



## Globus Medical Reports First Quarter 2017 Results

May 3, 2017

AUDUBON, Pa., May 03, 2017 (GLOBE NEWSWIRE) -- Globus Medical, Inc. (NYSE:GMED), a leading musculoskeletal implant manufacturer, today announced its financial results for the first quarter ended March 31, 2017.

- Worldwide sales were \$155.8 million, an increase of 11.9% as reported, or 12.1% in constant currency
- First quarter net income was \$28.7 million, or 18.4% of sales
- Diluted earnings per share (EPS) were \$0.30
- Non-GAAP diluted EPS were \$0.32
- Non-GAAP adjusted EBITDA was 37.1% of sales

David Paul, Chairman and CEO said, "Our worldwide sales for the first quarter were \$155.8 million, an increase of 11.9% over the first quarter of 2016. Our adjusted EBITDA margins remained at an outstanding 37.1% and we also delivered non GAAP EPS of \$0.32.

"We are very pleased with our performance during the first quarter. We launched three new spine products, received our first trauma 510(k) clearance, had a strong competitive rep hiring quarter, further expanded our in-house manufacturing capacity, and continued to run an extremely efficient organization with best in class adjusted EBITDA margins. We 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."

First quarter sales in the U.S. increased by 1.6% compared to the first quarter of 2016. International sales increased by 123.4% over the first quarter of 2016 on an as reported basis and 126.5% on a constant currency basis due to the Alphatec acquisition included in the first quarter of 2017. Sales from the Alphatec acquisition contributed \$15.2 million in the quarter.

First quarter GAAP net income was \$28.7 million, an increase of 2.5% over the same period last year. Diluted EPS for the first quarter was \$0.30, as compared to \$0.29 for the first quarter 2016. Non-GAAP diluted EPS for the first quarter was \$0.32, compared to \$0.30 in the first quarter of 2016.

The company generated net cash provided by operating activities of \$53.4 million and non-GAAP free cash flow of \$41.9 million in the first quarter. Cash, cash equivalents and marketable securities ended the quarter at \$389.2 million. The company remains debt free.

### 2017 Annual Guidance

The company reaffirms guidance for full year 2017 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 2017 first quarter 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 Wednesday, May 9, 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, provision for litigation, 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 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.

In addition, for the period ended March 31, 2017 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 and the tax effects of such adjustments. The tax impact of these 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 litigation, amortization of intangibles, acquisition related costs, and the tax effects of such adjustments, which we believe are not reflective of underlying business trends. Additionally, for the periods ended March 31, 2017 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 liquidity 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 within the meaning of Item 10(e) of Regulation S-K. 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** **CONDENSED CONSOLIDATED STATEMENTS OF INCOME** **(unaudited)**

|                                                 | <b>Three Months Ended</b> |                  |
|-------------------------------------------------|---------------------------|------------------|
|                                                 | <b>March 31,</b>          | <b>March 31,</b> |
| <i>(In thousands, except per share amounts)</i> | <b>2017</b>               | <b>2016</b>      |
| <b>Sales</b>                                    | <b>\$155,809</b>          | <b>\$139,264</b> |
| Cost of goods sold                              | <b>35,600</b>             | 31,519           |
| <b>Gross profit</b>                             | <b>120,209</b>            | 107,745          |
| Operating expenses:                             |                           |                  |
| Research and development                        | <b>10,666</b>             | 10,030           |
| Selling, general and administrative             | <b>67,059</b>             | 53,798           |
| Amortization of intangibles                     | <b>1,782</b>              | 392              |
| Acquisition related costs                       | <b>388</b>                | 674              |
| <b>Total operating expenses</b>                 | <b>79,895</b>             | 64,894           |

|                            |                  |                  |
|----------------------------|------------------|------------------|
| Operating income           | 40,314           | 42,851           |
| Other income, net          | 2,100            | 760              |
| Income before income taxes | 42,414           | 43,611           |
| Income tax provision       | 13,700           | 15,601           |
| Net income                 | <u>\$ 28,714</u> | <u>\$ 28,010</u> |

**Earnings per share:**

|         |                |                |
|---------|----------------|----------------|
| Basic   | <u>\$ 0.30</u> | <u>\$ 0.29</u> |
| Diluted | <u>\$ 0.30</u> | <u>\$ 0.29</u> |

**Weighted average shares outstanding:**

|         |               |               |
|---------|---------------|---------------|
| Basic   | <u>95,996</u> | <u>95,398</u> |
| Diluted | <u>97,148</u> | <u>96,293</u> |

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

|                                                                                                  | March 31,<br>2017 | December<br>31,<br>2016 |
|--------------------------------------------------------------------------------------------------|-------------------|-------------------------|
| <i>(In thousands, except par value)</i>                                                          |                   |                         |
| <b>ASSETS</b>                                                                                    | (unaudited)       |                         |
| <b>Current assets:</b>                                                                           |                   |                         |
| Cash and cash equivalents                                                                        | \$ 182,435        | \$ 132,639              |
| Restricted cash                                                                                  | 477               | 477                     |
| Short-term marketable securities                                                                 | 143,663           | 157,673                 |
| Accounts receivable, net of allowances of \$3,627 and \$2,771, respectively                      | 94,232            | 91,983                  |
| Inventories                                                                                      | 113,037           | 112,692                 |
| Prepaid expenses and other current assets                                                        | 7,008             | 14,502                  |
| Income taxes receivable                                                                          | 47                | 3,800                   |
| <b>Total current assets</b>                                                                      | <u>540,899</u>    | <u>513,766</u>          |
| Property and equipment, net of accumulated depreciation of \$173,890 and \$166,711, respectively | 124,840           | 124,229                 |
| Long-term marketable securities                                                                  | 63,066            | 60,444                  |
| Note receivable                                                                                  | 30,000            | 30,000                  |
| Intangible assets, net                                                                           | 61,343            | 61,706                  |
| Goodwill                                                                                         | 106,215           | 105,926                 |
| Other assets                                                                                     | 954               | 928                     |
| Deferred income taxes                                                                            | 33,104            | 30,638                  |
| <b>Total assets</b>                                                                              | <u>\$ 960,421</u> | <u>\$ 927,637</u>       |
| <b>LIABILITIES AND EQUITY</b>                                                                    |                   |                         |
| <b>Current liabilities:</b>                                                                      |                   |                         |
| Accounts payable                                                                                 | \$ 17,013         | \$ 17,472               |
| Accrued expenses                                                                                 | 37,409            | 46,401                  |
| Income taxes payable                                                                             | 11,708            | 1,911                   |
| Business acquisition liabilities, current                                                        | 9,239             | 14,108                  |
| <b>Total current liabilities</b>                                                                 | <u>75,369</u>     | <u>79,892</u>           |
| Business acquisition liabilities, net of current portion                                         | 6,087             | 5,972                   |
| Deferred income taxes                                                                            | 8,261             | 7,876                   |
| Other liabilities                                                                                | 1,819             | 1,819                   |
| <b>Total liabilities</b>                                                                         | <u>91,536</u>     | <u>95,559</u>           |

**Commitments and contingencies****Equity:**

Common stock; \$0.001 par value. Authorized 785,000 shares; issued and outstanding 96,077 and 95,930 shares at March 31, 2017 and December 31, 2016, respectively

Additional paid-in capital

Accumulated other comprehensive loss

Retained earnings

**Total equity**

**Total liabilities and equity**

|  | 96                | 96         |
|--|-------------------|------------|
|  | <b>217,257</b>    | 211,725    |
|  | <b>(6,081)</b>    | (8,642)    |
|  | <b>657,613</b>    | 628,899    |
|  | <b>868,885</b>    | 832,078    |
|  | <b>\$ 960,421</b> | \$ 927,637 |

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

|                                                                                   | <b>Three Months Ended</b> |                  |
|-----------------------------------------------------------------------------------|---------------------------|------------------|
|                                                                                   | <b>March 31,</b>          | <b>March 31,</b> |
| <i>(In thousands)</i>                                                             | <b>2017</b>               | <b>2016</b>      |
| <b>Cash flows from operating activities:</b>                                      |                           |                  |
| Net income                                                                        | <b>\$ 28,714</b>          | \$ 28,010        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                           |                  |
| Depreciation and amortization                                                     | <b>12,240</b>             | 6,676            |
| Amortization of premium on marketable securities                                  | <b>1,008</b>              | 953              |
| Write-down for excess and obsolete inventories                                    | <b>1,671</b>              | 2,225            |
| Stock-based compensation expense                                                  | <b>3,491</b>              | 2,770            |
| Allowance for doubtful accounts                                                   | <b>794</b>                | 88               |
| Change in fair value of contingent consideration                                  | <b>478</b>                | —                |
| Change in deferred income taxes                                                   | <b>(2,399)</b>            | 391              |
| (Increase)/decrease in:                                                           |                           |                  |
| Restricted cash                                                                   | —                         | 15,668           |
| Accounts receivable                                                               | <b>(2,225)</b>            | 2,201            |
| Inventories                                                                       | <b>(2,102)</b>            | (2,252)          |
| Prepaid expenses and other assets                                                 | <b>8,628</b>              | 1,209            |
| Increase/(decrease) in:                                                           |                           |                  |
| Accounts payable                                                                  | <b>(172)</b>              | (1,238)          |
| Accrued expenses and other liabilities                                            | <b>(10,170)</b>           | (15,661)         |
| Income taxes payable/receivable                                                   | <b>13,493</b>             | 14,517           |
| <b>Net cash provided by operating activities</b>                                  | <b>53,449</b>             | 55,557           |
| <b>Cash flows from investing activities:</b>                                      |                           |                  |
| Purchases of marketable securities                                                | <b>(51,215)</b>           | (104,208)        |
| Maturities of marketable securities                                               | <b>55,280</b>             | 69,656           |
| Sales of marketable securities                                                    | <b>6,505</b>              | 7,798            |
| Purchases of property and equipment                                               | <b>(11,533)</b>           | (9,366)          |
| <b>Net cash used in investing activities</b>                                      | <b>(963)</b>              | (36,120)         |
| <b>Cash flows from financing activities:</b>                                      |                           |                  |
| Payment of business acquisition liabilities                                       | <b>(5,001)</b>            | (300)            |
| Proceeds from exercise of stock options                                           | <b>1,990</b>              | 1,895            |
| <b>Net cash (used in)/provided by financing activities</b>                        | <b>(3,011)</b>            | 1,595            |

|                                                  |                          |                         |
|--------------------------------------------------|--------------------------|-------------------------|
| Effect of foreign exchange rate on cash          | <u>321</u>               | <u>91</u>               |
| <b>Net increase in cash and cash equivalents</b> | <b>49,796</b>            | 21,123                  |
| Cash and cash equivalents, beginning of period   | <u>132,639</u>           | <u>60,152</u>           |
| <b>Cash and cash equivalents, end of period</b>  | <b><u>\$ 182,435</u></b> | <b><u>\$ 81,275</u></b> |

Supplemental disclosures of cash flow information:

|                   |          |        |
|-------------------|----------|--------|
| Interest paid     | 8        | 1      |
| Income taxes paid | \$ 2,656 | \$ 774 |

## Supplemental Financial Information

### Sales by Geographic Area:

| (Unaudited)<br>(In thousands) | Three Months Ended |                   |
|-------------------------------|--------------------|-------------------|
|                               | March 31, 2017     | March 31, 2016    |
| United States                 | \$ 129,663         | \$ 127,560        |
| International                 | 26,146             | 11,704            |
| Total sales                   | <u>\$ 155,809</u>  | <u>\$ 139,264</u> |

### Sales by Product Category:

| (Unaudited)<br>(In thousands) | Three Months Ended |                   |
|-------------------------------|--------------------|-------------------|
|                               | March 31, 2017     | March 31, 2016    |
| Innovative Fusion             | \$ 81,872          | \$ 70,046         |
| Disruptive Technology         | 73,937             | 69,218            |
| Total sales                   | <u>\$ 155,809</u>  | <u>\$ 139,264</u> |

### Liquidity and Capital Resources:

| (Unaudited)<br>(In thousands)                                | March 31, 2017    | December 31, 2016 |
|--------------------------------------------------------------|-------------------|-------------------|
| Cash and cash equivalents                                    | \$ 182,435        | \$ 132,639        |
| Short-term marketable securities                             | 143,663           | 157,673           |
| Long-term marketable securities                              | 63,066            | 60,444            |
| Total cash, cash equivalents and marketable securities       | <u>\$ 389,164</u> | <u>\$ 350,756</u> |
| Available borrowing capacity under revolving credit facility | 50,000            | 50,000            |
| Working capital                                              | \$ 465,530        | \$ 433,874        |

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

### Non-GAAP Adjusted EBITDA Reconciliation Table:

| (Unaudited)                               | Three Months Ended |                  |
|-------------------------------------------|--------------------|------------------|
|                                           | March 31, 2017     | March 31, 2016   |
| <i>(In thousands, except percentages)</i> |                    |                  |
| Net income                                | \$ 28,714          | \$ 28,010        |
| Interest income, net                      | (1,418)            | (496)            |
| Provision for income taxes                | 13,700             | 15,601           |
| Depreciation and amortization             | 12,240             | 6,676            |
| EBITDA                                    | 53,236             | 49,791           |
| Stock-based compensation expense          | 3,491              | 2,770            |
| Acquisition related costs                 | 1,086              | 674              |
| Adjusted EBITDA                           | <u>\$ 57,813</u>   | <u>\$ 53,235</u> |
| Net income as a percentage of sales       | 18.4 %             | 20.1 %           |
| Adjusted EBITDA as a percentage of sales  | 37.1 %             | 38.2 %           |

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

| (Unaudited)                   | Three Months Ended |                  |
|-------------------------------|--------------------|------------------|
|                               | March 31, 2017     | March 31, 2016   |
| <i>(In thousands)</i>         |                    |                  |
| Net income                    | \$ 28,714          | \$ 28,010        |
| Amortization of intangibles   | 1,782              | 392              |
| Acquisition related costs     | 1,086              | 674              |
| Tax effect of adjusting items | (926)              | (382)            |
| Non-GAAP net income           | <u>\$ 30,656</u>   | <u>\$ 28,694</u> |

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

| (Unaudited)                             | Three Months Ended |                |
|-----------------------------------------|--------------------|----------------|
|                                         | March 31, 2017     | March 31, 2016 |
| <i>(Per share amounts)</i>              |                    |                |
| Diluted earnings per share, as reported | \$ 0.30            | \$ 0.29        |
| Amortization of intangibles             | 0.02               | —              |
| Acquisition related costs               | 0.01               | 0.01           |
| Tax effect of adjusting items           | (0.01)             | —              |
| Non-GAAP diluted earnings per share     | <u>\$ 0.32</u>     | <u>\$ 0.30</u> |

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

| (Unaudited)                               | Three Months Ended |                  |
|-------------------------------------------|--------------------|------------------|
|                                           | March 31, 2017     | March 31, 2016   |
| <i>(In thousands)</i>                     |                    |                  |
| Net cash provided by operating activities | \$ 53,449          | \$ 55,557        |
| Adjustment for impact of restricted cash  | —                  | (15,668)         |
| Purchases of property and equipment       | (11,533)           | (9,366)          |
| Non-GAAP free cash flow                   | <u>\$ 41,916</u>   | <u>\$ 30,523</u> |

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

| (Unaudited)<br><br>(In thousands, except percentages) | Three Months Ended |                   | Reported<br>Growth | Currency<br>Impact on<br>Current Period | Constant<br>Currency<br>Growth |
|-------------------------------------------------------|--------------------|-------------------|--------------------|-----------------------------------------|--------------------------------|
|                                                       | March 31,<br>2017  | March 31,<br>2016 |                    |                                         |                                |
| United States                                         | \$ 129,663         | \$ 127,560        | 1.6 %              | —                                       | 1.6 %                          |
| International                                         | 26,146             | 11,704            | 123.4 %            | \$ (364)                                | 126.5 %                        |
| Total sales                                           | <u>\$ 155,809</u>  | <u>\$ 139,264</u> | 11.9 %             | <u>\$ (364)</u>                         | 12.1 %                         |

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)



Globus Medical