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 March 31, 2020
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	**04-3744954**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2560 General Armistead Avenue, Audubon, PA 19403	**(610) 930-1800**
(Address of principal executive offices) (Zip Code)	(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 May 4, 2020 was 97,353,730 shares.

GLOBUS MEDICAL, INC. AND SUBSIDIARIES
TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

(In thousands, except par value)	March 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash, cash equivalents, and restricted cash	**$ 166,742**	$ 195,724
Short-term marketable securities	**110,211**	115,763
Accounts receivable, net of allowances of $6,760 and $5,599, respectively	**138,602**	154,326
Inventories	**208,451**	196,314
Prepaid expenses and other current assets	**17,713**	17,243
Income taxes receivable	**81**	8,098
Total current assets	**641,800**	687,468
Property and equipment, net of accumulated depreciation of $249,691 and $243,732, respectively	**212,605**	199,841
Long-term marketable securities	**380,061**	409,514
Intangible assets, net	**88,691**	78,812
Goodwill	**128,952**	128,775
Other assets	**20,568**	21,741
Deferred income taxes	**6,688**	5,926
Total assets	**$ 1,479,365**	$ 1,532,077
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	**$ 24,227**	$ 24,614
Accrued expenses	**60,052**	63,283
Income taxes payable	**898**	1,057
Business acquisition liabilities	**6,333**	6,727
Deferred revenue	**6,452**	5,402
Payable to broker	**-**	10,320
Total current liabilities	**97,962**	111,403
Business acquisition liabilities, net of current portion	**3,156**	2,822
Deferred income taxes	**5,860**	6,023
Other liabilities	**9,021**	9,377
Total liabilities	**115,999**	129,625
Commitments and contingencies (Note 12)		
Equity:		
Class A common stock; $0.001 par value. Authorized 500,000 shares; issued and outstanding 75,664 and 77,395 shares at March 31, 2020 and December 31, 2019, respectively	**76**	77
Class B common stock; $0.001 par value. Authorized 275,000 shares; issued and outstanding 22,430 and 22,430 shares at March 31, 2020 and December 31, 2019, respectively	**22**	22
Additional paid-in capital	**369,984**	357,320
Accumulated other comprehensive loss	**(6,266)**	(2,898)
Retained earnings	**999,550**	1,047,931
Total equity	**1,363,366**	1,402,452
Total liabilities and equity	**$ 1,479,365**	$ 1,532,077

See accompanying notes to unaudited condensed consolidated financial statements.

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

(In thousands, except per share amounts)	Three Months Ended March 31, 2020	2019
Sales	**$ 190,577**	$ 182,947
Cost of goods sold	**48,864**	41,838
Gross profit	**141,713**	141,109
Operating expenses:		
Research and development	**15,402**	14,324
Selling, general and administrative	**93,539**	85,784
Amortization of intangibles	**3,776**	3,343
Acquisition related costs	**548**	579
Total operating expenses	**113,265**	104,030
Operating income	**28,448**	37,079
Other income, net		
Interest income/(expense), net	**4,324**	4,159
Foreign currency transaction gain/(loss)	**(468)**	189
Other income/(expense)	**194**	224
Total other income/(expense), net	**4,050**	4,572
Income before income taxes	**32,498**	41,651
Income tax provision	**6,549**	8,441
Net income	**$ 25,949**	$ 33,210
Earnings per share:		
Basic	**$ 0.26**	$ 0.34
Diluted	**$ 0.25**	$ 0.33
Weighted average shares outstanding:		
Basic	**99,635**	98,727
Dilutive stock options	**2,511**	2,640
Diluted	**102,146**	101,367
Anti-dilutive stock options excluded from weighted average calculation	**6,637**	4,687

See accompanying notes to unaudited condensed consolidated financial statements.

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

(In thousands)	Three Months Ended March 31, 2020	2019
Net income	**$ 25,949**	$ 33,210
Other comprehensive income/(loss):		
Unrealized gain/(loss) on marketable securities, net of tax	**(3,842)**	1,799
Foreign currency translation gain/(loss)	**474**	(107)
Total other comprehensive income/(loss)	**(3,368)**	1,692
Comprehensive income	**$ 22,581**	$ 34,902

See accompanying notes to unaudited condensed consolidated financial statements.

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

(In thousands)	Class A Common Stock Shares	Class A Common Stock $	Class B Common Stock Shares	Class B Common Stock $	Additional paid-in capital	Accumulated other comprehensive income	Retained earnings	Total
Balance at December 31, 2019	77,394	$ 77	22,431	$ 22	$ 357,320	$ (2,898)	$ 1,047,931	$ 1,402,452
Cumulative effects of adoption of accounting standards	—	—	—	—	—	—	(468)	(468)
Stock-based compensation	—	—	—	—	6,902	—	—	6,902
Exercise of stock options	190	1	—	—	5,762	—	—	5,763
Comprehensive income	—	—	—	—	—	(3,368)	25,949	22,581
Repurchase and retirement of common stock	(1,920)	(2)	—	—	—	—	(73,862)	(73,864)
Balance at March 31, 2020	75,664	$ 76	22,431	$ 22	$ 369,984	$ (6,266)	$ 999,550	$ 1,363,366

(In thousands)	Class A Common Stock Shares	Class A Common Stock $	Class B Common Stock Shares	Class B Common Stock $	Additional paid-in capital	Accumulated other comprehensive income	Retained earnings	Total
Balance at December 31, 2018	76,144	$ 76	22,431	$ 22	$ 299,869	$ (7,172)	$ 892,721	$ 1,185,516
Stock-based compensation	—	—	—	—	6,541	—	—	6,541
Exercise of stock options	407	1	—	—	10,255	—	(1)	10,255
Comprehensive income	—	—	—	—	—	1,692	33,210	34,902
Balance at March 31, 2019	76,551	$ 77	22,431	$ 22	$ 316,665	$ (5,480)	$ 925,930	$ 1,237,214

See accompanying notes to unaudited condensed consolidated financial statements.

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

(In thousands)	Three Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net income	**$ 25,949**	$ 33,210
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**14,568**	12,254
Amortization of premium (discount) on marketable securities	**20**	(396)
Write-down for excess and obsolete inventories	**679**	2,167
Stock-based compensation expense	**6,807**	6,448
Allowance for doubtful accounts	**756**	33
Change in fair value of business acquisition liabilities	**506**	579
Change in deferred income taxes	**(2,895)**	1,059
(Gain)/loss on disposal of assets, net	**207**	94
(Increase)/decrease in:		
Accounts receivable	**14,131**	(2,533)
Inventories	**(12,108)**	(13,844)
Prepaid expenses and other assets	**(205)**	848
Increase/(decrease) in:		
Accounts payable	**(283)**	2,827
Accrued expenses and other liabilities	**(13,702)**	(9,984)
Income taxes payable/receivable	**7,863**	6,441
Net cash provided by operating activities	**42,293**	39,203
Cash flows from investing activities:		
Purchases of marketable securities	**(57,418)**	(127,911)
Maturities of marketable securities	**71,766**	90,454
Sales of marketable securities	**5,374**	11,773
Purchases of property and equipment	**(22,314)**	(28,155)
Net cash used in investing activities	**(2,592)**	(53,839)
Cash flows from financing activities:		
Payment of business acquisition liabilities	**(566)**	(5,350)
Proceeds from exercise of stock options	**5,763**	10,255
Repurchase of common stock	**(73,864)**	—
Net cash provided by financing activities	**(68,667)**	4,905
Effect of foreign exchange rate on cash	**(16)**	(40)
Net increase in cash, cash equivalents, and restricted cash	**(28,982)**	(9,771)
Cash, cash equivalents, and restricted cash at beginning of period	**195,724**	139,747
Cash, cash equivalents, and restricted cash at end of period	**$ 166,742**	$ 129,976
Supplemental disclosures of cash flow information:		
Interest paid	**1**	2
Income taxes paid	**$ 1,791**	$ 1,450

See accompanying notes to unaudited condensed consolidated financial statements.

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) COVID-19 Pandemic Impact

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The pandemic has significantly impacted the economic conditions in the U.S. and globally, accelerating during March, as federal, state and local governments react to the public health crisis, creating significant uncertainties in the economy. While emergency and time sensitive surgical procedures continue, as of the date of this filing, the Company has been impacted by temporary postponement of elective surgeries in hospitals and surgical facilities worldwide.

The Company cannot reasonably estimate the length or severity of this pandemic, however, as a result of these developments the Company expects a material adverse impact on its sales, results of operations, and cash flows in the remainder of fiscal 2020.

In response to these developments, the Company will continue to monitor liquidity and cash flow and has the ability to borrow from our credit facility, if needed, which the company does not expect at this point due to the Company’s strong cash holdings.

(c) 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, 2019.

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 month periods presented. The results of operations for any interim period are not indicative of results for the full year.

(d) 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.

(e) 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, 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.

(f) 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:

(In thousands)	March 31, 2020	December 31, 2019	March 31, 2019	December 31, 2018
Cash and cash equivalents	$ 166,742	$ 195,474	$ 129,976	$ 139,647
Restricted cash	—	250	—	100
Total cash, cash equivalents, and restricted cash as presented in the condensed consolidated statement of cash flows	$ 166,742	$ 195,724	$ 129,976	$ 139,747

(g) 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 March 31, 2020 and December 31, 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, that do not result in recognition or reversal of an allowance for credit loss or write-down, 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 expected, the loss will be recognized on an allowance basis, consistent with ASC 326-30, in our condensed consolidated statement of income in the period the determination is made.

(h) 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. Once inventory has been written down, it creates a new cost basis for inventory that is not subsequently written up.

During the three months ended March 31, 2020 and 2019, net adjustments to cost of sales related to excess and obsolete inventory were $0.7 million and $2.2 million, respectively. The net adjustments for the three months ended March 31, 2020 and 2019 reflect a combination of additional expense for excess and obsolete related provisions ($2.4 million and $2.7 million, respectively) offset by sales and disposals ($1.7 million and $0.5 million, respectively) of inventory for which an excess and obsolete provision was provided previously through expense recognized in prior periods.

(i) Property and Equipment

Purchases of property and equipment included in accounts payable and accrued expenses were $5.3 million and $3.6 million during the three months ended March 31, 2020 and 2019, respectively.

(j) 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 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 months ended March 31, 2020 and 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:

(In thousands)	Three Months Ended March 31, 2020	2019
Musculoskeletal Solutions products	$ 182,542	$ 175,758
Enabling Technologies products	8,035	7,189
Total sales	$ 190,577	$ 182,947

(k) Recently Issued Accounting Pronouncements

In December 2019, the FASB issued ASU No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes ("ASU 2019-12"), which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements and related disclosures.

Management does not believe that any other recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the Company's consolidated financial statements.

(l) Recently Adopted Accounting Pronouncements

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 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 U.S. legislation commonly referred to as the Tax Cuts and Jobs Act enacted in December 2017. 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.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 replaces the incurred loss impairment methodology for measuring and recognizing credit losses with a methodology that reflects expected credit losses and requires consideration of a broader range of

reasonable and supportable information to inform credit loss estimates. This amendment is effective for fiscal years beginning after December 15, 2019. We adopted the updated guidance on January 1, 2020 on a prospective basis recording $468 thousand as a cumulative effect adjustment to retained earnings and as a result, prior period amounts were not adjusted. Adoption of the standard did not have a material impact on our financial position, results of operations, and disclosures.

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 adopted ASU 2017-04 on January 1, 2020. Adoption of the standard did not have a material impact 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 adopted ASU 2018-13 on January 1, 2020. 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 $28.1 million, which consisted of approximately $23.8 million of cash paid at closing, plus a potential $4.3 million contingent consideration payment based on product sales milestones. The Company recorded identifiable net assets, based on their estimated fair values, related to inventory of $15.3 million, fixed assets of $4.2 million and customer relationships of $3.9 million and goodwill of $4.7 million.

As of March 31, 2020, the maximum aggregated undiscounted amount of contingent consideration potentially payable related to this acquisition is $5.0 million.

NOTE 3. GOODWILL AND INTANGIBLE ASSETS

A summary of intangible assets is presented below:

		March 31, 2020		
(In thousands)	Weighted Average Amortization Period (in years)	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, net
Supplier network	10.0	$ 4,000	$ (2,167)	$ 1,833
Customer relationships & other intangibles	7.0	47,067	(25,905)	21,162
Developed technology	8.3	71,055	(11,960)	59,095
Patents	16.0	8,753	(2,152)	6,601
Total intangible assets		$ 130,875	$ (42,184)	$ 88,691

Due to the completion of contractual milestones related to the 2018 acquisition of Nemaris, in the first quarter of 2020, $13.0 million was capitalized to Developed technology and began to be amortized over a period of 5.4 years.

		December 31, 2019		
(In thousands)	Weighted Average Amortization Period (in years)	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, net
Supplier network	10.0	4,000	(2,067)	1,933
Customer relationships & other intangibles	7.0	46,766	(24,264)	22,502
Developed technology	8.6	57,577	(10,189)	47,388
Patents	16.0	8,662	(1,673)	6,989
Total intangible assets		$ 117,005	$ (38,193)	$ 78,812

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.

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

(In thousands)	
December 31, 2018	$ 123,734
Additions and adjustments	4,817
Foreign exchange	224
December 31, 2019	128,775
Additions and adjustments	(123)
Foreign exchange	300
March 31, 2020	$ 128,952

NOTE 4. MARKETABLE SECURITIES

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

		March 31, 2020			
(In thousands)	Contractual Maturity (in years)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term:					
Municipal bonds	Less than 1	$ 12,809	$ 63	$ —	$ 12,872
Corporate debt securities	Less than 1	63,683	222	(381)	63,524
Commercial paper	Less than 1	21,374	18	(4)	21,388
U.S. government and agency securities	Less than 1	4,466	—	—	4,466
Asset-backed securities	Less than 1	8,044	7	(90)	7,961
Total short-term marketable securities		$ 110,376	$ 310	$ (475)	$ 110,211
Long-term:					
Municipal bonds	1 - 3	$ 40,033	$ 336	$ —	$ 40,369
Corporate debt securities	1 - 3	170,419	885	(1,619)	169,685
Asset-backed securities	1 - 3	161,862	857	(749)	161,970
U.S. government and agency securities	1 - 2	7,905	132	—	8,037
Total long-term marketable securities		$ 380,219	$ 2,210	$ (2,368)	$ 380,061

		December 31, 2019			
(In thousands)	Contractual Maturity (in years)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term:					
Municipal bonds	Less than 1	$ 7,840	$ 23	$ (1)	$ 7,862
Corporate debt securities	Less than 1	69,091	247	(3)	69,335
Commercial paper	Less than 1	34,747	6	(1)	34,752
Asset-backed securities	Less than 1	3,808	6	—	3,814
Total short-term marketable securities		$ 115,486	$ 282	$ (5)	$ 115,763
Long-term:					
Municipal bonds	1 - 3	$ 45,010	$ 254	$ (8)	$ 45,256
Corporate debt securities	1 - 3	186,356	2,578	(5)	188,929
Asset-backed securities	1 - 3	161,347	1,583	(33)	162,897
U.S. government and agency securities	1 - 2	12,366	66	—	12,432
Total long-term marketable securities		$ 405,079	$ 4,481	$ (46)	$ 409,514

NOTE 5. 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.

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:

(In thousands)	Balance at March 31, 2020	Level 1	Level 2	Level 3
Assets				
Cash equivalents	$ 41,814	$ 18,775	$ 23,038	$ —
Municipal bonds	53,240	—	53,240	—
Corporate debt securities	233,209	—	233,209	—
Commercial paper	21,388	—	21,388	—
Asset-backed securities	169,932	—	169,932	—
Government, federal agency, and other sovereign obligations	12,503	—	12,503	—
Liabilities				
Business acquisition liabilities	9,489	—	—	9,489

(In thousands)	Balance at December 31, 2019	Level 1	Level 2	Level 3
Assets				
Cash equivalents	$ 18,218	$ 4,988	$ 13,230	$ —
Municipal bonds	53,118	—	53,118	—
Corporate debt securities	258,264	—	258,264	—
Commercial paper	34,752	—	34,752	—
Asset-backed securities	166,711	—	166,711	—
Government, federal agency, and other sovereign obligations	12,432	—	12,432	—
Liabilities				
Business acquisition liabilities	9,549	—	—	9,549

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

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, 2019:

(In thousands)	Fair Value at March 31, 2020	Valuation technique	Unobservable input	Weighted Average	Range
			Discount rate	6.5%	4.7% - 8.5%
Revenue-based payments	$ 9,489	Discounted cash flow	Probability of payment	90%	75% - 100%
			Projected year of payment		2020 - 2029

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

(In thousands)	March 31, 2020	December 31, 2019
Beginning balance	$ 9,549	$ 10,118
Purchase price contingent consideration	—	4,299
Changes resulting from foreign currency fluctuations	—	(58)
Contingent payments	(566)	(6,597)
Changes in fair value of business acquisition liabilities	506	1,787
Ending balance	$ 9,489	$ 9,549

NOTE 6. INVENTORIES

(In thousands)	March 31, 2020	December 31, 2019
Raw materials	$ 31,910	$ 33,025
Work in process	18,452	15,940
Finished goods	158,089	147,349
Total inventories	$ 208,451	$ 196,314

NOTE 7. ACCRUED EXPENSES

(In thousands)	March 31, 2020	December 31, 2019
Compensation and other employee-related costs	$ 26,332	$ 37,178
Contractual payable[(1)]	10,000	—
Legal and other settlements and expenses	1,684	1,538
Accrued non-income taxes	4,897	4,996
Royalties	2,717	2,370
Other	14,422	17,201
Total accrued expenses	$ 60,052	$ 63,283

[(1)]The contractual payable is related to the Nemaris acquisition milestone payment, which is recorded in intangible assets and accrued liabilities as a non-cash financing activity on the Condensed Consolidated Statement of Cash Flows as of the three months ended March 31, 2020.

NOTE 8. 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. The Company believes we have the ability to secure a credit facility with another lender in the event we do not extend the current agreement. 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 March 31, 2020, 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 9. EQUITY

Stock Repurchases

Under the current stock repurchase plan, announced on March 11, 2020, the Company is authorized to repurchase up to $200 million of the Company's Class A common stock. As of March 31, 2020, $126.1 million of this authorization is remaining. The timing and actual number of shares repurchased will depend on various factors including price, corporate and regulatory requirements, debt covenant requirements, alternative investment opportunities and other market conditions.

Shares repurchased by the Company are accounted for under the constructive retirement method, in which the shares repurchased, are immediately retired, as there is no plan to reissue. The Company made an accounting policy election to charge the excess of repurchase price over par value entirely to retained earnings.

During the three months ended March 31, 2020, the Company repurchased 1,920,013 shares of common stock at an average price of approximately $38 per share for an aggregate amount of approximately $73.9 million. We continue to expect funding of share repurchases will come from operating cash flows and excess cash.

The following table summarizes the activity related to share repurchases:
(In thousands except for per share prices)

Period	Total number of shares repurchased	Average Price Paid per Share	Dollar amount of shares repurchased	Approximate dollar value of shares that may yet be purchased under the plan
January 1, 2020 - March 31, 2020	1,920	$ 38.49	$ 73,902	$ 126,098

Common Stock

Our amended and restated Certificate of Incorporation provides for a total of 775,000,000 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"), and 275,000,000 shares are designated as Class B common stock ("Class B Common").

Each share of our Class B common stock is convertible at any time at the option of the holder into one share of our Class A common stock. In addition, each share of our Class B common stock will convert automatically into one share of our Class A common stock upon any transfer, whether or not for value, except for permitted transfers. For more details relating to the conversion of our Class B common stock please see "**Exhibit 4.2, Description of Securities of the Registrant filed with our amended Form 10-K on March 2, 2020**."

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

(Shares)	Class A Common	Class B Common	Total
March 31, 2020	75,664,152	22,430,097	98,094,249
December 31, 2019	77,394,983	22,430,097	99,825,080

Accumulated Other Comprehensive Income (Loss)

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):

(In thousands)	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, 2019	$ 3,599	$ (6,497)	$ (2,898)
Other comprehensive (loss)/income before reclassifications	(5,032)	474	(4,558)
Amounts reclassified from accumulated other comprehensive income, net of tax	1,190	—	1,190
Other comprehensive (loss)/income, net of tax	(3,842)	474	(3,368)
Accumulated other comprehensive loss, net of tax, at March 31, 2020	$ (243)	$ (6,023)	$ (6,266)

(In thousands)	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	2,353	(107)	2,246
Amounts reclassified from accumulated other comprehensive income, net of tax	(554)	—	(554)
Other comprehensive (loss)/income, net of tax	1,799	(107)	1,692
Accumulated other comprehensive loss, net of tax, at March 31, 2019	$ 1,631	$ (7,111)	$ (5,480)

NOTE 10. 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 March 31, 2020, pursuant to the 2012 Plan, there were 17,899,947 shares of Class A Common stock reserved and 2,126,544 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	
	March 31, 2020	March 31, 2019
Weighted average grant date fair value per share	$ 14.43	$ 13.78

Stock option activity during the three months ended March 31, 2020 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, 2019	10,650	$ 35.80		
Granted	1,753	52.86		
Exercised	(190)	30.08		
Forfeited	(105)	43.23		
Outstanding at March 31, 2020	12,108	$ 38.31	7.5	$ 94,500
Exercisable at March 31, 2020	5,621	$ 29.39	6.1	$ 79,152
Expected to vest at March 31, 2020	6,487	$ 46.04	8.7	$ 15,348

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:

	Three Months Ended March 31,	
(In thousands)	2020	2019
Intrinsic value of stock options exercised	$ 3,481	$ 8,424
Stock-based compensation expense	$ 6,807	$ 6,448
Net stock-based compensation capitalized into inventory	95	93
Total stock-based compensation cost	$ 6,902	$ 6,541

As of March 31, 2020, there was $76.7 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 11. 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 March 31,	
	2020	2019
Effective income tax rate	20.2%	20.3%

The change in effective income tax rates for the three month periods ended March 31, 2020 and 2019 is primarily driven by lower stock compensation benefits and increases in non-tax deductible expenses, which are offset by favorable impacts for tax credits.

NOTE 12. 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 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.

Moskowitz Family LLC Litigation

On November 20, 2019, Moskowitz Family LLC filed suit against us in the U.S. District Court for the Western District of Texas for patent infringement. Moskowitz, a non-practicing entity, alleges that Globus willfully infringes one or more claims of eight patents by making, using, offering for sale or selling the COALITION®, COALITION MIS®, COALITION AGX®, MONUMENT®, MAGNIFY®-S, HEDRON IA™ , HEDRON IC™ , INDEPENDENCE®, INDEPENDENCE MIS®, FORTIFY® and XPAND® families, SABLE™ , RISE®, RISE® INTRALIF, RISE®-L, ELSA®, ELSA® ATP, RASS, ALTERA®, ARIEL®, LATIS®, CALIBER® and CALIBER®-L products. Moskowitz seeks an unspecified amount in damages and injunctive relief. The probable outcome of this litigation cannot be determined, nor can we estimate a range of potential loss. Therefore, in accordance with authoritative guidance on the evaluation of loss contingencies, we have not recorded an accrual related to this litigation.

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

NOTE 13. 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 March 31, 2020, 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 Condensed 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.

Amounts reported in the Condensed Consolidated Balance Sheet as of the three months ended March 31, 2020 were as follows:

(In thousands, except weighted average lease term and discount rate)	
Operating leases:	
Right of use assets	$ 3,434
Lease liability - short term	1,658
Lease liability - long term	1,775
Total operating lease liability	$ 3,434
Lease expense as of March 31, 2020	$ 879
Weighted-average remaining lease term - operating leases (in years)	2.6
Weighted-average discount rate	2.5%

Future minimum lease payments under non-cancellable leases as of the quarter ended March 31, 2020 are as follows:

(In thousands)	Operating Leases
2020 (excluding the three months ended March 31, 2020)	$ 1,450
2021	1,005
2022	757
2023	264
2024	109
Thereafter	5
Total undiscounted leases payments	$ 3,590
Less : imputed interest	156
Total lease liabilities	$ 3,434

NOTE 14. 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:

	Three Months Ended March 31,	
(In thousands)	2020	2019
United States	$ 158,447	$ 147,536
International	32,130	35,411
Total sales	$ 190,577	$ 182,947

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 200 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.

COVID-19 Update

A novel strain of coronavirus was first identified in Wuhan, China in December 2019, and the disease caused by it ("COVID-19") was subsequently declared a pandemic by the World Health Organization on March 11, 2020. To date, COVID-19 has surfaced in nearly all regions around the world and resulted in travel restrictions and business slowdowns or shutdowns in affected areas. While emergency and time sensitive surgical procedures continue, the outbreak and preventive measures taken to help curb the spread have negatively impacted the markets we serve, in particular, hospitals and surgical centers globally where elective surgeries have been postponed. We are considered a provider of "life-sustaining" goods and services in Pennsylvania and an essential business in other areas. To date, COVID-19 has not materially affected our supply chain or production schedule, although delays may be possible in the future due to the dynamic nature of the situation.

We continue to monitor the rapidly evolving situation and guidance from international and domestic authorities, including federal, state and local public health authorities and may need to make changes to our business based on their recommendations. In these circumstances, there may be developments outside our control requiring us to adjust our operating plan. As such, given the dynamic nature of this situation, the Company cannot reasonably estimate the impacts of COVID-19 on our financial condition, results of operations or cash flows in the future. However, while the government mandated restrictions, including elective surgeries, are in place, we do expect that it will have a material adverse impact on our revenue growth, operating profit and cash flow and may lead to higher than normal inventory levels, revised payment terms with certain of our customers, and a change in effective tax rate driven by changes in the mix of earnings across the Company's jurisdictions.

We are focused on navigating these recent challenges presented by COVID-19 and believe we are in a strong position, including cash and borrowing capacity, to continue to not only sustain but grow our business once the restrictions are lifted and elective surgeries resume.

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 (the "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, Inc. 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 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 three months ended March 31, 2020, our international sales accounted for approximately 17% 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 March 31, 2020 Compared to the Three Months Ended March 31, 2019

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:

	Three Months Ended March 31,		Change	
(In thousands, except percentages)	**2020**	**2019**	**$**	**%**
United States	$ 158,447	$ 147,536	$ 10,911	7.4%
International	32,130	35,411	(3,281)	-9.3%
Total sales	$ 190,577	$ 182,947	$ 7,630	4.2%

In the United States, the increase in sales of $10.9 million was due primarily to increased spine product sales resulting from penetration in existing territories and increased INR technology sales, prior to a decrease in sales starting in mid-March, due to the COVID-19 pandemic.

Internationally, the decrease in sales of $3.3 million was due primarily to a one-time distributor stocking order in the period ended March 31, 2019 and decreased spine product sales in Japan and other existing countries partially due to the impact of the COVID-19 pandemic. On a constant currency basis, our international sales declined $2.9 million, or by 8.3%, and our worldwide sales increased 4.4%.

Cost of Goods Sold

	Three Months Ended March 31,		Change	
(In thousands, except percentages)	**2020**	**2019**	**$**	**%**
Cost of goods sold	$ 48,864	$ 41,838	$ 7,026	16.8%
Percentage of sales	25.6%	22.9%		

The $7.0 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.

Research and Development Expenses

	Three Months Ended March 31,		Change	
(In thousands, except percentages)	**2020**	**2019**	**$**	**%**
Research and development	$ 15,402	$ 14,324	$ 1,078	7.5%
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 and increased supplies for furthering research activities and developing new innovative products.

Selling, General and Administrative Expenses

	Three Months Ended March 31,		Change	
(In thousands, except percentages)	2020	2019	$	%
Selling, general and administrative	$ 93,539	$ 85,784	$ 7,755	9.0%
Percentage of sales	49.1%	46.9%		

The increase in selling, general and administrative expenses was primarily due to an increase of $7.1 million in selling and marketing expenses relating to continued build out of the U.S., INR technology, joints and orthopedic trauma sales forces, as well as increases in the international sales forces to further penetrate those markets.

Amortization of Intangibles

	Three Months Ended March 31,		Change	
(In thousands, except percentages)	2020	2019	$	%
Amortization of intangibles	$ 3,776	$ 3,343	$ 433	13.0%
Percentage of sales	2.0%	1.8%		

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

Acquisition Related Costs

	Three Months Ended March 31,		Change	
(In thousands, except percentages)	2020	2019	$	%
Acquisition related costs	$ 548	$ 579	$ (31)	-5.4%
Percentage of sales	0.3%	0.3%		

Acquisition related costs remained consistent for the three month periods ending March 31, 2020 and 2019.

Other Income, Net

	Three Months Ended March 31,		Change	
(In thousands, except percentages)	2020	2019	$	%
Other income, net	$ 4,050	$ 4,572	$ (522)	-11.4%
Percentage of sales	2.1%	2.5%		

The decrease in other income, net was due primarily to the foreign currency transactional loss during the three month period ended March 31, 2020.

Income Tax Provision

	Three Months Ended March 31,		Change	
(In thousands, except percentages)	2020	2019	$	%
Income tax provision	$ 6,549	$ 8,441	$ (1,892)	-22.4%
Effective income tax rate	20.2%	20.3%		

The change in the effective income tax rates between the current year and prior year periods is primarily driven by favorable impacts for tax credits which are offset by lower stock compensation benefits and increases in non-tax deductible expenses.

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, 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.

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

	Three Months Ended March 31,	
(In thousands, except percentages)	**2020**	**2019**
Net income	$ 25,949	$ 33,210
Interest income, net	(4,324)	(4,159)
Provision for income taxes	6,549	8,441
Depreciation and amortization	14,568	12,254
EBITDA	42,742	49,746
Stock-based compensation expense	6,807	6,448
Acquisition related costs/licensing	957	637
Adjusted EBITDA	$ 50,506	$ 56,831
Net income as a percentage of sales	13.6%	18.2%
Adjusted EBITDA as a percentage of sales	26.5%	31.1%

In addition, for the period ended March 31, 2020 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, and the tax effects of all of the foregoing adjustments. The tax effect adjustment represents the tax effect of the pre-tax non-GAAP adjustments excluded from non-GAAP net income. The tax impact of the non-GAAP adjustments is calculated based on the consolidated effective tax rate on a GAAP basis, applied to the non-GAAP adjustments, unless the underlying item has a materially different tax treatment, in which case the estimated tax rate applicable to the adjustment is used.

We believe these non-GAAP measures are also useful indicators of our operating performance, and particularly as additional measures of comparative operating performance from period to period as they remove the effects of litigation, amortization of intangibles, acquisition related costs/licensing, and the tax effects of all of the foregoing adjustments, which we believe are not reflective of underlying business trends.

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 March 31,	
(In thousands)	2020	2019
Net income	$ 25,949	$ 33,210
Amortization of intangibles	3,776	3,343
Acquisition related costs/licensing	957	637
Tax effect of adjusting items	(956)	(807)
Non-GAAP net income	$ 29,726	$ 36,383

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 March 31,	
(Per share amounts)	2020	2019
Diluted earnings per share, as reported	$ 0.25	$ 0.33
Amortization of intangibles	0.04	0.03
Acquisition related costs/licensing	0.01	0.01
Tax effect of adjusting items	(0.01)	(0.01)
Non-GAAP diluted earnings per share	$ 0.29	$ 0.36

** amounts might not add due to rounding*

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.

	Three Months Ended March 31,	
(In thousands)	2020	2019
Net cash provided by operating activities	$ 42,293	$ 39,203
Purchases of property and equipment	(22,314)	(28,155)
Free cash flow	$ 19,979	$ 11,048

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.

	Three Months Ended March 31,		Reported Sales	Currency Impact on Current	Constant Currency Sales
(In thousands, except percentages)	2020	2019	Growth	Period Sales	Growth
United States	$ 158,447	$ 147,536	7.4%	$ —	7.4%
International	32,130	35,411	-9.3%	(333)	-8.3%
Total Sales	$ 190,577	$ 182,947	4.2%	$ (333)	4.4%

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:

	Three Months Ended March 31,		Change
(In thousands)	**2020**	**2019**	**$**
Net cash provided by operating activities	$ 42,293	$ 39,203	$ 3,090
Net cash used in investing activities	(2,592)	(53,839)	51,247
Net cash used in financing activities	(68,667)	4,905	(73,572)
Effect of foreign exchange rate changes on cash	(16)	(40)	24
Increase (decrease) in cash, cash equivalents, and restricted cash	$ (28,982)	$ (9,771)	$ (19,211)

Cash Provided by Operating Activities

The increase in net cash provided by operating activities was primarily due to the increase of cash flow from accounts receivable, which was offset partially by the decrease of cash flow from accrued expenses and other liabilities and 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 and decreased purchases of property and equipment.

Cash Used in Financing Activities

The decrease in net cash used in financing activities was primarily the result of the repurchase of common stock and the decrease in proceeds from option exercises, partially offset by lower payments of business acquisition liabilities.

Liquidity and Capital Resources

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

(In thousands)	**March 31, 2020**	**December 31, 2019**
Cash, cash equivalents, and restricted cash	$ 166,742	$ 195,724
Short-term marketable securities	110,211	115,763
Long-term marketable securities	380,061	409,514
Total cash, cash equivalents, restricted cash and marketable securities	$ 657,014	$ 721,001

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 March 31, 2020, 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 March 31, 2020. 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.

Contractual Obligations and Commitments

During the three months ended March 31, 2020, there was a material change in our contractual obligations related to purchase obligations payable within less than one year. In connection with the Nemaris acquisition completed in 2018, we have certain contingent consideration obligations payable to the sellers in this transaction upon the achievement of certain regulatory and sales milestones of $10.0 million. These milestones were achieved during the three months ended March 31, 2020 and therefore we have recorded the appropriate short term contingent consideration liability.

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.

The COVID-19 pandemic may lead to higher than normal inventory levels, as there has not been a material effect to our supply chain or production schedule and we may experience decreased revenues while government mandated restrictions on elective surgeries are in place.

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; (k) 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, health epidemics, pandemics and similar outbreaks, including the COVID-19 pandemic, factors affecting our quarterly results, our ability to manage our growth, our ability to sustain our profitability, demand for our products, our ability to compete successfully (including without limitation our ability to convince surgeons to use our products and our ability to attract and retain sales and other personnel), our ability to rapidly develop and introduce new products, our ability to develop and execute on successful business strategies, our ability to comply with 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, 2019 (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 March 31, 2020. 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 March 31, 2020, 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 three months ended March 31, 2020 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.

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 13. Commitments and Contingencies"** above.

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

Item 1A. Risk Factors

The following represents a material change in our risk factors from those disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

The widespread outbreak of a communicable disease, or any other public health crisis, could adversely affect our financial condition and results of operations.

We could be negatively affected by the widespread outbreak of a communicable disease, or any other public health crisis that results in disruptions to hospitals and other healthcare facilities.

A novel strain of coronavirus was first identified in Wuhan, China in December 2019, and the disease caused by it, COVID-19, was subsequently declared a pandemic by the World Health Organization in March 2020. The pandemic has significantly impacted the economic conditions in the U.S. and globally, accelerating during March and April, as federal, state and local governments have reacted to the public health crisis, creating significant uncertainties in the economy. While emergency and time sensitive surgical procedures continue, the outbreak and preventive measures taken to help curb the spread of COVID-19 has negatively impacted the markets we serve, in particular, hospitals and surgical centers globally where elective surgeries have been temporarily postponed. We believe that certain of these patient volume declines reflect a deferral of elective surgeries to a later period, rather than a permanent reduction in demand; however, there is no assurance that will occur. We are considered a provider of "Life-sustaining" goods and services in Pennsylvania and an essential business in other areas. To date, COVID-19 has not materially affected our supply chain or production schedule, although delays may be possible in the future due to the dynamic nature of the situation.

Given the dynamic nature of this situation, the Company cannot reasonably estimate the impacts of COVID-19 on our financial condition, results of operations or cash flows in the future. However, while the government mandated restrictions, including elective surgeries, are in place, we do expect that it will have a material adverse impact on our future revenue growth, operating profit and cash flow and may lead to higher than normal inventory levels, revised payment terms with certain of our customers, and a change in effective tax rate driven by changes in the mix of earnings across the Company's jurisdictions.

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

Purchases of Equity Securities by the Issuer

We repurchase shares of Globus Medical Class A common stock pursuant to the publicly announced share repurchase program authorized by the Board of Directors on March 11, 2020. As of March 31, 2020, we had repurchased 1.9 million shares at an average price of $38.49 per share for a total approximate cost of $73.9 million under this program. All of our share repurchases during the first quarter of 2020 were made through a broker in the open market.

The following table contains information for shares repurchased during the first quarter of 2020. None of the shares in this table were repurchased directly from any of our officers or directors.

(*In thousands except for per share prices*)

Period	Total number of shares purchased [a]	Average Price Paid per Share	Total number of Shares purchased as part of publicly announced plans	Approximate dollar value of shares that may yet be purchased under the plan
January 1 to January 31, 2020	-	$ -	-	$ 200,000
February 1 to February 29, 2020	-	-	-	200,000
March 1 to March 31, 2020	1,920	38.49	1,920	126,098
Total	1,920		1,920	

(a) Share repurchases were made pursuant to a share repurchase program authorized by our Board of Directors on March 11, 2020. This program allows for the repurchase up to $200 million of the Company's Class A common stock.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

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.

GLOBUS MEDICAL, INC. AND SUBSIDIARIES

Exhibit No.	Item
10.1*	Amendment to Credit Agreement, dated March 13, 2020, 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
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.
** Furnished herewith.

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.

GLOBUS MEDICAL, INC.

Dated: May 7, 2020

/s/ DAVID M. DEMSKI

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

Dated: May 7, 2020

/s/ KEITH PFEIL

Keith Pfeil
Senior Vice President
Chief Financial Officer
Chief Accounting Officer
(Principal Financial Officer)

FOURTH AMENDMENT TO CREDIT AGREEMENT

THIS AMENDMENT TO CREDIT AGREEMENT (this "Amendment") dated March 13, 2020, 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 5.7. is hereby deleted in its entirety, and the following substituted therefor:

"SECTION 5.7. DIVIDENDS, DISTRIBUTIONS. Declare or pay any dividend or distribution either in cash, stock or any other property on Borrower's stock now or hereafter outstanding, nor redeem, retire, repurchase or otherwise acquire any shares of any class of Borrower's stock now or hereafter outstanding; provided however, that Borrower may pay up to $200,000,000.00 for the repurchase of Borrower’s shares. Notwithstanding, nothing herein shall restrict or otherwise inhibit Globus Medical North America, Inc.’s right to declare or pay any dividend or distribution of cash, stock, or any other property to Globus Medical, Inc."

2. 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) Corporate Resolutions and Certificate of Incumbency Borrower (2).
(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.

3. 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.

4. 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.

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/ KEITH PFEIL (SEAL)
KEITH PFEIL,
CHIEF FINANCIAL OFFICER

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/ KEITH PFEIL (SEAL)
KEITH PFEIL,
CHIEF FINANCIAL OFFICER

EXHIBIT 31.1

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: May 7, 2020

/s/ DAVID M. DEMSKI
David M. Demski
Chief Executive Officer
President

EXHIBIT 31.2

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

I, Keith Pfeil, 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: May 7, 2020

/s/ KEITH PFEIL
Keith Pfeil
Senior Vice President
Chief Financial Officer

EXHIBIT 32

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 Keith Pfeil, Senior Vice President and Chief Financial 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, 2020 (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: May 7, 2020

/s/ DAVID M. DEMSKI
David M. Demski
Chief Executive Officer
President

Date: May 7, 2020

/s/ KEITH PFEIL
Keith Pfeil
Senior Vice President
Chief Financial 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.