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DELTA REPORT

10-Q

LIVN - LIVANOVA PLC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1641
CHANGES	201
DELETIONS	685
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

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


For the quarterly period ended: September 30, 2023 March 31, 2024

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 number: 001-37599

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LivaNova PLC

(Exact name of registrant as specified in its charter)

England and Wales

98-1268150

(State or other jurisdiction of
incorporation or organization)

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

20 Eastbourne Terrace, London, United Kingdom, W2 6LG

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (44) (0) 203 325-0660

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary Shares - £1.00 par value per share	LIVN	The NASDAQ Stock Market LLC

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 Act). Yes ☐ No ☒

Class	Outstanding at
Ordinary Shares - £1.00 par value per share	October 26, 2023 April 26, 2024 53,870,826 54,151,745

LIVANOVA PLC
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DEFINITIONS

In this Quarterly Report on Form 10-Q for the quarter ended [September 30, 2023](#) (this "Report") [March 31, 2024](#), the following terms and abbreviations have the meanings listed below. "LivaNova" and "the Company" refer to LivaNova PLC and its consolidated subsidiaries.

Abbreviation	Definition
2015 Plan 2021 First Lien Credit Agreement	First Lien Credit Agreement for \$125 million between LivaNova PLC 2015 Incentive Award Plan and its wholly-owned subsidiary, Borrower, and Goldman Sachs Bank USA, as First Lien Administrative Agent and First Lien Collateral Agent, entered into on August 13, 2021
2022 2023 Form 10-K	LivaNova PLC's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, filed with the SEC on February 27, 2023 February 29, 2024
2022 2024 Restructuring Plan	A plan, initiated during the first quarter of 2024, to enhance LivaNova's focus on its core Cardiopulmonary and Neuromodulation segments
2025 Capped Calls	Privately negotiated capped call transactions entered into with certain financial institutions
2025 Notes	\$287.5 million aggregate principal amount 3.00% unsecured cash exchangeable senior notes due 2025 by private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act, issued by LivaNova USA on June 17, 2020
2025 Notes Repurchase Transaction	Repurchase of \$230.0 million aggregate principal amount of the 2025 Notes in privately-negotiated transactions from proceeds from the issuance of the 2029 Notes
2029 Capped Calls	Privately negotiated capped call transactions entered into with certain financial institutions
2029 Notes	\$345.0 million aggregate principal amount 2.5% unsecured convertible senior notes due 2029 by private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act, issued by LivaNova PLC 2022 Incentive Award Plan on March 8, 2024
ACS	Advanced Circulatory Support
ALung	ALung Technologies, Inc.
AOCI	Accumulated other comprehensive income
A&R 2022 Plan Barclays	Amended and Restated LivaNova Barclays Bank Ireland PLC 2022 Incentive Award Plan
BEPS	Base Erosion and Profit Shifting
Bridge Loan Facility Borrower	LivaNova USA, Inc.
Capped Call Transactions	Incremental Facility Amendment No. 1 to The 2025 Capped Calls and the 2021 First Lien Credit Agreement, relating to a €200 million bridge loan facility, dated February 24, 2022, and repaid on July 6, 2022 2029 Capped Calls
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMS CODM	Chief Operating Decision Maker
Convertible Notes Measurement Period	U.S. Centers for Medicare & Medicaid Services
Court of Appeal	Court of Appeal in Milan
CPB	Cardiopulmonary bypass
Delayed Draw Term Facility	\$50 million delayed draw term facility under the 2021 First Lien Credit Agreement resulting from the Incremental Facility Amendment No. 2
DRE	Drug-resistant epilepsy
DTD	Difficult-to-treat depression
ECJ	European Court of Justice
EU	European Union
Exchange Act	U.S. Securities Exchange Act of 1934, as amended
FDA	U.S. Food and Drug Administration
FX	Foreign currency exchange rate
Hemolung RAS GAAP	Hemolung Respiratory Assist System Generally Accepted Accounting Principles
HLM	Heart-lung machine
ImThera	ImThera Medical, Inc., acquired by LivaNova in 2018, a company developing an implantable neurostimulation device system for the treatment of obstructive sleep apnea
Incremental Facility Amendment No. 2	An incremental facility amendment to the 2021 First Lien Credit Agreement, dated July 6, 2022
Incremental Facility Amendment No. 3	An incremental facility amendment to the 2021 First Lien Credit Agreement, dated March 8, 2024

Abbreviation	Definition
Initial Term Facility	\$300 million term facility under the 2021 First Lien Credit Agreement resulting from the Incremental Facility Amendment No. 2
ISIN	National Inspectorate for Nuclear Safety and Radiation Protection, a sub-body of the Italian Ministry of Economic Development
LivaNova PLC	A public limited company organized under the laws of England and Wales on February 20, 2015
LivaNova USA	LivaNova USA, Inc.
LSM	LivaNova Site Management S.r.l.
MDL	Federal multi-district litigation in the U.S. District Court for the Middle District of Pennsylvania
Mitral Nasdaq	Mitral Holdco S.à r.l. Nasdaq Global Market
Notes	\$287.5 million aggregate principal amount of 3.00% senior notes due December 2025, issued June 17, 2020
OCI	Other comprehensive income (loss)
OECD	Organisation Organization for Economic Co-operation and Development
Option Counterparties	Certain financial institutions with whom LivaNova USA or LivaNova PLC, as applicable, has entered into the 2025 Capped Calls and 2029 Capped Calls
Order	Administrative order from the Italian Ministry of the Environment received by LivaNova in 2021
OSA	Obstructive sleep apnea

Abbreviation	Definition
OSPREY clinical trial	LivaNova's clinical trial, "Treating Obstructive Sleep Apnea using Targeted Hypoglossal Neurostimulation"
Pillar Two	OECD BEPS Pillar Two
Public Administrations	The Italian Ministry of the Environment and other Italian government agencies
R&D	Research and Development
RECOVER clinical study Report	LivaNova's clinical study "A Prospective, Multi-center, Randomized Controlled Blinded Trial Demonstrating the Safety and Effectiveness of VNS Therapy System as Adjunctive Therapy Versus a No Stimulation Control in Subjects With Treatment-Resistant Depression" This Quarterly Report on Form 10-Q
RSUs	Service-based restricted stock units
SARs	Service-based stock appreciation rights
SEC	U.S. Securities and Exchange Commission
Securities Act	U.S. Securities Act of 1933, as amended
SG&A	Selling, general and administrative expense expenses
SNIA	SNIA S.p.A.
SNIA Litigation Guarantee	A first demand bank guarantee of €270.0 million in connection with the SNIA litigation
SOFR	Secured Overnight Financing Rate
Sorin spin-off	The spin-off of Sorin from SNIA in 2004
Term Facilities	The Initial Term Facility, together with the Delayed Draw Term Facility
UK	United Kingdom
UK Act	Finance (No.2) Act 2023
U.S.	United States of America
U.S. GAAP	Generally Accepted Accounting Principles in the U.S.
USD	U.S. dollar
VNS UTPR	Undertaxed profits rule
VNS Therapy	LivaNova Vagus nerve stimulation Nerve Stimulation Therapy

INTELLECTUAL PROPERTY, TRADEMARKS AND TRADE NAMES

This report may contain references to LivaNova's proprietary intellectual property, including among others:

- Trademarks for LivaNova's Neuromodulation systems, the VNS Therapy™ System, the VITARIA™ System and LivaNova's proprietary pulse generator products: Model 102 (Pulse™), Model 102R (Pulse Duo™), Model 103 (Demipulse™), Model 104 (Demipulse Duo™), Model 106 (AspireSR™), Model 1000 (SenTiva™), Model 1000-D (SenTiva™ Duo), Model 7103 (VITARIA™ and TitrationAssist™) and Model 8103 (Symmetry™).
- Trademarks for LivaNova's Cardiopulmonary products and systems: Essenz™, S5™, S3™, S5 Pro™, B-Capta™, Inspire™, Heartlink™, XTRA™, 3T Heater-Cooler™, Connect™ and Revolution™.
- Trademarks for LivaNova's advanced circulatory support systems: TandemLife™, TandemHeart™, TandemLung™, ProtekDuo™, LifeSPARC™, ALung™, Hemolung™, Respiratory Dialysis™ and ActivMix™.

- Trademarks for LivaNova's obstructive sleep apnea system: ImThera™ and aura6000™.

These trademarks and trade names are the property of LivaNova or the property of LivaNova's consolidated subsidiaries and are protected under applicable intellectual property laws. Solely for convenience, LivaNova's trademarks and trade names referred to in this Quarterly Report on Form 10-Q may appear without the ™ symbol, but such references are not intended to indicate in any way that the Company will not assert, to the fullest extent under applicable law, LivaNova's rights to these trademarks and trade names.

CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report, on Form 10-Q, other than statements of historical or current fact, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act and Section 21E of the Exchange Act. These statements include, but are not limited to, LivaNova's plans, objectives, strategies, financial performance and outlook, trends, the amount and timing of future cash distributions, prospects or future events and involve known and unknown risks that are difficult to predict. As a result, the Company's actual financial results, performance, achievements or prospects may differ materially from those expressed or implied by these forward-looking statements. Generally, you can identify forward-looking statements by the use of words such as "may," "could," "seek," "guidance," "predict," "potential," "likely," "believe," "will," "should," "expect," "anticipate," "estimate," "plan," "intend," "forecast," "foresee" or variations of these terms and similar expressions, or the negative of these terms or similar expressions. Such forward-looking statements are necessarily based on estimates and assumptions that, while considered reasonable by LivaNova and its management based on their knowledge and understanding of the business and industry, are inherently uncertain. These statements are not guarantees of future performance, and stockholders should not place undue reliance on forward-looking statements. There are a number of risks, uncertainties and other important factors, many of which are beyond the Company's control, that could cause the Company's actual results to differ materially from the forward-looking statements contained in this Quarterly Report, on Form 10-Q, and include, but are not limited to, the following risks and uncertainties: volatility in the global market and worldwide economic conditions, including as caused by the invasion of Ukraine, the evolving instability in the Middle East, inflation, changing interest rates, foreign exchange fluctuations, changes to existing trade agreements and relationships between the U.S. and other countries including the implementation of sanctions; cyber-attacks or other disruptions to the Company's information technology systems or those of third parties with which the Company interacts; costs of complying with privacy and security of personal information requirements and laws; losses or costs from pending or future lawsuits and governmental investigations, including in the case of the Company's 3T Heater-Cooler and SNIA litigations; risks related relating to reductions, interruptions or increasing costs related to the supply of raw materials and components and the distribution of finished products, including as a result of inflation, war and extreme weather; chain pressures; changes in technology, including the development of superior or alternative technology or devices by competitors and/or competition from providers of alternative medical therapies; failure to obtain approvals or reimbursement in relation to the Company's products; failure to establish, expand or maintain market acceptance of the Company's products for the treatment of the Company's approved indications; failure to develop and commercialize new products and the rate and degree of market acceptance of such products; unfavorable results from clinical studies or failure to meet milestones; failure to comply with, or changes in, laws, regulations or administrative practices affecting government regulation of the Company's products; risks relating to recalls, enforcement actions or product liability claims; changes or reduction in reimbursement for the Company's products or failure to comply with rules relating to reimbursement of healthcare goods and services; failure to comply with anti-bribery laws; losses or costs from pending or future lawsuits and governmental investigations, including in the case of the Company's 3T Heater-Cooler and SNIA litigations; risks associated with environmental laws and regulations as well as environmental liabilities, violations, protest voting and litigation; product liability, intellectual property, shareholder-related, environmental-related, income tax and other litigation, disputes, losses and costs; failure to retain key personnel, prevent labor shortages, or manage labor costs; the failure of the Company's R&D efforts to keep up with the rapid pace of technological development in the medical device industry; the risks relating to the impact of climate change and the risk of environmental, social and governance ESG pressures from internal and external stakeholders; the risk of quality concerns and the impacts thereof; failure to protect the Company's proprietary intellectual property; the potential loss of funds resulting from recent and potential future bank failures; failure of new acquisitions to further the Company's strategic objectives or strengthen the Company's existing businesses; the potential for impairments of intangible assets, goodwill and goodwill; other long-lived assets; risks relating to the Company's indebtedness including under the exchangeable senior notes, the Company's revolving credit facility and the Company's 2022 Term Facilities, as defined herein; indebtedness; effectiveness of the Company's internal controls over financial reporting; changes in the Company's profitability and/or failure to manage costs and expenses; fluctuations in future quarterly operating results and/or variations in revenue and operating expenses relative to estimates; changes in tax laws and regulations, including exposure to additional income tax liabilities; and other unknown or unpredictable factors that could harm the Company's financial performance.

Other factors that could cause LivaNova's actual results to differ from projected results are described in (1) "Part II, Item 1A. Risk Factors" and elsewhere in this and the Company's other Quarterly Reports on Form 10-Q, (2) the Company's 2022 2023 Form 10-K, (3) the Company's reports and registration statements filed and furnished from time to time with the SEC and (4) other announcements LivaNova makes from time to time.

Readers are cautioned not to place undue reliance on the Company's forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise. You should read the following discussion and analysis in conjunction with the Company's unaudited condensed consolidated financial statements and related notes included elsewhere in this report. Operating results for the nine three months ended September 30, 2023 March 31, 2024, are not necessarily indicative of future results, including the full fiscal year. You should also refer to the Company's "Annual Consolidated Financial Statements," "Notes" thereto, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" contained in LivaNova's 2022 2023 Form 10-K and in the Company's Quarterly Reports on Form 10-Q.

Financial Information and Currency of Financial Statements

All of the financial information included in this quarterly report has been prepared in accordance with U.S. GAAP. The reporting currency of the Company's condensed consolidated financial statements is USD.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

LIVANOVA PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF (LOSS) INCOME (LOSS)
(UNAUDITED)
(In thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net revenue	\$ 286,113	\$ 252,605	\$ 843,413	\$ 746,931

Cost of sales	84,310	81,687	262,330	223,220
Gross profit	201,803	170,918	581,083	523,711
Operating expenses:				
Selling, general and administrative	134,794	114,630	384,795	349,637
Research and development	46,541	35,725	147,651	110,872
Impairment of goodwill	—	129,396	—	129,396
Other operating expense	16,010	23,140	29,145	24,518
Operating income (loss)	4,458	(131,973)	19,492	(90,712)
Interest expense	(14,986)	(12,661)	(43,232)	(34,889)
Foreign exchange and other income/(expense)	8,550	38,528	36,810	44,065
(Loss) income before tax	(1,978)	(106,106)	13,070	(81,536)
Income tax expense	5,308	1,295	11,776	6,347
(Loss) income from equity method investments	(32)	57	(87)	(24)
Net (loss) income	<u>\$ (7,318)</u>	<u>\$ (107,344)</u>	<u>\$ 1,207</u>	<u>\$ (87,907)</u>
Basic (loss) income per share	\$ (0.14)	\$ (2.01)	\$ 0.02	\$ (1.64)
Diluted (loss) income per share	\$ (0.14)	\$ (2.01)	\$ 0.02	\$ (1.64)
Shares used in computing basic (loss) income per share	53,989	53,534	53,837	53,474
Shares used in computing diluted (loss) income per share	53,989	53,534	54,107	53,474

See accompanying notes to the condensed consolidated financial statements

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LIVANOVA PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF

	Three Months Ended March 31,	
	2024	2023
Net revenue	\$ 294,912	\$ 263,418
Cost of sales	87,522	89,335
Gross profit	207,390	174,083
Operating expenses:		
Selling, general and administrative	129,863	124,129
Research and development	45,664	49,986
Other operating expenses	15,617	2,310
Operating income (loss)	16,246	(2,342)
Interest expense	(15,893)	(13,437)
Loss on debt extinguishment	(25,482)	—
Foreign exchange and other income/(expense)	(9,071)	25,547
(Loss) income before tax	(34,200)	9,768
Income tax expense	7,717	2,371
Loss from equity method investments	(26)	(27)
Net (loss) income	<u>\$ (41,943)</u>	<u>\$ 7,370</u>
Basic (loss) income per share	\$ (0.78)	\$ 0.14
Diluted (loss) income per share	\$ (0.78)	\$ 0.14
Shares used in computing basic (loss) income per share	54,008	53,617
Shares used in computing diluted (loss) income per share	54,008	53,900

COMPREHENSIVE INCOME (LOSS)**(UNAUDITED)****(In thousands)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net (loss) income	\$ (7,318)	\$ (107,344)	\$ 1,207	\$ (87,907)
Other comprehensive income (loss):				
Net change in unrealized income (loss) on derivatives	—	1,653	(966)	(274)
Tax effect	—	—	—	—
Net of tax	—	1,653	(966)	(274)
Foreign currency translation adjustment	(19,222)	(39,887)	(5,716)	(85,653)
Total other comprehensive loss	(19,222)	(38,234)	(6,682)	(85,927)
Total comprehensive loss	\$ (26,540)	\$ (145,578)	\$ (5,475)	\$ (173,834)

See accompanying notes to the condensed consolidated financial statements

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LIVANOVA PLC AND SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENTS OF BALANCE SHEETS COMPREHENSIVE (LOSS) INCOME****(UNAUDITED)****(In thousands, except share amounts) thousands**

	September 30, 2023	December 31, 2022
ASSETS		
<i>Current Assets:</i>		
Cash and cash equivalents	\$ 233,941	\$ 214,172
Restricted cash	298,781	301,446
Accounts receivable, net of allowance of \$11,628 at September 30, 2023 and \$11,862 at December 31, 2022	189,871	183,110
Inventories	161,539	129,379
Prepaid and refundable taxes	25,505	31,708
Prepaid expenses and other current assets	44,230	26,321
Total Current Assets	953,867	886,136
Property, plant and equipment, net	149,302	147,187
Goodwill	767,055	768,787
Intangible assets, net	347,672	368,559
Operating lease assets	31,533	35,830
Investments	22,698	16,266
Deferred tax assets	1,506	1,384
Long-term derivative assets	43,669	54,393
Other assets	12,115	16,231
Total Assets	\$ 2,329,417	\$ 2,294,773
LIABILITIES AND STOCKHOLDERS' EQUITY		
<i>Current Liabilities:</i>		
Current debt obligations	\$ 19,027	\$ 23,434
Accounts payable	62,780	74,310
Accrued liabilities and other	89,680	81,481
Current litigation provision liability	26,704	29,481
Taxes payable	22,300	16,505
Accrued employee compensation and related benefits	74,905	72,187
Total Current Liabilities	295,396	297,398

Long-term debt obligations	568,163	518,067
Contingent consideration	89,808	85,292
Deferred tax liabilities	9,929	8,516
Long-term operating lease liabilities	25,192	29,548
Long-term employee compensation and related benefits	15,894	16,804
Long-term derivative liabilities	53,303	85,675
Other long-term liabilities	46,260	45,849
Total Liabilities	1,103,945	1,087,149
Commitments and contingencies (Note 8)		
<i>Stockholders' Equity:</i>		
Ordinary Shares, £1.00 par value: unlimited shares authorized; 53,903,564 shares issued and 53,860,644 shares outstanding at September 30, 2023; 53,851,979 shares issued and 53,564,664 shares outstanding at December 31, 2022	82,491	82,424
Additional paid-in capital	2,180,661	2,157,724
Accumulated other comprehensive loss	(54,801)	(48,119)
Accumulated deficit	(982,823)	(984,030)
Treasury stock at cost, 42,920 ordinary shares at September 30, 2023; 287,315 ordinary shares at December 31, 2022	(56)	(375)
Total Stockholders' Equity	1,225,472	1,207,624
Total Liabilities and Stockholders' Equity	\$ 2,329,417	\$ 2,294,773

	Three Months Ended March 31,	
	2024	2023
Net (loss) income	\$ (41,943)	\$ 7,370
Other comprehensive income:		
Net change in unrealized loss on derivatives	—	(966)
Tax effect	—	—
Net of tax	—	(966)
Foreign currency translation adjustment	(17,323)	8,053
Total other comprehensive (loss) income	(17,323)	7,087
Total comprehensive (loss) income	\$ (59,266)	\$ 14,457

See accompanying notes to the condensed consolidated financial statements
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LIVANOVA PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS BALANCE SHEETS
(UNAUDITED)
(In thousands) thousands, except share amounts)

	Nine Months Ended September 30,	
	2023	2022
Operating Activities:		
Net income (loss)	\$ 1,207	\$ (87,907)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Stock-based compensation	28,069	32,492
Remeasurement of derivative instruments	(25,730)	(38,825)
Amortization	19,129	18,970
Depreciation	18,582	16,593
Amortization of debt issuance costs	14,246	16,394
Amortization of operating lease assets	7,270	7,100
Remeasurement of contingent consideration to fair value	4,516	(33,323)

Impairment of goodwill	—	129,396
Other	2,513	1,369
Changes in operating assets and liabilities:		
Accounts receivable, net	(8,239)	(1,665)
Inventories	(33,024)	(22,571)
Other current and non-current assets	(2,981)	12,191
Accounts payable and accrued current and non-current liabilities	(8,084)	(5,395)
Taxes payable	6,347	(1,772)
Litigation provision liability	(2,865)	8,171
Net cash provided by operating activities	20,956	51,218
Investing Activities:		
Purchases of property, plant and equipment	(22,062)	(17,383)
Purchase of investments	(6,570)	(928)
Acquisition, net of cash acquired	—	(8,857)
Other	439	(293)
Net cash used in investing activities	(28,193)	(27,461)
Financing Activities:		
Proceeds from long-term debt obligations	50,000	507,547
Repayment of long-term debt obligations	(16,061)	(220,784)
Shares repurchased from employees for minimum tax withholding	(6,995)	(8,550)
Repayments of short-term borrowings (maturities greater than 90 days)	(1,901)	—
Proceeds from share issuances under ESPP	1,625	1,788
Proceeds from deferred consideration from sale of Heart Valves, net of working capital adjustments	—	4,597
Payment of debt issuance costs	—	(3,292)
Other	(166)	481
Net cash provided by financing activities	26,502	281,787
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2,161)	(7,257)
Net increase in cash, cash equivalents and restricted cash	17,104	298,287
Cash, cash equivalents and restricted cash at beginning of period	515,618	207,992
Cash, cash equivalents and restricted cash at end of period	\$ 532,722	\$ 506,279

	March 31, 2024	December 31, 2023
ASSETS		
<i>Current Assets:</i>		
Cash and cash equivalents	\$ 309,191	\$ 266,504
Restricted cash	306,492	311,368
Accounts receivable, net of allowance of \$11,026 at March 31, 2024 and \$12,019 at December 31, 2023	209,431	215,072
Inventories	153,176	147,887
Prepaid and refundable taxes	22,543	20,145
Prepaid expenses and other current assets	39,184	27,182
Total Current Assets	1,040,017	988,158
Property, plant and equipment, net	152,237	154,181
Goodwill	771,817	782,941
Intangible assets, net	253,927	261,178
Operating lease assets	50,260	50,845
Investments	22,675	22,843
Deferred tax assets	113,687	118,858
Long-term derivative assets	41,617	38,496
Other assets	13,365	12,063
Total Assets	\$ 2,459,602	\$ 2,429,563
LIABILITIES AND STOCKHOLDERS' EQUITY		

<i>Current Liabilities:</i>			
Current debt obligations	\$	19,704	\$ 18,111
Accounts payable		75,944	80,845
Accrued liabilities and other		94,029	107,301
Current litigation provision liability		16,980	10,756
Taxes payable		29,761	23,340
Accrued employee compensation and related benefits		91,353	94,630
Total Current Liabilities		327,771	334,983
Long-term debt obligations		604,753	568,543
Contingent consideration		80,769	80,902
Deferred tax liabilities		10,974	11,567
Long-term operating lease liabilities		43,724	45,388
Long-term employee compensation and related benefits		17,062	17,254
Long-term derivative liabilities		104,920	45,569
Other long-term liabilities		48,092	47,729
Total Liabilities		1,238,065	1,151,935
Commitments and contingencies (Note 6)			
<i>Stockholders' Equity:</i>			
Ordinary Shares, £1.00 par value: unlimited shares authorized; 54,295,837 shares issued and 54,148,808 shares outstanding at March 31, 2024; 53,942,151 shares issued and 53,918,222 shares outstanding at December 31, 2023		82,975	82,533
Additional paid-in capital		2,192,676	2,189,517
Accumulated other comprehensive loss		(45,206)	(27,883)
Accumulated deficit		(1,008,427)	(966,484)
Treasury stock at cost, 147,029 ordinary shares at March 31, 2024; 23,929 ordinary shares at December 31, 2023		(481)	(55)
Total Stockholders' Equity		1,221,537	1,277,628
Total Liabilities and Stockholders' Equity	\$	2,459,602	\$ 2,429,563

See accompanying notes to the condensed consolidated financial statements

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LIVANOVA PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(In thousands)

	Three Months Ended March 31,	
	2024	2023
Operating Activities:		
Net (loss) income	\$ (41,943)	\$ 7,370
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Loss on debt extinguishment	25,482	—
Remeasurement of derivative instruments	11,598	(26,281)
Stock-based compensation	10,226	10,579
Depreciation	6,266	5,956
Amortization of debt issuance costs	4,900	5,019
Amortization of intangible assets	4,329	6,355
Deferred income tax expense (benefit)	4,800	(76)
Amortization of operating lease assets	2,544	2,642
Remeasurement of contingent consideration to fair value	(133)	4,827
Other	(534)	(108)
Changes in operating assets and liabilities:		

Accounts receivable, net	1,991	7,558
Inventories	(8,146)	(11,342)
Other current and non-current assets	(8,945)	(3,838)
Accounts payable and accrued current and non-current liabilities	(15,576)	21,378
Taxes payable	6,887	972
Litigation provision liability	6,235	(10,254)
Net cash provided by operating activities	9,981	20,757
Investing Activities:		
Purchases of property, plant and equipment	(6,398)	(7,685)
Purchase of investments	—	(5,136)
Other	35	1,337
Net cash used in investing activities	(6,363)	(11,484)
Financing Activities:		
Proceeds from long-term debt obligations	335,513	—
Repayment of long-term debt obligations	(234,375)	(1,875)
Payment of debt extinguishment costs	(38,953)	—
Purchase of capped calls	(31,637)	—
Proceeds from unwind of capped calls	22,523	—
Payment of contingent consideration	(13,750)	—
Shares repurchased from employees for minimum tax withholding	(316)	(1,577)
Payment of debt issuance costs	(1,893)	—
Repayments of short-term borrowings (maturities greater than 90 days)	—	(1,974)
Other	35	191
Net cash provided by (used in) financing activities	37,147	(5,235)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2,954)	3,302
Net increase in cash, cash equivalents and restricted cash	37,811	7,340
Cash, cash equivalents and restricted cash at beginning of period	577,872	515,618
Cash, cash equivalents and restricted cash at end of period	\$ 615,683	\$ 522,958

See accompanying notes to the condensed consolidated financial statements

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LIVANOVA PLC AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Unaudited Condensed Consolidated Financial Statements

Basis of Presentation

The accompanying condensed consolidated financial statements of LivaNova as of, and for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, have been prepared in accordance with U.S. GAAP for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. The accompanying condensed consolidated balance sheet of LivaNova at December 31, 2022 December 31, 2023 has been derived from audited financial statements contained in LivaNova's 2022 2023 Form 10-K but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, the condensed consolidated financial statements reflect all adjustments considered necessary for a fair statement of the operating results of LivaNova and its subsidiaries for the three and nine months ended September 30, 2023 March 31, 2024, and are not necessarily indicative of the results that may be expected for the year ending December 31, 2023 December 31, 2024. The financial information presented herein should be read in conjunction with the audited consolidated financial statements and notes thereto accompanying LivaNova's 2022 2023 Form 10-K.

Macroeconomic Environment

The current macroeconomic environment, including foreign exchange volatility, inflationary pressures, geopolitical instability, and supply chain challenges, has impacted and may continue to impact LivaNova's business and profitability. Furthermore, LivaNova continues to experience supply chain delays logistical, capacity, and interruptions, labor shortages, inflationary pressures and logistical and capacity constraints, though, to date, the Company's supply of raw materials and the production and distribution of finished products have not been materially affected. Moreover, freight and labor costs at LivaNova's manufacturing facilities have increased substantially in the wake of inflation globally. The Company continues to respond to such challenges, and while LivaNova has business continuity plans in place, the impact of the ongoing challenges the Company is navigating, along with their potential escalation, may adversely affect its business.

Conflicts, including those Cybersecurity Incident

As previously disclosed, in **Ukraine** November 2023, LivaNova detected a cybersecurity incident that resulted in a disruption of portions of the Company's information technology systems. Promptly after detecting the issue, LivaNova began an investigation with assistance from external cybersecurity experts and coordinated with law enforcement. The Company implemented remediation measures to mitigate the impact of the incident. The Company continues to assess the nature and scope of the affected data and analyze its legal notification obligations, and the **Middle East, have caused** Company is notifying affected individuals and regulators as required by applicable law. The Company believes it contained the cybersecurity threat, though its mitigation efforts are ongoing. At this time, all of LivaNova's manufacturing sites worldwide are operating at normal levels. The Company continues to assess the full impact of the cybersecurity event on its business, results of operations, cash flows and financial condition.

Through March 31, 2024, LivaNova had incurred direct costs totaling \$5.4 million in connection with this cybersecurity incident, including \$2.8 million during the three months ended March 31, 2024. These costs primarily include external cybersecurity experts, legal counsel, and system restoration costs, and do not include business interruption or other non-direct costs. The Company expects to incur additional costs related to this incident in the future. LivaNova maintains insurance, including cyber insurance, which is subject to certain retentions and policy limitations that may serve to limit the amount that the insurers may pay the Company when a claim is submitted. LivaNova plans to **assess its ability** file for reimbursement of covered costs related to **sell in certain markets due to any applicable international sanctions, consider the potential impact of raw material sourced from these areas, and determine whether LivaNova is able to transact in a compliant fashion.** Net revenues from each of these conflict areas represented approximately 1%, respectively, of LivaNova's total net revenue for 2022. These conflicts have increased economic uncertainties, and a significant escalation or continuation of these conflicts could have a material, global impact on this incident, but the Company's operating results.

Reclassifications

The Company has reclassified certain prior period amounts on insurance coverage may be insufficient to cover all costs and expenses related to this cybersecurity incident, and the condensed consolidated balance sheets for comparative purposes. These reclassifications had no impact on LivaNova's financial condition. insurance carrier may not cover all submitted costs and expenses related to this cybersecurity incident.

Significant Accounting Policies

LivaNova's significant accounting policies are detailed below and in "Note 2. Basis of Presentation, Use of Accounting Estimates and Significant Accounting Policies" and "Note 3. Revenue Recognition" of LivaNova's **2022** 2023 Form 10-K.

Note 2. Business Combinations Restructuring

As From time to time, LivaNova initiates restructuring plans to leverage economies of **December 31, 2021** scale, streamline distribution and logistics, and strengthen operational and administrative effectiveness in order to reduce overall costs.

On January 5, 2024, the Board of Directors of LivaNova **owned a 3% investment** PLC approved the 2024 Restructuring Plan to enhance the Company's focus on its core Cardiopulmonary and Neuromodulation segments. The main component of this plan was to wind down the ACS segment, which the Company anticipates will be substantially complete by the end of 2024. LivaNova recognized restructuring expense under the 2024 Restructuring Plan of \$9.2 million in ALung, a privately held medical device company **focused** other operating expenses on **creating advanced medical devices** its condensed consolidated statements of (loss) income for **treating respiratory failure.** On May 2, 2022, the three months ended March 31, 2024.

In connection with the 2024 Restructuring Plan, LivaNova **acquired** expects to incur pre-tax restructuring charges in the **remaining 97%** range of **equity interests** approximately \$15 million to \$20 million. The anticipated charges are comprised of approximately \$10 million to \$12 million in ALung for a purchase price severance expenses and retention bonuses and approximately \$5 million to \$8 million in other expenses, including lease termination, facilities remediation, and asset disposal expenses. LivaNova expects the majority of **up the severance expenses to \$110.0 million, consisting** be incurred in the first half of **\$10.0 million** 2024. Retention bonuses will be earned over the period of service, which is expected to be over the full year of 2024. All future cash payments related to these restructuring charges are expected to be substantially paid at closing, out during 2024. These estimates are subject to customary adjustments, and contingent consideration of up to \$100.0 million payable upon achievement of certain sales-based milestones beginning in 2023 and ending in 2027. Total consideration included approximately \$5.5 million of non-cash consideration.

change.

The following table presents **the acquisition date fair value of the consideration transferred and the fair value of LivaNova's interest in ALung prior to the acquisition, including certain measurement period adjustments (in thousands):**

	Initial Fair Value of Consideration	Measurement Period Adjustments ⁽¹⁾	Adjusted Fair Value of Consideration
Cash and other considerations	\$ 15,586	\$ —	\$ 15,586
Contingent consideration	26,369	(9,578)	16,791
Fair value of consideration transferred	\$ 41,955	\$ (9,578)	\$ 32,377

(1) During the third quarter of 2022, measurement period adjustments were recorded based on information obtained about facts and circumstances that existed as of the acquisition date.

The purchase price allocation at fair value for the ALung acquisition was finalized during the second quarter of 2023 and is presented in the following table, which includes certain measurement period adjustments (in thousands):

	Initial Purchase Price Allocation	Measurement Period Adjustments ⁽¹⁾	Adjusted Purchase Price Allocation
Developed technology - 15-year life	\$ 13,950	\$ (11,050)	\$ 2,900
Goodwill	25,893	977	26,870
Other assets and liabilities, net	2,112	495	2,607
Net assets acquired	\$ 41,955	\$ (9,578)	\$ 32,377

(1) During the third quarter of 2022, measurement period adjustments were recorded based on information obtained about facts and circumstances that existed as of the acquisition date.

Goodwill arising from the ALung acquisition, which is not deductible for tax purposes, primarily represents the synergies anticipated between ALung and the Company's ACS business. The assets acquired, including goodwill, are recognized in LivaNova's ACS segment. The goodwill for the ACS reporting unit was fully impaired during the third quarter of 2022.

The Company's condensed consolidated financial statements include the operating results of ALung from the acquisition date. Separate post-acquisition operating results and pro forma financial information for this acquisition have not been presented as the effect was not material.

The contingent consideration payments are triggered upon the achievement of thresholds associated with sales of products covered by the purchase agreement and are estimated to occur during the years reflected in the table below. The sales-based earnout was valued using projected sales from the Company's internal strategic plan and is a Level 3 fair value measurement, which includes the following significant unobservable inputs (in thousands):

ALung Acquisition	Fair value at May 2, 2022	Valuation Technique	Unobservable Input	Ranges
Sales-based earnout	\$ 16,791	Monte Carlo simulation	Risk-adjusted discount rate	7.0% - 8.4%
			Credit risk discount rate	6.4% - 8.0%
			Revenue volatility	25.7%
			Projected years of earnout	2023 - 2027

For a reconciliation of the beginning and ending balance of contingent consideration the accruals and other reserves recorded in connection with LivaNova's restructuring plans included in accounts payable, accrued liabilities refer and other, and accrued employee compensation and related benefits on the condensed consolidated balance sheets (in thousands):

	Employee Severance and Other Termination Costs	Other	Total
Balance at December 31, 2023 ⁽¹⁾	\$ 911	\$ —	\$ 911
Charges	7,251	1,974	9,225
Cash payments	(2,092)	(1,218)	(3,310)
Balance at March 31, 2024	\$ 6,070	\$ 756	\$ 6,826

(1) Represents restructuring plans initiated prior to "Note 5. Fair Value Measurements." 2024.

The following table presents restructuring expense by reportable segment (in thousands):

Note 3. Divestiture of Heart Valve Business

On December 2, 2020, LivaNova entered into a Purchase Agreement with Mitral, a company incorporated under the laws of Luxembourg and wholly owned and controlled by funds advised by Gyrus Capital S.A., a Swiss private equity firm. The Purchase Agreement provided for the divestiture of certain of LivaNova's subsidiaries as well as certain other assets and liabilities relating to the Company's Heart Valve business and site management operations conducted by the Company's subsidiary LSM at the Company's Saluggia campus for \$64.1 million.

On April 9, 2021, LivaNova and Mitral entered into an Amended & Restated Purchase Agreement to, among other things, defer the closing of the sale and purchase of LSM by up to two years and include or amend certain additional terms relating to such deferral, including certain amendments relating to the potential hazardous substances provision of LSM and the related expense reimbursement provisions. On April 7, 2023, Mitral provided notice to LivaNova, consistent with the terms of the Amended & Restated Purchase Agreement, that they would not exercise their right to purchase LSM.

Note 4. Goodwill and Intangible Assets

	Three Months Ended March 31,	
	2024	2023
Neuromodulation	\$ —	\$ 416
Other ⁽¹⁾	9,225	309
Total ⁽²⁾	\$ 9,225	\$ 725

LivaNova tests goodwill and indefinite-lived intangible assets for impairment on an annual basis on October 1 or when events or changes in circumstances indicate that a potential impairment exists. (1) Other primarily includes restructuring expense not allocated to segments.

As part of LivaNova's assessment as of September 30, 2022, the Company considered that revenue for the ACS reporting unit during the nine months ended September 30, 2022, had declined by approximately 29% compared to the prior year period, primarily as a result of a reduction (2) Restructuring expense is included in severe COVID-19 cases, hospital-related challenges and product mix. Furthermore, future revenue projections were reduced. Based on these circumstances, LivaNova concluded it was more likely than not that the goodwill of the Company's ACS reporting unit was impaired, and performed a quantitative assessment of the goodwill as of September 30, 2022, using management's current estimate of future cash flows. Based other operating expenses on the valuation performed, LivaNova determined that the fair value of the ACS reporting unit was less than the carrying value and recognized a goodwill impairment of \$129.4 million in the Company's condensed consolidated statements of income (loss) for the three and nine months ended September 30, 2022. Cumulative goodwill impairments from continuing operations since the merger of Cyberonics, Inc. and Sorin S.p.A. in October 2015 through September 30, 2022 totaled \$193.1 million. income.

LivaNova also performed an interim impairment analysis related to the ImThera IPR&D intangible asset as of September 30, 2022. As a result of this analysis, the Company determined that the fair value of the asset exceeded the carrying value by 11% and that the IPR&D intangible asset was not impaired.

Note 5.3. Fair Value Measurements

The Company LivaNova reviews the its fair value hierarchy classification on a quarterly basis. Changes in the ability to observe valuation inputs may result in a reclassification of levels for certain securities within in the fair value hierarchy. There were no transfers between Level 1, Level 2, or Level 3 during the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables provide information by level for assets and liabilities that are measured at fair value on a recurring basis (in thousands):

		Fair Value Measurements Using			
		Fair Value as of September 30, 2023	Level 1	Level 2	Level 3
		Fair Value as of March 31, 2024	Level 1	Level 2	Level 3
Assets:		Assets:			
Derivative assets - freestanding instruments (FX)	Derivative assets - freestanding instruments (FX)	\$ 2,625	\$ —	\$2,625	\$ —
Derivative assets - capped call derivatives		43,669	—	—	43,669
Derivative assets - freestanding instruments (FX)					
Derivative assets - freestanding instruments (FX)					
Derivative assets - capped call derivatives (2025 Notes)					
Derivative assets - capped call derivatives (2029 Notes)					
Convertible notes receivable	Convertible notes receivable	275	—	—	275
		\$			
Liabilities:		Liabilities:			
Liabilities:		Liabilities:			
Liabilities:		Liabilities:			
		\$ 46,569	\$ —	\$2,625	\$ 43,944
Liabilities:		Liabilities:			
Derivative liabilities - embedded exchange feature (2025 Notes)					

Derivative liabilities - freestanding instruments (FX)	\$ 207	\$ —	\$ 207	\$ —
Derivative liabilities - embedded exchange feature	53,303	—	—	53,303
Contingent consideration arrangements	89,808	—	—	89,808
	<u>\$ 143,318</u>	<u>\$ —</u>	<u>\$ 207</u>	<u>\$143,111</u>

Derivative liabilities - embedded exchange feature (2025 Notes)	
Derivative liabilities - embedded exchange feature (2025 Notes)	
Derivative liabilities - embedded conversion feature (2029 Notes)	
Contingent consideration arrangement	—
	\$ —

	Fair Value as of December 31, 2023	Fair Value Measurements Using Inputs Considered as:		
		Level 1	Level 2	Level 3
Assets:				
Derivative assets - capped call derivatives (2025 Notes)	\$ 38,496	\$ —	\$ —	\$ 38,496
Convertible notes receivable	275	—	—	275
	<u>\$ 38,771</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 38,771</u>
Liabilities:				
Derivative liabilities - freestanding instruments (FX)	\$ 3,883	\$ —	\$ 3,883	\$ —
Derivative liabilities - embedded exchange feature (2025 Notes)	45,569	—	—	45,569
Contingent consideration arrangements	94,652	—	—	94,652
	<u>\$ 144,104</u>	<u>\$ —</u>	<u>\$ 3,883</u>	<u>\$ 140,221</u>

	Fair Value as of December 31, 2022	Fair Value Measurements Using Inputs Considered as:		
		Level 1	Level 2	Level 3
Assets:				
Derivative assets - designated as cash flow hedges (interest rate swap)	\$ 1,333	\$ —	\$ 1,333	\$ —
Derivative assets - capped call derivatives	54,393	—	—	54,393
Convertible notes receivable	285	—	—	285
	<u>\$ 56,011</u>	<u>\$ —</u>	<u>\$ 1,333</u>	<u>\$ 54,678</u>
Liabilities:				
Derivative liabilities - freestanding instruments (FX)	\$ 5,886	\$ —	\$ 5,886	\$ —
Derivative liabilities - embedded exchange feature	85,675	—	—	85,675
Contingent consideration arrangements	85,292	—	—	85,292
	<u>\$ 176,853</u>	<u>\$ —</u>	<u>\$ 5,886</u>	<u>\$ 170,967</u>

The following table provides a reconciliation of the beginning and ending balances of LivaNova's recurring fair value measurements, using significant unobservable inputs (Level 3) (in thousands):

	Capped Call Derivative Asset	Convertible Notes Receivable	Embedded Exchange Feature Derivative Liability	Contingent Consideration Liability Arrangements
As of December 31, 2022 - long-term	\$ 54,393	\$ 285	\$ 85,675	\$ 85,292
Changes in fair value	(10,724)	(10)	(32,372)	4,516
Total at September 30, 2023 - long-term	\$ 43,669	\$ 275	\$ 53,303	\$ 89,808

	Capped Call Derivative Assets (2025 Notes)	Capped Call Derivative Assets (2029 Notes)	Convertible Notes Receivable	Embedded Exchange Feature Derivative Liability (2025 Notes)	Embedded Conversion Feature Derivative Liability (2029 Notes)	Contingent Consideration Liability Arrangements
As of December 31, 2023	\$ 38,496	\$ —	\$ 275	\$ 45,569	\$ —	\$ 94,652
Additions	—	31,637	—	—	87,457	—
Cash receipt	(22,524)	—	—	—	—	—
Payment	—	—	—	(36,915)	—	(13,750)
Changes in fair value	(7,962)	1,970	(6)	1,978	6,831	(133)
Total at March 31, 2024 - long-term	\$ 8,010	\$ 33,607	\$ 269	\$ 10,632	\$ 94,288	\$ 80,769

Embedded Exchange Feature Features and Capped Call Derivatives

In June 2020, the Company issued \$287.5 million in cash exchangeable senior notes due in 2025 and entered into related capped call transactions. In March 2024, the Company issued \$345.0 million in notes due in 2029 and entered into related capped call transactions. The cash exchangeable senior notes 2025 Notes include an embedded exchange feature that is bifurcated from the cash exchangeable senior notes. 2025 Notes and the 2029 Notes include an embedded conversion feature that is bifurcated from the 2029 Notes (we refer to such embedded features collectively as the "embedded derivative features"). In connection with the issuance of the 2029 Notes, the Company repurchased an aggregate principal amount of \$230.0 million of the 2025 Notes and unwound a corresponding portion of the 2025 Capped Calls. Please refer to "Note 6.4, Financing Arrangements" for further details. The embedded exchange feature derivative features are measured at fair value using a binomial lattice model and estimated discounted cash flows that utilize observable and unobservable market data. The capped call derivative is Capped Call Transactions are measured at fair value using the Black-Scholes model utilizing observable and unobservable market data, including stock price, remaining contractual term, expected volatility, risk-free interest rate and expected dividend yield, as applicable.

The embedded exchange feature derivative features and capped call derivatives Capped Call Transactions are classified as Level 3 as because the Company uses historical volatility and implied volatility from actual options traded to determine expected stock price volatility, an unobservable input that is significant to the valuation. In general, an increase in LivaNova's stock price or stock price volatility would increase the fair value of the embedded exchange feature derivative features and capped call derivatives Capped Call Transactions which would result in an increase in net expense. As the remaining time to the expiration of the derivatives decreases, the fair value of the derivatives would decrease. decreases. The future impact of the derivatives on net income depends on how significant inputs such as stock price, stock price volatility and time to the expiration of the derivatives change in relation to other inputs. Changes in the fair value of the embedded exchange feature derivative features and capped call derivatives are recognized in foreign exchange and other income/(expense) in the condensed consolidated statements of (loss) income.

The following table presents the stock price volatility utilized in determining the fair value of the embedded exchange feature derivative liability and the LivaNova's capped call derivative assets was \$53.3 million and \$43.7 million, respectively, embedded derivative liabilities as of September 30, 2023, and the stock price volatility was 37%. As of September 30, 2023, a 10% lower volatility, holding other inputs constant, would reduce the fair value for the embedded exchange feature derivative liability by \$14.0 million, and a 10% higher volatility, holding other inputs constant, would increase the fair value by \$14.1 million. As of September 30, 2023, a 10% lower volatility, holding other inputs constant, would reduce the fair value for the capped call derivatives by \$8.5 million, and a 10% higher volatility, holding other inputs constant, would increase the fair value by \$3.7 million. March 31, 2024:

	Capped Call Derivative Assets (2025 Notes)	Capped Call Derivative Assets (2029 Notes)	Embedded Exchange Feature Derivative Liability (2025 Notes)	Embedded Conversion Feature Derivative Liability (2029 Notes)
March 31, 2024				
Stock price volatility	38 %	36 %	38 %	36 %

Contingent Consideration Arrangements

The following table provides the fair value of Level 3 contingent consideration arrangements by acquisition (in thousands):

	September 30, 2023	December 31, 2022
March 31, 2024		
ImThera ImThera	\$ 78,525	\$ 69,389
ALung ALung	11,283	15,903
	\$ 89,808	\$ 85,292

\$

The ImThera business combination involved contingent consideration arrangements composed of potential cash payments upon the achievement of a certain regulatory milestone and a sales-based earnout associated with sales of products. The sales-based earnouts are valued using projected sales from LivaNova's internal strategic plan. These arrangements are Level 3 fair value measurements and include the following significant unobservable inputs as of **September 30, 2023** **March 31, 2024**:

ImThera Acquisition	Valuation Technique	Unobservable Input	Inputs
Regulatory milestone-based payment	Discounted cash flow	Discount rate	7.9% 8.2%
		Probability of payment	85%
		Projected payment year	2026
Sales-based earnout	Monte Carlo simulation	Risk-adjusted discount rate	14.6% 14.0% - 14.8% 14.4%
		Credit risk discount rate	8.1% 8.3% - 8.6% 8.7%
		Revenue volatility	32.5% 28.4%
		Probability of payment	85%
		Projected years of earnout	2026 - 2029

The ALung business combination involved a contingent consideration arrangement composed of potential cash payments upon the achievement of certain sales-based thresholds associated with sales of products. The arrangement is a Level 3 fair value measurement and includes the following significant unobservable inputs as of September 30, 2023:

ALung Acquisition	Valuation Technique	Unobservable Input	Inputs
Sales-based earnout	Monte Carlo simulation	Risk-adjusted discount rate	10.2% - 11.0%
		Credit risk discount rate	7.6% - 8.3%
		Revenue volatility	27.4%
		Projected years of earnout	2023 - 2027

Note 6.4. Financing Arrangements

The outstanding principal amount of long-term debt as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** was as follows (in thousands, except interest rates):

		September 30, 2023	December 31, 2022	Maturity	Interest Rate			March 31, 2024	March 31, 2024	December 31, 2023	Maturity	
Term	Term	\$				Term	\$	\$				
Facilities	Facilities	332,433	\$ 289,294	July 2027	8.87%	Facilities	\$324,571	\$	\$ 328,459	July 2027	July 2027	8.93%
2020 Cash		251,315	239,568	December 2025	3.00%							
Exchangeable Senior Notes												
Bank of America Merrill Lynch Banco Múltiplo S.A.		—	6,462	N/A	N/A							
Mediocredito Italiano		799	1,601	December 2023	0.50% - 7.15%							
2029 Notes						2029 Notes	246,256		—	March 2029		2.50%
2025 Notes						2025 Notes	51,015		255,500	December 2025		3.00%
Bank of America, U.S.	Bank of America, U.S.	1,500	1,500	January 2025	8.31%	Bank of America, U.S.	1,500	1,500	1,500	January 2025	January 2025	8.09%
Other	Other	533	534									
Total long-term facilities	Total long-term facilities	586,580	538,959									
Total long-term facilities												
Total long-term facilities												

Less current portion of long-term debt			
Less current portion of long-term debt			
Less current portion of long-term debt	Less current portion of long-term debt	18,417	20,892
Total long-term debt obligations	Total long-term debt obligations	\$ 568,163	\$ 518,067
Total long-term debt obligations			
Total long-term debt obligations			

Revolving Credit & Term Facilities

The outstanding principal amount of LivaNova's short-term unsecured revolving credit agreements and other agreements with various banks was \$0.6 million and \$2.5 million as of September 30, 2023 each of March 31, 2024 and December 31, 2022, respectively, December 31, 2023 with an average interest rate of 4.24% 4.94% and loan terms ranging from overnight to 364 days as of September 30, 2023 March 31, 2024.

On August 13, 2021 March 8, 2024, LivaNova PLC and its wholly-owned subsidiary, LivaNova USA as borrower, entered into a Incremental Facility Amendment No. 3, which provides for LivaNova USA to obtain revolving commitments in an aggregate principal amount of \$225 million. The \$225 million revolving facility is subject to the terms and conditions of the 2021 First Lien Credit Agreement, with as amended thereof, and will replace entirely the lenders and issuing banks party thereto and Goldman Sachs Bank USA, as First Lien Administrative Agent and First Lien Collateral Agent, relating to a existing \$125 million senior secured multi-currency revolving credit facility to be made available to the borrower, referred to as under the 2021 First Lien Credit Agreement. The 2021 First Lien Credit Agreement, as amended from time to time, expires on August 13, 2026, and bears interest at a rate equal to, for USD-denominated loans, an adjusted SOFR with a floor of 0.00%, or a Base Rate, plus, in each case, a variable margin based on the Company's Total Net Leverage Ratio, as defined in the agreement. Interest is paid monthly or quarterly, as selected by the borrower, with any outstanding principal due at maturity. The 2021 First Lien Credit Agreement also contemplates the payment of commitment fees on the unused portion of the commitments, at a variable percentage based on the Company's Total Net Leverage Ratio. As of September 30, 2023 and December 31, 2022, the applicable commitment fee percentage was 0.5% per annum. The 2021 First Lien Credit Agreement new \$225 million revolving facility is available for working capital and other general corporate purposes and, if drawn, can be repaid at any time without premium or penalty. As of September 30, 2023, the Company was in compliance with the financial covenants contained in its 2021 First Lien Credit Agreement.

The new \$225 million revolving facility matures on March 8, 2029. There were no outstanding borrowings under the 2021 First Lien Credit Agreement's \$125 million revolving credit facility as of September 30, 2023 and December 31, 2022.

Bridge Loan Facility

On February 24, 2022, LivaNova PLC and its wholly-owned subsidiary LivaNova USA entered into the €200 million Bridge Loan Facility. On March 16, 2022, LivaNova entered into Amendment No. 2 to facilities under the 2021 First Lien Credit Agreement which converted the available borrowings under the Bridge Loan Facility from €200 million to \$220 million as of March 31, 2024 and converted the EURIBOR rate in the December 31, 2023.

The 2021 First Lien Credit Agreement, to SOFR. LivaNova delivered a borrowing notice for \$220 million in connection with as amended, also contemplates the Bridge Loan Facility, which was funded payment of certain commitment fees on March 17, 2022.

On March 18, 2022, LivaNova PLC, acting through its Italian branch, entered into an Indemnity Letter and an Account Pledge Agreement with Barclays, further to which Barclays issued the SNIA Litigation Guarantee. As security for the SNIA Litigation Guarantee, LivaNova is required to grant cash collateral to Barclays in USD in an amount equal to the USD equivalent of 105% of the amount of the SNIA Litigation Guarantee calibrated on a biweekly basis. The proceeds of the Bridge Loan Facility were used by LivaNova to post a unused portion of the cash collateral supporting the SNIA Litigation Guarantee. Cash collateral classified as restricted cash on the condensed consolidated balance sheet was \$298.8 million and \$301.4 million as of September 30, 2023 and December 31, 2022, respectively. For additional information regarding the SNIA litigation, please refer to "Note 8. Commitments and Contingencies."

Debt discounts and issuance costs related to the Bridge Loan Facility were approximately \$4.5 million. Amortization of debt discount and issuance costs for the Bridge Loan Facility was \$4.5 million for the nine months ended September 30, 2022 and is included in interest expense on the condensed consolidated statement of income.

The Bridge Loan Facility was repaid in full on July 6, 2022.

Term Facilities

On July 6, 2022, LivaNova and its wholly-owned subsidiary, LivaNova USA, entered into Incremental Facility Amendment No. 2. Incremental Facility Amendment No. 2 provides for LivaNova USA to, among other things, obtain commitments, for term loan facilities from a syndicate of lenders in an aggregate principal amount of \$350 million consisting of (i) the Initial Term Facility with an aggregate principal amount of \$300 million and (ii) the Delayed Draw Term Facility with an additional aggregate principal amount of \$50 million. On April 6, 2023, LivaNova drew \$50 million under the Delayed Draw Term Facility for general corporate purposes.

Proceeds from the Initial Term Facility were used to repay in full the Bridge Loan Facility on July 6, 2022, with the remainder used for general corporate purposes of the Company. The Term Facilities have a maturity of the earlier of (i) five years or (ii) 91 days prior to December 15, 2025, the maturity date of the 2020 Cash Exchangeable Senior Notes, unless by that date LivaNova USA will have either redeemed or refinanced the Notes, or set aside an amount of cash equal to the then-outstanding principal amount of the Notes. The Term Facilities bear interest at a rate equal to an adjusted term SOFR plus a variable margin percentage based on the Company's consolidated total net leverage ratio, LivaNova's Total Net Leverage Ratio. As of September 30, 2023 March 31, 2024 and December 31, 2023, the applicable margin over Adjusted SOFR commitment fee percentage was equal to 3.50% 0.5% per annum. The Term Facilities are subject to an original issue discount of 1.5% of their principal amount. The Term Facilities are subject to quarterly principal

repayment, based on the following amortization schedule: (i) during the first year from the initial funding date: 1.9%; (ii) year two: 5.0%; (iii) year three: 5.0%; (iv) year four: 7.5%; and (v) year five: 10.0%, with the remainder to be paid at maturity. The effective interest rate of the Term Facilities at September 30, 2023 was 6.53%.

The 2021 First Lien Credit Agreement, as amended, contains customary representations, warranties and covenants, including the requirement to maintain a Senior Secured First Lien Net Leverage Ratio of not more than 3.50 to 1.00, calculated as the ratio of Consolidated Senior Secured First Lien Net Indebtedness to Consolidated EBITDA, as defined in the credit agreement, for the period of four consecutive fiscal quarters ended on the calculation date of not more than 3.50 to 1.00 and an Interest Coverage Ratio of not less than 2.00 to 1.00, calculated as the ratio of Consolidated EBITDA to Consolidated Interest Expense, both as defined in the credit agreement, for the period of four consecutive fiscal quarters ended on the calculation date, of not less than 3.00 to 1.00, date. As of September 30, 2023 March 31, 2024, the Company was in compliance with the financial covenants contained in the 2021 First Lien Credit Agreement.

Debt discounts and issuance costs related to the Initial Term Facility were approximately \$9.6 million. Amortization of debt discount and issuance costs for the Initial Term Facility was \$0.5 million and \$1.5 million for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and is included in interest expense on the condensed consolidated statement statements of (loss) income. The unamortized discount and issuance costs related to the Initial Term Facility as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 were \$7.3 \$6.3 million and \$8.7 \$6.8 million, respectively. Issuance costs related to the Delayed Draw Term Facility were approximately \$1.6 million. million and were fully amortized as of December 31, 2023. Amortization of issuance costs for the Delayed Draw Term Facility was nil and \$0.5 million for the three and nine months ended September 30, 2023, respectively, March 31, 2023 and is included in interest expense on the condensed consolidated statement statements of (loss) income.

2029 Notes Issuance and 2025 Notes Repurchase Transactions

On March 8, 2024, LivaNova issued \$345.0 million aggregate principal amount of 2.50% notes due 2029 by private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act, which included exercise in full of the initial purchasers' option to purchase up to an additional \$45.0 million principal amount of the 2029 Notes. The 2029 Notes are senior unsecured obligations of the Company. The Company used part of the proceeds from the issuance of the 2029 Notes to repurchase \$230.0 million aggregate principal amount of the 2025 Notes in privately-negotiated transactions for an aggregate cash repurchase consideration of \$270.5 million.

The 2025 Notes Repurchase Transaction was treated as a debt extinguishment. The carrying value of the 2025 Notes which includes the unamortized debt issuance cost and discounts and the fair value of the embedded exchange feature were derecognized and the 2029 Notes issued were recognized at fair value. The difference between the consideration used to extinguish the 2025 Notes and the carrying value of the 2025 Notes (including unamortized debt discount and issuance cost) and fair value of the embedded exchange feature is recognized as an extinguishment loss of \$25.5 million recorded through loss on debt extinguishment on LivaNova's condensed consolidated statements of (loss) income. Any third-party costs incurred directly related to the 2025 Notes Repurchase Transaction were deferred and capitalized as additional debt issuance cost to be amortized on the 2029 Notes.

Contemporaneously with the 2025 Notes Repurchase Transaction, the Company and the financial institutions party to the 2025 Capped Calls agreed to terminate a portion of the 2025 Capped Calls in a notional amount corresponding to the amount of 2025 Notes repurchased. The Company received \$22.5 million in cash consideration, the fair value of the terminated portion, upon settlement. The terms of the remaining 2025 Capped Calls remain unchanged and continue to be classified as long-term derivative assets.

2029 Notes

The sale of the 2029 Notes resulted in \$332.1 million in net proceeds to the Company after deducting issuance costs. Interest is payable semiannually in arrears on March 15 and September 15. The effective interest rate of the 2029 Notes at March 31, 2024 was 9.78%. The 2029 Notes mature on March 15, 2029, unless earlier repurchased, redeemed or converted.

Debt discounts and issuance costs related to the Delayed Draw Term Facility 2029 Notes were fully \$99.6 million, including \$87.5 million of discount related to the embedded conversion feature (discussed below), and \$12.1 million new debt issuance costs to the 2029 Notes. Amortization of debt discount and issuance cost for the 2029 Notes was \$0.9 million for the three months ended March 31, 2024, and is included in interest expense on the condensed consolidated statements of (loss) income. The unamortized debt issuance cost and discount related to the 2029 Notes as of March 31, 2024 was \$98.7 million.

Commencing after the calendar quarter ending on June 30, 2024 and prior to the close of business on the business day immediately preceding December 15, 2028, the 2029 Notes will be convertible only under the following circumstances:

- During any calendar quarter commencing after the calendar quarter ending on June 30, 2024 (and only during such calendar quarter), if the last reported sale price of ordinary shares of the Company for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- At any time during the five day business period immediately after any ten consecutive trading day period, if the trading price per \$1,000 principal amount of the 2029 Notes for each trading day of the Convertible Notes Measurement Period was less than 98% of the product of the last reported sale price of the ordinary shares on each such trading day and the conversion rate on each such trading day;
- If the Company calls any or all of the 2029 Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding December 15, 2028; or
- Upon the occurrence of specified corporate events (as set forth in the indenture governing the 2029 Notes).

On or after December 15, 2028, holders of the 2029 Notes may convert their 2029 Notes at their option at any time until the close of business on the second Scheduled Trading Day (as defined in the indenture governing the 2029 Notes) immediately preceding the maturity date.

There have been no changes to the initial conversion price of the 2029 Notes since issuance. During the three months ended March 31, 2024, the conditions for conversion were not met and, therefore, the 2029 Notes were not convertible during that period.

The Company may redeem the 2029 Notes in whole or in part at its option on or after March 22, 2027, for cash if the last reported sale price per ordinary share has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption. Additionally, the Company may redeem the 2029 Notes at its option, in whole but not in part, in connection with certain tax-related events.

Holders of the 2029 Notes may require the Company to repurchase their 2029 Notes upon the occurrence of a Fundamental Change (as defined in the indenture governing the 2029 Notes) at a repurchase price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the repurchase date. In addition, in connection with

certain corporate events or if the Company issues a notice of redemption, the Company will, under certain circumstances, increase the conversion rate for holders who elect to convert their 2029 Notes in connection with such corporate event or during the relevant redemption period.

The indenture governing the 2029 Notes contains customary terms and covenants, including that upon certain events of default occurring and continuing, either the Trustee (as defined in the indenture governing the 2029 Notes) or holders of at least 25% in aggregate principal amount of the 2029 Notes then outstanding may declare the entire principal amount of all the 2029 Notes, and accrued and unpaid interest on such 2029 Notes, to be immediately due and payable. Upon events of default in connection with specified bankruptcy events involving the Company, the 2029 Notes will become due and payable immediately.

Embedded Conversion Feature

The embedded conversion feature of the 2029 Notes requires bifurcation from the 2029 Notes and is accounted for as a derivative liability. The fair value of the 2029 Notes embedded conversion feature at the time of issuance was \$87.5 million and was recorded as debt discount on the 2029 Notes. This discount is amortized as interest expense using the effective interest method over the term of September 30, 2023 the 2029 Notes together with other debt issuance cost and discounts. The 2029 Notes embedded conversion feature derivative is carried on the condensed consolidated balance sheets at its estimated fair value and is adjusted at the end of each reporting period, with the unrealized gain or loss reflected in foreign exchange and other income/(expense) in the condensed consolidated statements of (loss) income. The fair value of the embedded conversion feature derivative liability was \$94.3 million as of March 31, 2024.

2020 Cash Exchangeable Senior 2029 Capped Calls

In connection with pricing the 2029 Notes, the Company entered into privately negotiated capped call transactions with certain financial institutions. The 2029 Capped Calls have an initial strike price of \$69.40, subject to certain adjustments, which corresponds to the initial conversion price of the 2029 Notes. The 2029 Capped Calls are subject to anti-dilution adjustments substantially similar to the 2029 Notes and cover the number of LivaNova's ordinary shares underlying the 2029 Notes. The 2029 Capped Calls generally offset cash payments or the cash equivalent value of ordinary shares upon conversion if the market value per ordinary share is greater than the strike price, with such offset being subject to an initial cap price of \$94.2840 per share. If the Company's share price exceeds the cap price at the time of valuation in respect of a conversion, the proceeds under the 2029 Capped Calls would not fully offset the excess principal amount due to the holders of the 2029 Notes. The 2029 Capped Calls expire on March 15, 2029 and must be settled in cash. If the 2029 Capped Calls are early terminated, settlement occurs at their termination value, which is equal to their fair value at the time of the early termination. The 2029 Capped Calls are carried on the condensed consolidated balance sheets as a derivative asset at their estimated fair value and are adjusted at the end of each reporting period, with unrealized gain or loss reflected in foreign exchange and other income/(expense) in the condensed consolidated statements of (loss) income. The fair value of the 2029 Capped Calls was \$33.6 million as of March 31, 2024. As of March 31, 2024, the 2029 Capped Calls were classified as long-term assets.

2025 Notes

On June 17, 2020, LivaNova's wholly-owned subsidiary, LivaNova USA issued \$287.5 million aggregate principal amount of 3.00% Notes notes due 2025 by private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The 2025 Notes are senior unsecured obligations of the Company. The sale of the 2025 Notes resulted in approximately \$278.0 million in net proceeds to the Company after deducting issuance costs. Interest is payable semiannually in arrears on June 15 and December 15 of each year. On March 8, 2024, in connection with the issuance of the 2029 Notes, the Company used part of the net proceeds to repurchase \$230.0 million aggregate principal amount of the 2025 Notes in privately negotiated transactions. Refer to the above section "2029 Notes Issuance and 2025 Notes Repurchase Transactions" for further information. The effective interest rate of the 2025 Notes at September 30, 2023 March 31, 2024 was 9.95% 9.16%. The 2025 Notes mature on December 15, 2025 unless earlier exchanged, repurchased, or redeemed.

Debt discounts and issuance costs related to the 2025 Notes were approximately \$82.0 million and included \$75.0 million of discount attributable to the embedded exchange feature, discussed below, and \$7.0 million of allocated issuance costs to the 2025 Notes related to legal, bank and accounting fees. Upon the closing of the 2025 Notes Repurchase Transaction in March 2024, the remaining unamortized debt discounts and issuance costs related to the 2025 Notes were \$5.8 million. Amortization of debt discount and issuance costs for the 2025 Notes was \$4.1 \$3.4 million and \$11.7 \$3.8 million for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and \$3.7 million and \$10.6 million for the three and nine months ended September 30, 2022, 2023, respectively, and is included in interest expense on the condensed consolidated statement statements of (loss) income. The unamortized discount related to the 2025 Notes as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 was \$36.2 \$6.5 million and \$47.9 \$32.0 million, respectively.

Holders of the 2025 Notes are entitled to exchange the 2025 Notes at any time during specified periods, at their option. This includes the right to exchange the 2025 Notes during any calendar quarter, if the last reported sale price of LivaNova's ordinary shares, with a nominal value of £1.00 per share, is greater than or equal to 130% of the exchange price, or \$79.27 per share for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter. The exchange condition was not satisfied during the quarterly period ending September 30, 2023 on March 31, 2024. As a result, the Company has included its obligations from the 2025 Notes and the associated embedded exchange feature derivative as a long-term liability on the condensed consolidated balance sheet as of September 30, 2023 March 31, 2024. The 2025 Notes are exchangeable solely into cash and are not exchangeable into ordinary shares of LivaNova or any other security under any circumstances. The initial exchange rate for the 2025 Notes is 16.3980 ordinary shares per \$1,000 principal amount of 2025 Notes (equivalent to an initial exchange price of approximately \$60.98 per share). The exchange rate is subject to adjustment in certain circumstances, as set forth in the indenture governing the 2025 Notes.

There have been no changes to the initial exchange price of the 2025 Notes since issuance. During the three months ended March 31, 2024, the conditions allowing holders of the 2025 Notes to exchange were not met. The 2025 Notes were therefore not exchangeable during the three months ended March 31, 2024.

The Company may redeem the 2025 Notes at its option on or after June 20, 2023 and prior to the 51st scheduled trading day immediately preceding the maturity date, in whole or in part, if the last reported sale price per ordinary share has been at least 130% of the exchange price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption, at a redemption price equal to 100% of the principal amount of the 2025 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. Additionally, the Company may redeem the 2025 Notes at its option, prior to their stated maturity, in whole but not in part, in connection with certain tax-related events.

Embedded Exchange Feature

The embedded exchange feature of the 2025 Notes requires bifurcation from the 2025 Notes and is accounted for as a derivative liability. The fair value of the 2025 Notes' embedded exchange feature derivative at the time of issuance was \$75.0 million and was recorded as debt discount on the 2025 Notes. This discount is amortized as interest expense using the effective interest method over the term of the 2025 Notes. The 2025 Notes' embedded exchange feature derivative is carried on the condensed consolidated balance sheets at its estimated fair value and is adjusted at the end of each reporting period, with the unrealized gain or loss reflected within "Foreign in foreign exchange and other

income/(expense) in the condensed consolidated statements of (loss) income. The fair value of the embedded exchange feature derivative liability was \$53.3 million \$10.6 million and \$85.7 \$45.6 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

2025 Capped Call Transactions Calls

In connection with the pricing of the 2025 Notes, the Company entered into privately negotiated capped call transactions with certain of the initial purchasers of the Notes or their respective affiliates, financial institutions. The capped call transactions 2025 Capped Calls cover, subject to anti-dilution adjustments substantially similar to those applicable to the 2025 Notes, the number of LivaNova's ordinary shares underlying the 2025 Notes and are expected generally to offset any cash payments the Company is required to make upon exchange of the 2025 Notes in excess of the principal amount thereof in the event that the market value per ordinary share, as measured under the capped call transactions, 2025 Capped Calls, is greater than the strike price of the capped call transactions, 2025 Capped Calls, with such offset being subject to an initial cap price of \$100.00 per share. If the Company's share price exceeds the cap price at the time of valuation in respect of an exchange, the proceeds under the 2025 Capped Calls would not fully offset the excess principal amount due to the holders of the 2025 Notes. The capped call transactions 2025 Capped Calls expire on December 15, 2025 and must be settled in cash. If the capped call transactions 2025 Capped Calls are converted or redeemed early terminated, settlement occurs at their termination value, which is equal to their fair value at the time of the redemption, early termination. The capped call transactions 2025 Capped Calls are carried on the condensed consolidated balance sheets as a derivative asset at their estimated fair value and are adjusted at the end of each reporting period, with unrealized gain or loss reflected within in foreign exchange and other income/(expense) in the condensed consolidated statements of (loss) income. In connection with the issuance of the 2029 Notes, the Company repurchased an aggregate principal amount of \$230.0 million of the 2025 Notes and unwound a corresponding portion of the 2025 Capped Calls at the fair value of such portion of the 2025 Capped Calls. The fair value of the capped call derivative assets 2025 Capped Calls then in existence was \$43.7 million \$8.0 million and \$54.4 \$38.5 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. As of September 30, 2023 March 31, 2024, the capped call derivative assets 2025 Capped Calls were classified as long-term, long-term assets.

Note 7.5. Derivatives and Risk Management

Due to the global nature of LivaNova's operations, LivaNova the Company is exposed to FX fluctuations. Historically, the Company LivaNova has entered into FX derivative contracts and interest rate swap contracts to reduce the impact of FX and interest rate fluctuations, respectively, on earnings and cash flow.

LivaNova is also exposed to equity price risk in connection with its 2025 Notes and 2029 Notes, including exchange exchange/conversion and settlement provisions based on the price of the Company's its ordinary shares at exchange exchange/conversion or maturity of the 2025 Notes and 2029 Notes. The capped call transactions Capped Call Transactions associated with the 2025 Notes and 2029 Notes also include settlement provisions that are based on the price of LivaNova's ordinary shares, subject to a capped price per share. LivaNova does not enter into derivative contracts for speculative purposes.

LivaNova measures all outstanding derivatives each period end at fair value and reports the fair value as either financial assets or liabilities on the condensed consolidated balance sheets. At inception of the contract, the derivative is designated as either a freestanding derivative or a hedge. Derivatives that are not designated as hedging instruments are referred to as freestanding derivatives with changes in fair value included in earnings. These derivatives are intended to serve as economic hedges and follow the cash flows of the economic hedged item. The cash flows from these derivative contracts are reported as operating activities on LivaNova's condensed consolidated statements of cash flows.

If the derivative qualifies for hedge accounting, changes in the fair value of the derivative will be recorded in AOCI until the hedged item is recognized in earnings upon settlement/termination. FX derivative gains and losses in AOCI are reclassified to the condensed consolidated statements of income as shown in the tables below, and interest interest rate swap gains and losses in AOCI are reclassified to interest expense on the LivaNova's condensed consolidated statements of (loss) income. The Company LivaNova evaluates hedge effectiveness at inception.

Freestanding FX Derivative Contracts

The gross notional amount of FX derivative contracts not LivaNova had no designated as hedging instruments outstanding at September 30, 2023 as of March 31, 2024 and December 31, 2022 was \$174.2 million and \$154.5 million, respectively. These derivative contracts are designed to offset the FX effects in earnings of various intercompany loans and trade receivables. For these freestanding derivatives, LivaNova recorded net gains of \$5.0 million and \$7.7 million for the three months ended September 30, 2023 and 2022, respectively, and net gains of \$4.1 million and \$12.7 million for the nine months ended September 30, 2023 and 2022, respectively. These gains and losses are included in foreign exchange and other income/(expense) on the condensed consolidated statements of income.

December 31, 2023.

Counterparty Credit Risk

LivaNova is exposed to credit risk in the event of non-performance by the counterparties to the Company's derivatives.

The two counterparties to the capped call transactions Option Counterparties are financial institutions. To limit its LivaNova's credit risk, LivaNova the Company selected financial institutions with a minimum long-term investment grade credit rating. LivaNova's exposure to the credit risk of the counterparties Option Counterparties is not secured by any collateral. If a counterparty such an Option Counterparty becomes subject to insolvency proceedings, the Company LivaNova will become an unsecured creditor in those proceedings, with a claim equal to LivaNova's the Company's exposure at that time under the capped call transactions 2025 Capped Calls and/or 2029 Capped Calls, as applicable, with that counterparty, Option Counterparty.

To manage credit risk with respect to its LivaNova's other derivatives, the Company selects and periodically reviews counterparties based on credit ratings, limits its exposure with respect to each counterparty, and monitors the their respective market positions. However, if one or more of these counterparties were in a liability position to the Company and were unable to meet their obligations, any transactions with the counterparty could be subject to early termination, which could result in substantial losses for the Company.

Cash Flow Hedges

Foreign Currency Risk Freestanding FX Derivative Contracts

Historically, LivaNova utilized The gross notional amount of FX derivative contracts not designated as hedging instruments outstanding as of March 31, 2024 and December 31, 2023 was \$160.0 million and \$223.4 million, respectively. These derivative contracts are designed as cash flow hedges, to hedge the variability of cash flows associated with LivaNova's 12-month USD forecasts of revenues and costs denominated in British Pound, Japanese Yen and the Euro. The Company transferred to earnings from AOCI the gain or loss realized on offset the FX derivative contracts at effects in earnings of various intercompany loans and trade receivables. LivaNova recorded net gains for these freestanding derivatives of \$3.2 million for the time three months ended March 31, 2024 and net losses of invoicing. Upon the settlement \$1.3 million for three months ended March 31, 2023. These gains and losses are included in foreign exchange and other income/(expense) on LivaNova's condensed consolidated statements of LivaNova's foreign currency cash flow

hedges in the fourth quarter of 2022 and following an in-depth analysis of the utility of the Company's cash flow hedging program, LivaNova discontinued its foreign currency cash flow hedging program. (loss) income.

Interest Rate Risk Cash Flow Hedges

Historically, LivaNova entered into interest rate swaps associated with the Initial Term Facility, which qualified for and were designated as cash flow hedges. The Company's outstanding interest rate swaps expired on April 6, 2023. LivaNova elected not to renew the interest rate swaps as interest expense associated with the Initial Term Facility is principally offset by holding a significant portion of the Initial Term Facility in a depository account, which earns a floating rate of interest.

The gross notional amounts of open derivative contracts designated as cash flow hedges at September 30, 2023 and December 31, 2022 were as follows (in thousands):

Description of Derivative Contract	September 30, 2023	December 31, 2022
Interest rate swap contracts	\$ —	\$ 210,000

Pre-tax pre-tax gains (losses) for derivative contracts designated as cash flow hedges recognized in OCI and the amount reclassified to earnings from AOCI were as follows (in thousands):

		Three Months Ended September 30, 2022	Three Months Ended March 31, 2023	Three Months Ended March 31, 2023	Three Months Ended March 31, 2023	2023
Description of Derivative Contract	Description of Derivative Contract	Location in Earnings of Reclassified Gain or Loss	Gains Recognized in OCI	(Losses) Reclassified from AOCI to Earnings	Description of Derivative Contract	Location in Earnings of Reclassified Gain or Loss
FX derivative contracts	FX derivative contracts	Foreign exchange and other income/(expense)	\$ 413	\$ 1,838	FX derivative contracts	Foreign exchange and other income/(expense)
FX derivative contracts	FX derivative contracts	SG&A	—	(1,927)	FX derivative contracts	SG&A
Interest rate swap contracts	Interest rate swap contracts	Interest expense	1,151	—	Interest rate swap contracts	Interest expense
			\$ 1,564	\$ (89)		

Balance Sheet Presentation

		Nine Months Ended September 30,			
		2023		2022	
Description of Derivative Contract	Location in Earnings of Reclassified Gain or Loss	Losses Recognized in OCI	Gains Reclassified from AOCI to Earnings	(Losses) Gains Recognized in OCI	Gains (Losses) Reclassified from AOCI to Earnings
FX derivative contracts	Foreign exchange and other income/(expense)	\$ —	\$ —	\$ (1,345)	\$ 3,517
FX derivative contracts	SG&A	—	—	—	(3,437)
Interest rate swap contracts	Interest expense	(433)	533	1,151	—
		\$ (433)	\$ 533	\$ (194)	\$ 80

The Company LivaNova offsets fair value amounts associated with its derivative instruments on the condensed consolidated balance sheets that are executed with the same counterparty under master netting arrangements. Netting arrangements on the Company's consolidated balance sheets. Master netting arrangements include a right to set off or net together purchases and sales of similar products in the settlement process.

The following tables present the fair value and the location of derivative contracts reported on the condensed consolidated balance sheets as of March 31, 2024 and December 31, 2023 (in thousands):

Asset Derivatives	Liability Derivatives
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September 30, 2023	Balance Sheet		Balance Sheet	
	Location	Fair Value ⁽¹⁾	Location	Fair Value ⁽¹⁾
Asset Derivatives				
March 31, 2024				
Derivatives Not Designated as Hedging Instruments:				
Capped call derivatives	Long-term derivative assets	\$43,669		
Embedded exchange feature	Long-term derivative liabilities	\$53,303		
Derivatives Not Designated as Hedging Instruments:				
Derivatives Not Designated as Hedging Instruments:				
Capped call derivatives (2025 Notes)				
Capped call derivatives (2029 Notes)				
Capped call derivatives (2029 Notes)				
Capped call derivatives (2029 Notes)				
Embedded exchange feature (2025 Notes)				
Embedded exchange feature (2025 Notes)				
Embedded exchange feature (2025 Notes)				
Embedded exchange feature (2029 Notes)				
FX derivative contracts	FX derivative contracts	Prepaid expenses and other current assets	2,625	Accrued liabilities and other 207
Total derivatives not designated as hedging instruments	Total derivatives not designated as hedging instruments		46,294	53,510
Total derivatives not designated as hedging instruments				
Total derivatives not designated as hedging instruments				

Total derivatives	Total derivatives	\$46,294	\$53,510
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December 31, 2022	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value ⁽¹⁾	Balance Sheet Location	Fair Value ⁽¹⁾
Derivatives Designated as Hedging Instruments:				
Interest rate swap contracts	Prepaid expenses and other current assets	\$ 1,333		
Total derivatives designated as hedging instruments		1,333		
Derivatives Not Designated as Hedging Instruments:				
Capped call derivatives	Long-term derivative assets	54,393		
FX derivative contracts			Accrued liabilities and other	\$ 5,886
Embedded exchange feature			Long-term derivative liabilities	85,675
Total derivatives not designated as hedging instruments		54,393		91,561
Total derivatives		\$ 55,726		\$ 91,561

December 31, 2023	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value ⁽¹⁾	Balance Sheet Location	Fair Value ⁽¹⁾
Derivatives Not Designated as Hedging Instruments:				
Capped call derivatives (2025 Notes)	Long-term derivative assets	\$ 38,496		
FX derivative contracts			Accrued liabilities and other	\$ 3,883
Embedded exchange feature (2025 Notes)			Long-term derivative liabilities	45,569
Total derivatives not designated as hedging instruments		38,496		49,452
Total derivatives		\$ 38,496		\$ 49,452

(1) For the classification of inputs used to evaluate the fair value of derivatives, refer to "Note 5.3, Fair Value Measurements."

Note 8.6. Commitments and Contingencies

Saluggia Site Hazardous Substances

LSM, formerly a subsidiary of Sorin, one of the companies that merged into LivaNova PLC in 2015, manages site services for the campus in Saluggia, Italy. In addition to being a former LivaNova manufacturing facility, the Saluggia campus is also the location of manufacturing facilities of third parties, a cafeteria for workers, and storage facilities for hazardous substances and equipment previously used in a nuclear research center, later turned nuclear medicine business, between the 1960s and the late 1990s. Pursuant to authorization from the Italian government, LSM has performed, and continues to perform, performs ordinary maintenance, secure secures the facilities, monitor monitors air and water quality and file files applicable reports with the competent environmental authorities.

In 2020, LSM received correspondence from ISIN requesting that, within five years, LSM demonstrate the financial capacity to meet its obligations under Italian law to clean and dismantle any contaminated buildings and equipment, as well as to deliver hazardous substances to a national repository. This repository will be built by the Italian government at a location and time yet to be determined. ISIN subsequently published Technical Guide n. 30, which identifies the technical criteria, and general safety and protection requirements for the design, construction, operation and dismantling of temporary storage facilities for the hazardous substances. In January 2021, a list of 67 potential sites for the national repository was published.

Although there is no legal obligation to begin any work or deliver the hazardous substances, as the performance of these obligations is contingent on the construction of the as-yet unbuilt national repository, based on the aforementioned factors, the Company concluded its obligation to clean, dismantle, and deliver any hazardous substances to a national repository is probable and reasonably estimable. The estimated liability as of September 30, 2023 March 31, 2024 was €36.0 million €35.7 million (\$38.1 38.6 million), which represented the low end of the estimated range of loss of €36.0 million €35.7 million (\$38.1 38.6 million) to €45.8 million €45.5 million (\$48.4 49.2 million) as of September 30, 2023. The estimated liability as of December 31, 2022 December 31, 2023 was €34.2 million €35.8 million (\$36.6 39.7 million). The increase in the Saluggia site provision from December 31, 2022 was due to adjustments associated with expected disposal costs.

Product Liability Litigation

The Company is currently involved in litigation involving LivaNova's 3T Heater-Cooler device. The litigation includes the MDL, various U.S. state court cases and cases in jurisdictions outside the U.S. On March 29, 2019, LivaNova announced a settlement framework that provided for a comprehensive resolution of the personal injury cases pending in the MDL, the related class action in federal court, as well as certain cases in state courts across the United States. The agreement, which made no admission of liability, was subject to certain conditions, including acceptance of the settlement by individual claimants and provided for a total payment of up to \$225 million to resolve the claims covered by the settlement. Per the agreed-upon terms, the second and final payment of \$90 million was paid into a qualified settlement fund in January 2020.

Cases in state courts in the U.S. and in jurisdictions outside the U.S. continue to progress. As of November 1, 2023, the Company was aware of approximately 75 filed and unfilled claims worldwide, with the majority of the claims in various federal or state courts throughout the United States, including some cases removed to the MDL after the settlement described above. This number includes six cases in the process of settlement or dismissal. The complaints generally seek damages and other relief based on theories of strict

liability, negligence, breach of express and implied warranties, failure to warn, design and manufacturing defect, fraudulent and negligent misrepresentation or concealment, unjust enrichment, and violations of various state consumer protection statutes.

During the three and nine months ended September 30, 2023, the Company recorded an additional liability of \$13.6 million and \$25.7 million, respectively, due to new information received about the nature of certain claims. At September 30, 2023 and December 31, 2022, the provision for these matters was \$29.7 million and \$32.5 million, respectively. While the amount accrued represents the Company's best estimate for those filed and unfilled claims that the Company believes are both probable and estimable at this time, and which are a subset of the filed and unfilled claims worldwide of which LivaNova is currently aware, the actual liability for resolution of these matters may vary from the Company's estimate. The remaining claims for which a provision has not been recorded are remote or the potential loss is not estimable at this time.

Changes in the carrying amount of the litigation provision liability are as follows (in thousands):

Total litigation provision liability at December 31, 2022	\$	32,487
Payments		(28,604)
Adjustments ⁽¹⁾		25,739
FX and other		60
Total litigation provision liability at September 30, 2023		29,682
Less current portion of litigation provision liability at September 30, 2023		26,704
Long-term portion of litigation provision liability at September 30, 2023 ⁽²⁾	\$	2,978

(1) Adjustments to the litigation provision are included within other operating expense on the condensed consolidated statements of income.

(2) Included within other long-term liabilities on the condensed consolidated balance sheet.

SNIA Environmental Liability

Sorin was created as a result of a spin-off from SNIA in 2004, and in 2015, Sorin was merged into LivaNova. SNIA subsequently became insolvent, and the Public Administrations sought compensation from SNIA in an aggregate amount of approximately \$3.6 billion/\$3.7 billion for remediation costs relating to the environmental damage at chemical sites previously operated by SNIA's other subsidiaries.

There are proceedings relating to the SNIA bankruptcy to which LivaNova is not a party in the Bankruptcy Court of Udine and the Bankruptcy Court of Milan. In 2011, the Bankruptcy Court of Udine held that the Public Administrations were not creditors of either SNIA or its subsidiaries in connection with their claims in the Italian insolvency proceedings. The Public Administrations appealed. In 2016, the Court of Udine rejected the appeal, and the Public Administrations appealed to the Supreme Court. Similarly, in 2014, the Bankruptcy Court of Milan held that the Public Administrations were not creditors of either SNIA or its subsidiaries. The Public Administrations appealed. In April 2022, Bankruptcy Court of Milan declared the Public Administrations to be a non-privileged creditor of SNIA for up to €454 million, and the Public Administrations appealed to the Supreme Court.

In 2012, SNIA filed a civil action against Sorin in the Civil Court of Milan asserting joint liability of a parent and a spun-off company; the Public Administrations entered voluntarily into the proceeding, asking Sorin, as jointly liable with SNIA, to pay compensation for SNIA's environmental damages. In 2016, the Court of Milan dismissed all legal actions of SNIA and of the Public Administrations further requiring the Public Administrations to pay Sorin approximately €292,000 (approximately \$308,952 (\$315,403 as of September 30, 2023 March 31, 2024) for legal fees. The Public Administrations appealed the 2016 Decision to the Court of Appeal. On March 5, 2019, the Court of

Appeal issued a partial decision on the merits declaring Sorin/LivaNova jointly liable with SNIA for SNIA's environmental liabilities in an amount up to the fair value of the net worth received by Sorin because of the Sorin spin-off, an estimated €572.1 million (approximately \$605.3 million (\$618.0 million as of September 30, 2023 March 31, 2024). LivaNova appealed the partial decision on liability to the Italian Supreme Court in August 2019.

In 2021, the Court of Appeal delivered the remainder of its decision, ordering LivaNova to pay damages of approximately €453.6 million (approximately \$479.9 million (\$489.9 million as of September 30, 2023 March 31, 2024). LivaNova appealed the decision on damages in December 2021. On February 21, 2022, the Court of Appeal notified the Company that it granted the Company a suspension with respect to the payment of damages until a decision has been reached on the appeal to the Italian Supreme Court. This suspension was subject to LivaNova providing a first demand bank guarantee of €270.0 million (approximately \$285.7 million (\$291.6 million as of September 30, 2023 March 31, 2024) within 30 calendar days, and on March 21, 2022, LivaNova delivered the guarantee, thereby satisfying the condition. Refer to "Note 6. Financing Arrangements" 12. Supplemental Financial Information" for information on the financing of the guarantee.

In November 2022, in response to one of a number of appeals asserted by LivaNova, the Supreme Court issued an ordinance, a procedural document, whereby the Supreme Court referred a question on interpretation of a European directive on demergers to the ECJ. Specifically, the ordinance asks the ECJ to provide a binding decision as to whether a company resulting from a demerger can be held jointly and severally liable not only for the established liabilities of the demerged company that were articulated at the time of demerger, but also for the environmental liabilities of the demerged company that materialized after the demerger which are derived from actions performed prior to the demerger. Following receipt of the binding decision from the ECJ, which is expected in 2024, the Supreme Court is expected to incorporate and issue a decision in response to all of the appeals of LivaNova and counter-appeals submitted by the Public Administrations. While the timing of the decisions by the ECJ and, subsequently, the Supreme Court are uncertain, the Company believes does not expect that the effect of final decision from the ordinance Supreme Court will result in a delay of any final decision be issued until at least 2024, 2025. LivaNova has not recognized a liability in connection with this matter because any potential loss is not currently probable.

In On a separate, but related matter, in 2011, Caffaro, a SNIA subsidiary, sold its Brescia chemical business to Caffaro Brescia, a third party belonging to the Todisco group, and as part of the acquisition, Caffaro Brescia agreed to secure hydraulic barriers at the site and maintain existing environmental security measures. In 2020, Caffaro Brescia declared it was withdrawing from its agreement to maintain the environmental measures. In 2021, LivaNova (in addition to Caffaro Brescia, and other non-LivaNova entities) received an Order administrative order from the Italian Ministry of the Environment requiring the Company to ensure the maintenance of the environmental measures and to guarantee that such works remain fully operational, the annual management and maintenance for which is estimated at approximately €1 million per year. LivaNova's The receipt of the Order appears to be based on the aforementioned Court of Appeal decision regarding LivaNova's alleged joint liability with SNIA for SNIA's environmental liabilities. LivaNova's response, dated February 16, 2021, disputes In February 2021, LivaNova disputed the grounds upon which the Order is based. LivaNova also was based and appealed the Order in the Administrative Court in Brescia. On April 30, 2024, the Company learned that the Administrative Court in Brescia had dismissed the case. As a result, the Company considers this matter closed.

Product Liability Litigation

The Company continues to be involved in litigation involving LivaNova's 3T device. The litigation includes the cases remaining in the MDL, various U.S. state court cases, and in jurisdictions outside the U.S. As of May 3, 2024, the Company was aware of approximately 65 filed and unfiled claims worldwide. The complaints generally seek damages and other relief based on theories of strict liability, negligence, breach of express and implied warranties, failure to warn, design and manufacturing defect, fraudulent and negligent misrepresentation or concealment, unjust enrichment, and violations of various state consumer protection statutes.

During the three months ended March 31, 2024, LivaNova recorded an additional liability of \$6.4 million, due to new information received about the nature of certain claims. At March 31, 2024 and December 31, 2023, the provision for these matters was \$20.0 million and \$13.9 million, respectively. While the amount accrued represents LivaNova's best estimate for those filed and unfiled claims worldwide of which LivaNova is aware and believes are both probable and estimable at this time, the actual liability for resolution of these matters may vary from the Company's provision. A provision for the remaining claims has not been recorded because a liability in connection with these related matters because any potential loss is not currently probable, determined to be probable, or a potential loss or range of potential loss is not reasonably estimable at this time.

Caisson Contract Litigation

On November 25, 2019, LivaNova received notice of a lawsuit initiated by former members of Caisson, a subsidiary. The following table presents the changes in the carrying amount of the Company acquired in 2017. The lawsuit, Todd J. Mortier, as Member Representative of the former Members of Caisson Interventional, LLC v. LivaNova USA, Inc., was filed in the United States District Court litigation provision liability for the District three months ended March 31, 2024 (in thousands):

Total litigation provision liability at December 31, 2023	\$	13,860
Payments		(157)
Adjustments ⁽¹⁾		6,392
FX and other		(80)
Total litigation provision liability at March 31, 2024		20,015
Less current portion of litigation provision liability at March 31, 2024		16,980
Long-term portion of litigation provision liability at March 31, 2024 ⁽²⁾	\$	3,035

- (1) Adjustments to the litigation provision are included in other operating expenses on the condensed consolidated statements of Minnesota. The complaint alleged (i) breach of contract, (ii) breach of (loss) income.
- (2) Included in other long-term liabilities on the covenant of good faith and fair dealing and (iii) unjust enrichment in connection with the Company's operation of Caisson's transcatheter mitral valve replacement program and the Company's November 20, 2019 announcement that it was ending the program at the end of 2019. The lawsuit sought damages arising out of the 2017 acquisition agreement, including various regulatory milestone payments. In May 2022, the District Court granted LivaNova's motion for summary judgment, and in June 2023, the Eighth Circuit Court of Appeal affirmed the decision. The Company now considers Caisson's claim against LivaNova to be closed.

Mitral Litigation

On July 29, 2022, LivaNova received a demand letter from Mitral for approximately €20.8 million (\$22.0 million as of September 30, 2023) for breach of warranty claims under the A&R Purchase Agreement. Specifically, the claims allege failure to disclose certain information relating to a supplier, thereby allegedly impacting the profitability of Mitral's business in China and Japan. The Company does not believe that Mitral's claims will be sustained or that LivaNova is responsible for any alleged breach of warranty. Subject to certain exceptions, warranty claims of this type are contractually capped at €8.0 million (\$8.5 million as of September 30, 2023). On March 22, 2023, Mitral served a formal claim on LivaNova in the High Court of Justice Commercial Court (King's Bench Division) alleging damages flowing from the aforementioned asserted breaches of warranties in the A&R Purchase Agreement. Although the claim is in excess of €20.8 million, Mitral acknowledges the €8.0 million cap. The Company filed its Defense on May 17, 2023. As of September 30, 2023, the Company had recorded an accrued liability for an immaterial amount related to this matter. condensed consolidated balance

Italian MedTech Payback Measure

As previously disclosed, in 2015, the Italian Parliament introduced rules regarding public contracts with the National Healthcare System for the supply of goods and services. In particular, the law introduced a "payback" measure requiring companies selling medical devices in Italy to repay a percentage of the healthcare expenditures exceeding the regional maximum caps for medical devices. In the intervening years since the rules were first issued, there has been considerable uncertainty about how the law will operate and what the exact timeline is for finalization. In August 2022, a decree was published which provided guidance and timetables for the rule. In response, LivaNova filed an appeal at the Administrative Court against the Decree of the Ministry of Health assessing the amount payable and against the MedTech Payback Guidelines. LivaNova also filed appeals against the regions requesting payments. In August 2023, the Administrative Court upheld LivaNova's request to suspend the effect of the requests for payment by the regions, pending the decision by the court on the merits of the case. In November 2023, the Administrative Court, in a separate matter, asked the Constitutional Court whether the payback law is compliant with the Italian Constitution and pending the decision by the Constitutional Court, all cases brought by medical device companies in this matter are suspended. The Company has accrued for the "payback" law since 2015 based on market and product information. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the total amount reserved for this matter was \$7.6 \$8.4 million and \$6.4 \$8.2 million, respectively; however, the actual liability could vary.

Other Matters

Additionally, LivaNova is the subject of various pending or threatened legal actions and proceedings that arise in the ordinary course of LivaNova's business. These matters are subject to many uncertainties and outcomes that are not predictable and that may not be known for extended periods of time. Since the outcome of these matters cannot be predicted with certainty, the costs associated with them could have a material adverse effect on LivaNova's consolidated net income, financial position or liquidity.

Note 9.7. Stockholders' Equity

The tables below present the condensed consolidated statements of stockholders' equity as of and for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (in thousands):

		Ordinary Shares		Additional Paid-In Capital		Treasury Stock		Accumulated Other Comprehensive Loss		Accumulated Deficit		Total Stockholders' Equity ⁽¹⁾	
		Ordinary Shares	Amount	Paid-In Capital	Treasury Stock	Comprehensive Loss	Deficit	Equity ⁽¹⁾					
June 30, 2023		53,904	\$82,441	\$2,169,346	\$ (95)	\$ (35,579)	\$(975,505)	\$1,240,608					
Stock-based compensation plans		—	50	11,315	39	—	—	11,404					
Net income		—	—	—	—	—	(7,318)	(7,318)					
Other comprehensive loss		—	—	—	—	(19,222)	—	(19,222)					
September 30, 2023		53,904	\$82,491	\$2,180,661	\$ (56)	\$ (54,801)	\$(982,823)	\$1,225,472					
June 30, 2022		53,810	\$82,359	\$2,133,258	\$ (397)	\$ (54,870)	\$(878,347)	\$1,282,003					
December 31, 2023													
December 31, 2023													
December 31, 2023													
Issuance of shares													
Stock-based compensation plans	Stock-based compensation plans	4	17	10,504	17	—	—	10,538					
Net loss	Net loss	—	—	—	—	—	(107,344)	(107,344)					
Other comprehensive loss	Other comprehensive loss	—	—	—	—	(38,234)	—	(38,234)					
September 30, 2022		53,814	\$82,376	\$2,143,762	\$ (380)	\$ (93,104)	\$(985,691)	\$1,146,963					
March 31, 2024													
		Ordinary Shares	Ordinary Shares - Amount	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity ⁽¹⁾					
December 31, 2022		53,852	\$ 82,424	\$ 2,157,724	\$ (375)	\$ (48,119)	\$ (984,030)	\$ 1,207,624					
Stock-based compensation plans		52	67	22,937	319	—	—	23,323					
Net income		—	—	—	—	—	1,207	1,207					
Other comprehensive loss		—	—	—	—	(6,682)	—	(6,682)					
September 30, 2023		53,904	\$ 82,491	\$ 2,180,661	\$ (56)	\$ (54,801)	\$ (982,823)	\$ 1,225,472					
December 31, 2021		53,762	\$ 82,295	\$ 2,117,961	\$ (650)	\$ (7,177)	\$ (897,784)	\$ 1,294,645					
Stock-based compensation plans		52	81	25,801	270	—	—	26,152					
Net loss		—	—	—	—	—	(87,907)	(87,907)					
Other comprehensive loss		—	—	—	—	(85,927)	—	(85,927)					
September 30, 2022		53,814	\$ 82,376	\$ 2,143,762	\$ (380)	\$ (93,104)	\$ (985,691)	\$ 1,146,963					
		Ordinary Shares	Ordinary Shares - Amount	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity ⁽¹⁾					
December 31, 2022		53,852	\$ 82,424	\$ 2,157,724	\$ (375)	\$ (48,119)	\$ (984,030)	\$ 1,207,624					
Stock-based compensation plans		2	—	5,204	56	—	—	5,260					
Net income		—	—	—	—	—	7,370	7,370					
Other comprehensive income		—	—	—	—	7,087	—	7,087					
March 31, 2023		53,854	\$ 82,424	\$ 2,162,928	\$ (319)	\$ (41,032)	\$ (976,660)	\$ 1,227,341					

The following table below presents the change in each component of AOCI, net of tax, and the reclassifications out of AOCI into net income (loss) for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 (in thousands):

		Change in Unrealized Gain (Loss) on Derivatives	Foreign Currency Translation Adjustments Gain (Loss) (1)	Total	
December 31, 2022		\$ 966	\$ (49,085)	\$(48,119)	
		Change in Unrealized Loss on Derivatives	Change in Unrealized Loss on Derivatives	Foreign Currency Translation Adjustments (Loss) Gain (1)	Total
December 31, 2023					
Other comprehensive loss before reclassifications, before tax	Other comprehensive loss before reclassifications, before tax	(433)	(5,716)		(6,149)
Tax benefit	Tax benefit	—	—		—
Other comprehensive loss before reclassifications, net of tax	Other comprehensive loss before reclassifications, net of tax	(433)	(5,716)		(6,149)
Net current-period other comprehensive loss, net of tax					
Net current-period other comprehensive loss, net of tax					
Net current-period other comprehensive loss, net of tax					
March 31, 2024					
December 31, 2022					
December 31, 2022					
December 31, 2022					
Other comprehensive (loss) income before reclassifications, before tax					
Tax benefit					
Other comprehensive (loss) income before reclassifications, net of tax					
Reclassification of gain from accumulated other comprehensive loss, before tax	Reclassification of gain from accumulated other comprehensive loss, before tax	(533)	—		(533)
Reclassification of tax benefit	Reclassification of tax benefit	—	—		—

Reclassification of gain from accumulated other comprehensive loss, after tax	Reclassification of gain from accumulated other comprehensive loss, after tax	(533)	—	(533)
Net current-period other comprehensive loss, net of tax		(966)	(5,716)	(6,682)
September 30, 2023	\$	—	\$ (54,801)	\$(54,801)
December 31, 2021	\$	(945)	\$ (6,232)	\$(7,177)
Other comprehensive loss before reclassifications, before tax		(194)	(85,653)	(85,847)
Tax benefit		—	—	—
Other comprehensive loss before reclassifications, net of tax		(194)	(85,653)	(85,847)
Reclassification of gain from accumulated other comprehensive loss, before tax		(80)	—	(80)
Reclassification of tax benefit		—	—	—
Reclassification of gain from accumulated other comprehensive loss, after tax		(80)	—	(80)
Net current-period other comprehensive loss, net of tax		(274)	(85,653)	(85,927)
September 30, 2022	\$	(1,219)	\$ (91,885)	\$(93,104)
Net current-period other comprehensive (loss) income, net of tax				
March 31, 2023				

(1) Taxes are were not provided for foreign currency translation adjustments as translation adjustments are related to earnings that are intended to be reinvested in the countries where earned.

Note 10.8. Stock-Based Incentive Plans

Stock-Based Plans

During the nine three months ended September 30, 2023 March 31, 2024, LivaNova issued stock-based compensatory awards with terms approved by the Compensation and Human Capital Management Committee of LivaNova's Board of Directors. The awards with service conditions generally vest ratably over four years and are subject to forfeiture unless service conditions are met. The market performance-based awards that were issued cliff vest after three years subject to the rank of LivaNova's total shareholder return for the three-year period ending December 31, 2025 December 31, 2026 relative to the total shareholder returns for a peer group of companies, the S&P Healthcare Equipment Select Constituents index. The adjusted free cash flow and return on invested capital operating performance-based awards that were issued, cliff vest after three years subject to the achievement of certain thresholds of cumulative results for the three-year period ending December 31, 2025 December 31, 2026. Compensation expense related to awards granted during 2023 2024 for the three and nine months ended September 30, 2023 March 31, 2024 was \$4.5 million and \$6.9 million, respectively. \$0.1 million.

Stock-based awards may be granted under the 2015 Plan and the 2022 Plan in the form of stock options, SARs, RSUs and other stock-based and cash-based awards. As of September 30, 2023, there were 13,493 shares available for future grants to LivaNova's Non-Executive Directors under the 2015 Plan and 1,398,400 shares pursuant to Options or Stock Appreciation Rights and 912,743 shares pursuant to other types of awards available for future grants to LivaNova's employees under the 2022 Plan. In June 2023, the Company's shareholders approved the A&R 2022 Plan. The A&R 2022 Plan increases the aggregate number of ordinary shares that can be issued under the 2022 Plan pursuant to options or SARs from 1,900,000 to 2,250,000, and the number of ordinary shares that can be issued pursuant to awards other than options or SARs from 1,200,000 to 1,500,000.

Stock-Based Compensation

Stock-based incentive plan compensation expense is as follows (in thousands):

		Nine Months Ended	
Three Months Ended		September 30,	
		2023	2022
Three Months Ended		2023	2022
March 31,			

		Three Months Ended March 31, Three Months Ended March 31,					
		2024		2024		2023	
RSUs	RSUs	\$ 5,690	\$ 5,484	\$16,103	\$16,710		
SARs	SARs	3,886	3,069	10,713	9,727		
Market performance-based restricted stock units	Market performance-based restricted stock units	1,071	1,049	392	2,903		
Operating performance-based restricted stock units	Operating performance-based restricted stock units	866	875	7	2,271		
Employee share purchase plan	Employee share purchase plan	266	250	854	881		
Total stock-based compensation expense	Total stock-based compensation expense	\$ 11,779	\$10,727	\$28,069	\$32,492		

Stock-based compensation agreements issued during the **nine** months ended **September 30, 2023** **March 31, 2024** representing potential shares and their weighted average grant date fair values by type is as follows (shares in thousands, fair value in dollars):

		Nine Months Ended September 30, 2023			
		Weighted Average Grant Date Fair Shares Value			
		Three Months Ended March 31, 2024		Three Months Ended March 31, 2024	
		Shares		Shares Weighted Average Grant Date Fair Value	
Service-based SARs	Service-based SARs	974,204	\$ 19.44		
Service-based RSUs	Service-based RSUs	502,821	\$ 42.89		
Market performance-based RSUs	Market performance-based RSUs	94,561	\$ 38.95		
Operating performance-based RSUs	Operating performance-based RSUs	94,556	\$ 42.30		

Note 11.9. Income Taxes

Livano's effective income tax rate for the three and nine months ended **September 30, 2023** **March 31, 2024** was **(268.4) (22.6)%** and **90.1%**, respectively, compared with **(1.2)%** and **(7.8)% 24.3%** for the three and nine months ended **September 30, 2022**, respectively, **March 31, 2023**. Livano's effective income tax rate fluctuates based on, among other factors, changes in pretax income in countries with varying statutory tax rates, valuation allowances, tax credits and **incentives and unrecognized tax benefits associated with uncertain tax positions. incentives.**

Livano continually assesses the realizability of its worldwide deferred tax asset and valuation allowance positions, and when the need arises, the Company establishes or releases valuation allowances accordingly.

The decrease in the effective tax rate for the three months ended **September 30, 2023**, compared to the prior year period, was primarily attributable to changes in valuation allowances and year-over-year changes in income before tax in countries with varying statutory tax rates. The increase in the effective tax rate for the nine months ended

September 30, 2023 March 31, 2024, compared to the prior year period, was primarily attributable to changes in valuation allowances, year-over-year changes in income before tax in countries with varying statutory tax rates, and an audit settlement, certain discrete tax items.

LivaNova operates in multiple jurisdictions throughout the world, and its tax returns are periodically audited or subjected to review by tax authorities. As a result, there is an uncertainty in income taxes recognized in LivaNova's financial statements. Tax benefits totaling \$0.4 million and \$1.6 million were unrecognized as of September 30, 2023 and December 31, 2022, respectively.

On July 11, 2023, the UK Act implemented the OECD's BEPS Pillar Two Framework, framework, providing a minimum effective tax rate of 15%, including both a multinational top-up tax and a domestic top-up tax for accounting periods beginning on or after December 31, 2023. The UK Act also included a transitional safe harbor election for accounting periods beginning on or before December 31, 2026. LivaNova Draft UK legislation has also been published for a UTPR to be introduced, although not before accounting periods beginning on or after December 31, 2024. The UTPR is reviewing intended to ensure that amounts of multinational top-up tax that are not collected under foreign global minimum tax rules can, in certain circumstances, be collected instead in the draft guidance issued UK. This minimum tax is treated as a period cost beginning in 2024 and has not had a material impact on June 15, 2023, and the UK Act to assess Company's financial results of operations for the full implications for 2024 and current period. LivaNova will continue to monitor related guidance in the UK and other jurisdictions that impact LivaNova's operations. Any material change in tax laws, regulations or policies, or their interpretation and enforcement, including with respect to the Pillar Two Framework, framework, could result in a higher effective tax rate and have a material impact on our consolidated statements of (loss) income (loss) or financial condition.

Note 12, 10, Earnings Per Share

Reconciliation of the shares used in the The following table presents basic and diluted earnings per share computations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 are as follows 2023:

	Three Months Ended March 31,	
	2024	2023
Basic (loss) income per share	\$ (0.78)	\$ 0.14
Diluted (loss) income per share	\$ (0.78)	\$ 0.14

The following table presents the reconciliations of net (loss) income and weighted average shares outstanding used in the calculations of basic and diluted earnings per share for the three months ended March 31, 2024 and 2023 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Basic weighted average shares outstanding	53,989	53,534	53,837	53,474
Add effects of share-based compensation instruments ⁽¹⁾	—	—	270	—
Diluted weighted average shares outstanding	53,989	53,534	54,107	53,474

	Three Months Ended March 31,	
	2024	2023
Numerator ⁽¹⁾:		
Net (loss) income - basic and diluted	\$ (41,943)	\$ 7,370
Denominator ⁽¹⁾:		
Weighted average shares outstanding - basic	54,008	53,617
Add: Dilutive effect of share-based compensation and convertible debt instruments ⁽²⁾	—	283
Weighted average shares outstanding - diluted	54,008	53,900

- (1) For the three months ended March 31, 2024, the 2029 Notes were outstanding and potentially dilutive securities but were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive.
- (2) Excluded from the computation of diluted earnings per share were stock options, SARs and restricted share units totaling 4.0 million 4.6 million and 3.9 million 3.2 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and 3.1 million and 4.0 million for the nine months ended September 30, 2023 and 2022, 2023, respectively, because to include them would have been anti-dilutive under the treasury stock method.

Note 13, 11, Geographic and Segment Information

Segment Information

LivaNova identifies operating segments based on how it manages, evaluates and internally reports its business activities to allocate resources, develop and execute its strategy and assess performance. Prior to the first quarter of 2024, LivaNova has operated through three reportable segments: Cardiopulmonary, Neuromodulation and ACS. During the first quarter of 2024, the Company reorganized its operating and reporting structure upon initiating the 2024 Restructuring Plan. This involved transitioning all ACS standalone cannulae and accessories, including ProtekDuo and transseptal (TandemHeart) cannulae, into its Cardiopulmonary segment. Operations for other ACS products, including LifeSPARC and Hemolung systems, will be discontinued by the end of 2024. For additional information, please refer to "Note 2. Restructuring." This restructuring, along with changes in how the Company's CODM regularly reviews information, allocates resources and assesses performance, resulted in modifications to LivaNova's reportable segments. Specifically, the ACS segment is now included in "Other," excluding the ACS standalone cannulae and accessories business, which is now included in the Cardiopulmonary reportable segment. As a result, LivaNova now has two reportable segments: Cardiopulmonary and Neuromodulation. Net revenue of the Company's reportable segments includes revenues from the sale of

products that each reportable segment develops and manufactures or distributes. The segment financial information presented herein reflects these changes for all periods presented.

LivaNova's Cardiopulmonary segment is engaged in the design, development, production manufacture, marketing and sale selling of cardiopulmonary products, including heart-lung machines, oxygenators, autotransfusion systems, perfusion tubing systems, cannulae and other related accessories.

LivaNova's Neuromodulation segment is engaged in the design, development, manufacture, marketing and marketing selling of devices that deliver neuromodulation therapy for treating DRE and DTD. Neuromodulation products include the VNS Therapy System, which consists of an implantable pulse generator, a lead that connects the generator to the vagus nerve, and other accessories. It also includes the development and management of clinical testing of LivaNova's aura6000 System for treating OSA. LivaNova's Neuromodulation segment also includes costs associated with LivaNova's the Company's former heart failure program, which as previously disclosed, the Company began to wind winding down during the first quarter of 2023.

LivaNova's ACS segment is engaged in 2023 and substantially completed winding down during the development, production and sale fourth quarter of leading-edge temporary life support products. LivaNova's ACS products, which comprise the LifeSPARC platform, simplify temporary extracorporeal cardiopulmonary life support solutions for critically ill patients. The LifeSPARC platform includes a common compact console and pump that provides temporary support for emergent rescue patients in a variety of settings. LivaNova's ACS segment also includes the Hemolung RAS, which was acquired in May 2022 as part of the acquisition of ALung.

2023.

LivaNova operates under three geographic regions: U.S., Europe, and Rest of World. The following table below presents net revenue by operating segment and geographic region for the three months ended March 31, 2024 and 2023 (in thousands):

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
		Three Months Ended March 31,		Three Months Ended March 31,	
		Three Months Ended March 31,		Three Months Ended March 31,	
		2024		2024	2023
Cardiopulmonary	Cardiopulmonary				
United States					
United States					
United States	United States	\$ 48,547	\$ 38,476	\$131,372	\$114,437
Europe ⁽¹⁾	Europe ⁽¹⁾	35,190	28,754	110,642	93,980
Rest of World	Rest of World	61,090	53,729	185,488	155,437
		144,827	120,959	427,502	363,854
		155,891			
Neuromodulation	Neuromodulation				
United States					
United States					
United States	United States	102,475	96,504	301,029	275,145
Europe ⁽¹⁾	Europe ⁽¹⁾	12,661	11,130	41,066	37,296
Rest of World	Rest of World	13,744	14,201	40,689	37,416
		128,880	121,835	382,784	349,857
Advanced Circulatory Support					
United States		10,562	8,430	29,423	28,183
Europe ⁽¹⁾		277	114	522	1,220
Rest of World		113	92	266	268
		10,952	8,636	30,211	29,671
		133,872			
Other Revenue ⁽²⁾	Other Revenue ⁽²⁾	1,454	1,175	2,916	3,549
Totals	Totals				
United States					
United States					
United States	United States	161,583	143,410	461,823	417,765

Europe ⁽¹⁾	Europe ⁽¹⁾	48,129	39,998	152,231	132,496
Rest of World	Rest of World	76,401	69,197	229,359	196,670
Total ⁽³⁾	Total ⁽³⁾	<u>\$286,113</u>	<u>\$252,605</u>	<u>\$843,413</u>	<u>\$746,931</u>

- (1) Includes countries in Europe where the Company has a direct sales presence. Countries in Europe where sales are made through distributors are included in "Rest of World."
(2) Other revenue primarily includes revenue from the Company's former ACS reportable segment, as discussed above, and rental income not allocated to segments.
(3) No single customer represented over 10% of the Company's consolidated net revenue. No country's net revenue exceeded 10% of the Company's consolidated revenue except for the U.S.

LivaNova defines segment income as operating income before merger and integration expense, restructuring expense, amortization of intangible assets, the Saluggia site provision, as well as other income and expense not allocated to segments. Other income and expense not allocated to segments primarily includes rental income and SG&A expenses for finance, legal, human resources, information technology the results of LivaNova's former ACS reportable segment, as discussed above, and corporate business development expenses. The following table below presents a reconciliation of segment income (loss) to consolidated (loss) income before tax for the three months ended March 31, 2024 and 2023 (in thousands):

		Three Months Ended March 31, Three Months Ended March 31, Three Months Ended March 31,			
		2024		2024	
				2023	
Cardiopulmonary					
Neuromodulation					
Segment income					
		Three Months Ended September 30, 2023		Nine Months Ended September 30, 2022	
		2023		2023	
Cardiopulmonary		\$ (3,959)	\$ (10,324)	\$15,006	\$ 215
Neuromodulation		41,930	43,281	107,084	132,119
Advanced Circulatory Support		2,884	(134,902)	(8,315)	(136,855)
Segment income (loss)		40,855	(101,945)	113,775	(4,521)
Other income/(expense) ⁽¹⁾					
Other income/(expense) ⁽¹⁾					
Other income/(expense) ⁽¹⁾	Other income/(expense) ⁽¹⁾	(36,397)	(30,028)	(94,283)	(86,191)
Operating income (loss)	Operating income (loss)	4,458	(131,973)	19,492	(90,712)
Interest expense	Interest expense	(14,986)	(12,661)	(43,232)	(34,889)
Loss on debt extinguishment					
Foreign exchange and other income/(expense)	Foreign exchange and other income/(expense)	8,550	38,528	36,810	44,065
(Loss) income before tax	(Loss) income before tax	\$ (1,978)	\$ (106,106)	\$13,070	\$ (81,536)

- (1) Other income/(expense) primarily includes rental income, SG&A non-allocated corporate expenses, for finance, legal, human resources, information technology and corporate business development, as well as amortization of intangible assets, rental income, and the Saluggia site provision, merger and integration expense and restructuring expense, results of LivaNova's former ACS reportable segment, as discussed above.

Assets The following table presents assets by reportable segment are as follows of March 31, 2024 and December 31, 2023 (in thousands):

		September 30, 2023	December 31, 2022		
		March 31, 2024		March 31, 2024	December 31, 2023

Note 14.12. Supplemental Financial Information

Inventories consisted The following table presents the components of the following inventories as of March 31, 2024 and December 31, 2023 (in thousands):

		September 30, 2023	December 31, 2022
March 31, 2024		March 31, 2024	
		December 31, 2023	
Raw materials	Raw materials	\$ 90,953	\$ 70,027
Work-in-process	Work-in-process	17,919	15,508
Finished goods	Finished goods	52,667	43,844
		\$ 161,539	\$ 129,379

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, inventories included adjustments totaling \$11.6 million \$25.0 million and \$8.2 million \$24.4 million, respectively, to record balances at lower of cost or net realizable value.

Accrued The following table presents the components of accrued liabilities and other consisted as of the following March 31, 2024 and December 31, 2023 (in thousands):

		September 30, 2023	December 31, 2022
		March 31, 2024	
		March 31, 2024	
		March 31, 2024	
Legal and professional costs	Legal and professional costs	\$ 15,299	\$ 8,653
Legal and professional costs			
Legal and professional costs			
Operating lease liabilities			
Operating lease liabilities			
Operating lease liabilities			
Italian medical device payback law			
Italian medical device payback law			
Italian medical device payback law			
Contract liabilities			
Contract liabilities			
Contract liabilities	Contract liabilities	10,969	10,226
Interest payable	Interest payable	9,961	—
Operating lease liabilities		8,560	9,379
Italian medical device payback law		7,586	6,414
Interest payable			
Interest payable			
Provisions for agents, returns and other			
Provisions for agents, returns and other			
Provisions for agents, returns and other			
Restructuring liability			
Restructuring liability			
Restructuring liability			
Royalty accrual			
Royalty accrual			
Royalty accrual			
Research and development costs	Research and development costs	5,860	7,020
Royalty accrual		4,172	3,950
Provisions for agents, returns and other		3,607	1,678
Restructuring liabilities		1,285	2,045

Foreign exchange and other income/(expense)	Foreign exchange and other income/(expense)	\$	8,550	\$38,528	\$36,810	\$44,065
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(1) Refer to "Note 5.3. Fair Value Measurements"

The following table below presents a reconciliation of cash, cash equivalents and restricted cash reported on the condensed consolidated balance sheets that sum to the total of the amounts shown on the condensed consolidated statement statements of cash flows as of March 31, 2024 and December 31, 2023 (in thousands):

		September 30, 2023	December 31, 2022	
	March 31, 2024			
	March 31, 2024			
	March 31, 2024			December 31, 2023
Cash and cash equivalents	Cash and cash equivalents	\$ 233,941	\$ 214,172	
Restricted cash (1)	Restricted cash (1)	298,781	301,446	
Cash, cash equivalents and restricted cash	Cash, cash equivalents and restricted cash	\$ 532,722	\$ 515,618	

(1) Restricted cash represents funds held as collateral. On March 18, 2022, LivaNova PLC, acting through its Italian branch, entered into an Indemnity Letter and an Account Pledge Agreement with Barclays, further to which Barclays issued the SNIA Litigation Guarantee. As security for the SNIA Litigation Guarantee, LivaNova is required to grant cash collateral to Barclays in USD in an amount equal to the USD equivalent of 105% of the amount of the SNIA Litigation Guarantee calibrated on a biweekly basis. Cash collateral classified as restricted cash on the condensed consolidated balance sheet was \$306.5 million and \$311.4 million as of March 31, 2024 and December 31, 2023, respectively. Refer to "Note 8.6. Commitments and Contingencies."

Note 13. New Accounting Pronouncements

The following table provides a description of future adoptions of new accounting standards that may have an impact on LivaNova's financial statements when adopted:

Issue Date & Standard	Description	Adoption	Assessment
November 2023 ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures	This ASU expands public entities' reportable segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the CODM and included in each reported measure of segment profit or loss, the amount and description of other segment items, and the title and position of the Company's CODM, as well as an explanation of how the CODM uses the Company's reported measures of segment profit or loss in assessing segment performance and deciding how to allocate resources.	This ASU will be effective for annual periods beginning after December 15, 2023 and subsequent interim periods, on a retrospective basis.	LivaNova is currently evaluating the effect this standard will have on its consolidated financial statements and related disclosures.
December 2023 ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures	This ASU expands annual income tax disclosures primarily related to the rate reconciliation and income taxes paid.	This ASU will be effective for annual periods beginning after December 15, 2024, on a prospective basis, with early adoption and retrospective application permitted.	LivaNova is currently evaluating the effect this standard will have on its consolidated financial statements and related disclosures.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the condensed consolidated financial statements and related notes, which appear elsewhere in this document, and with LivaNova's 2022 2023 Form 10-K. LivaNova's discussion and analysis may contain forward-looking statements that involve risks and uncertainties. The Company's actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Risk Factors" in Part I, Item 1A. of LivaNova's 2022 2023 Form 10-K, as updated and supplemented by LivaNova's Quarterly Reports on Form 10-Q, including in Part II, Item 1A. and elsewhere in this Quarterly Report on Form 10-Q. Report.

The capitalized terms used below have been defined in the notes to LivaNova's condensed consolidated financial statements and the "Definitions" section of this Quarterly Report Report.

Description of the Business

LivaNova PLC is a market-leading global medical technology company. The Company designs, develops, manufactures, markets and sells products and therapies that are consistent with LivaNova's mission to provide hope for patients and their families through innovative medical technologies that deliver life-changing improvements. LivaNova is a public limited company organized under the laws of England and Wales and is headquartered in London, England. LivaNova's ordinary shares are listed for trading on Form 10-Q, the Nasdaq under the symbol "LIVN."

Macroeconomic Environment

The current macroeconomic environment, including foreign exchange volatility, inflationary pressures, geopolitical instability, and supply chain challenges, has impacted and may continue to impact LivaNova's business and profitability. Furthermore, LivaNova continues to experience supply chain delays, logistical capacity, and interruptions, labor shortages, inflationary pressures and logistical and capacity constraints, though, to date, the Company's supply of raw materials and the production and distribution of finished products have not been materially affected. Moreover, freight and labor costs at LivaNova's manufacturing facilities have increased substantially in the wake of inflation globally. The Company continues to respond to such challenges, and while LivaNova has business continuity plans in place, the impact of the ongoing challenges the Company is navigating, along with their potential escalation, may adversely affect its business.

Conflicts, including those

Cybersecurity Incident

As previously disclosed, in Ukraine November 2023, LivaNova detected a cybersecurity incident that resulted in a disruption of portions of the Company's information technology systems. Promptly after detecting the issue, LivaNova began an investigation with assistance from external cybersecurity experts and coordinated with law enforcement. The Company implemented remediation measures to mitigate the impact of the incident. The Company continues to assess the nature and scope of the affected data and analyze its legal notification obligations, and the Middle East, have caused Company is notifying affected individuals and regulators as required by applicable law. The Company believes it contained the cybersecurity threat, though its mitigation efforts are ongoing. At this time, all of LivaNova's manufacturing sites worldwide are operating at normal levels. The Company continues to assess the full impact of the cybersecurity event on its business, results of operations, cash flows and financial condition.

Through March 31, 2024, LivaNova had incurred direct costs totaling \$5.4 million in connection with this cybersecurity incident, including \$2.8 million during the three months ended March 31, 2024. These costs primarily include external cybersecurity experts, legal counsel, and system restoration costs, and do not include business interruption or other non-direct costs. The Company expects to incur additional costs related to this incident in the future. LivaNova maintains insurance, including cyber insurance, which is subject to certain retentions and policy limitations that may serve to limit the amount that the insurers may pay the Company when a claim is submitted. LivaNova plans to assess its ability file for reimbursement of covered costs related to sell in certain markets due to any applicable international sanctions, consider the potential impact of raw material sourced from these areas, and determine whether LivaNova is able to transact in a compliant fashion. Net revenues from each of these conflict areas represented approximately 1%, respectively, of LivaNova's total net revenue for 2022. These conflicts have increased economic uncertainties, and a significant escalation or continuation of these conflicts could have a material, global impact on this incident, but the Company's operating results, insurance coverage may be insufficient to cover all costs and expenses related to this cybersecurity incident, and the insurance carrier may not cover all submitted costs and expenses related to this cybersecurity incident.

Business Overview Segments

Prior to the first quarter of 2024, LivaNova is a global medical technology company built on nearly five decades of experience and a relentless commitment to provide hope for patients and their families operated through medical technologies, delivering life-changing improvements for both the Head and Heart. The Company is a public limited company organized under the laws of England and Wales and headquartered in London, England.

LivaNova is comprised of three reportable segments: Cardiopulmonary, Neuromodulation and ACS. During the first quarter of 2024, the Company reorganized its operating and reporting structure upon initiating the 2024 Restructuring Plan. This involved transitioning all ACS corresponding standalone cannulae and accessories, including ProtekDuo and transseptal (TandemHeart) cannulae, into its Cardiopulmonary segment. Operations for other ACS products, including LifeSPARC and Hemolung systems, will be discontinued by the end of 2024. For additional information, please refer to its primary "Note 2. Restructuring" in the condensed consolidated financial statements in this Report. This restructuring, along with changes in how the Company's CODM regularly reviews information, allocates resources and assesses performance, resulted in modifications to LivaNova's reportable segments. Specifically, the ACS segment is now included in "Other," excluding the ACS standalone cannulae and accessories business, units,

which is now included in the Cardiopulmonary reportable segment. As a result, LivaNova now has two reportable segments: Cardiopulmonary and Neuromodulation. For further information regarding LivaNova's business reportable segments, historical financial information and its methodology for the presentation of financial results, please refer to the condensed consolidated financial statements and accompanying notes of this Quarterly Report on Form 10-Q, Report.

Cardiopulmonary

LivaNova's Cardiopulmonary segment is engaged in the design, development, production manufacture, marketing and sale selling of cardiopulmonary products, including heart-lung machines, HLMs, oxygenators, autotransfusion systems, perfusion tubing systems, cannulae and other related accessories.

In March 2023, LivaNova announced it received FDA 510(k) clearance for its Essenz HLM. With FDA clearance, LivaNova initiated particular, the commercial launch of Essenz in the U.S. In March 2023, LivaNova also initiated a broad commercial release in Europe following a successful limited commercial release that supported more than 200 adult, pediatric and neonatal patients in Europe. The Company has also received approval for the Essenz HLM from Health Canada and the Japanese Pharmaceuticals and Medical Devices Agency.

In August 2023, LivaNova announced it received FDA 510(k) clearance and CE Mark for its Essenz In-Line Blood Monitor, which provides accurate and continuous measurement of essential blood parameters to perfusionists throughout CPB procedures. The In-Line Blood Monitor is integrated into LivaNova's next-generation CPB platform, Cardiopulmonary segment includes the Essenz Perfusion System, which allows perfusionists to access the Company's next-generation HLM with an embedded patient monitor for tailored patient care strategies and manage reliable blood parameters without the need sensing technology for additional monitors or holders.

data-driven decision making during CPB procedures.

Information on Cardiopulmonary that could potentially impact LivaNova's condensed consolidated financial statements and related disclosures is incorporated by reference to Part I. Note 8, 6. Commitments and Contingencies: Product Liability Litigation.

Neuromodulation

Net Revenue

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	%	2023	2022	%
			Change			Change
Three Months Ended March 31,						
Three Months Ended March 31,						
Three Months Ended March 31,						
2024						

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United States												
United States	United States	102,475	96,504	6.2 %	301,029	275,145	9.4 %	Europe (1) Rest of World	105,929	94,489	94,489	1
Europe (1)	Europe (1)	12,661	11,130	13.8 %	41,066	37,296	10.1 %		13,407	13,280	13,280	
Rest of World	Rest of World	13,744	14,201	(3.2)%	40,689	37,416	8.7 %		14,536	12,954	12,954	
Advanced Circulatory Support												
United States		10,562	8,430	25.3 %	29,423	28,183	4.4 %					
Europe (1)		277	114	143.0 %	522	1,220	(57.2)%					
Rest of World		113	92	22.8 %	266	268	(0.7)%					
		10,952	8,636	26.8 %	30,211	29,671	1.8 %					
		133,872										
								Other Revenue				
Other Revenue (2)	Other Revenue (2)	1,454	1,175	23.7 %	2,916	3,549	(17.8)% (2)		5,149	6,951	6,951	
Totals	Totals											
United States												
United States												
United States	United States	161,583	143,410	12.7 %	461,823	417,765	10.5 %	Europe (1) Rest of World	160,620	140,267	140,267	1
Europe (1)	Europe (1)	48,129	39,998	20.3 %	152,231	132,496	14.9 %		54,341	49,643	49,643	
Rest of World	Rest of World	76,401	69,197	10.4 %	229,359	196,670	16.6 %		79,951	73,508	73,508	
Total	Total	\$286,113	\$252,605	13.3 %	\$843,413	\$746,931	12.9 %	Total	\$294,912	\$	\$263,418	

(1) Includes countries in Europe where the Company has a direct sales presence. Countries in Europe where sales are made through distributors are included in "Rest of World."

(2) Other revenue primarily includes revenue from the Company's former ACS reportable segment, as discussed above, and rental income not allocated to segments.

The following table below presents segment income (loss) for the three months ended March 31, 2024 and 2023 (in thousands, except for percentages):

		Three Months Ended September 30,			Nine Months Ended September 30,								
		%											
		2023	2022	Change	2023	2022	% Change						
Three Months Ended March 31,													
Three Months Ended March 31,													
Three Months Ended March 31,													
2024													
Cardiopulmonary	Cardiopulmonary	\$ (3,959)	\$ (10,324)	(61.7)%	\$ 15,006	\$ 215	6,879.5 %	Cardiopulmonary	\$14,711	\$	\$ 9,174	60.4	60.4
Neuromodulation	Neuromodulation	41,930	43,281	(3.1)%	107,084	132,119	(18.9)%	Neuromodulation	46,678	27,006	27,006		72.8
Advanced Circulatory Support		2,884	(134,902)	(102.1)%	(8,315)	(136,855)	(93.9)%						
Segment income (loss) ⁽¹⁾		\$ 40,855	\$ (101,945)	(140.1)%	\$113,775	\$ (4,521)	(2,616.6)%						
Segment income										Segment income			
⁽¹⁾										⁽¹⁾		\$61,389	\$

(1) For a reconciliation of segment income (loss) to consolidated (loss) income before tax refer to "Note 13.11. Geographic and Segment Information" in the condensed consolidated financial statements in this Quarterly Report on Form 10-Q. Report.

Cardiopulmonary

Cardiopulmonary net revenue for the three and nine months ended September 30, 2023 March 31, 2024 increased 19.7% 14.8% to \$144.8 million and 17.5% to \$427.5 million, respectively, \$155.9 million compared to the three and nine months ended September 30, 2022 March 31, 2023, respectively, with growth across all regions, driven by increased heart-lung machine placements, including Essenz Perfusion System installations sales in the U.S. and Europe, and strong oxygenator demand. consumables demand worldwide.

Cardiopulmonary segment loss income for the three months ended September 30, 2023 March 31, 2024 was \$4.0 million \$14.7 million, compared to \$10.3 million \$9.2 million for the three months ended September 30, 2022. The decrease in segment loss was primarily due to the increase in net revenue, as described above, and a decrease in the litigation provision related to LivaNova's 3T Heater-Cooler device of \$5.0 million, partially offset by an increase in sales and marketing expense associated with the launch of Essenz.

Cardiopulmonary segment income for the nine months ended September 30, 2023 was \$15.0 million, compared to \$0.2 million for the nine months ended September 30, 2022. The increase in segment income was primarily due to the increase in net revenue, as described above, partially offset by an increase in sales and marketing expense associated with the launch of Essenz, as well as an increase in the litigation provision related to LivaNova's 3T Heater-Cooler device of \$6.4 million \$5.1 million.

Neuromodulation

Neuromodulation net revenue for the three and nine months ended September 30, 2023 March 31, 2024 increased 5.8% 10.9% to \$128.9 million and 9.4% to \$382.8 million, respectively, \$133.9 million compared to the three and nine months ended September 30, 2022 March 31, 2023, respectively. For the three-month comparative period, net revenue increased with double-digit growth in the U.S. and Europe regions. For the nine-month comparative period, net revenue increased with growth across all Rest of World regions.

Neuromodulation segment income for the three and nine months ended September 30, 2023 March 31, 2024 was \$41.9 million and \$107.1 million \$46.7 million, respectively, compared to \$43.3 million and \$132.1 million \$27.0 million for the three and nine months ended September 30, 2022, respectively, March 31, 2023. The decreases increase in segment income were was primarily due to the increase in net unfavorable impact of revenue, as described above, as well as \$3.8 million from the net favorable change in fair value of the sales-based and milestone-based contingent consideration arrangement associated with the acquisition of ImThera of \$7.2 million and \$29.3 million for the three- and nine-month comparative periods, respectively, as well as an increase in R&D expense for the three- and nine-month comparative periods totaling \$1.8 million and \$10.6 million, respectively, associated with the Company's RECOVER clinical study and OSPREY clinical trial. These increases in expense were partially offset by the increase in net revenue, as described above.

Advanced Circulatory Support

ACS net revenue for the three and nine months ended September 30, 2023, increased 26.8% and 1.8% to \$11.0 million and \$30.2 million, respectively, compared to \$8.6 million and \$29.7 million for the three and nine months ended September 30, 2022, respectively, reflecting growth in case volumes.

ACS segment income for the three months ended September 30, 2023, was \$2.9 million, compared to segment loss of \$134.9 million for the three months ended September 30, 2022. ACS segment loss for the nine months ended September 30, 2023, was \$8.3 million, compared to \$136.9 million for the nine months ended September 30, 2022. These increases in segment income were primarily due to the impairment of the goodwill associated with the Company's ACS segment of \$129.4 million during the three and nine months ended September 30, 2022. For additional information, please refer to "Note 4. Goodwill and Intangible Assets" in the condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

ImThera.

Cost of Sales and Expenses

The following table presents costs and expenses as a percentage of net revenue for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

		Three Months Ended September 30,			Nine Months Ended September 30,																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
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SG&A expense is expenses are comprised of sales, marketing, and general, and administrative activities.

SG&A expense as a percentage of net revenue was 47.1% 44.0% for the three months ended September 30, 2023 March 31, 2024, an increase a decrease of 1.7% 3.1 percentage points compared to the three months ended September 30, 2022, and 45.6% for the nine months ended September 30, 2023, a decrease of 1.2% compared to the nine months ended September 30, 2022 March 31, 2023. The increase for the three-month comparative period was primarily due to an increase in legal costs, partially offset by a decrease in sales and marketing expense as a percentage of net revenue. The decrease for the nine-month comparative period was primarily due to a decrease in stock-based compensation expense due to forfeitures sales and marketing expenses driven by the wind down of awards the ACS segment, partially offset by \$2.8 million in costs associated with the recent departure of the Company's former CEO and prior year business development expense related to the acquisition of ALung, partially offset by an increase in legal costs. November 2023 cybersecurity incident, as described above.

Research and Development Expense

R&D expense consists expenses consist of product design and development efforts, clinical study programs and regulatory activities, which are essential to LivaNova's strategic portfolio initiatives, including DTD, OSA and, until recently, heart failure activities.

R&D expense as a percentage of net revenue was 16.3% and 17.5% 15.5% for the three and nine months ended September 30, 2023 March 31, 2024, respectively, an increase a decrease of 2.2% and 2.7% 3.5 percentage points compared to the three and nine months ended September 30, 2022, respectively. These increases were March 31, 2023. The decrease was primarily due to the net impact of the change an \$8.7 million decrease in the fair value of milestone-based contingent consideration arrangements totaling \$9.2 million and \$24.9 million for the three- and nine-month comparative periods, respectively, as well as increases costs associated with winding down the Company's RECOVER clinical study and OSPREY clinical trial totaling \$1.8 million and \$10.6 million for the three- and nine-month comparative periods, respectively.

Impairment of Goodwill

LivaNova tests goodwill for impairment on an annual basis on October 1 or when events or changes in circumstances indicate that a potential impairment exists. As part of LivaNova's assessment as of September 30, 2022, the Company considered that revenue for the ACS reporting unit heart failure program, which was substantially completed during the nine months ended September 30, 2022 had declined by approximately 29% compared to the prior year period, primarily as a result fourth quarter of a reduction in severe COVID-19 cases, hospital-related challenges and product mix. Furthermore, future revenue projections were reduced. Based on these circumstances, LivaNova concluded it was more likely than not that the goodwill of the Company's ACS reporting unit was impaired, and performed a quantitative assessment of the goodwill as of September 30, 2022, using management's current estimate of future cash flows. Based on the valuation performed, LivaNova determined that the fair value of the ACS reporting unit was less than the carrying value and recognized a goodwill impairment of \$129.4 million in the Company's condensed consolidated statements of income (loss) for the three and nine months ended September 30, 2022.

2023.

Other Operating Expense Expenses

Other operating expense expenses primarily consists of the provision for litigation involving LivaNova's 3T Heater-Cooler device, the Saluggia site provision, and restructuring expense, and merger and integration expense.

Other operating expense expenses as a percentage of net revenue was 5.6% 5.3% for the three months ended September 30, 2023 March 31, 2024, a decrease an increase of 3.6% 4.4 percentage points compared to the three months ended September 30, 2022. Other operating expense as a percentage of net revenue was 3.5% for the nine months ended September 30, 2023, an increase of 0.2% compared to the nine months ended September 30, 2022 March 31, 2023. The decrease for the three-month comparative period increase was primarily due to an \$8.5 million increase in restructuring costs resulting from the 2024 Restructuring Plan, as well as a decline \$5.1 million increase in the amount recorded for the litigation provision related to LivaNova's 3T Heater-Cooler device of \$5.0 million, partially offset by an increase in the Saluggia site provision of \$2.3 million. device. For additional information, on these provisions, please refer to "Note 8. 2. Restructuring," and "Note 6. Commitments and Contingencies" Contingencies," respectively, in the condensed consolidated financial statements in this Quarterly Report on Form 10-Q. Report.

Interest Expense

Interest expense for the three and nine months ended September 30, 2023, March 31, 2024 increased to \$15.0 million and \$43.2 million \$15.9 million, respectively, compared to \$12.7 million and \$34.9 million \$13.4 million for the three and nine months ended September 30, 2022 March 31, 2023, respectively, primarily due to an increase increases in interest rates, and an increase in average borrowings, partially offset by a reduction in and amortization of debt issuance costs for the nine-month comparative period. costs. For further details, refer to "Note 6. 4. Financing Arrangements" in the condensed consolidated financial statements in this Quarterly Report Report.

Loss on Form 10-Q. Debt Extinguishment

In connection with the 2025 Notes Repurchase Transaction, during the three months ended March 31, 2024, LivaNova incurred a loss on debt extinguishment of \$25.5 million. For additional information, please refer to "Note 4. Financing Arrangements" in the condensed consolidated financial statements in this Report.

Foreign Exchange and Other Income/(Expense)

Foreign exchange and other income/(expense) consist consists primarily of gains and losses arising from transactions denominated in a currency different from an entity's functional currency, FX derivative gains and losses, and changes in the fair value of the embedded exchange feature and capped call derivatives and interest income. derivatives.

Foreign exchange and other income/(expense) was income expense of \$8.6 million and \$36.8 million \$9.1 million for the three and nine months ended September 30, 2023 March 31, 2024, respectively, compared to income of \$38.5 million and \$44.1 million \$25.5 million for the three and nine months ended September 30, 2022, respectively. March 31, 2023. For further details, refer to "Note 14. 12. Supplemental Financial Information" in the condensed consolidated financial statements in this Quarterly Report on Form 10-Q. Report.

Income Taxes

LivaNova PLC is resident in the UK for tax purposes. LivaNova's subsidiaries conduct operations and earn income in numerous countries and are subject to the laws of, taxing jurisdictions within those countries, and the varying income tax rates imposed in by, the tax taxing jurisdictions in which the Company's subsidiaries conduct operations vary; those countries. LivaNova's effective income tax rate fluctuates based on, among other factors, changes in pretax income in countries with varying statutory tax rates, valuation allowances, tax credits and incentives and unrecognized tax benefits associated with uncertain tax positions.

LivaNova's effective income tax rate for the three and nine months ended September 30, 2023 March 31, 2024 was (268.4) (22.6)% and 90.1%, respectively, compared with (1.2)% and (7.8)% 24.3% for the three and nine months ended September 30, 2022, respectively. March 31, 2023. The decrease in the effective tax rate for the three months ended September 30, 2023, compared to the prior year period, was primarily attributable to changes in valuation allowances and year-over-year changes in income before tax in countries with varying statutory tax rates. The increase in the effective tax rate for the nine months ended September 30, 2023 March 31, 2024, compared to the prior year period, was primarily attributable to changes in valuation allowances, year-over-year changes in income before tax in countries with varying statutory tax rates, and an audit settlement. certain discrete tax items.

On July 11, 2023, the UK Act implemented the OECD's BEPS Pillar Two Framework, framework, providing a minimum effective tax rate of 15%, including both a multinational top-up tax and a domestic top-up tax for accounting periods beginning on or after December 31, 2023. The UK Act also included a transitional safe harbor election for accounting periods beginning on or before December 31, 2026. LivaNova Draft UK legislation has also been published for a UTPR to be introduced, although not before accounting periods beginning on or after December 31, 2024. The UTPR is reviewing intended to ensure that amounts of multinational top-up tax that are not collected under foreign global minimum tax rules can, in certain circumstances, be collected instead in the draft guidance issued UK. This minimum tax is treated as a period cost beginning in 2024 and has not had a material impact on June 15, 2023, and the UK Act to assess Company's financial results of operations for the full implications for 2024 and current period. LivaNova will continue to monitor related guidance in the UK and other jurisdictions that impact LivaNova's operations. Any material change in tax laws, regulations or policies, or their interpretation and enforcement, including with respect to the Pillar Two Framework, framework, could result in a higher effective tax rate and have a material impact on our consolidated statements of (loss) income (loss) or financial condition.

Liquidity and Capital Resources

Based on LivaNova's current business plan, the Company believes that its sources of liquidity, which primarily consist of cash and cash equivalents, future cash generated from operations, and available borrowings under its revolving credit facility, will be sufficient to fund its uses of liquidity, primarily consisting of day-to-day operating expenses, working capital, capital expenditures, acquisition earn-outs and debt service requirements over the twelve-month period beginning from the issuance date of these condensed consolidated financial statements. this Report. From time to time, LivaNova may access debt and/or equity markets to optimize its capital structure, raise additional capital, or increase liquidity as necessary. LivaNova's liquidity could be adversely impacted affected by the factors affecting future operating results, including those referred to in "Part I, Item 1A. Risk Factors" in the 2022 2023 Form 10-K as well as "Note 8. 6. Commitments and Contingencies" in the condensed consolidated financial statements in this Quarterly Report on Form 10-Q. Report.

LivaNova's operating and working capital obligations primarily consist of liabilities arising from the normal course of business including inventory supply contracts, the future settlement of derivative instruments, and future payments of operating leases, as well as contingent consideration arrangements resulting from acquisitions and obligations associated with legal and other accruals.

The following table presents selected financial information related to LivaNova's liquidity as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands):

		September 30, 2023	December 31, 2022		
		March 31, 2024		March 31, 2024	December 31, 2023
Available Short-term Liquidity	Available Short-term Liquidity				
Cash and cash equivalents	Cash and cash equivalents	\$ 233,941	\$ 214,172		
Availability under the 2021 First Lien Credit Agreement		125,000	125,000		
Availability under the Delayed Draw Term Facility (1)		—	50,000		
		\$ 358,941	\$ 389,172		
Cash and cash equivalents					
Cash and cash equivalents					
Availability under the 2021 First Lien Credit Agreement (1)		—			
		\$			
Working Capital	Working Capital				
Current assets	Current assets	\$ 953,867	\$ 886,136		

Current assets			
Current assets			
Current liabilities	Current liabilities	295,396	297,398
		\$ 658,471	\$ 588,738
\$			
Debt Obligations			
Debt Obligations			
Current portion of long-term debt			
Current portion of long-term debt			
Current portion of long-term debt	Current portion of long-term debt	\$ 18,417	\$ 20,892
Short-term unsecured borrowing arrangements	Short-term unsecured borrowing arrangements	610	2,542
Current debt obligations	Current debt obligations	19,027	23,434
Long-term debt obligations	Long-term debt obligations	568,163	518,067
Total debt obligations	Total debt obligations	\$ 587,190	\$ 541,501

- (1) On April 6, 2023 March 8, 2024, LivaNova drew the full \$50 million under the Delayed Draw Term and LivaNova USA entered into Incremental Facility Amendment No. 3, which provides for LivaNova USA to be used for general corporate purposes, obtain revolving commitments in an aggregate principal amount of \$225 million.

For additional information, refer to "Note 6.4. Financing Arrangements" in the condensed consolidated financial statements in this Quarterly Report Report.

On March 8, 2024, LivaNova issued \$345.0 million aggregate principal amount of 2.50% notes due 2029. The 2029 Notes are senior unsecured obligations of the Company. In connection with pricing the 2029 Notes, the Company entered into privately negotiated capped call transactions with certain financial institutions. The Company used part of the proceeds from the issuance of the 2029 Notes to repurchase \$230.0 million aggregate principal amount of the 2025 Notes in privately-negotiated transactions for an aggregate cash repurchase consideration of \$270.5 million. Contemporaneously with the 2025 Notes Repurchase Transaction, the Company and the financial institutions party to the 2025 Capped Calls agreed to terminate a portion of the 2025 Capped Calls in a notional amount corresponding to the amount of 2025 Notes repurchased. For additional information on Form 10-Q, LivaNova's debt obligations and Capped Call Transactions, refer to "Note 4. Financing Arrangements" in the condensed consolidated financial statements in this Report.

Cash Flows

Net The following table presents net cash and cash equivalents provided by (used in) operating, investing and financing activities and the net increase in the balance of cash and cash equivalents and restricted cash were as follows for the three months ended March 31, 2024 and 2023 (in thousands):

		Three Months Ended March 31,	
		Three Months Ended March 31,	
		Three Months Ended March 31,	
		Nine Months Ended September 30,	
		2023	2022
Operating activities	Operating activities	\$ 20,956	\$ 51,218
Operating activities			
Operating activities			
Investing activities			
Investing activities			
Investing activities	Investing activities	(28,193)	(27,461)
Financing activities	Financing activities	26,502	281,787
Financing activities			
Financing activities			

Effect of exchange rate changes on cash, cash equivalents and restricted cash			
Effect of exchange rate changes on cash, cash equivalents and restricted cash			
Effect of exchange rate changes on cash, cash equivalents and restricted cash	Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2,161)	(7,257)
Net increase in cash, cash equivalents and restricted cash	Net increase in cash, cash equivalents and restricted cash	\$ 17,104	\$ 298,287
Net increase in cash, cash equivalents and restricted cash			
Net increase in cash, cash equivalents and restricted cash			

Operating Activities

Cash provided by operating activities during the **nine** three months ended **September 30, 2023** **March 31, 2024** decreased by **\$30.3 million** **\$10.8 million** compared to the same prior year period primarily due to **changes in operating assets and liabilities totaling \$38.5 million, partially offset by an increase in net income adjusted for non-cash items of \$11.3 million, a decrease in 3T Heater-Cooler litigation settlement payments of \$17.5 million** **\$11.4 million, as well as additional changes and an increase in working capital.**

adjustments to the 3T Heater-Cooler litigation provision of \$5.1 million.

Investing Activities

Cash used in investing activities during the **nine** three months ended **September 30, 2023** increased **\$0.7 million** compared to the same prior year period primarily due to **increases in purchases of investments of \$5.6 million and purchases of property, plant and equipment of \$4.7 million, partially offset by \$8.9 million paid during the nine months ended September 30, 2022 associated with the acquisition of ALung.**

Financing Activities

Cash provided by financing activities during the nine months ended **September 30, 2023** **March 31, 2024** decreased **\$255.3 million** **\$5.1 million** compared to the same prior year period primarily due to a **reduction** decrease in **purchases of equity investments of \$5.1 million.**

Financing Activities

Cash provided by financing activities during the three months ended **March 31, 2024** increased **\$42.4 million** compared to the same prior year period, primarily due to **net proceeds during the three months ended March 31, 2024 of \$46.8 million from net borrowings** debt and derivative transactions associated with the 2029 Notes, 2025 Notes, 2029 Capped Calls and 2025 Capped Calls, as discussed in "Note 4. Financing Arrangements" in the condensed consolidated financial statements in this Report, partially offset by payment of **\$251.8 million** the ALung contingent consideration arrangement of **\$13.8 million** during the three months ended **March 31, 2024.**

Item 3. Quantitative and Qualitative Disclosures About Market Risk

LivaNova is exposed to certain market risks as part of its ongoing business operations, including risks from foreign currency exchange rates, equity price risk, interest rate risks and concentration of procurement suppliers that could adversely affect LivaNova's consolidated financial position, results of operations or cash flows. The Company manages these risks through regular operating and financing activities and, at certain times, derivative financial instruments. Quantitative and qualitative disclosures about these risks are included in this **Quarterly Report on Form 10-Q** in "Part I, Note **7** 5. Derivatives and Risk Management," "Part I, Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations" and "Part II, Item 1A. Risk Factors" and in LivaNova's **2022 2023** Form 10-K in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Part I, Item 1A. Risk Factors."

Item 4. Controls and Procedures

Disclosure Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

LivaNova maintains a system of disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, that is designed to ensure that information required to be disclosed in the Company's reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. This information is also accumulated and communicated to management, including LivaNova's CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. LivaNova's management, under the supervision and with the participation of its CEO and CFO, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the most recent fiscal quarter reported herein. Based on that evaluation, LivaNova's CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of **September 30, 2023** **March 31, 2024.**

(b) Changes in Internal Control Over Financial Reporting

There have been no changes in LivaNova's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-5(f) under the Exchange Act) during the quarter ended **September 30, 2023** **March 31, 2024** that have materially affected, or are reasonably likely to materially affect, LivaNova's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For a description of LivaNova's material pending legal and regulatory proceedings and settlements, refer to "Note 8.6. Commitments and Contingencies" in the Company's condensed consolidated financial statements included in this [Quarterly Report on Form 10-Q](#). Report.

Item 1A. Risk Factors

Other than as described below, there have been no material changes in LivaNova's risk factors from those disclosed in Part I, Item 1A of the Company's 2022 2023 Annual Report on Form ~~10-K~~ 10-K.

Risks Related to LivaNova's Indebtedness

Paying amounts due with respect to LivaNova's outstanding 2025 Notes and Part II, 2029 Notes on interest payment dates, at maturity and upon exchange or conversion thereof, as applicable, will require a cash payment. LivaNova may not have sufficient cash flow from its business operations to pay when due or be able to raise the funds necessary to pay when due, amounts owed with respect to the 2025 Notes and 2029 Notes and/or any amounts owed under the Company's revolving credit facility and term facilities, which could adversely affect LivaNova's business and results of operations.

On June 17, 2020, LivaNova's wholly-owned subsidiary, LivaNova USA, issued the 2025 Notes, and on March 8, 2024, LivaNova issued the 2029 Notes. The ability to make scheduled payments of interest on, and principal of, to satisfy exchanges for cash or conversions, as applicable, in respect of, and/or to refinance LivaNova's outstanding Notes or other indebtedness (including any indebtedness under LivaNova's revolving credit facility or term facilities) depends on the Company's future performance, which is subject to economic, financial, competitive and other factors beyond its control. For further information on LivaNova's term facilities, please refer to "Part I, Item 1A2. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Report under the section entitled "Liquidity and Capital Resources." If LivaNova is unable to generate enough cash flow to make payments on the 2025 Notes, the 2029 Notes or other indebtedness when due, the Company may be required to adopt one or more alternatives, such as selling assets or obtaining additional debt financing or equity capital on terms that may be onerous or highly dilutive. LivaNova's ability to refinance the 2025 Notes, the 2029 Notes or other indebtedness, which the Company may need to do in order to satisfy its obligations thereunder, will depend on the capital markets and LivaNova's financial condition at such time. LivaNova may not be able to engage in these activities on desirable terms or at all, which could result in a default on the 2025 Notes and 2029 Notes and/or LivaNova's revolving credit facility and term facilities.

The holders of the 2025 Notes and 2029 Notes have the right to require LivaNova to repurchase the aforementioned notes upon the occurrence of a fundamental change (as defined in the indentures) at a repurchase price equal to 100% of the principal amount of the 2025 Notes and 2029 Notes to be repurchased, plus accrued and unpaid interest, if any. Upon repurchase of the 2025 Notes and 2029 Notes, LivaNova will be required to make cash payments as required by the indentures. LivaNova may not have enough available cash or be able to obtain financing at the time the Company is required to make repurchases of, or exchange or convert, as applicable, the 2025 Notes and 2029 Notes. LivaNova's failure to repurchase the 2025 Notes and 2029 Notes or exchange or convert the 2025 Notes and 2029 Notes, as applicable, at a time when the repurchase or exchange or conversion is required by the applicable indentures would constitute a default under such indentures.

In addition, LivaNova's indebtedness including under the 2025 Notes and 2029 Notes, combined with the Company's 10-Q other financial obligations and contractual commitments including those under LivaNova's revolving credit facility or term facilities, could have other important consequences. For example, it could:

- Make LivaNova more vulnerable to adverse changes in government regulations and in the global economy, healthcare and competitive environment;
- Limit the Company's flexibility in planning for, or reacting to, changes in LivaNova's business and its markets;
- Place the Company at a disadvantage compared to LivaNova's competitors who have less debt;
- Limit LivaNova's ability to borrow additional amounts for working capital, to fund acquisitions and for other general corporate purposes; and
- Make a sale of the Company less attractive to buyers or more difficult to complete.

Any of these factors could harm LivaNova's business, results of operations, cash flows and financial condition. In addition, if LivaNova incurs additional indebtedness under the revolving credit facility or term facilities, the risks related to LivaNova's business and its ability to repay the Company's indebtedness, including under the 2025 Notes and 2029 Notes, would increase.

For additional information, please refer to "Note 4. Financing Arrangements" in LivaNova's condensed consolidated financial statements included in this Report.

The conditional exchange or conversion features of the 2025 Notes and 2029 Notes, as applicable, if triggered, may adversely affect LivaNova's liquidity and operating results.

If the conditional exchange feature of the 2025 Notes is triggered, holders of the 2025 Notes are entitled to exchange the 2025 Notes at any time during specified periods, at their option. Holders of the 2025 Notes for example, are entitled to exchange the 2025 Notes during the current calendar quarter if the closing price of LivaNova's ordinary shares for at least 20 trading days (whether or not consecutive) during the last 30 consecutive trading days of the immediately preceding calendar quarter is greater than or equal to 130% of the exchange price – the exchange price being \$60.98 per share and the "conversion trigger" (subject to other conditions per the indenture governing the 2025 Notes) being \$79.27 per share – on each applicable trading day. The exchange condition was not satisfied on December 31, 2023, and therefore, exchangeability was not an option from January 1, 2024, through March 31, 2024. If holders elect to exchange their 2025 Notes during future periods following the satisfaction of an exchange condition as laid out in the indenture governing the 2025 Notes, LivaNova would be required to settle its exchange obligation through the payment of cash, which could adversely affect the Company's liquidity.

Holders of the 2029 Notes may convert their 2029 Notes at their option at any time prior to the close of business on the business day immediately preceding December 15, 2028 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending March 31, 2023 on June 30, 2024 (and only during such calendar quarter), if the last reported sale price of LivaNova's ordinary shares for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any ten consecutive trading day period in which the trading price per \$1,000 principal amount of notes for each trading day of the Convertible Notes Measurement Period was less than 98% of the product of the last reported sale price of LivaNova's ordinary shares and the conversion rate on each such trading day; (3) if LivaNova calls such 2029 Notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date, but only with respect to the 2029 Notes called (or deemed called) for redemption; or (4) upon the occurrence of specified corporate events. On or after December 15, 2028 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their 2029 Notes at any time, regardless of the foregoing circumstances. Upon conversion of the 2029 Notes, LivaNova will pay cash up to the aggregate principal amount of the 2029 Notes to be converted and pay or deliver, as the case may be, cash, LivaNova's ordinary shares, or a combination of cash and LivaNova's ordinary shares, at LivaNova's election, in respect of the remainder, if any, of LivaNova's conversion obligation in excess of the aggregate principal amount of the 2029 Notes being converted. Such settlement of a conversion for cash could adversely affect the Company's liquidity.

The effective interest rate and related interest expense reported in LivaNova's consolidated financial statement of operations is significantly greater than the stated interest rate of the 2025 Notes and 2029 Notes and may result in volatility to the Company's reported financial results, which could adversely affect the price at which LivaNova's ordinary shares trade.

LivaNova will settle exchanges of the 2025 Notes entirely in cash. Additionally, upon conversion of the 2029 Notes, LivaNova will pay cash up to the aggregate principal amount of the 2029 Notes to be converted and pay or deliver, as the case may be, cash, LivaNova's ordinary shares, or a combination of cash and LivaNova's ordinary shares, at LivaNova's election, in respect of the remainder, if any, of LivaNova's conversion obligation in excess of the aggregate principal amount of the 2029 Notes being converted. Accordingly, the exchange or conversion feature, as applicable, that is part of the 2025 Notes and 2029 Notes is accounted for as a derivative pursuant to accounting standards relating to derivative instruments. This resulted in an initial accounting valuation of the exchange or conversion feature, as applicable, which was bifurcated from the debt component of the 2025 Notes and 2029 Notes, resulting in an original issue discount. The original issue discount is amortized and recognized as a component of interest expense over the term of the 2025 Notes and 2029 Notes, which results in an effective interest rate reported in LivaNova's consolidated statements of operations in excess of the stated interest rate of the 2025 Notes and 2029 Notes. Although this accounting treatment does not affect the amount of cash interest paid to holders of the 2025 Notes and 2029 Notes or LivaNova's cash flows, it reduces the Company's earnings and could adversely affect the price at which its ordinary shares trade.

Additionally, for each financial statement period after issuance of the 2025 Notes and 2029 Notes, a derivative gain or loss is and will be reported in LivaNova's consolidated statements of (loss) income to the extent the valuations of the exchange feature and conversion feature, as applicable, changes from the previous period. The 2025 Capped Calls and 2029 Capped Calls described below and elsewhere in this Report are also accounted for as derivative instruments. The valuation of the exchange feature of the 2025 Notes and 2025 Capped Calls utilizes significant observable and unobservable market inputs, including stock price, stock price volatility, risk-free interest rate, and time to expiration of the 2025 Notes. The valuation of the conversion feature of the 2029 Notes and 2029 Capped Calls similarly utilizes significant observable and unobservable market inputs, including stock price, expected volatility, risk-free interest rate, expected dividend yield, and time to expiration of the 2029 Notes. The change in input values at the current period end compared to the previous period end may result in a material change in the respective valuations and the gain or loss resulting from the exchange feature of the 2025 Notes and 2025 Capped Calls and the conversion feature of the 2029 Notes and 2029 Capped Calls, as applicable, and may not completely offset each other. As such, there may be a material net impact on LivaNova's consolidated statements of operations, which could adversely affect the price at which its ordinary shares trade.

The arbitrage or hedging strategy by purchasers of the 2025 Notes and 2029 Notes and Option Counterparties in connection with LivaNova's 2025 Capped Calls and 2029 Capped Calls may affect the value of LivaNova's ordinary shares.

LivaNova expects that many investors in, and potential purchasers of, the 2025 Notes and 2029 Notes will employ, or seek to employ, an arbitrage strategy with respect to the 2025 Notes and 2029 Notes. Investors would typically implement such a strategy by selling short LivaNova's ordinary shares underlying the 2025 Notes and 2029 Notes and dynamically adjusting their short position while continuing to hold the 2025 Notes and 2029 Notes. Investors may also implement this type of strategy by entering into swaps or options on LivaNova's ordinary shares in lieu of or in addition to selling short the Company's ordinary shares. This activity could decrease, or reduce the size of any increase in, the market price of LivaNova's ordinary shares at that time.

In connection with the pricing of the 2025 Notes and 2029 Notes, LivaNova entered into the 2025 Capped Calls and 2029 Capped Calls, respectively. The 2025 Capped Calls and 2029 Capped Calls are expected generally to offset cash payments due upon exchange of the 2025 Notes and to compensate (through the payment of cash to LivaNova) for potential dilution to the Company's ordinary shares, or to offset cash payments due, upon conversion of the 2029 Notes in excess of the principal amount thereof in the event that the market price per ordinary share of the Company at the time of exchange of the 2025 Notes or conversion of the 2029 Notes, respectively, is greater than the strike price under the 2025 Capped Calls or 2029 Capped Calls, respectively, with such offset subject to a cap based on the respective cap prices. It is LivaNova's understanding that the Option Counterparties, or their respective affiliates, in connection with establishing their initial hedges of the 2025 Capped Calls and 2029 Capped Calls, purchased LivaNova's ordinary shares and/or entered into various derivative transactions with respect to the Company's ordinary shares concurrently with or shortly after the pricing of the 2025 Notes and 2029 Notes. The Option Counterparties or their respective affiliates may modify these initial hedge positions by entering into or unwinding various derivatives with respect to LivaNova's ordinary shares and/or purchasing or selling its ordinary shares or other of LivaNova securities in secondary market transactions prior to the maturity of the 2025 Notes and 2029 Notes (and are likely to do so during any observation period related to an exchange of the 2025 Notes or upon a repurchase or redemption of the 2025 Notes or related to a conversion of the 2029 Notes or upon a repurchase of the 2029 Notes by LivaNova, if LivaNova unwinds a corresponding portion of the 2025 Capped Calls or 2029 Capped Calls). This activity could cause or avoid an increase or decrease in the market price of LivaNova's ordinary shares at that time.

LivaNova is subject to counterparty risk with respect to the 2025 Capped Calls and 2029 Capped Calls.

The Option Counterparties are financial institutions, and LivaNova is subject to the risk that they might default under the 2025 Capped Calls and 2029 Capped Calls. LivaNova's exposure to the credit risk of the Option Counterparties is not secured by any collateral.

If an Option Counterparty becomes subject to insolvency proceedings, LivaNova will become an unsecured creditor in those proceedings, with a claim equal to the Company's exposure at that time under the 2025 Capped Calls and/or 2029 Capped Calls with that Option Counterparty. LivaNova's exposure will depend on many factors but generally an increase in the Company's exposure will be correlated to an increase in the market price and in the volatility of its ordinary shares. In addition, upon a default by an Option Counterparty, LivaNova may suffer adverse tax consequences and may, on a net basis, have to pay more cash than the Company currently anticipates to settle exchanges or conversions of the 2025 Notes, and to pay more cash or suffer more dilution than the Company currently anticipates with respect to the ordinary shares upon conversions of the 2029 Notes, and the effect of which would not be compensated for by the Company. LivaNova can provide no assurances as to the financial stability or viability of the Option Counterparties.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended September 30, 2023 March 31, 2024, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the

Securities Act of 1933).

Disclosure Pursuant to Section 13(r) of the Exchange Act of 1934

Section 13(r) of the Exchange Act requires issuers to disclose in their quarterly reports, among other things, certain types of dealings with Iran and other entities, including transactions or dealings with government-owned entities, even when those activities are lawful and do not involve U.S. persons. One Two of LivaNova's non-U.S. subsidiaries currently sells medical devices, including cardiopulmonary cardiac surgery and neuromodulation products, to distributors and a non-governmental public organization in Iran.

Iran to support patient care in that country. LivaNova has limited visibility into the identity of the end customers of these distributors' and non-governmental organizations in Iran. It is possible that such their customers include entities, such as government-owned hospitals or sub-distributors, that are owned or controlled directly or indirectly by the Iranian government. To However, to the best of the Company's its knowledge at this time, LivaNova does not have any contracts or commercial arrangements with the Iranian government, government or other relevant entities.

LivaNova's net gross revenue and net profits attributable to the above-mentioned Iranian activities were \$0.4 \$3.7 million and \$0.3 \$1.9 million, respectively, for the three months ended September 30, 2023, and \$3.3 million and \$1.4 million, respectively, for the nine months ended September 30, 2023 March 31, 2024.

The Company LivaNova believes its activities are consistent with applicable law, including U.S., UK, EU, and other applicable sanctions laws, though such laws are complex and continue to evolve rapidly. LivaNova The Company intends to continue its business in Iran.

Item 6. Exhibits

The exhibits marked with the asterisk symbol (*) are filed or furnished (in the case of Exhibit 32.1) with this Quarterly Report on Form 10-Q. Report. Exhibits marked with the cross symbol (+), if any, are management contracts or compensatory plans or arrangements filed pursuant to Item 601(b)(10)(iii) of Regulation S-K.

Exhibit Number	Document Description
4.1	Indenture, dated as of March 8, 2024 between LivaNova PLC and Citibank, N.A., as trustee, incorporated by reference to Exhibit 4.1 of the Company's current Report on Form 8-K, filed on March 8, 2024
4.2	Form of Global Note, representing LivaNova's 2.50% convertible senior notes due 2029 (included in Exhibit 4.1 of the Company's current Report on Form 8-K, filed on March 8, 2024)
10.1†	Marco Dolci Retirement Vladimir Makatsaria Employment Agreement, dated September 18, 2023 February 1, 2024
10.2	Form of Confirmation for Capped Call Transactions, incorporated by reference to Exhibit 10.1 of the Company's current Report on Form 8-K, filed on March 8, 2024.
10.3	Incremental Facility Amendment No. 3 to Credit Agreement, dated as of March 8, 2024, by and among LivaNova Plc, LivaNova USA, Inc., the Third Incremental Amendment Revolving Lenders, Goldman Sachs Bank USA, the Term Lenders parties hereto, the Issuing Banks, the Swingline Lenders and, for purposes of Sections 7 and 9 only, the other Loan Parties as of the date hereof., incorporated by reference to Exhibit 10.2 of the Company's current Report on Form 8-K filed on March 8, 2024.
31.1*	Certification of the Chief Executive Officer of LivaNova PLC pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of the Chief Financial Officer of LivaNova PLC pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of the Chief Executive Officer and Chief Financial Officer of LivaNova PLC pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	Interactive Data Files Pursuant to Rule 405 of Regulation S-T formatted in Inline XBRL: (i) the Condensed Consolidated Statements of (Loss) Income (Loss) for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, (ii) the Condensed Consolidated Statements of Comprehensive (Loss) Income (Loss) for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, (iii) the Condensed Consolidated Balance Sheet as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, (iv) the Condensed Consolidated Statements of Cash Flows for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, and (vi) the Notes to the Condensed Consolidated Financial Statements
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURE

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.

LIVANOVA PLC

Date: November 1, 2023 May 3, 2024 By: /s/ WILLIAM A. KOZY VLADIMIR MAKATSARIA
William A. Kozy Vladimir Makatsaria
Interim Chief Executive Officer and Chair of the Board
(Principal Executive Officer)

Date: November 1,
2023 May 3, 2024

By: /s/ ALEX SHVARTSBURG

Alex Shvartsburg
Chief Financial Officer
(Principal Accounting and Financial Officer)

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EXECUTION VERSION 1st, February, 2024 Vladimir A. Makatsaria 124 Hudson Street, Apt 4A, New York, NY 10013, USA Dear Vladimir, We are pleased to offer you employment with LivaNova USA Inc. (the "Company"), a wholly owned subsidiary of LivaNova PLC ("LivaNova" and, together with its subsidiaries including the Company, the "LivaNova Group"), as the Chief Executive Officer of the LivaNova Group, commencing 1, March, 2024 on the terms and conditions set forth in this letter. In this role, you will report to the board of directors of LivaNova (the "Board") and lead the Executive Leadership Team ("ELT") of LivaNova. Upon commencement of your employment with the Company, you will be appointed as a member of the Board, and thereafter LivaNova will nominate you for election to the Board at each annual general meeting of shareholders of LivaNova that occurs during your employment with the Company. Your principal place of employment will be the Company's office in Houston, Texas. Base Salary: You will receive a base salary at an annual rate of not less than \$930,000 ("Base Salary"), payable by the Company bi-weekly in accordance with its normal payroll practices and subject to all applicable withholdings and deductions. Salaries are normally reviewed annually by the compensation and Human Capital Management committee of the Board (the "Compensation & HCM Committee"), with any change applying from April 1 of each year. You will be eligible to be considered for an increase in 2025, at the same time as other executive officers of LivaNova. Annual Incentive Compensation: You will be eligible to participate in LivaNova's annual Short Term Incentive Compensation Plan or any successor or replacement program, with each year's annual bonus having a target of 110% your Base Salary (and a maximum opportunity of 200% of your Base Salary), calculated and payable in accordance with LivaNova and the Company's normal practices. Financial and/or nonfinancial performance targets are set by the Compensation & HCM Committee, and bonus levels are determined by the Compensation & HCM Committee based on performance against those targets after the completion of the performance period. For the 2024 performance year, any bonus paid will be pro-rated, based on the number of days you are employed during 2024. Long-Term Incentives: You will be eligible to participate in the Amended and Restated LivaNova PLC 2022 Incentive Award Plan (the "LTIP"), or any successor or replacement program, beginning in 2024. For the 2024 annual grant cycle, the aggregate target grant-date value of awards made to you under the LTIP will be \$5,350,000 (collectively, the "2024 LTIP Award"). Future equity awards will have a value determined by the Compensation & HCM Committee. LTIP awards are generally comprised of Performance Stock Units, time-based Stock Appreciation Rights, and time-based Restricted Stock Units, each with a vesting period of three or more years. Awards under the LTIP are subject to the approval of the Compensation & HCM Committee.



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EXECUTION VERSION New Hire One-Time Equity Award Grant: On LivaNova's next quarterly equity grant date after your start date, we will recommend to the Compensation & HCM Committee that you be granted a one-time award (comprised of 50% time-based Restricted Stock Units and 50% Stock Appreciation Rights) under the LTIP with an aggregate grant-date value of \$1,500,000 (the "Inducement Award"), vesting 25% per year on each of the first four anniversaries of the grant date, subject to continued employment (except as otherwise set forth below) and the rules of the LTIP. Cash Sign-On Bonus: You will be entitled to a one-time signing bonus in an amount equal to \$200,000, less applicable withholdings and deductions (the "Sign-On Bonus"), which will be paid to you not later than thirty (30) days following your start date. In the event your employment is terminated by the Company for Cause or by you without Good Reason prior to the second anniversary of your start date, you will be required to repay to the Company, within thirty (30) days following your last day of employment with the Company, (i) 100% of the Sign-On Bonus if the date of such termination is on or before the first anniversary of your start date, or (ii) 50% of the Sign-On Bonus if the date of such termination is on or before the second anniversary of your start date, but after the first anniversary of your start date. Employee Health and Welfare Benefits: You will be offered the same benefits as all other U.S.-based senior executives of the Company upon meeting eligibility requirements as provided for in any benefit plan documents, including participating in the Company's 401(k) plan, and any benefits provided to other executives commensurate with your job level, such as tax assistance. In the event that you elect to receive tax assistance benefits, you will be permitted to engage a tax advisor of your choice, assuming no conflicts of interest, and the Company will directly pay such tax advisor, or reimburse you, for the costs of such tax assistance in amounts consistent with other executives commensurate with your job level. The Company reserves the right to change or terminate any aspect of our benefit offerings at any time. Relocation Assistance Policy: You agree to relocate to Houston, Texas, not later than September 1, 2025. Pursuant to the terms of the Company's relocation policy, the Company will provide assistance with your relocation from your current home in NYC to Houston, Texas by providing relocation services through the Company's preferred vendor, including closing costs on your new home, costs of the move of goods to your new home, and a miscellaneous allowance of \$15,000. A copy of the relocation policy is attached. The miscellaneous allowance may be used to pay, for example, the costs for excess baggage or air shipment meant to address immediate needs while awaiting ground shipment delivery. Any possible tax liability arising from relocation assistance is your responsibility and will not be paid by the Company. If you voluntarily terminate your employment with the Company without Good Reason within one (1) year of your relocation, the Company reserves the right to seek full repayment of all paid or reimbursed relocation assistance costs. One-Time Relocation Assistance Payment: In order to provide you with financial assistance in connection with your relocation from your current home in NYC to Houston, Texas and temporary living expenses while you and your family are in between permanent housing, you will be entitled to a one-time relocation assistance payment in an amount equal to \$250,000, less applicable withholdings and deductions (the "Relocation Assistance Payment"), which will be paid to you not later than thirty (30) days following your start date. In the event your employment is



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EXECUTION VERSION terminated by the Company for Cause or by you without Good Reason prior to the second anniversary of your start date, you will be required to repay to the Company, within thirty (30) days following your last day of employment with the Company, (i) 100% of the Relocation Assistance Payment if the date of such termination is on or before the first anniversary of your start date, or (ii) 50% of the Relocation Assistance Payment if the date of such termination is on or before the second anniversary of your start date, but after the first anniversary of your start date. Stock Ownership Policy: LivaNova's stock ownership policy, which applies to you, requires you to maintain ownership of LivaNova equity (which, based on the stock ownership policy currently in effect, would include any unvested, time-based restricted shares and restricted stock units held by you) with a market value equal to at least five (5) times your Base Salary. At-Will Employment: Your employment is "at will" and may be terminated with or without cause, and with or without notice, at any time by the Company or by you, provided that you shall be required to give the Company three (3) months' advance written notice of the voluntary termination of your employment other than for Good Reason. Providing notice does not create an express or implied contract for continued employment or employment for a fixed period.

This letter is not intended to alter the employment-at-will relationship between you and the Company in any way. It does, however, supersede any other written or verbal representation made by a representative of the Company or LivaNova relative to your employment with the Company. Severance Benefits: If your employment is terminated by the Company without Cause or by you for Good Reason, then contingent upon your execution, within thirty (30) days following the date of such termination, of a release of claims in a form provided by the Company, and such release becoming effective according to its terms (the date on which such release becomes effective, the "Release Effective Date"), the Company shall provide you with the Severance Benefits (as defined below) (less applicable withholdings and deductions), and any other benefits to which you may be entitled under the Company's severance policies and practices for executive officers as in effect from time to time. For purposes of this letter, "Severance Benefits" means (i) in the event that your employment is terminated by the Company without Cause or by you for Good Reason (other than in connection with a Change in Control (as defined in the LTIP)), (A) a lump-sum severance payment equal to eighteen (18) months of your then current Base Salary, which shall be paid within thirty (30) days following the Release Effective Date, (B) subject to your timely election of COBRA continuation coverage and your copayment of premium amounts at the applicable active employees' rate, continued coverage of you and your eligible dependents under the Company's group health plan for up to eighteen (18) months following the termination of your employment, and (C) continued vesting of the 2024 LTIP Award and the Inducement Award, in each case, on the original vesting schedule (subject to your compliance with your obligations under the Company's "Confidentiality Agreement" and "Inventions, Confidentiality and Non-Compete Agreement" described below, in each case, in accordance with the terms set forth

herein), with any Performance Stock Units earned based on the level of actual achievement of the applicable performance goals or metrics; and (ii) in the event that your employment is terminated by the Company without Cause or by you for Good Reason within six (6) months immediately prior to, or within twenty-four (24) months immediately following, a Change in Control, (A) a lump-sum severance payment equal to the sum of (1) twenty four (24) months of your then-current Base Salary, and (2) your target annual bonus



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EXECUTION VERSION for two (2) years in which such termination occurs, which shall be paid within thirty (30) days following the Release Effective Date, (B) subject to your timely election of COBRA continuation coverage and your copayment of premium amounts at the applicable active employees' rate, continued coverage of you and your eligible dependents under the Company's group health plan for up to twenty four (24) months following the termination of your employment, and (C) accelerated vesting of any unvested equity awards under the LTIP held by you pursuant to the terms of, and to the extent provided under, the LTIP and the applicable award agreements governing the terms of such equity awards. Notwithstanding the foregoing, if the period during which you may sign the release of claims straddles two (2) calendar years, then the Severance Benefits shall be paid to you in the second of such calendar years. For purposes of this letter, "Cause" means (i) the willful and continued failure by you to perform substantially your duties with the LivaNova Group, other than any such failure resulting from your incapacity due to physical or mental illness, which continues unabated for at least twenty (20) days after a written demand for substantial performance is delivered to you by the Company that specifically identifies the manner in which the Company believes that you have not substantially performed your duties; (ii) you willfully engaging in gross misconduct that is materially and demonstrably injurious to the LivaNova Group; (iii) your conviction of any felony, or to any misdemeanor involving dishonesty or moral turpitude, in either case, which is materially and demonstrably injurious to the LivaNova Group; or (iv) your material breach of this letter or the Company's "Confidentiality Agreement" and "Inventions, Confidentiality and Non-Compete Agreement" described below, which breach, if curable, has not been remedied by you within twenty (20) days after written notice has been provided to you of such breach. For purposes of this definition, an act or failure to act on your part shall be considered "willful" only if done or omitted to be done by you otherwise than in good faith and without reasonable belief that your action or omission was in the best interest of the LivaNova Group. For the avoidance of doubt, the definition of "Cause" herein shall not conflict with any statutory definition of cause under applicable local law. For purposes of this letter, "Good Reason" means (i) a reduction by the Company in your base salary or target annual bonus as in effect immediately prior to such reduction (other than pursuant to an across-the-board reduction applicable to all similarly situated executives); (ii) a material diminution in your authority, duties or responsibilities; or (iii) a change of at least twenty (20) miles in the geographic location at which you must perform services; provided, that, in each case (a) you provide written notice to the Chief Legal Officer and Chief Human Resources Officer of the Company of the existence of one or more of the conditions described in the clauses above within thirty (30) days following your knowledge of the initial existence of such condition or conditions, specifying in reasonable detail the conditions constituting Good Reason; (b) the Company fails to cure such event or condition within twenty (20) days following the receipt of such notice; and (c) you terminate your employment with the Company within thirty (30) days following the expiration of such cure period, in each case, unless both you and the Company agree in writing to a different period of time. Section 280G: Notwithstanding anything in this letter to the contrary, if the Severance Benefits either alone or together with other payments and benefits which you have the right receive from the Company (or any affiliate) would constitute a "parachute payment" under Section 280G of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), and but for this paragraph, would

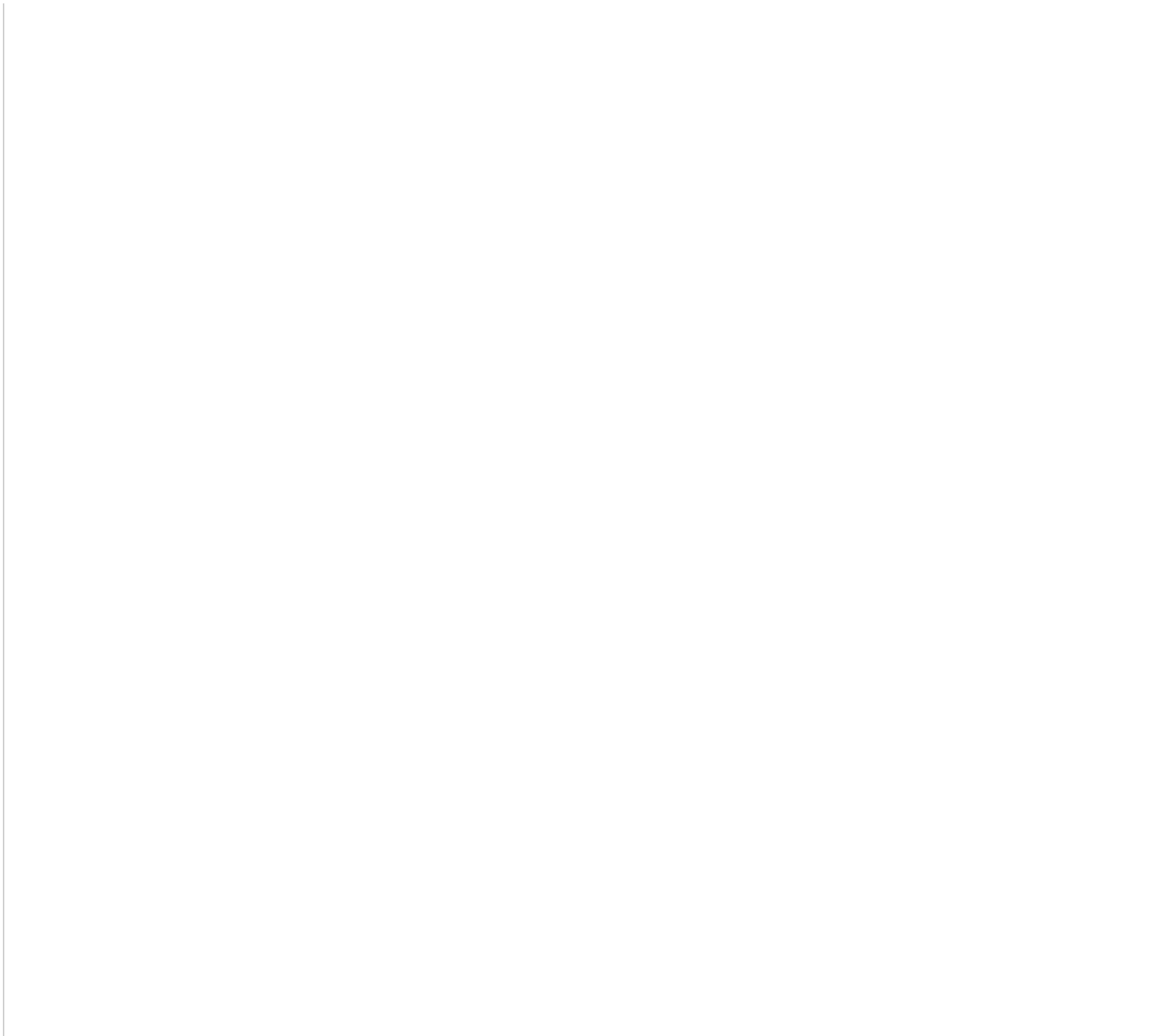


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EXECUTION VERSION be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then the Severance Benefits shall be reduced (the "Benefit Reduction") by the minimum amount necessary to result in no portion of the Severance Benefits being subject to the Excise Tax; provided, however, that the Benefit Reduction shall only occur if such reduction would result in the "Net After-Tax Amount" attributable to the Severance Benefits being greater than it would be if no Benefit Reduction was effected. For this purpose, "Net After-Tax Amount" shall mean the net amount of Severance Benefits to which you are entitled under this letter after giving effect to all federal, state and local taxes which would be applicable to such payments and benefits, including but not limited to, the Excise Tax. Nothing contained herein shall result in the reduction of any payments or benefits to which you may be entitled upon termination of employment and/or a change in control other than as specified in this paragraph or a reduction in the Severance Benefits below zero. Representations: You have not entered into any agreements, understandings, or arrangements with any person or entity that you would breach as a result of, or that would in any way preclude or prohibit you from accepting this offer of employment, being employed with the Company, or performing any of the duties and responsibilities provided for in this letter. You do not possess any confidential, proprietary business information belonging to any former employer and you will not use any confidential, proprietary business information belonging to any former employer in connection with your employment with the Company. Conditions: This offer of employment is conditional upon: (a) satisfactory completion, in the Company's sole discretion, of a pre-employment background investigation, which may include, but not be limited to, a review of academic records, employment history, consumer credit, criminal history, driving record, references, and drug screening; (b) the Company receiving proof of your authorization to work in the United States; and (c) your execution of the Company's "Confidentiality Agreement" and "Inventions, Confidentiality and Non-Compete Agreement" on your start date. Entire Agreement: This letter constitutes the entire agreement between you and the Company relating to the subject matter hereof and supersedes all prior or simultaneous representations, discussions, negotiations, and agreements, whether written or oral. This letter may be amended or modified only by a written agreement, signed by you and the Company. No oral waiver, amendment or modification will be effective. Governing Law: This letter will be governed by and construed in accordance with the laws of the State of Texas, without giving effect to the conflict of law principles thereof. If the terms and conditions of this offer of employment are acceptable to you, please sign below and return this letter to me.



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[Signature Page to Offer Letter] LivaNova USA Inc. LivaNova PLC		Bill Kozy Trui Hebbelinck CEO, a.i. CHRO Acceptance of Offer: I have read and understood	
and I accept and agree to all the terms of the offer of employment as set forth in the foregoing letter.		Date:	Vladimir A. Makatsaria Enclosure: Relocation Policy



**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, William A. Kozy, Vladimir Makatsaria, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 March 31, 2024 of LivaNova PLC and its consolidated subsidiaries;
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 Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")) and internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) 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: November 1, 2023 May 3, 2024

/s/ WILLIAM A. KOZY VLADIMIR MAKATSARIA

William A. Kozy Vladimir Makatsaria

Interim Chief Executive Officer and Chair of the Board

(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Alex Shvartsburg, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended **September 30, 2023** **March 31, 2024** of LivaNova PLC and its consolidated subsidiaries;
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 Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")) and internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) 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: **November 1, 2023** **May 3, 2024**

/s/ ALEX SHVARTSBURG

Alex Shvartsburg

Chief Financial Officer

(Principal Accounting and Financial Officer)

EXHIBIT 32.1

**CERTIFICATION OF THE
CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER
OF LIVANOVA PLC
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Each of **William A. Kozy**, **Interim Vladimir Makatsaria**, Chief Executive Officer **and Chair of the Board** of LivaNova PLC (the "Company"), and Alex Shvartsburg, Chief Financial Officer of the Company, each hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(a) the Quarterly Report on Form 10-Q of the Company and its consolidated subsidiaries for the quarterly period ended **September 30, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **November 1, 2023** **May 3, 2024**

/s/ **WILLIAM A. KOZY** **VLADIMIR MAKATSARIA**

William A. Kozy **Vladimir Makatsaria**

Interim Chief Executive Officer **and Chair of the Board**

(Principal Executive Officer)

/s/ **ALEX SHVARTSBURG**

Alex Shvartsburg

Chief Financial Officer

(Principal Accounting and Financial Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as a part of this report or on a separate disclosure document.

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