



# Natus Medical Incorporated

ANALYST DAY

June 22, 2017

# Forward-Looking Statements

This presentation contains forward-looking statements including statements regarding our expectations, beliefs, plans and intentions, which involve known and unknown risks, uncertainties, and other factors which may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by any forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions, and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. We discuss many of these risks in greater detail in our filings with the SEC, which you should read carefully. You should listen to the information contained in this presentation completely with the understanding that our actual future results may be materially different from what we expect, and from historical results and trends. We qualify all our forward-looking statements by these cautionary statements. Natus disclaims any obligation to update information contained in any forward-looking statement.

Reconciliation of GAAP to non-GAAP results are contained in our press releases and SEC filings.

Natus is a leading provider of medical devices for the newborn care, hearing and neurology markets. Additional information about Natus Medical can be found at [www.natus.com](http://www.natus.com).

# Agenda

8:00 AM	Product Demo, Registration and Breakfast	
9:00 AM	Vision and Focus	Jim Hawkins
9:15 AM	Newborn Care Business Unit	Jonathan Kennedy
9:45 AM	Neurodiagnostics Business Unit	Austin Noll
10:15 AM	Break	
10:25 AM	Otometrics Business Unit	Kim Lehmann
11:05 AM	Financial Overview	Jonathan Kennedy
11:30 AM	Executive Team Q&A	Jim Hawkins, Jonathan Kennedy, Austin Noll, Kim Lehmann
12:00 PM	Lunch Medical Panel and Q&A	Medical Panel Participants: John C. Kincaid, MD James J. Riviello Jr., MD Brady M. Schwab, MBA, MS Daniel Stewart, MD Moderator: Christopher Chung, MD
1:00 PM	Adjourn	

# Natus Team [who's here today]



**Jim Hawkins**  
President & CEO



**Austin Noll**  
VP, GM Neurodiagnostics



**Chris Chung, MD**  
VP, Medical Affairs,  
Quality and Regulatory

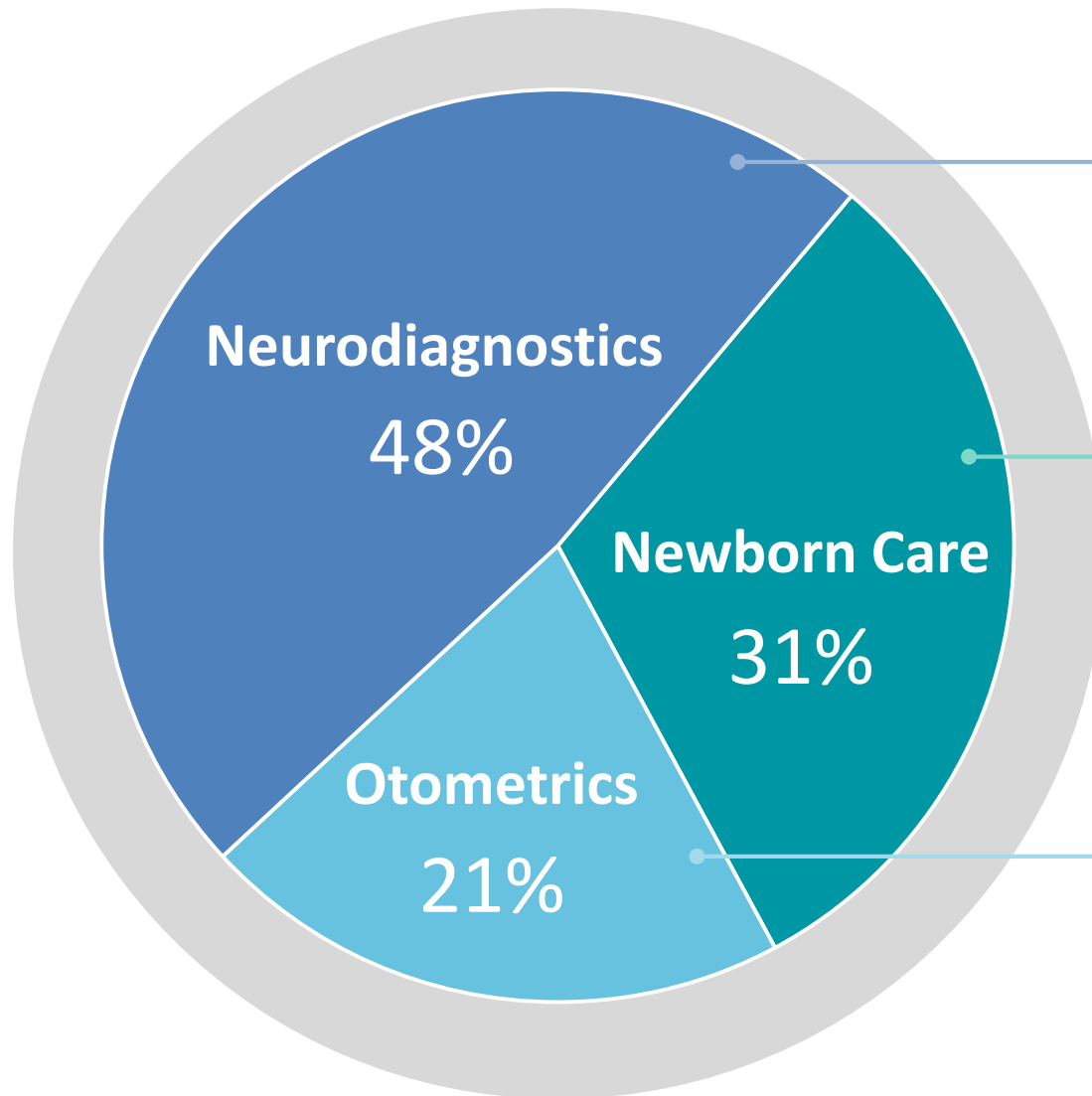



**Jonathan Kennedy**  
Executive VP, CFO &  
GM Newborn Care



**Kim Lehmann**  
President, Otometrics

# About Natus



 **EEG**  
Electroencephalography

 **EMG**  
Electromyography

 **PSG**  
Polysomnography

 **Hearing Screening**

 **Brain Injury**

 **Phototherapy**

 **New Products**

 **Hearing Aid Fitting**

 **Hearing Diagnostics**

 **Balance Diagnostics**

 **Hearing Screening**

## Future Growth Rates

Natus  
**5-7%**

Otometrics  
**10-15%**

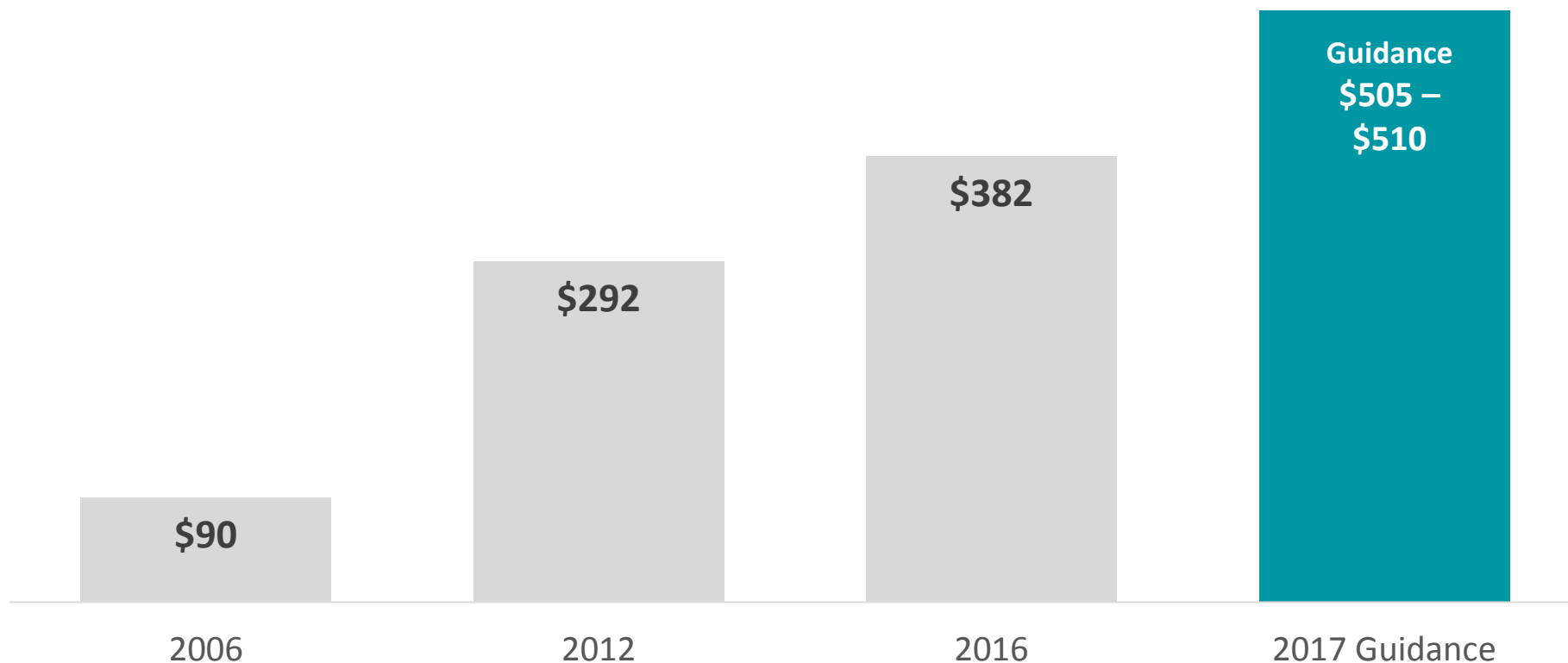
Newborn Care  
**3-4%**

Neurology  
**3-4%**

# Revenue Growth: 10-YR CAGR ~ 19%

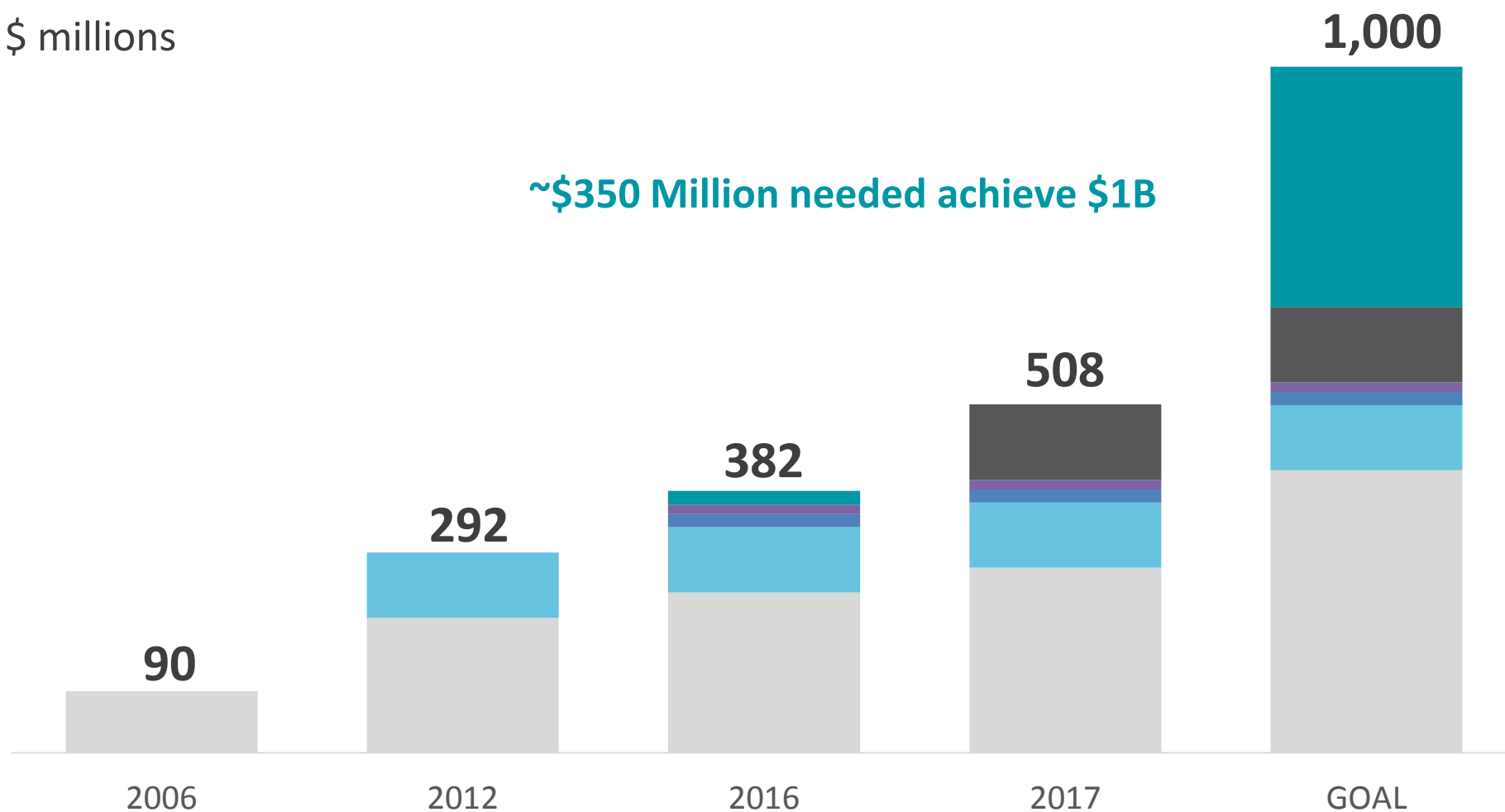
Organic growth and acquisitions

\$ millions



# Drive to \$1B

\$ millions





## Long Term Financial Goals

Revenue growth through  
**acquisition + organic**

Gross margin  
**> 63%**

Operating margin  
**> 22%**

Tax rate  
**23%**



# NEWBORN CARE



Hearing Screening



Brain Injury



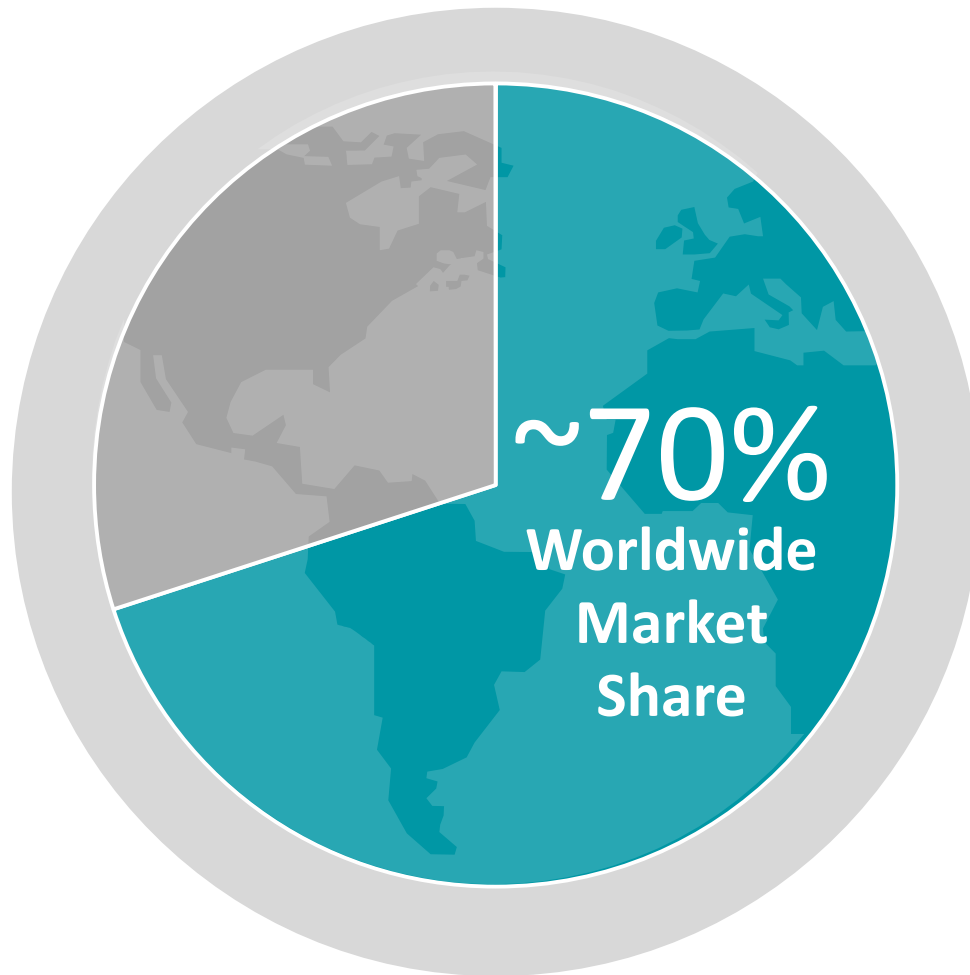
Phototherapy



New Products

# Market Leader in Newborn Care

Pioneered newborn hearing screening



Hearing screening devices / disposables



Newborn Devices & Supplies



Services



# Newborn Hearing Screening



## Peloton Hearing Screening Service

- Hospital benefits
  - Cost savings
  - Eliminate screening management
- Focus on profitable hospitals
  - Adding new services



## Hearing Screening Devices and Supplies

- Global leader
  - 70% global market share
  - Proprietary supplies

# Natus Family of Jaundice Management Products

Market leading supplier of blue LED



**neoBLUE cozy**  
LED Phototherapy System



**neoBLUE blanket**  
LED Phototherapy System



**neoBLUE**  
LED Phototherapy System

# RetCam: Neonatal Vision Screening

Advanced imaging system used in diagnosis and monitoring of neonatal retinal diseases



- \$14M annual revenue
- 60% gross margin
- Increasing operating margin
- Global leader in market share
- **Growing international market**

# NicView: Live Video Streaming for the NICU

- Significant growth opportunity
- Strong U.S. and international hospital interest
- **100 hospitals using NicView today & growing**



# Newborn Care Growth Summary

- Natus has leadership in global NICU channel
  - NicView, RetCam
- Growth driven by:
  - Refocus on product refreshment
    - Hearing screening devices
    - RetCam
    - NicView
  - Introduction of new services (Peloton, HSC)
  - International markets





# NEURODIAGNOSTICS



**EEG**

Electroencephalography



**EMG**

Electromyography

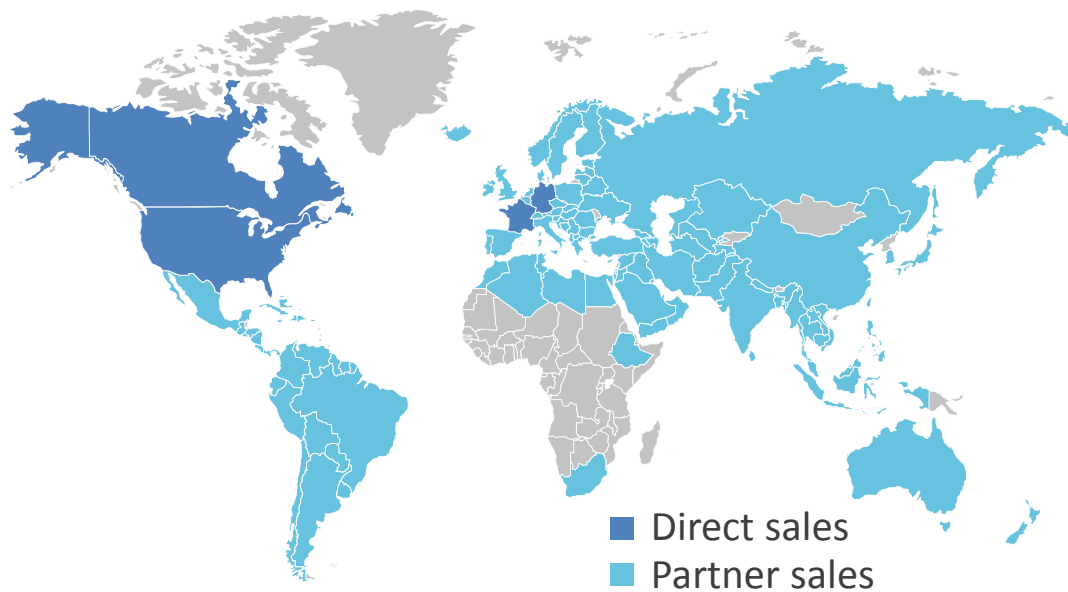


**PSG**

Polysomnography

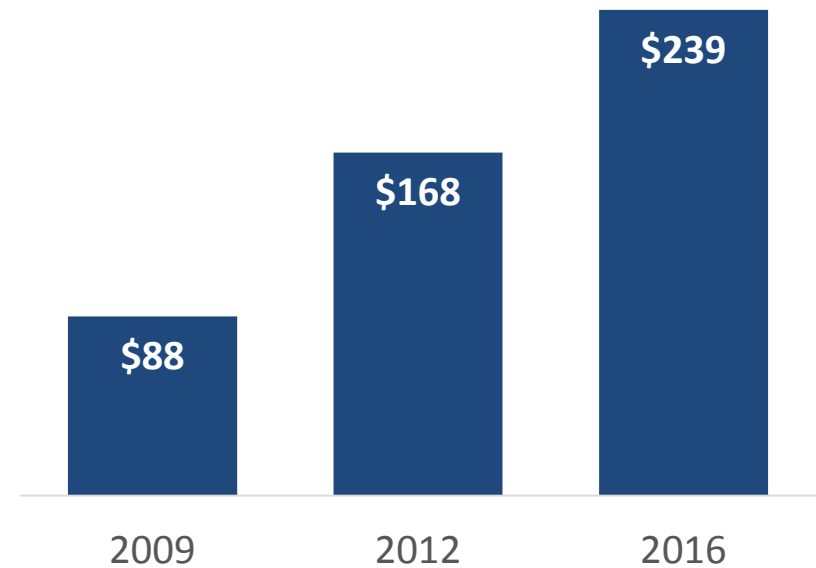
# Market Leader in Neurodiagnostics

Operating in 124 countries

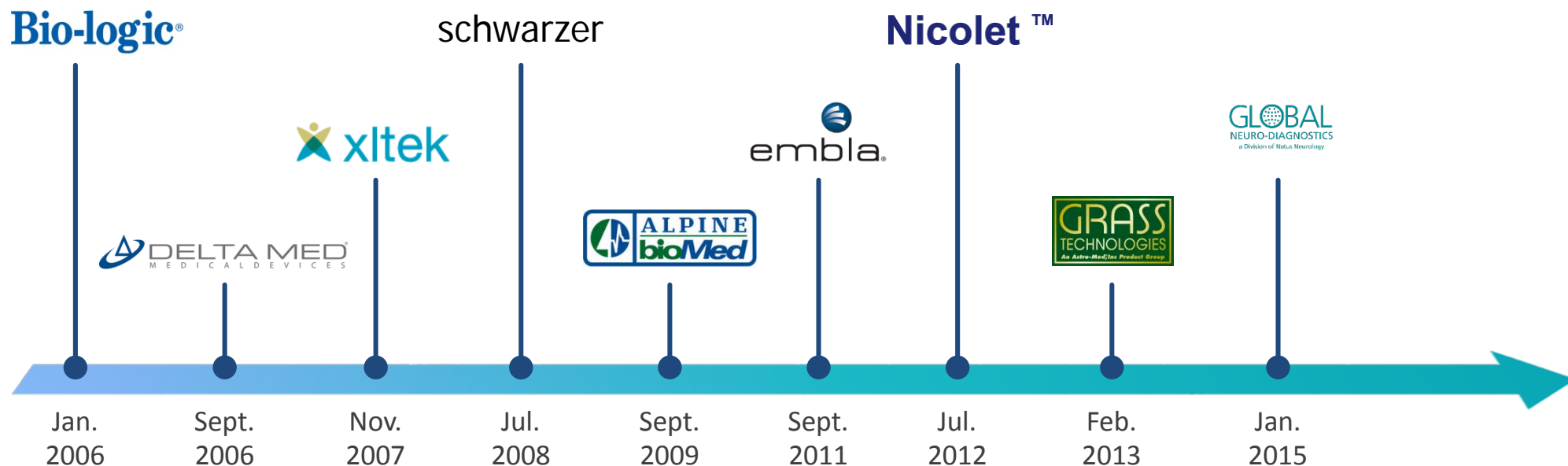


Leader in U.S., EMEA,  
most of APAC

Revenue Growth  
\$ millions



# Neurodiagnostics Timeline



**Built on a legacy of Neurodiagnostic excellence**

# Helping Clinicians Diagnose and Develop Effective Treatment Regimens



## EEG

Electroencephalography

Epilepsy  
(seizure disorders)

Tumors

Stroke

Head Injury

...

**WW 65%\*\***

**US 75%**

\*\* Without Japan



## EMG

Electromyography

ALS

Parkinson's

Carpal Tunnel

Sports Medicine

...

**Market Share**

**WW 52%\*\***

**US 70%**



## PSG

Polysomnography

Sleep Apnea

Narcolepsy

Chronic Insomnia

Restless Leg

Syndrome

...

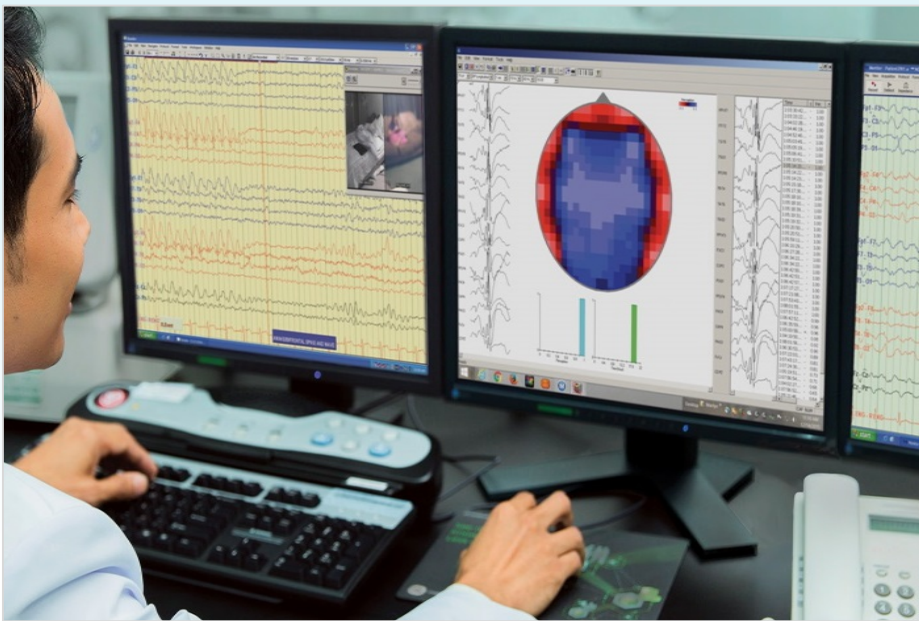
**WW 16%\***

**US 23%\***

\* In Lab systems only

# Natus Electroencephalography (EEG)

## In-hospital



**Typical Callpoints**  
Neurologist / Epileptologist

## Private Practice



**Typical Departments**  
Epilepsy monitoring units,  
ICU, ER, OR



# #1 Provider of EEG Platforms in the World

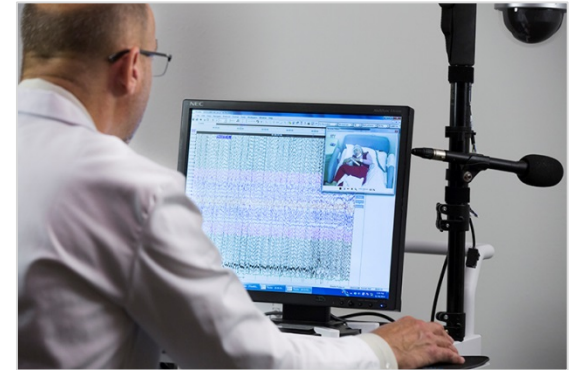
## Xltek NeuroWorks



## NicoletOne



## Grass Comet Plus



Large Epilepsy and Surgical Centers

Intensive Care Units

Private Practices

## Key Competitive Advantages

- Completeness of offering from Routine EEG to complex surgical procedures
- High-end Quantum amplifier for advanced monitoring and brain localization
- Clinical and animal research
- Extensive sales and service organization
- Innovative product development

# Global Neuro-Diagnostics (GND)

## Video Ambulatory EEG Services



**Convenience of  
in-home testing  
with quality of in-lab**

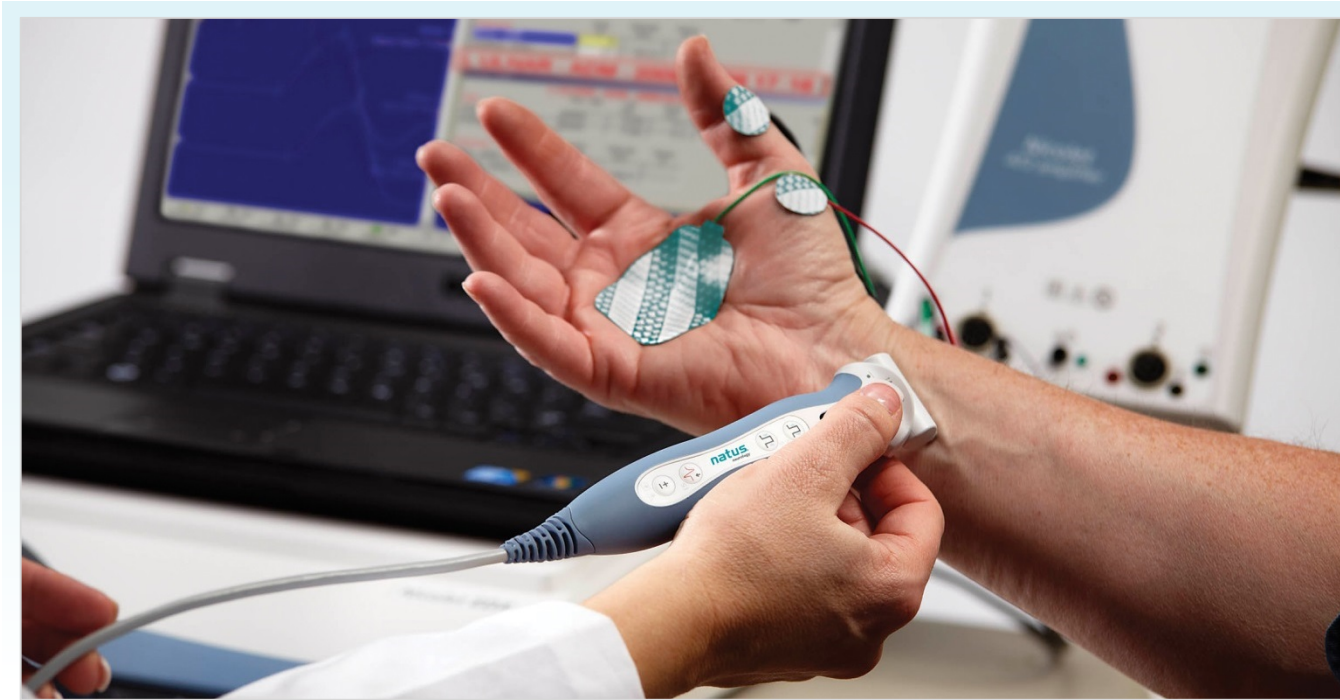
**Patients:** In-home comfort and higher event yield

**Physicians:** Registered EEG technologists

**Payors:** Quality diagnostic testing at lower cost



# Natus Electromyography (EMG)



## Typical Customers

Neurologists, Physiatrists, Pain Medicine



# #1 Provider of EMG Systems in the World

**EDX**



**Keypoint G4**



**Keypoint FOCUS**



**UltraPro S100**



Large academic centers

Private Practices

## Key competitive advantages

- Excellent brand name recognition
- Broad product portfolio
- Unique, innovative features
- Extensive, knowledgeable sales and service teams
- Full networking capability

# Natus Polysomnography (PSG)



# #1 Provider of In-Lab Sleep Systems in the World

## SleepWorks



Large academic centers

## Embla Sandman



Free-standing/private practice sleep centers

## Embla RemLogic



## Embla MPR



Home sleep testing

## Key competitive advantages

- Brand name recognition
- Broad product portfolio; In Lab to HST
- Combination PSG and EEG product available
- Extensive, knowledgeable sales and service

# Organic Neurodiagnostic Growth Opportunities



**International - APAC, EMEA**

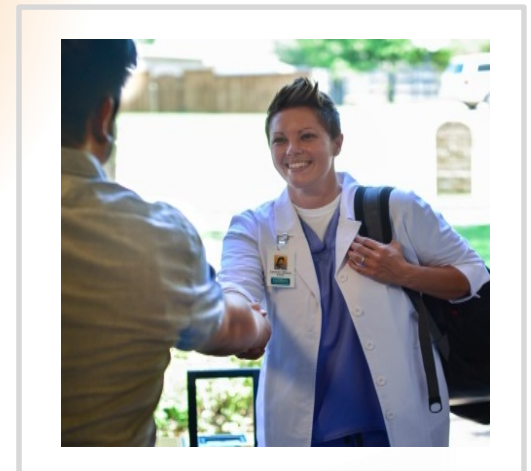


**Supplies and accessories**

**3-4%**




**New product pipeline**



**GND market expansion**

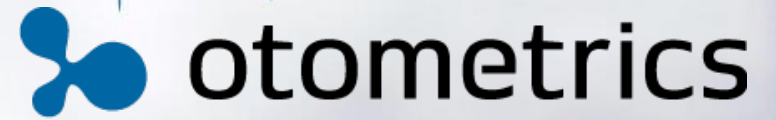
# World Leader in Neurodiagnostics

- Largest, most complete product portfolio
- Industry-best sales and service
- Unparalleled clinical experience
- Largest installed base
- Complete line of supplies and accessories



**Critical mass for both  
organic growth via new  
product development /  
distribution and strategic  
acquisition**





# OTOMETRICS



Hearing Aid Fitting



Hearing Diagnostics



Balance Diagnostics

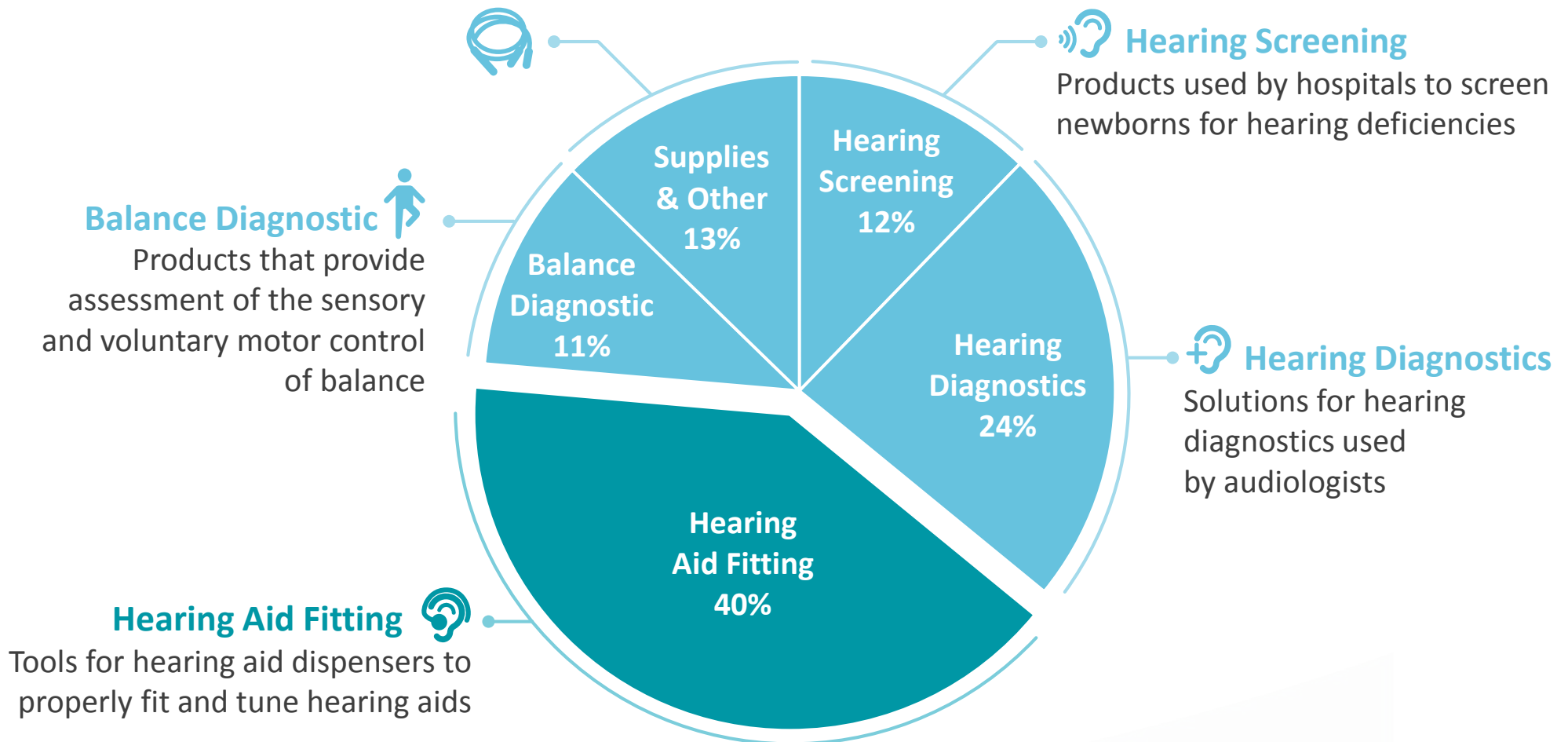


Hearing Screening

# Market leader in Audiology

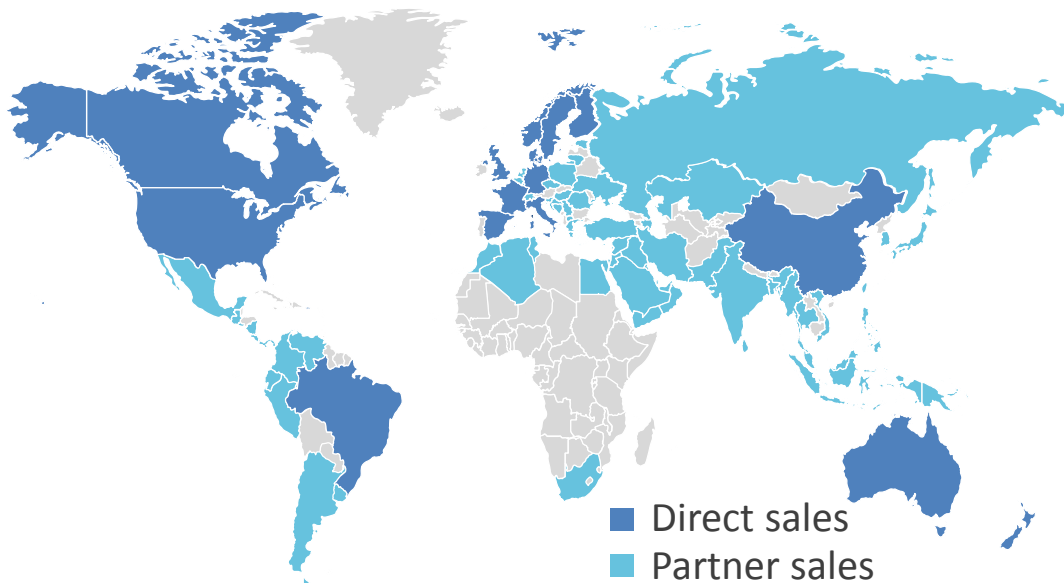
Otometrics Acquired January 2017

% Revenue 2016



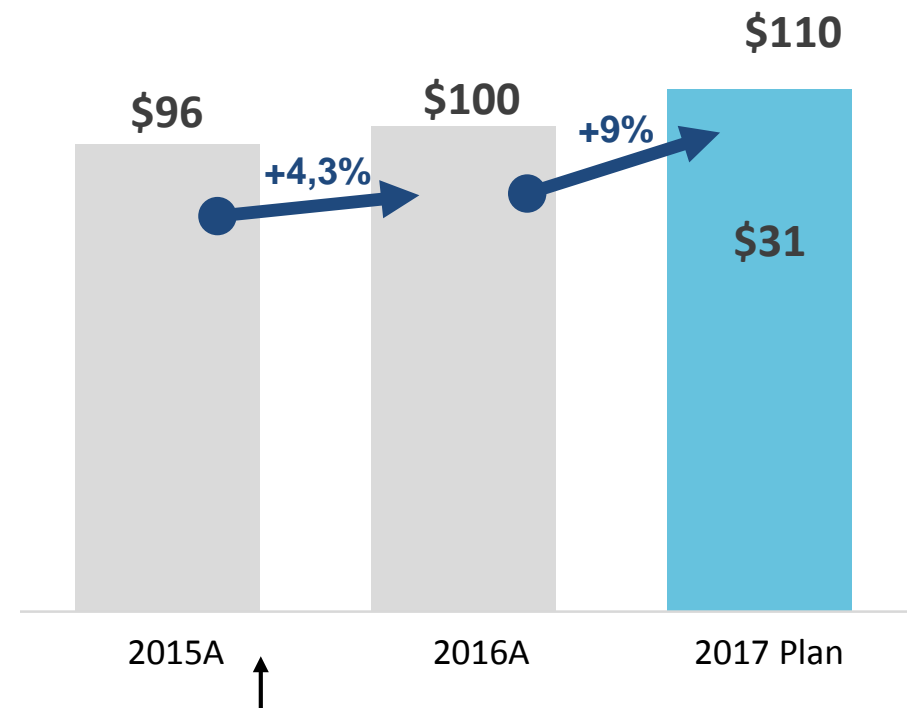
# Otometrics: Leader in Audiology

## Worldwide Reach



Global strength,  
growing in the U.S.

## Otometrics revenue development in USDm



- New management team on-boarded
- New strategy



# Otometrics holds strong global market share within hearing and balance

Product portfolio based on sophisticated and high-quality design with extreme ease-of-use

## Hearing Aid Fitting



Private dispensers  
Dispenser chains  
Key accounts

## Hearing Diagnostics



Private ENT clinics  
Hospital ENT clinics  
Dispensers

## Balance Diagnostics



Private ENT clinics  
Hospital ENT clinics  
Physical Therapists

## Hearing Screening

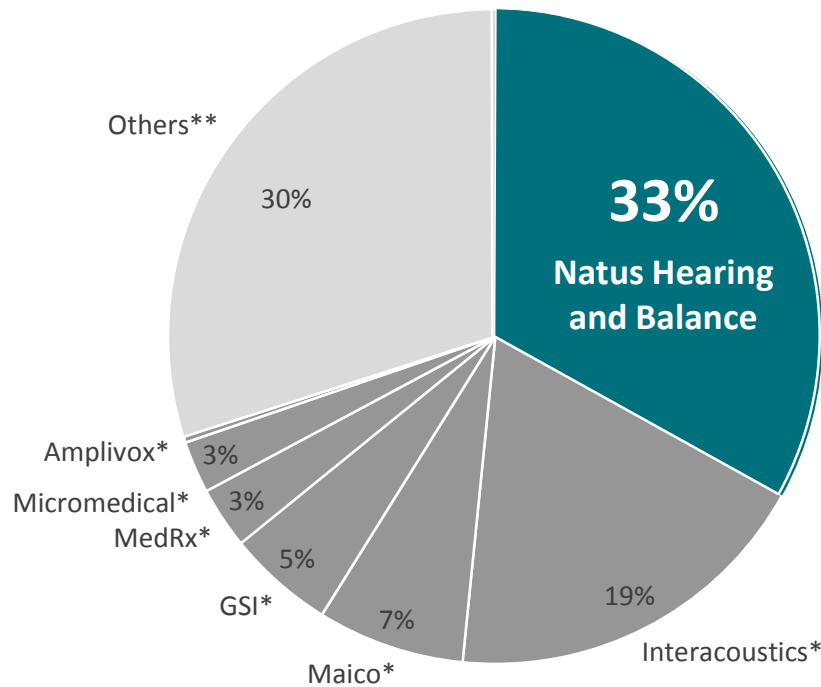


Maternity wards  
Hospital clinics  
School screening

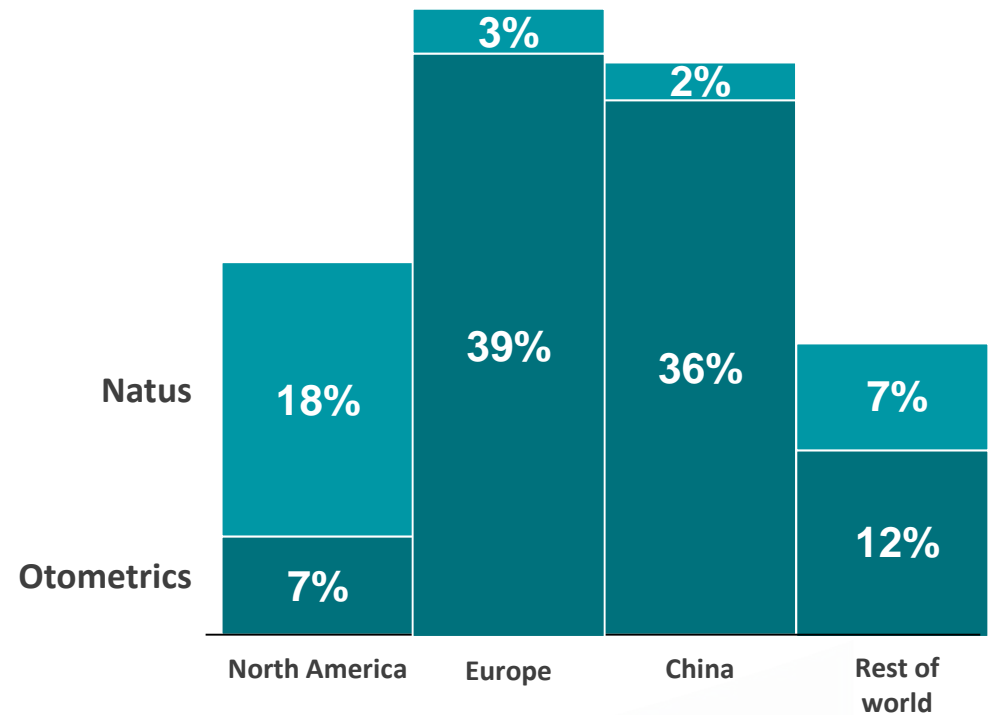
## Service Supplies and Other

# Natus and Otometrics Collectively Hold 33% Global Market Share and a Strong Position in Hearing and Balance

Global market share split among manufacturers



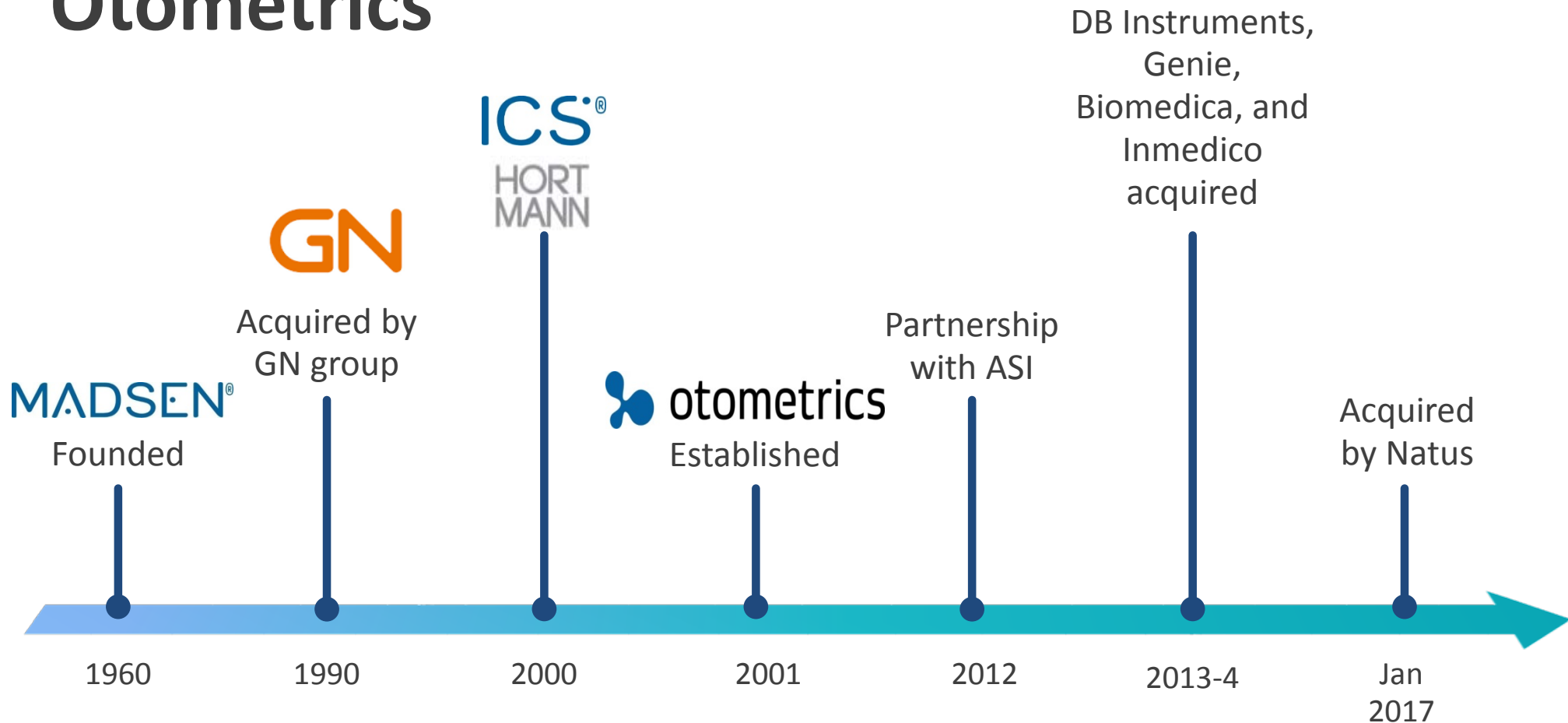
Natus hearing and balance market share by region



\* Part of WDH group

\*\* A high number of small local and regional players with a very low market share

# Otometrics

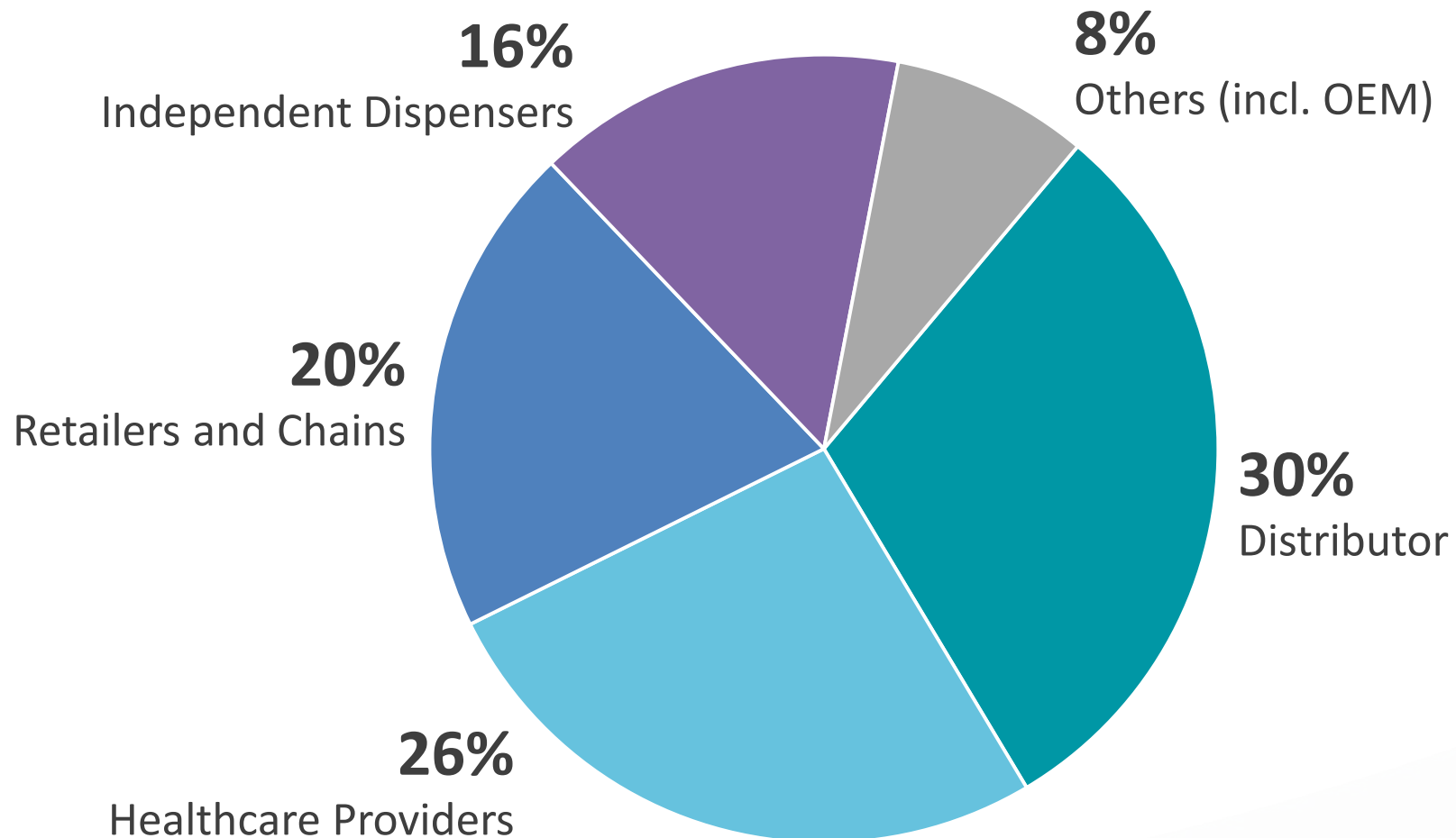


**Independent of hearing aid manufacturers**

**Distribution independence, enabling new channels**

## Wide-ranging Customer Base

Strong portfolio and brand has positioned Otometrics particularly well within the dispenser and retail segments



# The Most Complete Testing for All Types of Balance Disorders

Otometrics ICS Impulse improves the vestibular\* assessment workflow: The only system that can assess all six semicircular ear canals and therefore provide a full picture of a patient with a dizziness/balance disorder



## Key competitive advantages:

- Balance diagnostic at bed side
- Excellent patient comfort
- Industry-leading accuracy
- Expandable platform for all sizes of practice and satellite locations

\* Vestibular.org definition: The vestibular system includes the parts of the inner ear and brain that help control balance and eye movements

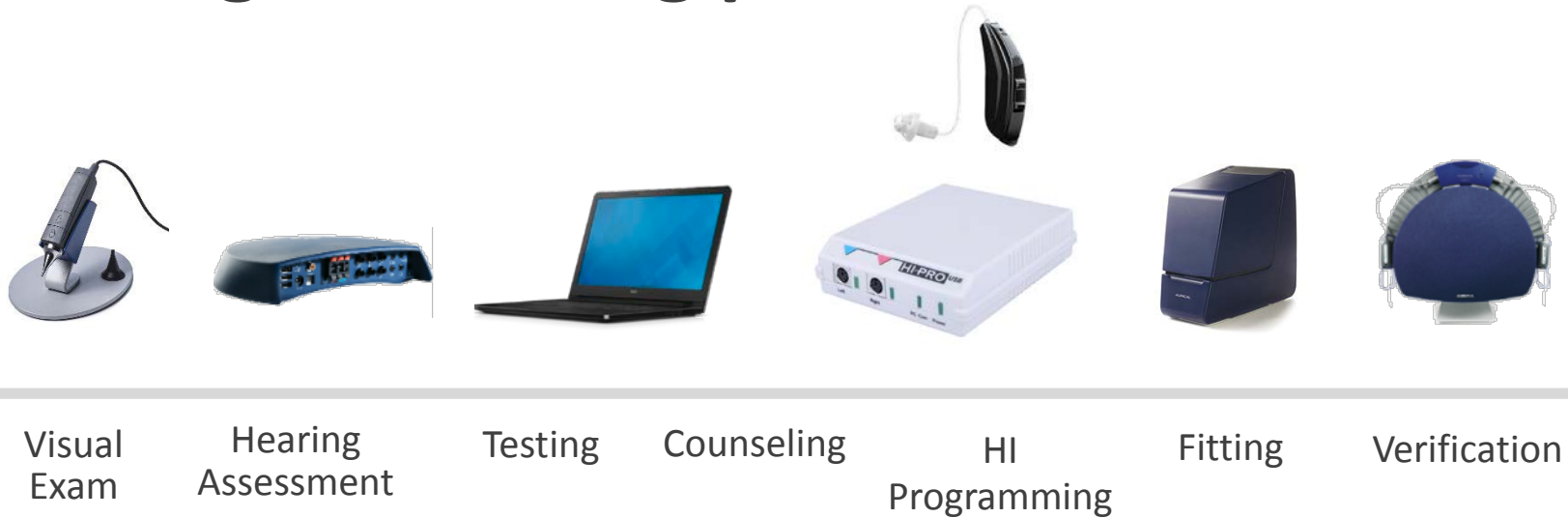
# ICS Impulse: Revolutionizing Balance Disorder Diagnosis



**“Ten minutes to  
diagnose patient  
who suffered from  
dizziness for four  
years.”**

Morten Friis, MD, ENT specialist  
and Neuro-Otologist, Ph.D.,  
Rigshospitalet Denmark

# Top provider for the entire fitting and tuning process



## Key competitive advantages

- Support of optimized workflows
- Scalable and flexible platform
- Outstanding investment



# Aurical fitting and tuning process in action



**“The AURICAL® FreeFit with PMM is one of our most used pieces of equipment. We utilize it for every hearing patient.”**

Dr. Robin Maxon





# Otoscan - All Digital Hearing Aid Fitting Process

From an analog...

...to a digital fitting process

Otoscan to digitalize the last step of the fitting process



Silicone impression



Shipping and handling



Impression, trimming and waxing



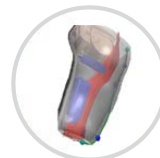
Produce casting form



Shell Casting



Impression scanning and Otoscan Portal



Direct e-sculpturing



3D printing



Time-saving



Safe, comfortable  
process



Improved comfort  
of final product



Reduced  
remake rate



Easy to use



# Demo of Otoscan



# All digital hearing aid fitting process

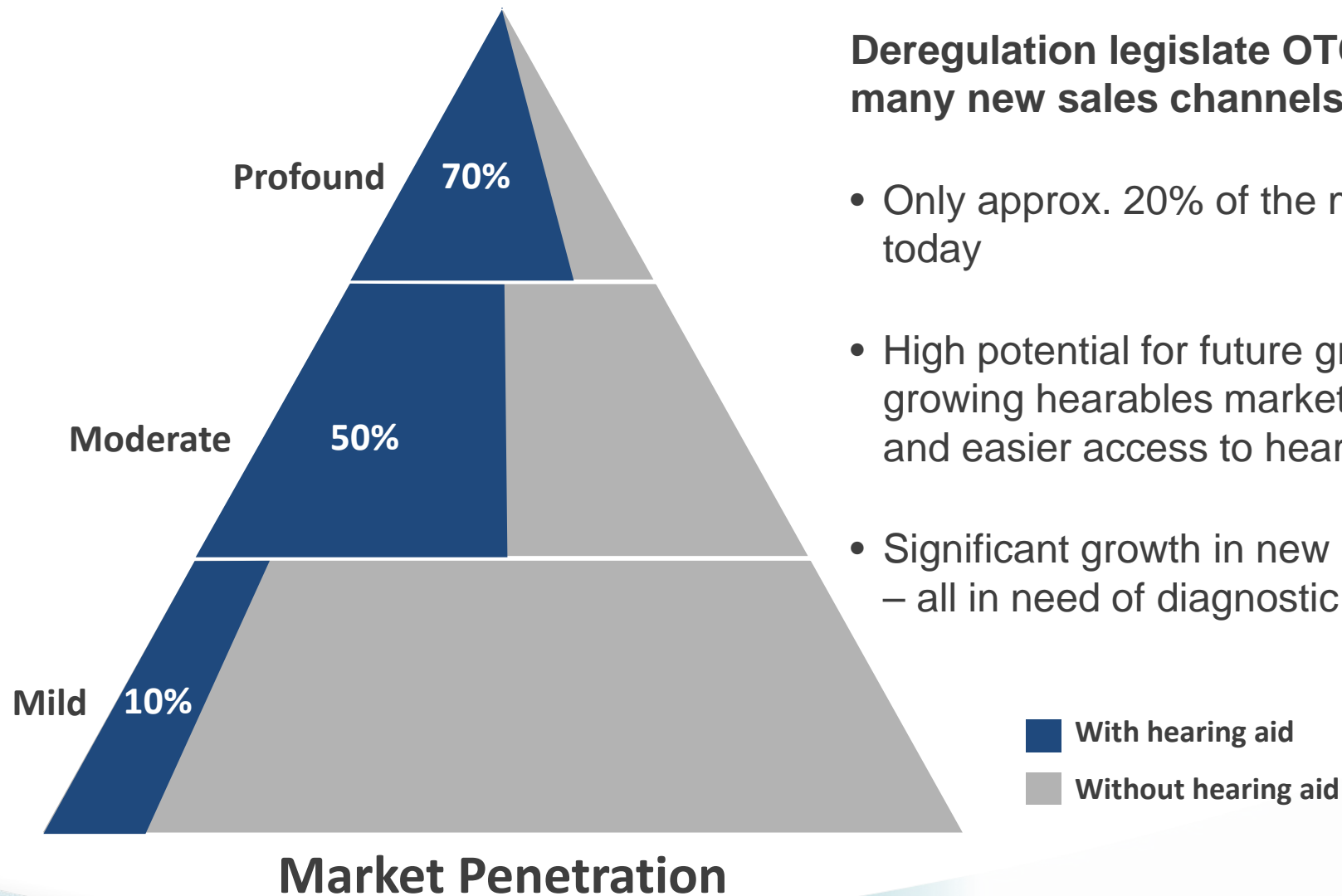


*“I am really excited for this technology. I think this is the way we will fit hearing aids in the future.... just surprised it took this long to get there..”*

From market research made by  
Lindberg International Aug  
2016

## \$200 million market opportunity!

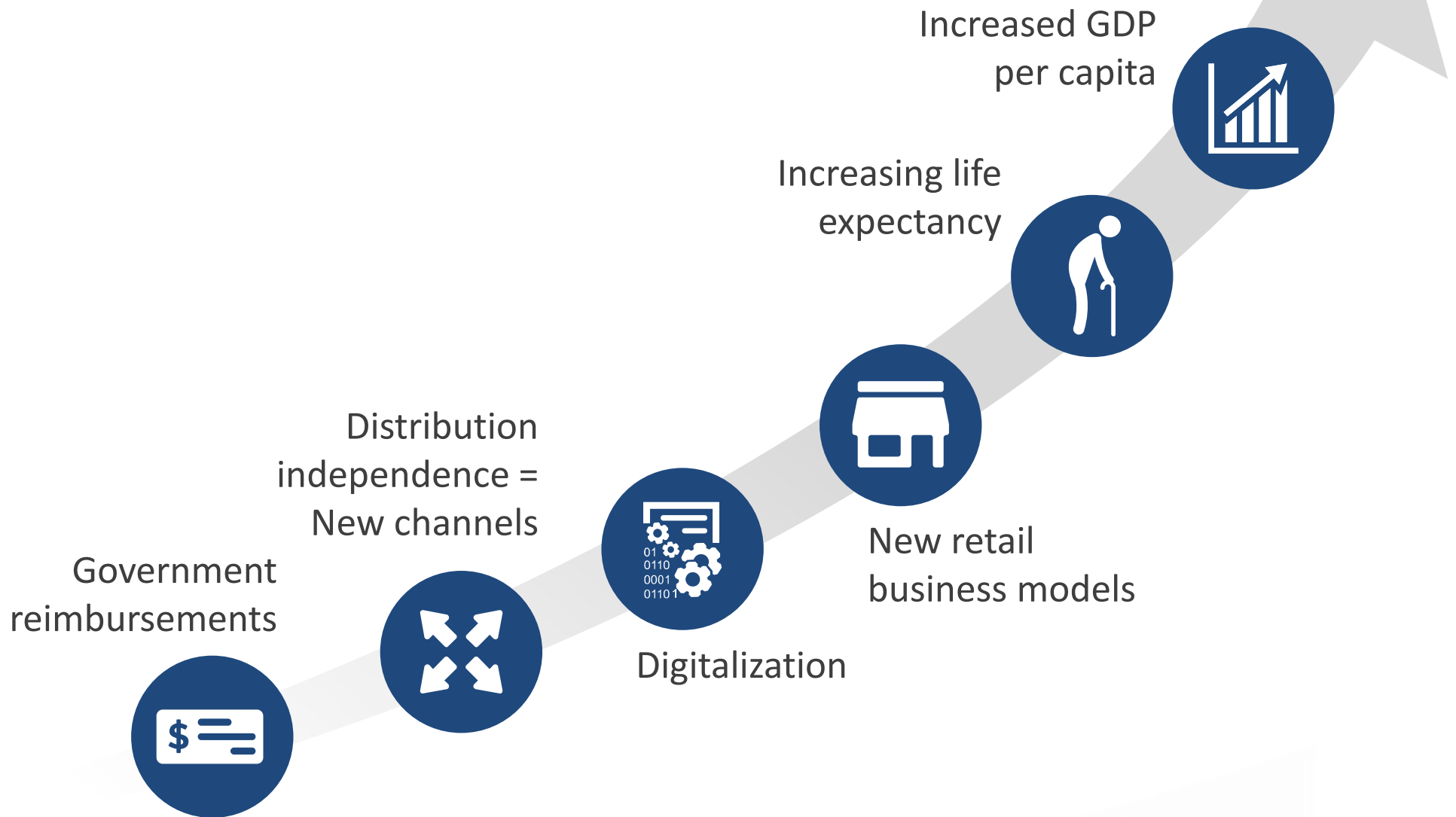
# Deregulation of market matures much larger and unserved consumer segments



**Deregulation legislate OTC markets and many new sales channels:**

- Only approx. 20% of the market served today
- High potential for future growth due to growing hearables market, deregulation and easier access to hearing aids
- Significant growth in new sales channels – all in need of diagnostic solutions

# Growth Accelerators





# natus® + otometrics

**2017 Goal to grow Otometrics operating margin from break even to 10%**



## Global Leader

- Hearing Aid Fitting
- Hearing Diagnostics
- Balance Diagnostics
- Hearing Screening

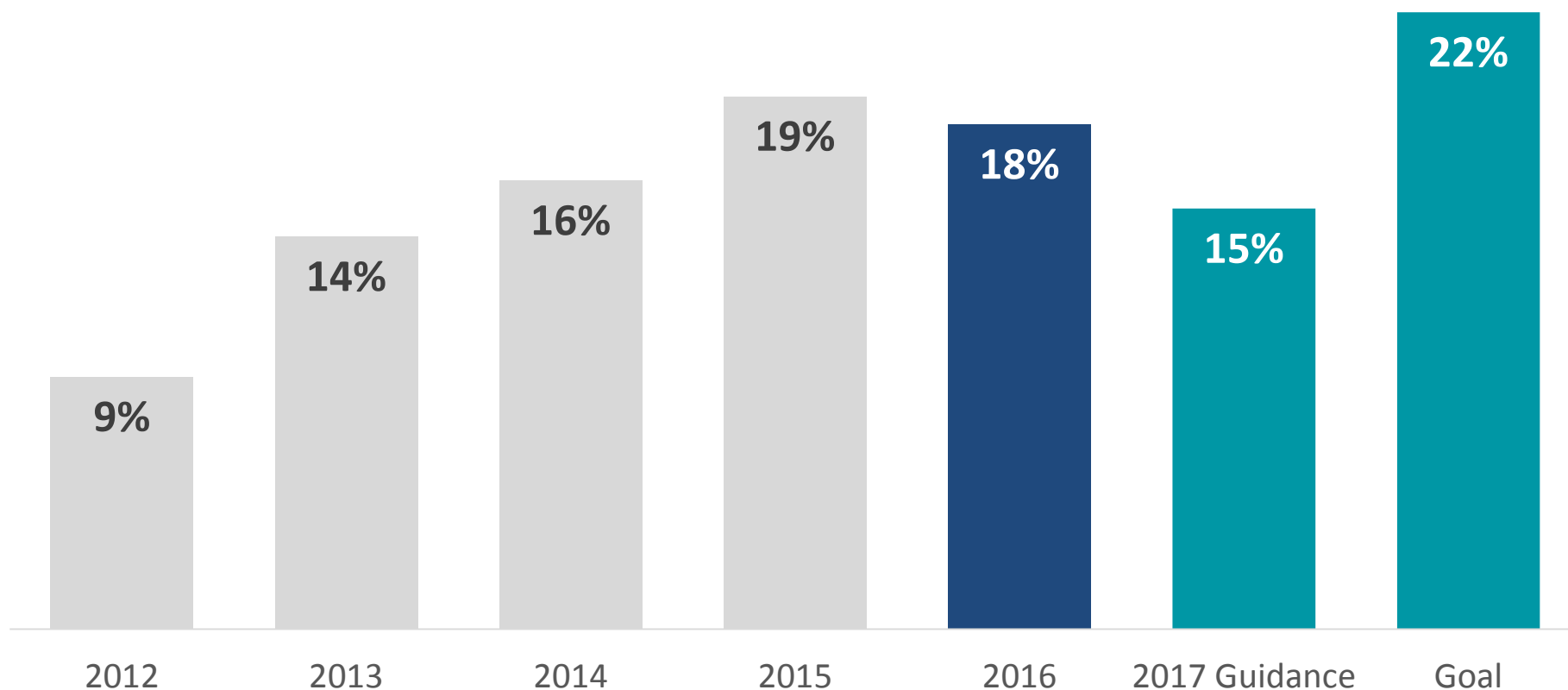


## Market Presence

- Largest independent hearing aid fitting supplier
- Expanding margins as we complete integrations

# FINANCIAL OVERVIEW

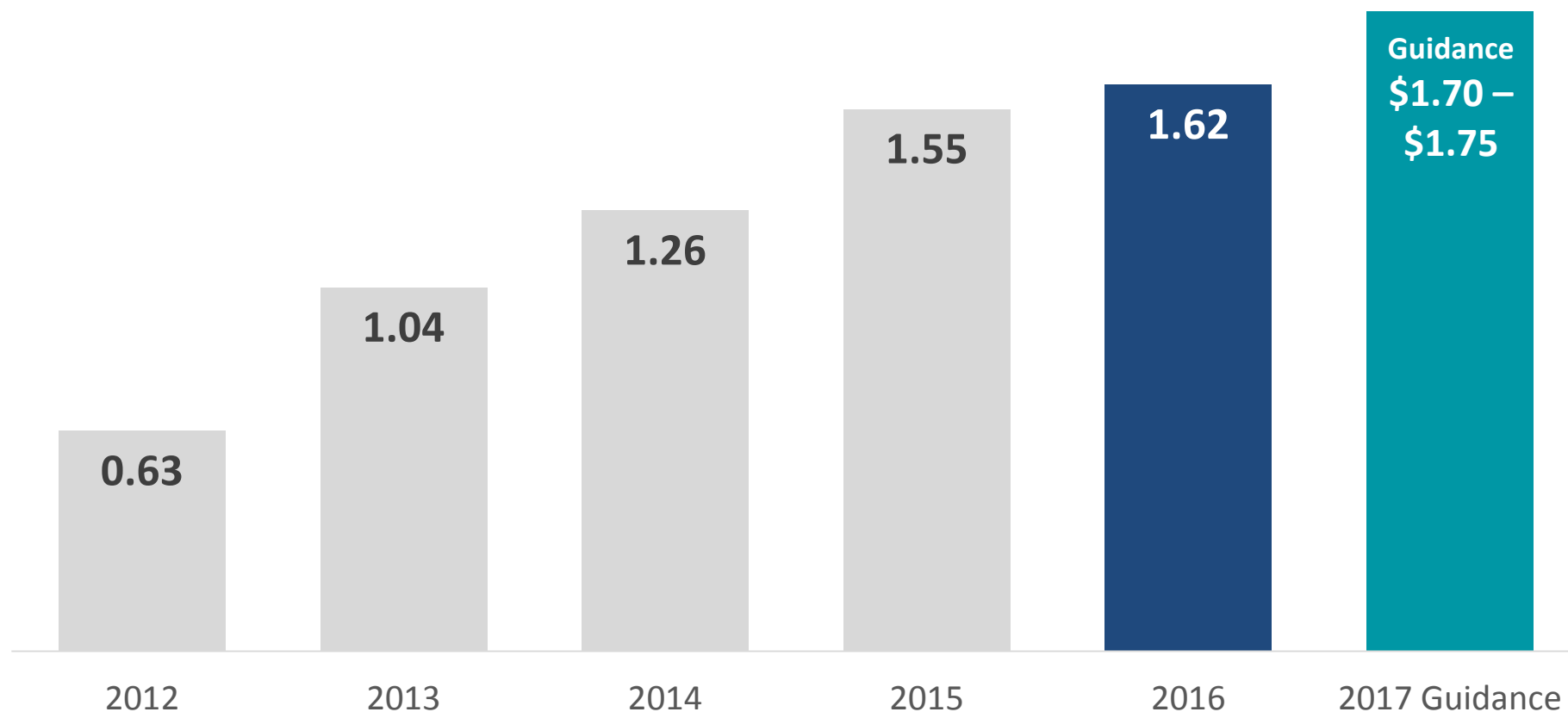
# Non-GAAP Operating Margin Growth



\*Non-GAAP earnings excl. intangible amort., restructurings, and certain other one-time items. For more information, please see our periodic press releases and associated SEC filings at <http://investor.natus.com>.

# Non-GAAP EPS Growth

\$ millions



\*FY'17 guidance as of February 1, 2017. Non-GAAP earnings excl. intangible amort., restructurings, and certain other one-time items. For more information, please see our periodic press releases and associated SEC filings at <http://investor.natus.com>.

# Cash Flow and Share Repurchases

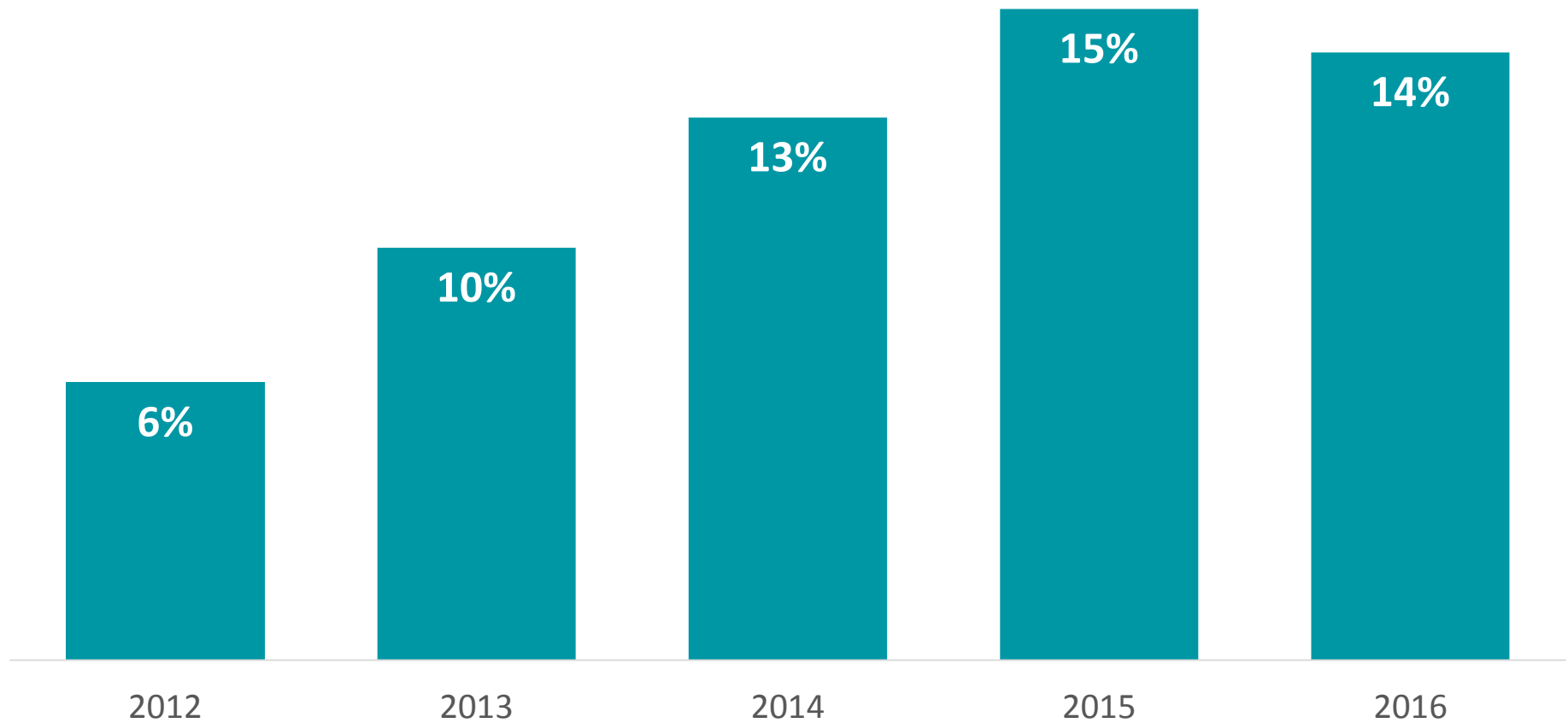
In millions

	2016	2015
Cash Flow from Ops	\$72.7	\$36.9
Share Repurchases	\$23.4	\$15.9

\* Non-GAAP: See the Company's press releases and SEC filings for GAAP to non-GAAP reconciliations.



## ROIC



\*ROIC based on reported Non-GAAP financials

# Key Drivers to Financial Goals

- Completion of Otometrics Integration
  - Major systems integration complete in 2017
  - Incremental business integration complete in 2018
- Increasing profitability in Newborn Care
  - Regulatory hurdles cleared in 2018
  - Peloton profitability focus
- Growth in Otometrics and Natus Core
  - Increasing margins

# Q&A

## MARKET LEADER



Newborn Care



Neurodiagnostics



Audiology

# Medical Panel

**John C. Kincaid, MD**

*Professor of  
Neurology, IU Health  
University Hospital  
and Riley Hospital for  
Children at Indiana  
University Health*

**James J. Riviello Jr.,  
MD**

*Neurology, Pediatric  
Neurological  
Surgery,  
NY Presbyterian  
Hospital*

**Brady M. Schwab,  
MBA, MS**

*Chief Executive  
Officer  
Entheos Audiology  
Cooperative, Inc.*

**Daniel Stewart, MD**

*Professor of  
Pediatrics, Obstetrics  
& Gynecology,  
University of  
Louisville School of  
Medicine*

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**Moderator:**

**Christopher Chung, MD**

*VP Medical Affairs, Quality and Regulatory, Natus Medical*

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