

STAAR Surgical Company

NASDAQ: STAA

Investor Presentation | November 2018



Evolution in Visual Freedom™

 **STAAR**SURGICAL™

Forward Looking Statements

- All statements in this presentation that are not statements of historical fact are forward-looking statements, including statements about any of the following: any financial projections, including those relating to the plans, strategies, and objectives of management for future operations or prospects for achieving such plans, expectations for sales, revenue, earnings, marketing, addressable markets and clinical initiatives, regulatory approvals, quality, operations and other expense, or expense timing, success and timing of new or improved products, clinical trials, research and development activities, investment imperatives, and any statements of assumptions underlying any of the foregoing. Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are set forth in the Company's Annual Report on Form 10-K for the year ended December 29, 2017 under the caption "Risk Factors," which is on file with the Securities and Exchange Commission and available in the "Investor Information" section of the company's website under the heading "SEC Filings." We disclaim any intention or obligation to update or revise any financial projections or forward-looking statement due to new information or events.
- These statements are based on expectations and assumptions as of the date of this presentation and are subject to numerous risks and uncertainties, which could cause actual results to differ materially from those described in the forward-looking statements. The risks and uncertainties include the following: global economic conditions; changes in currency exchange rates; the discretion of regulatory agencies to approve or reject existing, new or improved products, or to require additional actions before approval (including but not limited to FDA requirements regarding the EVO Visian ICL family of lenses and international regulatory requirements to obtain a presbyopia correction claim for the EVO Visian ICL with EDOF), or to take enforcement action; research and development efforts; potential international trade disputes; the purchasing patterns of our distributors carrying inventory in the market; and the willingness of surgeons and patients to adopt a new or improved product and procedure.
- The Visian ICL with CentraFLOW, now known as EVO Visian ICL, is not approved for sale in the United States.

Business Focus

A leading developer, manufacturer and marketer of premium implantable lenses for refractive vision correction.



We transform lives by providing visual freedom through premium lens-based surgical correction of refractive error.



Products Overview



83%

of Q3 2018 Revenue*

EVO Visian ICL™ Visian ICL™

Implantable Collamer® Lens

- ICL delivers *Visual Freedom* to patients needing Myopic (distance vision) correction
- Patient pay

Other Products

Crystalline Lens Replacement

- IOL replaces the patient's natural lens after cataract surgery
- Primarily reimbursed

Preloaded Injectors & Parts

- Silicone and Acrylic IOL's
- Japan and Europe

*In FY 2017, ICL revenue was \$68.3 million or 75% of total revenue. IOL was \$17.3 million or 19% of total revenue. STAAR also sells injectors and injector parts that were approximately 5.6% of FY17 total revenue or \$5.0 million. The EVO Visian ICL™ is not available in the US; STAAR has facilities in California, Switzerland and Japan.

Exclusive Collamer® Material

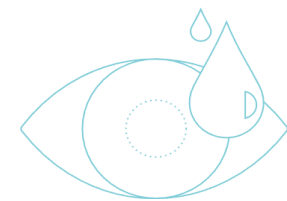
Quiet in
the Eye

STAAR's exclusive Collamer® material offers patients a unique set of benefits ...

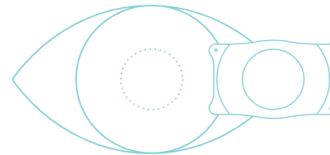
Biocompatible



UV Protection

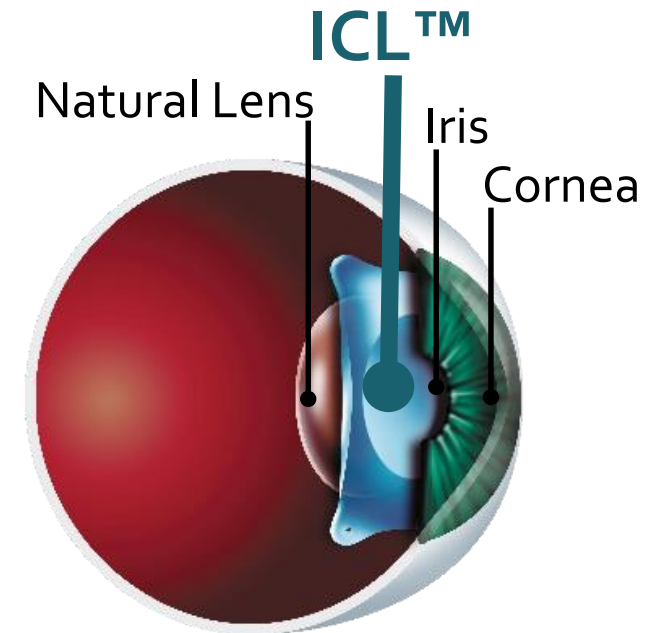


No Dry Eye



Removable

ICL Placement in the Eye



Myopia

An Inability to
Focus at Distance
due to Genetic
and/or
Environmental
Factors

Potentially 5 Billion People with Myopia by 2050...*

- Predicted 50% of Global Population
- More screen use; near vision work; and less time spent outdoors
- Positive correlation between education level and myopia
- ICL™ Label Approved Use is -3 to -20 diopters of vision correction

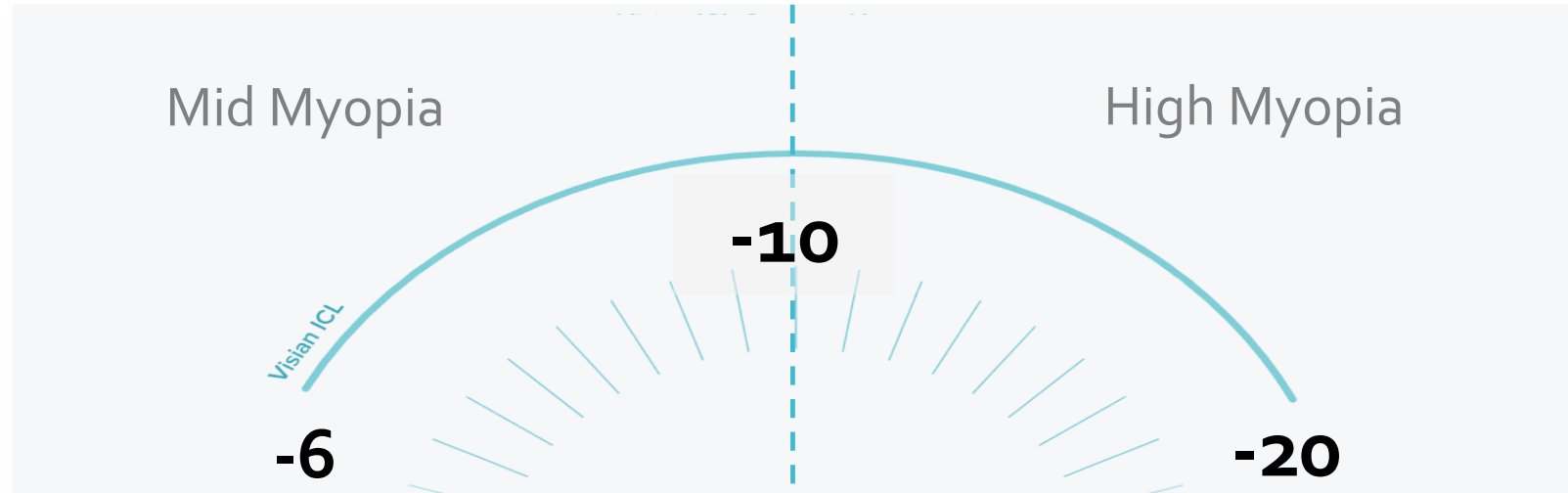
*"Ophthalmology 2016;123:1036-1042 © 2016 by the American Academy of Ophthalmology;" Myopia incidence was estimated at 1.4B people globally at time of study growing to 4.8B people by 2050 or predicted 50% of global pop. Singapore Health Board



Myopia

STAAR's Market Position & Opportunity

Moving Down Diopter Curve Increases TAM...



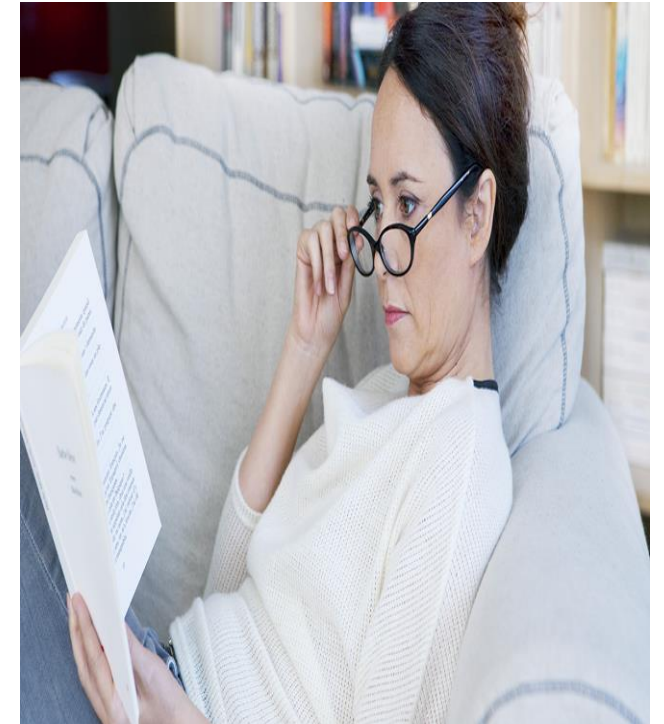
- STAAR is a market leader providing a premium refractive surgical solution and patient experience for High Myopes (-10 to -20 diopters)
- Moving down the diopter curve (-6 to -10 diopters) represents a significant opportunity for STAAR
- In select strategic accounts high growth approximates 30%+ growth in mid-diopter implants
- Mid Myopia market opportunity estimated at ~ 5x High-Myopia

Presbyopia

An Inability to
Focus on Near
Objects due to an
Age Related Loss
of Lens
Accommodation

Impacts 1.7 Billion People Globally...

- Current refractive options for presbyopia are Monocular/LASIK/RLE; ICL could be a more desirable solution to patients seeking Visual Freedom
 - ICL Not laser/equipment dependent
 - ICL Bilateral placement - no emmetropia qualifier
 - ICL targets each eye for desired correction
- STAAR aims to become a market leading refractive surgical solution and patient experience for **Early Presbyopia** (Ages 45 to 55)
- Multi-site European clinical trial for Visian EVO with EDOF { *presby lens* } currently underway; initially targeting CE Mark approval (31+ countries)



Reading Glasses

TAM



Targeting 2.22 million ICLs annually within two large markets...*

Mid to High Diopter Myopia

350 million people globally

35 Million
Viable Patient
Population
=
70 Million
ICLs

Early Presbyopia

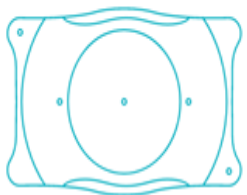
550 million people globally

55 Million
Viable Patient
Population
=
110 Million
ICLs

Viable Patient Population Variables

Epidemiological Data; Distribution of Uncorrected Refractive Error by Age; Surgeon Input; Patient Ability to Pay; Proximity to Qualified Surgeon; and Willingness to Undergo a Refractive Procedure.

* Company internal estimates; refractive market is currently approximately 3.6 million procedures (eyes) annually based on Marketscope Report data.

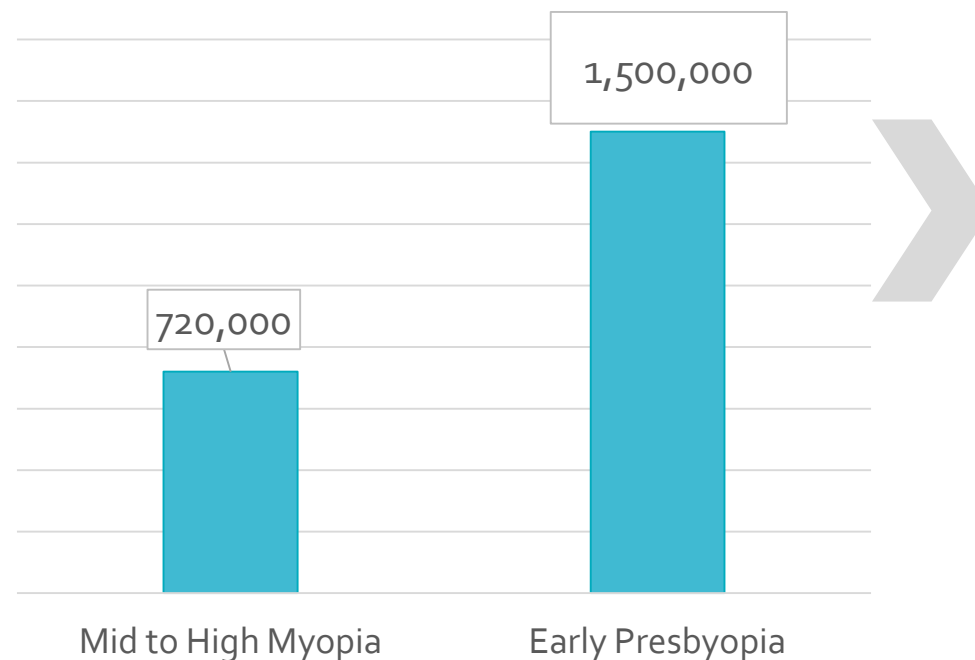


EVO Visian ICL™

STAAR® Surgical's phakic IOL for myopia and astigmatism

Significant
Visual Freedom
Market
Opportunity for
Premium
Refractive
Procedures with
EVO

STAAR Global Market Opportunity Est. ~
2.22 Million Eyes Annually*



* Company internal estimates updated October 31, 2018

Current Products

Visian ICL (Global)

EVO (x U.S.)

Central Port

EVO+ (x U.S.)

Central Port
Larger Optic

Product Pipeline

EVO with EDOF
Toric EVO with EDOF

Presbyopia
Astigmatism

Supplemental Lenses
Implanted During or After
Cataract Surgery

Myopia
Presbyopia

Collamer Enhancements

All EVO Lenses

The ICL with central port (EVO lens) is not available in the U.S. EVO with EDOF are not yet available for sale.

ICL™ Patient Experience

*99.4% of
Patients Would
Have the ICL's
Implanted
Again**

*Patient Registry Survey
Data on File



NEED

Step 1

Patient need and awareness
Outreach, education and eye surgeon visit
Decision to use ICL

OUTREACH & EDUCATION

Step 2

Surgery day
Local anesthetic, minimally invasive
Quick 20-30 minute procedure

IMPLANT

Step 3

One week post-surgery follow-up

Step 4

Annual post-surgery follow-up

ICL™ Patient Testimonials

*"Upgradeable,
Replaceable"...*



I feel like a big part of health is using what your body already has. Visian ICL is in line with that because it's keeping your eye completely intact. My eye is still my eye.

EVE TORRES GRACIE
JIU JITSU INSTRUCTOR,
FORMER WWE DIVA, MOM



I had my first opportunity to put my Visian ICL eyes to the test recently in the Brazilian Rainforest, and it couldn't have been more exciting to be able to spot rare species better than ever.

PHIL TORRES
ENTOMOLOGIST,
TV SHOW HOST

Select Metrics

900K+
ICLs™ Implanted Globally

75+
Countries*

75.1%
Gross Margin
Q3 2018

56%
ICL™ Unit Growth
Q3 2018 Y/Y

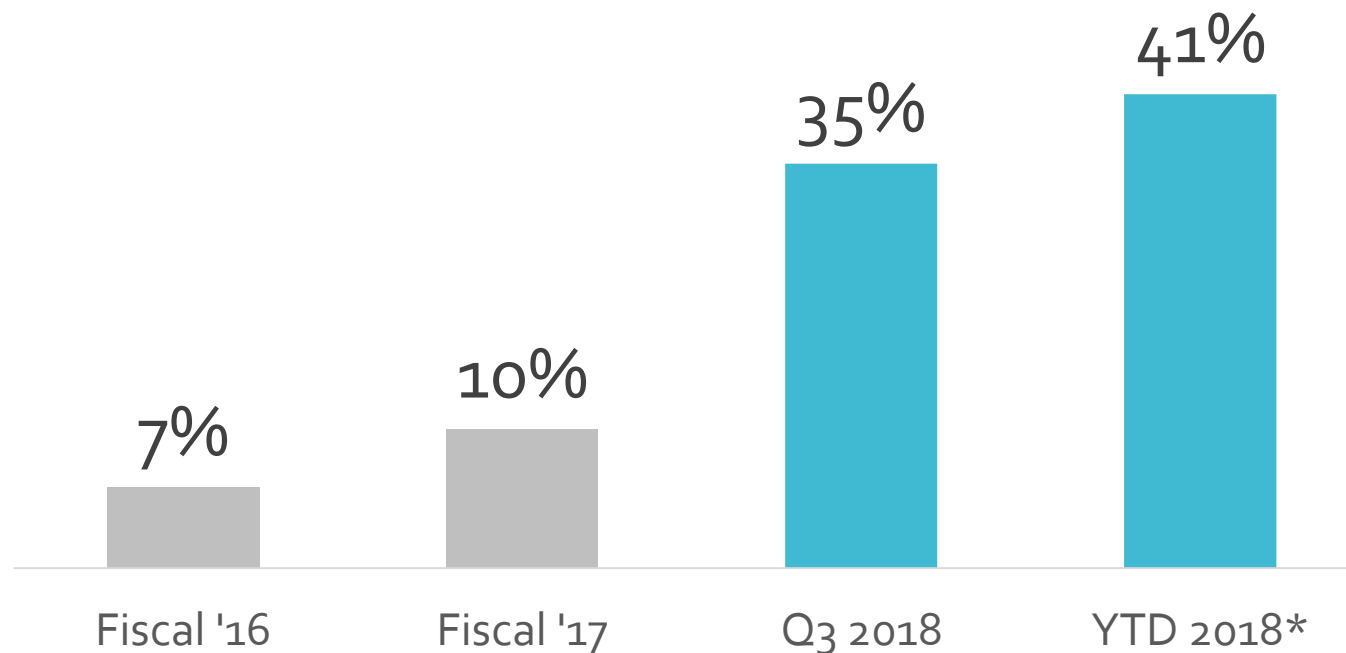
*STAAR sells directly in the U.S., Canada, the U.K., Spain, Germany & Japan and through a Hybrid sales model along with distributors in China, South Korea, and India, and through distributors in the remaining countries.

Business Momentum

Net Sales
Growth Y/Y



Sales Momentum Has Further Accelerated
in Year 1 of 2018-2020 Plan



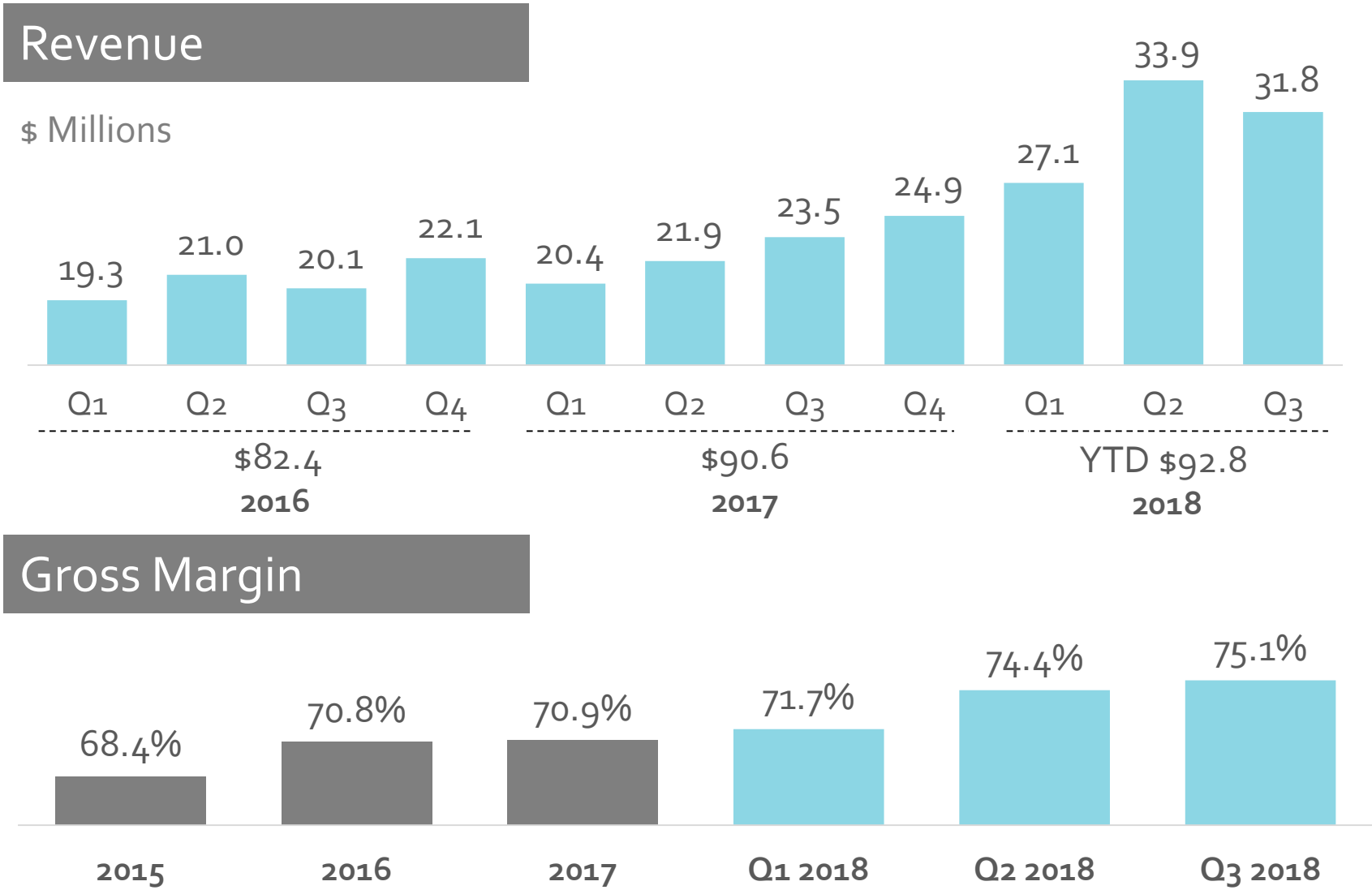
*Nine-Months Ended September 28, 2018; Q3 Fiscal 2018 results reported on October 31, 2018

Business Results

2016 – 2018 YTD

Volume Increases Fuel Gross Margin:

- Nidau Production
- Presbyopia Clinicals
- Presbyopia Production
- Commercial Buildout
- Digital Marketing
- Surgeon Support
- Patient Outreach



Business Results

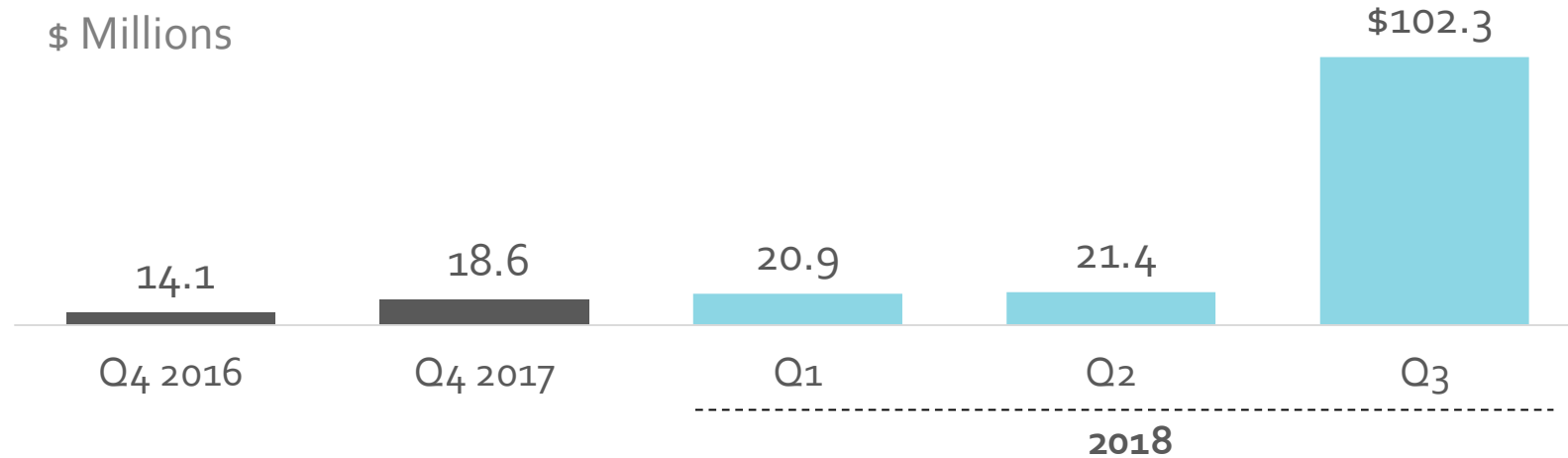
2016 – 2018 YTD

Potential Investments:

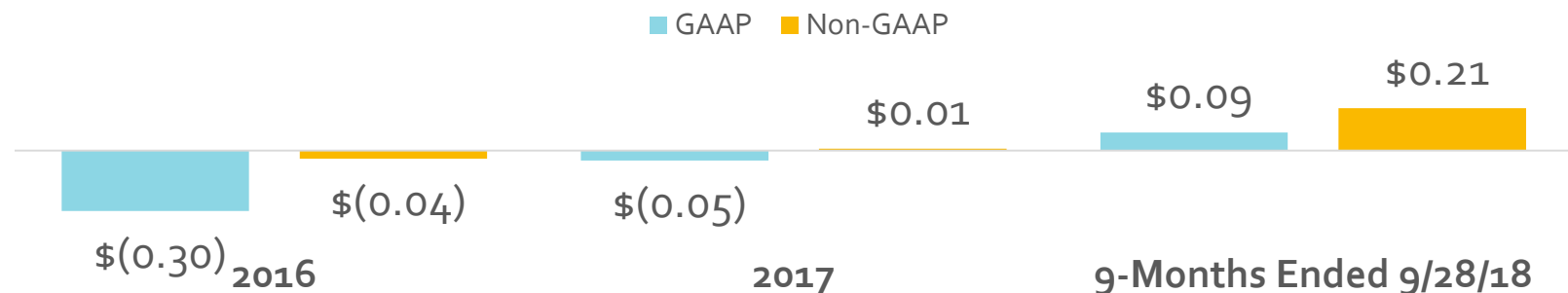
- Automation
- Precision Manufacturing
- R&D
- IT Systems
- Working Capital

Quarter-End Cash, Cash Equivalents & Restricted Cash*

\$ Millions



GAAP and Non-GAAP Earnings Per Share**



*Includes underwritten public offering of 1,999,850 shares for gross proceeds of ~ \$78 million closed on August 10, 2018. **Nine Months ended September 28, 2018 GAAP EPS (diluted) of \$0.09 and Non-GAAP of \$0.21 compared to Year Ago GAAP EPS (diluted) of \$(0.05) and Non-GAAP of \$(0.01), respectively. Please refer to the exhibit at the end of this presentation for a reconciliation of this non-GAAP measure to the comparable GAAP measure.

3Q 2018 Highlights

Reported
October 31, 2018

- Revenue Growth of 35 % Y/Y
 - ICL Sales up 46%; ICL Units Up 56% including: China up 100%, Japan up 95%, India up 27% , Germany up 20%.
- Op Ex Increased 41 % Y/Y (reported) and 32% Y/Y adjusting for ESCRS trade show calendar shift
- Generated **quarterly record \$8.1 million in cash from operations** and executed successful secondary offering (<5% dilution)
- Cash, cash equivalents and restricted cash ended the quarter at **\$102.3 million** compared to \$18.5 Million at 12/29/17 FYE
- STAAR's Visian® Toric ICL for Myopia and Astigmatism **received FDA Approval on September 13, 2018**

Financial Outlook 2018*

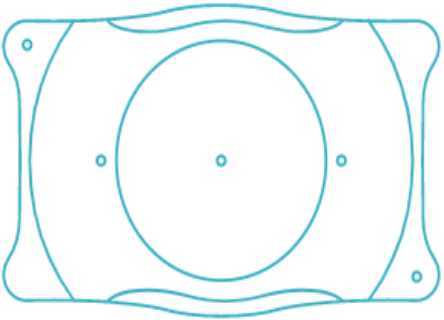
Reported
October 31, 2018

- **Revenue Growth** Percentage Target Increase Should Exceed 30% Full Year 2018 Over 2017 (Prior: May exceed 25%)
- **GAAP Net Income** Fully expect to maintain GAAP Net Income profitability for the year (Prior: Achieve at least Breakeven GAAP Net Income)
- Achieve Full Year **Positive Cash Flow**
- **Cash Balance Increase** Full Year 2018 over 2017

* Note that STAAR may incur charges, realize gains or losses, incur financing costs or interest expense, or experience other events in 2018 that could cause actual results to vary materially from this outlook.



STAAR Surgical Company 2018 - 2020



We Believe There is Significant Growth Opportunity...

Millions of Eyes

"Millions of Eyes"
Global Opportunity –
Myopia and
Presbyopia

Revenue Growth

20%+ Annual
Revenue Growth
Goal

Profitability Targets

Targeting
Achievement of
Sustained
Profitability

Margin Expansion

Gross Margin
Improvement & Cash
Generation Growth
Continues

Product Expansion

EVO ICL Product
Family Expansion –
Myopia and
Presbyopia EDOF

Global Partners

Growing Global
Partners – Strategic
Agreements Secure
Base



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 **STAARSURGICAL™**

Reconciliation of Non-GAAP Measure

This presentation includes supplemental non-GAAP financial information, which STAAR believes investors will find helpful in understanding its operating performance. “Adjusted Net Income (Loss)” and “Adjusted Net Income (Loss) Per Share” exclude the following items that are included in “Net Income (Loss)” as calculated in accordance with U.S. generally accepted accounting principles (“GAAP”): gain or loss on foreign currency transactions, stock-based compensation expenses, and quality remediation expenses in 2017. Management believes that “Adjusted Net Income (Loss),” “Adjusted Net Income (Loss) Per Share” are useful to investors in gauging the outcome of the key drivers of the business performance: the ability to increase sales revenue and our ability to increase profit margin by improving the mix of high value products while reducing the costs over which management has control. Management has excluded quality remediation expenses in 2017 because their inclusion may mask underlying trends in our business performance. Management has also excluded gains and losses on foreign currency transactions because of the significant fluctuations that can result from period to period as a result of market driven factors. Stock-based compensation expenses consist of expenses for stock options and restricted stock under the Financial Accounting Standards Board’s Accounting Standards Codification (ASC) 718. In calculating Adjusted Net Income (Loss) and Adjusted Net Income (Loss) Per Share, STAAR excludes these expenses because they are non-cash expenses and because of the complexity and considerable judgment involved in calculating their values. In addition, these expenses tend to be driven by fluctuations in the price of our stock and not by the same factors that generally affect our other business expenses.

The table set forth below reconciles STAAR’s Earnings (Loss) Per Share to Non-GAAP Earnings (Loss) Per Share.

Reconciliation of Non-GAAP Measure (cont.)

	Year Ended	Year Ended	Year Ended	9-Months Ended	9-Months Ended
(in 000's)	January 1, 2016	December 30, 2016	December 29, 2017	September 29, 2017	September 28, 2018
Unaudited					
Net income (loss) - (as reported)	\$ (6,533)	\$ (12,129)	\$ (2,139)	\$ (2,001)	\$ 3,872
Less:					
Foreign currency impact	949	147	(819)	(738)	545
Stock-based compensation expense	3,304	8,558	3,161	2,185	4,926
Quality remediation expense	3,933	1,865	210	210	-
Net income (loss) - (adjusted)	\$ 1,653	\$ (1,559)	\$ 413	\$ (344)	\$ 9,343
Net income (loss) per share, basic - (as reported)	\$ (0.17)	\$ (0.30)	\$ (0.05)	\$ (0.05)	\$ 0.09
Foreign currency impact	0.02	0.00	(0.02)	(0.02)	0.01
Stock-based compensation expense	0.08	0.21	0.08	0.05	0.12
Quality remediation expense	0.10	0.05	0.01	0.01	0.00
Net income (loss) per share, basic - (adjusted)	\$ 0.04	\$ (0.04)	\$ 0.01	\$ (0.01)	\$ 0.22
Net income (loss) per share, diluted - (as reported)	\$ (0.16)	\$ (0.30)	\$ (0.05)	\$ (0.05)	\$ 0.09
Foreign currency impact	0.02	0.00	(0.02)	(0.02)	0.01
Stock-based compensation expense	0.08	0.21	0.08	0.05	0.11
Quality remediation expense	0.10	0.05	0.00	0.01	0.00
Net income (loss) per share, diluted - (adjusted)	\$ 0.04	\$ (0.04)	\$ 0.01	\$ (0.01)	\$ 0.21
Weighted average shares outstanding - Basic	39,260	40,329	41,004	40,939	42,065
Weighted average shares outstanding - Diluted	40,451	40,329	42,096	40,939	44,618