

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 9, 2021

Outset Medical, Inc.

(Exact name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

3052 Orchard Dr.,
San Jose, California
(Address of Principal Executive Offices)

001-39513
(Commission File Number)

20-0514392
(IRS Employer
Identification No.)

95134
(Zip Code)

Registrant's Telephone Number, Including Area Code: (669) 231-8200

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	OM	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On March 9, 2021, Outset Medical, Inc. (the “Company”) issued a press release and held its fourth quarter and full year 2020 earnings conference call announcing the Company’s financial results for the quarter and year ended December 31, 2020. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated herein by reference. A slide presentation, dated March 9, 2021, is attached hereto as Exhibit 99.2 and incorporated herein by reference. The slide presentation provides information that may be referred to by the Company during the fourth quarter and full year 2020 earnings conference call.

The information furnished pursuant to Item 2.02 in this Current Report on Form 8-K and the press release and slide presentation attached as Exhibit 99.1 and Exhibit 99.2 hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any other filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
99.1	Press Release entitled “Outset Medical Reports Fourth Quarter and Full Year 2020 Financial Results” dated March 9, 2021
99.2	Slide Presentation entitled “Fourth Quarter & Full Year 2020 Earnings Call” dated March 9, 2021

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Outset Medical, Inc.

Date: March 9, 2021

By: _____ /s/ Rebecca Chambers
Rebecca Chambers
Chief Financial Officer

Outset Medical Reports Fourth Quarter and Full Year 2020 Financial Results

San Jose, CA – March 9, 2021 – Outset Medical, Inc. (Nasdaq: OM) (“Outset”), a medical technology company pioneering a first-of-its-kind technology to reduce the cost and complexity of dialysis, today reported financial results for the fourth quarter and full year ended December 31, 2020.

Recent Highlights

- Recorded net revenue of \$17.2 million in the fourth quarter and \$49.9 million for the full year of 2020, representing 143% and 231% increases respectively, over the corresponding periods of 2019
- Achieved GAAP gross margin of 2.4% for the fourth quarter of 2020, compared to (39.2%) in the fourth quarter of 2019
- Manufactured the first Tablo consoles at Outset’s facility in Tijuana, Mexico during the first quarter 2021
- Appointed health care industry veteran and digital health expert Karen Drexler to the Board of Directors

“In the fourth quarter our team continued to outperform while building a solid foundation for growth through 2021 and beyond,” said Leslie Trigg, President and Chief Executive Officer. “We expanded our customer base, deepened our relationships with top health systems, and continued to deliver an exceptional Tablo home experience for patients and their caregivers. More recently, we manufactured the first Tablo consoles at our new facility in Mexico, one quarter ahead of schedule, marking a milestone achievement for a key strategic initiative.”

Fourth Quarter 2020 Financial Results

Revenue for the fourth quarter of 2020 was \$17.2 million, representing an increase of 143% compared to \$7.1 million in the fourth quarter of 2019. Product revenue for the fourth quarter of 2020 was \$13.2 million, representing an increase of 111% compared to \$6.2 million in the fourth quarter of 2019. Service and other revenue for the fourth quarter of 2020 was \$4.1 million, representing an increase of 387% compared to \$0.8 million in the fourth quarter of 2019.

Total gross profit for the fourth quarter of 2020 was \$0.4 million, compared to a gross loss of (\$2.8) million for the fourth quarter of 2019. Total gross margin for the fourth quarter of 2020 was 2.4%, compared to (39.2%) in the fourth quarter of 2019. Product gross loss for the fourth quarter of 2020 was (\$1.7) million, compared to (\$2.0) million of product gross loss in the fourth quarter of 2019. Product gross margin for the fourth quarter of 2020 was (13.2%), compared to (31.4%) in the fourth quarter of 2019. Service and other gross profit for the fourth quarter of 2020 was \$2.2 million, compared to (\$0.8) million of service and other gross loss in the fourth quarter of 2019. Service and other gross margin for the fourth quarter of 2020 was 53.0%, compared to (97.5%) in the fourth quarter of 2019.

Operating expenses for the fourth quarter of 2020 were \$32.0 million, including research and development (R&D) expenses of \$7.8 million, sales and marketing (S&M) expenses of \$15.2 million, and general and administrative (G&A) expenses of \$9.1 million. This compared to operating expenses of \$15.8 million, including R&D expenses of \$6.6 million, S&M expenses of \$6.9 million, and G&A expenses of \$2.3 million in the fourth quarter of 2019.

Excluding stock-based compensation expense, non-GAAP operating expenses for the fourth quarter of 2020 were \$25.8 million, including R&D expenses of \$6.5 million, S&M expenses of \$13.6 million, and G&A expenses of \$5.7 million.

Fourth quarter 2020 net loss was (\$32.0) million, or (\$0.75) per share, compared to a net loss of (\$19.4) million, or (\$21.18) per share, for the same period in 2019. On a non-GAAP basis, net loss for the fourth quarter of 2020 was (\$25.8) million, or (\$0.60) per share, compared to a non-GAAP net loss of (\$19.2) million, or (\$20.91) per share for the same period in 2019.

Full Year 2020 Financial Results

Revenue for the full year of 2020 was \$49.9 million, representing an increase of 231% compared to \$15.1 million for 2019. Product revenue for the full year of 2020 was \$39.6 million, representing an increase of 188% compared to \$13.8 million for 2019. Service and other revenue for the full year of 2020 was \$10.3 million, representing an increase of 677% compared to \$1.3 million for 2019.

Total gross loss for the full year of 2020 was (\$13.0) million, compared to a gross loss of (\$17.8) million for 2019. Total gross margin for the full year of 2020 was (26.1%), compared to (118.1%) in 2019. Product gross loss for the full year of 2020 was (\$17.4) million, compared to (\$13.4) million of product gross loss in 2019. Product gross margin for the full year of 2020 was (44.0%), compared to (97.6%) in 2019. Service and other gross profit for the full year of 2020 was \$4.4 million, compared to (\$4.4) million of service and other gross loss in 2019. Service and other gross margin for the full year of 2020 was 42.5%, compared to (330.4%) in 2019.

Operating expenses for the full year of 2020 were \$104.4 million, including R&D expenses of \$28.9 million, S&M expenses of \$45.1 million, and G&A expenses of \$30.5 million. This compared to operating expenses of \$52.5 million, including R&D expenses of \$23.3 million, S&M expenses of \$20.3 million, and G&A expenses of \$8.9 million for 2019.

Excluding stock-based compensation expense, non-GAAP operating expenses for the full year of 2020 were \$83.2 million, including R&D expenses of \$24.2 million, S&M expenses of \$40.6 million, and G&A expenses of \$18.4 million.

Full year 2020 net loss attributable to common stockholders was (\$79.3) million, or (\$4.85) per share, compared to a net loss attributable to common stockholders of (\$85.5) million, or (\$99.58) per share, for 2019. On a non-GAAP basis, net loss for the full year of 2020 was (\$57.9) million, or (\$3.54) per share, compared to a non-GAAP net loss of (\$84.6) million, or (\$98.55) per share for 2019.

Total cash, including restricted cash, cash equivalents and short-term investments, was \$348.2 million as of December 31, 2020, compared to \$70.8 million as of December 31, 2019.

Full Year 2021 Financial Guidance

Outset projects revenue for the full year 2021 to range from \$89 million to \$94 million, which represents approximately 78 to 88% growth over the company's fiscal year 2020 revenue.

First Quarter 2021 Financial Guidance

Outset projects revenue for the first quarter 2021 to range from \$21 million to \$22 million, which represents approximately 192 to 206% growth over the company's first quarter 2020 revenue.

Webcast and Conference Call Details

Outset will host a conference call today, March 9, 2021, at 2:00 p.m. PT / 5:00 p.m. ET to discuss its fourth quarter and full year 2020 financial results. The dial-in numbers are (833) 614-1409 for domestic callers and (914) 987-7130 for international callers. The conference ID is 8495745. A live webcast of the conference call will be available on the Investor Relations section of the Company's website at <https://investors.outsetmedical.com>. The webcast will be archived on the website following the completion of the call.

Use of Non-GAAP Financial Measures

The Company may report non-GAAP results for gross profit/loss, gross margin, operating expenses, operating margins, net income/loss, basic and diluted net income/loss per share, other income/loss, and cash flow. These non-GAAP financial measures are in addition to, and not a substitute for, or superior to, financial measures calculated in accordance with GAAP. The Company's financial measures under GAAP include stock-based compensation expense, as listed in the itemized reconciliations between GAAP and non-GAAP financial measures included in this press release. Management has excluded the effects of this non-cash expense item in non-GAAP measures to assist investors in analyzing and assessing past and future operating performance and period-to-period comparisons. 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 the Company's financial statements, and may not be comparable to non-GAAP financial measures used by other companies. The Company encourages investors to carefully consider its results under GAAP, as well as its supplemental non-GAAP information and the reconciliation between these presentations, to more fully understand its business. Reconciliations between GAAP and non-GAAP results are presented in the Appendix A of this press release.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are based on management's current assumptions and expectations of future events and trends, which affect or may affect the Company's 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. 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, profitability and outlook, statements regarding the Company's overall business strategy, plans and objectives of management, as well as the Company's expectations regarding the continuing impact of the COVID-19 pandemic on the Company and its operations as well as the impact on its customers and suppliers. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Factors that could cause actual results or other events to differ materially from those contemplated in this press release can be found in the Risk Factors section of Outset's public filings with the Securities and Exchange Commission, including Outset's 424(B)(4) filed on December 3, 2020 in connection with the company's secondary public offering. Because forward-looking statements are inherently subject to risks and uncertainties, 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, except to the extent required by law, the Company undertakes no obligation to update these statements, whether as a result of any new information, future developments or otherwise.

About Outset Medical, Inc.

Outset is a medical technology company pioneering a first-of-its-kind technology to reduce the cost and complexity of dialysis. The Tablo™ Hemodialysis System, FDA cleared for use from the hospital to the home, represents a significant technological advancement that transforms the dialysis experience for patients and operationally simplifies it for providers. Tablo serves as a single enterprise solution that can be utilized across the continuum of care, allowing dialysis to be delivered anytime, anywhere and by anyone. The integration of water purification and on-demand dialysate production enables Tablo to serve as a dialysis clinic on wheels with 2-way wireless data transmission and a proprietary data analytics platform powering a new holistic approach to dialysis care. Tablo is a registered trademark of Outset Medical, Inc.

Investor Contact

Lynn Lewis or Brian Johnston
Gilmartin Group
investors@outsetmedical.com

Outset Medical, Inc.
Condensed Statements of Operations
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended		Years Ended December 31,	
	2020	2019	2020	2019
Revenue:				
Product revenue	\$ 13,177	\$ 6,249	\$ 39,612	\$ 13,750
Service and other revenue	4,070	836	10,323	1,328
Total revenue	17,247	7,085	49,935	15,078
Cost of revenue:				
Cost of product revenue (1)	14,917	8,214	57,035	27,164
Cost of service and other revenue	1,913	1,651	5,937	5,716
Total cost of revenue	16,830	9,865	62,972	32,880
Gross profit	417	(2,780)	(13,037)	(17,802)
Gross margin	2.4 %	(39.2) %	(26.1) %	(118.1) %
Operating expenses:				
Research and development (1)	7,784	6,629	28,850	23,327
Sales and marketing (1)	15,198	6,883	45,068	20,259
General and administrative (1)	9,050	2,278	30,512	8,919
Total operating expenses	32,032	15,790	104,430	52,505
Loss from operations	(31,615)	(18,570)	(117,467)	(70,307)
Other income (expense):				
Interest income and other income, net	2	374	526	2,485
Interest expense	(430)	(1,020)	(2,891)	(4,257)
Change in fair value of redeemable convertible preferred stock warrant liability	—	(230)	(93)	3,800
Loss on extinguishment of term loan	—	—	(1,567)	—
Loss before provision for income taxes	(32,043)	(19,446)	(121,492)	(68,279)
Provision for income taxes	—	—	—	20
Net loss	\$ (32,043)	\$ (19,446)	\$ (121,492)	\$ (68,299)
Net loss attributable to common stockholders, basic and diluted	\$ (32,043)	\$ (19,446)	\$ (79,324)	\$ (85,461)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.75)	\$ (21.18)	\$ (4.85)	\$ (99.58)
Weighted average shares used in computing net loss per share attributable to common stockholders, basic and diluted	42,715	918	16,358	858

(1) Include stock-based compensation expenses as follows:

	Three Months Ended		Years Ended December 31,	
	2020	2019	2020	2019
Cost of revenue	\$ 74	\$ 2	\$ 255	\$ 5
Research and development	1,289	62	4,615	328
Sales and marketing	1,595	53	4,423	172
General and administrative	3,310	130	12,146	378
Total stock-based compensation expenses	\$ 6,268	\$ 247	\$ 21,439	\$ 883

Outset Medical, Inc.
Condensed Balance Sheets
(in thousands, except per share amounts)
(unaudited)

	December 31,	
	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 294,972	\$ 36,926
Short-term investments	19,898	33,152
Accounts receivable, net	6,468	3,914
Inventories	18,384	4,596
Prepaid expenses and other current assets	6,189	1,058
Total current assets	345,911	79,646
Restricted cash	33,311	743
Property and equipment, net	14,998	7,895
Operating lease right-of-use assets	8,253	—
Other assets	1,356	82
Total assets	<u>\$ 403,829</u>	<u>\$ 88,366</u>
Liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	\$ 4,948	\$ 4,960
Accrued compensation and related benefits	16,845	6,956
Accrued expenses and other current liabilities	7,903	2,909
Accrued warranty liability	2,913	1,702
Deferred revenue, current	3,201	883
Operating lease liabilities, current	882	—
Term loan, current	—	7,500
Total current liabilities	36,692	24,910
Accrued interest, noncurrent	240	217
Deferred revenue, noncurrent	570	134
Operating lease liabilities, noncurrent	8,044	—
Redeemable convertible preferred stock warrant liability	—	4,285
Term loan, noncurrent	29,674	21,561
Total liabilities	75,220	51,107
Commitments and contingencies		
Redeemable convertible preferred stock, \$0.001 par value; no shares authorized and no shares issued and outstanding as of December 31, 2020; 154,592 shares authorized and 147,214 shares issued and outstanding as of December 31, 2019	—	409,446
Stockholders' equity (deficit):		
Preferred stock, \$0.001 par value; 5,000 shares authorized, and no shares issued and outstanding as of December 31, 2020 and 2019	—	—
Common stock, \$0.001 par value; 300,000 and 240,000 shares authorized as of December 31, 2020 and 2019, respectively; 42,722 and 922 shares issued and outstanding as of December 31, 2020 and 2019, respectively	43	1
Additional paid-in capital	822,624	357
Accumulated other comprehensive income	1	22
Accumulated deficit	(494,059)	(372,567)
Total stockholders' equity (deficit)	328,609	(372,187)
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	<u>\$ 403,829</u>	<u>\$ 88,366</u>

Outset Medical, Inc.
Condensed Statements of Cash Flows
(in thousands)
(unaudited)

	Years Ended December 31,	
	2020	2019
Net cash used in operating activities	\$ (99,015)	\$ (70,292)
Net cash provided by investing activities	3,947	74,297
Net cash provided by financing activities	385,682	249
Net increase in cash, cash equivalents and restricted cash	290,614	4,254
Cash, cash equivalents and restricted cash at beginning of the period	37,669	33,415
Cash, cash equivalents and restricted cash at end of the period (1)	\$ 328,283	\$ 37,669

(1) The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the accompanying condensed balance sheets that sum to the total of the amounts shown in the accompanying condensed statements of cash flows (in thousands):

	December 31,	
	2020	2019
Cash and cash equivalents	\$ 294,972	\$ 36,926
Restricted cash	33,311	743
Total cash, cash equivalents and restricted cash*	\$ 328,283	\$ 37,669

* The total cash, including restricted cash, cash equivalents and short-term investments as of December 31, 2020 was \$348.2 million; compared to \$70.8 million as of December 31, 2019.

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 attributable to common stockholders:

	Three Months Ended December 31,		Years Ended December 31,	
	2020	2019	2020	2019
GAAP net loss per share to common stockholders, diluted	\$ (0.75)	\$ (21.18)	\$ (4.85)	\$ (99.58)
Stock-based compensation expense	0.15	0.27	1.31	1.03
Non-GAAP net loss per share to common stockholders, diluted	<u>\$ (0.60)</u>	<u>\$ (20.91)</u>	<u>\$ (3.54)</u>	<u>\$ (98.55)</u>

Reconciliation between GAAP and non-GAAP net loss attributable to common stockholders:

	Three Months Ended December 31,		Years Ended December 31,	
	2020	2019	2020	2019
GAAP net loss attributable to common stockholders, diluted	\$ (32,043)	\$ (19,446)	\$ (79,324)	\$ (85,461)
Stock-based compensation expense	6,268	247	21,439	883
Non-GAAP net loss per share attributable to common stockholders, diluted	<u>\$ (25,775)</u>	<u>\$ (19,199)</u>	<u>\$ (57,885)</u>	<u>\$ (84,578)</u>

Reconciliation between GAAP and non-GAAP results of operations:

	Three Months Ended December 31,		Years Ended December 31,	
	2020	2019	2020	2019
GAAP gross profit	\$ 417	\$ (2,780)	\$ (13,037)	\$ (17,802)
Stock-based compensation expense	74	2	255	5
Non-GAAP gross profit	<u>\$ 491</u>	<u>\$ (2,778)</u>	<u>\$ (12,782)</u>	<u>\$ (17,797)</u>
GAAP gross margin	2.4 %	(39.2) %	(26.1) %	(118.1) %
Stock-based compensation expense	0.4	—	0.5	—
Non-GAAP gross margin	<u>2.8 %</u>	<u>(39.2) %</u>	<u>(25.6) %</u>	<u>(118.1) %</u>
GAAP research and development expense	\$ 7,784	\$ 6,629	\$ 28,850	\$ 23,327
Stock-based compensation expense	(1,289)	(62)	(4,615)	(328)
Non-GAAP research and development expense	<u>\$ 6,495</u>	<u>\$ 6,567</u>	<u>\$ 24,235</u>	<u>\$ 22,999</u>
GAAP sales and marketing expense	\$ 15,198	\$ 6,883	\$ 45,068	\$ 20,259
Stock-based compensation expense	(1,595)	(53)	(4,423)	(172)
Non-GAAP sales and marketing expense	<u>\$ 13,603</u>	<u>\$ 6,830</u>	<u>\$ 40,645</u>	<u>\$ 20,087</u>
GAAP general and administrative expense	\$ 9,050	\$ 2,278	\$ 30,512	\$ 8,919
Stock-based compensation expense	(3,310)	(130)	(12,146)	(378)
Non-GAAP general and administrative expense	<u>\$ 5,740</u>	<u>\$ 2,148</u>	<u>\$ 18,366</u>	<u>\$ 8,541</u>
GAAP total operating expense	\$ 32,032	\$ 15,790	\$ 104,430	\$ 52,505
Stock-based compensation expense	(6,194)	(245)	(21,184)	(878)
Non-GAAP total operating expense	<u>\$ 25,838</u>	<u>\$ 15,545</u>	<u>\$ 83,246</u>	<u>\$ 51,627</u>

Outset Medical

Fourth Quarter & Full Year 2020 Earnings Call

March 9, 2021



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 our possible or assumed future results of operations and financial position, including expectations regarding projected revenues, gross margin, profitability and outlook, statements regarding our overall business strategy, plans and objectives of management, as well as our expectations regarding the continuing impact of the COVID-19 pandemic on us and our operations as well as the impact on our customers and 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; our ability to reduce manufacturing costs; 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 424(B)(4) filed on December 3, 2020 in connection with our secondary public offering. 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 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.



Fourth Quarter 2020 Highlights

Sales Outperformance

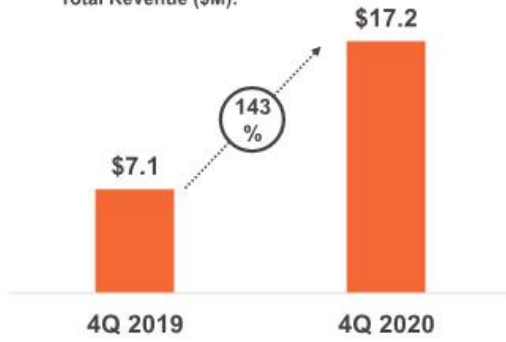


Forward Momentum



Margin Expansion

Total Revenue (\$M):



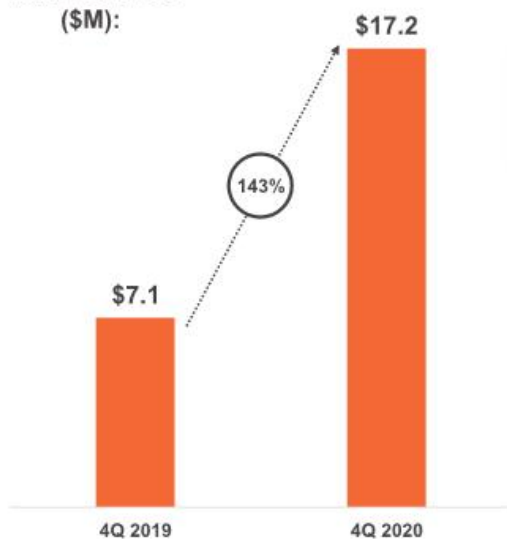
~550 Consoles in Backlog at YE 2020



+GM% Driven by Cost Reduction Initiatives & Higher Margin Revenue

Fourth Quarter Performance Drivers

Total Revenue (\$M):



Continued Momentum in Acute Market

- ✓ Higher console shipments to **existing customer sites**
- ✓ Contracts signed and units shipped to **new customers and new facilities**

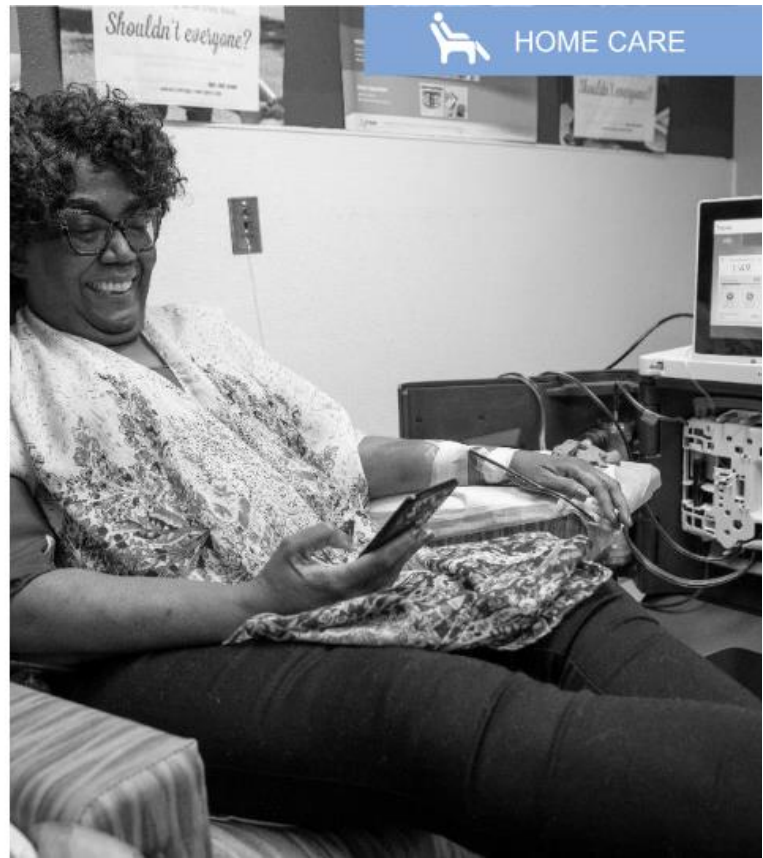
Current Snapshot

- ✓ **~1,100 Tablo consoles in the field**
 - Acute: ~900
 - Subacute: ~100
 - Clinics and Home: ~100
- ✓ **Currently contracted with:**
 - 6 of 8 Top National Health Systems
 - ~20 of the Top 50 Regional Health Systems

Encouraging Home Progress

- ✓ Signed new contracts and grew home population
- ✓ Finalized new home agreements with leading health systems and independent providers
- ✓ Encouraging user data on:
 - Training time ~2 weeks vs 4-6 weeks
 - Retention at home
 - Positive patient outcomes
- ✓ Sales to remain modest in 2021 given measured roll-out strategy
- ✓ Anticipated future tailwinds:
 - ESRD treatment choices model now effective
 - Medicare Advantage eligibility began Jan 2021
 - TPNIES application for Tablo console submitted

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Manufacturing Update

Cost Reduction & Supply Chain Initiatives On Track

Tablo Console

- Manufactured first consoles at Mexico facility in 1Q 2021
- Project is a full quarter ahead of schedule
- Manufactured over **100 consoles** to date in 1Q 2021

Tablo Cartridges

- On track for shift to new contract manufacturer
- 510K submission to FDA expected in March 2021
- Lower cost anticipated to benefit P&L in 2H 2021

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Console Manufacturing Facility



Strategic Focus & Key 2021 Priorities

Acute Market

- Expansion across current customer base
- New agreements with top health systems

Home Market

- Create exceptional patient experience and support ecosystem ready for scale
- Drive deliberate home patient adoption as a springboard for more significant growth in 2022

Manufacturing

- Increase manufacturing output
- Drive gross margin expansion

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Fourth Quarter Financial Highlights

Total Revenue (\$M):



Non-GAAP¹ Financial Metrics:

	4Q 2019	4Q 2020
Gross Margin	(39.2%)	2.8%
Operating Expenses	\$15.5M	\$25.8M
Net Loss	(\$19.2M)	(\$25.8M)



1. See appendix for reconciliation of non-GAAP financial measures.

Full Year 2020 Financial Highlights

Total Revenue
(\$M):



Non-GAAP¹ Financial
Metrics:

	FY 2019	FY 2020
Gross Margin	(118.1%)	(25.6)%
Operating Expenses	\$51.6M	\$83.2M
Net Loss	(\$84.6M)	(\$57.9M)

Total cash balance of \$348.2M² as of December 31, 2020



1. See appendix for reconciliation of non-GAAP financial measures
2. Includes restricted cash and short-term investments

2021 Financial Guidance

Full Year 2021 Guidance:

Revenue

- FY 2021 Revenue between **\$89M - \$94M**
- Higher sequential growth in 1H 2021 given backlog entering the year and timing of HHS lease agreements

Non-GAAP Gross Margin

- Forecasting positive gross margins for the full year
- Expansion expected in 2H 2021 driven by the move of more console production to Mexico and lower cost cartridge production

1Q 2021 Guidance:

Revenue

- 1Q 2021 Revenue between **\$21M - \$22M**
- Projecting sequential revenue increase to be driven by console shipments

Non-GAAP Gross Margin

- Impact from shift in console mix to lower gross margins sequentially in 1Q 2021

Non-GAAP Reconciliations

Appendix A
 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 attributable to common stockholders:

	Three Months Ended December 31,		Years Ended December 31,	
	2020	2019	2020	2019
GAAP net loss per share to common stockholders, diluted	\$ (0.75)	\$ (21.18)	\$ (4.85)	\$ (99.58)
Stock-based compensation expense	0.15	0.27	1.31	1.03
Non-GAAP net loss per share to common stockholders, diluted	\$ (0.60)	\$ (20.91)	\$ (3.54)	\$ (98.55)

Reconciliation between GAAP and non-GAAP net loss attributable to common stockholders:

	Three Months Ended December 31,		Years Ended December 31,	
	2020	2019	2020	2019
GAAP net loss attributable to common stockholders, diluted	\$ (32,043)	\$ (19,446)	\$ (79,324)	\$ (85,461)
Stock-based compensation expense	6,268	247	21,439	883
Non-GAAP net loss per share attributable to common stockholders, diluted	\$ (25,775)	\$ (19,199)	\$ (57,885)	\$ (84,578)

Reconciliation between GAAP and non-GAAP results of operations:

	Three Months Ended December 31,		Years Ended December 31,	
	2020	2019	2020	2019
GAAP gross profit	\$ 417	\$ (2,780)	\$ (13,037)	\$ (17,802)
Stock-based compensation expense	74	2	255	5
Non-GAAP gross profit	\$ 491	\$ (2,778)	\$ (12,782)	\$ (17,797)
GAAP gross margin	2.4 %	(39.2)%	(26.1)%	(118.1)%
Stock-based compensation expense	0.4	—	0.5	—
Non-GAAP gross margin	2.8 %	(39.2)%	(25.6)%	(118.1)%
GAAP research and development expense	\$ 7,784	\$ 6,629	\$ 28,850	\$ 23,327
Stock-based compensation expense	(1,289)	(62)	(4,615)	(328)
Non-GAAP research and development expense	\$ 6,495	\$ 6,567	\$ 24,235	\$ 22,999
GAAP sales and marketing expense	\$ 15,198	\$ 6,883	\$ 45,068	\$ 20,259
Stock-based compensation expense	(1,595)	(53)	(4,423)	(172)
Non-GAAP sales and marketing expense	\$ 13,603	\$ 6,830	\$ 40,645	\$ 20,087
GAAP general and administrative expense	\$ 9,050	\$ 2,278	\$ 30,512	\$ 8,919
Stock-based compensation expense	(3,310)	(130)	(12,146)	(378)
Non-GAAP general and administrative expense	\$ 5,740	\$ 2,148	\$ 18,366	\$ 8,541
GAAP total operating expense	\$ 32,032	\$ 15,790	\$ 104,430	\$ 52,505
Stock-based compensation expense	(6,194)	(245)	(21,184)	(878)
Non-GAAP total operating expense	\$ 25,838	\$ 15,545	\$ 83,246	\$ 51,627



Q&A

Fourth Quarter & Full Year 2020 Earnings Call

March 9, 2021

