

Outset Medical

Investor Presentation

November 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, the Company’s expectations with respect to anticipated benefits of the TPNIES approval, 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 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.

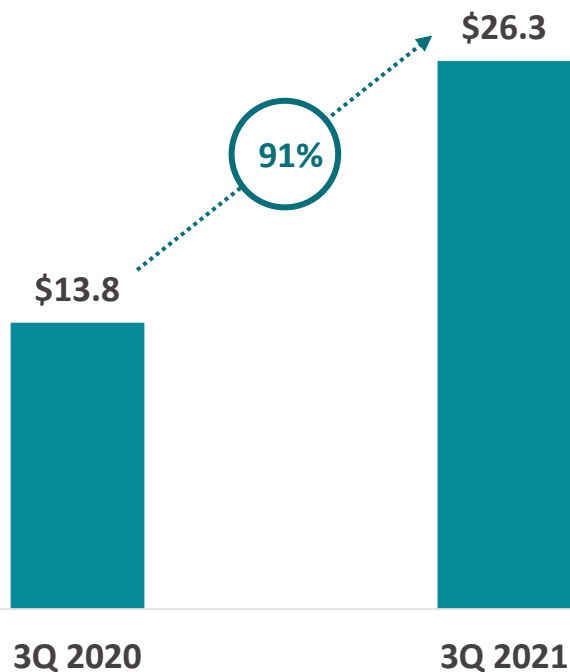
In addition to financial information presented in accordance with U.S. generally accepted accounting principles (“GAAP”), this presentation and the accompanying oral statements include certain non-GAAP financial measures, which may include Non-GAAP gross profit/loss, gross margin, operating expenses, 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.

Growing momentum since IPO

Significant progress in revenue growth and gross margin expansion

3Q 2021 Revenue Outperformance

Total Revenue (\$M):



Gross Margin Expansion and Manufacturing Ahead of Timelines

- 3Q 2021 non-GAAP gross margin of 11.4%
- Achieved console insourcing goal ahead of schedule
 - 100% of consoles now manufactured at Mexico facility
- Lower-cost cartridge FDA 510(k) submission filed
 - Expect to begin production of cartridges in Mexico in 4Q 2021 assuming FDA clearance within the expected timeframe

Continued Progress in Acute and Early Home Success

Acute

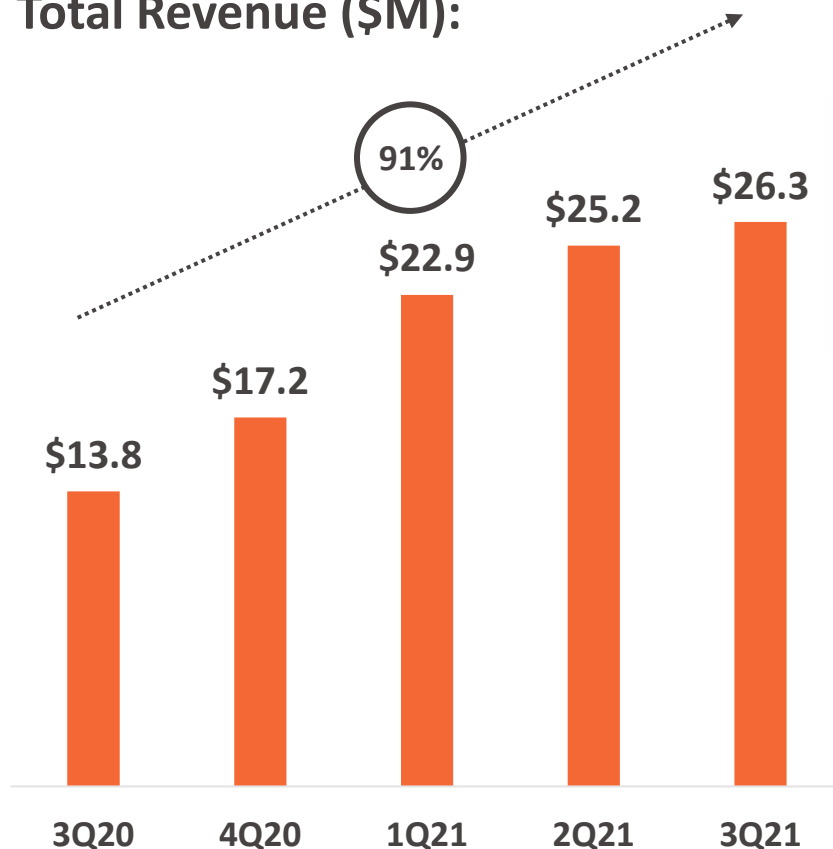
- Strong momentum, both with new and existing customers

Home

- Encouraging results on faster training and differentiated retention
- Strong home program receptivity from health systems
- Multiple potential future tailwinds
 - Secured landmark TPNIES approval from CMS
 - ESRD treatment choice model
 - Medicare Advantage eligibility

Third quarter highlights and performance drivers

Total Revenue (\$M):



Gross Margin:	3Q20 (37.3%)	4Q20 2.4%	1Q21 1.3%	2Q21 4.2%	3Q21 11.2%
YoY Growth:	423.0%	143.4%	218.7%	114.8%	91.3%

Continued Momentum in Acute Market

- ✓ Secured sales agreements with 7 of the top 8 national IDN accounts, meeting year end goal
- ✓ Focused on fleet expansion across existing customer accounts
- ✓ Tablo's economic value and ease of use continue to drive account penetration

Current Snapshot

- ✓ ~1,100 Tablo consoles in the field as of December 31, 2020
 - Acute: ~900
 - Subacute: ~100
 - Clinics and Home: ~100

Strategic focus and key 2021 priorities

Acute Market

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

Home Market

- Deliver exceptional patient experience and support ecosystem
- Capitalize on health system interest in owning home dialysis as an incremental source of revenue and operating margin
- Cultivate a home-first mindset with healthcare providers

Manufacturing

- Increase manufacturing output
- Drive gross margin expansion



2021 Financial Guidance¹

Revenue

- FY 2021 Revenue between **\$99M - \$101M** or **98% - 102%** year-over-year growth
- Increase from prior revenue guidance of **\$97M - \$100M** driven by modestly updated expectations for console placements

Non-GAAP Gross Margin

- Expect to exit 2021 with quarterly Non-GAAP gross margin in the low double digits, in line with previous guidance
- Gross margin expansion driven primarily by improved console manufacturing productivity and a lower console cost given cost down activities, partially offset by emergent supply chain headwinds

Product and Strategy



Outset has a first-of-its kind technology to **reduce the cost and complexity of dialysis** from the hospital to the home

Anywhere Integrated water purification

Anytime Dialysate on demand to the patient's prescription

Anyone Touchscreen and sensors make Tablo simple to learn



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



~85M

Annual dialysis treatments
in the U.S.

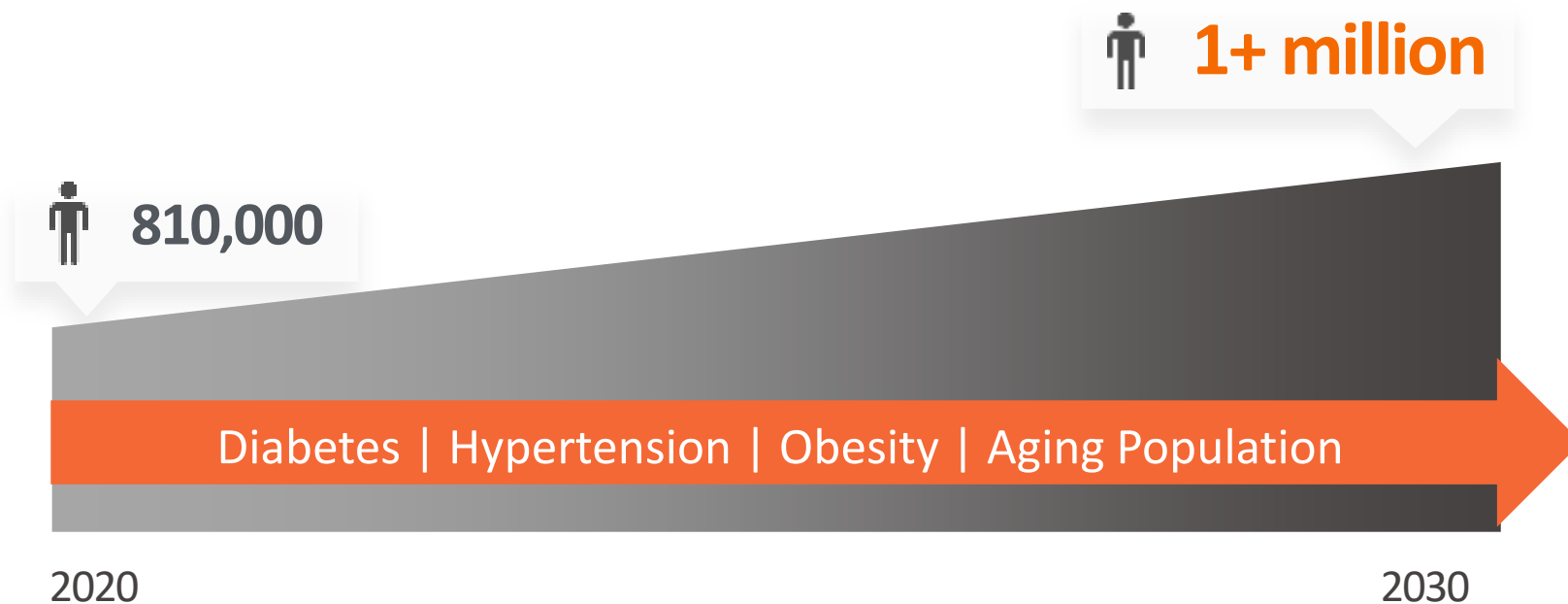
\$74B

Annual dialysis expenditure
in the U.S.

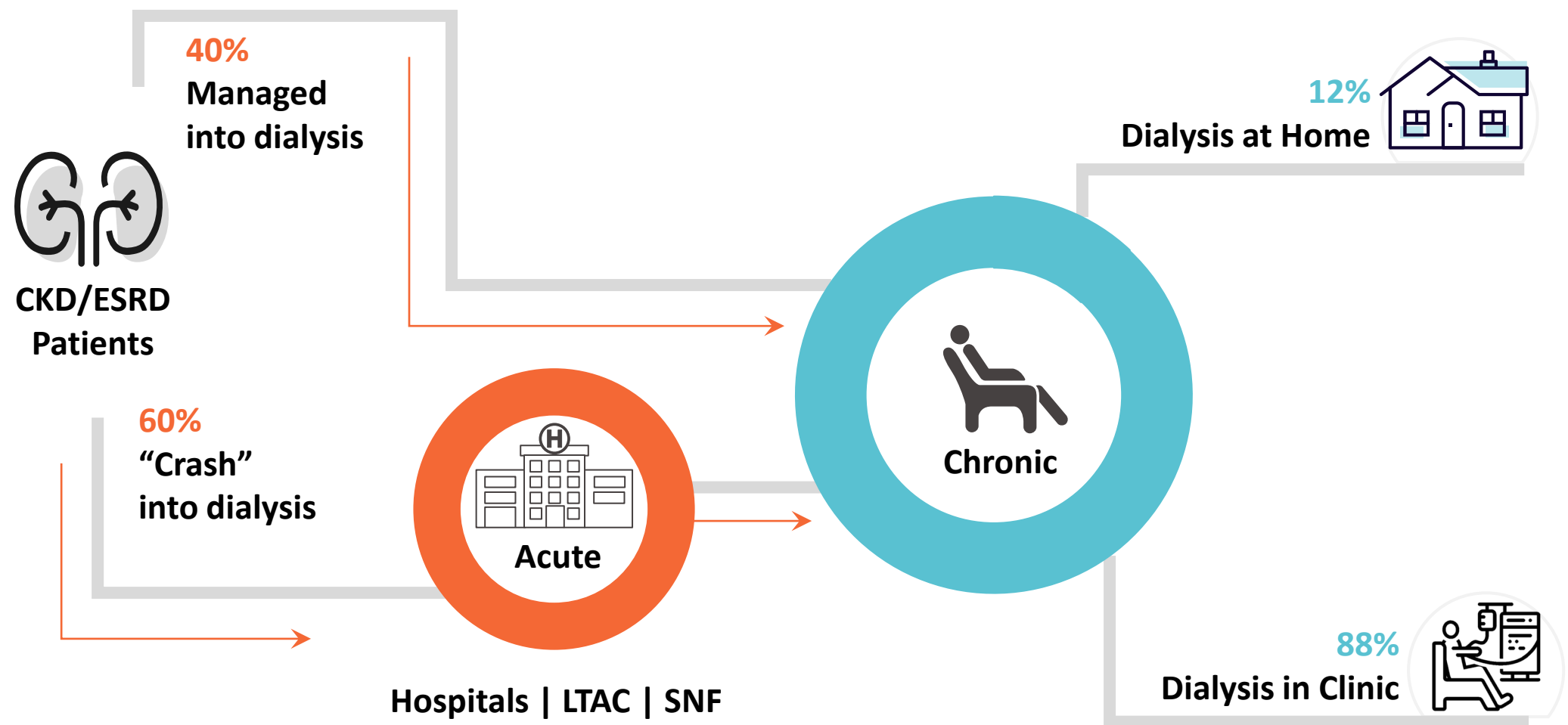
7% for 1%

Medicare budget devoted
to dialysis; ESRD patients as a
percentage of the Medicare
population (2017)

The ESRD population is expected to grow by more than
30% in the next ten years



Dialysis care landscape



Innovation is desperately needed



COMPLICATED



INFLEXIBLE

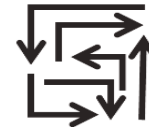


BURDENSOME

EXPENSIVE LABOR
AND SUPPLIES



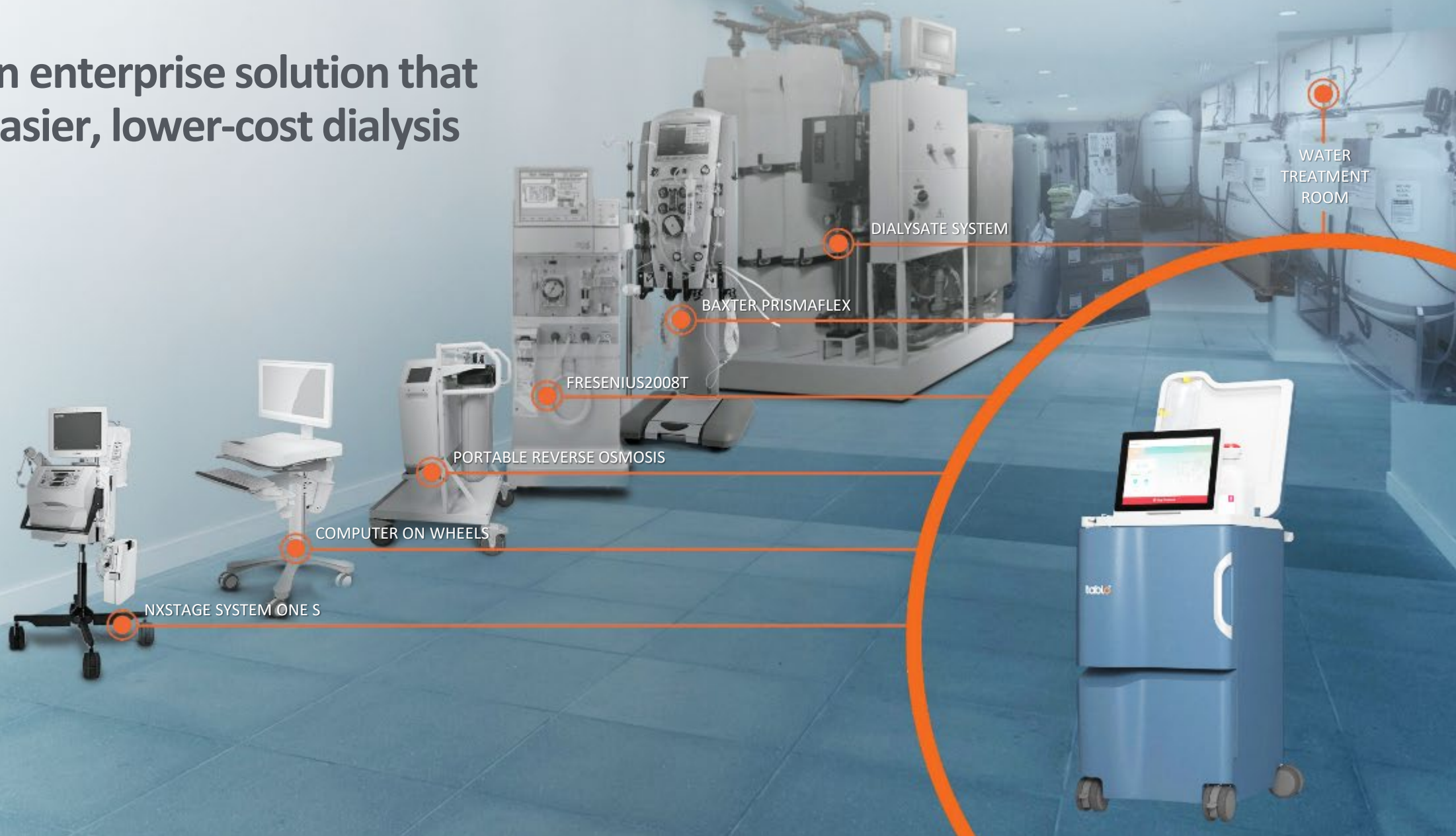
OPERATIONAL
INEFFICIENCY



LOW ADOPTION AND
RETENTION AT HOME



Tablo is an enterprise solution that delivers easier, lower-cost dialysis



One device, multiple
markets

\$11.1B U.S. TAM ⁽¹⁾



ACUTE CARE

Hospital & sub-acute
based dialysis

\$2.2B TAM ⁽¹⁾



HOME CARE

Home hemodialysis
& transitional care

\$8.9B TAM⁽¹⁾

1. Company estimates as of 2019 based on data contained in The United States Renal Data System's 2019 Annual Data Report 13

Tablo enables health systems to own patient care from the ICU to the home



01

Reduce acute labor and supplies cost by **up to 80%** ⁽¹⁾

02

Over 50% of chronic dialysis patients managed at home ⁽²⁾

03

Drive \$8,000–\$14,000 in annual profit per Tablo Home patient ⁽³⁾

Broad technology innovation drives execution against key strategic initiatives



Commercial Adoption and Expansion

- EMR-integrated treatment data and Tablo fleet management
- Remote diagnostics and predictive maintenance
- Clinical analytics supporting value-based care models



Operating and Gross Margin Expansion

- Digitized supply chain
- State-of-the-art, cloud-based manufacturing and quality documentation system
- Virtual distribution and logistics tracking



Acute market estimated to grow 7% annually over next 5 years

2,300 Hospitals delivering dialysis ⁽¹⁾

1,600 Sub-acute facilities managing dialysis patients ⁽¹⁾

Dialysis is a cost center for hospitals

- No separate DRG for inpatient dialysis
- Widespread cost problem for hospitals; ~600 DRGs involved dialysis in 2018
- 60% of hospitals stays involving dialysis resulted in negative operating margin

Tablo **reduces the cost and complexity** of acute dialysis

Pre-Tablo

1

Supplies Cost
Reduction

- Existing ICU machines require numerous dialysate bags for each treatment

2

Labor Cost
Reduction

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

With Tablo

- Tablo creates the dialysate on demand, eliminating the cost and complexity of bags
- Enables hospitals to insource and utilize their existing nursing staff to deliver dialysis

**Total Potential Cost Savings: \$300-
\$500/treatment ⁽¹⁾**
Potential payback period <1 year

Significant cost savings
generated for leading
hospitals and health
systems



Case Study: ICU Dialysis Cost Cut by 55%

Projected annual ICU dialysis cost





Home market significantly underpenetrated

- 550k** Chronic dialysis patients ⁽¹⁾
 - 30%** Patients eligible for home hemo ⁽²⁾
 - 2%** Patients on home hemo ⁽¹⁾
-

Historical Barriers

- Limited commercial payor engagement
- Medicare reimbursement misaligned with treatment frequency
- Inadequate provider payment incentives
- Cumbersome technology and training

1. Medicare data as of 2018

2. Company estimates as of 2019 based on data contained in The United States Renal Data System's 2019 Annual Data Report

Tablo addresses key barriers to home dialysis adoption and retention



Current Device

5-6x
treatments per week

100 hours
training per patient

16-24 hours/week
dialysate prep time

.Outset

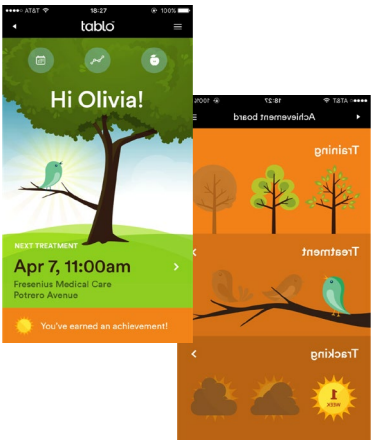
3x
treatments per week

<25 hours
of training per patient

0 hours/week
dialysate prep time



Outset's vision of the future... **an engaging, tech-enabled patient journey**



**Real-time virtual support;
interactive mobile
community; gamified data
and rewards**

*Reduce social-emotional drivers
of home attrition*



**Consumer-driven influence
and digital lead gen**

*Supplement clinic-based
patient education*



**At-home virtual training; immersive
simulation and augmented reality**

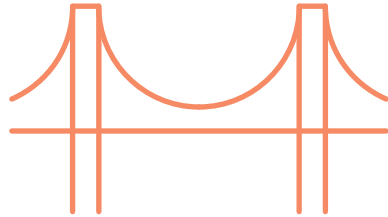


*Avoid clinic-based
training bottleneck*

Home market is **poised for change** and Outset's differentiated commercial strategy is designed to capitalize on it



ESRD patient eligibility
for Medicare
Advantage



Executive Order;
New CMS Add-on
payment



Patient preferences



Simpler Technology

**Outset's health system customer base serves as
the commercial entry point into the home**

Owning the home patient with Tablo drives significant incremental revenue and margin for health systems



\$8,000–\$14,000

Amount of annual profit each patient has the potential to generate for the health system ⁽¹⁾

18-31%

Estimated operating margin on each home patient

	Community Hospital	National Hospital Chain
Annual ESRD patients	~1k	~32k
Annual revenue outsourced to 3rd party dialysis operators ⁽²⁾	~\$44M	~\$1.9B
Converting 30% of ESRD patients to home program	~220 patients	~10k patients
New annual revenue	~\$13M	~\$581M
Incremental profit contribution	~\$3M	~\$115M

1. Based on 5-year calculation for Tablo Home program.
2. Key Assumptions: \$444 per treatment factoring in an estimated 65% Medicare payer mix

CMS deems Tablo a substantial clinical improvement over existing HHD device

TPNIES provides an additional ~10% increase above the dialysis base rate on each home treatment performed with Tablo

TPNIES: 2022-2023 Duration

- Dialysis providers will receive an estimated \$23-25/treatment on top of the Medicare base rate for each Tablo home treatment over 2 years.
- CMS' approval was based on Tablo clinical evidence demonstrating:
 - Treatment frequency flexibility
 - Higher patient treatment compliance and retention
 - Greater quality of life with less fatigue and time spent on dialysis-related tasks
- Payment is per treatment, irrespective of number of treatments per week
- CMS methodology: Price of console/5 yr useful life = $\$X/156 \text{ treatments per year} = \$Y/\text{tx} \times 0.65 = \$Z/\text{tx} - \$9.50/\text{tx}$ to account for what CMS already pays for equipment/tx.

ESRD Treatment Choices (ETC): 2021-2027 Duration

- ETC provides for additional payments (up to ~8%) or for reductions in payments (down by ~10%) depending on ability to drive home dialysis adoption and transplant wait list additions.
- Biden Administration further strengthened the ETC for 2022 by further elevating the home dialysis rates providers must achieve to receive the incremental improvement and/or avoid penalties.
- New Health Equity Incentive (HEI) starts 7/2022 and rewards providers for a 2.5% increase in home dialysis and transplant adoption by low-income patients.

IDE trial demonstrated Tablo's **safety and effectiveness** in the home

26-71

Years of age

43% / 27%

Black/Hispanic + Latino

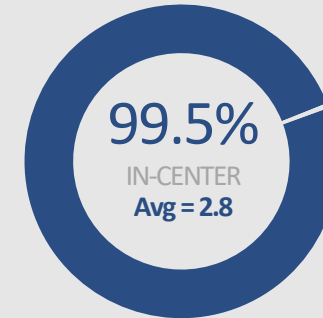
60%

History of diabetes

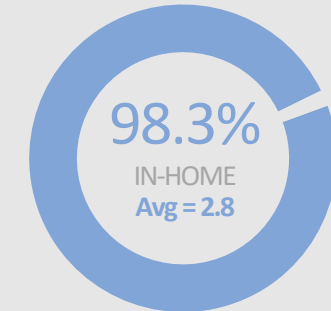
96%

History of hypertension

Met efficacy endpoints
Achieved weekly Std Kt/V ≥ 2.1



% weeks
that met
primary
endpoint



Met safety endpoints
1.8% overall incidence of adverse events

0 Pre-specified adverse
events related to Tablo

High home retention rate and
treatment compliance

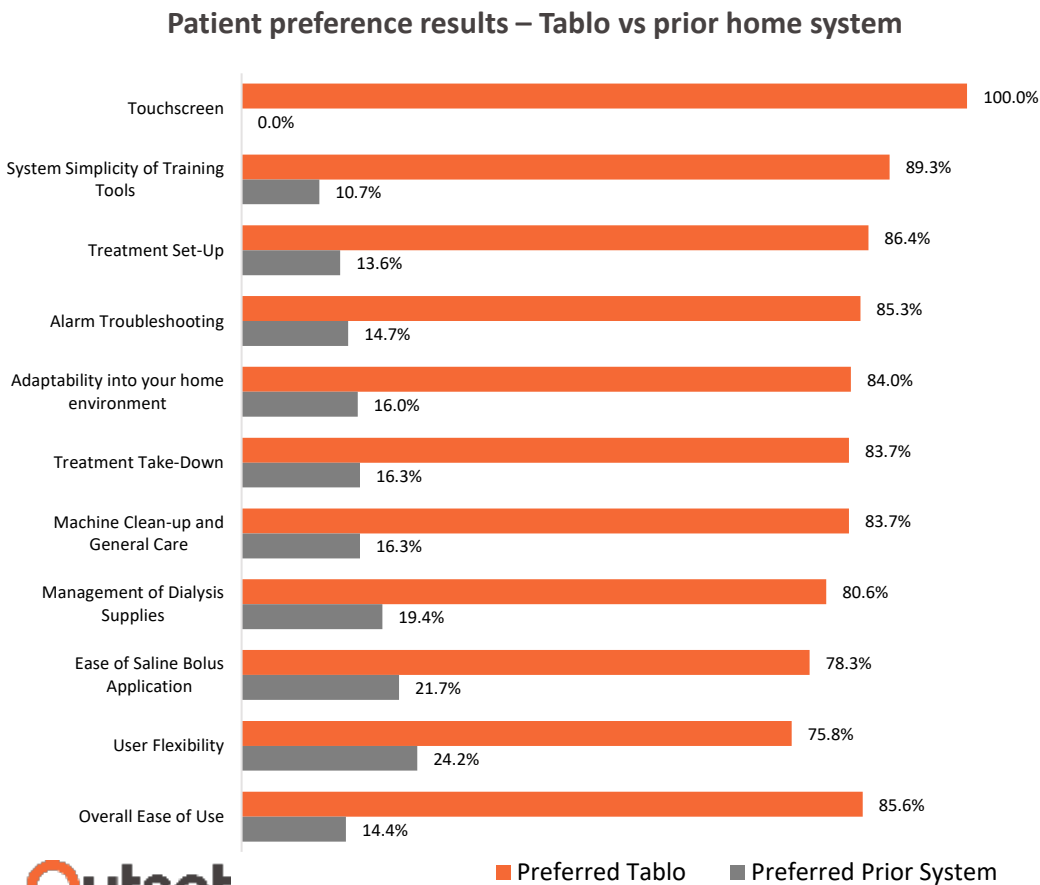
0%
Drop-out during
in-home period

99%
Adherence to
prescribed home
treatment frequency

Positive Tablo patient experience

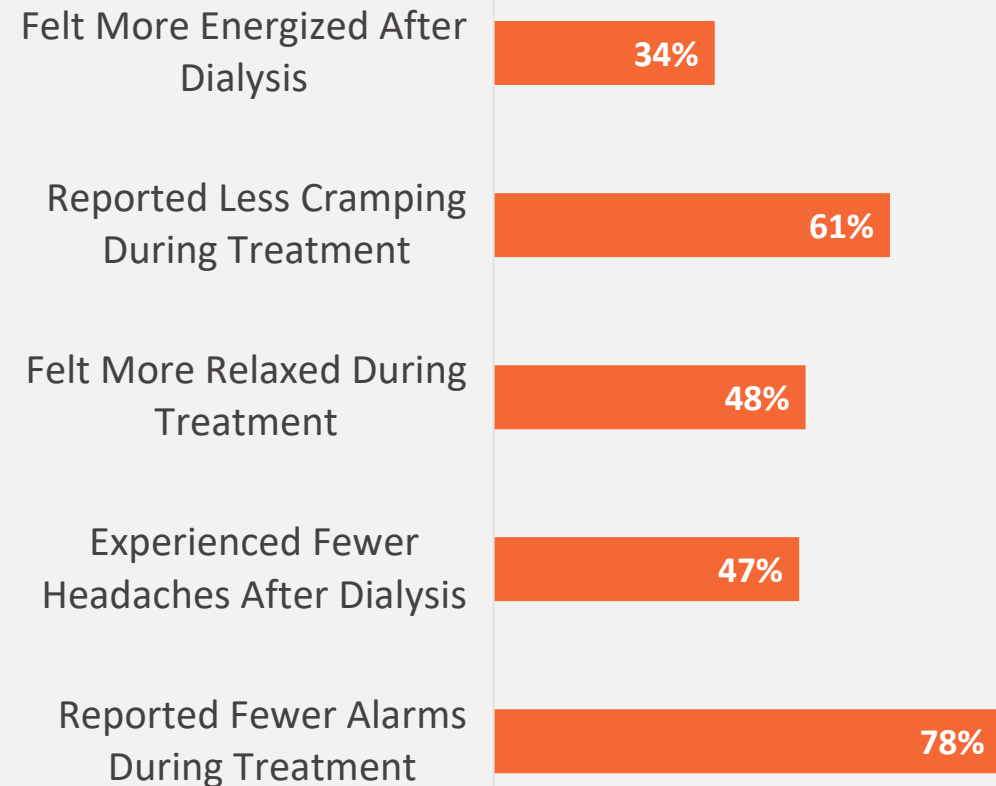
Patients Prefer Tablo for Home ⁽¹⁾

Surveyed 13 patients in the IDE previously at home using the incumbent HHD machine



Patients report fewer symptoms on Tablo ⁽²⁾

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



1. Outset 2019 IDE trial

2. Alvarez L, May Y, Chertow G. Early Patient Experience with the Tablo Hemodialysis System

Integrated commercial strategy drives acute growth and home expansion



ACUTE STRATEGY

- Top-down installed base growth through national and regional customers
- Expand within each location and across the system



HOME STRATEGY

- Target health systems and innovative care providers
- Grow patient adoption, retention and cost of care evidence base

Same customers, physicians, training and support

**Clinical
Sales Reps**

Utilization and fleet expansion



**Capital
Sales Team**

System-wide console adoption



**Field Service
Engineers**

Technical support

Outset's business model



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

1

Single platform optimizes
commercial outreach and
manufacturing



Data ecosystem
streamlines service and
support



Console utilization leads to
higher treatment revenue
mix

Environmental, Social, and Governance (ESG)

Heightening our focus and transparency



*Inaugural ESG Report
Launched November 2021*

- Addressing racial disparities in access to kidney care
- Leadership diversity
- Committed to environmental sustainability
- Highly-engaged workforce



Leadership diversity



Gender, racially, or ethnically
diverse senior leaders

Employee engagement

87%

Engagement score with 95%
of employees participating in
our "Employee Voice" survey

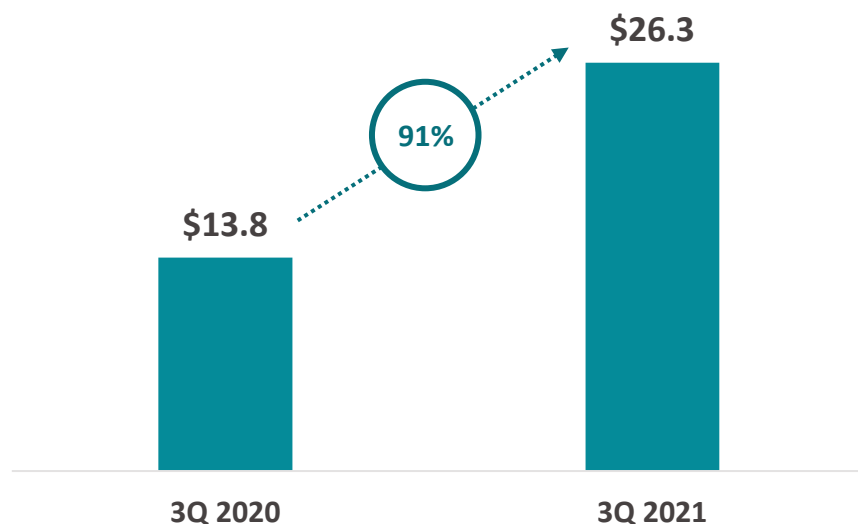


Gender diversity

Women 4
Men 3

Third quarter 2021 financial performance

Total Revenue (\$M):



Product Revenue

\$10.8 → +102% → \$21.8

Service & Other Revenue

\$2.9 → +53% → \$4.5

Non-GAAP ⁽¹⁾ Financial Metrics:

	3Q 2020	3Q 2021
Gross Profit	(\$5.0M)	\$3.0M
Gross Margin	(36.3)%	11.4%
Net Income (Loss)	(\$28.4M)	(\$27.6M)

Total cash balance of \$406.4M⁽²⁾ as of September 30, 2021

Appendix

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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
GAAP net loss per share to common stockholders, diluted	\$ (0.65)	\$ (3.44)	\$ (1.96)	\$ (6.30)
Stock-based compensation expense	0.06	1.13	0.27	2.02
Non-GAAP net loss per share to common stockholders, diluted	<u>\$ (0.59)</u>	<u>\$ (2.31)</u>	<u>\$ (1.69)</u>	<u>\$ (4.28)</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
GAAP net loss attributable to common stockholders, diluted	\$ (30,470)	\$ (42,294)	\$ (90,703)	\$ (47,281)
Stock-based compensation expense	2,864	13,908	12,653	15,171
Non-GAAP net loss attributable to common stockholders, diluted	<u>\$ (27,606)</u>	<u>\$ (28,386)</u>	<u>\$ (78,050)</u>	<u>\$ (32,110)</u>

Reconciliation between GAAP and non-GAAP results of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
GAAP gross profit	\$ 2,946	\$ (5,126)	\$ 4,287	\$ (13,454)
Stock-based compensation expense	64	142	201	181
Non-GAAP gross profit	<u>\$ 3,010</u>	<u>\$ (4,984)</u>	<u>\$ 4,488</u>	<u>\$ (13,273)</u>
GAAP gross margin	11.2 %	(37.3) %	5.8 %	(41.2) %
Stock-based compensation expense	0.2	1.0	0.3	0.6
Non-GAAP gross margin	<u>11.4 %</u>	<u>(36.3) %</u>	<u>6.1 %</u>	<u>(40.6) %</u>
GAAP research and development expense	\$ 9,729	\$ 9,175	\$ 25,331	\$ 21,066
Stock-based compensation expense	(760)	(3,074)	(2,568)	(3,326)
Non-GAAP research and development expense	<u>\$ 8,969</u>	<u>\$ 6,101</u>	<u>\$ 22,763</u>	<u>\$ 17,740</u>
GAAP sales and marketing expense	\$ 15,726	\$ 13,344	\$ 42,079	\$ 29,870
Stock-based compensation expense	(1,207)	(2,645)	(4,001)	(2,828)
Non-GAAP sales and marketing expense	<u>\$ 14,519</u>	<u>\$ 10,699</u>	<u>\$ 38,078</u>	<u>\$ 27,042</u>
GAAP general and administrative expense	\$ 7,629	\$ 13,088	\$ 26,597	\$ 21,462
Stock-based compensation expense	(833)	(8,047)	(5,883)	(8,836)
Non-GAAP general and administrative expense	<u>\$ 6,796</u>	<u>\$ 5,041</u>	<u>\$ 20,714</u>	<u>\$ 12,626</u>
GAAP total operating expense	\$ 33,084	\$ 35,607	\$ 94,007	\$ 72,398
Stock-based compensation expense	(2,800)	(13,766)	(12,452)	(14,990)
Non-GAAP total operating expense	<u>\$ 30,284</u>	<u>\$ 21,841</u>	<u>\$ 81,555</u>	<u>\$ 57,408</u>