disclosures of cash flow information:		
Income taxes paid, net	\$ 1,967	\$ 1,724
Non-cash investing and financing activities:		
Accrued purchases of property and equipment	\$ 5,426	\$ 6,493

Supplemental Financial Information

Net Sales by Product Category:

(In thousands)	Three Months Ended	
	March 31,	
	2024	2023
Musculoskeletal Solutions	\$ 574,697	\$ 251,607
Enabling Technologies	31,969	25,081
Total net sales	\$ 606,666	\$ 276,688

Liquidity and Capital Resources:

(In thousands)	March 31,	December 31,
	2024	2023
Cash and cash equivalents	\$ 354,062	\$ 467,292
Short-term marketable securities	80,408	50,497
Long-term marketable securities	51,256	75,428
Total cash, cash equivalents and marketable securities	\$ 485,726	\$ 593,217

The following tables reconcile GAAP to Non-GAAP financial measures.

Non-GAAP Adjusted EBITDA Reconciliation Table:

Three Months Ended
March 31,

(In thousands, except percentages)

	2024	2023
Net income/(loss)	\$ (7,117)	\$ 49,129
Interest (income)/expense, net	1,894	(6,497)
Provision for income taxes	(1,441)	14,060
Depreciation and amortization	55,261	18,109
EBITDA	48,597	74,801
Stock-based compensation expense	12,439	8,953
Provision for litigation, net	(31)	—
Merger and acquisition-related costs/licensing	56,387	1,375
Acquisition of in-process research and development	12,613	—
Net (gain) loss from strategic investments	223	—
Non-cash acquisition-related foreign currency impacts	11,191	—
Restructuring costs	25,162	—
Adjusted EBITDA	\$ 166,581	\$ 85,129
Net income/(loss) as a percentage of net sales	-1.2%	17.8%
Adjusted EBITDA as a percentage of net sales	27.5%	30.8%

Non-GAAP Net Income Reconciliation Table:

	Three Months Ended March 31,	
	2024	2023
<i>(In thousands)</i>		
Net income/(loss)	\$ (7,117)	\$ 49,129
Provision for litigation, net	(31)	—
Amortization of intangibles	29,676	4,601
Merger and acquisition-related costs/licensing	56,387	1,375
Acquisition of in-process research and development	12,613	—
Non-cash acquisition-related foreign currency impacts	11,191	—
Restructuring Costs	25,162	—
Net gain/(loss) on strategic investments	223	—
Tax effect of adjusting items	(30,006)	(1,329)
Non-GAAP net income/(loss)	\$ 98,098	\$ 53,776

Non-GAAP Gross Profit Reconciliation Table:

	Three Months Ended March 31,	
	2024	2023
<i>(In thousands)</i>		
Cost of sales	\$ 241,487	\$ 70,825
Merger and acquisition related costs/licensing	(53,670)	(1,361)
Adjusted cost of sales	\$ 187,817	\$ 69,464
Adjusted gross profit	\$ 418,849	\$ 207,224
Adjusted gross profit as a percentage	69.0%	74.9%

Non-GAAP Diluted Earnings Per Share Reconciliation Table:

	Three Months Ended March 31,	
	2024	2023
<i>(In thousands)</i>		
Diluted earnings per share, as reported	\$ (0.05)	\$ 0.48
Provision for litigation, net	(0.00)	—
Amortization of intangibles	0.22	0.05
Merger and acquisition-related costs/licensing	0.41	0.01
Acquisition of in-process research and development	0.09	—
Net (gain) loss from strategic investments	0.00	—

Non-cash acquisition-related foreign currency impacts	0.08	—
Tax effect of adjusting items	(0.22)	(0.01)
Restructuring costs	0.18	—
Non-GAAP diluted earnings per share	<u>\$ 0.72</u>	<u>\$ 0.53</u>

*amounts might not add due to rounding

Non-GAAP Free Cash Flow Reconciliation Table:

<i>(In thousands)</i>	Three Months Ended	
	March 31,	
	2024	2023
Net cash provided by operating activities	\$ 52,387	\$ 53,313
Purchases of property and equipment	(28,568)	(15,991)
Free cash flow	<u>\$ 23,819</u>	<u>\$ 37,322</u>

Non-GAAP Net Sales on a Constant Currency Basis Comparative Table:

<i>(In thousands, except percentages)</i>	Three Months Ended		Reported Net Sales Growth	Currency Impact	Constant Currency Net Sales Growth
	March 31,			on	
	2024	2023		Current Period Net Sales	
United States	\$ 482,927	\$ 234,120	106.3%	\$ —	106.3%
International	123,739	42,568	190.7%	(1,460)	194.1%
Total net sales	\$ 606,666	\$ 276,688	119.3%	\$ (1,460)	119.8%

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Source: Globus Medical