

# 2022 Investor Day

December 13, 2022



# Safe Harbor Statement

These presentations contain forward-looking statements within the meaning of federal securities laws, including, among others, statements about our expectations, plans, strategies or prospects. We generally use the words “may,” “will,” “expect,” “believe,” “anticipate,” “plan,” “estimate,” “project,” “assume,” “guide,” “target,” “forecast,” “see,” “seek,” “can,” “should,” “could,” “would,” “intend,” “predict,” “potential,” “strategy,” “is confident that,” “future,” “opportunity,” “work toward,” and similar expressions to identify forward-looking statements. All statements other than statements of historical or current fact are, or may be deemed to be, forward-looking statements. Such statements are based upon the current beliefs, expectations and assumptions of management and are subject to significant risks, uncertainties and changes in circumstances that could cause actual results to differ materially from the forward-looking statements. Forward-looking statements speak only as of the date they are made, and we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers of these presentations are cautioned not to rely on these forward-looking statements, since there can be no assurance that these forward-looking statements will prove to be accurate. This cautionary statement is applicable to all forward-looking statements contained in these presentations. The risks and uncertainties that may cause actual results to differ materially from Masimo’s current expectations are more fully described in Masimo’s reports filed with the U.S. Securities and Exchange Commission (SEC), including our most recent Form 10-K and Form 10-Q. Copies of these filings, as well as subsequent filings, are available online at [www.sec.gov](http://www.sec.gov), [www.masimo.com](http://www.masimo.com) or upon request.

The non-GAAP financial measures contained herein are a supplement to the corresponding financial measures prepared in accordance with U.S. GAAP. The non-GAAP financial measures presented exclude certain items that are more fully described in the Appendix. Management believes that adjustments for these items assist investors in making comparisons of period-to-period operating results. Furthermore, management also believes that these items are not indicative of the Company’s on-going core operating performance. These non-GAAP financial measures have certain limitations in that they do not reflect all of the costs associated with the operations of the Company’s business as determined in accordance with GAAP. Therefore, investors should consider non-GAAP financial measures in addition to, and not as a substitute for, or as superior to, measures of financial performance prepared in accordance with GAAP. The non-GAAP financial measures presented by the Company may be different from the non-GAAP financial measures used by other companies. The Company has presented the following non-GAAP financial measures to assist investors in understanding the Company’s core net operating results on an on-going basis: (i) constant currency revenue growth %, (ii) non-GAAP gross profit/margin %, (iii) non-GAAP SG&A expense, (iv) non-GAAP R&D expense, (v) non-GAAP litigation settlements and (awards), (vi) non-GAAP operating expense %, (vii) non-GAAP operating income/margin %, (viii) non-GAAP earnings per diluted share, (ix) adjusted free cash flow and (x) adjusted EBITDA. These non-GAAP financial measures may also assist investors in making comparisons of the company’s core operating results with those of other companies. Management believes these non-GAAP financial measures are important in the evaluation of the Company’s performance and uses these measures to better understand and evaluate our business. For additional financial details, including GAAP to non-GAAP reconciliations, please visit the Investor Relations section of the Company’s website at [www.masimo.com](http://www.masimo.com) to access Supplementary Financial Information.

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# Masimo at a Glance: Global Leader in Differentiated Medical Technology

**\$2.3-\$2.4B**

Consolidated  
Revenue (2023E<sup>1</sup>)

**61%/39%**

Healthcare /  
Non-Healthcare  
Revenue Split

**~825**

Engineers  
Globally

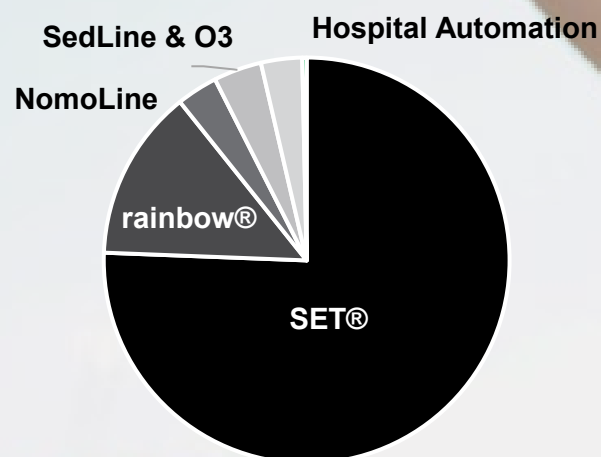
**\$171B+**

Total Market  
Opportunity<sup>2</sup>

**1,700+**

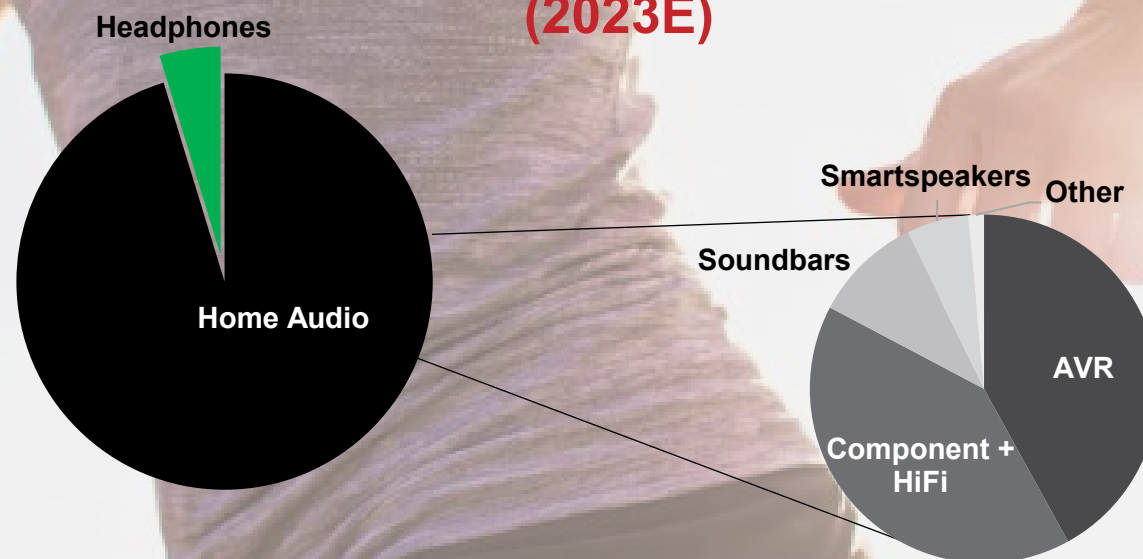
Healthcare and  
Consumer  
Focused Patents

## Healthcare Revenue Mix (2023E)



*Growing at 9%-11% between 2023-2028*

## Non-Healthcare Revenue Mix (2023E)



*Growing at 4%-6% between 2023-2028*

1. 2023 Consolidated Revenue Guidance of \$2,330 to \$2,400 million  
2. Market Estimates based upon internal data, iData & Futuresource

# Well Positioned to Create Value for Patients, Customers and Shareholders

**01** Differentiated and clinically superior **technological capabilities**, proven track record of **innovation**, and **customer-driven approach** to product development

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**02** Scaling and deepening our integrated platform capabilities to capture the vast **Consumer Health** opportunity

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**03** Robust product portfolio and pipeline in **Professional Health** that addresses unmet needs of healthcare professionals and patients

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**04** Building on our strong performance track record to drive **sustainable revenue** and **earnings growth** over the long term

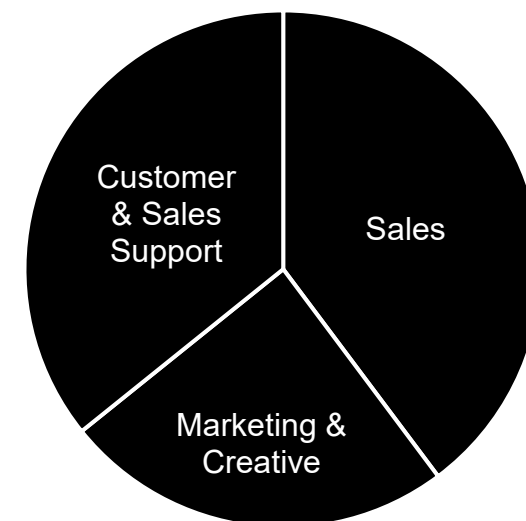
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# Acquisition Provides Immediate Critical Mass for Consumer Channel

## *Unlocking Massive New Market Opportunities for Our Pipeline of Consumer Health Products*

	Masimo Standalone	Masimo + Sound United
<b>Consumer Channel &amp; Infrastructure</b>	<ul style="list-style-type: none"><li>Limited consumer channel &amp; infrastructure</li></ul>	<ul style="list-style-type: none"><li>20,000 points of global retail distribution</li><li>DTC marketing expertise</li><li>450 consumer sales &amp; marketing staff globally</li></ul>
<b>Consumer Brand Recognition</b>	<ul style="list-style-type: none"><li>Trusted hospital brand</li><li>Limited consumer brand recognition</li></ul>	<ul style="list-style-type: none"><li>200+ years of consumer brand heritage</li><li>Ability to leverage premium &amp; luxury brands</li></ul>
<b>Hearables Market (\$85B+)</b>	<ul style="list-style-type: none"><li>No hearables in the market today</li><li>Developing hearables with Adaptive Acoustic Technology (AAT™)</li></ul>	<ul style="list-style-type: none"><li>Headphones &amp; earbuds are a rapidly growing business for Sound United</li><li>Ability to leverage Masimo's AAT™</li></ul>
<b>Home Health Hubs</b>	<ul style="list-style-type: none"><li>Less than 1k home health hubs</li></ul>	<ul style="list-style-type: none"><li>Over 3.4 million HEOS connected devices today that will soon be capable of acting as health hubs</li></ul>
<b>Engineering Power</b>	<ul style="list-style-type: none"><li>450 engineers</li></ul>	<ul style="list-style-type: none"><li>825 engineers combined</li><li>Ability to leverage combined engineering power</li></ul>
<b>Financial Impact</b>	<ul style="list-style-type: none"><li>Heavy multi-year investment would be required to build out consumer channel</li><li>Dilutive to earnings over multiple years</li></ul>	<ul style="list-style-type: none"><li>Reasonable value (1x Revenue and 8x EBITDA)</li><li>Immediately accretive to earnings</li><li>Provide significant upside optionality</li></ul>

Sound United adds **450**  
Consumer Sales & Marketing  
Employees Worldwide



# Consumer Health & Audio

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# Moving Masimo into the consumer health space will require:

**01** Getting Our Strategic Foundation Right

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**02** Defining and Leveraging Shared Platforms

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**03** Understanding Market Movements & Segmentation

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**04** Building Momentum Through Differentiated Product Launches

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**05** Maintaining Our Position in the Home



# Establishing Our Strategic Foundation

We are a brand **Engineered for a Beautiful Life**

We exist for people who care. Care for others.  
Care about quality. Care about precision. Care about excellence.

## Current State

Positioned as a brand for patients and care providers

A medical technology company dipping its toe in the consumer space.

Showing life as it is.



## Future State

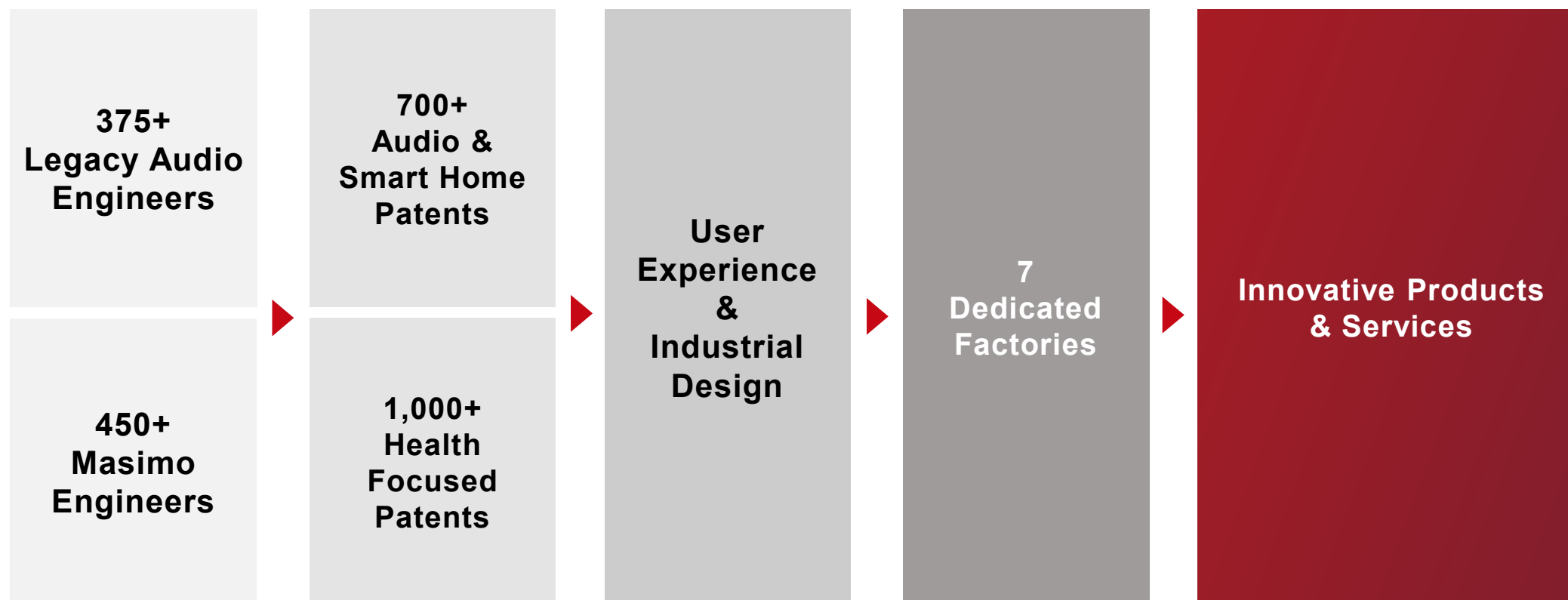
Positioned as a brand that engineers opportunities to get the most out of life.

A visionary company doing everything in its power to improve lives.

Showing life as it could be.

# Shared Strategic Pillar 1: Scaled Engineering

## Complementary Engineering Programs



Shared Strategic Pillar 2: Connected Software Ecosystem

Masimo Ecosystem



In 2023, 4M HEOS units will be activated as home health hubs

# Shared Strategic Pillar 3: Global Brand & Marketing Framework





## Shared Strategic Pillar 4: Omni-channel Go-To-Market

# 20K Points of Retail and Custom Installation

amazon



FNAC DARTY



JB HI-FI

richersounds

MediaMarkt

.yodobashi



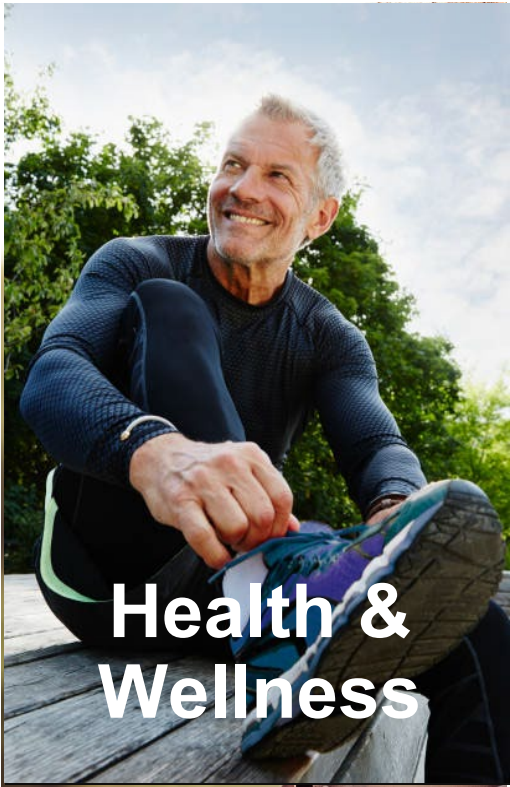
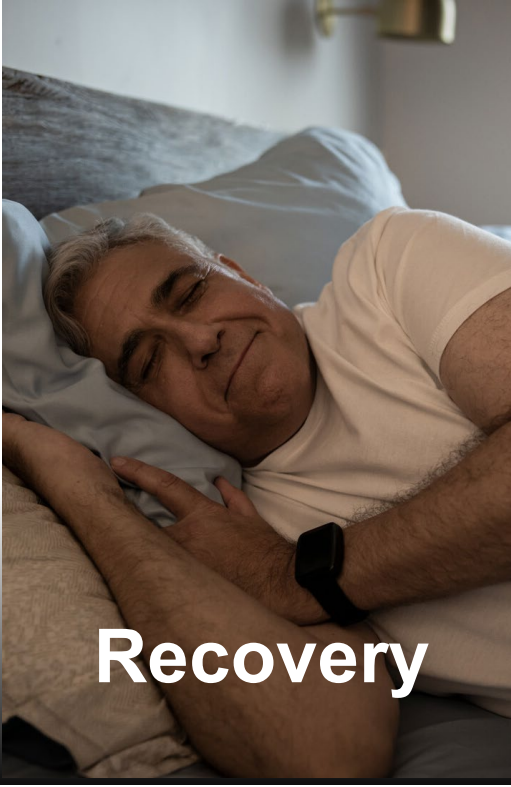
## Our Markets: Where Accurate, Trusted & Insightful Health Information Drives Value

Many tech brands have compromised consumer experiences by offering health information that they aren't qualified to offer.

These brands have not elevated the category because they are offering mass-market functionality that can't be trusted to guide a healthier life.

# Understanding Market Movements & Segmentation

SEGMENT



GO-TO-MARKET

Hearables & Wearables

Connected Life

Telemonitoring

# Momentum Through Differentiated Products: Stork Brings Home Hospital-Quality Baby Monitoring

**01**

## **Clear Consumer Need**

- To provide peace of mind to parents
- 3,400 infants die annually from SIDs in the US<sup>1</sup>
- Infants get 7 – 12 colds or viral infections per year<sup>2</sup>

**02**

## **Compelling Addressable Market Size**

- \$1.5B baby monitor market<sup>3</sup>
- Smart monitor market growing 9 – 15% annually<sup>4</sup>
- 130M babies born per year<sup>5</sup>

**03**

## **Market Ripe for Entering**

- Competitors are not healthcare companies
- Concentrated retail landscape

**04**

## **Right to Win**

- Data accuracy proven by decades of healthcare expertise



# Wearables: Unrivaled Health Technology

01

## Clear Consumer Need

- To provide accurate and continuous health monitoring
- 133 million Americans have at least one chronic disease<sup>1</sup>
- Significant portion of alerts from existing watches are false alarms

02

## Compelling Addressable Market Size

- \$50B+ wearables market<sup>2</sup>
- Opportunity to introduce a new use case for wearables

03

## Room for a Differentiated Solution

- Smartwatch penetration of 10 - 20%<sup>3</sup>
- Existing landscape not primarily focused on health
- Fidelity of our data allows for impactful insights

04

## Right to Win

- Product Differentiators: Unparalleled data accuracy and insights connected with professionals
- Launch Differentiators: Decades of retail, marketing and user experience expertise

# Positioned to Win: Hearables

**We will meet consumers with differentiated technologies by:**

- Leveraging our legacy of trusted consumer brands
- Introducing Masimo's Adaptive Acoustic Technology (AAT™)
- Meeting consumers where they are through existing channel access
- Curating products to multiple segments across audiophile, lifestyle and hearing enhancement

**\$85B+ Global Hearables Market<sup>1</sup>**



## **Introducing Masimo Adaptive Acoustic Technology (AAT™)**

How Masimo AAT™ works:

- Transmits pilot sound into the ear
- Captures the response generated by the cochlea
- Automatically generates a hearing profile
- Adapts acoustic sound and/or music to the personalized profile
- **Allowing everyone to enjoy great sound**

1. Market estimates based upon internal data & Futuresource Market Research

# Positioned to Win: Premium & Luxury Home Audio

**Leveraging 200+ years of heritage, growth in Premium & Luxury Home Audio, driven by:**

- Investing to deliver mind-blowing sound and experience
- Expanding the use cases of our connected ecosystem
- Leaning into our portfolio selling strategy to deliver a growing array of solutions
- Accessing consumers directly through our owned e-commerce channel

**Well Positioned to win in \$6B+ Global Premium & Luxury Market<sup>1</sup>**



**Iconic Brands With Deep,  
Loyal Customer Bases**

Bowers & Wilkins

marantz

DENON

polk

1. Futuresource & McKinsey Research

# Professional Healthcare & Telemonitoring

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# Large and Expanding Installed Base

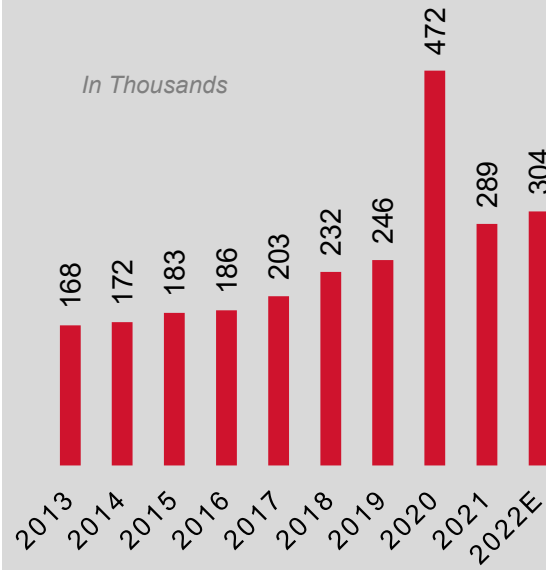
**~2.5 Million**

shipped over last 10 years



Growing Installed  
Base of Masimo Technology  
Boards and Monitors

*In Thousands*

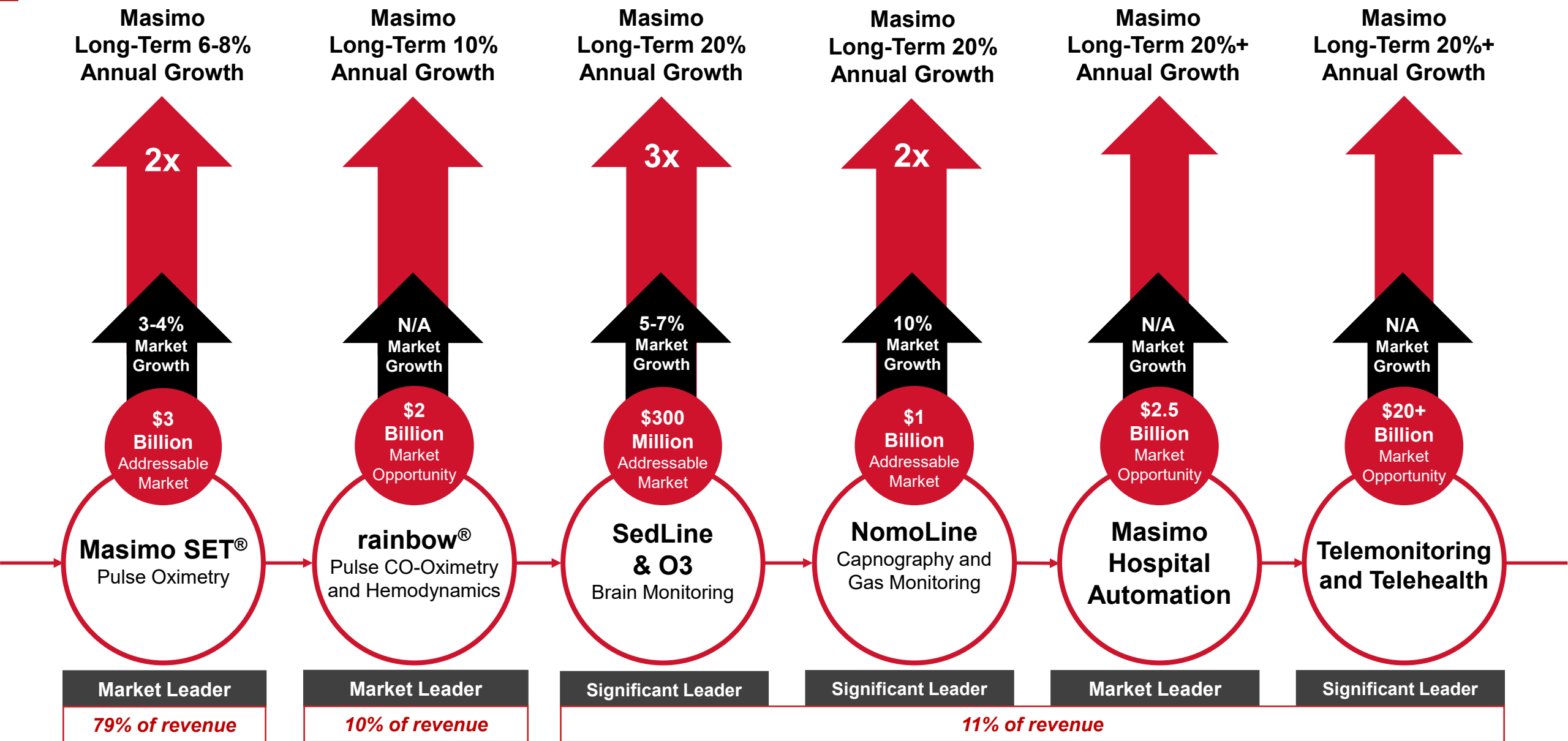


Shipped ~2.5 million  
technology boards and  
monitors over the  
last 10 years



Over 300 third-party  
monitors and devices  
from over 124 leading  
brands have integrated  
Masimo technologies

# Healthcare Segment Long-term Growth Rates





# Masimo SET® Pulse Oximetry: Superior Technology, Leading Share

Masimo SET® pulse oximetry is used to monitor more than  
**200 million patients**  
a year around the world.<sup>1</sup>

Masimo SET® is the primary pulse oximetry technology at  
**9 of the Top 10**  
hospitals according to the 2022-23 *U.S. News & World Report* Best Hospitals Honor Roll.<sup>2</sup>

**Over 100 studies**  
have shown that Masimo SET® outperforms other pulse oximetry technologies.<sup>3</sup>

<sup>1</sup> Estimate: Masimo data on file. <sup>2</sup> <http://health.usnews.com/health-care/best-hospitals/articles/best-hospitals-honor-roll-and-overview>. <sup>3</sup> Comparative studies include abstracts presented at scientific meetings and peer-reviewed journals. Clinical studies on pulse oximetry and the benefits of Masimo SET® can be found at <http://www.masimo.com/clinical-evidence>.

# The Only Pulse Oximetry with Proven Clinical Outcomes

**80%**

Reduction in  
retinopathy of prematurity  
(ROP) rate<sup>1</sup>

NICU

**93%**

Screening sensitivity for  
Critical Congenital  
Heart Disease  
(CCHD), leading to  
standardization on  
pulse oximetry<sup>2</sup>

L&D

**0**

Preventable  
deaths<sup>3</sup>

**60%**

Reduction in  
rapid response  
activation<sup>4</sup>

**50%**

Reduction in ICU  
transfers<sup>4</sup>

**\$7M**

Annual cost  
savings<sup>5</sup>

Med-Surg

**77%**

Fewer  
deaths<sup>6</sup>

**87%**

Fewer  
hospitalizations<sup>6</sup>

**\$11,472**

Cost reduction per-patient care<sup>6</sup>

Home

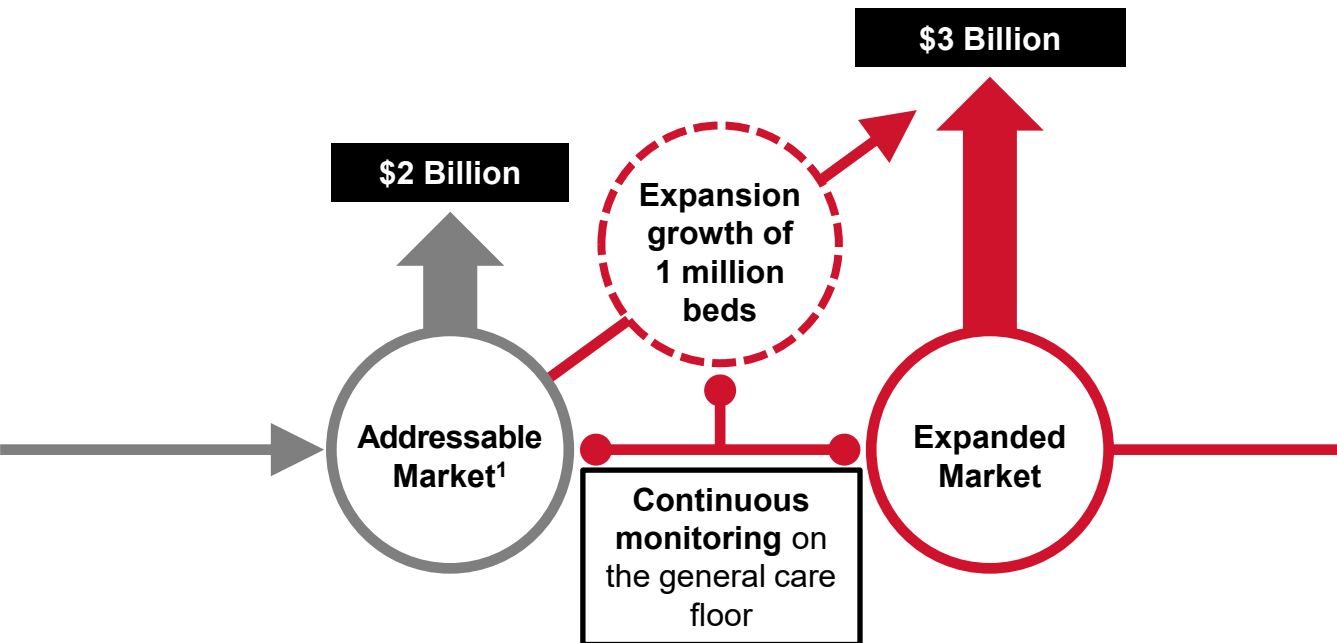
<sup>1</sup>Chow LC et al. *Pediatrics*. 2003;111(2):339-45. <sup>2</sup>Zhao et al. *Lancet*. 2014 Aug 30;384(9945):747-54. <sup>3</sup>McGrath S et al. *J Patient Saf*. 2020 14 Mar. <sup>4</sup>McGrath S et al. The Joint Commission Journal on Quality and Patient Safety. 2016 Jul;42(7):293-302. <sup>5</sup>Taenzer A et al. Anesthesia Patient Safety Foundation Newsletter. Spring-Summer 2012. <sup>6</sup>Pronovost P, Cole M, Hughes, R. Remote Patient Monitoring During COVID-19: An Unexpected Patient Safety Benefit. *JAMA*. Published online February 25, 2022. doi:10.1001/jama.2022.2040.



# Expanding Pulse Oximetry to the General Care Floor

**Radius PPG™** tetherless pulse oximetry, powered by Masimo SET® Measure-through Motion technology, for continuous monitoring on the move.

- Improved patient comfort and convenience
- Enhanced clinician workflow and efficiency
- Reduced technical alarms
- Reduced risk of cross-contamination



<sup>1</sup> Market estimates based upon internal data & iData.

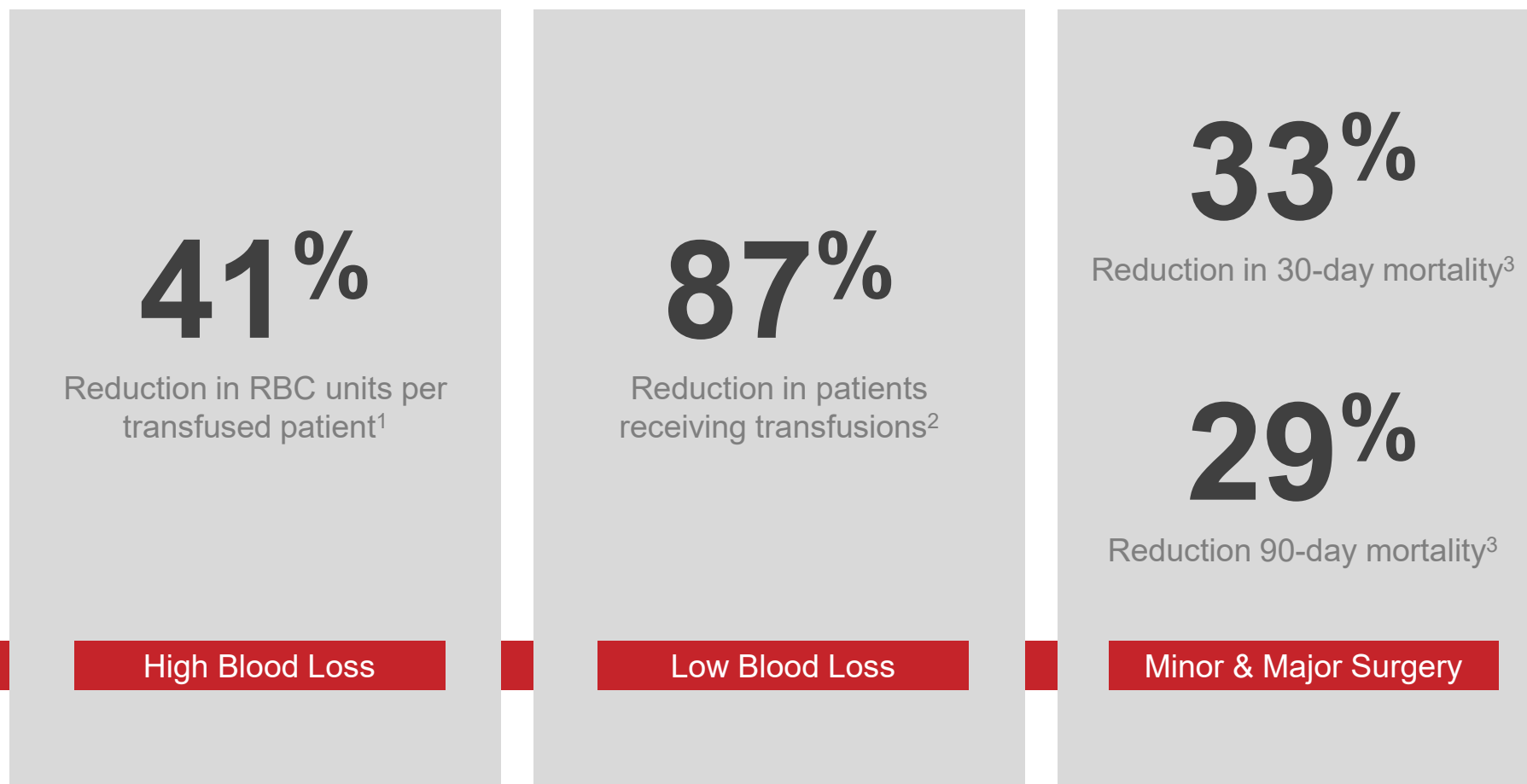


# **Masimo SET<sup>®</sup> Pulse Oximetry**

The Right to Win

- Unrivaled clinical outcomes
- Best in class accuracy
- Tetherless sensing technology
- Provides a pathway to breakthrough innovation

# Improving Outcomes with rainbow® Pulse CO-Oximetry and Hemodynamics



<sup>1</sup>Awada WN et al. *J Clin Monit Comput*. <sup>2</sup> Ehrenfeld JM, et al. 2014. *J Blood Disorders Transf* 5:237. <sup>3</sup>Cros et al. *J Clin Monit Computing* 2019.

Clinical decisions regarding red blood cell transfusions should be based on the clinician's judgment considering among other factors: patient condition, continuous SpHb monitoring, and laboratory diagnostic tests using blood samples. The accuracy of PVi in predicting fluid responsiveness is influenced by numerous patient, procedure, and device-related factors. PVi does not measure stroke volume or cardiac output. Fluid management decisions should be based on a complete assessment of the patient's condition.

# rainbow® Pulse CO-Oximetry and Hemodynamics

The Right to Win



- Unrivaled clinical outcomes
- Innovation continues with the introduction of 12 additional parameters from a single noninvasive sensor
- Now integrated into a comprehensive hemodynamic solution with LiDCO

# Brain Monitoring with SedLine Sedation Monitoring and O3 Regional Oximetry

## SedLine Sedation Monitoring

Protects the most important organ in the body by measuring the brain's EEG waveforms to help optimize sedation

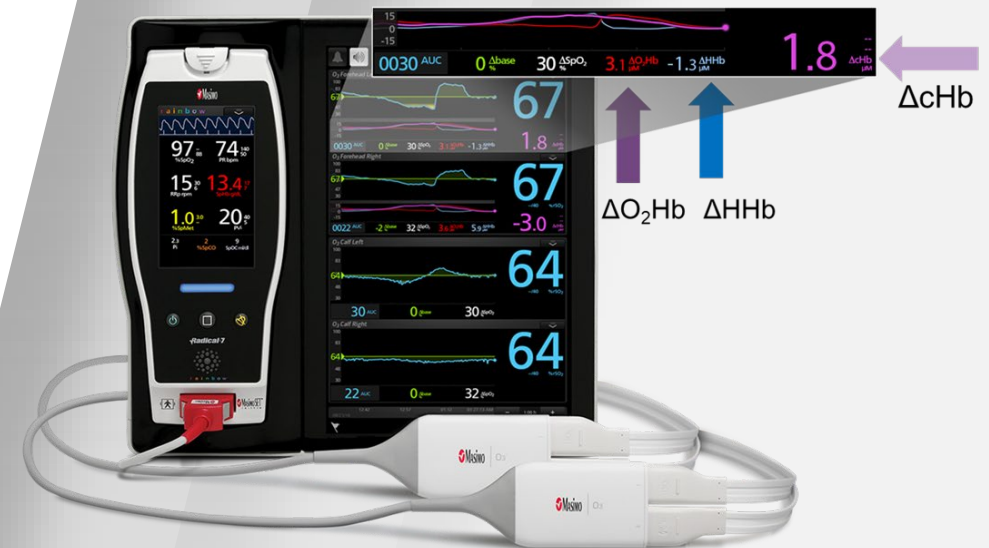
- Recent expansion of indication to now include pediatric patients
- Provides insight into the patient's anesthetic drug response to help avoid oversedation
- Offers clinicians a better understanding of a patient's brain health and can aid in enhanced recovery



## O3 Regional Oximetry

Provides accurate insight into an organ's oxygenation status

- Approved for all patient populations and on all sites, cerebral and somatic
- Excellent absolute accuracy for cerebral (4% ARMS) and somatic sites (5% ARMS) that now allows for expansion beyond the cardiac unit
- New hemoglobin measurements can give clinicians additional insight into reason behind a desaturation event







# Brain Monitoring

## The Right to Win

- Complete brain monitoring solution on one platform
- Ergonomically designed sensors to allow simultaneous monitoring of both sedation and cerebral oximetry
- Continued innovation with new parameters such as  $\Delta\text{cHb}$  and new applications including somatic
- Recent FDA clearances to complete a full range of sensors across all patient populations

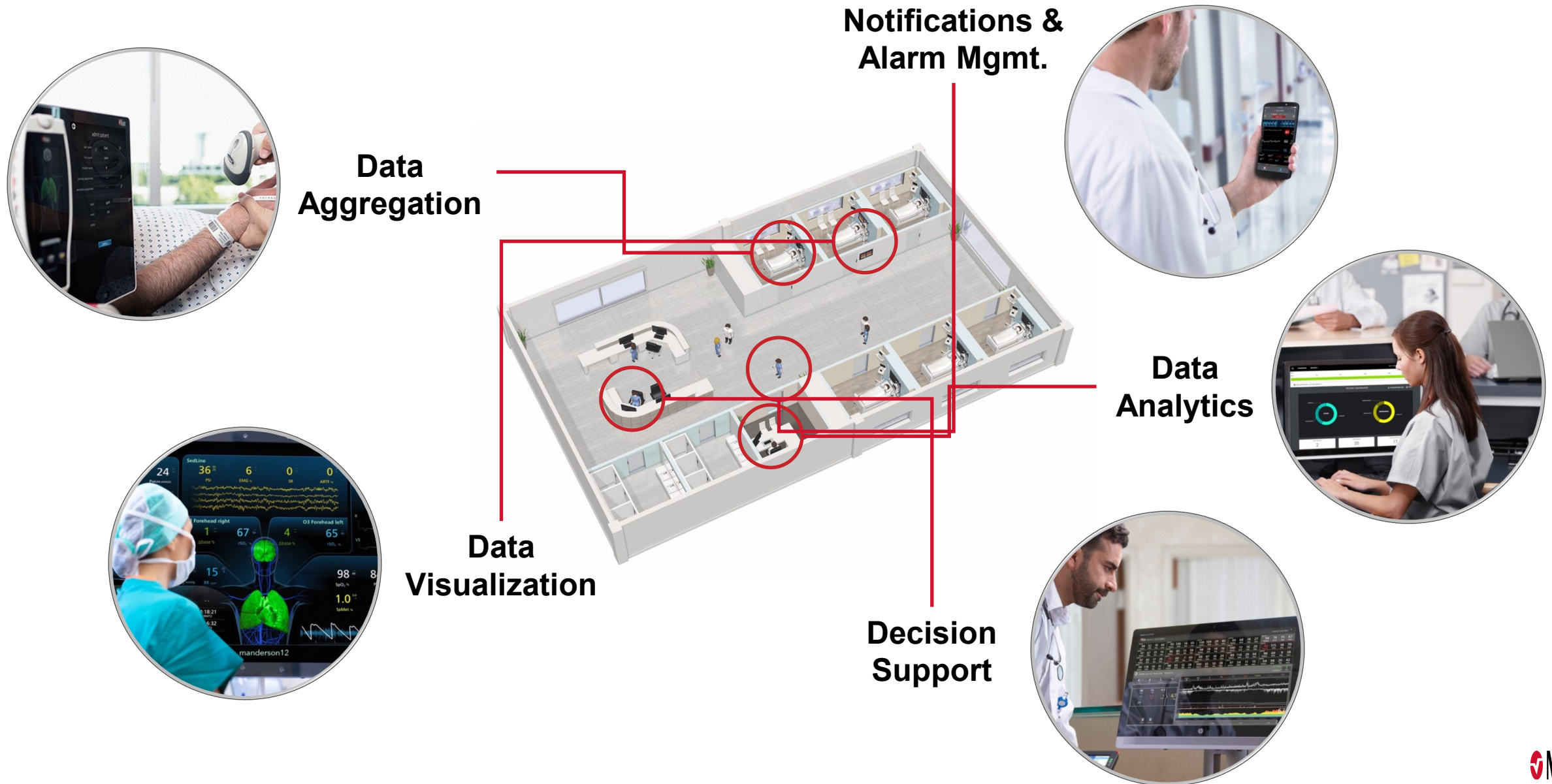


# **NomoLine Capnography**

## The Right to Win

- Completion of portfolio of products
- Improved patient comfort with more ergonomically designed cannulas
- Patented NomoLine moisture wicking technology improves accuracy and extends product life
- Third-party compatibility with NomoLine-O<sup>®</sup> sampling lines

# Hospital Automation and Wearable Solutions Drive Improved Workflow and Care





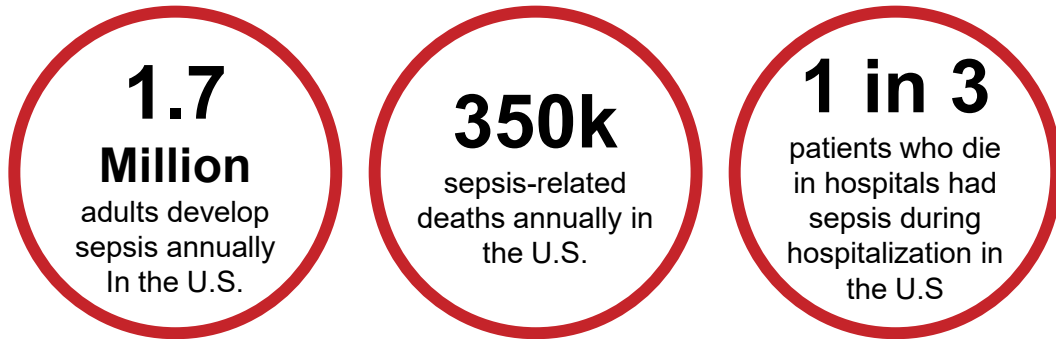
# UniView® and UniView :60

UniView and UniView :60 intelligent visualization and smart display for real-time data aggregation:

- Leveraging data from patient care devices and hospital information systems
- Providing a patient-centric view for different workflows and empowering caregivers to make informed clinical decisions
- Displays information on a single screen to help clinicians identify trends and coordinate care
- Bridges care team coordination inside and outside the patient room

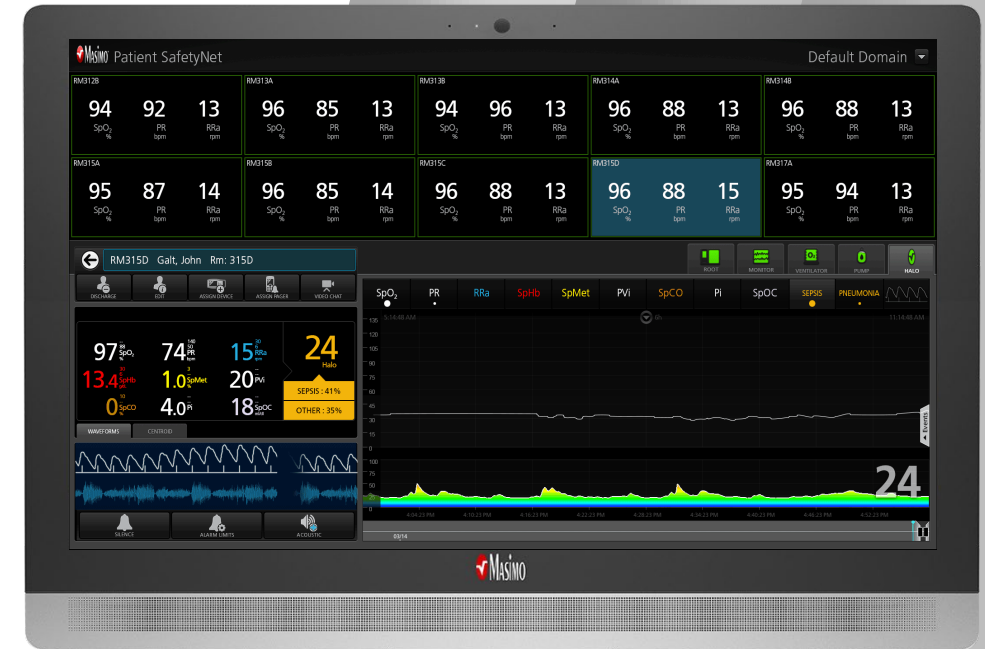


# Sepsis Index



Patient status is quantified through a continuous sepsis risk score, which provides:

- Early detection and notification system for a deteriorating patient
- Tracking of the patient's status following the sepsis diagnosis
- Metrics to assess the effectiveness of treatments and interventions
- On-screen decision support and recommended action, per hospital's sepsis policy



# Most Advanced Wearable and Tetherless Sensing Systems

**Radius VSM** is a comprehensive, tetherless modular system that offers multiple proprietary Masimo technologies, including:

- *Masimo SET® Pulse Oximetry*
- *Masimo noninvasive blood pressure (NIBP)*
- *Electrocardiogram (ECG) with arrhythmia detection*
- *Temperature and patient position/activity monitoring*

**Centroid** is a wearable, wireless patient orientation, activity, and respiration rate sensor that:

- Helps clinicians monitor patient position to avoid preventable pressure injuries
- Drives turn protocol compliance to improve outcomes and reduce cost of care
- Detects patient's orientation and activities to increase patient safety and quality of care





# Hospital Automation & Wearables

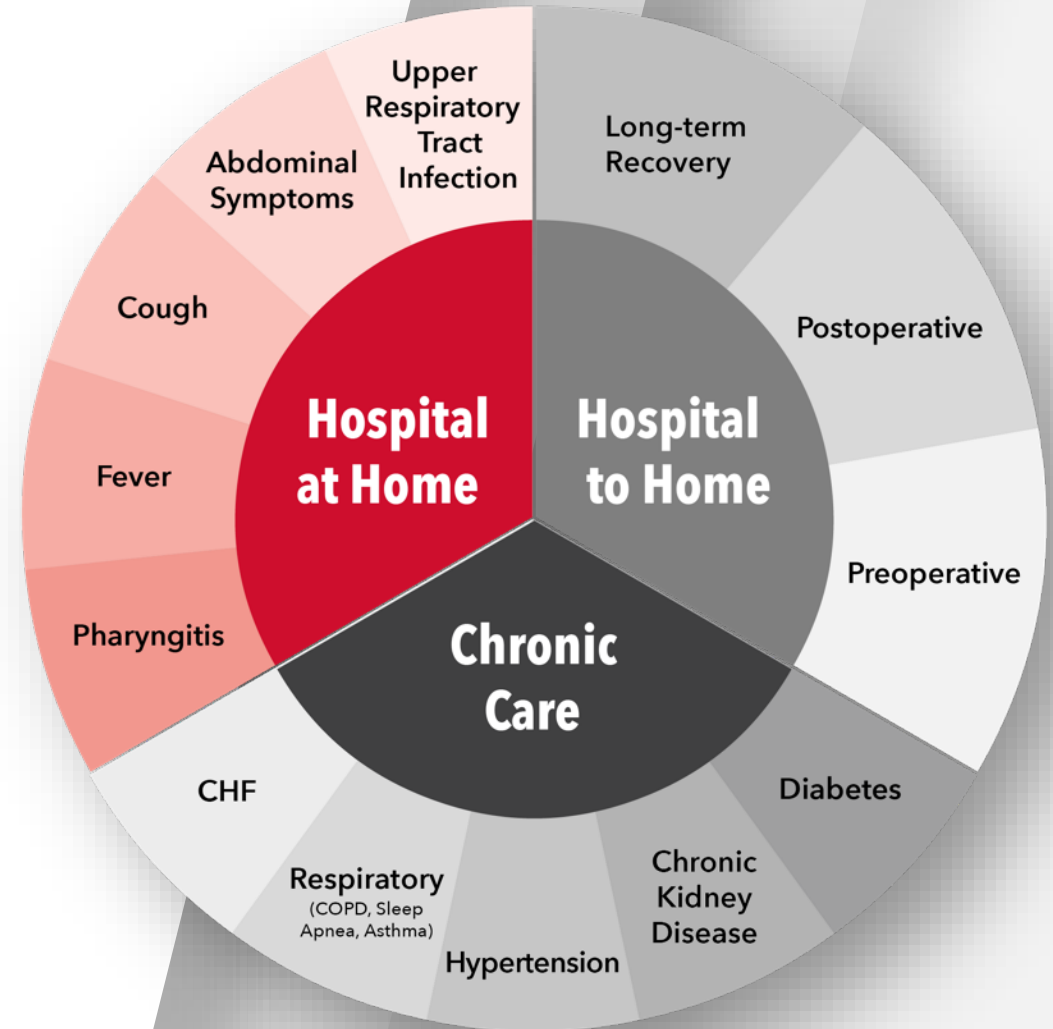
## The Right to Win

- Most advanced wearable and tetherless sensing technology
- One platform across the continuum of care with the largest 3<sup>rd</sup> party interoperability library
- Acuity adaptable solutions designed to enhance workflow, improve outcome and drive better clinician and patient experience



# Telemonitoring & Telehealth: Vision for Masimo SafetyNet®

- A Global Continuous Telemonitoring and Telehealth Cloud
- Superior clinical grade wearables and patient care devices (continuous and spot-check)
- Customizable clinical pathways with scalable alerts sharing and escalation
- Comprehensive ecosystem with services partnerships and implementation models



# Masimo Personal SafetyNet™ Services

## Periodic and On-demand Reports

- Data trend report
- Helpful nudges to improve, compared to population average



## Data Review by Doctor

- Registered doctor reviews user's trend data
- Registered doctor signs off on health summary



## Family and Clinician Sharing

- Share data with friends and family
- Engage in competitions



## Alert Triage

- Alerts from out-of-range parameters or symptoms
- Registered nurses call patient to determine level of emergency and next steps



## Advanced Detections

- Continuous Afib detection
- Insights from long-term trended data (Sleep and Wellness)



## Health Coaching

- Certified health coach creates exercise and nutrition plan for individual users
- Encourages, motivates, and keeps user on track with their CareProgram



## Virtual Doctor Visit











- Registered doctor who can access user's trended data
- Able to prescribe medication or guidance for treatment



# Masimo W1™: Superior Clinical Grade Wearable Technology

- Continuous accurate health monitoring of pulse rate, blood oxygen and respiration rate
- Actionable insights on watch and in app
- Augmented with Masimo Personal SafetyNet™ services

## Key Parameters

	Oxygen Saturation (SpO2)*		Electrocardiograph (ECG)
	Pulse Rate (PR)		Heart Rate (HR)
	Pulse Rate Variability (PRV)		Heart Rate Variability (HRV†)
	Pleth Variability Index (PVi)		Respiration Rate (RRp‡)
	Perfusion Index (Pi)		Activity (Steps)

## Breakthrough Parameter: Hydration Index

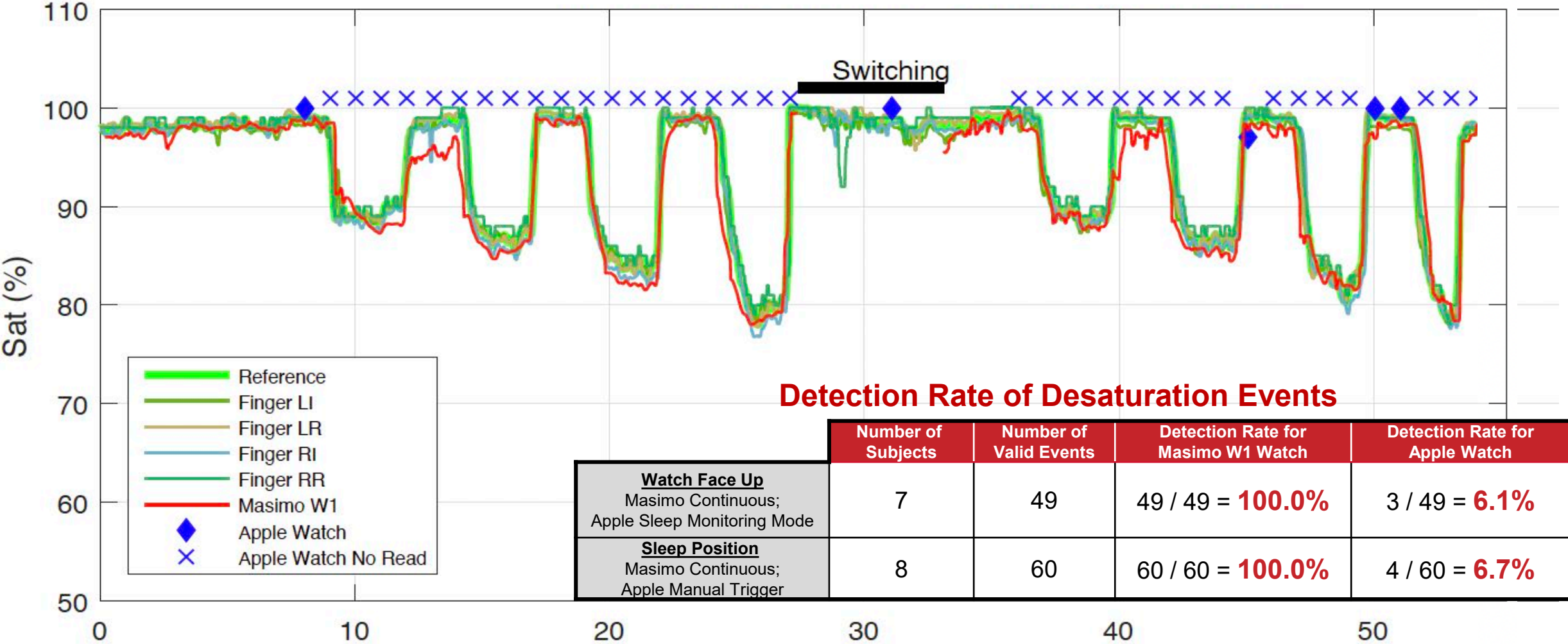
Widely recognized as an important aspect of health and performance.



\*Arterial oxygen saturation.

† HRV is only available when HR is classified as "Normal Sinus Rhythm." ‡ RRp stands for respiratory rate from the pleth. Masimo W1 with Hydration Index is pending 510(k) clearance. Available for health and wellness in the U.S.

# Game Changing Monitoring with Continuous, Accurate Measurements







# Telemonitoring and Telehealth

## The Right to Win

- Largest continuous monitoring cloud technology in the world
- Broadest library of care pathways for service scalability
- Industry leading clinical partners
- Best-in-class clinical grade technology

**Masimo W1**  
The Most Advanced  
Continuous Bio Tracking  
Wearable Available

# Financial Overview & Outlook

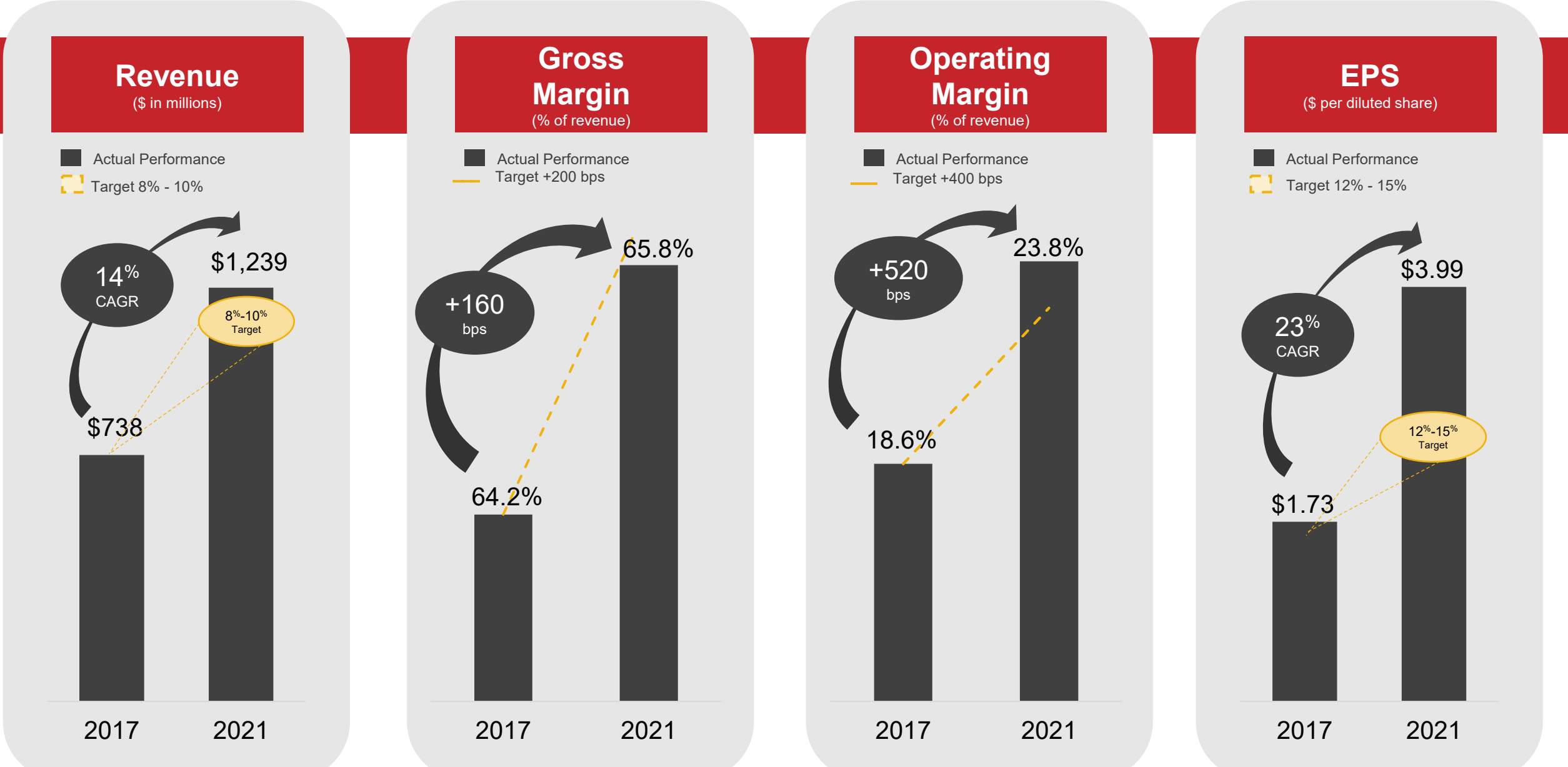
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# Non-GAAP Financial Measures

The financial measures throughout this presentation will be primarily on a non-GAAP basis unless noted otherwise. Further, the presentation will reference pro forma financial measures, which include historical results for Sound United prior to the acquisition date of April 11, 2022.

Please refer to the appendices within this presentation for more information on our GAAP to non-GAAP reconciliations.

# Our Track Record of Performance



# Our Track Record of Performance

## SG&A

(% of revenue)

Actual Performance  
Target (200) bps

36.8%

(590)  
bps

30.9%

2017

2021

## R&D

(% of revenue)

Actual Performance  
Target Flat

8.8%

+230  
bps

11.1%

2017

2021

## Total OpEx

(% of revenue)

Actual Performance  
Target (200) bps

45.7%

(370)  
bps

42.0%

2017

2021



# Full Year 2023 Guidance

	2023 Guidance	Foreign Exchange Headwinds*	Constant Currency Growth*
<b>Consolidated Revenue</b>	<b>\$2,330 to \$2,400</b> million	<b>(\$64)</b> million	<b>6% to 8%</b>
<i>Healthcare Revenue</i>	<i>\$1,420 to \$1,450</i> million	<i>(\$22)</i> million	<i>9% to 10%</i>
<i>Non-Healthcare Revenue</i>	<i>\$910 to \$950</i> million	<i>(\$42)</i> million	<i>2% to 5%</i>
<b>Operating Profit</b>	<b>\$360 to \$375</b> million	<b>(\$32)</b> million	
<b>EPS</b>	<b>\$4.25 to \$4.45</b> per share	<b>(\$0.44)</b> per share	

\*Consolidate Revenue and Non-healthcare FX headwinds and constant currency growth numbers Proforma of Sound United transaction

## Long-Range Targets for Increasing Shareholder Value

**Consolidated  
Revenue Growth**

**7 to 9%**

**Operating Profit  
Growth**

**10 to 12%**

**EPS  
Growth**

**10 to 12%**

# Delivering Leveraged Earnings Growth

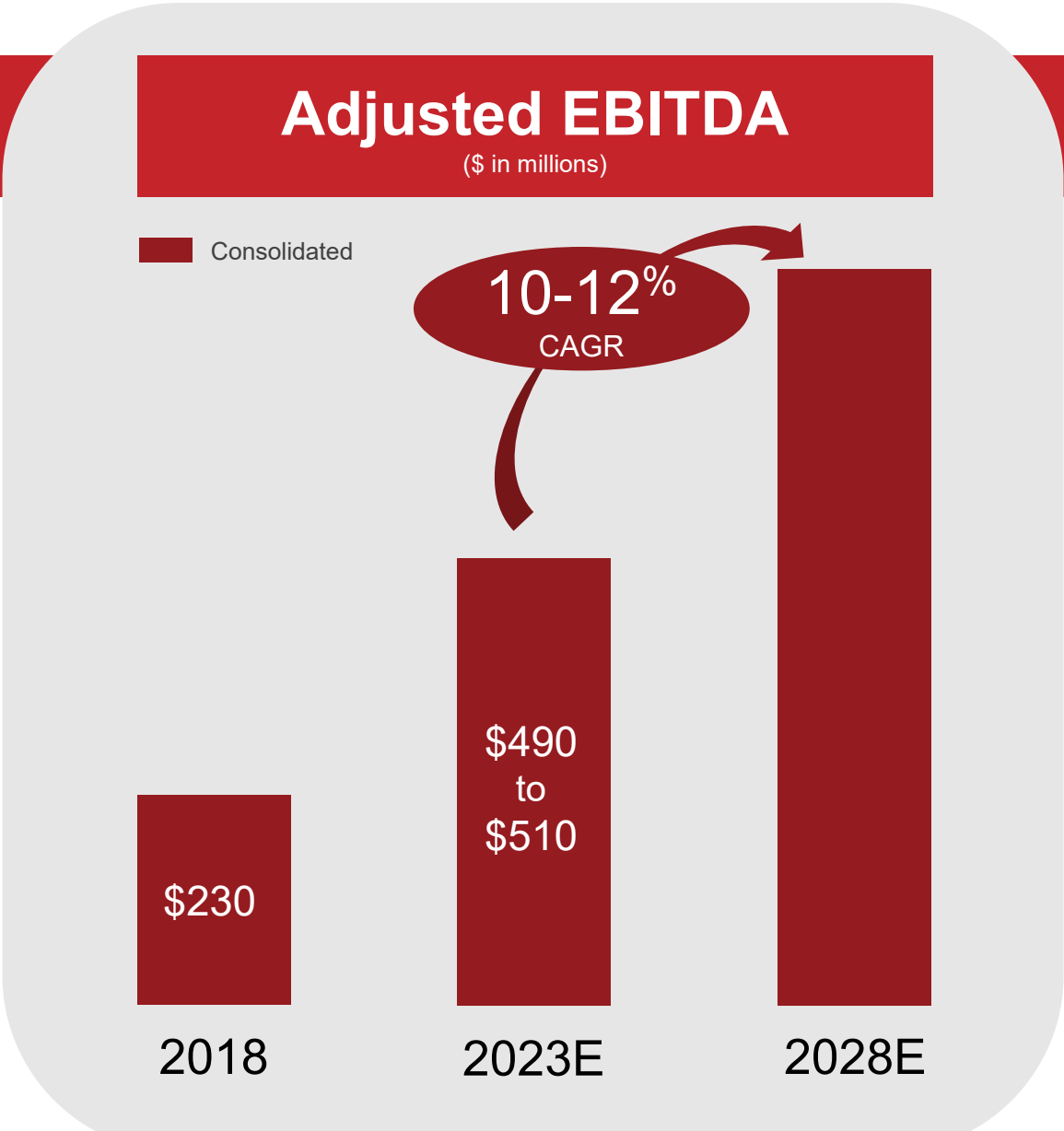
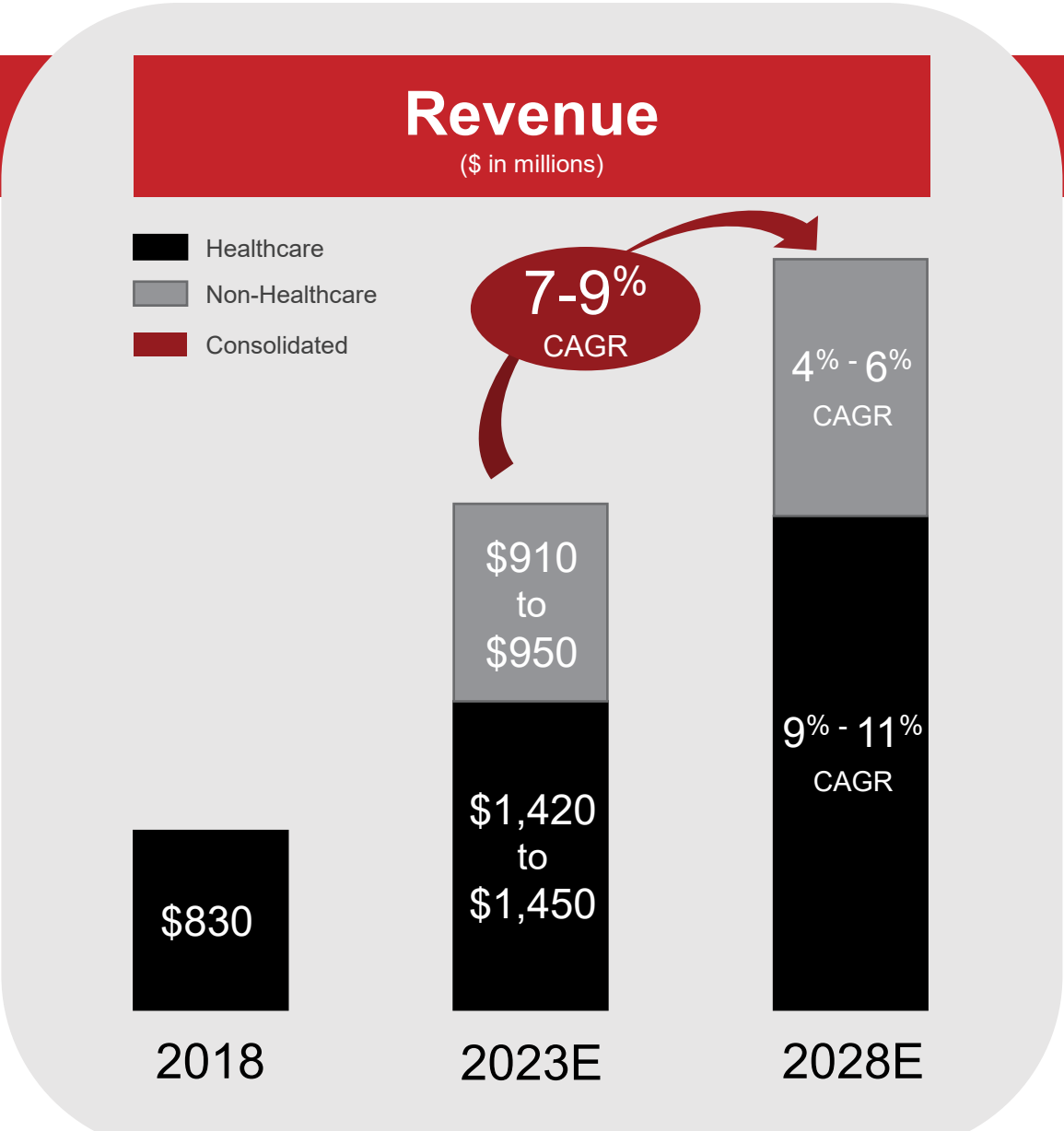
Gross margin initiatives

Sales force productivity

G&A leverage

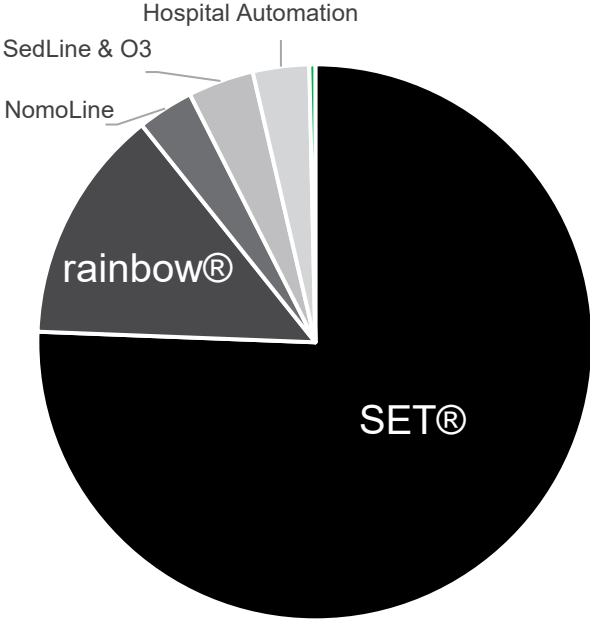


# Increasing our Revenue and Cash Generating Power

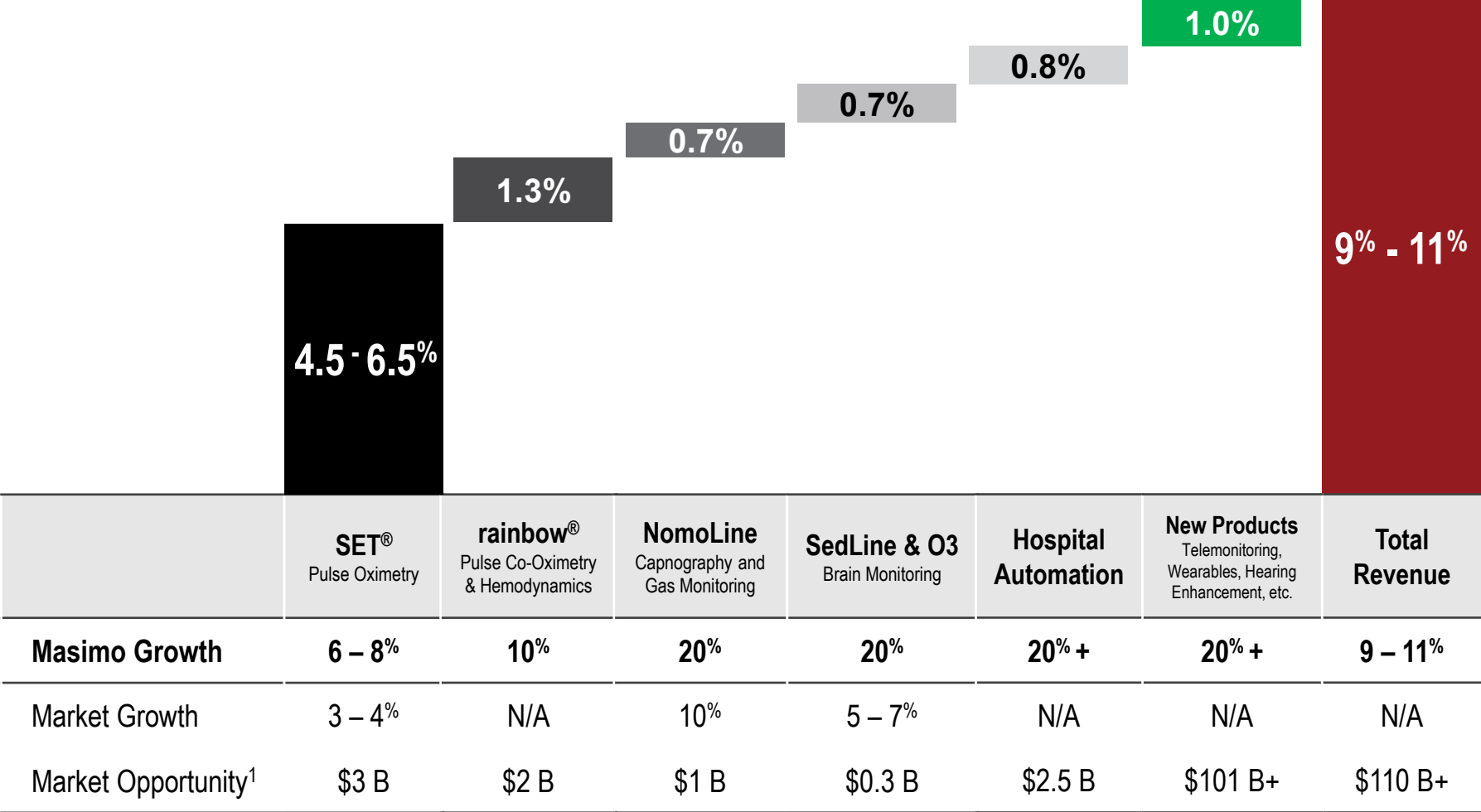


# Healthcare Revenue Growth Target of 9% to 11%

## 2023E Revenue Mix



## 2023 – 2028 Revenue Growth Rate Contribution

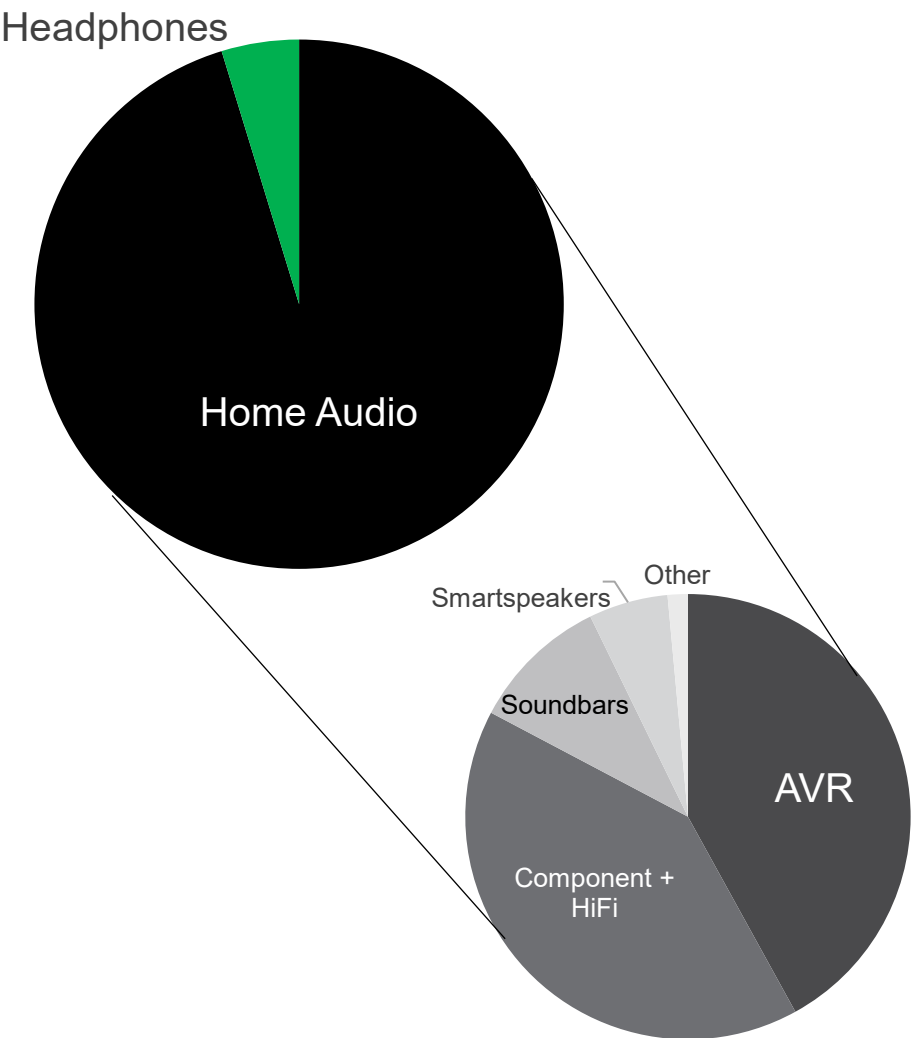


<sup>1</sup> Market Estimates based upon internal data, iData & Futuresource.

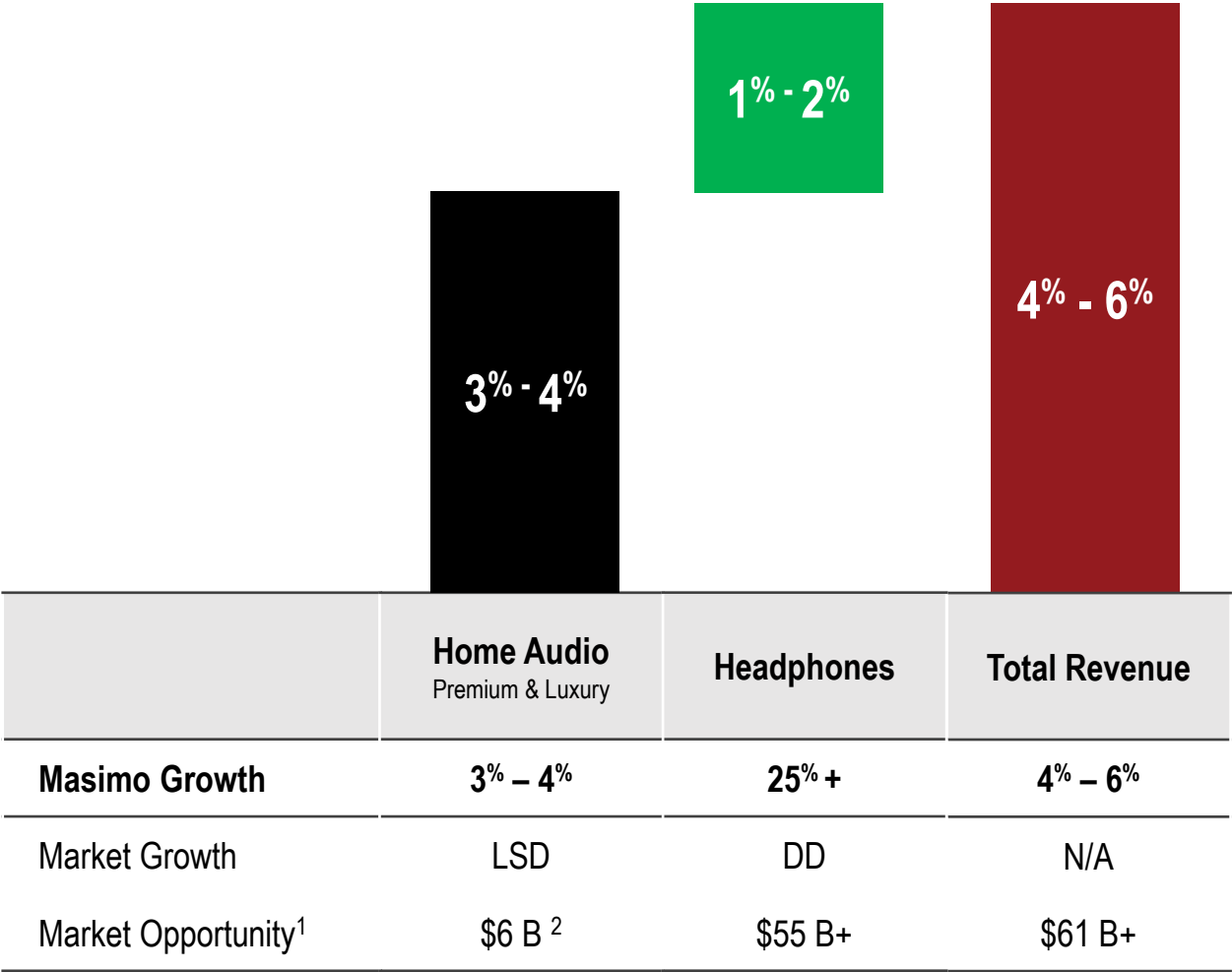


# Non-Healthcare Revenue Growth Target of 4% to 6%

2023E Revenue Mix

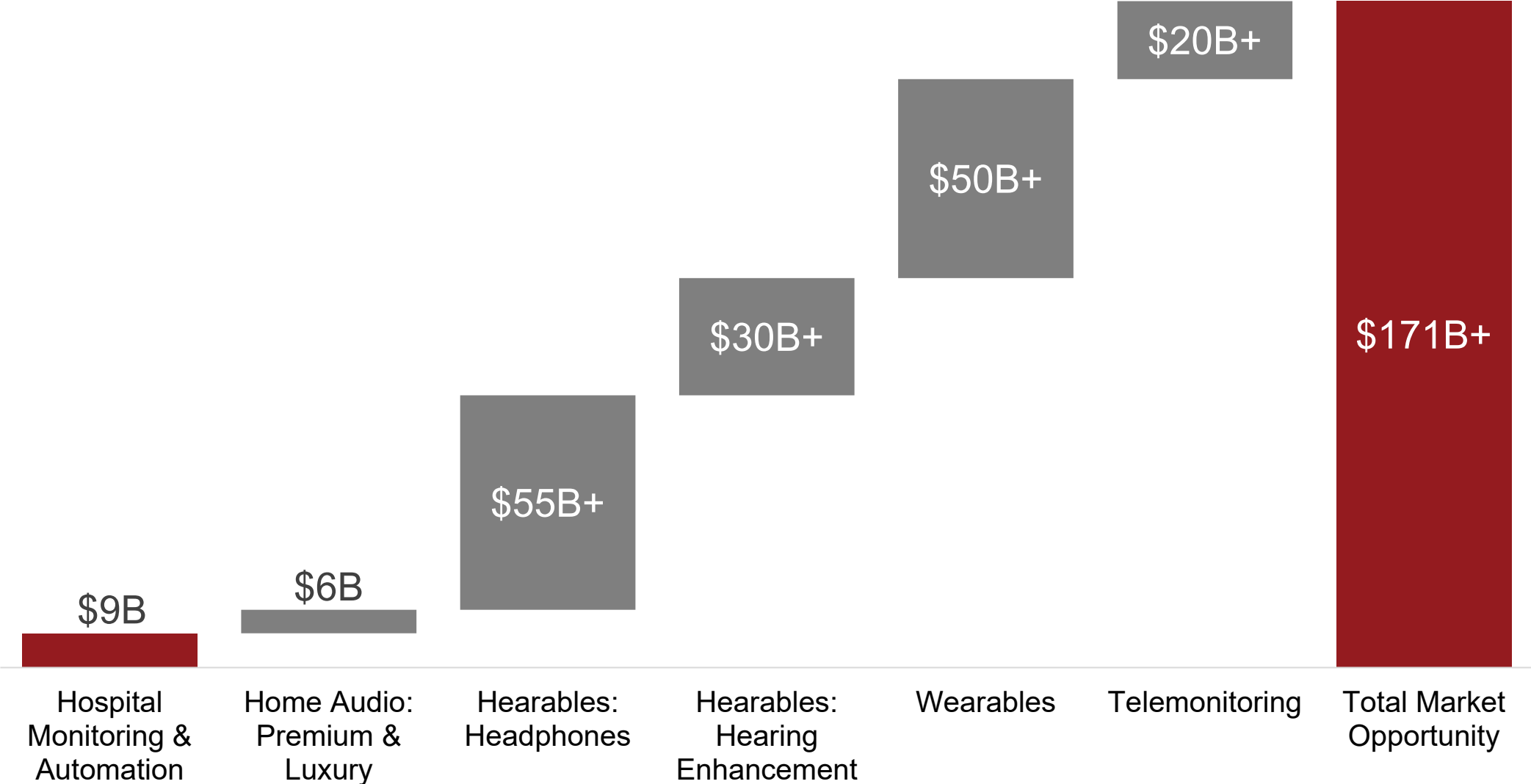


2023 – 2028 Revenue Growth Rate Contribution



<sup>1</sup> Market Estimates based upon internal data & Futuresource. <sup>2</sup> Represents the global premium & luxury home audio market.

# Expanding our Total Market Opportunity by Nearly **20x**<sup>1</sup>



<sup>1</sup> Market Estimates based upon internal data, iData & Futuresource.

# Building a More Sustainable Future

## Masimo 2021 Sustainability Report

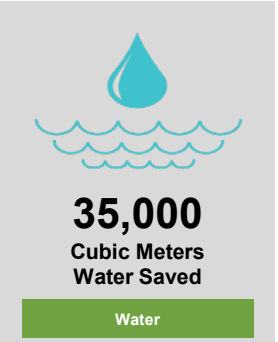
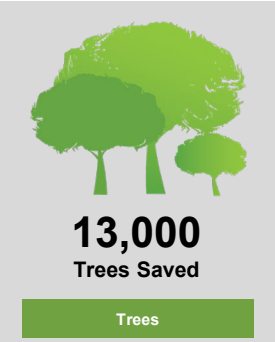
RD Recycling Program Results in

# ZERO

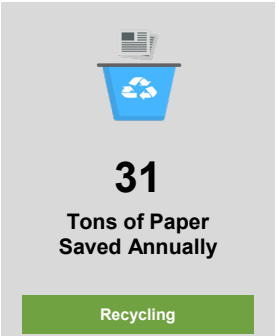
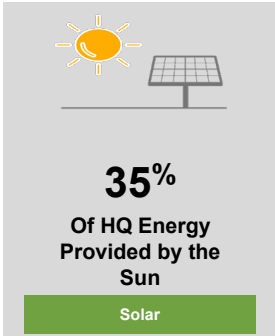
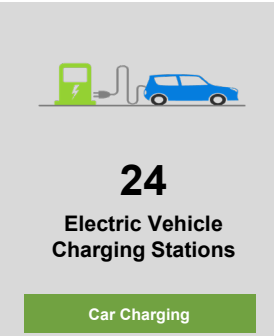
## Waste-to-landfill

~55,000 lbs. of waste diverted  
from landfill in 2021<sup>1</sup>

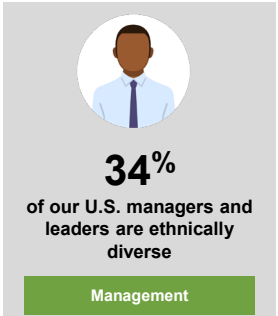
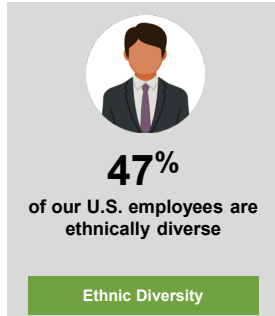
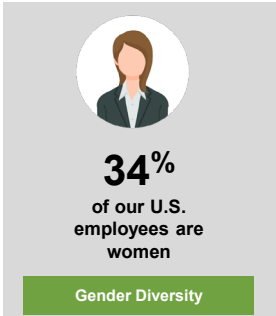
Products &  
Packaging<sup>1</sup>



Facilities<sup>1</sup>



Workforce<sup>2</sup>



<sup>1</sup> Masimo 2021 Sustainability Report and/or internal data on file.

<sup>2</sup> Estimates based on employee information for both Masimo Healthcare and Masimo Consumer Non-Healthcare

# Well Positioned to Create Value for Patients, Customers and Shareholders

**01** Differentiated and clinically superior **technological capabilities**, proven track record of **innovation**, and **customer-driven approach** to product development

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**02** Scaling and deepening our integrated platform capabilities to capture the vast **Consumer Health** opportunity

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**03** Robust product portfolio and pipeline in **Professional Health** that addresses unmet needs of healthcare professionals and patients

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**04** Building on our strong performance track record to drive **sustainable revenue** and **earnings growth** over the long term

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# Appendices

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## GAAP to Non-GAAP Reconciliations | Consolidated Income Statement

(Unaudited; in millions, except per share data) <sup>(1)</sup>

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>GAAP revenue</b>	<b>\$790.2</b>	<b>\$858.3</b>	<b>\$937.8</b>	<b>\$1,143.7</b>	<b>\$1,239.2</b>
Other adjustments	(\$52.0)	(\$28.4)	(\$1.4)	-	-
<b>Non-GAAP revenue</b>	<b>\$738.2</b>	<b>\$829.9</b>	<b>\$936.4</b>	<b>\$1,143.7</b>	<b>\$1,239.2</b>
<b>GAAP gross profit</b>	<b>\$522.0</b>	<b>\$574.9</b>	<b>\$629.2</b>	<b>\$743.1</b>	<b>\$808.3</b>
Acquired tangible asset amortization	-	-	-	0.0	0.5
Acquired intangible asset amortization	0.5	0.5	0.5	1.2	2.4
Acquisition, integration and related costs	-	-	0.1	0.6	0.9
Other adjustments	(48.4)	(27.7)	(1.3)	-	3.4
<b>Non-GAAP gross profit</b>	<b>\$474.1</b>	<b>\$547.6</b>	<b>\$628.4</b>	<b>\$744.9</b>	<b>\$815.5</b>
<b>GAAP selling, general and administrative expenses</b>	<b>\$273.0</b>	<b>\$285.4</b>	<b>\$314.7</b>	<b>\$369.1</b>	<b>\$395.3</b>
Acquired tangible asset amortization	(0.0)	-	-	-	-
Acquired intangible asset amortization	(1.1)	(1.0)	(1.0)	(3.2)	(3.7)
Acquisition, integration and related costs	-	-	(3.2)	(3.1)	(2.2)
Litigation related expenses and settlements	-	-	-	-	(6.0)
Other adjustments	-	-	-	-	-
<b>Non-GAAP selling, general and administrative expenses</b>	<b>\$271.9</b>	<b>\$284.4</b>	<b>\$310.4</b>	<b>\$362.7</b>	<b>\$383.5</b>
<b>GAAP research and development expenses</b>	<b>\$65.2</b>	<b>\$81.0</b>	<b>\$93.3</b>	<b>\$118.7</b>	<b>\$137.2</b>
Acquired intangible asset amortization	-	-	-	0.0	-
Acquisition, integration and related costs	-	-	-	(0.1)	-
<b>Non-GAAP research and development expenses</b>	<b>\$65.2</b>	<b>\$81.0</b>	<b>\$93.3</b>	<b>\$118.5</b>	<b>\$137.2</b>
<b>GAAP litigation settlements and awards</b>	<b>\$0.0</b>	<b>\$0.4</b>	<b>\$0.0</b>	<b>(\$0.5)</b>	<b>\$0.0</b>
Litigation related expenses and settlements	-	(0.4)	-	0.5	-
<b>Non-GAAP litigation settlements and awards</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>GAAP operating expenses</b>	<b>\$338.2</b>	<b>\$366.8</b>	<b>\$408.0</b>	<b>\$487.2</b>	<b>\$532.5</b>
Acquired tangible asset amortization	(0.0)	-	-	-	-
Acquired intangible asset amortization	(1.0)	(1.0)	(1.0)	(3.2)	(3.7)
Acquisition, integration and related costs	-	-	(3.2)	(3.2)	(2.2)
Litigation related expenses and settlements	-	(0.4)	-	0.5	(6.0)
Other adjustments	-	-	-	-	-
<b>Non-GAAP operating expenses</b>	<b>\$337.1</b>	<b>\$365.4</b>	<b>\$403.7</b>	<b>\$481.2</b>	<b>\$520.7</b>
<b>GAAP operating profit</b>	<b>\$183.8</b>	<b>\$208.0</b>	<b>\$221.2</b>	<b>\$255.8</b>	<b>\$275.8</b>
Acquired tangible asset amortization	0.0	-	-	0.0	0.5
Acquired intangible asset amortization	1.6	1.4	1.4	4.4	6.1
Acquisition, integration and related costs	-	-	3.3	3.8	3.1
Litigation related expenses and settlements	-	0.4	-	(0.5)	6.0
Other adjustments	(48.4)	(27.7)	(1.3)	-	3.4
<b>Non-GAAP operating profit</b>	<b>\$137.0</b>	<b>\$182.2</b>	<b>\$224.7</b>	<b>\$263.6</b>	<b>\$294.8</b>

[illegible]

# GAAP to Non-GAAP Reconciliations | Consolidated Income Statement

(Unaudited; in millions, except per share data) <sup>(1)</sup>

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>GAAP non-operating income (expense)</b>	<b>\$2.0</b>	<b>\$5.7</b>	<b>\$13.0</b>	<b>\$7.9</b>	<b>(\$1.4)</b>
Realized and unrealized gains or losses	0.3	2.0	0.6	(2.6)	1.9
Financing related adjustments	-	-	-	-	-
Other adjustments	-	-	-	-	-
<b>Non-GAAP non-operating income (expense)</b>	<b>\$2.3</b>	<b>\$7.8</b>	<b>\$13.6</b>	<b>\$5.3</b>	<b>\$0.4</b>
<b>GAAP provision for income taxes</b>	<b>\$61.0</b>	<b>\$20.2</b>	<b>\$38.0</b>	<b>\$23.5</b>	<b>\$44.7</b>
Tax impact of non-GAAP adjustments	(16.1)	(5.5)	0.7	6.1	3.7
Excess tax benefits from stock-based compensation	39.2	22.0	15.7	30.2	16.4
Tax related adjustments	(41.4)	4.8	-	-	-
<b>Non-GAAP provision for income taxes</b>	<b>\$42.8</b>	<b>\$41.6</b>	<b>\$54.3</b>	<b>\$59.7</b>	<b>\$64.9</b>
<b>GAAP net income (loss)</b>	<b>\$124.8</b>	<b>\$193.5</b>	<b>\$196.2</b>	<b>\$240.3</b>	<b>\$229.6</b>
Acquired tangible asset amortization	0.0	-	-	0.0	0.5
Acquired intangible asset amortization	1.6	1.4	1.4	4.4	6.1
Acquisition, integration and related costs	-	-	3.3	3.8	3.1
Litigation related expenses and settlements	-	0.4	-	(0.5)	6.0
Other adjustments	(48.4)	(27.7)	(1.3)	-	3.4
Realized and unrealized gains or losses	0.3	2.0	0.6	(2.6)	1.9
Financing related adjustments	-	-	-	-	-
Tax impact of non-GAAP adjustments	16.1	5.5	(0.7)	(6.1)	(3.7)
Excess tax benefits from stock-based compensation	(39.2)	(22.0)	(15.7)	(30.2)	(16.4)
Tax related adjustments	41.4	(4.8)	-	-	-
<b>Non-GAAP net income (loss)</b>	<b>\$96.5</b>	<b>\$148.4</b>	<b>\$183.9</b>	<b>\$209.2</b>	<b>\$230.4</b>
<b>GAAP net income (loss) per share</b>	<b>\$2.23</b>	<b>\$3.45</b>	<b>\$3.44</b>	<b>\$4.14</b>	<b>\$3.98</b>
Acquired tangible asset amortization	0.00	0.00	0.00	0.00	0.01
Acquired intangible asset amortization	0.03	0.03	0.03	0.08	0.11
Acquisition, integration and related costs	0.00	0.00	0.06	0.07	0.05
Litigation related expenses and settlements	0.00	0.01	0.00	(0.01)	0.10
Other adjustments	(0.87)	(0.49)	(0.02)	0.00	0.06
Realized and unrealized gains or losses	0.00	0.04	0.01	(0.05)	0.03
Financing related adjustments	0.00	0.00	0.00	0.00	0.00
Tax impact of non-GAAP adjustments	0.29	0.10	(0.01)	(0.11)	(0.06)
Excess tax benefits from stock-based compensation	(0.70)	(0.39)	(0.27)	(0.52)	(0.28)
Tax related adjustments	0.74	(0.09)	0.00	0.00	0.00
<b>Non-GAAP net income (loss) per share</b>	<b>\$1.73</b>	<b>\$2.65</b>	<b>\$3.22</b>	<b>\$3.60</b>	<b>\$3.99</b>
<b>Weighted average shares outstanding - Diluted</b>	<b>55.9</b>	<b>56.0</b>	<b>57.1</b>	<b>58.0</b>	<b>57.7</b>

FY 2022 Guidance <sup>(2)</sup>		FY 2023 Guidance <sup>(3)</sup>	
Low	High	Low	High
<b>(\$10.6)</b>	<b>(\$10.6)</b>	<b>(\$43.7)</b>	<b>(\$43.7)</b>
(12.9)	(12.9)	-	-
1.5	1.5	1.9	1.9
(0.9)	(0.9)	-	-
<b>(\$22.9)</b>	<b>(\$22.9)</b>	<b>(\$41.9)</b>	<b>(\$41.9)</b>
<b>\$49.8</b>	<b>\$51.9</b>	<b>\$67.0</b>	<b>\$71.5</b>
31.9	31.9	14.9	14.8
2.2	2.2	1.8	1.8
-	-	-	-
<b>\$83.9</b>	<b>\$86.0</b>	<b>\$83.8</b>	<b>\$88.0</b>
<b>\$146.5</b>	<b>\$152.6</b>	<b>\$179.4</b>	<b>\$190.4</b>
59.4	59.4	9.3	9.3
22.8	22.8	30.2	30.2
37.2	37.2	7.5	7.5
22.6	22.6	22.4	22.4
(0.9)	(0.9)	-	-
(12.9)	(12.9)	-	-
1.5	1.5	1.9	1.9
(31.9)	(31.9)	(14.9)	(14.8)
(2.2)	(2.2)	(1.8)	(1.8)
-	-	-	-
<b>\$242.2</b>	<b>\$248.4</b>	<b>\$234.1</b>	<b>\$245.2</b>
<b>\$2.65</b>	<b>\$2.76</b>	<b>\$3.26</b>	<b>\$3.46</b>
1.07	1.07	0.17	0.17
0.41	0.41	0.55	0.55
0.67	0.67	0.14	0.14
0.41	0.41	0.41	0.41
(0.02)	(0.02)	0.00	0.00
(0.23)	(0.23)	0.00	0.00
0.03	0.03	0.03	0.03
(0.58)	(0.58)	(0.27)	(0.27)
(0.04)	(0.04)	(0.03)	(0.03)
0.00	0.00	0.00	0.00
<b>\$4.38</b>	<b>\$4.49</b>	<b>\$4.25</b>	<b>\$4.45</b>
<b>55.3</b>	<b>55.3</b>	<b>55.1</b>	<b>55.1</b>



# GAAP to Non-GAAP Reconciliations | Adjusted EBITDA

(Unaudited; in millions, except per share data) <sup>(1)</sup>

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>GAAP Net Income</b>	<b>\$124.8</b>	<b>\$193.5</b>	<b>\$196.2</b>	<b>\$240.3</b>	<b>\$229.6</b>
Other (Income) / Expense	(2.3)	(7.5)	(13.6)	(5.2)	(0.6)
Taxes	61.0	20.2	38.0	23.5	44.7
Depreciation and Amortization	20.1	21.1	23.5	29.9	39.9
<b>EBITDA</b>	<b>\$203.6</b>	<b>\$227.4</b>	<b>\$244.1</b>	<b>\$288.4</b>	<b>\$313.7</b>
Stock-Based Compensation	17.2	27.4	39.2	42.2	44.6
GAAP Adjustments	(48.1)	(25.3)	2.6	0.1	10.0
<b>Adjusted EBITDA</b>	<b>\$172.6</b>	<b>\$229.6</b>	<b>\$286.0</b>	<b>\$330.7</b>	<b>\$368.3</b>

FY 2022 Guidance <sup>(2)</sup>	
Low	High
<b>\$146.5</b>	<b>\$152.6</b>
24.4	24.4
49.8	51.9
134.7	134.7
<b>\$355.3</b>	<b>\$363.6</b>
58.8	58.8
46.1	46.1
<b>\$460.2</b>	<b>\$468.5</b>

FY 2023 Guidance <sup>(3)</sup>	
Low	High
<b>\$179.4</b>	<b>\$190.4</b>
43.7	43.7
67.0	71.5
103.3	103.3
<b>\$393.5</b>	<b>\$408.9</b>
66.5	71.2
29.9	29.9
<b>\$490.0</b>	<b>\$510.0</b>

# GAAP to Non-GAAP Reconciliations | Revenue

(Unaudited; in millions, except percentages) <sup>(1,4)</sup>

	FY 2022 Guidance <sup>(2)</sup>		FY 2023 Guidance <sup>(3)</sup>	
	Low	High	Low	High
<b>Revenue</b>				
Healthcare	1,325.0	1,340.0	1,420.0	1,450.0
Non-Healthcare	675.0	690.0	910.0	950.0
<b>GAAP revenue</b>	<b>\$2,000.0</b>	<b>\$2,030.0</b>	<b>\$2,330.0</b>	<b>\$2,400.0</b>
Healthcare	6.9%	8.1%	7.2%	8.2%
Non-Healthcare	N/A	N/A	34.8%	37.7%
<b>GAAP revenue growth</b>	<b>61.4%</b>	<b>63.8%</b>	<b>16.5%</b>	<b>18.2%</b>
<b>Pro Forma Revenue <sup>(5)</sup></b>				
Healthcare	1,325.0	1,340.0	1,420.0	1,450.0
Non-Healthcare	932.6	947.6	910.0	950.0
<b>GAAP revenue</b>	<b>\$2,257.6</b>	<b>\$2,287.6</b>	<b>\$2,330.0</b>	<b>\$2,400.0</b>
Healthcare	N/A	N/A	22.0	22.0
Non-Healthcare	N/A	N/A	42.0	42.0
<b>Constant currency adjustments</b>	<b>N/A</b>	<b>N/A</b>	<b>\$64.0</b>	<b>\$64.0</b>
Healthcare	1,325.0	1,340.0	1,442.0	1,472.0
Non-Healthcare	932.6	947.6	952.0	992.0
<b>Non-GAAP revenue (constant currency)</b>	<b>\$2,257.6</b>	<b>\$2,287.6</b>	<b>\$2,394.0</b>	<b>\$2,464.0</b>
Healthcare	6.9%	8.1%	7.2%	8.2%
Non-Healthcare	2.6%	4.3%	-2.4%	0.3%
<b>GAAP revenue growth</b>	<b>5.1%</b>	<b>6.5%</b>	<b>3.2%</b>	<b>4.9%</b>
Healthcare	N/A	N/A	8.8%	9.9%
Non-Healthcare	N/A	N/A	2.1%	4.7%
<b>Non-GAAP revenue growth (constant currency)</b>	<b>N/A</b>	<b>N/A</b>	<b>6.0%</b>	<b>7.7%</b>

(1) Totals may not foot due to rounding. Annual reported amounts may vary from amounts previously reported due to rounding conventions.

(2) 2022 Guidance provided on November 8, 2022

(3) 2023 Guidance provided on December 13, 2022

(4) Constant currency adjustments are intended to reflect current year revenue at prior year foreign exchange rates for comparison purposes.

(5) Represents pro forma financial information, which is being provided for year-over-year comparison purposes only. Pro forma financial information includes historical results for the acquired Sound United business prior to the transaction date on April 11, 2022.