

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 001-35621

GLOBUS MEDICAL, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

04-3744954

(I.R.S. Employer Identification No.)

2560 General Armistead Avenue, Audubon, PA 19403

(Address of principal executive offices) (Zip Code)

(610) 930-1800

(Registrant's telephone number, including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbols	Name of exchange on which registered
Class A Common Stock, par value \$.001 per share	GMED	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files):

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer Accelerated Filer Non-accelerated Filer Smaller Reporting Company Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes No

The number of shares outstanding of the issuer's common stock (par value \$0.001 per share) as of July 29, 2019 was 99,100,509 shares.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

<i>(In thousands, except par value)</i>	June 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash, cash equivalents, and restricted cash	\$ 117,790	\$ 139,747
Short-term marketable securities	122,637	199,937
Accounts receivable, net of allowances of \$5,410 and \$4,226, respectively	144,681	137,067
Inventories	173,040	131,254
Prepaid expenses and other current assets	13,512	15,387
Income taxes receivable	12,273	7,289
Total current assets	583,933	630,681
Property and equipment, net of accumulated depreciation of \$231,003 and \$216,809, respectively	194,133	171,873
Long-term marketable securities	369,665	263,117
Intangible assets, net	85,465	87,323
Goodwill	129,901	123,734
Other assets	15,671	10,364
Deferred income taxes	11,978	13,578
Total assets	\$ 1,390,746	\$ 1,300,670
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 23,745	\$ 25,895
Accrued expenses	50,607	59,878
Income taxes payable	431	917
Business acquisition liabilities	6,016	6,830
Deferred revenue	3,385	2,598
Total current liabilities	84,184	96,118
Business acquisition liabilities, net of current portion	3,288	3,288
Deferred income taxes	8,097	8,114
Other liabilities	7,651	7,634
Total liabilities	103,220	115,154
Commitments and contingencies (Note 13)		
Equity:		
Class A common stock; \$0.001 par value. Authorized 500,000 shares; issued and outstanding 76,647 and 76,143 shares at June 30, 2019 and December 31, 2018, respectively	77	76
Class B common stock; \$0.001 par value. Authorized 275,000 shares; issued and outstanding 22,430 and 22,430 shares at June 30, 2019 and December 31, 2018, respectively	22	22
Additional paid-in capital	325,061	299,869
Accumulated other comprehensive loss	(1,728)	(7,172)
Retained earnings	964,094	892,721
Total equity	1,287,526	1,185,516
Total liabilities and equity	\$ 1,390,746	\$ 1,300,670

See accompanying notes to unaudited condensed consolidated financial statements.

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

Three Months Ended

Six Months Ended

(In thousands, except per share amounts)	June 30,		June 30,	
	2019	2018	2019	2018
Sales	\$ 194,539	\$ 173,384	\$ 377,486	\$ 347,795
Cost of goods sold	43,990	37,637	85,828	75,607
Gross profit	150,549	135,747	291,658	272,188
Operating expenses:				
Research and development	15,746	13,523	30,069	26,210
Selling, general and administrative	88,379	77,125	174,163	152,819
Amortization of intangibles	3,449	2,178	6,792	4,365
Acquisition related costs	106	782	685	1,021
Total operating expenses	107,680	93,608	211,709	184,415
Operating income	42,869	42,139	79,949	87,773
Other income, net				
Interest income/(expense), net	4,417	2,971	8,576	5,262
Foreign currency transaction gain/(loss)	(210)	344	(22)	339
Other income/(expense)	17	4,850	241	5,008
Total other income/(expense), net	4,224	8,165	8,795	10,609
Income before income taxes	47,093	50,304	88,744	98,382
Income tax provision	8,930	5,327	17,370	13,866
Net income	\$ 38,163	\$ 44,977	\$ 71,374	\$ 84,516
Earnings per share:				
Basic	\$ 0.39	\$ 0.46	\$ 0.72	\$ 0.87
Diluted	\$ 0.38	\$ 0.44	\$ 0.70	\$ 0.84
Weighted average shares outstanding:				
Basic	99,023	97,830	98,875	97,337
Dilutive stock options	2,559	3,680	2,600	3,668
Diluted	101,582	101,510	101,475	101,005
Anti-dilutive stock options excluded from weighted average calculation	5,021	1,809	4,854	1,863

See accompanying notes to unaudited condensed consolidated financial statements.

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

(In thousands)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Net income	\$ 38,163	\$ 44,977	\$ 71,374	\$ 84,516
Other comprehensive income/(loss):				
Unrealized gain/(loss) on marketable securities, net of tax	1,984	164	3,783	(72)
Foreign currency translation gain/(loss)	1,768	(4,205)	1,661	172
Total other comprehensive income/(loss)	3,752	(4,041)	5,444	100
Comprehensive income	\$ 41,915	\$ 40,936	\$ 76,818	\$ 84,616

See accompanying notes to unaudited condensed consolidated financial statements.

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

(In thousands)	Six Months Ended	
	June 30,	
	2019	2018
Cash flows from operating activities:		
Net income	\$ 71,374	\$ 84,516
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	25,113	19,233
Amortization of premium (discount) on marketable securities	(736)	1,477
Write-down for excess and obsolete inventories	2,468	5,406
Stock-based compensation expense	12,749	11,533
Allowance for doubtful accounts	1,229	312
Change in fair value of business acquisition liabilities	579	416
Change in deferred income taxes	1,424	1,429
(Gain)/loss on disposal of assets, net	295	(3,947)
(Increase)/decrease in:		
Accounts receivable	(6,532)	(2,257)
Inventories	(28,094)	(11,120)
Prepaid expenses and other assets	(2,933)	(3,303)
Increase/(decrease) in:		
Accounts payable	(901)	(5,751)
Accrued expenses and other liabilities	(8,744)	(2,104)
Income taxes payable/receivable	(5,491)	(10,276)
Net cash provided by operating activities	61,800	85,564
Cash flows from investing activities:		
Purchases of marketable securities	(210,606)	(309,223)
Maturities of marketable securities	161,568	158,102
Sales of marketable securities	25,490	63,741
Purchases of property and equipment	(42,895)	(27,167)
Proceeds from sale of assets	—	3,000
Acquisition of businesses, net of cash acquired and purchases of intangible and other assets	(24,135)	—
Net cash used in investing activities	(90,578)	(111,547)
Cash flows from financing activities:		
Payment of business acquisition liabilities	(5,633)	(5,950)
Proceeds from exercise of stock options	12,268	33,131
Net cash provided by financing activities	6,635	27,181
Effect of foreign exchange rate on cash	186	(71)
Net increase in cash, cash equivalents, and restricted cash	(21,957)	1,127
Cash, cash equivalents, and restricted cash at beginning of period	139,747	118,817
Cash, cash equivalents, and restricted cash at end of period	\$ 117,790	\$ 119,944
Supplemental disclosures of cash flow information:		
Interest paid	4	—
Income taxes paid	\$ 23,975	\$ 22,667

See accompanying notes to unaudited condensed consolidated financial statements.

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GLOBUS MEDICAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) The Company

Globus Medical, Inc., together with its subsidiaries, is a medical device company that develops and commercializes healthcare solutions whose mission is to improve the quality of life of patients with musculoskeletal disorders. We are primarily focused on implants that promote healing in patients with musculoskeletal disorders, including the use of a robotic guidance and navigation system and products to treat patients who have experienced orthopedic traumas.

We are an engineering-driven company with a history of rapidly developing and commercializing advanced products and procedures to assist surgeons in effectively treating their patients and address new treatment options. With over 200 products on the market, we offer a comprehensive portfolio of innovative and differentiated technologies that address a variety of musculoskeletal pathologies, anatomies, and surgical approaches.

We are headquartered in Audubon, Pennsylvania, and market and sell our products through our exclusive sales force in the United States, as well as within North, Central & South America, Europe, Asia, Africa and Australia. The sales force consists of direct sales representatives and distributor sales representatives employed by exclusive independent distributors.

The terms the “Company,” “Globus,” “we,” “us” and “our” refer to Globus Medical, Inc. and, where applicable, our consolidated subsidiaries.

(b) Basis of Presentation

The accompanying interim unaudited condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in complete financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). As such, the information included in this Quarterly Report on Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2018.

In the opinion of management, the statements include all adjustments necessary, which are of a normal and recurring nature, for the fair presentation of our financial position and of the results for the three and six month periods presented. The results of operations for any interim period are not indicative of results for the full year.

(c) Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of Globus and its wholly-owned subsidiaries. All intercompany balances and transactions are eliminated in consolidation.

(d) Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. We base our estimates, in part, on historical experience that management believes to be reasonable under the circumstances. Actual results could differ from those estimates. Estimates and assumptions are periodically reviewed and the effects of revisions are reflected in the condensed consolidated financial statements in the period they are determined to be necessary.

Significant areas that require management’s estimates include intangible assets, business acquisition liabilities, allowance for doubtful accounts, stock-based compensation, write-down for excess and obsolete inventory, useful lives of assets, the outcome of litigation, recoverability of intangible assets and income taxes. We are subject to risks and uncertainties due to changes in the healthcare environment, regulatory oversight, competition, and legislation that may cause actual results to differ from estimated results.

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GLOBUS MEDICAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

(e) Cash, Cash Equivalents, and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows:

<i>(In thousands)</i>	June 30, 2019	December 31, 2018	June 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 117,790	\$ 139,647	\$ 119,944	\$ 118,817
Restricted cash	—	100	—	—
Total cash, cash equivalents, and restricted cash as presented in the condensed consolidated statement of cash flows	<u>\$ 117,790</u>	<u>\$ 139,747</u>	<u>\$ 119,944</u>	<u>\$ 118,817</u>

(f) Marketable Securities

Our marketable securities include municipal bonds, corporate debt securities, commercial paper, securities of government, federal agency, and other sovereign obligations, and asset-backed securities, and are classified as available-for-sale as of June 30, 2019. Available-for-sale securities are recorded at fair value in both short-term and long-term marketable securities on our condensed consolidated balance sheets. The change in fair value for available-for-sale securities is recorded, net of taxes, as a component of accumulated other comprehensive income or loss on our condensed consolidated balance sheets. Premiums and discounts are recognized over the life of the related security as an adjustment to yield using the straight-line method. Realized gains or losses from the sale of our marketable securities are determined on a specific identification basis. Realized gains and losses, along with interest income and the amortization/accretion of premiums/discounts are included as a component of other income/(expense), on our condensed consolidated statements of income. Interest receivable is recorded as a component of prepaid expenses and other current assets on our condensed consolidated balance sheets.

We maintain a portfolio of various holdings, types and maturities, though most of the securities in our portfolio could be liquidated at minimal cost at any time. We invest in securities that meet or exceed standards as defined in our investment policy. Our policy also limits the amount of credit exposure to any one issue, issuer or type of security. We review our securities for other-than-temporary impairment at each reporting period. If an unrealized loss for any security is considered to be other-than-temporary, the loss will be recognized in our condensed consolidated statement of income in the period the determination is made.

(g) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis. The majority of our inventories are finished goods and we utilize both in-house manufacturing and third-party suppliers to source our products. We periodically evaluate the carrying value of our inventories in relation to our estimated forecast of product demand, which takes into consideration the estimated life cycle of product releases. When quantities on hand exceed estimated sales forecasts, we record a write-down for such excess inventories.

(h) Property and Equipment

Purchases of property and equipment included in accounts payable and accrued expenses were \$4.8 million and \$6.8 million during the six months ended June 30, 2019 and 2018, respectively.

(i) Revenue Recognition

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. Sales and other taxes we collect concurrent with revenue-producing activities are excluded from revenue. Incidental items that are immaterial in the context of the contract are recognized as expense. For purposes of disclosing disaggregated revenue, we disaggregate our revenue, into two categories, Musculoskeletal Solutions and Enabling Technologies, based on the timing of revenue recognition. Our Musculoskeletal Solutions products consist primarily of the implantable devices, disposables, and unique instruments used in an expansive range of spine, orthopedic trauma, hip, knee and extremity procedures. The majority of our Musculoskeletal Solutions contracts have a single performance obligation and revenue is recognized at a point in time. Our Enabling Technologies products are the advanced hardware and software systems and related technologies that are designed to enhance a surgeon's capabilities and streamline surgical procedures by making them less invasive, more accurate, and more reproducible to improve patient care. The majority of our Enabling Technologies product contracts typically contain multiple performance obligations, including maintenance and support, and revenue is recognized as we fulfill each performance

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GLOBUS MEDICAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

obligation. For contracts with multiple performance obligations, we allocate the contract's transaction price to each performance obligation using our best estimate of the standalone selling price of each distinct good or service in the contract. Our policy is to classify shipping and handling costs billed to customers as sales and the related expenses as cost of goods sold.

Nature of Products and Services

A significant portion of our Musculoskeletal Solutions product revenue is generated from consigned inventory maintained at hospitals or with sales representatives. Revenue from the sale of consigned Musculoskeletal products is recognized when we transfer control, which occurs at the time the product is used or implanted. For all other Musculoskeletal Solutions product transactions, we recognize revenue when we transfer title to the goods, provided there are no remaining performance obligations that will affect the customer's final acceptance of the sale. We use an observable price to determine the stand-alone selling price for the identified performance obligation.

Revenue from the sale of Enabling Technologies products is generally recognized when control transfers to the customer which occurs at the time the product is shipped or delivered. Depending on the terms of the arrangement, we may also defer the recognition of a portion of the consideration received as we have to satisfy a future performance obligation to provide maintenance and support. We use an observable price to determine the stand-alone selling price for each separate performance obligation.

Contract Balances

Timing of revenue recognition may differ from the timing of invoicing to customers. We record a receivable when revenue is recognized prior to invoicing, or deferred revenue when revenue is recognized subsequent to invoicing.

Deferred revenue is comprised mainly of unearned revenue related to the sales of certain Enabling Technologies products, which includes maintenance and support services. Deferred revenue is generally invoiced annually at the beginning of each contract period and recognized ratably over the coverage period. For the three and six months ended June 30, 2019, there was an immaterial amount of revenue recognized from previously deferred revenue.

Disaggregation of Revenue

The following table represents total sales by revenue stream:

<i>(In thousands)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Musculoskeletal Solutions products	\$ 182,538	\$ 159,644	\$ 358,296	\$ 321,333
Enabling Technologies products	12,001	13,740	19,190	26,462
Total sales	<u>\$ 194,539</u>	<u>\$ 173,384</u>	<u>\$ 377,486</u>	<u>\$ 347,795</u>

(j) Recently Issued Accounting Pronouncements

In January 2017, the FASB released ASU 2017-04, *Intangibles - Goodwill and Other (Topic 805): Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"), which eliminates the Step 2 calculation for the implied fair value of goodwill to measure a goodwill impairment charge. Under the updated standard, an entity will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value. ASU 2017-04 does not change the guidance on completing Step 1 of the goodwill impairment test and still allows an entity to perform the optional qualitative goodwill impairment assessment before determining whether to proceed to Step 1. This update is effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2019 with early adoption permitted for any impairment test performed on testing dates after January 1, 2017. We are currently evaluating the timing and impact of the new standard on our financial position, results of operations and disclosures.

In August 2018, the FASB released ASU 2018-13, *Fair Value Measurement (Topic 820)*, ("ASU 2018-13"), which modifies the disclosure requirements on fair value measurements in Topic 820, including the consideration of costs and benefits. This update is effective for public entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the timing and impact of the new standard on our financial position, results of operations and disclosures.

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GLOBUS MEDICAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

(k) Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”). ASU 2014-09 amends the guidance in former Topic 605, *Revenue Recognition*, and most other existing revenue guidance in US GAAP. Under the new standard, an entity will recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the payment to which the entity expects to be entitled in exchange for those goods or services and provide additional disclosures. As amended, the effective date for public entities is annual reporting periods beginning after December 15, 2017 and interim periods therein. We adopted the standard on January 1, 2018, using the modified retrospective method. We implemented internal controls to enable the preparation of financial information upon adoption. The adoption of this standard did not have a material impact on our financial position and results of operations. See “**Note 1. Background and Summary of Significant Accounting Policies; (i) Revenue Recognition**” above for more detail regarding our disclosures.

In October 2016, the FASB released ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory* (“ASU 2016-16”). ASU 2016-16 removes the current exception in US GAAP prohibiting entities from recognizing current and deferred income tax expenses or benefits related to transfer of assets, other than inventory, within the consolidated entity. The current exception to defer the recognition of any tax impact on the transfer of inventory within the consolidated entity until it is sold to a third party remains unaffected. This update is effective for public entities for annual reporting periods beginning after December 15, 2017. We adopted ASU 2016-16 on January 1, 2018. This standard did not have a material impact on our financial position, results of operations, and disclosures.

In November 2016, the FASB released ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* (“ASU 2016-18”), which requires that amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the total beginning and ending amounts for the periods shown on the statement of cash flows. Transfers between cash and cash equivalents and restricted cash and restricted cash equivalents will no longer be presented in the statement of cash flows. The amendments in this update should be applied using a retrospective transition method to each period presented. This update is effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years; early adoption is permitted, including adoption in an interim period. We adopted ASU 2016-18 on January 1, 2018. This standard did not have a material impact on our financial position, results of operations, and disclosures.

In January 2017, the FASB released ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* (“ASU 2017-01”), which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The amendments in this ASU should be applied prospectively and are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early application permitted. No disclosures are required at transition. We adopted ASU 2017-01 on January 1, 2018. This standard did not have a material impact on our financial position, results of operations, and disclosures.

In May 2017, the FASB released ASU 2017-09, *Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting* (“ASU 2017-09”), which clarifies the changes to terms or conditions of a share-based payment award that requires application of modification accounting under Topic 718. A change to an award should be accounted for as a modification unless the fair value of the modified award is the same as the original award, the vesting conditions do not change, and the classification as an equity or liability instrument does not change. This update is effective for annual reporting periods, and interim periods within those annual periods, beginning after December 15, 2017. Early application is permitted and prospective application is required for awards modified on or after the adoption date. We adopted ASU 2017-09 on January 1, 2018. This standard did not have a material impact on our financial position, results of operations, and disclosures.

In February 2016, the FASB released ASU 2016-02, *Leases (Topic 842)* (“ASU 2016-02”). Under ASU 2016-02, a right-of-use asset and lease obligation will be recorded for all leases with terms greater than 12 months, whether operating or financing, while the income statement will reflect lease expense for operating leases and amortization/interest expense for financing leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted, and permits modified retrospective method or cumulative-effect adjustment method. We adopted the standard on January 1, 2019, using the cumulative-effect adjustment transition method. As part of the adoption, we elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed carry forward of historical lease classifications. The adoption of this standard did not have a material impact on our financial position and results of operations. See “**Note 14. Leases**” for more detail regarding our disclosures.

In February 2018, the FASB released ASU 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220), Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* (“ASU 2018-02”). Prior to ASU 2018-02, GAAP required the remeasurement of deferred tax assets and liabilities as a result of a change in tax laws or rates to be presented in net

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GLOBUS MEDICAL, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Unaudited)

income from continuing operations, even in situations in which the related income tax effects of items in accumulated other comprehensive income were originally recognized in other comprehensive income. As a result, such items, referred to as stranded tax effects, did not reflect the appropriate tax rate. Under ASU 2018-02, entities are permitted, but not required, to reclassify from accumulated other comprehensive income to retained earnings those stranded tax effects resulting from the Tax Act. ASU 2018-02 is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. We adopted ASU 2018-02 on January 1, 2019. Adoption of the standard did not have a material impact on our financial position, results of operations and disclosures.

In June 2018, the FASB released ASU 2018-07, *Compensation—Stock Compensation (Topic 718)*, (“ASU 2018-07”), which expanded the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. ASU 2018-07 specifies that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor’s own operations by issuing share-based payment awards. This update is effective for public entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. We adopted ASU 2018-07 on January 1, 2019. Adoption of the standard did not have a material impact on our financial position, results of operations, and disclosures.

NOTE 2. BUSINESS COMBINATIONS

During the second quarter of 2019, the Company acquired substantially all of the assets of StelKast, Inc. (the “StelKast Acquisition”), a privately held company that designs, manufactures and distributes orthopedic implants for knee and hip replacement surgeries. The Company has included the financial results from the StelKast Acquisition in our condensed financial statements from the acquisition date, and the results from the StelKast Acquisition were not material to our condensed financial statements. The fair value of the net assets acquired is \$28.4 million which consisted of approximately \$24.1 million of

cash paid at closing, plus a potential \$4.3 million contingent consideration payment based on product sales milestones. We recorded identifiable net assets, based on their preliminary estimated fair values, related to inventory of \$15.2 million, fixed assets of \$3.9 million and customer relationships of \$3.7 million and goodwill of \$5.8 million.

As of June 30, 2019, the maximum aggregated undiscounted amount of contingent consideration potentially payable related to this acquisition is \$5.0 million.

NOTE 3. NOTE RECEIVABLE

On September 1, 2016 (the "Closing Date"), in connection with the acquisition of the international operations and distribution channel of Alphatec Holdings, Inc. ("Alphatec"), we entered into a Credit, Security and Guaranty Agreement (the "Credit Agreement") with Alphatec and Alphatec Spine, Inc. ("Alphatec Spine" and together with Alphatec, the "Alphatec Borrowers"), pursuant to which we made available to the Alphatec Borrowers a senior secured term loan facility in an amount not to exceed \$30 million. The term loan interest rate for the first two years following the Closing Date was priced at the London Interbank Offered Rate ("LIBOR") plus 8.0%, subject to a 9.5% floor. The term loan interest rate thereafter was LIBOR plus 13.0%. On the Closing Date, we made an initial loan of \$25 million and the Alphatec Borrowers issued a note for such amount to us. On December 20, 2016, the remaining \$5 million was drawn by the Alphatec Borrowers and added to the note. On November 7, 2018, the Alphatec Borrowers repaid all of the then outstanding principal and interest under the Credit Agreement in a total amount of \$29.3 million.

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GLOBUS MEDICAL, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Unaudited)

NOTE 4. GOODWILL AND INTANGIBLE ASSETS

A summary of intangible assets is presented below:

	June 30, 2019			
<i>(In thousands)</i>	Weighted Average Amortization Period (in years)	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, net
Supplier network	10.0	\$ 4,000	\$ (1,867)	\$ 2,133
Customer relationships & other intangibles	7.0	47,117	(21,303)	25,814
Developed technology	8.6	57,635	(6,770)	50,865
Patents	16.3	8,136	(1,483)	6,653
Total intangible assets		\$ 116,888	\$ (31,423)	\$ 85,465

Due to the FDA 510(k) clearance for AQRate, a robotic guidance and navigation system, in the first quarter of 2019, \$19.8 million of IPR&D was transferred to Developed technology and began to be amortized over a period of 8.5 years.

	December 31, 2018			
<i>(In thousands)</i>	Weighted Average Amortization Period (in years)	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, net
In-process research & development	—	\$ 19,813	\$ —	\$ 19,813
Supplier network	10.0	4,000	(1,667)	2,333
Customer relationships & other intangibles	6.7	42,413	(17,746)	24,667
Developed technology	8.6	37,547	(3,498)	34,049
Patents	16.5	7,764	(1,303)	6,461
Total intangible assets		\$ 111,537	\$ (24,214)	\$ 87,323

On September 5, 2018, we acquired Nemaris, Inc. ("Nemaris"), a privately held company that markets and develops Surgimap®, a surgical planning software platform ("Nemaris Acquisition"). The assets acquired in the Nemaris Acquisition consist primarily of developed technology. We determined that substantially all the fair value of the gross assets on the date of acquisition is captured in the developed technology and as a result, the Nemaris Acquisition was accounted for as an asset purchase. We allocated the consideration paid of \$15.2 million on a pro rata basis to the assets acquired on their respective fair values. The useful lives of the developed technology is seven years and will be amortized on a straight-line basis. In addition to the cash paid at closing, there is a potential \$10.0 million contingent consideration payment based on product development milestones.

A summary of the net carrying value of goodwill is presented below:

<i>(In thousands)</i>	
December 31, 2017	\$ 123,890
Additions and adjustments	—
Foreign exchange	(156)
December 31, 2018	123,734
Additions and adjustments	5,753
Foreign exchange	414
June 30, 2019	\$ 129,901

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GLOBUS MEDICAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

NOTE 5. MARKETABLE SECURITIES

The composition of our short-term and long-term marketable securities is as follows:

June 30, 2019					
(In thousands)	Contractual Maturity (in years)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term:					
Municipal bonds	Less than 1	\$ 4,016	\$ 2	\$ —	\$ 4,018
Corporate debt securities	Less than 1	68,319	195	(0)	68,514
Commercial paper	Less than 1	28,119	10	(0)	28,129
U.S. government and agency securities	Less than 1	9,928	10	—	9,938
Asset-backed securities	Less than 1	12,040	3	(5)	12,038
Total short-term marketable securities		\$ 122,422	\$ 220	\$ (5)	\$ 122,637
Long-term:					
Municipal bonds	1 - 3	\$ 21,232	\$ 196	\$ —	\$ 21,428
Corporate debt securities	1 - 3	181,150	2,382	(2)	183,530
Asset-backed securities	1 - 3	154,940	1,866	(2)	156,804
U.S. government and agency securities	1 - 2	7,830	73	—	7,903
Total long-term marketable securities		\$ 365,152	\$ 4,517	\$ (4)	\$ 369,665

December 31, 2018					
(In thousands)	Contractual Maturity (in years)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term:					
Municipal bonds	Less than 1	\$ 14,923	\$ —	\$ (25)	\$ 14,898
Corporate debt securities	Less than 1	118,823	—	(185)	118,638
Commercial paper	Less than 1	50,202	3	(11)	50,194
U.S. government and agency securities	Less than 1	4,497	—	(1)	4,496
Asset-backed securities	Less than 1	11,765	—	(54)	11,711
Total short-term marketable securities		\$ 200,210	\$ 3	\$ (276)	\$ 199,937
Long-term:					
Municipal bonds	1 - 2	\$ 2,676	\$ —	\$ (4)	\$ 2,672
Corporate debt securities	1 - 3	127,676	196	(295)	127,577
Asset-backed securities	1 - 3	128,297	262	(89)	128,470
U.S. government and agency securities	1 - 3	4,411	—	(13)	4,398
Total long-term marketable securities		\$ 263,060	\$ 458	\$ (401)	\$ 263,117

NOTE 6. FAIR VALUE MEASUREMENTS

Under the accounting for fair value measurements and disclosures, fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or the liability in an orderly transaction between market participants on the measurement date. Additionally, a fair value hierarchy was established that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. The level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

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GLOBUS MEDICAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Our assets and liabilities measured at fair value on a recurring basis are classified and disclosed in one of the following three categories:

Level 1—quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2—observable inputs other than quoted prices in active markets for identical assets and liabilities; and

Level 3—unobservable inputs in which there is little or no market data available, which require the reporting entity to use significant unobservable inputs or valuation techniques.

The fair value of our assets and liabilities measured at fair value on a recurring basis was as follows:

<i>(In thousands)</i>	Balance at June 30, 2019	Level 1	Level 2	Level 3
Assets				
Cash equivalents	\$ 32,798	\$ 6,784	\$ 26,014	\$ —
Municipal bonds	25,446	—	25,446	—
Corporate debt securities	252,044	—	252,044	—
Commercial paper	28,129	—	28,129	—
Asset-backed securities	168,842	—	168,842	—
Government, federal agency, and other sovereign obligations	17,841	—	17,841	—
Liabilities				
Business acquisition liabilities	9,304	—	—	9,304

<i>(In thousands)</i>	Balance at December 31, 2018	Level 1	Level 2	Level 3
Assets				
Cash equivalents	\$ 48,040	\$ 259	\$ 47,781	\$ —
Municipal bonds	17,570	—	17,570	—
Corporate debt securities	246,215	—	246,215	—
Commercial paper	50,194	—	50,194	—
Asset-backed securities	140,181	—	140,181	—
Government, federal agency, and other sovereign obligations	8,894	—	8,894	—
Liabilities				
Business acquisition liabilities	10,118	—	—	10,118

Our marketable securities are classified as Level 2 within the fair value hierarchy, as we measure their fair value using market prices for similar instruments and inputs such as actual trade data, benchmark yields, broker/dealer quotes and other similar data obtained from quoted market prices or independent pricing vendors.

Assets and Liabilities That Are Measured at Fair Value on a Nonrecurring Basis

The purchase price of business acquisitions is primarily allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values on the acquisition dates, with the excess recorded as goodwill. We utilize Level 3 inputs in the determination of the initial fair value. Non-financial assets such as goodwill, intangible assets, and property, plant, and equipment are subsequently measured at fair value when there is an indicator of impairment and recorded at fair value only when an impairment is recognized. We assess the impairment of intangible assets annually or whenever events or changes in circumstances indicate that the carrying amount of an intangible asset may not be recoverable. The fair value of our goodwill and intangible assets is not estimated if there is no change in events or circumstances that indicate the carrying amount of an intangible asset may not be recoverable.

Contingent consideration represents our contingent milestone, performance and revenue-sharing payment obligations related to our acquisitions and is measured at fair value, based on significant inputs not observable in the market, which represents a Level 3

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GLOBUS MEDICAL, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Unaudited)

measurement within the fair value hierarchy. The valuation of contingent consideration uses assumptions we believe would be made by a market participant. We assess these estimates on an ongoing basis as additional data impacting the assumptions is obtained. The balances of the fair value of contingent consideration are recognized within business acquisition liabilities on our condensed consolidated balance sheets, and the changes in the fair value of contingent consideration are recognized within acquisition related costs in the condensed consolidated statements of income. As part of the StelKast Acquisition during the second quarter of 2019, we incurred a milestone-based contingent consideration liability.

The recurring Level 3 fair value measurements of our business acquisition liabilities include the following significant unobservable inputs, which have not materially changed since December 31, 2018:

<i>(In thousands)</i>	Fair Value at June 30, 2019	Valuation technique	Unobservable input	Range
			Discount rate	4.7% - 8.5%
Revenue-based payments	\$ 9,304	Discounted cash flow	Probability of payment	75% - 100%
			Projected year of payment	2019 - 2029

The following table provides a reconciliation of the beginning and ending balances of business acquisition liabilities:

Three Months Ended June 30,	Six Months Ended June 30,
--------------------------------	------------------------------

<i>(In thousands)</i>	2019	2018	2019	2018
Beginning balance	\$ 5,289	\$ 10,854	\$ 10,118	\$ 15,919
Purchase price contingent consideration	4,298	—	4,298	—
Changes resulting from foreign currency fluctuations	—	(204)	(58)	(63)
Contingent payments	(283)	(510)	(5,633)	(5,950)
Changes in fair value of business acquisition liabilities	—	182	579	416
Ending balance	\$ 9,304	\$ 10,322	\$ 9,304	\$ 10,322

NOTE 7. INVENTORIES

<i>(In thousands)</i>	June 30, 2019	December 31, 2018
Raw materials	\$ 30,962	\$ 20,740
Work in process	13,581	13,179
Finished goods	128,497	97,335
Total inventories	\$ 173,040	\$ 131,254

NOTE 8. ACCRUED EXPENSES

<i>(In thousands)</i>	June 30, 2019	December 31, 2018
Compensation and other employee-related costs	\$ 28,457	\$ 32,465
Legal and other settlements and expenses	1,325	6,684
Accrued non-income taxes	4,508	3,593
Royalties	2,361	2,500
Other	13,956	14,636
Total accrued expenses	\$ 50,607	\$ 59,878

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GLOBUS MEDICAL, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Unaudited)

NOTE 9. DEBT

Line of Credit

In May 2011, we entered into a credit agreement with Wells Fargo Bank related to a revolving credit facility that provides for borrowings up to \$50.0 million. In June 2018, we amended the credit agreement to increase the revolving credit facility amount from \$50.0 million to \$125.0 million. At our request, and with the approval of the bank, the amount of borrowings available under the revolving credit facility can be increased to \$150.0 million. The revolving credit facility includes up to a \$25.0 million sub-limit for letters of credit. As amended to date, the revolving credit facility expires in May 2020. Cash advances bear interest at our option either at a fluctuating rate per annum equal to the daily LIBOR in effect for a one-month period plus 0.75%, or a fixed rate for a one- or three-month period equal to LIBOR plus 0.75%. The credit agreement governing the revolving credit facility also subjects us to various restrictive covenants, including the requirement to maintain maximum consolidated leverage. The covenants also include limitations on our ability to repurchase shares, to pay cash dividends or to enter into a sale transaction. As of June 30, 2019, we were in compliance with all financial covenants under the credit agreement, there were no outstanding borrowings under the revolving credit facility and available borrowings were \$125.0 million. We may terminate the credit agreement at any time on ten days' notice without premium or penalty.

NOTE 10. EQUITY

Our amended and restated Certificate of Incorporation provides for a total of 785,000,000 authorized shares of common stock. Of the authorized number of shares of common stock, 500,000,000 shares are designated as Class A common stock ("Class A Common"), 275,000,000 shares are designated as Class B common stock ("Class B Common") and 10,000,000 shares are designated as Class C common stock ("Class C Common").

Our issued and outstanding common shares by Class were as follows:

<i>(Shares)</i>	Class A Common	Class B Common	Class C Common	Total
June 30, 2019	76,647,453	22,430,097	—	99,077,550
December 31, 2018	76,143,257	22,430,097	—	98,573,354

The following table summarizes changes in total equity:

<i>(In thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Total equity, beginning of period	\$ 1,237,214	\$ 1,026,868	\$ 1,185,516	\$ 967,778
Net income	38,163	44,977	71,374	84,516
Stock-based compensation cost	6,381	5,551	12,924	11,661
Exercise of stock options	2,016	23,831	12,268	33,131
Other comprehensive income	3,752	(4,041)	5,444	100
Total equity, end of period	\$ 1,287,526	\$ 1,097,186	\$ 1,287,526	\$ 1,097,186

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GLOBUS MEDICAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

The tables below present the changes in each component of accumulated other comprehensive income/(loss), including current period other comprehensive income/(loss) and reclassifications out of accumulated other comprehensive income/(loss):

<i>(In thousands)</i>	Unrealized gain/(loss) on marketable securities, net of tax	Foreign currency translation adjustments	Accumulated other comprehensive loss
Accumulated other comprehensive loss, net of tax, at December 31, 2018	\$ (168)	\$ (7,004)	\$ (7,172)
Other comprehensive (loss)/income before reclassifications	4,947	1,661	6,608
Amounts reclassified from accumulated other comprehensive income, net of tax	(1,164)	—	(1,164)
Other comprehensive (loss)/income, net of tax	3,783	1,661	5,444
Accumulated other comprehensive loss, net of tax, at June 30, 2019	<u>\$ 3,615</u>	<u>\$ (5,343)</u>	<u>\$ (1,728)</u>

<i>(In thousands)</i>	Unrealized gain/(loss) on marketable securities, net of tax	Foreign currency translation adjustments	Accumulated other comprehensive loss
Accumulated other comprehensive loss, net of tax, at December 31, 2017	\$ (313)	\$ (6,594)	\$ (6,907)
Other comprehensive (loss)/income before reclassifications	(67)	172	105
Amounts reclassified from accumulated other comprehensive income, net of tax	(5)	—	(5)
Other comprehensive (loss)/income, net of tax	(72)	172	100
Accumulated other comprehensive loss, net of tax, at June 30, 2018	<u>\$ (385)</u>	<u>\$ (6,422)</u>	<u>\$ (6,807)</u>

NOTE 11. STOCK-BASED COMPENSATION

We have three stock plans: our Amended and Restated 2003 Stock Plan, our 2008 Stock Plan, and our 2012 Equity Incentive Plan (the “2012 Plan”). The 2012 Plan is the only remaining active stock plan. The purpose of these stock plans was, and the 2012 Plan is, to provide incentive to employees, directors, and consultants of Globus. The Plans are administered by the Board of Directors of Globus (the “Board”) or its delegates. The number, type of option, exercise price, and vesting terms are determined by the Board or its delegates in accordance with the terms of the Plans. The options granted expire on a date specified by the Board, but generally not more than ten years from the grant date. Option grants to employees generally vest in varying installments over a four-year period.

The 2012 Plan was approved by our Board in March 2012, and by our stockholders in June 2012. Under the 2012 Plan, the aggregate number of shares of Class A Common stock that may be issued subject to options and other awards is equal to the sum of (i) 3,076,923 shares, (ii) any shares available for issuance under the 2008 Plan as of March 13, 2012, (iii) any shares underlying awards outstanding under the 2008 Plan as of March 13, 2012 that, on or after that date, are forfeited, terminated, expired or lapse for any reason, or are settled for cash without delivery of shares and (iv) starting January 1, 2013, an annual increase in the number of shares available under the 2012 Plan equal to up to 3% of the number of shares of our common and preferred stock outstanding at the end of the previous year, as determined by our Board. The number of shares that may be issued or transferred pursuant to incentive stock options under the 2012 Plan is limited to 10,769,230 shares. The shares of Class A Common stock issuable under the 2012 Plan include authorized but unissued shares, treasury shares or shares of common stock purchased on the open market.

As of June 30, 2019, pursuant to the 2012 Plan, there were 14,893,850 shares of Class A Common stock reserved and 1,259,513 shares of Class A Common stock available for future grants.

The weighted average grant date fair value per share of the options awarded to employees were as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Weighted average grant date fair value per share	\$ 13.00	\$ 17.09	\$ 13.65	\$ 14.66

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GLOBUS MEDICAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Stock option activity during the six months ended June 30, 2019 is summarized as follows:

Option Shares (thousands)	Weighted average exercise price	Weighted average remaining contractual life (years)	Aggregate intrinsic value (thousands)
------------------------------	--	---	--

Outstanding at December 31, 2018	9,668	\$	31.45		
Granted	2,200		45.39		
Exercised	(506)		24.38		
Forfeited	(432)		40.38		
Outstanding at June 30, 2019	10,930	\$	34.22	7.5	\$ 110,579
Exercisable at June 30, 2019	4,942	\$	25.73	6.1	\$ 83,793
Expected to vest at June 30, 2019	5,988	\$	41.23	8.7	\$ 26,786

The intrinsic value of stock options exercised and the compensation cost related to stock options granted to employees and non-employees under our stock plans was as follows:

(In thousands)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Intrinsic value of stock options exercised	\$ 2,260	\$ 33,305	\$ 10,684	\$ 48,153
Stock-based compensation expense	\$ 6,297	\$ 5,480	\$ 12,749	\$ 11,533
Net stock-based compensation capitalized into inventory	84	71	175	128
Total stock-based compensation cost	\$ 6,381	\$ 5,551	\$ 12,924	\$ 11,661

As of June 30, 2019, there was \$65.4 million of unrecognized compensation expense related to unvested employee stock options that are expected to vest over a weighted average period of three years.

NOTE 12. INCOME TAXES

In computing our income tax provision, we make certain estimates and management judgments, such as estimated annual taxable income or loss, annual effective tax rate, the nature and timing of permanent and temporary differences between taxable income for financial reporting and tax reporting, and the recoverability of deferred tax assets. Our estimates and assumptions may change as new events occur, additional information is obtained, or as the tax environment changes. Should facts and circumstances change during a quarter causing a material change to the estimated effective income tax rate, a cumulative adjustment is recorded.

The following table provides a summary of our effective tax rate:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Effective income tax rate	19.0%	10.6%	19.6%	14.1%

The period over period change in the effective income tax rate for the three and six months ended June 30, 2019 is primarily driven by the reduction of benefits related to the exercise of stock based compensation (ASU 2016-09).

NOTE 13. COMMITMENTS AND CONTINGENCIES

We are involved in a number of proceedings, legal actions, and claims. Such matters are subject to many uncertainties, and the outcomes of these matters are not within our control and may not be known for prolonged periods of time. In some actions, the claimants seek damages, as well as other relief, including injunctions prohibiting us from engaging in certain activities, which, if granted, could require significant expenditures and/or result in lost revenues. We record a liability in the condensed consolidated financial statements for these actions when a loss is known or considered probable and the amount can be reasonably estimated. If the reasonable estimate

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GLOBUS MEDICAL, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Unaudited)

of a known or probable loss is a range, and no amount within the range is a better estimate than any other, the minimum amount of the range is accrued. If a loss is reasonably possible but not known or probable, and can be reasonably estimated, the estimated loss or range of loss is disclosed. In most cases, significant judgment is required to estimate the amount and timing of a loss to be recorded. While it is not possible to predict the outcome for most of the matters discussed, we believe it is possible that costs associated with them could have a material adverse impact on our consolidated earnings, financial position or cash flows.

L5 Litigation

In December 2009, we filed suit in the Court of Common Pleas of Montgomery County, Pennsylvania against our former exclusive independent distributor L5 Surgical, LLC and its principals, seeking an injunction and declaratory judgment concerning certain restrictive covenants made to L5 by its sales representatives. L5 brought counterclaims against us alleging tortious interference, unfair competition and conspiracy. The injunction phase was resolved in September 2010 and the remaining claims were fully resolved through settlement by the parties on February 6, 2019.

Bianco Litigation

On March 21, 2012, Sabatino Bianco filed suit against us in the Federal District Court for the Eastern District of Texas claiming that we misappropriated his trade secret and confidential information and improperly utilized it in developing our CALIBER® product. On October 1, 2013, Bianco amended his complaint to claim that his trade secrets and confidential information were also used improperly in developing our RISE® and CALIBER®-L products.

On September 13, 2017, we settled this matter with Bianco for \$11.5 million in cash, which resulted in the reversal of a previously recorded accrual of \$2.5 million and the recording of \$9.0 million in other assets that will be amortized through June 30, 2022, as a component of cost of goods sold.

Flexuspine, Inc. Litigation

On March 11, 2015, Flexuspine, Inc. filed suit against us in the U.S. District Court for the Eastern District of Texas for patent infringement. Flexuspine, Inc. alleged that Globus willfully infringed one or more claims of five patents by making, using, offering for sale or selling the CALIBER®, CALIBER®-L, and ALTERA® products. On August 19, 2016, a jury returned a verdict in our favor finding no infringement of the asserted patents. On January 19, 2018 the United States Court of Appeals for the Federal Circuit affirmed the decisions of the lower court. On February 19, 2018, Flexuspine, Inc. filed a petition for panel rehearing in the United States Court of Appeals for the Federal Circuit. On March 7, 2018, the United States Court of Appeals for the Federal Circuit denied Flexuspine Inc.'s petition for panel rehearing.

In addition, we are subject to legal proceedings arising in the ordinary course of business.

NOTE 14. LEASES

The Company leases certain equipment, vehicles, and facilities under operating leases. Our leases have initial lease terms ranging from one year to fourteen years. Certain leases contain options to extend terms beyond the lease termination date. In these leases, we use judgment to determine whether it is reasonably possible that we will extend the lease beyond the initial term and for how long. Leases that have terms of less than 12 months are treated as short-term and are not recognized as right of use assets or lease liabilities. As most leases do not provide an implicit rate, we use an incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. As of June 30, 2019, the Company's short-term lease commitments and sublease income are immaterial.

The Company classifies right-of-use assets as Other assets, short-term lease liabilities as Accrued expenses, and long-term lease liabilities as Other liabilities on the Consolidated Balance Sheet. Lease expense is recognized, on a straight-line basis over the term of the lease, as a component of operating income on the Consolidated Statement of Income.

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GLOBUS MEDICAL, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Unaudited)

Amounts reported in the Consolidated Balance Sheet as of the six months ended June 30, 2019 were as follows:

(In thousands, except weighted average lease term and discount rate)

Operating leases:

Right of use assets	\$	1,975
Lease liability - short term		1,235
Lease liability - long term		740
Total operating lease liability	\$	1,975
Lease expense as of June 30, 2019	\$	1,523
Weighted-average remaining lease term - operating leases (in years)		1.8
Weighted-average discount rate		3.3%

Future minimum lease payments under non-cancellable leases as of the quarter ended June 30, 2019 are as follows:

<i>(In thousands)</i>	Operating Leases
2019 (excluding the six months ended June 30, 2019)	\$ 722
2020	1,026
2021	273
2022	100
2023	51
Thereafter	18
Total undiscounted leases payments	\$ 2,190
Less : imputed interest	215
Total lease liabilities	\$ 1,975

NOTE 15. SEGMENT AND GEOGRAPHIC INFORMATION

Operating segments are defined as components of an enterprise for which separate discrete financial information is available and evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. We globally manage the business within one operating segment. Segment information is consistent with how management reviews the business, makes investing and resource allocation decisions and assesses operating performance.

The following table represents total sales by geographic area, based on the location of the customer:

<i>(In thousands)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018

United States	\$ 159,989	\$ 145,381	\$ 307,527	\$ 290,997
International	34,550	28,003	69,959	56,798
Total sales	<u>\$ 194,539</u>	<u>\$ 173,384</u>	<u>\$ 377,486</u>	<u>\$ 347,795</u>

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GLOBUS MEDICAL, INC. AND SUBSIDIARIES
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read together with our unaudited interim condensed consolidated financial statements and related notes included elsewhere in this report.

Unless otherwise noted, the figures in the following discussions are unaudited.

Overview

Globus Medical, Inc. (together, as applicable, with its consolidated subsidiaries, “Globus,” “we,” “us” or “our”), headquartered in Audubon, Pennsylvania, is a medical device company that develops and commercializes healthcare solutions whose mission is to improve the quality of life of patients with musculoskeletal disorders. Founded in 2003, Globus is committed to medical device innovation and delivering exceptional service to hospitals and physicians to advance patient care and improve efficiency. Since inception, Globus has listened to the voice of the surgeon to develop practical solutions and products to help surgeons effectively treat patients and improve lives. With over 190 products on the market, we offer a comprehensive portfolio of innovative and differentiated technologies that treat a variety of musculoskeletal conditions of the spine, extremities, pelvis, hip and knee. Although we manage our business globally within one operating segment, we separate our products into two major categories: Musculoskeletal Solutions and Enabling Technologies.

Musculoskeletal Solutions

Musculoskeletal Solutions consist primarily of implantable devices, biologics, accessories, and unique surgical instruments used in an expansive range of spinal, orthopedic and neurosurgical procedures.

Our broad spectrum of spine products addresses the vast majority of conditions affecting the spine including degenerative conditions, deformity, tumors, and trauma. With more than fifteen years in this competitive market, we provide comprehensive solutions that facilitate both open and minimally invasive surgery (“MIS”) techniques. This includes traditional fusion implants such as pedicle screw and rod systems, plating systems, intervertebral spacers and corpectomy devices. We believe we pioneered innovative expandable solutions for interbody fusion, corpectomy and interspinous fixation that allow intraoperative customization of our devices to the patient’s anatomy and save surgical time by eliminating sequential trialing. We have also developed treatment options for motion preservation technologies, such as dynamic stabilization, total disc replacement and interspinous distraction devices; and interventional pain management solutions to treat vertebral compression fractures. Regenerative biologic products such as allografts and synthetic alternatives are adjunctive treatments typically used in combination with stabilizing implant hardware.

Our orthopedic trauma solutions are designed to treat a wide variety of orthopedic fracture patterns and patient anatomies in the upper and lower extremities as well as the hip. To date, Globus has received 510(k) clearance from the U.S. Food and Drug Administration (“FDA”) for numerous orthopedic trauma and extremity products, covering four major segments of the orthopedic trauma market - fracture plates, compression screws, intramedullary nails, and external fixation. We began marketing these products in 2018 and intend to grow our presence in this field. Fracture plating includes proximal humerus, distal radius, proximal tibia, distal fibula, small fragment, mini-fragment and clavicle plates. Intramedullary nailing includes tibial, trochanteric, and femoral nail systems. Regenerative biologic products such as bone void fillers and allograft struts are also used in orthopedic procedures where applicable.

Our hip and knee joint solutions for the treatment of degenerative conditions or failed previous reconstruction have a long history of clinical use with StelKast. Over 40 different implants have been marketed to date, including modular hip stems and acetabular cups for total hip arthroplasty as well as posterior stabilizing and cruciate retaining knee arthroplasty implants.

Enabling Technologies

Enabling Technologies are advanced computer-assisted intelligent systems designed to enhance a surgeon’s capabilities and streamline surgical procedures to be safer, less invasive, more accurate, and more reproducible, to ultimately improve patient care and reduce radiation exposure for all involved.

Our current enabling technologies are comprised of imaging, navigation and robotic (“INR”) assisted surgery solutions. This includes the ExcelsiusGPS® platform, a robotic guidance and navigation system that supports minimally invasive and open procedures with screw placement applications. The ExcelsiusGPS® platform has a modular design that can be used for a variety of screw placement applications, and we expect that it will serve as a foundation for future clinical applications using artificial intelligence and augmented reality.

Globus’ innovative Enabling Technologies products offer surgeons more information about patient anatomy and surgical options to help them to make well-informed surgical decisions. We believe the advantages of pre-planning implant position and viewing

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patient anatomy during surgery are self-evident, and also create significant secondary gains such as eliminating radiation exposure altogether.

While we group our products into two categories, they are not limited to a particular technology, platform or surgical approach. Instead, our goal is to offer a comprehensive product suite that can be used to effectively treat patients based on their specific anatomy and condition, and is customized to the surgeon’s training and surgical preference.

To date, the primary market for our products has been the United States, where we sell our products through a combination of direct sales representatives employed by us and distributor sales representatives employed by our exclusive independent distributors, who distribute our products on our behalf for a commission that is generally based on a percentage of sales. We believe there is significant opportunity to strengthen our position in the U.S. market by increasing the size of our U.S. sales force and we intend to add additional direct and distributor sales representatives in the future.

During the six months ended June 30, 2019, our international sales accounted for approximately 19% of our total sales. We have sold our products in approximately 50 countries outside the United States through a combination of direct sales representatives employed by us and exclusive international distributors. We believe there are significant opportunities for us to increase our presence in both existing and new international markets through the continued expansion of our direct and distributor sales forces and the commercialization of additional products.

Results of Operations

Three Months Ended June 30, 2019 Compared to the Three Months Ended June 30, 2018

Sales

The following table sets forth, for the periods indicated, our sales by geography expressed as dollar amounts and the changes in sales between the specified periods expressed in dollar amounts and as percentages:

(In thousands, except percentages)	Three Months Ended		Change	
	June 30,		\$	%
	2019	2018		
United States	\$ 159,989	\$ 145,381	\$ 14,608	10.0%
International	34,550	28,003	6,547	23.3%
Total sales	\$ 194,539	\$ 173,384	\$ 21,155	12.2%

In the United States, the increase in sales of \$14.6 million was due primarily to increased spine product sales resulting from penetration in existing territories. This increase was partially offset by a decrease in INR technology sales.

Internationally, the increase in sales of \$6.5 million was due primarily to increased sales in Japan and other existing countries. On a constant currency basis, our international sales grew \$7.5 million, or by 26.7%, and our worldwide sales increased 12.7%.

Cost of Goods Sold

(In thousands, except percentages)	Three Months Ended		Change	
	June 30,		\$	%
	2019	2018		
Cost of goods sold	\$ 43,990	\$ 37,637	\$ 6,353	16.9%
Percentage of sales	22.6%	21.7%		

The \$6.4 million net increase in cost of goods sold was primarily due to higher volumes, product mix, and depreciation. These increases were partially offset by lower write-downs of excess and obsolete inventory.

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Research and Development Expenses

(In thousands, except percentages)	Three Months Ended		Change	
	June 30,		\$	%
	2019	2018		
Research and development	\$ 15,746	\$ 13,523	\$ 2,223	16.4%
Percentage of sales	8.1%	7.8%		

The increase in research and development expenses was due primarily to an increase in employee compensation costs from additional headcount, including our INR technology group, increased supplies for furthering research activities and developing new innovative products.

Selling, General and Administrative Expenses

(In thousands, except percentages)	Three Months Ended		Change	
	June 30,		\$	%
	2019	2018		
Selling, general and administrative	\$ 88,379	\$ 77,125	\$ 11,254	14.6%
Percentage of sales	45.4%	44.5%		

The increase in selling, general and administrative expenses was primarily due to an increase of \$9.8 million in selling and marketing expenses relating to continued build out of the U.S., orthopedic trauma and INR technology sales forces, as well as increases in the international sales forces to further penetrate those markets.

Amortization of Intangibles

(In thousands, except percentages)	June 30,		Change	
	2019	2018	\$	%
Amortization of intangibles	\$ 3,449	\$ 2,178	\$ 1,271	58.3%
Percentage of sales	1.8%	1.3%		

The increase in the amortization of intangibles is primarily due to the developed technology intangible assets acquired in connection with the KB Medical and Nemaris Acquisitions.

Acquisition Related Costs

(In thousands, except percentages)	Three Months Ended		Change	
	June 30,		\$	%
	2019	2018		
Acquisition related costs	\$ 106	\$ 782	\$ (676)	-86.4%
Percentage of sales	0.1%	0.5%		

The decrease in acquisition related cost is primarily due to the timing of acquisitions.

Other Income, Net

(In thousands, except percentages)	Three Months Ended		Change	
	June 30,		\$	%
	2019	2018		
Other income, net	\$ 4,224	\$ 8,165	\$ (3,941)	-48.3%
Percentage of sales	2.2%	4.7%		

The decrease in other income, net was due primarily to the gain on sale of assets of \$4.6 million during the three months ended June 30, 2018.

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Income Tax Provision

(In thousands, except percentages)	Three Months Ended		Change	
	June 30,		\$	%
	2019	2018		
Income tax provision	\$ 8,930	\$ 5,327	\$ 3,603	67.6%
Effective income tax rate	19.0%	10.6%		

The change in the effective income tax rate between the current year and prior year periods is primarily driven by the reduction of benefits related to the exercise of stock based compensation.

Six Months Ended June 30, 2019 Compared to the Six Months Ended June 30, 2018

Sales

The following table sets forth, for the periods indicated, our sales by geography expressed as dollar amounts and the changes in sales between the specified periods expressed in dollar amounts and as percentages:

(In thousands, except percentages)	Six Months Ended		Change	
	June 30,		\$	%
	2019	2018		
United States	\$ 307,527	\$ 290,997	\$ 16,530	5.7%
International	69,959	56,798	13,161	23.2%
Total sales	\$ 377,486	\$ 347,795	\$ 29,691	8.5%

In the United States, the increase in sales of \$16.5 million was due primarily to increased spine product sales resulting from penetration in existing territories. This increase was partially offset by a decrease in INR technology sales.

Internationally, the increase in sales of \$13.2 million was due primarily to increased sales in Japan and other existing countries. On a constant currency basis, our international sales grew \$15.5 million, or by 27.3%, and our worldwide sales increased 9.2%.

Cost of Goods Sold

(In thousands, except percentages)	Six Months Ended		Change	
	June 30,		\$	%
	2019	2018		
Cost of goods sold	\$ 85,828	\$ 75,607	\$ 10,221	13.5%
Percentage of sales	22.7%	21.7%		

The \$10.2 million net increase in cost of goods sold was primarily due to higher volumes, product mix, and depreciation. These increases were partially offset by lower write-downs of excess and obsolete inventory.

(In thousands, except percentages)	Six Months Ended		Change	
	June 30,		\$	%
	2019	2018		
Research and development	\$ 30,069	\$ 26,210	\$ 3,859	14.7%
Percentage of sales	8.0%	7.5%		

The increase in research and development expenses was due primarily to an increase in employee compensation costs from additional headcount, including our INR technology group, increased supplies for furthering research activities and developing new innovative products.

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Selling, General and Administrative Expenses

(In thousands, except percentages)	Six Months Ended		Change	
	June 30,		\$	%
	2019	2018		
Selling, general and administrative	\$ 174,163	\$ 152,819	\$ 21,344	14.0%
Percentage of sales	46.1%	43.9%		

The increase in selling, general and administrative expenses was primarily due to an increase of \$17.5 million in selling and marketing expenses relating to continued build out of the U.S., orthopedic trauma and INR technology sales forces, as well as increases in the international sales forces to further penetrate those markets.

Amortization of Intangibles

(In thousands, except percentages)	Six Months Ended		Change	
	June 30,		\$	%
	2019	2018		
Amortization of intangibles	\$ 6,792	\$ 4,365	\$ 2,427	55.6%
Percentage of sales	1.8%	1.3%		

The increase in the amortization of intangibles is primarily due to the developed technology intangible assets acquired in connection with the KB Medical and Nemaris Acquisitions.

Acquisition Related Costs

(In thousands, except percentages)	Six Months Ended		Change	
	June 30,		\$	%
	2019	2018		
Acquisition related costs	\$ 685	\$ 1,021	\$ (336)	-32.9%
Percentage of sales	0.2%	0.3%		

Acquisition related costs remained consistent for the six-months ended June 30, 2019 as compared to the six-months ended June 30, 2018.

Other Income, Net

(In thousands, except percentages)	Six Months Ended		Change	
	June 30,		\$	%
	2019	2018		
Other income, net	\$ 8,795	\$ 10,609	\$ (1,814)	-17.1%
Percentage of sales	2.3%	3.1%		

The decrease in other income, net was due primarily to the gain on sale of assets of \$4.6 million during the six-months ended June 30, 2018, partially offset by increased interest income from marketable securities.

Income Tax Provision

(In thousands, except percentages)	Six Months Ended		Change	
	June 30,		\$	%
	2019	2018		
Income tax provision	\$ 17,370	\$ 13,866	\$ 3,504	25.3%
Effective income tax rate	19.6%	14.1%		

The change in the effective income tax rate between the current year and prior year periods is primarily driven by the reduction of benefits related to the exercise of stock based compensation.

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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 related costs/licensing, and net gain from the sale of assets, 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. Net gain from sale of assets represents the gain on sale of assets and the offsetting impact of costs incurred through the sale.

The following is a reconciliation of net income to Adjusted EBITDA for the periods presented:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
<i>(In thousands, except percentages)</i>	2019	2018	2019	2018
Net income	\$ 38,163	\$ 44,977	\$ 71,374	\$ 84,516
Interest income, net	(4,417)	(2,971)	(8,576)	(5,262)
Provision for income taxes	8,930	5,327	17,370	13,866
Depreciation and amortization	12,858	9,757	25,113	19,233
EBITDA	55,534	57,090	105,281	112,353
Stock-based compensation expense	6,297	5,480	12,749	11,533
Acquisition related costs/licensing	335	1,285	971	1,677
Net gain from sale of assets	—	(4,357)	—	(4,357)
Adjusted EBITDA	\$ 62,166	\$ 59,498	\$ 119,001	\$ 121,206
<i>Net income as a percentage of sales</i>	19.6%	25.9%	18.9%	24.3%
Adjusted EBITDA as a percentage of sales	32.0%	34.3%	31.5%	34.8%

In addition, for the period ended June 30, 2019 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, net gain from the sale of assets, and adjusted for 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/licensing, and the tax effects of such adjustments, which we believe is not reflective of underlying business trends.

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The following is a reconciliation of net income computed in accordance with U.S. GAAP to non-GAAP net income for the periods presented.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
<i>(In thousands)</i>	2019	2018	2019	2018
Net income	\$ 38,163	\$ 44,977	\$ 71,374	\$ 84,516
Amortization of intangibles	3,449	2,178	6,792	4,365
Acquisition related costs/licensing	335	1,285	971	1,677
Net gain from sale of assets	—	(4,357)	—	(4,357)
Tax effect of adjusting items	(717)	95	(1,524)	(238)
Non-GAAP net income	\$ 41,230	\$ 44,178	\$ 77,613	\$ 85,963

The following is a reconciliation of Diluted Earnings Per Share as computed in accordance with U.S. GAAP to non-GAAP Diluted Earnings Per Share for the periods presented.

	Three Months Ended	Six Months Ended
	June 30,	June 30,

<i>(In thousands)</i>	2019	2018	2019	2018
Diluted earnings per share, as reported	\$ 0.38	\$ 0.44	\$ 0.70	\$ 0.84
Amortization of intangibles	0.03	0.02	0.07	0.04
Acquisition related costs/licensing	—	0.01	0.01	0.02
Net gain from sale of assets	—	(0.04)	—	(0.04)
Tax effect of adjusting items	(0.01)	—	(0.02)	—
Non-GAAP diluted earnings per share	\$ 0.41	\$ 0.44	\$ 0.76	\$ 0.85

We also define the non-GAAP measure of Free Cash Flow as the net cash provided by operating activities, 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.

Below is a reconciliation of net cash provided by operating activities as computed in accordance with U.S. GAAP to Free Cash Flow for the periods presented.

<i>(In thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net cash provided by operating activities	\$ 22,597	\$ 33,269	\$ 61,800	\$ 85,564
Purchases of property and equipment	(14,740)	(14,793)	(42,895)	(27,167)
Free cash flow	\$ 7,857	\$ 18,476	\$ 18,905	\$ 58,397

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.

Below is a reconciliation of sales growth as reported in accordance with U.S. GAAP compared to constant currency sales growth for the periods presented.

<i>(In thousands, except percentages)</i>	Three Months Ended June 30,		Reported Sales Growth	Currency Impact on Current Period Sales	Constant Currency Sales Growth
	2019	2018			
United States	\$ 159,989	\$ 145,381	10.0%	\$ —	10.0%
International	34,550	28,003	23.3%	(945)	26.7%
Total Sales	\$ 194,539	\$ 173,384	12.2%	\$ (945)	12.7%

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<i>(In thousands, except percentages)</i>	Six Months Ended June 30,		Reported Sales Growth	Currency Impact on Current Period Sales	Constant Currency Sales Growth
	2019	2018			
United States	\$ 307,527	\$ 290,997	5.7%	\$ —	5.7%
International	69,959	56,798	23.2%	(2,371)	27.3%
Total Sales	\$ 377,486	\$ 347,795	8.5%	\$ (2,371)	9.2%

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.

Cash Flows

The following table summarizes, for the periods indicated, cash flows from operating, investing and financing activities:

<i>(In thousands)</i>	Six Months Ended June 30,		Change \$
	2019	2018	
Net cash provided by operating activities	\$ 61,800	\$ 85,564	\$ (23,764)
Net cash used in investing activities	(90,578)	(111,547)	20,969
Net cash provided by financing activities	6,635	27,181	(20,546)
Effect of foreign exchange rate changes on cash	186	(71)	257
Increase (decrease) in cash, cash equivalents, and restricted cash	\$ (21,957)	\$ 1,127	\$ (23,084)

Cash Provided by Operating Activities

The decrease in net cash provided by operating activities was primarily due to the decrease of cash flow from inventories and lower net income, which were offset partially by the increase of cash flow from accounts payable.

Cash Used in Investing Activities

The decrease in net cash used in investing activities was due primarily to the decrease in net impact of purchases, maturities and sales of marketable securities, partially offset by increased purchases of property and equipment.

Cash Provided by Financing Activities

The decrease in cash provided by financing activities was the result of the decrease in proceeds from option exercises.

Liquidity and Capital Resources

The following table highlights certain information related to our liquidity and capital resources:

<i>(In thousands)</i>	June 30, 2019	December 31, 2018
Cash, cash equivalents, and restricted cash	\$ 117,790	\$ 139,747
Short-term marketable securities	122,637	199,937
Long-term marketable securities	369,665	263,117
Total cash, cash equivalents, restricted cash and marketable securities	<u>\$ 610,092</u>	<u>\$ 602,801</u>

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GLOBAL MEDICAL, INC. AND SUBSIDIARIES

In May 2011, we entered into a credit agreement with Wells Fargo Bank related to a revolving credit facility that provides for borrowings up to \$50.0 million. In June 2018, we amended the credit agreement to increase the revolving credit facility amount from \$50.0 million to \$125.0 million. At our request, and with the approval of the bank, the amount of borrowings available under the revolving credit facility can be increased to \$150.0 million. The revolving credit facility includes up to a \$25.0 million sub-limit for letters of credit. As amended to date, the revolving credit facility expires in May 2020. Cash advances bear interest at our option either at a fluctuating rate per annum equal to the daily LIBOR in effect for a one-month period plus 0.75%, or a fixed rate for a one- or three-month period equal to LIBOR plus 0.75%. The credit agreement governing the revolving credit facility also subjects us to various restrictive covenants, including the requirement to maintain maximum consolidated leverage. The covenants also include limitations on our ability to repurchase shares, to pay cash dividends or to enter into a sale transaction. As of June 30, 2019, we were in compliance with all financial covenants under the credit agreement, there were no outstanding borrowings under the revolving credit facility and available borrowings were \$125.0 million. We may terminate the credit agreement at any time on ten days' notice without premium or penalty.

In addition to our existing cash and marketable securities balances, our principal sources of liquidity are our cash flows from operating activities and our revolving credit facility, which was fully available as of June 30, 2019. We believe these sources will provide sufficient liquidity for us to meet our liquidity requirements for the foreseeable future. Our principal liquidity requirements are to meet our working capital, research and development, including clinical trials, and capital expenditure needs, principally for our surgical sets required to maintain and expand our business and potential future business or intellectual property acquisitions. We expect to continue to make investments in surgical sets as we launch new products, increase the size of our U.S. sales force, and expand into international markets. We may, however, require additional liquidity as we continue to execute our business strategy. Our liquidity may be negatively impacted as a result of a decline in sales of our products, including declines due to changes in our customers' ability to obtain third-party coverage and reimbursement for procedures that use our products, increased pricing pressures resulting from intensifying competition, cost increases and slower product development cycles resulting from a changing regulatory environment; and unfavorable results from litigation which will affect our cash flow. We anticipate that to the extent that we require additional liquidity, it will be funded through the incurrence of other indebtedness, additional equity financings or a combination of these potential sources of liquidity. The sale of additional equity may result in dilution to our stockholders. There is no assurance that we will be able to secure such additional funding on terms acceptable to us, or at all.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Seasonality and Backlog

Our business is generally not seasonal in nature. However, our sales of Musculoskeletal Solutions products may be influenced by summer vacation and winter holiday periods during which we have experienced fewer surgeries taking place, as well as more surgeries taking place later in the year when patients have met the deductibles under insurance plans. Our sales of Enabling Technologies products may be influenced by longer capital purchase cycles and the timing of budget approvals for major capital purchases.

We work closely with our suppliers to ensure that our inventory needs are met while maintaining high quality and reliability. To date, we have not experienced significant difficulty in locating and obtaining the materials necessary to fulfill our production requirements, and we have not experienced a meaningful backlog of sales orders.

Recently Issued Accounting Pronouncements

For further details on recently issued accounting pronouncements, please refer to **“Part I; Item 1. Financial Statements; Notes to Condensed Consolidated Financial Statements (Unaudited); Note 1. Background and Summary of Significant Accounting Policies; (j) Recently Issued Accounting Pronouncements”** above.

Cautionary Note Concerning Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical fact are forward-looking statements. We have tried to identify forward-looking statements by using words such as “believe,” “may,” “might,” “could,” “will,” “aim,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “plan” and similar words. 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

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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 changes and applicable laws and regulations that are 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, and general economic conditions, and other risks set forth throughout our Annual Report on Form 10-K for the year ended December 31, 2018 (the “Form 10-K”), particularly those set forth under “Item 1A, Risk Factors” of the Form 10-K, and those discussed in other documents we file with the Securities and Exchange Commission (the “SEC”). 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 Quarterly Report speak only as of the date of this Quarterly Report. 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.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

We have evaluated the information required under this item that was disclosed under Item 7A in our Annual Report on Form 10-K and there have been no significant changes to this information.

Item 4. Controls and Procedures**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”), evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2019. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on their evaluation of our disclosure controls and procedures as of June 30, 2019, our CEO and CFO concluded that, as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the six months ended June 30, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our CEO and CFO, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. For example, these inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

[Table of Contents](#)**GLOBUS MEDICAL, INC. AND SUBSIDIARIES****PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

We are involved in a number of proceedings, legal actions and claims. Such matters are subject to many uncertainties, and the outcomes of these matters are not within our control and may not be known for prolonged periods of time. In some actions, the claimants seek damages, as well as other relief, including injunctions prohibiting us from engaging in certain activities, which, if granted, could require significant expenditures and/or result in lost revenues. For further details on the material legal proceedings to which we are currently a party, please refer to “**Part I; Item 1. Financial Statements; Notes to Condensed Consolidated Financial Statements (Unaudited); Note 12. Commitments and Contingencies**” above.

In addition, we are subject to legal proceedings arising in the ordinary course of business.

Item 1A. Risk Factors

We are affected by risks specific to us as well as factors that affect all businesses operating in a global market. For a discussion of the specific risks that could materially adversely affect our business, financial condition or operation results, please see our Form 10-K under the heading “**Part I; Item 1A. Risk Factors.**”

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

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GLOBAL MEDICAL, INC. AND SUBSIDIARIES

Item 6. Exhibits

The following is a list of exhibits filed as part of this Quarterly Report on Form 10-Q. Where so indicated, exhibits that were previously filed are incorporated by reference. For exhibits incorporated by reference, the location of the exhibit in the previous filing is indicated in parentheses.

<u>Exhibit No.</u>	<u>Item</u>
3.1	Amended and Restated Bylaws effective as of May 1, 2019 (incorporated by reference to Exhibit 3.1 to our Form 10-Q filed on May 2, 2019).
3.2	Redline of Section 3.4 of Bylaws (incorporated by reference to Exhibit 3.2 to our Form 10-Q filed on May 2, 2019).
10.1*	Credit Agreement, dated June 1, 2019, by and between Globus Medical, Inc., Globus Medical North America, Inc. and Wells Fargo Bank, National Association
31.1*	Certification by Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification by Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32**	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
*	Filed herewith.
**	Furnished herewith.

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GLOBAL MEDICAL, INC. AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GLOBAL MEDICAL, INC.

Dated: August 1, 2019

/s/ DAVID M. DEMSKI

David M. Demski
Chief Executive Officer
President
(Principal Executive Officer)

Dated: August 1, 2019

/s/ DANIEL T. SCAVILLA

Daniel T. Scavilla
Executive Vice President
Chief Financial Officer
Chief Commercial Officer
(Principal Financial Officer)

\$125,000,000.00
2019

Conshohocken, Pennsylvania

May 22,

FOR VALUE RECEIVED, the undersigned GLOBUS MEDICAL, INC. and GLOBUS MEDICAL NORTH AMERICA, INC. ("Borrower") promises to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank") at its office at MAC Y1392-080, 300 Barr Harbor Drive, 8111 Floor, Suite 850, Conshohocken, Pennsylvania 19428, or at such other place as the holder hereof may designate, in lawful money of the United States of America and in immediately available funds, the principal sum of One Hundred Twenty-Five Million Dollars (\$125,000,000.00), or so much thereof as may be advanced and be outstanding pursuant to the terms of the Credit Agreement, as defined herein, with interest thereon, to be computed on each advance from the date of its disbursement as set forth herein.

DEFINITIONS:

As used herein, the following terms shall have the meanings set forth after each, and any other term defined in this Note shall have the meaning set forth at the place defined:

(a) "Daily One Month LIBOR" means, for any day, the rate of interest equal to LIBOR then in effect for delivery for a one (1) month period.

(b) "LIBOR" means (i) for the purpose of calculating effective rates of interest for loans making reference to LIBOR Periods, the rate of interest per annum determined by Bank based on the rate for United States dollar deposits for delivery on the first day of each LIBOR Period for a period approximately equal to such LIBOR Period as published by the ICE Benchmark Administration Limited, a United Kingdom company, at approximately 11:00 a.m., London time, two London Business Days prior to the first day of such LIBOR Period (or if not so published, then as determined by Bank from another recognized source or interbank quotation), or (ii) for the purpose of calculating effective rates of interest for loans making reference to Daily One Month LIBOR, the rate of interest per annum determined by Bank based on the rate for United States dollar deposits for delivery of funds for one (1) month as published by the ICE Benchmark Administration Limited, a United Kingdom company, at approximately 11:00 a.m., London time, or, for any day not a London Business Day, the immediately preceding London Business Day (or if not so published, then as determined by Bank from another recognized source or interbank quotation); provided, however, that if LIBOR determined as provided above would be less than zero percent (0.0%), then LIBOR shall be deemed to be zero percent (0.0%).

(c) "LIBOR Period" means a period commencing on a New York Business Day and continuing for one (1) or three (3) months, as designated by Borrower, during which all or a portion of the outstanding principal balance of this Note bears interest determined in relation to LIBOR; provided however, that (i) no LIBOR Period may be selected for a principal amount less than One Hundred Thousand Dollars (\$100,000.00), (ii) if the day after the end of any LIBOR Period is not a New York Business Day (so that a new LIBOR Period could not be selected by Borrower to start on such day), then such LIBOR Period shall continue up to, but shall not include, the next New York Business Day after the end of such LIBOR Period, unless the result of such extension would be to cause any immediately following LIBOR Period to begin in the next calendar month in which event the LIBOR Period shall continue up to, but shall not include the New York Business Day immediately preceding the last day of such LIBOR Period, and (iii) no LIBOR Period shall extend beyond the scheduled maturity date hereof.

(d) "London Business Day" means any day that is a day for trading by and between banks in dollar deposits in the London interbank market.

(e) "New York Business Day" means any day except a Saturday, Sunday or any other day on which commercial banks in New York are authorized or required by law to close.

(f) "State Business Day" means any day except a Saturday, Sunday or any other day on which commercial banks in the jurisdiction described in "Governing Law" herein are authorized or required by law to close.

INTEREST:

(a) Interest. The outstanding principal balance of this Note shall bear interest (computed on the basis of a 360-day year, actual days elapsed) either (i) at a fluctuating rate per annum determined by Bank to be seventy-five hundredths percent (0.75%) above Daily One Month LIBOR in effect from time to time, or (ii) at a fixed rate per annum determined by Bank to be seventy-five hundredths percent (0.75%) above LIBOR in effect on the first day of the applicable LIBOR Period. Bank is hereby authorized to note the date, principal amount and interest rate applicable thereto and any payments made thereon on Bank's books and records (either manually or by electronic entry) and/or on any schedule attached to this Note, which notations shall be prima facie evidence of the accuracy of the information noted.

(b) Selection of Interest Rate Options. Subject to the provisions herein regarding LIBOR Periods and the prior notice required for the selection of a LIBOR interest rate, (i) at any time any portion of this Note bears interest determined in relation to LIBOR for a LIBOR Period, it may be continued by Borrower at the end of the LIBOR Period applicable thereto so that all or a portion thereof bears interest determined in relation to Daily One Month LIBOR or to LIBOR for a new LIBOR Period designated by Borrower, (ii) at any time any portion of this Note bears interest determined in relation to Daily One Month LIBOR, Borrower may convert all or a portion thereof so that it bears interest determined in relation to LIBOR for a LIBOR Period designated by Borrower, and (iii) at the time an advance is made hereunder, Borrower may choose to have all or a portion thereof bear interest determined in relation to Daily One Month LIBOR or to UBOR for a LIBOR Period designated by Borrower.

To select an interest rate option hereunder determined in relation to LIBOR for a LIBOR Period, Borrower shall give Bank notice thereof that is received by Bank prior to 11:00 a.m. in the jurisdiction described in "Governing Law" herein on a State Business Day at least two State Business Days prior to the first day of the LIBOR Period, or at a later time during such State Business Day if Bank, at its sole discretion, accepts Borrower's notice and quotes a fixed rate to Borrower. Such notice shall specify: (A) the interest rate option selected by Borrower, (B) the principal amount subject thereto, and (C) for each LIBOR selection, the length of the applicable LIBOR Period. If Bank has not received such notice in accordance with the foregoing before an advance is made hereunder or before the end of any LIBOR Period, Borrower shall be deemed to have made a Daily One Month LIBOR interest selection for such advance or the principal amount to which such LIBOR Period applied. Any such notice may be given by telephone (or such other electronic method as Bank may permit) so long as it is given in accordance with the foregoing and, with respect to each LIBOR selection, if requested by Bank, Borrower provides to Bank written confirmation thereof not later than three State Business Days after such notice is given. Borrower shall reimburse Bank immediately upon demand for any loss or expense (including any loss or expense incurred by reason of the liquidation or redeployment of funds obtained to fund or maintain a LIBOR borrowing) incurred by Bank as a result of the failure of Borrower to accept or complete a LIBOR borrowing hereunder after making a request therefor. Any reasonable determination of such amounts by Bank shall be conclusive and binding upon Borrower. Should more than one person or entity sign this Note as a Borrower, any notice required above may be given by any one Borrower acting alone, which notice shall be binding on all other Borrowers.

(c) Taxes and Regulatory Costs. Borrower shall pay to Bank immediately upon demand, in addition to any other amounts due or to become due hereunder, any and all (i) withholdings, interest equalization taxes, stamp taxes or other taxes (except income and franchise taxes) imposed by any domestic or foreign governmental authority and related in any manner to LIBOR, and (ii) costs, expenses and liabilities arising from or in connection with reserve percentages prescribed by the Board of Governors of the Federal Reserve System (or any successor) for "Eurocurrency Liabilities" (as defined in Regulation D of the Federal Reserve Board, as amended), assessment rates imposed by Federal Deposit Insurance Corporation, or similar requirements or costs imposed by any domestic or foreign governmental authority or resulting from compliance by Bank with any request or directive (whether or not having the force of law) from any central bank or other governmental authority and related in any manner to LIBOR. In determining which of the foregoing are attributable to any LIBOR option available to Borrower hereunder, any reasonable allocation made by Bank among its operations shall be conclusive and binding upon Borrower.

(d) Default Interest. The Bank shall have the option in its sole and absolute discretion to have the outstanding principal balance of this Note bear interest at an increased rate per annum (computed on the basis of a 360-day year, actual days elapsed) equal to four percent (4%) above the rate of interest from time to time applicable to this Note (i) from and after the maturity date of this Note; (ii) from and after the date prior to the maturity date of

this Note when all principal owing hereunder becomes due and payable by acceleration or otherwise; and/or (iii) upon the occurrence and during the continuance of any Event of Default.

BORROWING AND REPAYMENT:

(a) **Borrowing and Repayment of Principal.** Borrower may from time to time during the term of this Note borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions of this Note and of any document executed in connection with or governing this Note; provided however, that the total outstanding borrowings under this Note shall not at any time exceed the principal amount stated above. The unpaid principal balance of this obligation at any time shall be the total amounts advanced hereunder by the holder hereof less the amount of principal payments made hereon by or for Borrower, which balance may be endorsed hereon from time to time by the holder. The outstanding principal balance of this Note shall be due and payable in full on May 31, 2020.

(b) **Payment of Interest.** Interest accrued on this Note shall be payable on the first day of each month, commencing June 1, 2019, and on the maturity date set forth above.

(c) **Advances.** Advances hereunder, to the total amount of the principal sum stated above, may be made by the holder at the written request of (i) the PRESIDENT, CFO or any one acting alone, who are authorized, in writing signed by the PRESIDENT or CFO and addressed to the Bank, to request advances and direct the disposition of any advances until written notice of the revocation of such authority is received by the holder at the office designated above; Borrower shall furnish to holder documentation satisfactory to holder of the incumbency of any person at any time upon holder's request, or (ii) any person, with respect to advances deposited to the credit of any deposit account of Borrower, which advances, when so deposited, shall be conclusively presumed to have been made to or for the benefit of Borrower regardless of the fact that persons other than those authorized to request advances may have authority to draw against such account and holder shall have no obligation to determine whether any person requesting an advance is or has been authorized by Borrower.

(d) **Application of Payments.** Each payment made on this Note shall be credited first, to any interest then due and second, to the outstanding principal balance hereof. All payments credited to principal shall be applied first, to the outstanding principal balance of this Note which bears interest determined in relation to Daily One Month LIBOR, if any, and second, to the outstanding principal balance of this Note which bears interest determined in relation to LIBOR, with such payments applied to the oldest LIBOR Period first.

PREPAYMENT:

(a) **Daily One Month LIBOR.** Borrower may prepay principal on any portion of this Note which bears interest determined in relation to the Daily One Month LIBOR rate at any time, in any amount and without penalty.

(b) **LIBOR.** Borrower may prepay principal on any portion of this Note which bears interest determined in relation to LIBOR at any time and in the minimum amount of One Hundred Thousand Dollars (\$100,000.00); provided however, that if the outstanding principal balance of such portion of this Note is less than said amount, the minimum prepayment amount shall be the entire outstanding principal balance thereof. In consideration of Bank providing this prepayment option to Borrower, or if any such portion of this Note shall become due and payable at any time prior to the last day of the LIBOR Period applicable thereto by acceleration or otherwise, Borrower shall pay to Bank immediately upon demand a fee which is the sum of the discounted monthly differences for each month from the month of prepayment through the month in which such LIBOR Period matures, calculated as follows for each such month:

(i) Determine the amount of interest which would have accrued each month on the amount prepaid at the interest rate applicable to such amount had it remained outstanding until the last day of the LIBOR Period applicable thereto.

(ii) Subtract from the amount determined in (i) above the amount of interest which would have accrued for the same month on the amount prepaid for the remaining term of such LIBOR Period at LIBOR in effect on the date of prepayment for new loans made for such term and in a principal amount equal to the amount prepaid.

(iii) If the result obtained in (ii) for any month is greater than zero, discount that difference by LIBOR used in (ii) above.

Borrower acknowledges that prepayment of such amount may result in Bank incurring additional costs, expenses and/or liabilities, and that it is difficult to ascertain the full extent of such costs, expenses and/or liabilities. Borrower, therefore, agrees to pay the above-described prepayment fee and agrees that said amount represents a reasonable estimate of the prepayment costs, expenses and/or liabilities of Bank. If Borrower fails to pay any prepayment fee when due, the amount of such prepayment fee shall thereafter bear interest until paid at a rate per annum two percent (2.00%) above the Daily One Month LIBOR rate in effect from time to time (computed on the basis of a 360-day year, actual days elapsed).

(c) Application of Prepayments. If principal under this Note is payable in more than one installment, then any prepayments of principal shall be applied to the most remote principal installment or installments then unpaid.

EVENTS OF DEFAULT:

This Note is made pursuant to and is subject to the terms and conditions of that certain Credit Agreement between Borrower and Bank dated May 3, 2016, as amended from time to time (the "Credit Agreement"). Any default in the payment or performance of any obligation under this Note, or any defined event of default under the Credit Agreement, shall constitute an "Event of Default" under this Note.

MISCELLANEOUS:

(a) Remedies. Upon the sale, transfer, hypothecation, assignment or other encumbrance, whether voluntary, involuntary or by operation of law, of all or any interest in any real property securing this Note, if any, or upon the occurrence of any Event of Default, the holder of this Note, at the holder's option, may declare all sums of principal and interest outstanding hereunder to be immediately due and payable without presentment, demand, notice of nonperformance, notice of protest, protest or notice of dishonor, all of which are expressly waived by Borrower, and the obligation, if any, of the holder to extend any further credit hereunder shall immediately cease and terminate. Borrower shall pay to the holder immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of the holder's in-house counsel), expended or incurred by the holder in connection with the enforcement of the holder's rights and/or the collection of any amounts which become due to the holder under this Note whether or not suit is brought, and the prosecution or defense of any action in any way related to this Note, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Borrower or any other person or entity.

(b) Collateral Exclusion. No lien or security interest created by or arising under any deed of trust, mortgage, security deed, or similar real estate collateral agreement ("Lien Document") shall secure the Note Obligations unless such Lien Document specifically describes the promissory note(s), instrument(s) or agreement(s) evidencing Note Obligations as a part of the indebtedness secured thereby. This exclusion shall apply notwithstanding (i) the fact that such Lien Document may appear to secure the Note Obligations by virtue of a cross collateralization provision or other provisions expanding the scope of the secured obligations, and (ii) whether such Lien Document was entered into prior to, concurrently with, or after the date hereof. As used herein, "Note Obligations" means any obligations under this Note, as amended, extended, renewed, refinanced, supplemented or otherwise modified from time to time, or under any other evidence of indebtedness that has been modified, renewed or extended in whole or in part by this Note, as amended, extended, renewed, refinanced, supplemented or otherwise modified from time to time.

(c) Obligations Joint and Several. Should more than one person or entity sign this Note as a Borrower, the obligations of each such Borrower shall be joint and several.

(d) Governing Law. This Note shall be governed by and construed in accordance with the laws of Pennsylvania, but giving effect to federal laws applicable to national banks, without reference to the conflicts of law or choice of law principles thereof.

(e) Effective Date. The effective date of this Note shall be the date that Bank has accepted this Note and all conditions to the effectiveness of the Credit Agreement have been fulfilled to Bank's satisfaction. Notwithstanding the occurrence of the effective date of this Note, Bank shall not be obligated to extend credit under this Note until all conditions to each extension of credit set forth in the Credit Agreement have been fulfilled to Bank's satisfaction.

(f) Business Purpose. Borrower represents and warrants that all loans evidenced by this Note are for a business, commercial, investment, or other similar purpose and not primarily for a personal, family or household use.

(g) **WARRANT OF ATTORNEY TO CONFESS JUDGMENT. BORROWER HEREBY IRREVOCABLY AUTHORIZES AND EMPOWERS THE PROTHONOTARY, ANY ATTORNEY OR ANY CLERK OF ANY COURT OF RECORD, FOLLOWING THE OCCURRENCE OF AN EVENT OF DEFAULT, TO APPEAR FOR AND CONFESS JUDGMENT AGAINST BORROWER FOR SUCH SUMS AS ARE DUE AND/OR MAY BECOME DUE UNDER THIS NOTE, WITH OR WITHOUT DECLARATION, WITH COSTS OF SUIT, WITHOUT STAY OF EXECUTION AND WITH AN AMOUNT EQUAL TO FIFTEEN PERCENT (15%) OF THE AMOUNT OF SUCH JUDGMENT, BUT NOT LESS THAN TEN THOUSAND DOLLARS (\$10,000.00), ADDED FOR ATTORNEYS' COLLECTION FEES. TO THE EXTENT PERMITTED BY LAW, BORROWER RELEASES ALL ERRORS IN SUCH PROCEEDINGS. IF A COPY OF THIS NOTE, VERIFIED BY AFFIDAVIT BY OR ON BEHALF OF THE HOLDER OF THIS NOTE SHALL HAVE BEEN FILED IN SUCH ACTION, IT SHALL NOT BE NECESSARY TO FILE THE ORIGINAL NOTE AS A WARRANT OF ATTORNEY. THE AUTHORITY AND POWER TO APPEAR FOR AND CONFESS JUDGMENT AGAINST BORROWER SHALL NOT BE EXHAUSTED BY THE INITIAL EXERCISE THEREOF AND MAY BE EXERCISED AS OFTEN AS THE HOLDER SHALL FIND IT NECESSARY AND DESIRABLE AND THIS NOTE SHALL BE A SUFFICIENT WARRANT THEREFORE. THE HOLDER HEREOF MAY CONFESS ONE OR MORE JUDGMENTS IN THE SAME OR DIFFERENT JURISDICTIONS FOR ALL OR ANY PART OF THE AMOUNT OWING HEREUNDER, WITHOUT REGARD TO WHETHER JUDGMENT HAS THERETOFORE BEEN CONFESSED ON MORE THAN ONE OCCASION FOR THE SAME AMOUNT. IN THE EVENT ANY JUDGMENT CONFESSED AGAINST BORROWER HEREUNDER IS STRICKEN OR OPENED UPON APPLICATION BY OR ON BORROWER'S BEHALF FOR ANY REASON, THE HOLDER IS HEREBY AUTHORIZED AND EMPOWERED TO AGAIN APPEAR FOR AND CONFESS JUDGMENT AGAINST BORROWER FOR ANY PART OR ALL OF THE AMOUNTS OWING HEREUNDER, AS PROVIDED FOR HEREIN, IF DOING SO WILL CURE ANY ERRORS OR DEFECTS IN SUCH PRIOR PROCEEDINGS.**

IN WITNESS WHEREOF, the undersigned has executed this Note as a sealed instrument to be effective as of the effective date set forth herein.

GLOBUS MEDICAL, INC.

By: /s/ DANIEL SCAVILLA (SEAL)

DANIEL SCAVILLA, CFO

GLOBUS MEDICAL NORTH AMERICA, INC.

By: /s/ DANIEL SCAVILLA (SEAL)

DANIEL SCAVILLA, CFO

THIRD AMENDMENT TO CREDIT AGREEMENT

THIS AMENDMENT TO CREDIT AGREEMENT (this "Amendment") dated May 22, 2019, is entered into by and between GLOBUS MEDICAL, INC., a Delaware corporation and GLOBUS MEDICAL NORTH AMERICA, INC., a Pennsylvania corporation (each individually, a "Borrower"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank"). Each reference herein to "Borrower" shall mean each and every party, collectively and individually, defined above as a Borrower.

RECITALS

WHEREAS, Borrower is currently indebted to Bank pursuant to the terms and conditions of that certain Credit Agreement between Borrower and Bank dated May 3, 2016, as amended from time to time ("Credit Agreement").

WHEREAS, Bank and Borrower have agreed to certain changes in the terms and conditions set forth in the Credit Agreement and have agreed to amend the Credit Agreement to reflect said changes.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree that the Credit Agreement shall be amended as follows:

1. Section 1.1. (a) is hereby amended by deleting "May 31, 2019" as the last day on which Bank will make advances under the Line of Credit, and by substituting for said date "May 31, 2020". Any promissory note delivered in connection with this Amendment shall replace and be deemed the Line of Credit Note defined in and made pursuant to the Credit Agreement.

2. Section 4.2. is hereby deleted in its entirety, and the following substituted therefor:

"SECTION 4.2.ACCOUNTING RECORDS.

Maintain adequate books and records in accordance with generally accepted accounting principles consistently applied, and permit any representative of Bank, at any reasonable time, to inspect, audit and examine such books and records, to make copies of the same, and to inspect the properties of Borrower. If at any time any change in generally accepted accounting principles would affect the computation of any covenant (including the computation of any financial covenant) and/or pricing grid set forth in this Agreement or any other Loan Document, Borrower and Bank shall negotiate in good faith to amend such covenant and/or pricing grid to preserve the original intent in light of such change; provided, that, until so amended, (i) such covenant and/or pricing grid shall continue to be computed in accordance with the application of generally accepted accounting principles prior to such change and (ii) Borrower shall provide to Bank a written reconciliation in form and substance reasonably satisfactory to Bank, between calculations of such covenant and/or pricing grid made before and after giving effect to such change in generally accepted accounting principles."

3. The effective date of this Amendment shall be the date that all of the following conditions set forth in this Section have been satisfied, as determined by Bank and evidenced by Bank's system of record. Notwithstanding the occurrence of the effective date of this Amendment, Bank shall not be obligated to extend credit under this Amendment or any other Loan Document until all conditions to each extension of credit set forth in the Credit Agreement have been fulfilled to Bank's satisfaction.

(a) Approval of Bank Counsel. All legal matters incidental to the effectiveness of this Amendment shall be satisfactory to Bank's counsel.

(b) Documentation. Bank shall have received, in form and substance satisfactory to Bank, each of the following, duly executed by all parties:

(i) This Amendment and each promissory note or other instrument or document required hereby.

(ii) Notice of Waiver of Rights.

(iii) Such other documents as Bank may require under any other Section of this Amendment.

(c) Regulatory and Compliance Requirements. All regulatory and compliance requirements, standards and processes shall be completed to the satisfaction of Bank.

4. Except as specifically provided herein, all terms and conditions of the Credit Agreement remain in full force and effect, without waiver or modification. All terms defined in the Credit Agreement shall have the same meaning when used in this Amendment. This Amendment and the Credit Agreement shall be read together, as one document.

5. Borrower hereby remakes all representations and warranties contained in the Credit Agreement and reaffirms all covenants set forth therein. Borrower further certifies that as of the date of this Amendment there exists no Event of Default as defined in the Credit Agreement, nor any condition, act or event which with the giving of notice or the passage of time or both would constitute any such Event of Default.

6. Borrower hereby covenants that Borrower shall provide to Bank from time to time such other information as Bank may request for the purpose of enabling Bank to fulfill its regulatory and compliance requirements, standards and processes. Borrower hereby represents and warrants to Bank that all information provided from time to time by Borrower or any Third Party Obliger to Bank for the purpose of enabling Bank to fulfill its regulatory and compliance requirements, standards and processes was complete and correct at the time such information was provided and, except as specifically identified to Bank in a subsequent writing, remains complete and correct today, and shall be complete and correct at each time Borrower is required to reaffirm the representations and warranties set forth in the Credit Agreement.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have caused this Amendment to be executed as a sealed instrument and to be effective as of the effective date set forth above.

GLOBUS MEDICAL, INC

By: /s/ DANIEL SCAVILLA (SEAL)

DANIEL SCAVILLA, CFO

WELLS FARGO BANK,

NATIONAL ASSOCIATION

By: /s/ JOSEPH J. DEMARCO, JR.

JOSEPH J. DEMARCO, JR.,

SENIOR VICE PRESIDENT

GLOBUS MEDICAL NORTH AMERICA, INC.

By: /s/ DANIEL SCAVILLA (SEAL)

DANIEL SCAVILLA, CFO

**Certification By Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, David M. Demski, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Globus Medical, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2019

/s/ DAVID M. DEMSKI

David M. Demski
Chief Executive Officer
President

**Certification By Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Daniel T. Scavilla, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Globus Medical, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2019

/s/ DANIEL T. SCAVILLA
Daniel T. Scavilla
Executive Vice President
Chief Financial Officer
Chief Commercial Officer

**Certification Pursuant to 18 U.S.C. Section 1350, as Adopted
Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), David M. Demski, Chief Executive Officer, and Daniel T. Scavilla, Executive Vice President, Chief Financial Officer, and Chief Commercial Officer of Globus Medical, Inc. (the "Company"), each certifies with respect to the Quarterly Report of the Company on Form 10-Q for the period ended March 31, 2019 (the "Report") that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 1, 2019

/s/ DAVID M. DEMSKI

David M. Demski
Chief Executive Officer
President

Date: August 1, 2019

/s/ DANIEL T. SCAVILLA

Daniel T. Scavilla
Executive Vice President
Chief Financial Officer
Chief Commercial Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.
