



Masimo Reports Third Quarter 2023 Financial Results

Third Quarter 2023 Highlights

- Consolidated revenue was \$478.9 million;
- Healthcare revenue was \$307.8 million;
- Non-healthcare revenue was \$171.1 million;
- GAAP net income per diluted share was \$0.20; and
- Non-GAAP net income per diluted share was \$0.63.

Irvine, California, November 7, 2023 - Masimo Corporation (Nasdaq: MASI) today announced its financial results for the third quarter of 2023, ended September 30, 2023.

Third Quarter 2023 Financial Results

Consolidated revenue was \$478.9 million, comprised of healthcare revenue of \$307.8 million and non-healthcare revenue of \$171.1 million.

Shipments of noninvasive technology boards and instruments were 63,100.

Consolidated GAAP operating income was \$25.2 million. Consolidated non-GAAP operating income was \$56.9 million. Consolidated GAAP net income was \$10.6 million, or \$0.20 per diluted share. Consolidated non-GAAP net income was \$33.7 million, or \$0.63 per diluted share.

Joe Kiani, Chairman and Chief Executive Officer of Masimo, said, “Our performance for the third quarter was within our guidance range communicated last quarter. That said, our healthcare business is navigating a clear transition away from COVID-era conditions. We are beginning to see that customer behavior and sensor purchasing patterns are shifting back to the pre-pandemic growth trend line we saw from 2017 to 2019. Together with our record contracting performance through the third quarter, this reinforces our conviction in the underlying long-term growth rate for our healthcare business. As we emerge from this transition year, these trends, along with our new product launches and rapid growth in our hearables category, are setting the stage for a strong 2024.”

For additional financial details, please visit the Investor Relations section of the Company’s website at investor.masimo.com to access the third quarter 2023 earnings presentation materials.

Updated Fourth-Quarter 2023 and Full-Year 2023 Financial Guidance

The Company provided the following updated estimates for its fourth-quarter 2023 and full-year financial guidance:

(in millions, except earnings per diluted share)	Guidance			
	Fourth-Quarter 2023 ⁽¹⁾		Updated Full-Year 2023 ⁽¹⁾	
	GAAP	Non-GAAP	GAAP	Non-GAAP
Consolidated revenue	\$526 to \$576	\$526 to \$576	\$2,025 to \$2,075	\$2,025 to \$2,075
Healthcare revenue	\$320 to \$345	\$320 to \$345	\$1,255 to \$1,280	\$1,255 to \$1,280
Non-healthcare revenue	\$206 to \$231	\$206 to \$231	\$770 to \$795	\$770 to \$795
Consolidated operating income	\$45 to \$59	\$65 to \$79	\$138 to \$152	\$256 to \$270
Consolidated net income per diluted share	\$0.45 to \$0.65	\$0.74 to \$0.94	\$1.34 to \$1.54	\$2.85 to \$3.05

⁽¹⁾ Guidance provided November 7, 2023.

- For the healthcare segment, fourth-quarter 2023 revenue guidance includes year-over-year foreign currency tailwinds of \$1 million and full-year 2023 revenue guidance includes year-over-year foreign currency headwinds of \$6 million.
- For the non-healthcare segment, fourth-quarter 2023 revenue guidance includes year-over-year foreign currency tailwinds of \$3 million and full-year 2023 revenue guidance includes year-over-year foreign currency headwinds of \$9 million.

Supplementary Non-GAAP Financial Information

For additional non-GAAP financial details, please visit the Investor Relations section of the Company's website at investor.masimo.com to access Supplementary Financial Information.

Non-GAAP Financial Measures

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 the items described below. 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 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 measures to assist investors in understanding the Company's net operating results on an on-going basis: (i) constant currency revenue growth %, (ii) non-GAAP net income, (iii) non-GAAP (net income) earnings per diluted share and (iv) non-GAAP operating income/margin. These non-GAAP financial measures may also assist investors in making comparisons of the Company's operating results with those of other companies. Management believes constant currency revenue growth, non-GAAP operating income/margin, non-GAAP net income and non-GAAP earnings per diluted share are important measures in the evaluation of the Company's performance and uses these measures to better understand and evaluate our business.

The non-GAAP financial measures reflect adjustments for the following items:

Constant currency revenue adjustments

Some of our sales agreements with foreign customers provide for payment in currencies other than the U.S. Dollar. These foreign currency revenues, when converted into U.S. Dollars, can vary significantly from period-to-period depending on the average and quarter-end exchange rates during a respective period. We believe that comparing these foreign currency denominated revenues by holding the exchange rates constant with the prior year period is useful to management and investors in evaluating our revenue growth rates on a period-to-period basis. We anticipate that fluctuations in foreign exchange rates and the related constant currency adjustments for calculation of our revenue growth rate will continue to occur in future periods.

Acquisition, integration and related costs

These transactions represent gains, losses, and other related costs associated with acquisitions, integrations, investments, divestitures, assets impairments, and in-process research and development.

Acquired tangible asset amortization

These transactions represent amortization expense in connection with business or assets acquisitions associated with acquired tangible assets and asset valuation step-ups.

Acquired intangible asset amortization

These transactions represent amortization expense in connection with business or assets acquisitions associated with acquired intangible assets including, but not limited to customer relationships, intellectual property, trade names and non-competition agreements.

Business transition and related costs

These transactions represent gains, losses, and other related costs associated with business transition plans. These items may include but are not limited to severance, relocation, consulting, leasehold exit costs, asset impairment, and other related costs to rationalize our operational footprint and optimize business results.

Litigation related expenses, settlements and awards

These transactions represent gains, losses, and other related costs associated with certain litigation matters, which can vary in their characteristics, frequency and significance to our operating results.

Other adjustments

In the event there are gains, losses and other adjustments which impact period-to-period comparability and do not represent the underlying ongoing results of the business, the Company may choose to exclude these from non-GAAP earnings.

Realized and unrealized gains or losses

These transactions represent gains, losses, and other related costs associated with foreign currency denominated transactions and investments. Changes in the underlying currency rates relative to the U.S. Dollar may result in realized and unrealized foreign currency gains and losses between the time these receivables and payables arise and the time that they are settled in cash. Unrealized and realized gains and losses on investments may impact the Company's reported results of operations for a period. These items are highly variable, difficult to predict and outside the control of those responsible for the underlying operations of the business. Other items also included here are mark-to-market gains and losses of derivative contracts that are not designated as hedging instruments or the ineffective portions of cash flow hedges.

Tax impact of non-GAAP adjustments

In order to reflect the tax effected impact of the non-GAAP adjustments, the Company will adjust the non-GAAP earnings by the approximate tax impact of these adjustments.

Excess tax benefits from stock-based compensation expense

GAAP requires that excess tax benefits recognized on stock-based compensation expense be reflected in our provision for income taxes rather than paid-in capital. As these excess tax benefits may be highly variable from period-to-period, the Company may choose to exclude these tax benefits from non-GAAP earnings to facilitate comparability between periods and with peers.

Financing related adjustments

The Company may enter into various financial arrangements whereby costs are incurred and certain instrument features are valued and expensed accordingly but are not necessarily indicative of the on-going cash flow generation of the Company and therefore excludes these costs from non-GAAP earnings. For GAAP earnings per diluted share purposes, the Company cannot reflect the anti-dilutive impact, if applicable, in its diluted shares calculations. However, the Company believes that reflecting the anti-dilutive impact of these instruments in non-GAAP earnings per diluted share provides management and investors with useful information in evaluating the financial performance of the Company on a per share basis.

Third Quarter 2023 Actuals versus Third Quarter 2022 Actuals

RECONCILIATION OF HEALTHCARE GAAP TO NON-GAAP CONSTANT CURRENCY REVENUE⁽¹⁾:

(in millions, except percentages)	Three Months Ended	
	September 30, 2023	October 1, 2022
GAAP healthcare revenue	\$ 307.8	\$ 327.2
Constant currency revenue adjustments	(0.7)	N/A
Non-GAAP healthcare constant currency revenue	<u>\$ 307.1</u>	<u>\$ 327.2</u>
GAAP healthcare revenue growth %	(5.9)%	
Non-GAAP healthcare constant currency revenue growth %	(6.1)%	

⁽¹⁾ May not foot due to rounding.

RECONCILIATION OF NON-HEALTHCARE GAAP TO NON-GAAP CONSTANT CURRENCY REVENUE⁽¹⁾:

(in millions, except percentages)	Three Months Ended	
	September 30, 2023	October 1, 2022
GAAP non-healthcare revenue	171.1	222.1
Constant currency revenue adjustments	(1.5)	N/A
Non-GAAP non-healthcare constant currency revenue	<u>\$ 169.6</u>	<u>\$ 222.1</u>
GAAP non-healthcare revenue growth %	(23.0)%	
Non-GAAP non-healthcare constant currency revenue growth %	(23.6)%	

⁽¹⁾ May not foot due to rounding.

RECONCILIATION OF GAAP TO NON-GAAP CONSOLIDATED OPERATING INCOME⁽¹⁾:

(in millions)	Three Months Ended	
	September 30, 2023	October 1, 2022
	\$	\$
GAAP operating income	\$ 25.2	\$ 54.8
Non-GAAP adjustments:		
Acquired tangible asset amortization	0.9	8.8
Acquired intangible asset amortization	9.4	4.6
Acquisition, integration and related costs ⁽²⁾	10.6	9.7
Business transition and related costs	4.2	—
Litigation related expenses, settlements and awards ⁽³⁾	6.0	3.4
Other adjustments	0.5	—
Total non-GAAP adjustments	<u>31.7</u>	<u>26.6</u>
Non-GAAP operating income	<u>\$ 56.9</u>	<u>\$ 81.3</u>

⁽¹⁾ May not foot due to rounding.

⁽²⁾ Includes a \$7.0 million impairment charge in Q3 2023 for certain indefinite-lived trademarks from the non-healthcare reporting unit.

⁽³⁾ Includes legal expenses associated with the Apple ITC proceedings and governance-related matters.

RECONCILIATION OF GAAP TO NON-GAAP NET INCOME AND NET INCOME PER DILUTED SHARE⁽¹⁾:

(in millions, except per diluted share amounts)	Three Months Ended			
	September 30, 2023		October 1, 2022	
	\$	Per Diluted Share	\$	Per Diluted Share
GAAP net income	\$ 10.6	\$ 0.20	\$ 37.9	\$ 0.70
Non-GAAP adjustments:				
Acquired tangible asset amortization	0.9	0.02	8.8	0.16
Acquired intangible asset amortization	9.4	0.18	4.6	0.09
Acquisition, integration and related costs ⁽²⁾	10.6	0.20	9.7	0.18
Business transition and related costs	4.2	0.08	—	—
Litigation related expenses, settlements and awards ⁽³⁾	6.0	0.11	3.4	0.06
Other adjustments	0.5	0.01	(0.4)	(0.01)
Realized and unrealized gains or losses	(1.0)	(0.02)	(5.4)	(0.10)
Financing related adjustments	0.5	0.01	0.5	0.01
Tax impact of non-GAAP adjustments	(8.0)	(0.15)	(4.9)	(0.09)
Excess tax benefits from stock-based compensation expense	(0.2)	—	(0.3)	(0.01)
Total non-GAAP adjustments	22.9	0.43	16.0	0.30
Non-GAAP net income	\$ 33.7	\$ 0.63	\$ 53.9	\$ 1.00
Weighted average shares outstanding-diluted		53.9		54.1

⁽¹⁾ May not foot due to rounding.

⁽²⁾ Includes a \$7.0 million impairment charge in Q3 2023 for certain indefinite-lived trademarks from the non-healthcare reporting unit.

⁽³⁾ Includes legal expenses associated with the Apple ITC proceedings and governance-related matters.

Updated Fourth-Quarter 2023 and Full-Year 2023 Financial Guidance

RECONCILIATION OF HEALTHCARE GAAP TO NON-GAAP CONSTANT CURRENCY REVENUE⁽¹⁾:

(in millions, except percentages)	Guidance ⁽²⁾	
	Fourth-Quarter 2023	Updated Full-Year 2023
GAAP healthcare revenue	\$320 to \$345	\$1,255 to \$1,280
Constant currency revenue adjustments	(1)	6
Non-GAAP healthcare constant currency revenue	\$319 to \$344	\$1,261 to \$1,286
GAAP healthcare revenue growth %	(9)% to (2)%	(6)% to (4)%
Non-GAAP healthcare constant currency revenue growth %	(9)% to (2)%	(6)% to (4)%

⁽¹⁾ May not foot due to rounding.

⁽²⁾ Guidance provided November 7, 2023.

RECONCILIATION OF NON-HEALTHCARE GAAP TO NON-GAAP CONSTANT CURRENCY REVENUE⁽¹⁾:

(in millions, except percentages)	Guidance ⁽²⁾
	Fourth-Quarter 2023
GAAP non-healthcare revenue	\$206 to \$231
Constant currency revenue adjustments	(3)
Non-GAAP non-healthcare constant currency revenue	\$204 to \$229
GAAP non-healthcare revenue growth %	(22)% to (13)%
Non-GAAP non-healthcare constant currency revenue growth %	(23)% to (14)%

⁽¹⁾ May not foot due to rounding.

⁽²⁾ Guidance provided November 7, 2023.

RECONCILIATION OF GAAP TO NON-GAAP CONSOLIDATED OPERATING INCOME⁽¹⁾:

(in millions)	Guidance ⁽²⁾	
	Fourth-Quarter 2023	Updated Full-Year 2023
GAAP operating income	\$45 to \$59	\$138 to \$152
Non-GAAP adjustments:		
Acquired tangible asset amortization	2	6
Acquired intangible asset amortization	9	38
Acquisition, integration and related costs	1	20
Business transition and related costs	—	4
Litigation related expenses, settlements and awards ⁽³⁾	7	45
Other adjustments ⁽³⁾	—	4
Total non-GAAP adjustments	20	118
Non-GAAP operating income	\$65 to \$79	\$256 to \$270

⁽¹⁾ May not foot due to rounding.

⁽²⁾ Guidance provided November 7, 2023.

⁽³⁾ Includes legal expenses associated with the Apple ITC proceedings and governance-related matters.

RECONCILIATION OF GAAP TO NON-GAAP NET INCOME AND NET INCOME PER DILUTED SHARE⁽¹⁾:

(in millions, except per diluted share amounts)	Guidance ⁽²⁾			
	Fourth-Quarter 2023		Updated Full-Year 2023	
	\$	Per Diluted Share	\$	Per Diluted Share
GAAP net income	\$24 to \$35	\$0.45 to \$0.65	\$72 to \$83	\$1.34 to \$1.54
Non-GAAP adjustments:				
Acquired tangible asset amortization	2	0.04	6	0.12
Acquired intangible asset amortization	9	0.17	38	0.70
Acquisition, integration and related costs	1	0.03	20	0.36
Business transition and related costs	—	0.01	4	0.08
Litigation related expenses, settlements and	7	0.12	45	0.83
Other adjustments	—	0.00	4	0.07
Realized and unrealized gains or losses	—	0.00	(7)	(0.12)
Financing related adjustments	—	0.01	2	0.03
Tax impact of non-GAAP adjustments	(4)	(0.08)	(27)	(0.50)
Excess tax benefits from stock-based compensation expense	—	(0.01)	(4)	(0.07)
Total non-GAAP adjustments	16	0.29	82	1.52
Non-GAAP net income	\$40 to \$51	\$0.74 to \$0.94	\$155 to \$165	\$2.85 to \$3.05
Weighted average shares outstanding-diluted		54.2		54.2

⁽¹⁾ May not foot due to rounding.

⁽²⁾ Guidance provided November 7, 2023.

⁽³⁾ Includes legal expenses associated with the Apple ITC proceedings and governance-related matters.

Conference Call:

The conference call to review the results will begin at 1:30 p.m. PT today (4:30 p.m. ET) and will be hosted by Joe Kiani, Chairman and Chief Executive Officer, and Micah Young, Executive Vice President and Chief Financial Officer.

To register for the conference call and receive the dial-in number, please use the link below. Upon registering, each participant will be provided with call details and a registrant ID number.

Conference Call Registration Link:

<https://conferencingportals.com/event/nUSpRIEm>

A replay of the webcast and conference call will be available shortly after the conclusion of the call and will be archived on the Company's website.

About Masimo

Masimo (Nasdaq: MASI) is a global technology company that develops and produces a wide array of industry-leading monitoring technologies, including innovative measurements, sensors, patient monitors, and automation and connectivity solutions. In addition, Masimo Consumer Audio is home to eight iconic audio brands, including Bowers & Wilkins®, Denon®, Marantz®, and Polk Audio®. Our mission is to improve life, improve patient outcomes; and reduce the cost of care. Masimo SET® Measure-through Motion and Low Perfusion™ pulse oximetry, introduced in 1995, has been shown in over 100 independent and objective studies to outperform other pulse oximetry technologies. Masimo SET® has also been shown to help clinicians reduce severe retinopathy of prematurity in neonates, improve CCHD screening in newborns, and, when used for continuous monitoring with Masimo Patient SafetyNet™ in post-surgical wards, reduce rapid response team activations, ICU transfers, and costs. Masimo SET® is estimated to be used on more than 200 million patients in leading hospitals and other healthcare settings around the world, and is the primary pulse oximetry at 9 of the top 10 hospitals as ranked in the 2022-23 U.S. News and World Report Best Hospitals Honor Roll. In 2005, Masimo introduced rainbow® Pulse CO-Oximetry technology, allowing noninvasive and continuous monitoring of blood constituents that previously could only be measured invasively and intermittently, including total hemoglobin (SpHb®), oxygen content (SpOC™), carboxyhemoglobin (SpCO®), methemoglobin (SpMet®), Pleth Variability Index (Pvi®), RPPVi™ (rainbow® Pvi), and Oxygen Reserve Index (Ori™). In 2013, Masimo introduced the Root® Patient Monitoring and Connectivity Platform, built from the ground up to be as flexible and expandable as possible to facilitate the addition of other Masimo and third-party monitoring technologies; key Masimo additions include Next Generation SedLine® Brain Function Monitoring, O3® Regional Oximetry, and ISA™ Capnography with NomoLine® sampling lines. Masimo's family of continuous and spot-check monitoring Pulse CO-Oximeters® includes devices designed for use in a variety of clinical and non-clinical scenarios, including tetherless, wearable technology, such as Radius-7®, Radius-PPG® and Radius VSM™, portable devices like Rad-67®, fingertip pulse oximeters like MightySat® Rx, and devices available for use both in the hospital and at home, such as Rad-97®. Masimo hospital and home automation and connectivity solutions are centered around Root and the Masimo Hospital Automation™ platform, and include Iris® Gateway, iSirona™, Patient SafetyNet, Replica®, Halo ION, UniView®, UniView :60™, and Masimo SafetyNet™. Masimo's growing portfolio of health and wellness solutions include Radius T™ and the Masimo W1™ watch, Stork™, Opioid Halo™, Bridge™, and PerL™. Additional information about Masimo and its products may be found at www.masimo.com. Published clinical studies on Masimo products can be found at www.masimo.com/evidence/featured-studies/feature/.

RPPVi has not received FDA 510(k) clearance and are not available for sale in the United States. The use of the trademark Patient SafetyNet is under license from University HealthSystem Consortium.

Forward-Looking Statements

All statements other than statements of historical facts included in this press release that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements including our expectations regarding our updated third-quarter 2023 and full-year financial guidance, including consolidated revenue, healthcare revenue, non-healthcare revenue, consolidated operating income and consolidated earnings per diluted share; our ability to manage cost structure to preserve profitability; our expectations regarding the pace of recovery in inpatient volumes and weakness in the high-end consumer audio market, our contracting activity and new products and our ability to rebound and achieve long-term growth targets. These forward-looking statements are based on management's current expectations and beliefs and are subject to uncertainties and factors, all of which are difficult to predict and many of which are beyond our control and could cause actual results to differ materially and adversely from those described in the forward-looking statements. These risks include, but are not limited to, those related to: our dependence on Masimo SET® and Masimo rainbow SET™ products and technologies for substantially all of our revenue; any failure in protecting our intellectual property exposure to competitors' assertions of intellectual property claims; the highly competitive nature of the markets in which we sell our products and technologies; any failure to continue developing innovative products and technologies; our ability to successfully integrate Sound United's brands into our business; our ability to address and expand into new markets; the lack of acceptance of any of our current or future products and technologies; obtaining regulatory approval of our current and future products and technologies; the risk that the implementation of our international realignment will not continue to produce anticipated operational and financial benefits, including a continued lower effective tax rate; the loss of our customers; the failure to retain and recruit senior management; product liability claims exposure; a failure to obtain expected returns from the amount of intangible assets we have recorded; the maintenance of our brand; the amount and type of equity awards that we may grant to employees and service providers in the future; our ongoing litigation and related matters; and other factors discussed in the "Risk Factors" section of our most recent periodic reports filed with the Securities and Exchange Commission ("SEC"), including our most recent Form 10-K and Form 10-Q, all of which you may obtain for free on the SEC's website at www.sec.gov. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we do not know whether our expectations will prove correct. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof, even if subsequently made available by us on our website or otherwise. We do not undertake any obligation to update, amend or clarify these forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

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Masimo, SET, Signal Extraction Technology, Improving Patient Outcome and Reducing Cost of Care... by Taking Noninvasive Monitoring to New Sites and Applications, rainbow, SpHb, SpOC, SpCO, SpMet, PVI and ORI are trademarks or registered trademarks of Masimo Corporation.

MASIMO CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited, in millions)

	September 30, 2023	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 124.4	\$ 202.9
Accounts receivable, net of allowance for credit losses	356.9	445.9
Inventories	584.6	501.0
Other current assets	171.6	158.8
Total current assets	1,237.5	1,308.6
Lease receivable, non-current	79.9	73.1
Deferred costs and other contract assets	44.7	41.9
Property and equipment, net	415.0	402.5
Customer relationships, net	175.5	201.6
Acquired technologies, net	129.3	160.1
Other intangible assets, net - (Note 9)	100.7	98.9
Trademarks	224.5	262.0
Goodwill	400.1	445.4
Deferred tax assets	88.2	102.5
Other non-current assets	100.5	114.0
Total assets	\$ 2,995.9	\$ 3,210.6
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 283.5	\$ 276.8
Accrued compensation	55.9	89.3
Deferred revenue and other contract liabilities, current	73.1	80.6
Other current liabilities	166.3	183.3
Total current liabilities	578.8	630.0
Long-term debt	910.1	941.6
Deferred tax liabilities	112.1	163.6
Other non-current liabilities	119.3	136.5
Total liabilities	1,720.3	1,871.7
Commitments and contingencies		
Stockholders' equity		
Preferred stock	—	—
Common stock	0.1	0.1
Treasury stock	(1,169.2)	(1,169.2)
Additional paid-in capital	773.7	782.2
Accumulated other comprehensive (loss) income	(90.9)	11.5
Retained earnings	1,761.9	1,714.3
Total stockholders' equity	1,275.6	1,338.9
Total liabilities and stockholders' equity	\$ 2,995.9	\$ 3,210.6

MASIMO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Revenue	\$ 478.9	\$ 549.3	\$ 1,499.2	\$ 1,418.8
Cost of goods sold	244.1	266.8	758.4	673.4
Gross profit	234.8	282.5	740.8	745.4
Operating expenses:				
Selling, general and administrative	156.1	174.6	504.1	471.6
Research and development	46.5	53.1	137.2	137.1
Impairment charge	7.0	—	7.0	—
Total operating expenses	209.6	227.7	648.3	608.7
Operating income	25.2	54.8	92.5	136.7
Non-operating (loss) income	(11.2)	(2.8)	(27.5)	1.0
Income before provision for income taxes	14.0	52.0	65.0	137.7
Provision for income taxes	3.4	14.1	17.4	35.1
Net income	\$ 10.6	\$ 37.9	\$ 47.6	\$ 102.6
Net income per share:				
Basic	\$ 0.20	\$ 0.72	\$ 0.90	\$ 1.90
Diluted	\$ 0.20	\$ 0.70	\$ 0.88	\$ 1.85
Weighted-average shares used in per share calculations:				
Basic	52.8	52.5	52.8	54.0
Diluted	53.9	54.1	54.2	55.6

The following table presents details of the stock-based compensation (benefit) expense that is included in each functional line item in the condensed consolidated statements of operations (in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Cost of goods sold	\$ 0.2	\$ 0.3	\$ 0.8	\$ 0.8
Selling, general and administrative	(2.4)	9.2	(7.1)	29.4
Research and development	1.1	4.0	3.9	11.5
Total	\$ (1.1)	\$ 13.5	\$ (2.4)	\$ 41.7

MASIMO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in millions)

	Nine Months Ended	
	September 30, 2023	October 1, 2022
Cash flows from operating activities:		
Net income	\$ 47.6	\$ 102.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	75.8	56.6
Stock-based compensation (benefit) expense	(2.4)	41.7
Gain on disposal of equipment, intangibles and other assets	0.6	0.1
Provision for credit losses	1.1	1.2
Amortization of debt issuance cost	1.4	0.9
Impairment charge	7.0	—
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	84.8	(66.7)
(Increase) decrease in inventories	(93.1)	(71.0)
(Increase) decrease in other current assets	(14.6)	11.7
(Increase) decrease in lease receivable, net	(6.8)	(5.9)
(Increase) decrease in deferred costs and other contract assets	(2.9)	(31.6)
(Increase) decrease in other non-current assets	(42.0)	(22.2)
Increase (decrease) in accounts payable	3.6	69.6
Increase (decrease) in accrued compensation	(32.8)	(6.9)
Increase (decrease) in accrued liabilities	(19.5)	(26.5)
Increase (decrease) in income tax payable	(7.1)	(8.4)
Increase (decrease) in deferred revenue and other contract-related liabilities	(6.2)	19.7
Increase (decrease) in other non-current liabilities	22.5	(28.9)
Net cash provided by operating activities	17.0	36.0
Cash flows from investing activities:		
Purchases of property and equipment, net	(33.1)	(36.0)
Increase in intangible assets	(29.3)	(13.9)
Business combinations, net of cash acquired	7.5	(985.0)
Other strategic investing activities	(1.0)	—
Net cash used in investing activities	(55.9)	(1,034.9)
Cash flows from financing activities:		
Borrowings under line of credit	139.5	1,050.6
Repayments on line of credit	(154.3)	(96.3)
Debt issuance costs	—	(9.3)
Proceeds from issuance of common stock	6.7	6.9
Payroll tax withholdings on behalf of employees for vested equity awards	(12.7)	(25.4)
Repurchases of common stock	—	(401.4)
Net cash (used in) provided by financing activities	(20.8)	525.1
Effect of foreign currency exchange rates on cash	(17.6)	(52.5)
Net decrease in cash, cash equivalents and restricted cash	(77.3)	(526.3)
Cash, cash equivalents and restricted cash at beginning of period	209.6	748.4
Cash, cash equivalents and restricted cash at end of period	<u>\$ 132.3</u>	<u>\$ 222.1</u>