



Outset Medical  
**Investor Presentation**  
February 2023

# Forward-looking statements and non-GAAP information

This presentation and the accompanying oral statements contain forward-looking statements within the meaning of the federal securities laws. All statements other than statements of historical fact are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “expect,” “plan,” anticipate,” “believe,” “estimate,” “predict,” “intend,” “potential,” “would,” “continue,” “ongoing” or the negative of these terms or similar expressions. Forward-looking statements are based on management’s current assumptions and expectations of future events and trends, which affect or may affect our business, strategy, operations or financial performance, and actual results and other events may differ materially from those expressed or implied in such statements due to numerous risks and uncertainties.

These forward-looking statements include, but are not limited to, statements about the Company’s possible or assumed future results of operations and financial position, including expectations regarding projected revenues, and revenue growth rate, gross margin (including non-GAAP gross margin), operating expenses, capital expenditures, profitability and outlook, statements regarding our overall business strategy, plans and objectives of management, our expectations regarding the market sizes and growth potential for Tablo and the total addressable market opportunities for Tablo, our planned expansion within the home hemodialysis market and expected drivers of home dialysis adoption, our expectations with respect to anticipated benefits of the TPNIES approval, continued execution of our initiatives designed to reduce the cost of producing and shipping our products, expand gross margins, further secure supply continuity and otherwise mitigate supply chain challenges and our ability to achieve projected cost reductions and other anticipated benefits from these initiatives at the levels or within the timeframe estimated, as well as our expectations regarding the impact of macroeconomic factors

on us, our customers and our suppliers. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, which could cause actual results to differ materially from those expressed or implied in these forward-looking statements. These risks and uncertainties include: our future financial performance, including our expectations regarding our revenues, cost of revenues, operating expenses, gross margin and our ability to achieve and maintain future profitability; continued execution of our initiatives designed to reduce the cost of producing and shipping Tablo devices and our ability to achieve projected cost reductions at the levels or within the timeframe we estimate; our ability to attain market acceptance among providers and patients; our ability to manage our growth; our expansion into the home hemodialysis market; our ability to ensure strong product performance and reliability; our relations with third-party suppliers, including contract manufacturers and single source suppliers; our ability to overcome manufacturing disruptions; the impact of COVID-19, natural or man-made disasters, and similar events, on our industry, business and results of operations; our ability to offer high-quality support for Tablo; our expectations of the sizes of the markets for Tablo; our ability to innovate and improve Tablo; our ability to effectively manage privacy, information and data security; concentration of our revenues in a single product and concentration of a large percentage of our revenues from a limited number of customers; our ability to compete effectively; our ability to accurately forecast customer demand and manage our inventory; our ability to ensure the proper training and use of Tablo; and our compliance with FDA and other regulations applicable to our products and business operations; as well as other risks and uncertainties described in the Risk Factors section of our public filings with the SEC, including our most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission. Forward-looking statements should be considered in light of these risks and uncertainties, and you should not rely on these

forward-looking statements as predictions of future events. These forward-looking statements speak only as of their date and we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise. This presentation and the accompanying oral presentation also contain statistical data, estimates and forecasts that are based on independent industry publications or other publicly available information, as well as other information based on our internal sources. This information involves many assumptions and limitations, and you are cautioned not to give undue weight to such information. We have not independently verified the accuracy or completeness of the information contained in the industry publications and other publicly available information. Accordingly, we make no representations as to the accuracy or completeness of that information nor do we undertake to update such information after the date of this presentation.

In addition to financial information presented in accordance with U.S. generally accepted accounting principles ("GAAP"), this presentation and the accompanying oral statements include certain non-GAAP financial measures, which may include Non- GAAP gross profit/loss, gross margin, operating expenses, net income/loss, and basic and diluted net income/loss per share. Any non-GAAP measure is presented for supplemental informational purposes only and should not be considered a substitute for or superior to financial information presented in accordance with GAAP. There are limitations related to the use of non-GAAP financial measures because they are not prepared in accordance with GAAP, may exclude significant expenses required by GAAP to be recognized in our financial statements, and may not be comparable to non-GAAP financial measures used by other companies. A reconciliation of these measures to the most directly comparable GAAP measures is included at the end of this presentation.

**Transforming  
dialysis**  
from the hospital  
to the home



SUMMARY

Reducing the cost and complexity of dialysis



**\$11.4B U.S. total addressable market<sup>1</sup>**



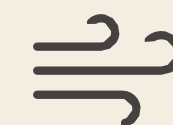
Established footprint in **\$2.5B U.S. acute care market**

Growing patient base in **\$8.9B U.S. home market**



**2022 revenue: \$115.4M**

**~175% CAGR**  
(2018–2022)

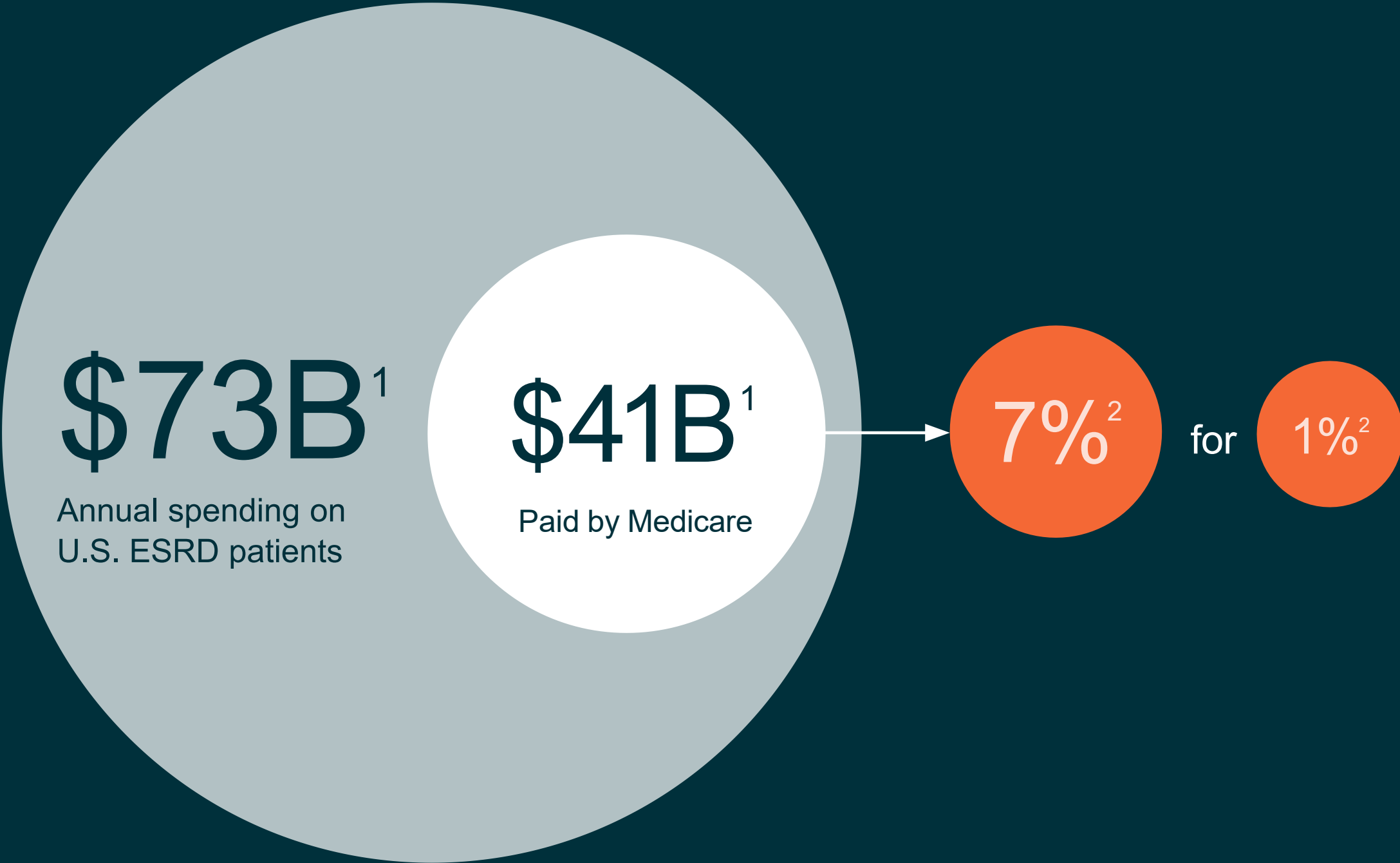


**Multiple tailwinds**  
driving Tablo adoption

1. Company estimates based on data contained in U.S. Renal Data System (USRDS) 2021 Annual Data Report

CURRENT STATE

Dialysis is one of the largest, most expensive, least-changed sectors of healthcare



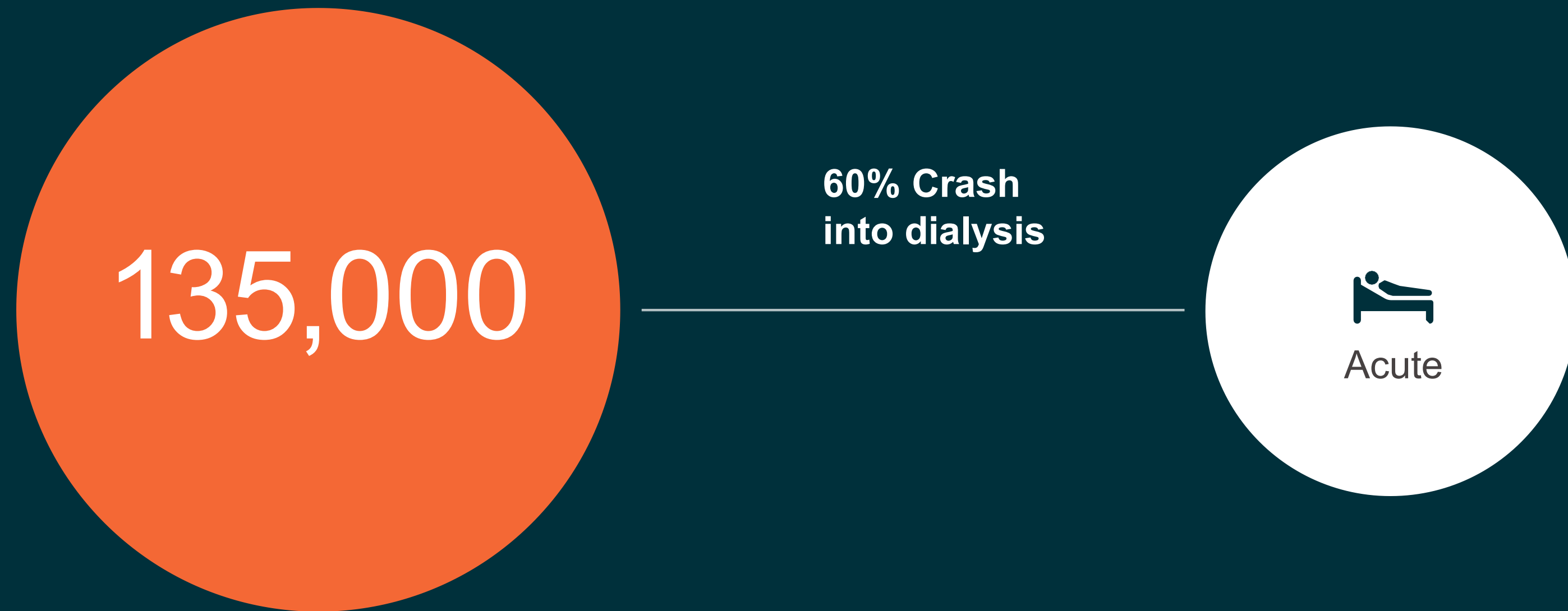
**600,000<sup>3</sup>**  
Dialysis patients

**90M<sup>3</sup>**  
Annual dialysis treatments

1. Company estimates based on data contained in USRDS 2021 Annual Data Report  
2. Percentage of entire Medicare budget spent on dialysis for ESRD patients, who comprise 1% of the Medicare population (2019)  
3. Company estimates based on data contained in USRDS 2022 Annual Data Report

CURRENT STATE

# Dialysis care pathways



New ESRD patients diagnosed annually in the U.S.

CURRENT STATE

# Dialysis care pathways

60% Crash  
into dialysis



13%



Home

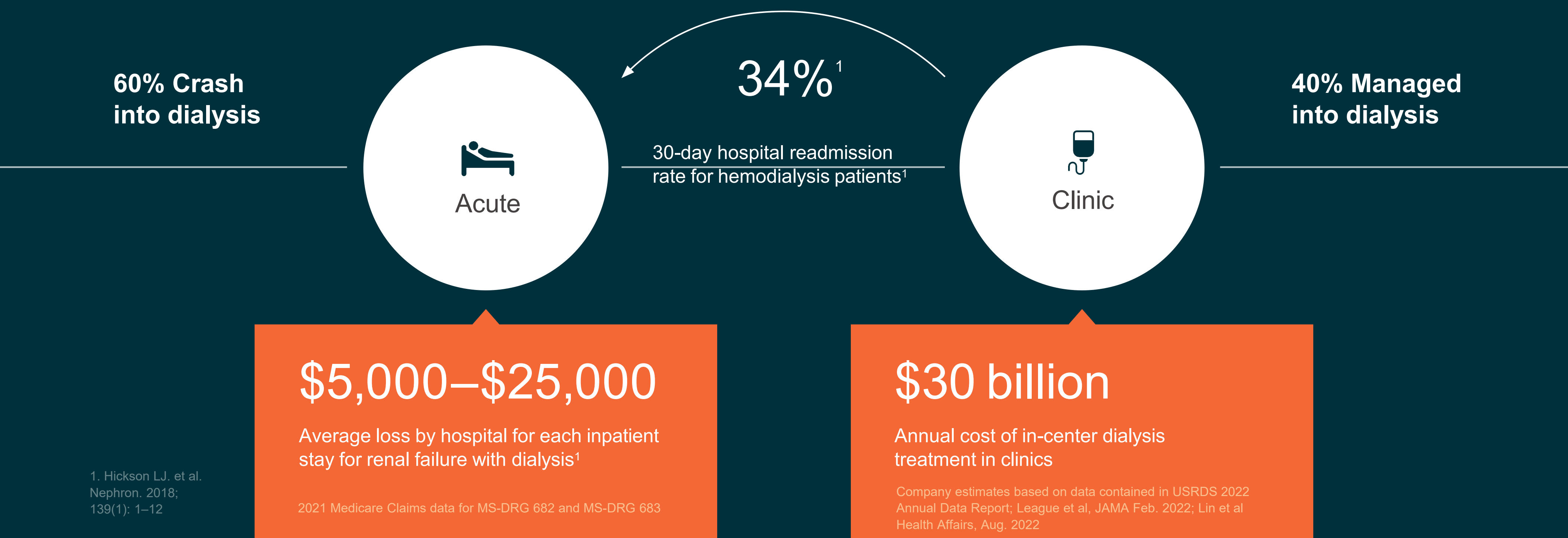


87%

40% Managed  
into dialysis

CURRENT STATE

This is an expensive care delivery model...



1. Hickson LJ. et al. Nephron. 2018; 139(1): 1–12

## CURRENT STATE

# Dialysis is in need of new solutions



Hospitals lose money on every treatment



Staffing challenges constrain optimal patient care and drive up cost



**Complicated technologies made home hemodialysis impractical for most patients**



**We see**  
**a technology-driven**  
**way forward**

# Tablo® is a first-of-its-kind technology designed to reduce the cost and complexity of dialysis

1

Single device from ICU to home



Connected and intelligent



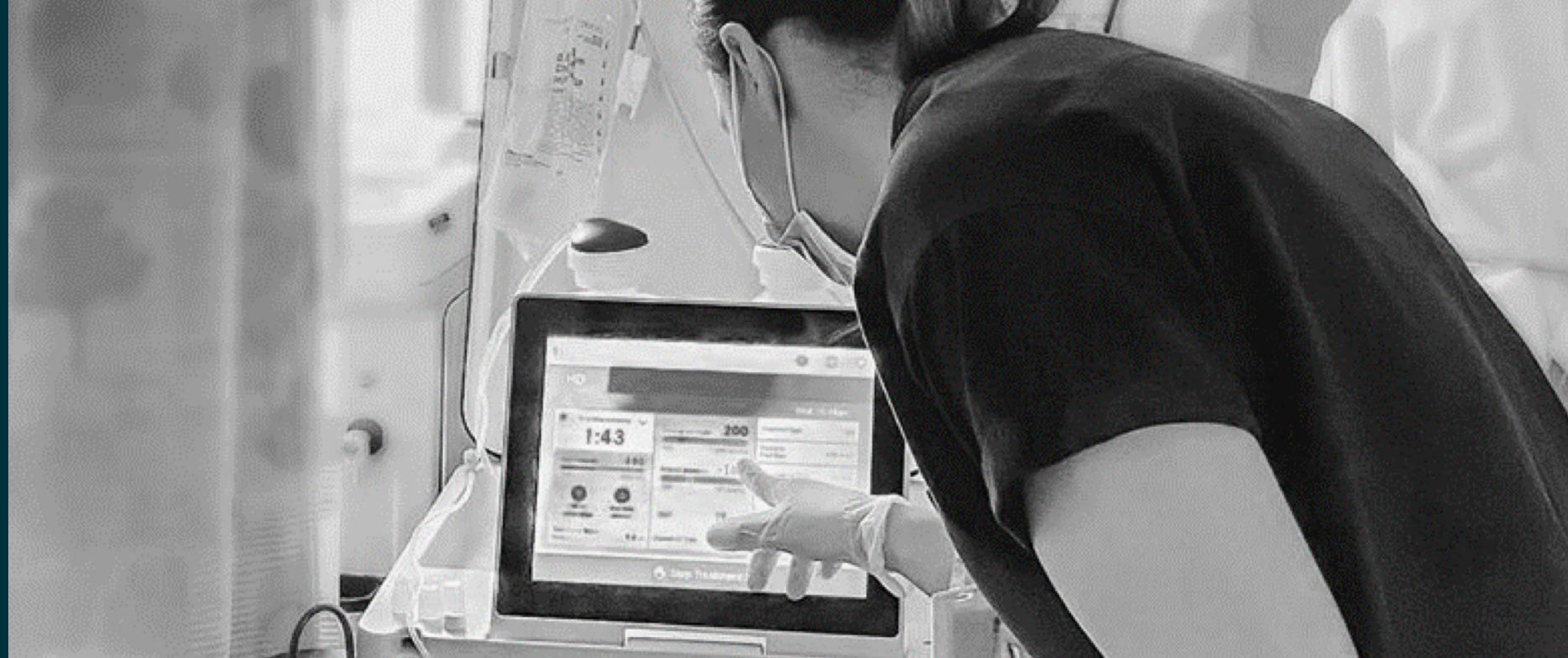
Small and mobile



**An all-in-one solution** that replaces multiple machines and a water treatment room with a single device



**One device,  
multiple markets**



**\$11.4B**

**U.S. TAM**

**\$2.5B**

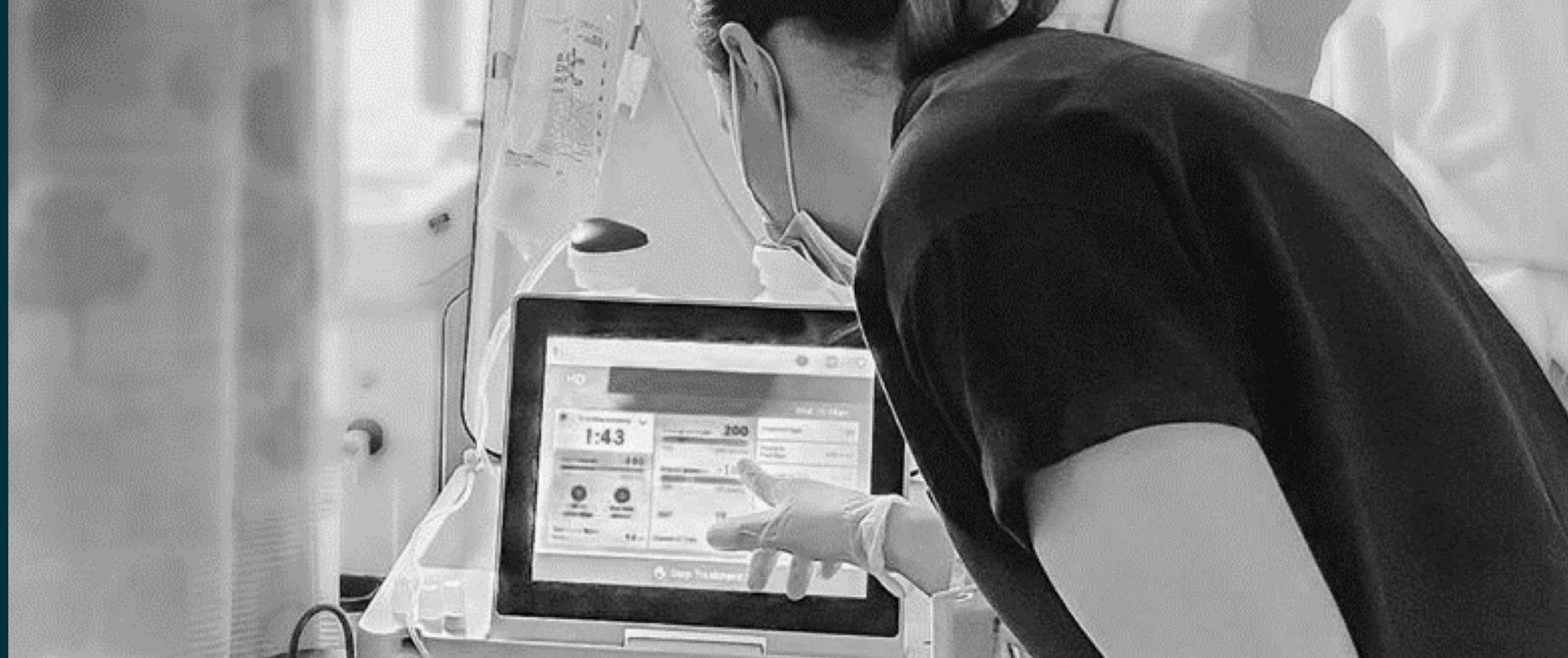
**Acute market**  
Hospital & sub-acute  
based dialysis

**\$8.9B**

**Home market**  
Home hemodialysis  
& transitional care

Company estimates based on data contained in  
USRDS 2021 Annual Data Report

# One device, multiple markets



\$11.4B

U.S. TAM

\$2.5B

**Acute market**  
Hospital & sub-acute  
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\$8.9B

**Home market**  
Home hemodialysis  
& transitional care

Company estimates based on data contained in  
USRDS 2021 Annual Data Report

# Tablo reduces the cost and complexity of acute dialysis



## Before Tablo

## With Tablo

 **Supplies cost reduction**

Existing ICU machines require numerous dialysate bags for each treatment

**Tablo creates the dialysate on demand, eliminating the cost and complexity of bags**

 **Labor cost reduction**

Most hospitals incur the additional cost of outsourcing dialysis to a 3rd party provider

**Enables hospitals to insource and utilize their existing nursing staff to deliver dialysis**

TOTAL POTENTIAL COST SAVINGS

**50%–80%<sup>1</sup>**

Potential payback period <1 year

1. Company estimates based on data provided by third party health systems

# Tablo can deliver significant savings

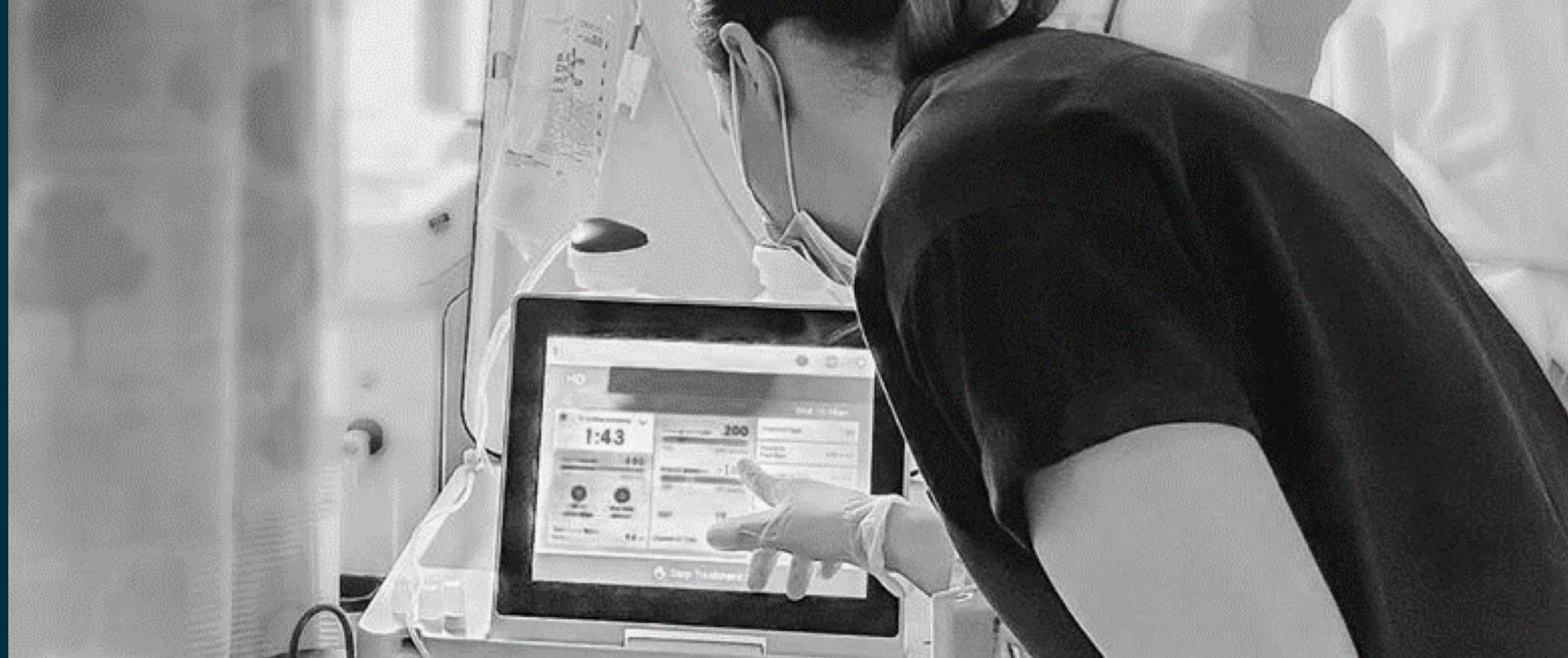


Hospital	St. Mark's Hospital
Location	Salt Lake City, Utah
Beds	300
ICU beds	24

“(We saw) huge cost savings and high ratings on the training experience, treatment setup and starts, and a 96.2% average success rate.”  
—Kasi Moore, Nurse Manager

- \$450K**  
Annual estimated savings
- \$500**  
Savings per Tx
- ~70%**  
Cost reduction per Tx
- 50%**  
Labor cost reduction

# One device, multiple markets



\$11.4B

U.S. TAM

\$2.5B

Acute market  
Hospital & sub-acute  
based dialysis

\$8.9B

**Home market**  
Home hemodialysis  
& transitional care

Company estimates based on data contained in  
USRDS 2021 Annual Data Report

## HOME CARE

# The home market is significantly underpenetrated



### Historical barriers



#### REIMBURSEMENT

Medicare reimbursement misaligned with treatment frequency



#### INCENTIVES

Inadequate provider payment incentives



#### TECHNOLOGY

Cumbersome technology and training

## HOME CARE

**The home market is poised for change. Outset's commercial strategy is designed to capitalize on it**

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**New financial incentives**

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**Medicare Advantage eligibility**

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**Clinic staffing shortages**

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**Patient preferences**



## HOME CARE

# Tablo addresses key barriers to home dialysis adoption and retention



tablo®

---

**3**

Treatments per week

---

**<25 hours**

Training per patient

---

**0 hours**

Dialysate prep time



Historical device

---

**5–6**

Treatments per week

---

**100 hours**

Training per patient

---

**16–24 hours**

Dialysate prep time per week

# Tablo changes the home benefit-burden ratio

0%

Dropout during in-home period

99%

Adherence to prescribed home treatment frequency

~10%

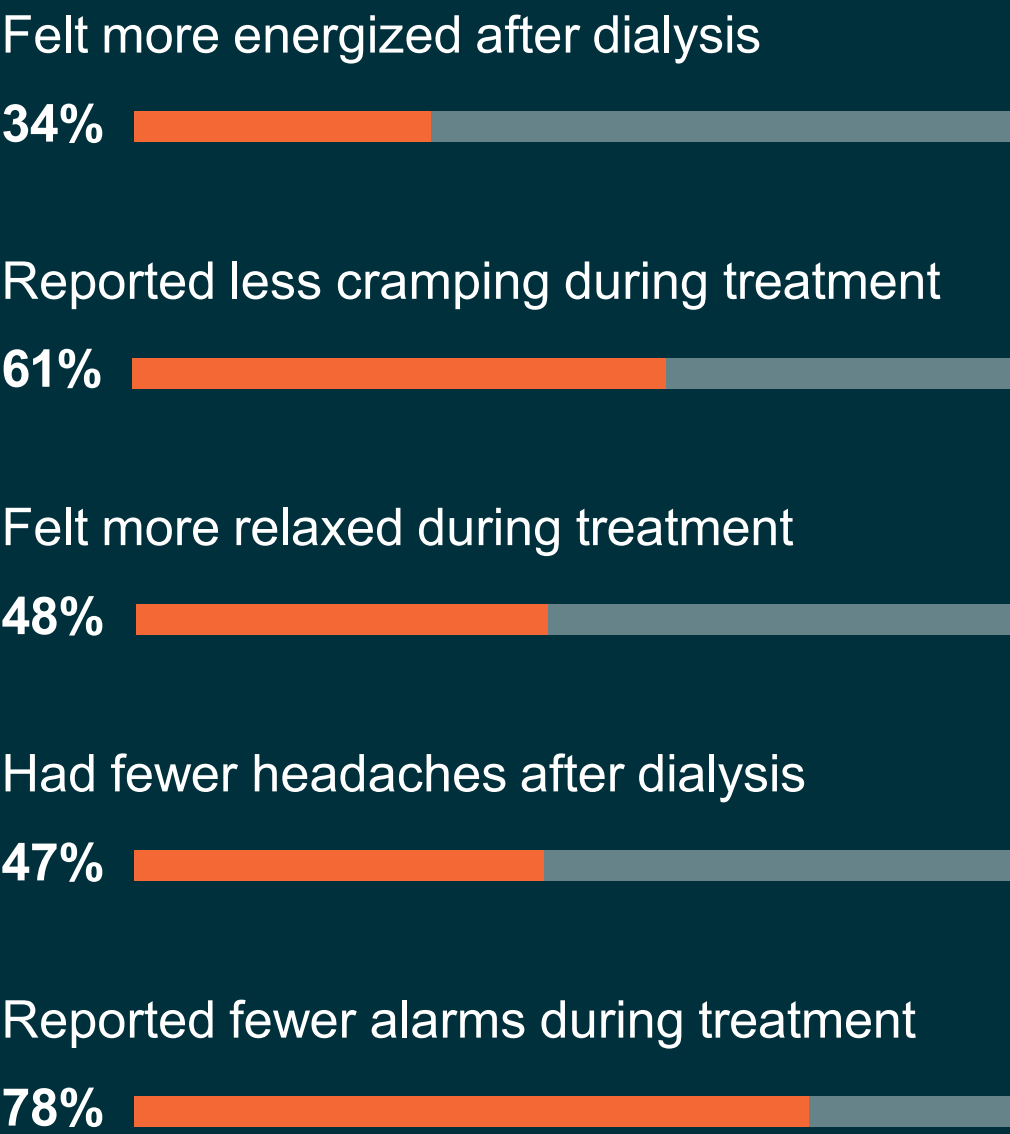
Controllable attrition

Data from Outset 2019 IDE trial; Alvarez L, May Y, Chertow G, .Early Patient Experience with the Tablo Hemodialysis System; Outset Data Registry, 2022.

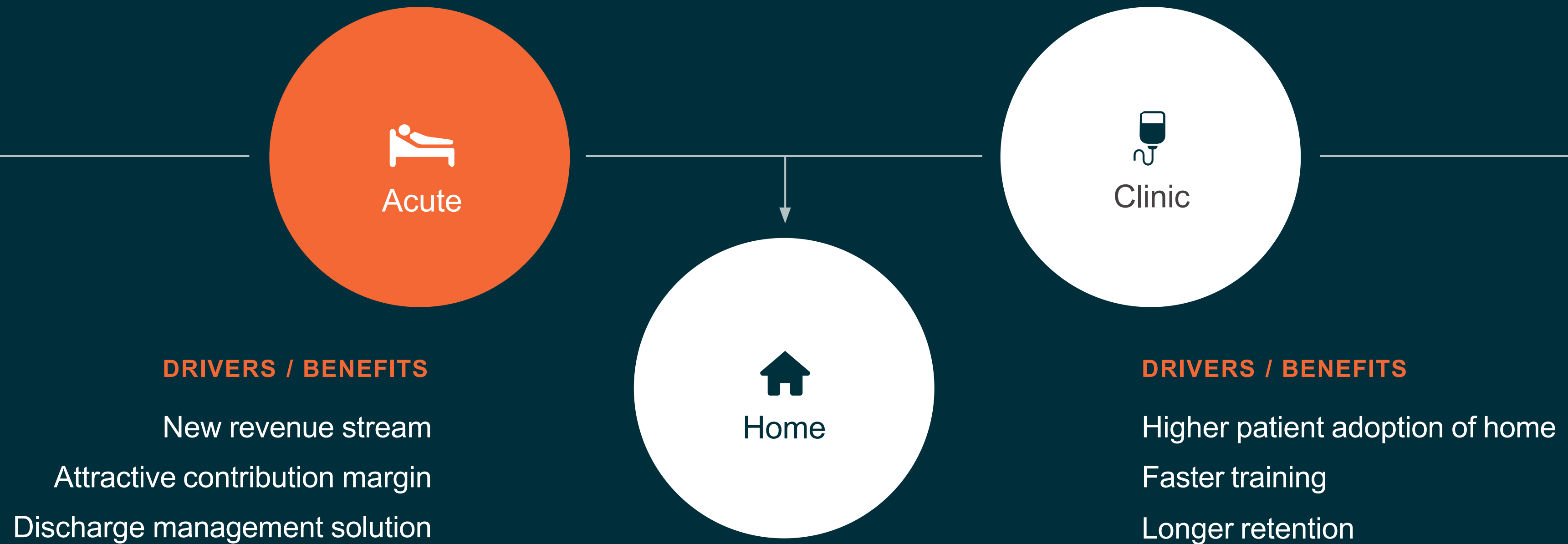
For additional clinical evidence, visit <https://www.outsetmedical.com/clinical-evidence/>

## Patients report fewer symptoms on Tablo

Patient-reported outcomes survey comparing in-clinic treatments on Tablo vs their previous dialysis machine



# Commercial strategy



# A highly efficient business model

INITIAL CONSOLE PURCHASE



ONGOING REVENUE

**Initial console purchase generates recurring and predictable consumable and service revenue**

1

SINGLE PLATFORM

\$

RECURRING REVENUE : ACUTE

~\$20K per console per year

\$

RECURRING REVENUE : HOME

~\$15K per console per year

# Strong financial position

as of Dec 31, 2022

**Acute**

Continued strong demand from new and existing customers; stability in the macroeconomic environment, with staffing headwinds for providers expected to persist through 2023

**Home**

Growth exceeded expectations in 2022, with home contribution reaching ~20% of 2022 total revenue; home expected to grow faster than acute in 2023

**Gross margin<sup>2</sup>**

Continued improvement from ongoing cost-down programs; +70 basis points Q/Q; +510 bps Y/Y

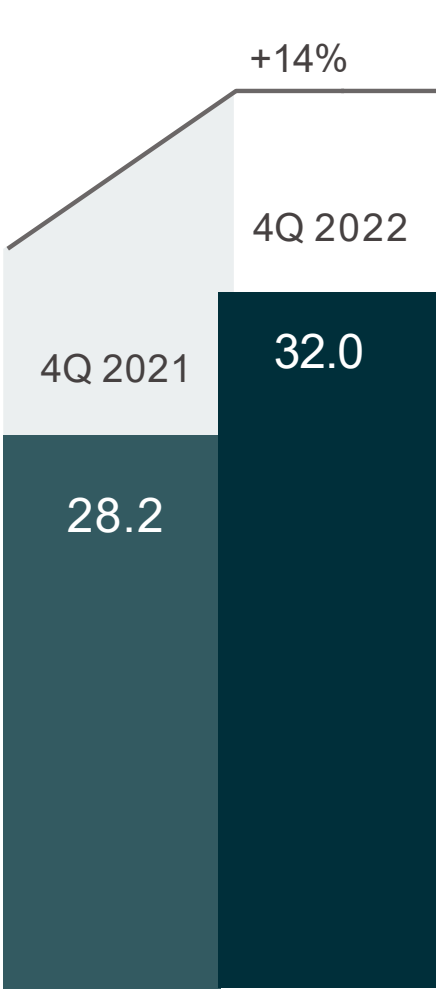
**Total cash**

\$290.8<sup>1</sup> million

**Units deployed**

Total: ~4,000; +54% Y/Y  
Acute: 2,700  
Sub-Acute: 500  
Clinics & Home: 800

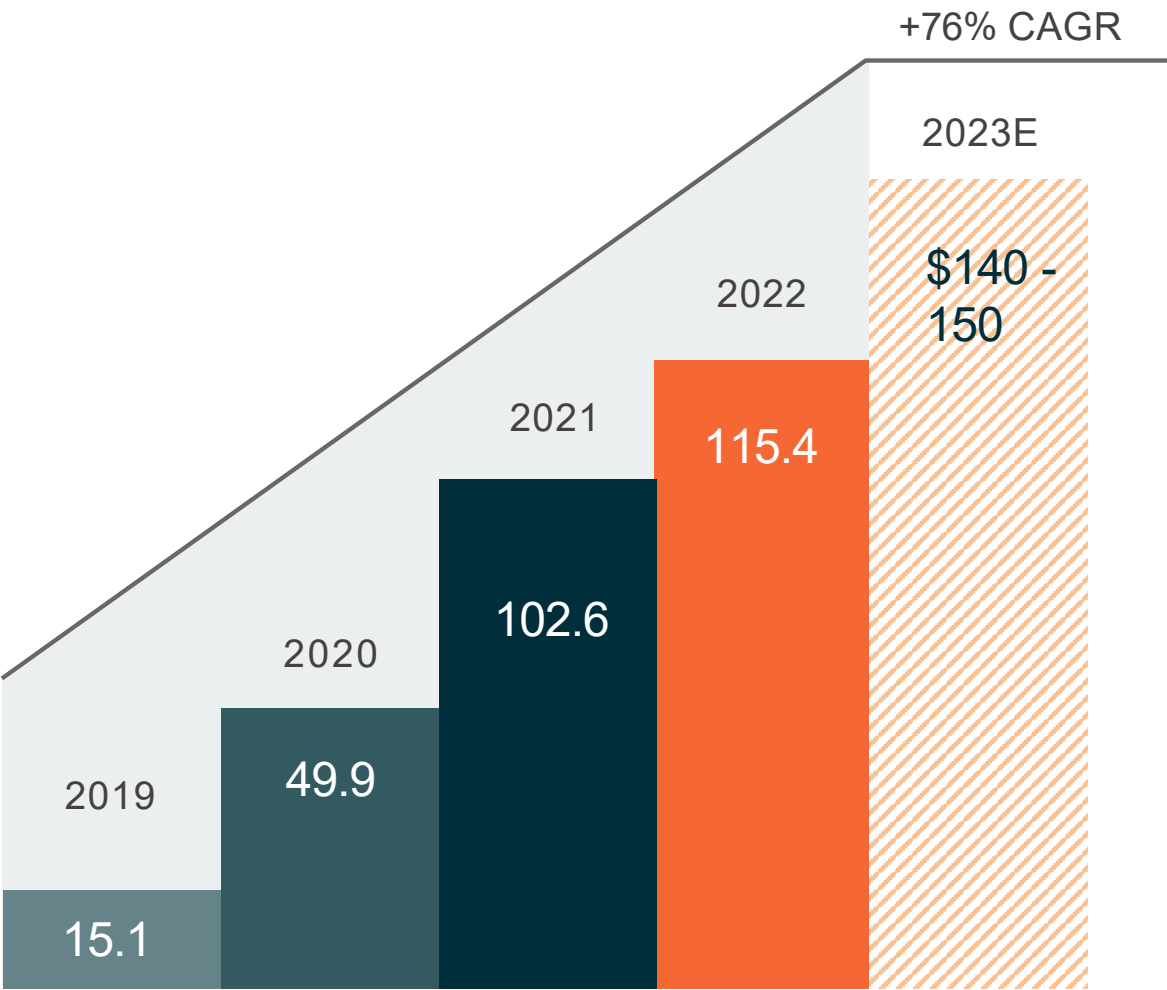
Fourth quarter revenue (\$M)



12.0%    GM% <sup>2</sup>    17.1%

- 1. Includes restricted cash and short-term investments
- 2. Non-GAAP; see GAAP to non-GAAP reconciliation in the appendix

Annual revenue (\$M)



## 2023 outlook

### Revenue guidance

**\$140M–\$150M**

**~22–30%**  
year-over-year growth

### Non-GAAP gross margin

**~20% full year**

**Mid-20% range**  
exiting Q4

### Commercial execution

**Land and expand**  
in the Acutes

**High growth, high retention**  
focus in the Home

Senior Clinical Sales Specialist at Outset Medical  
Reshared from Outset Medical

Very proud of our partnership and accomplishments. #betterbeginsnow




A Pioneer of Change: Dialysis Director January Mendoza - Outset Medical  
outsetmedical.com • 4 min read

23 2 comments

Sarah Lemorande, ... + Follow ...  
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...betterbeginsnow #homewithtablo  
...patients deserve the opportunity ...see more



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Director, Northeast Market at Outset Medical  
Reshared from Rosanne...

Couldn't be more proud of this team and partnership!!!  
Valdano De Pina Jason Dent John ...see more



35 6 comments



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[outsetmedical.com](http://outsetmedical.com)

**Outset Medical, Inc.**  
**Results of Operations – Non-GAAP**  
*(in thousands, except per share amounts)*  
**(unaudited)**

**Reconciliation between GAAP and non-GAAP net loss per share:**

	Three Months Ended December 31,		Years Ended December 31,	
	2022	2021	2022	2021
GAAP net loss per share, diluted	\$ (0.86)	\$ (0.87)	\$ (3.38)	\$ (2.89)
Stock-based compensation expense	0.15	0.10	0.56	0.32
Non-GAAP net loss per share, diluted	<u>\$ (0.71)</u>	<u>\$ (0.77)</u>	<u>\$ (2.82)</u>	<u>\$ (2.57)</u>

**Reconciliation between GAAP and non-GAAP net loss:**

	Three Months Ended December 31,		Years Ended December 31,	
	2022	2021	2022	2021
GAAP net loss, diluted	\$ (41,444)	\$ (41,232)	\$ (162,956)	\$ (131,935)
Stock-based compensation expense	7,353	4,792	27,203	14,581
Non-GAAP net loss, diluted	<u>\$ (34,091)</u>	<u>\$ (36,440)</u>	<u>\$ (135,753)</u>	<u>\$ (117,354)</u>

**Reconciliation between GAAP and non-GAAP results of operations:**

	Three Months Ended December 31,		Years Ended December 31,	
	2022	2021	2022	2021
<b>GAAP gross profit</b>	\$ 5,273	\$ 3,321	\$ 17,833	\$ 7,608
Stock-based compensation expense	208	68	701	205
Non-GAAP gross profit	<u>\$ 5,481</u>	<u>\$ 3,389</u>	<u>\$ 18,534</u>	<u>\$ 7,813</u>
<b>GAAP gross margin</b>	16.5 %	11.8 %	15.5 %	7.4 %
Stock-based compensation expense	0.6	0.2	0.6	0.2
Non-GAAP gross margin	<u>17.1 %</u>	<u>12.0 %</u>	<u>16.1 %</u>	<u>7.6 %</u>
<b>GAAP research and development expense</b>	\$ 11,444	\$ 11,410	\$ 48,855	\$ 36,741
Stock-based compensation expense	(1,960)	(1,241)	(6,845)	(3,049)
Non-GAAP research and development expense	<u>\$ 9,484</u>	<u>\$ 10,169</u>	<u>\$ 42,010</u>	<u>\$ 33,692</u>
<b>GAAP sales and marketing expense</b>	\$ 23,631	\$ 22,991	\$ 89,482	\$ 65,070
Stock-based compensation expense	(2,829)	(1,896)	(10,269)	(4,690)
Non-GAAP sales and marketing expense	<u>\$ 20,802</u>	<u>\$ 21,095</u>	<u>\$ 79,213</u>	<u>\$ 60,380</u>
<b>GAAP general and administrative expense</b>	\$ 10,022	\$ 9,719	\$ 40,515	\$ 36,316
Stock-based compensation expense	(2,356)	(1,587)	(9,388)	(6,637)
Non-GAAP general and administrative expense	<u>\$ 7,666</u>	<u>\$ 8,132</u>	<u>\$ 31,127</u>	<u>\$ 29,679</u>
<b>GAAP total operating expense</b>	\$ 45,097	\$ 44,120	\$ 178,852	\$ 138,127
Stock-based compensation expense	(7,145)	(4,724)	(26,502)	(14,376)
Non-GAAP total operating expense	<u>\$ 37,952</u>	<u>\$ 39,396</u>	<u>\$ 152,350</u>	<u>\$ 123,751</u>