



Outset Medical
Investor Presentation
August 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, continued execution of our initiatives designed to expand gross margins, our ability to respond to and resolve any reports, observations or other actions by the Food and Drug Administration (FDA) and other regulators in a timely and effective manner, 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 expand gross margins; 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 epidemics, 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; our compliance with FDA and other regulations applicable to our products and business operations and our ability to respond to and resolve any reports, observations or other actions by the FDA or other regulators in a timely and effective manner; 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 market¹



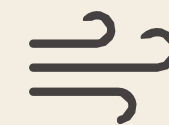
Established footprint in \$2.5B U.S. acute care market

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



2023 revenue guidance: \$144M-\$150M
25-30% Y/Y growth

2018–2022: ~175% revenue CAGR

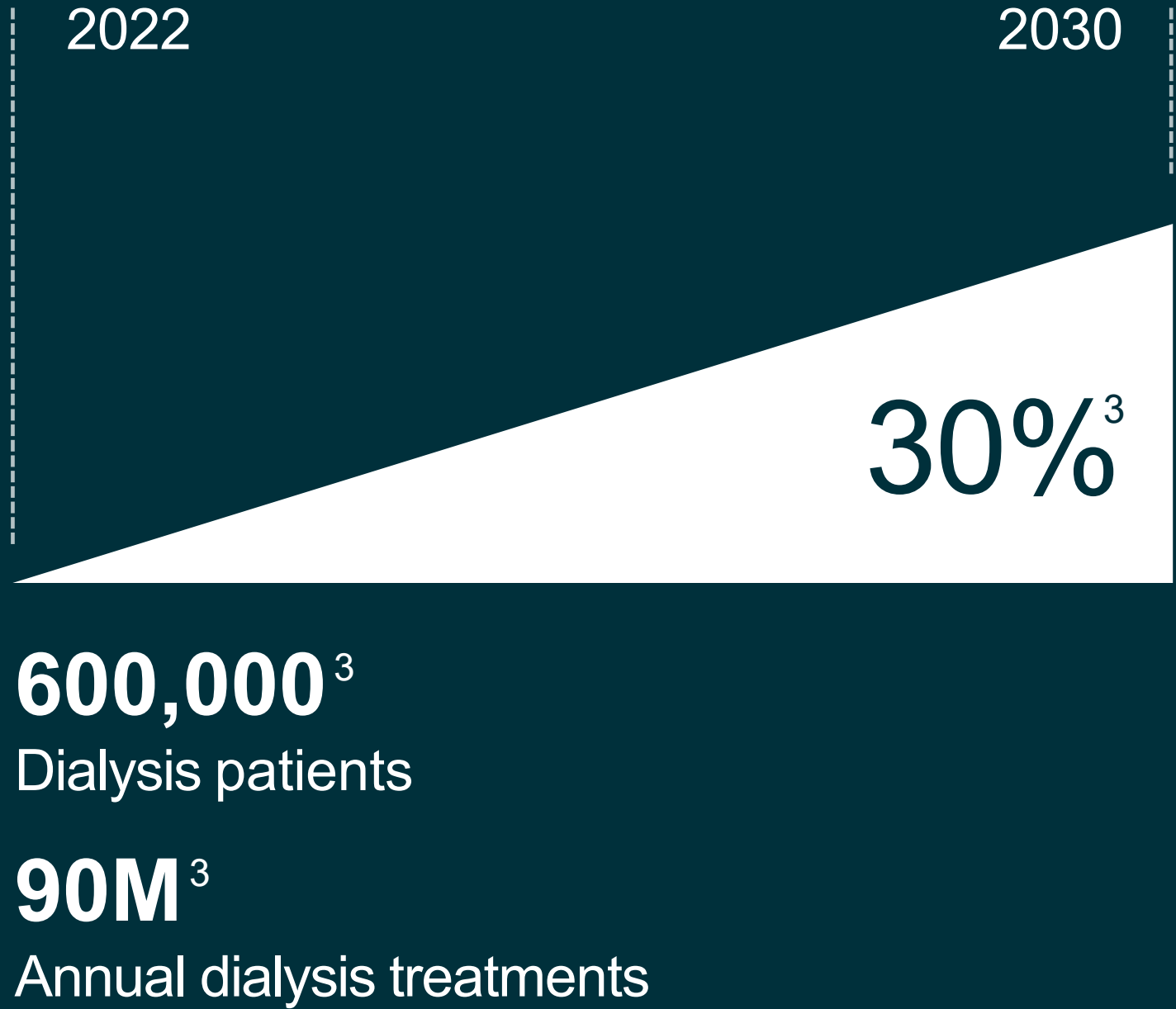
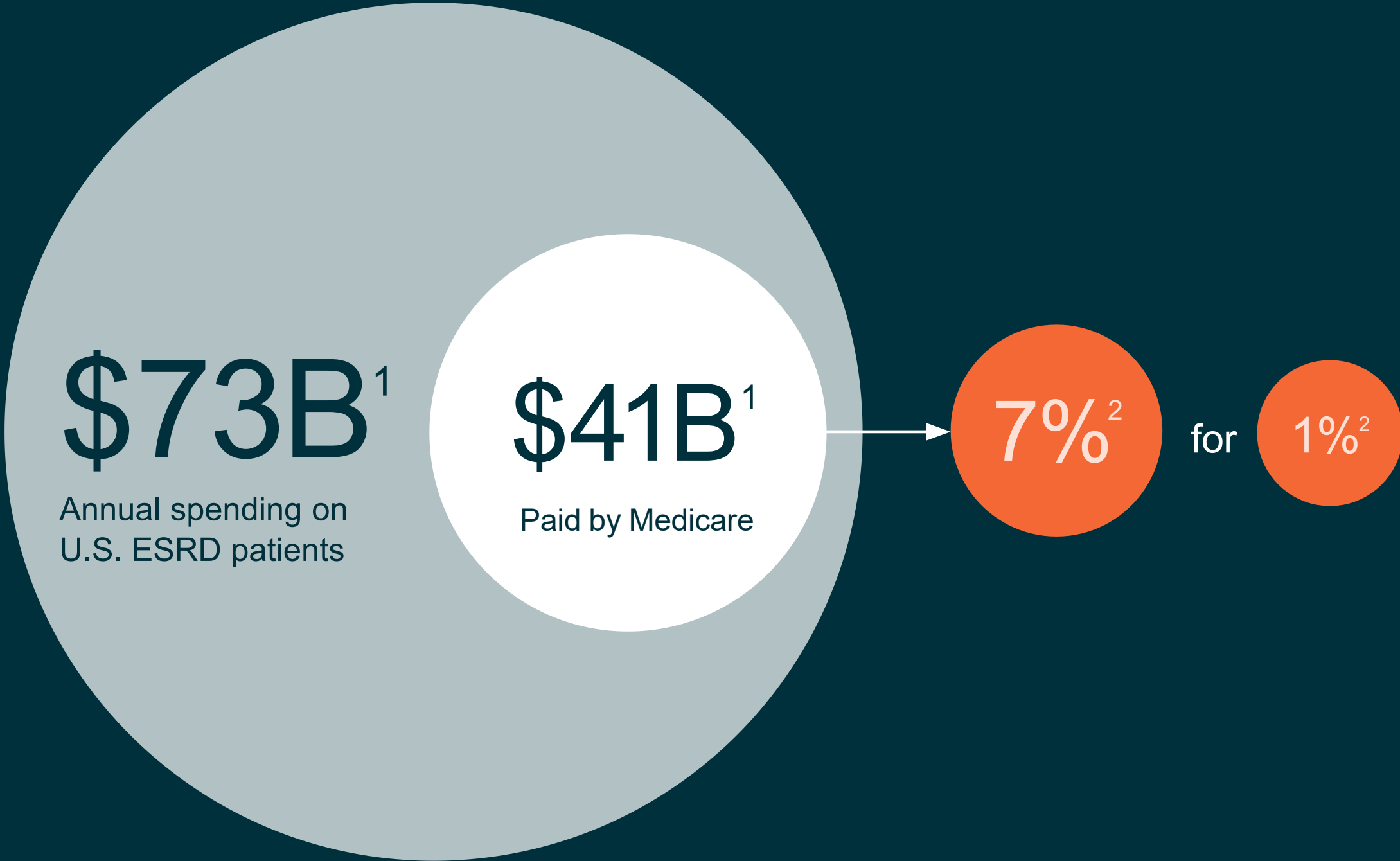


Multiple tailwinds driving Tablo adoption

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

CURRENT STATE

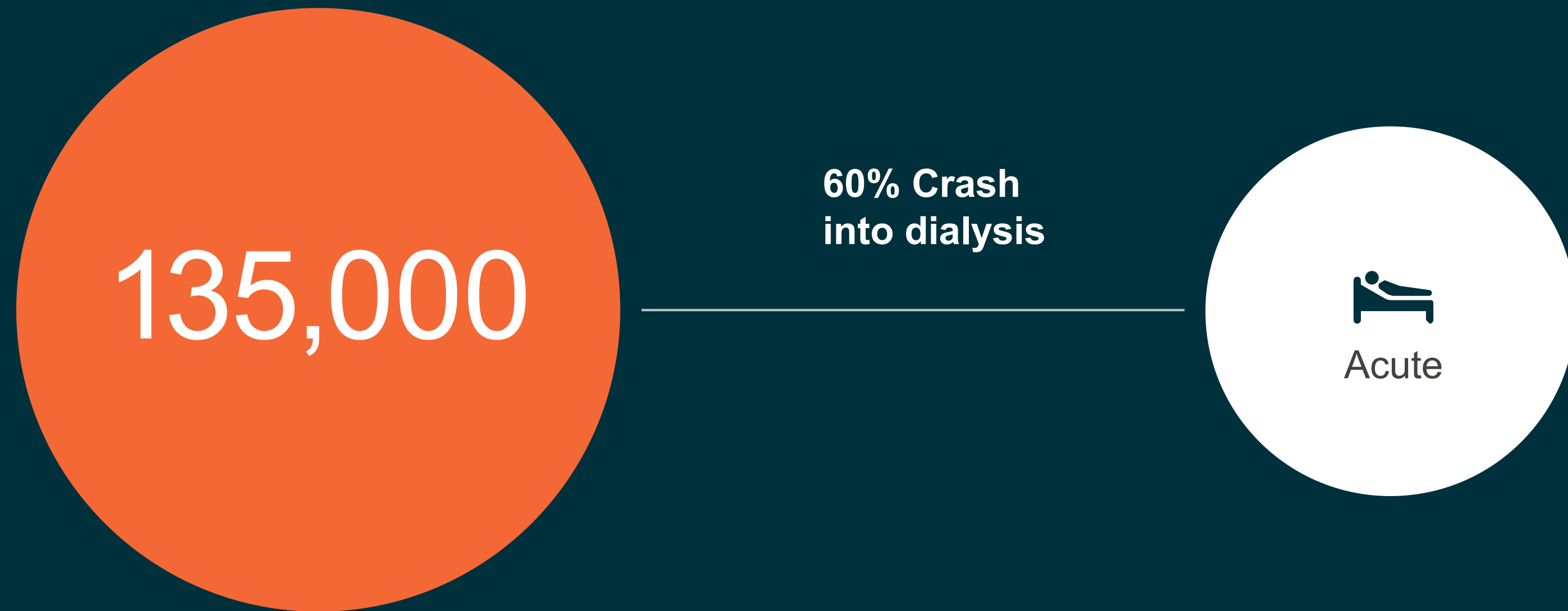
Dialysis is one of the largest, most expensive, least-changed sectors of healthcare



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

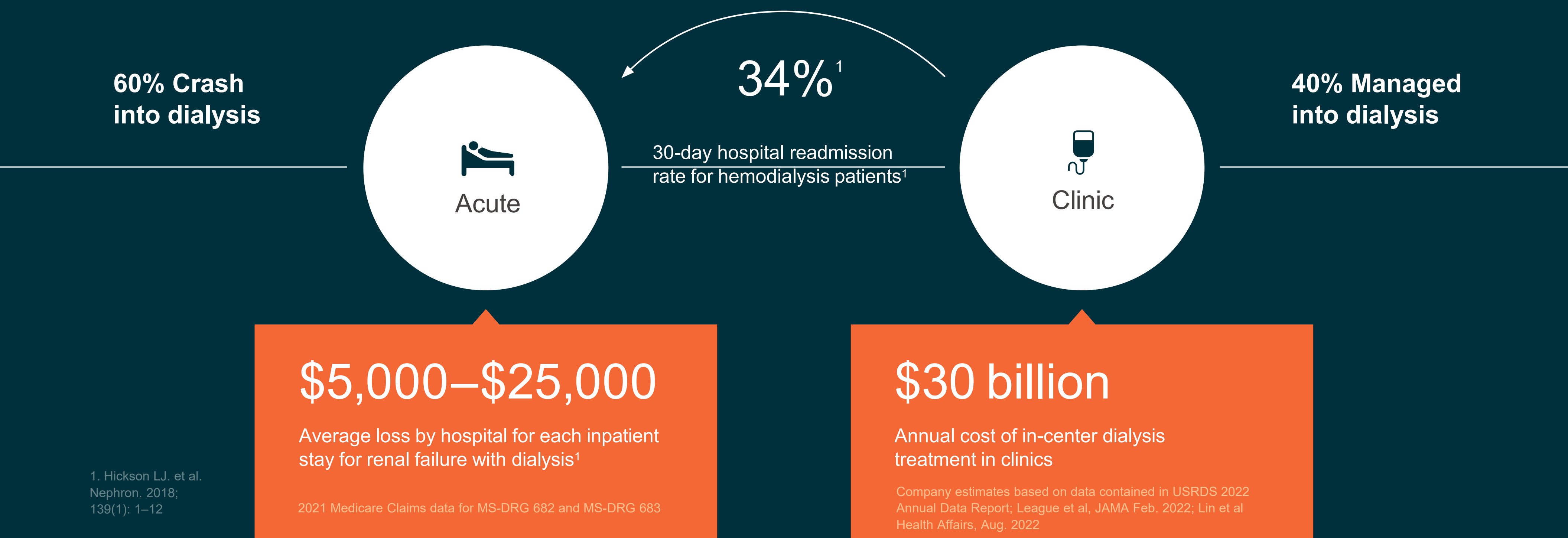


87%

40% Managed
into dialysis

CURRENT STATE

This is an expensive care delivery model...



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



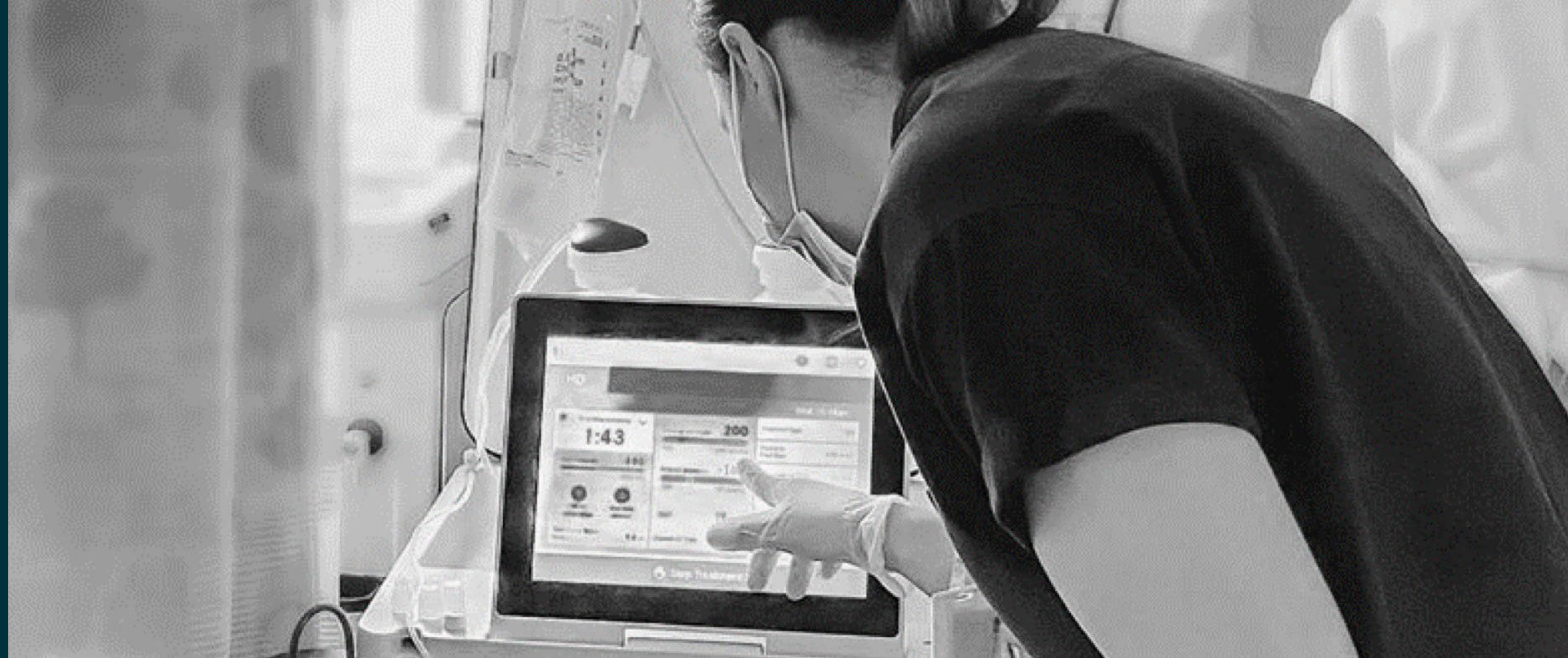
Small and mobile



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

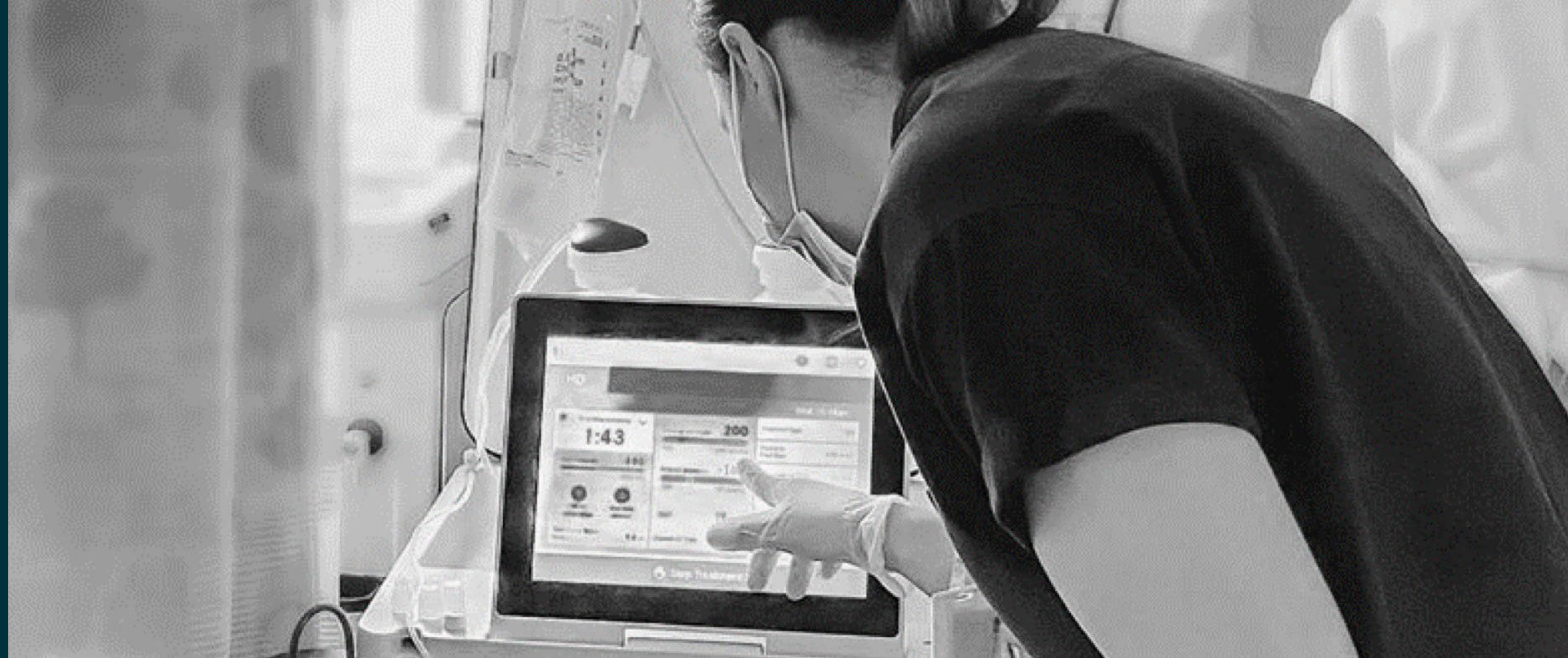
Acute market
Hospital & sub-acute
based dialysis

\$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
based dialysis

\$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%¹

Potential payback period <1 year

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

Tablo can deliver significant savings

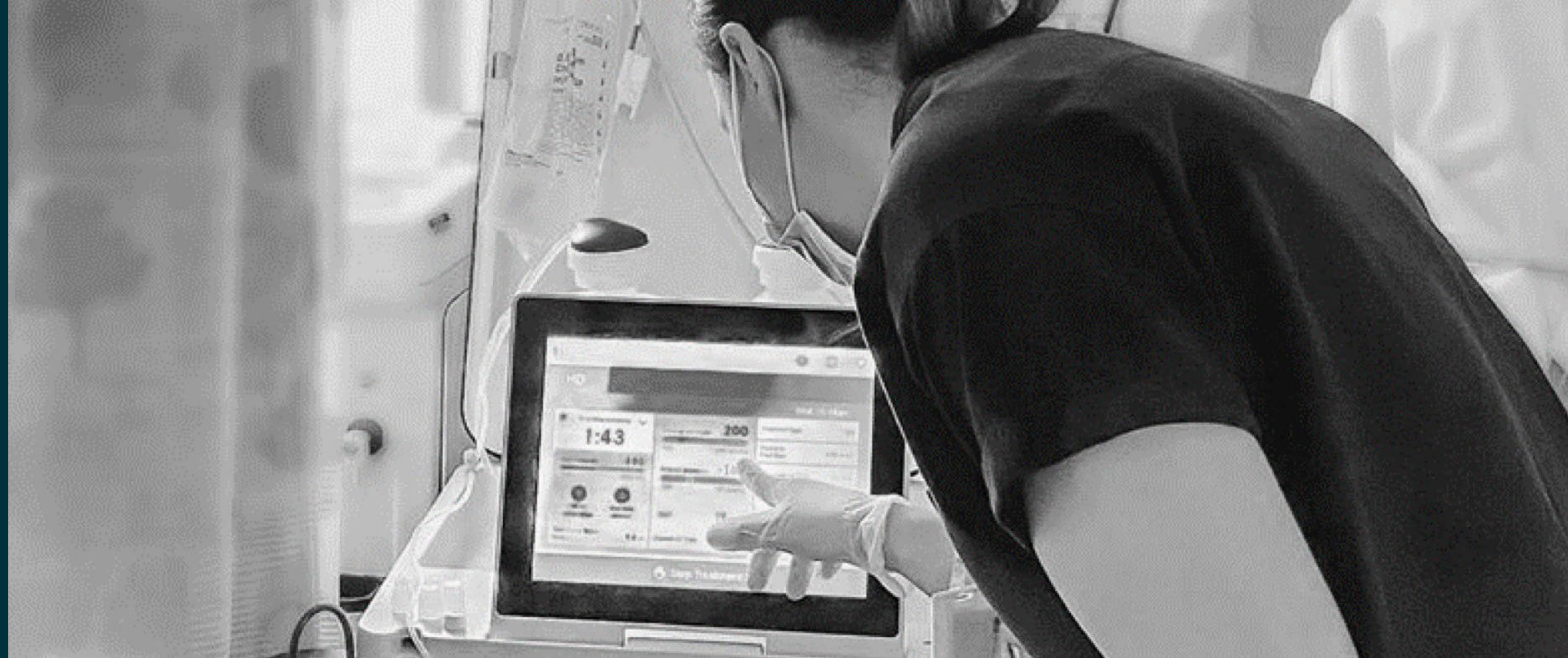


Hospital	St. Mark's Hospital
Location	Salt Lake City, Utah
Beds	300
ICU beds	24

“(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

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

New financial incentives

Medicare Advantage eligibility

Clinic staffing shortages

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

HOME CARE

Tablo changes the home benefit-burden ratio

0%

Dropout during in-home period

99%

Adherence to prescribed home treatment frequency

~10%

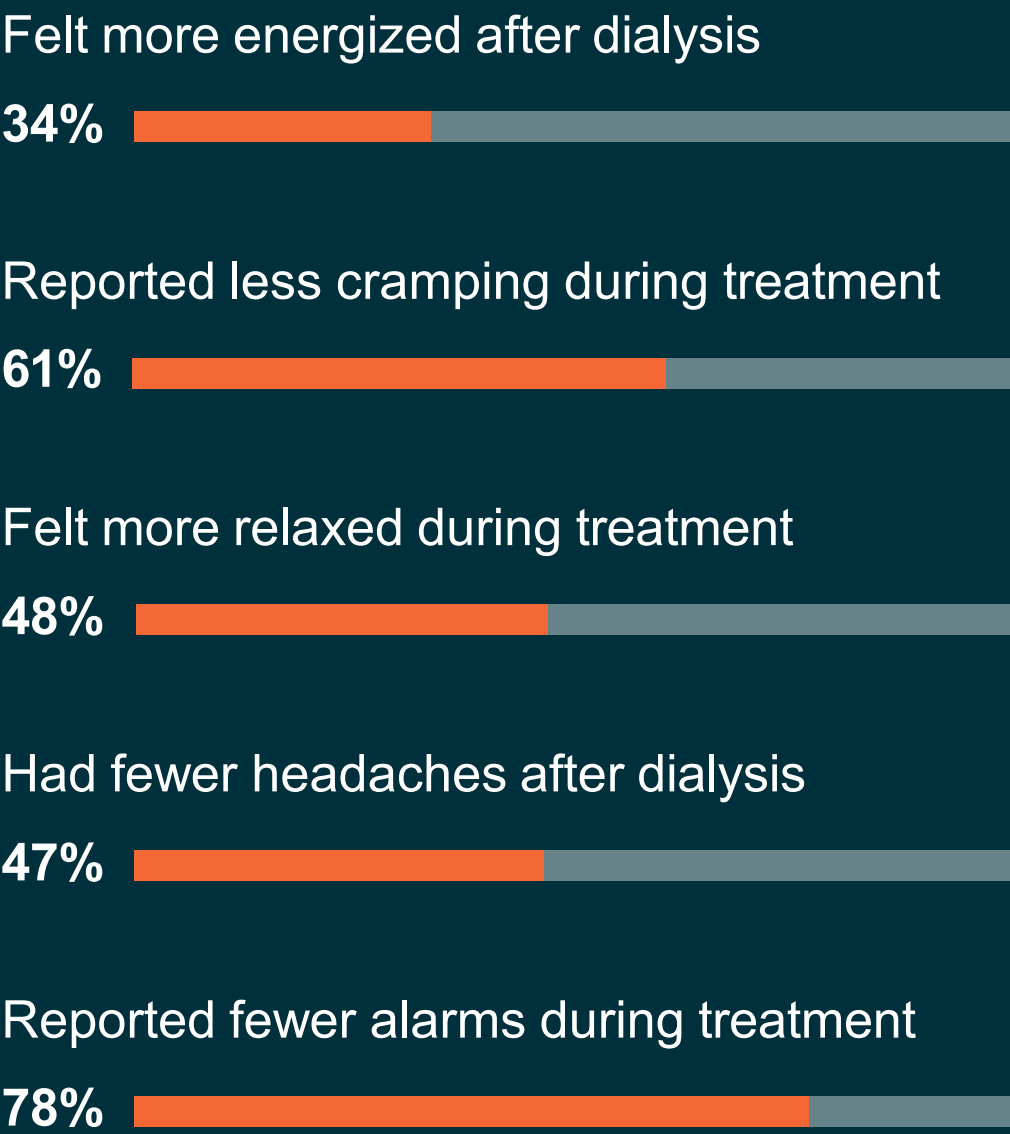
Controllable attrition

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

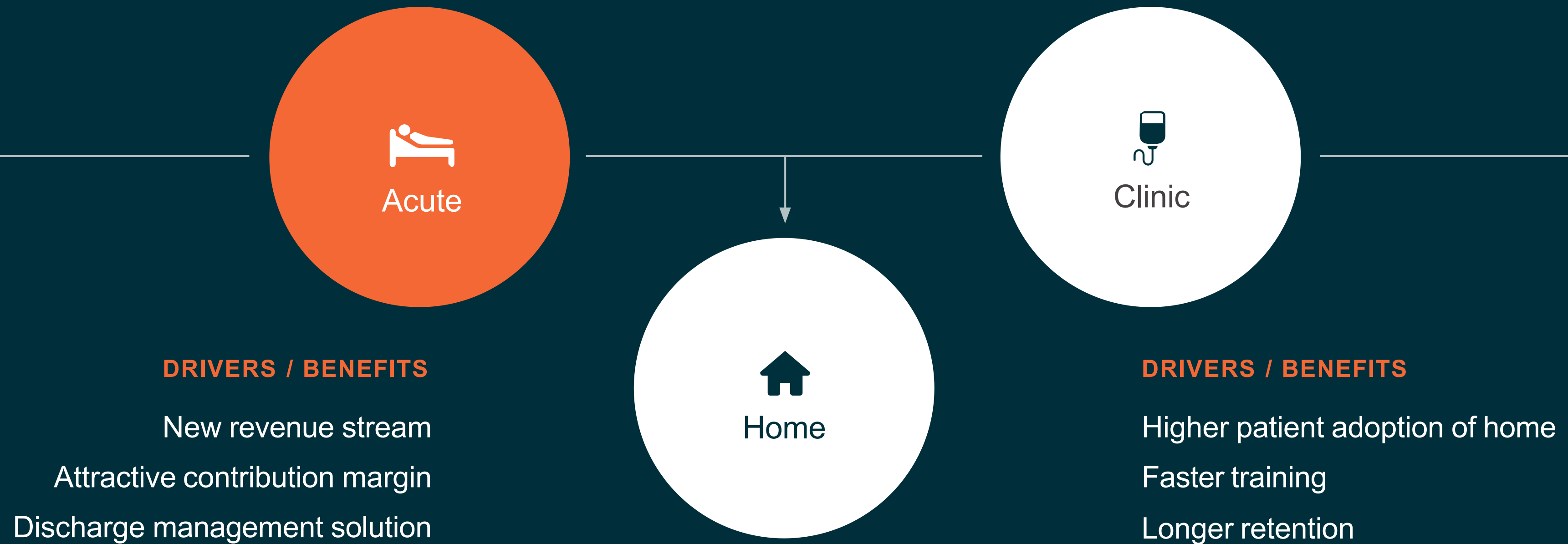
For additional clinical evidence, visit <https://www.outsetmedical.com/clinical-evidence/>

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 June 30, 2023

Acute
Strong console growth across acute and sub-acute providers driven by new Tablo insourcing agreements

Home
Continued progress against 2023 home expansion initiatives, including landing a majority of the largest MDOs and securing a commitment from a large health system to initiate home programs

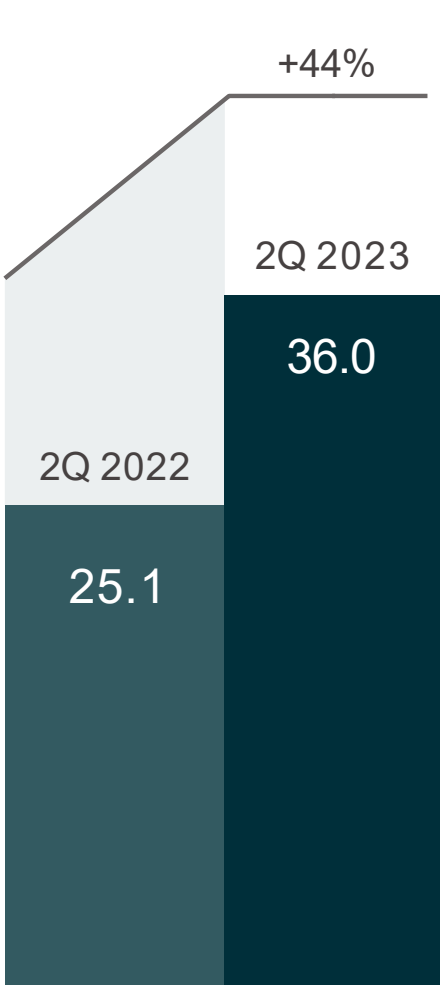
Gross margin²
Continued improvement from ongoing initiatives; +220 basis points Q/Q; +660 bps Y/Y

Total cash
\$226.1¹ million

as of Dec 31, 2022

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

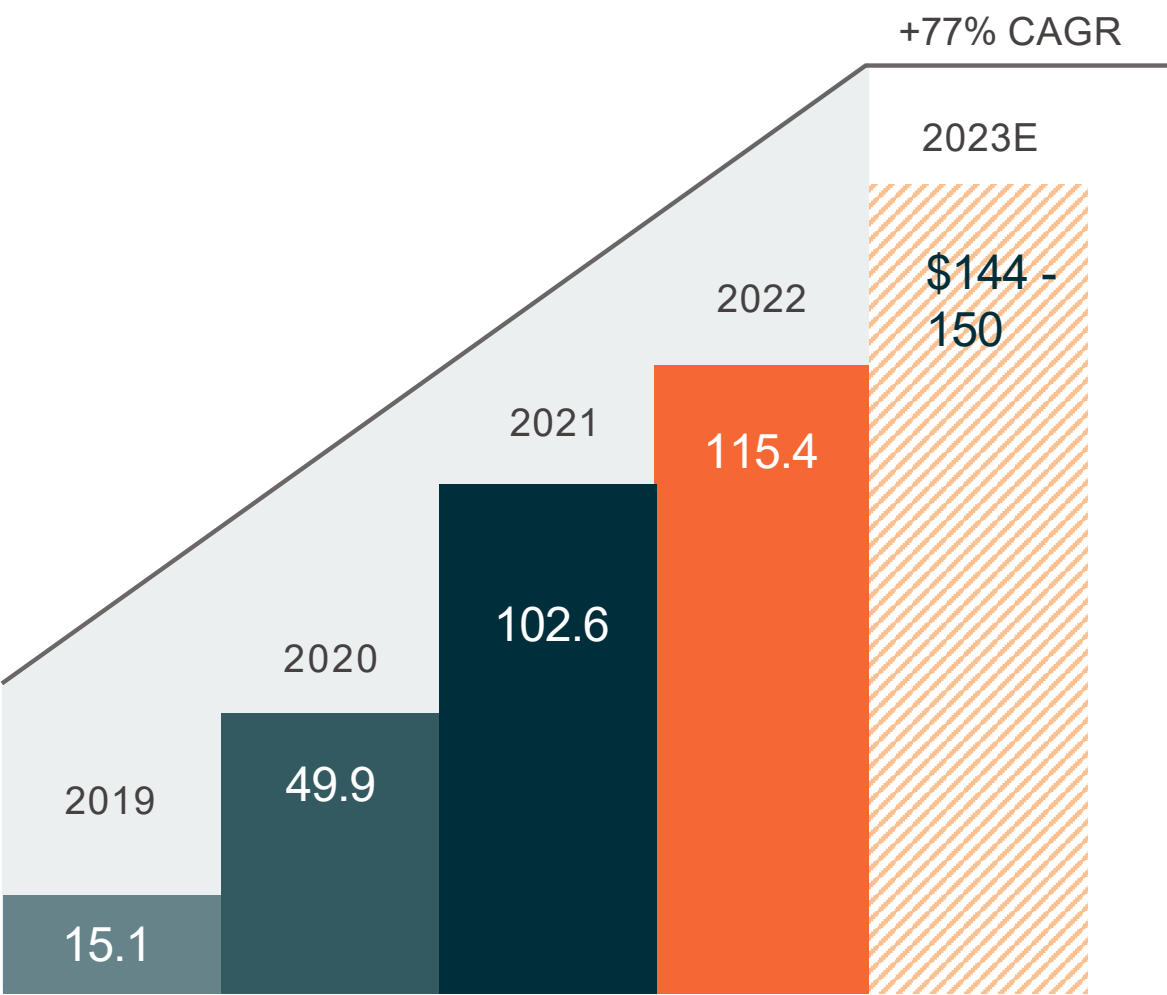
Second quarter revenue (\$M)



15.9% GM% ² 22.5%

- 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

\$144M–\$150M

~25–30%
year-over-year growth

Non-GAAP gross margin

Low-20% range
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 M...
Reshared from Outset M...

Very proud of our partnship and accomplishments. #betterbeginsnow



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

 23

2 comments

 **Outset Medical, Inc.**
27,920 followers
3mo • Edited •

These happy faces are the dialysis patients who are catching the latest wave of ...see more



 288

9 comments • 17 reposts



How 5 People Felt After 50 Hemodialysis Treatments on Tablo - Outset Medical
outsetmedical.com • 2 min read

 108

3 comments • 27 reposts

 **Outset Medical, Inc.**
27,920 followers
2mo •


Although paralyzed since the 1970s, Sebastian has not let his disability or kidney ...see more




Meet U.S. Army Vet and Wheelchair Athlete Sebastian | Outset Medical
outsetmedical.com • 2 min read

 69

1 comment • 10 reposts

 **Outset Medical, Inc.**
27,920 followers
1mo •

With a determined spirit and support from his family, Conor, a young kidney ...see more



Conor's Story of Independence | Outset Medical

 **Outset Medical, Inc.**
27,920 followers
9mo •

There's no better news to share during #DonateLife Month than the story ...see more





Outset Medical
3052 Orchard Drive
San Jose, CA 95134

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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
GAAP net loss per share, diluted	\$ (0.90)	\$ (0.92)	\$ (1.79)	\$ (1.69)
Stock-based compensation expense	0.21	0.15	0.38	0.26
Non-GAAP net loss per share, diluted	<u>\$ (0.69)</u>	<u>\$ (0.77)</u>	<u>\$ (1.41)</u>	<u>\$ (1.43)</u>

Reconciliation between GAAP and non-GAAP net loss:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
GAAP net loss, diluted	\$ (44,046)	\$ (43,839)	\$ (88,017)	\$ (80,731)
Stock-based compensation expense	10,105	7,414	18,643	12,420
Non-GAAP net loss, diluted	<u>\$ (33,941)</u>	<u>\$ (36,425)</u>	<u>\$ (69,374)</u>	<u>\$ (68,311)</u>

Reconciliation between GAAP and non-GAAP results of operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
GAAP gross profit	\$ 7,703	\$ 3,782	\$ 14,131	\$ 8,224
Stock-based compensation expense	403	190	761	283
Non-GAAP gross profit	<u>\$ 8,106</u>	<u>\$ 3,972</u>	<u>\$ 14,892</u>	<u>\$ 8,507</u>
GAAP gross margin	21.4 %	15.1 %	20.3 %	14.8 %
Stock-based compensation expense	1.1	0.8	1.1	0.5
Non-GAAP gross margin	<u>22.5 %</u>	<u>15.9 %</u>	<u>21.4 %</u>	<u>15.3 %</u>
GAAP research and development expense	\$ 14,906	\$ 13,521	\$ 28,699	\$ 24,352
Stock-based compensation expense	(2,824)	(1,808)	(5,439)	(2,966)
Non-GAAP research and development expense	<u>\$ 12,082</u>	<u>\$ 11,713</u>	<u>\$ 23,260</u>	<u>\$ 21,386</u>
GAAP sales and marketing expense	\$ 24,985	\$ 23,198	\$ 49,318	\$ 43,575
Stock-based compensation expense	(3,545)	(2,864)	(6,143)	(4,570)
Non-GAAP sales and marketing expense	<u>\$ 21,440</u>	<u>\$ 20,334</u>	<u>\$ 43,175</u>	<u>\$ 39,005</u>
GAAP general and administrative expense	\$ 11,290	\$ 10,784	\$ 23,077	\$ 20,493
Stock-based compensation expense	(3,333)	(2,552)	(6,300)	(4,601)
Non-GAAP general and administrative expense	<u>\$ 7,957</u>	<u>\$ 8,232</u>	<u>\$ 16,777</u>	<u>\$ 15,892</u>
GAAP total operating expense	\$ 51,181	\$ 47,503	\$ 101,094	\$ 88,420
Stock-based compensation expense	(9,702)	(7,224)	(17,882)	(12,137)
Non-GAAP total operating expense	<u>\$ 41,479</u>	<u>\$ 40,279</u>	<u>\$ 83,212</u>	<u>\$ 76,283</u>