



## Globus Medical Reports Full Year and Fourth Quarter 2016 Results

February 27, 2017

AUDUBON, Pa., Feb. 27, 2017 (GLOBE NEWSWIRE) -- Globus Medical, Inc. (NYSE:GMED), a leading musculoskeletal implant manufacturer, today announced its financial results for the fourth quarter and year ended December 31, 2016.

### Fourth Quarter:

- Worldwide sales increased 6.3% as reported to \$151.6 million, or an increase of 6.5% on a constant currency basis
- Fourth quarter net income was \$24.3 million, or 16.0% of sales
- Diluted earnings per share (EPS) were \$0.25
- Non-GAAP diluted EPS were \$0.31
- Non-GAAP adjusted EBITDA was 37.7% of sales

### Full Year 2016:

- Worldwide sales increased 3.5% as reported to \$564.0 million, or an increase of 3.8% on a constant currency basis
- Net income for the year was \$104.3 million, or 18.5% of sales
- Diluted EPS were \$1.08
- Non-GAAP diluted EPS were \$1.19
- Non-GAAP adjusted EBITDA was 37.4% of sales

David Paul, Chairman and CEO said, "Fourth quarter sales were \$151.6 million, a year-over-year increase of 6.3%. Despite our increased spending in support of our pending robotics and trauma launches, our adjusted EBITDA margins was an outstanding 37.7%. We also delivered EPS of \$0.25 and non GAAP EPS of \$0.31.

"During the fourth quarter, we continued to make progress with product development, sales force development and integration of Alphatec's international business. We also further expanded our in-house manufacturing capacity. We are proud of our innovation and product development efforts, which resulted in a total of 17 new product launches in 2016. We have addressed our sales force expansion challenges and are optimistic that we will return to more robust growth rates in the second half of 2017. We also remain confident in our long-term growth prospects and our ability to sustain industry-leading profitability by continuing to execute on our strategy of rapid product introduction, expansion of our U.S. and international sales footprints, and diligent expense control."

Fourth quarter sales in the U.S. decreased by 2.7% compared to the fourth quarter of 2015, primarily due to one less selling day in the fourth quarter of 2016. International sales increased by 109.0% over the fourth quarter of 2015 on an as reported basis and 111.8% on a constant currency basis.

Fourth quarter GAAP net income was \$24.3 million, a decrease of 35.4% over the same period last year resulting from the one-time positive net income impact of \$7.6 million in 2015 due to the settlement of outstanding litigation. Diluted EPS for the fourth quarter was \$0.25, as compared to \$0.39 for the fourth quarter 2015. Non-GAAP diluted EPS, which removes the impact of this litigation and acquisition related expenses, for the fourth quarter was \$0.31, compared to \$0.32 in the fourth quarter of 2015.

The company generated net cash provided by operating activities of \$51.9 million and non-GAAP free cash flow of \$37.7 million in the fourth quarter. Cash, cash equivalents and marketable securities ended the quarter at \$350.8 million. The company remains debt free.

The company plans to request an extension to file its Annual Report on Form 10-K for the fiscal year ended December 31, 2016 by filing Form 12b-25, Notification of Late Filing with the Securities and Exchange Commission. The company concluded it is not able to compile all information necessary to complete its Form 10-K by March 1, 2017 without unreasonable effort or expense. The company anticipates filing its Form 10-K for the fiscal year ended December 31, 2016 within the extension period.

### 2017 Annual Guidance

The company projects 2017 full year sales of \$625 million and non-GAAP fully diluted earnings per share of \$1.27.

### Conference Call Information

Globus Medical will hold a teleconference to discuss its 2016 fourth quarter and full year results with the investment community at 5:30 p.m. Eastern Time today. Globus invites all interested parties to join the call by dialing:

1-855-533-7141 United States Participants

1-720-545-0060 International Participants

There is no pass code for the teleconference.

For interested parties who do not wish to ask questions, the teleconference will be webcast live and may be accessed through a link on the Globus Medical website at [investors.globusmedical.com](http://investors.globusmedical.com).

The call will be archived until Monday, March 6, 2017. The audio archive can be accessed by calling 1-855-859-2056 in the U.S. or 1-404-537-3406

from outside the U.S. The passcode for the audio replay is 6940-2658.

#### **About Globus Medical, Inc.**

Globus Medical, Inc. is a leading musculoskeletal implant company based in Audubon, PA. The company 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.

#### **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, provisions for litigation, technology in-licensing fee, and acquisition related costs, 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. 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, 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.

In addition, for the period ended December 31, 2016 and for other comparative periods, we are presenting non-GAAP net income and non-GAAP diluted earnings per share, which represents net income and diluted earnings per share excluding the provision for litigation, amortization of intangibles, acquisition related costs/licensing, prior period adjustment and the tax effects of such adjustments. Prior period adjustments represent the cumulative impact of prior year adjustments related to depreciation, scrap and provision for excess and obsolete inventory, none of which were individually material to the related year's financial position or results of operations. 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 litigation, amortization of intangibles, acquisition related costs/licensing, prior period adjustments and the tax effects of such adjustments, which we believe are not reflective of underlying business trends. Additionally, for the periods ended December 31, 2016 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 sales growth is calculated by translating current year sales at the same average exchange rates in effect during the applicable prior year period. We believe constant currency sales growth provides insight to the comparative increase or decrease in period 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, free cash flow and constant currency 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, free cash flow and constant currency sales growth may differ from that of other companies and therefore may not be comparable. Additionally, we have recast prior periods for non-GAAP net income and non-GAAP diluted earnings per share.

#### **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, 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 successfully integrate the international operations acquired from Alphatec, both in general and on our anticipated timeline, our ability to transition Alphatec's international customers to Globus products, our ability to realize the expected benefits to our results from the Alphatec acquisition, 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 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 Securities and Exchange Commission. These documents are available at [www.sec.gov](http://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 CONSOLIDATED STATEMENTS OF INCOME (unaudited)**

|                                                 | Three Months Ended   |                      | Year Ended           |                      |
|-------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                                 | December 31,<br>2016 | December 31,<br>2015 | December 31,<br>2016 | December 31,<br>2015 |
| <i>(In thousands, except per share amounts)</i> |                      |                      |                      |                      |
| <b>Sales</b>                                    | <b>\$ 151,590</b>    | <b>\$ 142,587</b>    | <b>\$ 563,994</b>    | <b>\$ 544,753</b>    |
| Cost of goods sold                              | <b>39,002</b>        | 34,940               | <b>134,705</b>       | 132,333              |
| <b>Gross profit</b>                             | <b>112,588</b>       | 107,647              | <b>429,289</b>       | 412,420              |
| Operating expenses:                             |                      |                      |                      |                      |
| Research and development                        | <b>13,643</b>        | 9,672                | <b>44,532</b>        | 36,312               |
| Selling, general and administrative             | <b>60,839</b>        | 52,802               | <b>222,156</b>       | 210,241              |
| Provision for litigation                        | <b>100</b>           | (11,701)             | <b>3,156</b>         | (11,268)             |
| Amortization of intangibles                     | <b>1,805</b>         | 389                  | <b>3,478</b>         | 1,561                |
| Acquisition related costs                       | <b>479</b>           | 488                  | <b>1,826</b>         | 3,352                |
| <b>Total operating expenses</b>                 | <b>76,866</b>        | 51,650               | <b>275,148</b>       | 240,198              |
| <b>Operating income</b>                         | <b>35,722</b>        | 55,997               | <b>154,141</b>       | 172,222              |
| Other income, net                               | <b>755</b>           | 236                  | <b>3,138</b>         | 583                  |
| <b>Income before income taxes</b>               | <b>36,477</b>        | 56,233               | <b>157,279</b>       | 172,805              |
| Income tax provision                            | <b>12,179</b>        | 18,632               | <b>52,938</b>        | 60,021               |
| <b>Net income</b>                               | <b>\$ 24,298</b>     | <b>\$ 37,601</b>     | <b>\$ 104,341</b>    | <b>\$ 112,784</b>    |
| Earnings per share:                             |                      |                      |                      |                      |
| Basic                                           | <b>\$ 0.25</b>       | \$ 0.39              | <b>\$ 1.09</b>       | \$ 1.19              |
| Diluted                                         | <b>\$ 0.25</b>       | \$ 0.39              | <b>\$ 1.08</b>       | \$ 1.17              |
| Weighted average shares outstanding:            |                      |                      |                      |                      |
| Basic                                           | <b>95,862</b>        | 95,273               | <b>95,647</b>        | 95,046               |
| Diluted                                         | <b>96,513</b>        | 96,214               | <b>96,432</b>        | 96,073               |

**GLOBUS MEDICAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

|                                                                                                  | December 31,<br>2016 | December 31,<br>2015 |
|--------------------------------------------------------------------------------------------------|----------------------|----------------------|
| <i>(In thousands, except par value)</i>                                                          |                      |                      |
| <b>ASSETS</b>                                                                                    | (unaudited)          |                      |
| <b>Current assets:</b>                                                                           |                      |                      |
| Cash and cash equivalents                                                                        | <b>\$ 132,639</b>    | \$ 60,152            |
| Restricted cash                                                                                  | <b>477</b>           | 26,119               |
| Short-term marketable securities                                                                 | <b>157,673</b>       | 220,877              |
| Accounts receivable, net of allowances of \$2,771 and \$2,513, respectively                      | <b>91,983</b>        | 77,681               |
| Inventories                                                                                      | <b>112,692</b>       | 105,260              |
| Prepaid expenses and other current assets                                                        | <b>14,502</b>        | 7,351                |
| Income taxes receivable                                                                          | <b>3,800</b>         | 8,672                |
| Deferred income taxes                                                                            | <b>—</b>             | 38,687               |
| <b>Total current assets</b>                                                                      | <b>513,766</b>       | 544,799              |
| Property and equipment, net of accumulated depreciation of \$166,711 and \$139,144, respectively | <b>124,229</b>       | 114,743              |
| Long-term marketable securities                                                                  | <b>60,444</b>        | 48,762               |
| Note receivable                                                                                  | <b>30,000</b>        | —                    |

|                        |                   |                   |
|------------------------|-------------------|-------------------|
| Intangible assets, net | 61,706            | 33,242            |
| Goodwill               | 105,926           | 91,964            |
| Other assets           | 928               | 590               |
| Deferred income taxes  | 30,638            | —                 |
| <b>Total assets</b>    | <b>\$ 927,637</b> | <b>\$ 834,100</b> |

## LIABILITIES AND EQUITY

### Current liabilities:

|                                                          |               |                |
|----------------------------------------------------------|---------------|----------------|
| Accounts payable                                         | \$ 17,472     | \$ 15,971      |
| Accrued expenses                                         | 46,401        | 53,769         |
| Income taxes payable                                     | 1,911         | 763            |
| Business acquisition liabilities, current                | 14,108        | 12,188         |
| <b>Total current liabilities</b>                         | <b>79,892</b> | <b>82,691</b>  |
| Business acquisition liabilities, net of current portion | 5,972         | 21,126         |
| Deferred income taxes                                    | 7,876         | 13,260         |
| Other liabilities                                        | 1,819         | 1,699          |
| <b>Total liabilities</b>                                 | <b>95,559</b> | <b>118,776</b> |

### Commitments and contingencies

### Equity:

Common stock; \$0.001 par value. Authorized 785,000 shares; issued and outstanding 95,930 and 95,320 shares at December 31, 2016 and December 31, 2015, respectively

|                                      |                   |                   |
|--------------------------------------|-------------------|-------------------|
|                                      | 96                | 95                |
| Additional paid-in capital           | 211,725           | 192,629           |
| Accumulated other comprehensive loss | (8,642)           | (1,958)           |
| Retained earnings                    | 628,899           | 524,558           |
| <b>Total equity</b>                  | <b>832,078</b>    | <b>715,324</b>    |
| <b>Total liabilities and equity</b>  | <b>\$ 927,637</b> | <b>\$ 834,100</b> |

## GLOBUS MEDICAL, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

|                                                                                   | Year Ended           |                      |
|-----------------------------------------------------------------------------------|----------------------|----------------------|
|                                                                                   | December 31,<br>2016 | December 31,<br>2015 |
| <b>(In thousands)</b>                                                             |                      |                      |
| <b>Cash flows from operating activities:</b>                                      |                      |                      |
| Net income                                                                        | \$ 104,341           | \$ 112,784           |
| Adjustments to reconcile net income to net cash provided by operating activities: |                      |                      |
| Depreciation and amortization                                                     | 38,771               | 24,084               |
| Amortization of premium on marketable securities                                  | 4,068                | 3,354                |
| Write-down for excess and obsolete inventories                                    | 12,836               | 9,924                |
| Stock-based compensation expense                                                  | 11,382               | 9,639                |
| Excess tax benefit related to nonqualified stock options                          | (1,571)              | (2,050)              |
| Allowance for doubtful accounts                                                   | 685                  | 1,465                |
| Change in fair value of contingent consideration                                  | 2,866                | 3,118                |
| Non-cash settlement of accrued expenses                                           | (4,632)              | (8,405)              |
| Impairment of intangible assets                                                   | 3,472                | —                    |
| Change in deferred income taxes                                                   | (3,810)              | 6,235                |
| (Increase)/decrease in:                                                           |                      |                      |
| Restricted cash                                                                   | 25,641               | (2,749)              |
| Accounts receivable                                                               | (4,668)              | (4,193)              |
| Inventories                                                                       | (10,503)             | (19,327)             |

|                                                             |                   |                  |
|-------------------------------------------------------------|-------------------|------------------|
| Prepaid expenses and other assets                           | 4,568             | (1,203)          |
| Increase/(decrease) in:                                     |                   |                  |
| Accounts payable                                            | (23)              | (3,825)          |
| Accounts payable to related-party                           | —                 | (5,359)          |
| Accrued expenses and other liabilities                      | (18,164)          | (878)            |
| Income taxes payable/receivable                             | 6,634             | (657)            |
| <b>Net cash provided by operating activities</b>            | <b>171,893</b>    | <b>121,957</b>   |
| <b>Cash flows from investing activities:</b>                |                   |                  |
| Purchases of marketable securities                          | (287,263)         | (297,707)        |
| Maturities of marketable securities                         | 281,885           | 188,702          |
| Sales of marketable securities                              | 52,802            | 57,728           |
| Purchases of property and equipment                         | (40,909)          | (50,760)         |
| Issuance of note receivable                                 | (30,000)          | —                |
| Acquisition of businesses, net of cash acquired             | (76,068)          | (48,513)         |
| <b>Net cash used in investing activities</b>                | <b>(99,553)</b>   | <b>(150,550)</b> |
| <b>Cash flows from financing activities:</b>                |                   |                  |
| Payment of business acquisition liabilities                 | (5,404)           | (1,200)          |
| Proceeds from exercise of stock options                     | 5,874             | 5,477            |
| Excess tax benefit related to nonqualified stock options    | 1,571             | 2,050            |
| <b>Net cash provided by financing activities</b>            | <b>2,041</b>      | <b>6,327</b>     |
| Effect of foreign exchange rate on cash                     | (1,894)           | 153              |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | <b>72,487</b>     | <b>(22,113)</b>  |
| Cash and cash equivalents, beginning of period              | 60,152            | 82,265           |
| <b>Cash and cash equivalents, end of period</b>             | <b>\$ 132,639</b> | <b>\$ 60,152</b> |
| Supplemental disclosures of cash flow information:          |                   |                  |
| Interest paid                                               | 35                | 9                |
| Income taxes paid                                           | \$ 50,087         | \$ 57,100        |

#### Supplemental Financial Information

##### Sales by Geographic Area:

| (Unaudited)    | Three Months Ended |                   | Year Ended        |                   |
|----------------|--------------------|-------------------|-------------------|-------------------|
|                | December 31, 2016  | December 31, 2015 | December 31, 2016 | December 31, 2015 |
| (In thousands) |                    |                   |                   |                   |
| United States  | \$ 127,477         | \$ 131,051        | \$ 500,226        | \$ 498,191        |
| International  | 24,113             | 11,536            | 63,768            | 46,562            |
| Total sales    | <u>\$ 151,590</u>  | <u>\$ 142,587</u> | <u>\$ 563,994</u> | <u>\$ 544,753</u> |

##### Sales by Product Category:

| (Unaudited)       | Three Months Ended |                   | Year Ended        |                   |
|-------------------|--------------------|-------------------|-------------------|-------------------|
|                   | December 31, 2016  | December 31, 2015 | December 31, 2016 | December 31, 2015 |
| (In thousands)    |                    |                   |                   |                   |
| Innovative Fusion | \$ 79,609          | \$ 73,631         | \$ 287,594        | \$ 288,062        |

|                       |                   |                   |                   |                   |
|-----------------------|-------------------|-------------------|-------------------|-------------------|
| Disruptive Technology | <b>71,981</b>     | 68,956            | <b>276,400</b>    | 256,691           |
| Total sales           | <b>\$ 151,590</b> | <b>\$ 142,587</b> | <b>\$ 563,994</b> | <b>\$ 544,753</b> |

#### Liquidity and Capital Resources:

| <b>(Unaudited)</b>                                           | <b>December 31, 2016</b> |                | <b>December 31, 2015</b> |         |
|--------------------------------------------------------------|--------------------------|----------------|--------------------------|---------|
| <b>(In thousands)</b>                                        |                          |                |                          |         |
| Cash and cash equivalents                                    | \$                       | <b>132,639</b> | \$                       | 60,152  |
| Short-term marketable securities                             |                          | <b>157,673</b> |                          | 220,877 |
| Long-term marketable securities                              |                          | <b>60,444</b>  |                          | 48,762  |
| Total cash, cash equivalents and marketable securities       | \$                       | <b>350,756</b> | \$                       | 329,791 |
| Available borrowing capacity under revolving credit facility |                          | <b>50,000</b>  |                          | 50,000  |
| Working capital                                              | \$                       | <b>433,874</b> | \$                       | 462,108 |

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

#### Non-GAAP Adjusted EBITDA Reconciliation Table:

| <b>(Unaudited)</b>                              | <b>Three Months Ended</b> |                          | <b>Year Ended</b>        |                          |
|-------------------------------------------------|---------------------------|--------------------------|--------------------------|--------------------------|
| <b>(In thousands, except percentages)</b>       | <b>December 31, 2016</b>  | <b>December 31, 2015</b> | <b>December 31, 2016</b> | <b>December 31, 2015</b> |
| Net income                                      | \$ 24,298                 | \$ 37,601                | \$ 104,341               | \$ 112,784               |
| Interest income, net                            | (1,164)                   | (406)                    | (3,057)                  | (1,304)                  |
| Provision for income taxes                      | 12,179                    | 18,632                   | 52,938                   | 60,021                   |
| Depreciation and amortization                   | 17,235                    | 6,415                    | 38,771                   | 24,084                   |
| EBITDA                                          | 52,548                    | 62,242                   | 192,993                  | 195,585                  |
| Stock-based compensation expense                | 2,945                     | 2,704                    | 11,382                   | 9,639                    |
| Provision for litigation                        | 100                       | (11,701)                 | 3,156                    | (11,268)                 |
| Acquisition related costs/licensing             | 5,280                     | 488                      | 6,931                    | 3,577                    |
| Prior period adjustment, excluding depreciation | (3,697)                   | —                        | (3,697)                  | —                        |
| Adjusted EBITDA                                 | \$ 57,176                 | \$ 53,733                | \$ 210,765               | \$ 197,533               |
| Net income as a percentage of sales             | 16.0 %                    | 26.4 %                   | 18.5 %                   | 20.7 %                   |
| Adjusted EBITDA as a percentage of sales        | 37.7 %                    | 37.7 %                   | 37.4 %                   | 36.3 %                   |

#### Non-GAAP Net Income Reconciliation Table:

| <b>(Unaudited)</b>                  | <b>Three Months Ended</b> |                          | <b>Year Ended</b>        |                          |
|-------------------------------------|---------------------------|--------------------------|--------------------------|--------------------------|
| <b>(In thousands)</b>               | <b>December 31, 2016</b>  | <b>December 31, 2015</b> | <b>December 31, 2016</b> | <b>December 31, 2015</b> |
| Net income                          | \$ 24,298                 | \$ 37,601                | \$ 104,341               | \$ 112,784               |
| Provision for litigation            | 100                       | (11,701)                 | 3,156                    | (11,268)                 |
| Amortization of intangibles         | 1,805                     | 389                      | 3,478                    | 1,561                    |
| Acquisition related costs/licensing | 5,280                     | 488                      | 6,931                    | 3,577                    |
| Prior period adjustment             | 1,765                     | —                        | 1,765                    | —                        |
| Tax effect of adjusting items       | (3,054)                   | 3,803                    | (5,166)                  | 2,127                    |
| Non-GAAP net income                 | \$ 30,194                 | \$ 30,580                | \$ 114,505               | \$ 108,781               |

### Non-GAAP Diluted Earnings Per Share Reconciliation Table:

| (Unaudited)                             | Three Months Ended |                | Year Ended     |                |
|-----------------------------------------|--------------------|----------------|----------------|----------------|
|                                         | December 31,       | December 31,   | December 31,   | December 31,   |
|                                         | 2016               | 2015           | 2016           | 2015           |
| <b>(Per share amounts)</b>              |                    |                |                |                |
| Diluted earnings per share, as reported | \$ 0.25            | \$ 0.39        | \$ 1.08        | \$ 1.17        |
| Provision for litigation                | —                  | (0.12)         | 0.03           | (0.12)         |
| Amortization of intangibles             | 0.02               | —              | 0.04           | 0.02           |
| Acquisition related costs/licensing     | 0.05               | 0.01           | 0.07           | 0.04           |
| Prior period adjustment                 | 0.02               | —              | 0.02           | —              |
| Tax effect of adjusting items           | (0.03)             | 0.04           | (0.05)         | 0.02           |
| Non-GAAP diluted earnings per share     | <u>\$ 0.31</u>     | <u>\$ 0.32</u> | <u>\$ 1.19</u> | <u>\$ 1.13</u> |

### Non-GAAP Free Cash Flow Reconciliation Table:

| (Unaudited)                               | Three Months Ended |                  | Year Ended        |                  |
|-------------------------------------------|--------------------|------------------|-------------------|------------------|
|                                           | December 31,       | December 31,     | December 31,      | December 31,     |
|                                           | 2016               | 2015             | 2016              | 2015             |
| <b>(In thousands)</b>                     |                    |                  |                   |                  |
| Net cash provided by operating activities | \$ 51,896          | \$ 44,080        | \$ 171,893        | \$ 121,957       |
| Adjustment for impact of restricted cash  | 1                  | 734              | (25,641)          | 2,749            |
| Purchases of property and equipment       | (14,208)           | (14,154)         | (40,909)          | (50,760)         |
| Non-GAAP free cash flow                   | <u>\$ 37,689</u>   | <u>\$ 30,660</u> | <u>\$ 105,343</u> | <u>\$ 73,946</u> |

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

| (Unaudited)                               | Three Months Ended |                   | Reported Growth | Currency Impact on Current Period | Constant Currency Growth |
|-------------------------------------------|--------------------|-------------------|-----------------|-----------------------------------|--------------------------|
|                                           | December 31,       | December 31,      |                 |                                   |                          |
|                                           | 2016               | 2015              |                 |                                   |                          |
| <b>(In thousands, except percentages)</b> |                    |                   |                 |                                   |                          |
| United States                             | \$ 127,477         | \$ 131,051        | (2.7)%          | —                                 | (2.7)%                   |
| International                             | 24,113             | 11,536            | 109.0%          | \$ (326)                          | 111.8%                   |
| Total sales                               | <u>\$ 151,590</u>  | <u>\$ 142,587</u> | 6.3%            | <u>\$ (326)</u>                   | 6.5%                     |

| (Unaudited)                               | Year Ended        |                   | Reported Growth | Currency Impact on Current Period | Constant Currency Growth |
|-------------------------------------------|-------------------|-------------------|-----------------|-----------------------------------|--------------------------|
|                                           | December 31,      | December 31,      |                 |                                   |                          |
|                                           | 2016              | 2015              |                 |                                   |                          |
| <b>(In thousands, except percentages)</b> |                   |                   |                 |                                   |                          |
| United States                             | \$ 500,226        | \$ 498,191        | 0.4%            | —                                 | 0.4%                     |
| International                             | 63,768            | 46,562            | 37.0%           | \$ (1,594)                        | 40.4%                    |
| Total sales                               | <u>\$ 563,994</u> | <u>\$ 544,753</u> | 3.5%            | <u>\$ (1,594)</u>                 | 3.8%                     |

Contact:  
Daniel Scavilla  
Senior Vice President, Chief Financial Officer  
Phone: (610) 930-1800  
Email: [investors@globusmedical.com](mailto:investors@globusmedical.com)  
[www.globusmedical.com](http://www.globusmedical.com)



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