



Fourth Quarter & Full Year 2021 Results

Earnings Presentation

February 15, 2022



FORWARD-LOOKING STATEMENTS

These presentations contain forward-looking statements within the meaning of federal securities laws, including, among others, statements about our expectations, plans, strategies or prospects. We generally use the words “may,” “will,” “expect,” “believe,” “anticipate,” “plan,” “estimate,” “project,” “assume,” “guide,” “target,” “forecast,” “see,” “seek,” “can,” “should,” “could,” “would,” “intend” “predict,” “potential,” “strategy,” “is confident that,” “future,” “opportunity,” “work toward,” and similar expressions to identify forward-looking statements. All statements other than statements of historical or current fact are, or may be deemed to be, forward-looking statements. Such statements are based upon the current beliefs, expectations and assumptions of management and are subject to significant risks, uncertainties and changes in circumstances that could cause actual results to differ materially from the forward-looking statements. Forward-looking statements speak only as of the date they are made, and we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers of these presentations are cautioned not to rely on these forward-looking statements, since there can be no assurance that these forward-looking statements will prove to be accurate. This cautionary statement is applicable to all forward-looking statements contained in these presentations. The risks and uncertainties that may cause actual results to differ materially from Masimo’s current expectations are more fully described in Masimo’s reports filed with the U.S. Securities and Exchange Commission (SEC), including our most recent Form 10-K and Form 10-Q. Copies of these filings, as well as subsequent filings, are available online at www.sec.gov, www.masimo.com or upon request.





NON-GAAP FINANCIAL MEASURES

The non-GAAP financial measures contained herein are a supplement to the corresponding financial measures prepared in accordance with U.S. GAAP. The non-GAAP financial measures presented exclude certain items that are more fully described in the Appendix. Management believes that adjustments for these items assist investors in making comparisons of period-to-period operating results. Furthermore, management also believes that these items are not indicative of the Company's on-going core operating performance. These non-GAAP financial measures have certain limitations in that they do not reflect all of the costs associated with the operations of the Company's business as determined in accordance with GAAP. Therefore, investors should consider non-GAAP financial measures in addition to, and not as a substitute for, or as superior to, measures of financial performance prepared in accordance with GAAP. The non-GAAP financial measures presented by the Company may be different from the non-GAAP financial measures used by other companies. The Company has presented the following non-GAAP measures to assist investors in understanding the Company's core net operating results on an on-going basis: (i) constant currency product revenue growth %, (ii) non-GAAP gross profit/margin %, (iii) non-GAAP SG&A expense, (iv) non-GAAP R&D expense, (v) non-GAAP litigation settlements and (awards), (vi) non-GAAP operating expense %, (vii) non-GAAP operating income/margin %, (viii) non-GAAP earnings per diluted share and (ix) adjusted free cash flow. These non-GAAP financial measures may also assist investors in making comparisons of the company's core operating results with those of other companies. Management believes constant currency product revenue growth, non-GAAP gross profit/margin, non-GAAP operating income/margin, non-GAAP net income, non-GAAP net income per diluted share, and adjusted free cash flow are important measures in the evaluation of the Company's performance and uses these measures to better understand and evaluate our business. For additional financial details, including GAAP to non-GAAP reconciliations, please visit the Investor Relations section of the Company's website at www.masimo.com to access Supplementary Financial Information.



Fourth Quarter 2021 Highlights

Revenue ❖ Product revenue was \$327.6 million, which represents 11.0% reported growth and 11.5% growth on a constant currency basis⁽¹⁾

Shipments ❖ Excluding handheld and fingertip pulse oximeters, shipments of noninvasive technology boards and instruments was 76,000

Profitability ❖ GAAP operating margin was 23.6%
❖ Non-GAAP operating margin⁽¹⁾ was 25.7%

EPS ❖ GAAP EPS was \$1.18 per diluted share
❖ Non-GAAP EPS⁽¹⁾ was \$1.21 per diluted share

Cash ❖ Operating cash flow was \$97.6 million
❖ Adjusted free cash flow⁽¹⁾ was \$92.8 million
❖ Cash and investments balance was \$745.3 million

⁽¹⁾ Non-GAAP measures shown have been adjusted for certain items that are fully described in the Appendix. Please visit the Investor Relations section of the Company's website at www.masimo.com to access additional information related to our Non-GAAP adjustments and Supplementary Financial Information.



Fourth Quarter 2021 Results – GAAP⁽¹⁾

(in millions; except % and EPS)	vs. Prior Year		
	Q4 2021	Q4 2020	Reported
Revenue	\$327.6	\$295.1	11.0%
Gross Margin	65.6%	63.4%	220 bps
SG&A Expense	31.8%	30.6%	120 bps
R&D Expense	10.2%	10.7%	(50) bps
Operating Expenses	42.0%	41.4%	60 bps
Operating Margin	23.6%	22.0%	160 bps
Tax Rate	11.0%	(5.9)%	1,690 bps
GAAP EPS	\$1.18	\$1.21	(2.5)%

⁽¹⁾ May not foot due to rounding.



Fourth Quarter 2021 Results – Non-GAAP⁽¹⁾

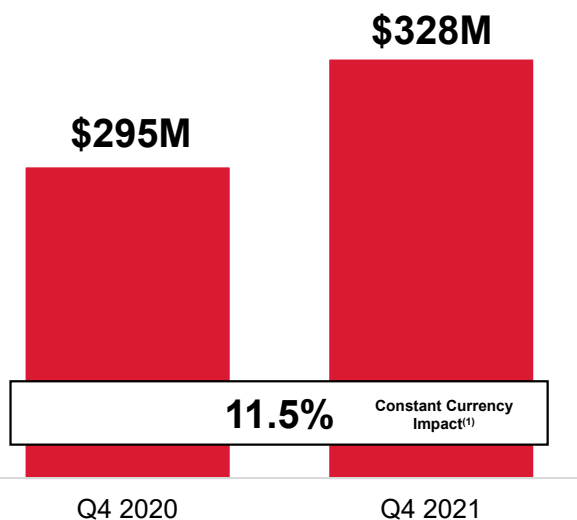
(in millions; except % and EPS)	Q4 2021	Q4 2020	vs. Prior Year	
			Reported	Constant Currency
Revenue	\$327.6	\$295.1	11.0%	11.5%
Gross Margin	65.9%	63.5%	240 bps	
SG&A Expense	30.0%	29.7%	30 bps	
R&D Expense	10.2%	10.7%	(50) bps	
Operating Expenses	40.2%	40.4%	(20) bps	
Operating Margin	25.7%	23.1%	260 bps	
Tax Rate	16.9%	16.4%	50 bps	
Non-GAAP EPS	\$1.21	\$0.98	23.5%	

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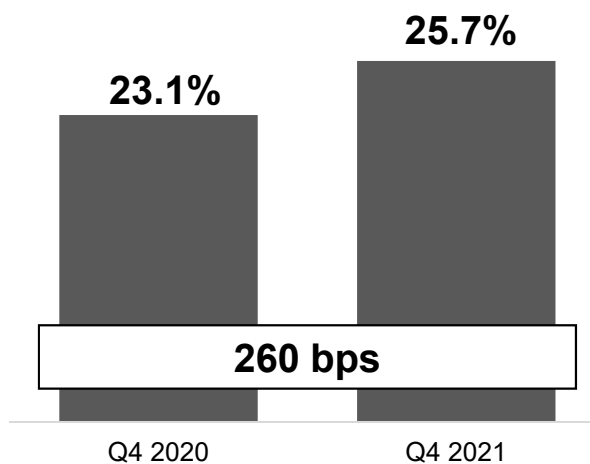


Fourth Quarter 2021 Results – Non-GAAP⁽¹⁾

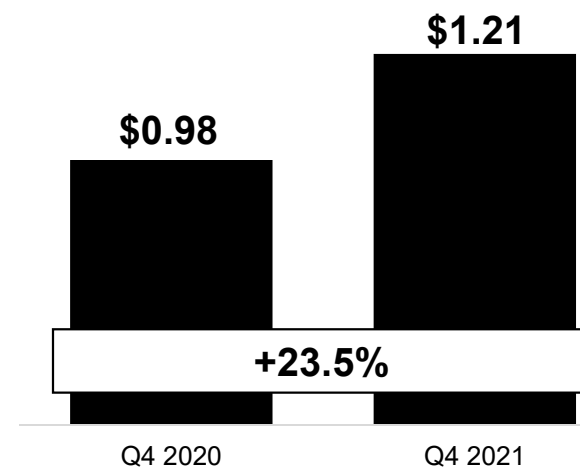
Product Revenue



Non-GAAP⁽¹⁾ Operating Margin



Non-GAAP⁽¹⁾ EPS



⁽¹⁾ Non-GAAP measures shown have been adjusted for certain items that are fully described in the Appendix. Please visit the Investor Relations section of the Company's website at www.masimo.com to access additional information related to our Non-GAAP adjustments and Supplementary Financial Information.



Full Year 2021 Highlights

Revenue ❖ Product revenue of \$1,239.2 million, which reflects 8.3% reported growth and 7.6% growth on a constant currency basis⁽¹⁾

Profitability ❖ GAAP operating margin of 22.3%
❖ Non-GAAP operating margin⁽¹⁾ of 23.8%

EPS ❖ GAAP EPS of \$3.98 per diluted share
❖ Non-GAAP EPS⁽¹⁾ of \$3.99 per diluted share

⁽¹⁾ Non-GAAP measures shown have been adjusted for certain items that are fully described in the Appendix. Please visit the Investor Relations section of the Company's website at www.masimo.com to access additional information related to our Non-GAAP adjustments and Supplementary Financial Information.



Full Year 2021 Results – GAAP⁽¹⁾

(in millions; except % and EPS)	FY 2021	FY 2020	vs. Prior Year
			Reported
Revenue	\$1,239.2	\$1,143.7	8.3%
Gross Margin	65.2%	65.0%	20 bps
SG&A Expense	31.9%	32.3%	(40) bps
R&D Expense	11.1%	10.4%	70 bps
Operating Expenses	43.0%	42.6%	40 bps
Operating Margin	22.3%	22.4%	(10) bps
Tax Rate	16.3%	8.9%	740 bps
GAAP EPS	\$3.98	\$4.14	(3.9)%

⁽¹⁾ May not foot due to rounding.



Full Year 2021 Results – Non-GAAP⁽¹⁾

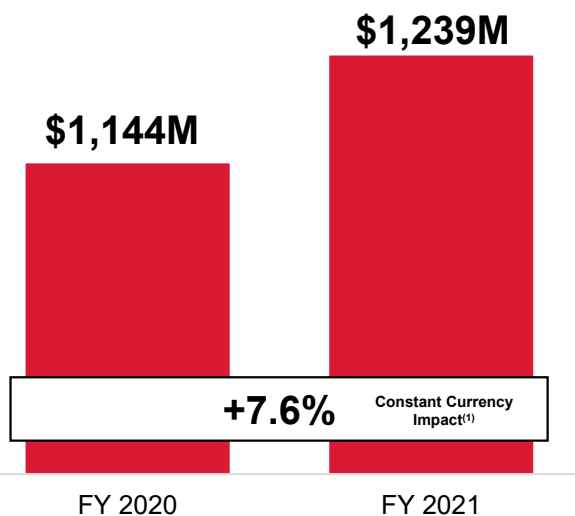
(in millions; except % and EPS)	FY 2021	FY 2020	vs. Prior Year	
			Reported	Constant Currency
Revenue	\$1,239.2	\$1,143.7	8.3%	7.6%
Gross Margin	65.8%	65.1%	70 bps	
SG&A Expense	30.9%	31.7%	(80) bps	
R&D Expense	11.1%	10.4%	70 bps	
Operating Expenses	42.0%	42.1%	(10) bps	
Operating Margin	23.8%	23.1%	70 bps	
Tax Rate	22.0%	22.2%	(20) bps	
Non-GAAP EPS	\$3.99	\$3.60	10.8%	

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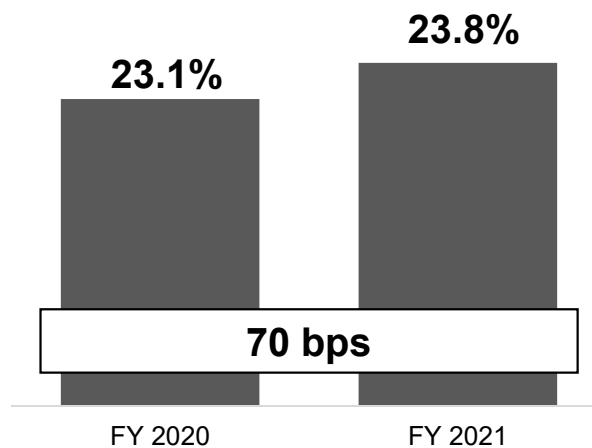


Full Year 2021 Results – Non-GAAP⁽¹⁾

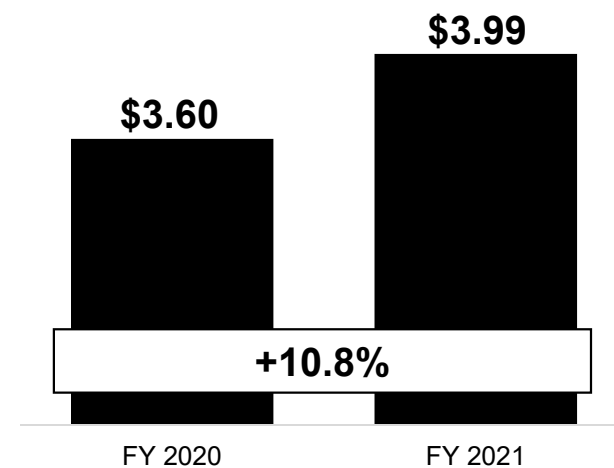
Product Revenue



Non-GAAP⁽¹⁾ Operating Margin



Non-GAAP⁽¹⁾ EPS



⁽¹⁾ Non-GAAP measures shown have been adjusted for certain items that are fully described in the Appendix. Please visit the Investor Relations section of the Company's website at www.masimo.com to access additional information related to our Non-GAAP adjustments and Supplementary Financial Information.



Full Year 2022 Financial Guidance

Revenue ❖ Product revenue of \$1,350 million, which reflects 8.9% reported growth and 9.5% growth on a constant currency basis⁽¹⁾

Profitability ❖ GAAP operating margin of 23.0%
❖ Non-GAAP operating margin⁽¹⁾ of 24.8%

EPS ❖ GAAP EPS of \$4.27 per diluted share
❖ Non-GAAP EPS⁽¹⁾ of \$4.34 per diluted share

⁽¹⁾ Non-GAAP measures shown have been adjusted for certain items that are fully described in the Appendix. Please visit the Investor Relations section of the Company's website at www.masimo.com to access additional information related to our Non-GAAP adjustments and Supplementary Financial Information.



Full Year 2022 Financial Guidance – GAAP⁽¹⁾

(in millions; except % and EPS)	FY 2022	FY 2021	vs. Prior Year
			Reported
Revenue	\$1,350.0	\$1,239.2	8.9%
Gross Margin	66.2%	65.2%	100 bps
Operating Expenses	43.2%	43.0%	20 bps
Operating Margin	23.0%	22.3%	70 bps
Tax Rate	19.4%	16.3%	310 bps
GAAP EPS	\$4.27	\$3.98	7.3%

⁽¹⁾ May not foot due to rounding.



Full Year 2022 Financial Guidance – Non-GAAP⁽¹⁾

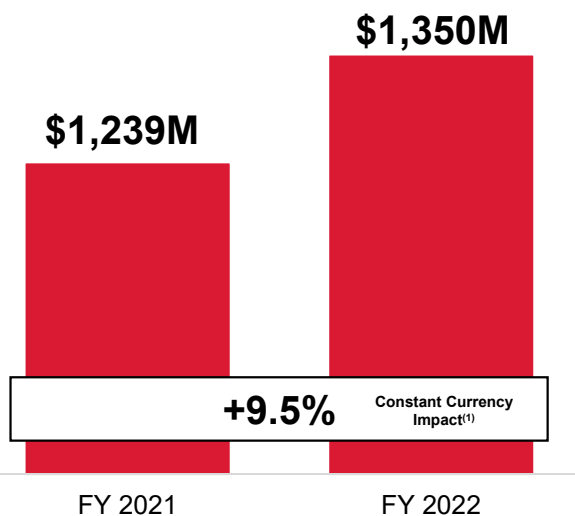
(in millions; except % and EPS)	FY 2022	FY 2021	vs. Prior Year	
			Reported	Constant Currency
Revenue	\$1,350.0	\$1,239.2	8.9%	9.5%
Gross Margin	66.5%	65.8%	70 bps	
Operating Expenses	41.7%	42.0%	(30) bps	
Operating Margin	24.8%	23.8%	100 bps	
Tax Rate	24.0%	22.0%	200 bps	
Non-GAAP EPS	\$4.34	\$3.99	8.8%	

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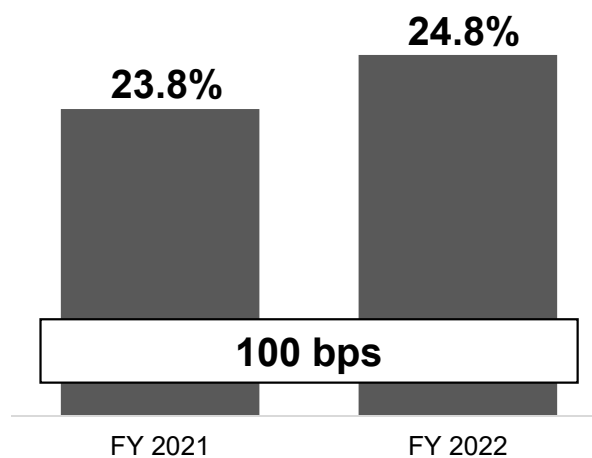


Full Year 2022 Financial Guidance – Non-GAAP⁽¹⁾

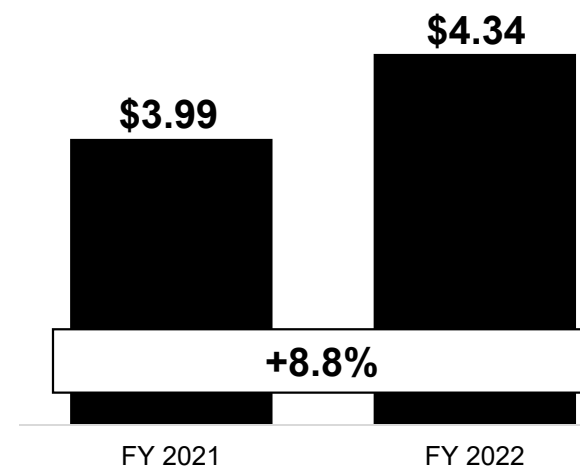
Product Revenue



Non-GAAP⁽¹⁾ Operating Margin



Non-GAAP⁽¹⁾ EPS



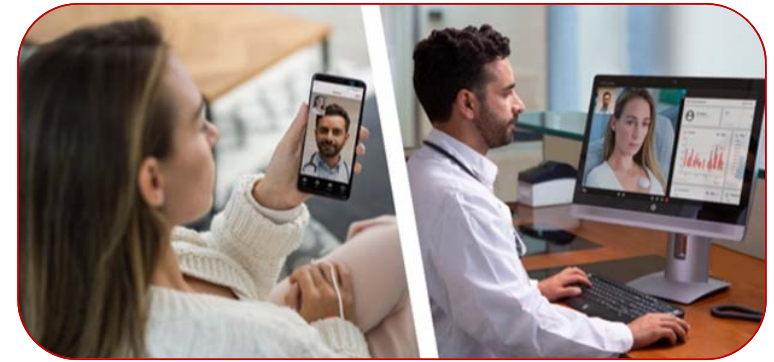
⁽¹⁾ Non-GAAP measures shown have been adjusted for certain items that are fully described in the Appendix. Please visit the Investor Relations section of the Company's website at www.masimo.com to access additional information related to our Non-GAAP adjustments and Supplementary Financial Information.



Masimo Adds Telehealth to Its Masimo SafetyNet[®] Telemonitoring System

Masimo SafetyNet[®] Telemonitoring System Overview

- Enhances **Telehealth** capabilities with advanced communication and collaboration features
 - Capabilities include ability for enhanced video conferencing with share screen, launching a digital whiteboard, chatting via in-app secure messaging, and inviting additional clinicians
- **Telemonitoring** technology for capturing critical data via wireless sensors with cloud-based access for healthcare providers
 - Management of chronic disease patients with fully customizable care programs
 - Integrates Masimo wireless sensors and third-party technologies
- **Hospital-at-home** transition enabled more effectively via ability to replicate traditional care interactions
 - Continuous monitoring capabilities enables early discharge



Introducing The Masimo W1: Continuous Health Monitoring Watch ⁽¹⁾

Masimo W1™ Overview

- Leverages proprietary SET® Pulse Oximetry technology
- Continuous monitoring of multiple parameters including oxygen saturation (SpO₂), pulse rate and respiratory rate (RR)
- Fall detection, steps and electrocardiogram (ECG)
- Integrated with the Masimo SafetyNet® Platform for telehealth
- Ideal for patients needing monitoring outside the hospital
- Platform with broad expansion opportunities across multiple use cases and users



⁽¹⁾ This device is not FDA 510(k) cleared.

Masimo: Connected In Hospital, Connected At Home

Masimo in Hospital



Masimo in Home & On-the-Go



Suite of interconnected health & consumer wellness solutions across both hospital & home

Sound United: Premium Consumer Technology Leader

Business Overview

- Iconic and universally-recognized brands with entrenched relationships into consumer channels
- Long heritage of excellence in premium audio technologies
- Fully-integrated wireless software platform, including HEOS Ecosystem connecting devices and networks in the home.

Iconic Premium Brands



Blue-Chip Customer Relationships



Key Stats

\$1.025B	~\$0.9B	~\$125mm	Double-Digit	HSD	20,000
Purchase Price	CY 2021E Revenue	CY 2021E Adj. EBITDA	CY 2021E Revenue Growth	Long-Term Growth	Points of Retail & Install Distribution

Strategic Opportunity for Masimo

Integration of healthcare technology with consumer products

- Evolving large total addressable market opportunity
- High-fidelity telehealth solutions

Cross-leveraging core competencies and capabilities

- Helps bring Masimo's W1 and other clinical-grade technologies into the home and on-the-go settings
- Accelerates development of connectivity and cloud-based applications
- Provides access to a well-established channel for consumer and telemedicine solutions
- Premium brands with strong recognition and credibility

Well-positioned to deliver continued strong growth

- Highly experienced leadership team with proven track record
- Deep, long-term relationships with diversified, blue-chip customers
- Sustainable long-term growth fundamentals

Strategic Expansion of Masimo

Non-Invasive Patient Monitoring

+

Hospital Automation & Connectivity

+

Telehealth, Telemonitoring, Hospital-At-Home & Consumer Health and Wellness



History

Today

Tomorrow



Appendices

GAAP to Non-GAAP Adjustments and
Reconciliations

Description of Non-GAAP Adjustments

The non-GAAP financial measures reflect adjustments for the following items, as well as the related income tax effects thereof:

Constant currency adjustments

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

Royalty and other revenue, net of related costs

We derive royalty and other revenue, net of related costs, from certain non-recurring contractual arrangements that we do not expect to continue in the future. We believe the exclusion of royalty and other revenue, net of related costs, associated with these non-recurring revenue streams is useful to management and investors in evaluating the performance of our ongoing operations on a period-to-period basis.

Acquisition, integration and related costs

These transactions represent gains, losses, and other related costs associated with acquisitions, integrations, investments and divestitures. These items also include but are not limited to amortization and depreciation of intangible assets, asset impairments, and in-process research and development. We believe that the exclusion of these items is useful to management and investors in evaluating the performance of our ongoing operations on a period-to-period basis.

Litigation related expenses, settlements and awards

These transactions represent gains, losses, and other related costs associated with certain litigation matters, which can vary in their characteristics, frequency and significance to our operating results. We believe that the exclusion of these items is useful to management and investors in evaluating the performance of our ongoing operations on a period-to-period basis.

Other adjustments

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



Description of Non-GAAP Adjustments

Realized and unrealized gains or losses from foreign currency transactions

These transactions represent gains, losses, and other related costs associated with foreign currency denominated transactions and investments. As the Company does not actively hedge these currency exposures, changes in the underlying currency rates relative to the U.S. Dollar may result in realized and unrealized foreign currency gains and losses between the time these receivables and payables arise and the time that they are settled in cash. Unrealized and realized gains and losses on investments may impact the Company's reported results of operations for a period. These items are highly variable, difficult to predict and outside the control of those responsible for the underlying operations of the business. We believe that exclusion of these items is useful to management and investors in evaluating the performance of our ongoing operations on a period-to-period basis.

Tax impact of non-GAAP adjustments

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

Excess tax benefits from stock-based compensation

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

Adjusted Free Cash Flow

Represents free cash flow (cash flow from operations less cash used for the purchase of property, plant and equipment) adjusted for the impact of cash receipts or payments relating to certain previously described non-GAAP adjustments, which may impact period over period comparability.

Constant Currency Product Revenue^{(1),(2)}

RECONCILIATION OF GAAP PRODUCT REVENUE GROWTH TO CONSTANT CURRENCY PRODUCT REVENUE GROWTH

(in thousands, except percentages)

	<u>Q4 2020</u>	<u>FY 2020</u>	<u>Q4 2021</u>	<u>FY 2021</u>	<u>2022 Full Year Guidance⁽³⁾</u>
GAAP product revenue	\$ 295,054	\$ 1,143,744	\$ 327,578	\$ 1,239,153	\$ 1,350,000
Constant currency F/X adjustments	<u>N/A</u>	<u>N/A</u>	<u>1,341</u>	<u>(8,176)</u>	<u>7,000</u>
Constant currency (non-GAAP) product revenue	<u>\$ 295,054</u>	<u>\$ 1,143,744</u>	<u>\$ 328,919</u>	<u>\$ 1,230,976</u>	<u>\$ 1,357,000</u>
GAAP product revenue growth			11.0%	8.3%	8.9%
Constant currency (non-GAAP) product revenue growth			11.5%	7.6%	9.5%

⁽¹⁾ Please visit the Investor Relations section of the Company's website at www.masimo.com to access additional information related to our Non-GAAP adjustments and Supplementary Financial Information.

⁽²⁾ Reported amounts may vary from amounts previously reported due to rounding conventions; Note items may not foot due to rounding.

⁽³⁾ Consistent with guidance provided on January 11, 2022.



Non-GAAP Gross Margin %^{(1),(2)}

RECONCILIATION OF GAAP GROSS PROFIT/MARGIN TO NON-GAAP GROSS PROFIT/MARGIN:

(in thousands, except percentages)

	<u>Q4 2020</u>	<u>FY 2020</u>	<u>Q4 2021</u>	<u>FY 2021</u>	<u>2022 Full Year Guidance⁽³⁾</u>
GAAP gross profit/margin	\$ 186,926	\$ 743,065	\$ 214,896	\$ 808,347	\$ 893,500
Non-GAAP adjustments:					
Royalty and other revenue, net of related costs	-	-	-	-	-
Acquisition, integration and related costs	447	1,807	1,008	3,813	4,000
Other adjustments ⁽⁵⁾	-	-	-	3,362	-
Total non-GAAP gross profit/margin adjustments	<u>447</u>	<u>1,807</u>	<u>1,008</u>	<u>7,175</u>	<u>4,000</u>
Non-GAAP gross profit/margin	<u>\$ 187,373</u>	<u>\$ 744,872</u>	<u>\$ 215,905</u>	<u>\$ 815,522</u>	<u>\$ 897,500</u>
Non-GAAP gross margin % ⁽⁴⁾	63.5%	65.1%	65.9%	65.8%	66.5%

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⁽²⁾ Reported amounts may vary from amounts previously reported due to rounding conventions; Note items may not foot due to rounding.

⁽³⁾ Consistent with guidance provided on January 11, 2022.

⁽⁴⁾ Calculated as a percentage of product revenue.

⁽⁵⁾ Other adjustments includes a charge in 2021 related to assisting a long-term OEM customer with their medical device correction.



Non-GAAP Operating Expense %^{(1),(2)}

RECONCILIATION OF GAAP OPERATING EXPENSES TO NON-GAAP OPERATING EXPENSES:

(in thousands, except percentages)

	<u>Q4 2020</u>	<u>FY 2020</u>	<u>Q4 2021</u>	<u>FY 2021</u>	<u>2022 Full Year Guidance⁽³⁾</u>
GAAP selling, general and administrative operating expenses	\$ 90,343	\$ 369,057	\$ 104,111	\$ 395,291	
Non-GAAP adjustments:					
Acquisition, integration and related costs	(2,749)	(6,347)	(1,398)	(5,872)	
Litigation related expenses, settlements and awards ⁽⁵⁾	-	-	(3,887)	(5,437)	
Other Adjustments	-	-	(530)	(530)	
Non-GAAP selling, general and administrative operating expenses	<u>\$ 87,593</u>	<u>\$ 362,709</u>	<u>\$ 98,295</u>	<u>\$ 383,451</u>	
Non-GAAP selling, general, and administrative operating expenses % ⁽⁴⁾	29.7%	31.7%	30.0%	30.9%	
GAAP research and development operating expenses	\$ 31,688	\$ 118,659	\$ 33,374	\$ 137,234	
Non-GAAP adjustments:					
Acquisition, integration and related costs	(53)	(132)	-	-	
Non-GAAP research and development operating expenses	<u>\$ 31,635</u>	<u>\$ 118,526</u>	<u>\$ 33,374</u>	<u>\$ 137,234</u>	
Non-GAAP research and development operating expenses % ⁽⁴⁾	10.7%	10.4%	10.2%	11.1%	
GAAP litigation settlements and (awards)	\$ -	\$ (474)	\$ -	\$ -	
Non-GAAP adjustments:					
Litigation related expenses, settlements and awards ⁽⁵⁾	-	474	-	-	
Non-GAAP litigation settlements and (awards)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
GAAP operating expenses	\$ 122,031	\$ 487,242	\$ 137,485	\$ 532,525	\$ 582,600
Non-GAAP adjustments:					
Acquisition, integration and related costs	(2,802)	(6,479)	(1,398)	(5,872)	(8,000)
Litigation related expenses, settlements and awards ⁽⁵⁾	-	474	(3,887)	(5,437)	(12,000)
Other Adjustments	-	-	(530)	(530)	-
Total non-GAAP operating expense adjustments	<u>(2,802)</u>	<u>(6,005)</u>	<u>(5,815)</u>	<u>(11,839)</u>	<u>(20,000)</u>
Non-GAAP operating expenses	<u>\$ 119,228</u>	<u>\$ 481,236</u>	<u>\$ 131,668</u>	<u>\$ 520,685</u>	<u>\$ 562,600</u>
Non-GAAP operating expenses % ⁽⁴⁾	40.4%	42.1%	40.2%	42.0%	41.7%

⁽¹⁾ Please visit the Investor Relations section of the Company's website at www.masimo.com to access additional information related to our Non-GAAP adjustments and Supplementary Financial Information.

⁽²⁾ Reported amounts may vary from amounts previously reported due to rounding conventions; Note items may not foot due to rounding.

⁽³⁾ Consistent with guidance provided on January 11, 2022.

⁽⁴⁾ Calculated as a percentage of product revenue.

⁽⁵⁾ Litigation related expenses, settlements and awards includes legal expenses related to a complaint filed against Apple, Inc. with the U.S. International Trade Commission (ITC).



Non-GAAP Operating Margin %^{(1),(2)}

RECONCILIATION OF GAAP OPERATING INCOME/MARGIN TO NON-GAAP OPERATING INCOME/MARGIN:

(in thousands, except percentages)

	<u>Q4 2020</u>	<u>FY 2020</u>	<u>Q4 2021</u>	<u>FY 2021</u>	<u>2022 Full Year Guidance⁽³⁾</u>
GAAP operating income/margin	\$ 64,895	\$ 255,823	\$ 77,411	\$ 275,822	\$ 310,900
Non-GAAP adjustments:					
Royalty and other revenue, net of related costs	-	-	-	-	-
Acquisition, integration and related costs	3,249	8,286	2,406	9,685	12,000
Litigation related expenses, settlements and awards ⁽⁵⁾	-	(474)	3,887	5,437	12,000
Other adjustments ⁽⁶⁾	-	-	530	3,892	-
Total non-GAAP operating income/margin adjustments	<u>3,249</u>	<u>7,812</u>	<u>6,824</u>	<u>19,014</u>	<u>24,000</u>
Non-GAAP operating income/margin	<u>\$ 68,145</u>	<u>\$ 263,636</u>	<u>\$ 84,236</u>	<u>\$ 294,837</u>	<u>\$ 334,900</u>
Non-GAAP operating income % ⁽⁴⁾	23.1%	23.1%	25.7%	23.8%	24.8%

⁽¹⁾ Please visit the Investor Relations section of the Company's website at www.masimo.com to access additional information related to our Non-GAAP adjustments and Supplementary Financial Information.

⁽²⁾ Reported amounts may vary from amounts previously reported due to rounding conventions; Note items may not foot due to rounding.

⁽³⁾ Consistent with guidance provided on January 11, 2022.

⁽⁴⁾ Calculated as a percentage of product revenue.

⁽⁵⁾ Litigation related expenses, settlements and awards includes legal expenses related to a complaint filed against Apple, Inc. with the U.S. International Trade Commission (ITC).

⁽⁶⁾ Other adjustments includes a charge in 2021 related to assisting a long-term OEM customer with their medical device correction.



Non-GAAP Net Income and Diluted EPS^{(1),(2)}

RECONCILIATION OF GAAP NET INCOME TO NON-GAAP NET INCOME:

(in thousands, except percentages)

	Q4 2020	FY 2020	Q4 2021	FY 2021	2022 Full Year Guidance ⁽³⁾
GAAP net income	\$ 70,649	\$ 240,282	\$ 68,258	\$ 229,647	\$ 251,100
Non-GAAP adjustments:					
Royalty and other revenue, net of related costs	-	-	-	-	-
Acquisition, integration and related costs					
Cost of goods sold	447	1,807	1,008	3,813	4,000
Operating expenses	2,802	6,479	1,398	5,872	8,000
Subtotal - Acquisition, integration and related costs	3,249	8,286	2,406	9,685	12,000
Litigation related expenses, settlements and awards ⁽⁴⁾					
Operating expenses	-	(474)	3,887	5,437	12,000
Other adjustments ⁽⁵⁾					
Cost of goods sold	-	-	-	3,362	-
Operating expenses	-	-	530	530	-
Subtotal - Other adjustments	-	-	530	3,892	-
Realized and unrealized gains or losses					
Foreign currency	(1,384)	(2,631)	776	1,864	-
Tax impact of non-GAAP net income adjustments	(5,214)	(6,096)	(1,359)	(3,701)	(4,000)
Excess tax benefits from stock-based compensation	(10,001)	(30,172)	(4,434)	(16,438)	(16,000)
Total non-GAAP net income adjustments	(13,350)	(31,086)	1,806	739	4,000
Non-GAAP net income	\$ 57,298	\$ 209,196	\$ 70,065	\$ 230,388	\$ 255,100
Non-GAAP net income per diluted share	\$ 0.98	\$ 3.60	\$ 1.21	\$ 3.99	\$ 4.34

⁽¹⁾ Please visit the Investor Relations section of the Company's website at www.masimo.com to access additional information related to our Non-GAAP adjustments and Supplementary Financial Information.

⁽²⁾ Reported amounts may vary from amounts previously reported due to rounding conventions; Note items may not foot due to rounding.

⁽³⁾ Consistent with guidance provided on January 11, 2022.

⁽⁴⁾ Litigation related expenses, settlements and awards includes legal expenses related to a complaint filed against Apple, Inc. with the U.S. International Trade Commission (ITC).

⁽⁵⁾ Other adjustments includes a charge in 2021 related to assisting a long-term OEM customer with their medical device correction.



Adjusted Free Cash Flow^{(1),(2)}

RECONCILIATION OF FREE CASH FLOW TO ADJUSTED FREE CASH FLOW

(in thousands, except percentages)

	<u>Q4 2020</u>	<u>FY 2020</u>	<u>Q4 2021</u>	<u>FY 2021</u>
Net cash provided by operating activities				
Net cash provided by operating activities	\$ 64,418	\$ 210,963	\$ 97,603	\$ 264,754
Purchases of property and equipment, net	(12,532)	(72,549)	(4,823)	(25,503)
Free cash flow	51,886	138,414	92,780	239,251
Litigation settlements and (awards)	-	(499)	-	-
Tax payments related to litigation awards	-	-	-	-
Adjusted free cash flow	<u>\$ 51,886</u>	<u>\$ 137,915</u>	<u>\$ 92,780</u>	<u>\$ 239,251</u>

⁽¹⁾ Please visit the Investor Relations section of the Company's website at www.masimo.com to access additional information related to our Non-GAAP adjustments and Supplementary Financial Information.

⁽²⁾ Reported amounts may vary from amounts previously reported due to rounding conventions; Note items may not foot due to rounding.

