

January 28, 2015



Natus Medical Announces Record Fourth Quarter and Full Year 2014 Financial Results

- **Increases 2015 revenue and earnings guidance**
- **Achieves 2014 non-GAAP operating margin goal of 16%**

PLEASANTON, Calif., Jan. 28, 2015 (GLOBE NEWSWIRE) -- **Natus Medical Incorporated** (Nasdaq:BABY) today announced financial results for the three months and full year ended December 31, 2014.

For the fourth quarter ended December 31, 2014, the Company reported revenue of \$94.0 million, an increase of 4% compared to \$90.6 million reported for the fourth quarter 2013. GAAP net income was \$9.9 million, or \$0.30 per diluted share, compared with GAAP net income of \$9.4 million, or \$0.30 per diluted share in the fourth quarter of 2013.

The Company reported non-GAAP net income of \$13.1 million for the fourth quarter ended December 31, 2014, an increase of 9% over the prior year of \$12.0 million. Non-GAAP earnings per diluted share was \$0.40 for the fourth quarter of 2014, compared to \$0.38 in the fourth quarter of 2013.

For the full year ended December 31, 2014, the Company reported revenue of \$355.8 million, an increase of 3% compared to \$344.1 million reported for 2013. GAAP net income was \$31.7 million, or \$0.97 per diluted share, compared with net income of \$23.3 million, or \$0.76 per diluted share in 2013.

The Company reported non-GAAP net income of \$40.9 million for the full year ended December 31, 2014, an increase of 27% over the prior year of \$32.1 million. Non-GAAP earnings per diluted share increased to \$1.26 for the full year 2014 from \$1.04 for the same period in the previous year.

Cash and cash equivalents increased by \$8.9 million to \$66.7 million during the quarter. Total debt was reduced by \$8.0 million, as the Company repaid in full its long term debt. The Company also repurchased \$1.2 million of company stock during the fourth quarter.

"I am very pleased with our fourth quarter results as we achieved record revenues and earnings. Both our neurodiagnostic and newborn care businesses performed well in the quarter led by outstanding performance in our domestic neurology business. Our non-GAAP fourth quarter gross margin of 62.9% and our non-GAAP full year operating margin of 16.1% for 2014 were most satisfying as improving margins were a major goal for Natus

in 2014. We look for continued margin improvement in 2015," said Jim Hawkins, President and Chief Executive Officer of the Company.

"Our recent acquisitions of NicView and Global Neuro-Diagnostics (GND) along with the continued development of our Peloton hearing screening service business are expanding our served markets and driving growth as we enter 2015," Hawkins continued. "NicView expands our offering with an innovative solution for streaming video to families with NICU babies, from any device -- from anywhere in the world. GND brings Natus the leadership position in neurodiagnostic video EEG testing services that can be performed at the patient's home, hospital or physician's office. These new offerings are the beginning of an expanding service business and position Natus for accelerating revenue growth and record earnings in 2015," said Hawkins.

Financial Guidance

The Company updated its revenue and earnings guidance for the first quarter and full year 2015.

For the first quarter of 2015, the Company increased its revenue guidance to \$88 million to \$90 million, an increase from previous guidance of \$87 million to \$89 million, while non-GAAP earnings per share guidance remained unchanged at \$0.28 to \$0.30.

The Company updated its non-GAAP earnings guidance for the full year 2015 and now expects to report non-GAAP earnings per share of \$1.42 to \$1.46, an increase from previous guidance of \$1.40 to \$1.44. Full year 2015 revenue guidance was increased to \$373 million to \$375 million compared to previous guidance of \$367 million to \$369 million.

The Company's non-GAAP earnings guidance excludes amortization of acquisition related intangibles, acquisition related charges, restructuring charges, and their related tax effects. Non-GAAP earnings guidance includes the impact of expensing employee share based compensation. All non-GAAP earnings per share amounts are on a diluted basis.

Use of Non-GAAP Financial Measures

The Company's non-GAAP results exclude amortization expense associated with certain acquisition-related intangibles, restructuring charges, direct costs of acquisitions and the related tax effects. A reconciliation between non-GAAP and GAAP financial measures is included in this press release.

The Company believes that the presentation of results excluding these charges provides meaningful supplemental information to both management and investors that is indicative of the Company's core operating results. Therefore, the Company believes these non-GAAP financial measures facilitate comparison of operating results across reporting periods.

The Company believes that both management and investors benefit from referring to these non-GAAP financial measures in assessing the Company's performance and when planning, forecasting, and analyzing future periods. These non-GAAP financial measures

also facilitate management's internal comparisons to the Company's historical performance. The non-GAAP financial measures disclosed by the Company should not be considered a substitute for or superior to financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations to those financial statements should be carefully evaluated.

Conference Call

Natus has scheduled an investment-community conference call to discuss this announcement beginning at 11:00 a.m. Eastern Time (8:00 a.m. Pacific Time) today, January 28, 2015. Individuals interested in listening to the conference call may do so by dialing 1-866-700-6067 for domestic callers, or 1-617-213-8834 for international callers, and entering reservation code 66763664. A telephone replay will be available for 48 hours following the conclusion of the call by dialing 1-888-286-8010 for domestic callers, or 1-617-801-6888 for international callers, and entering reservation code 77881623.

The conference call also will be available real-time via the Internet at <http://investor.natus.com>, and a recording of the call will be available on the Company's Web site for 90 days following the completion of the call.

About Natus Medical Incorporated

Natus is a leading provider of healthcare products and services used for the screening, detection, treatment, monitoring and tracking of common medical ailments in newborn care, hearing impairment, neurological dysfunction, epilepsy, sleep disorders, and balance and mobility disorders.

Additional information about Natus Medical can be found at www.natus.com.

Forward-Looking Statements

This press release contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995, particularly statements regarding the expectations, beliefs, plans, intentions and strategies of Natus. These forward-looking statements include statements regarding our long term goals of revenue growth and improved margins, revenue and non-GAAP profitability in the first quarter and full year 2015. Additionally, these statements include uncertainty regarding an adjustment to our 2013 inventory valuation and shareholder's equity that will be finalized upon completion of our 2014 financial statement audit. These statements relate to estimates and assumptions regarding future events including Natus' future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, performance, or achievements to differ materially from those expressed or implied by the forward-looking statements. Forward-looking statements are only predictions and the actual events or results may differ materially. Natus cannot provide any assurance that its future results or the results implied by the forward-looking statements will meet expectations. Our future results could differ materially due to a number of factors, including the effects of competition, the demand for our products and services, the impact of adverse global economic conditions on our target markets, our ability to expand our sales in international markets, our ability to maintain current sales levels in a mature

domestic market, our ability to control costs, risks associated with bringing new products to market and integrating acquired businesses, and our ability to fulfill product orders on a timely basis. Natus disclaims any obligation to update information contained in any forward looking statement.

More information about potential risk factors that could affect the business and financial results of Natus is included in Natus' annual report on Form 10-K for the year ended December 31, 2013, and its quarterly reports on Form 10-Q, and in other reports filed from time to time by Natus with the U.S. Securities and Exchange Commission.

NATUS MEDICAL INCORPORATED AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF
OPERATIONS

(in thousands, except per share amounts)

| | Quarter Ended | | Year to Date | |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|
| | Dec 31, 2014 | Dec 31, 2013 | Dec 31, 2014 | Dec 31, 2013 |
| Revenue | \$ 94,010 | \$ 90,636 | \$ 355,834 | \$ 344,112 |
| Cost of revenue | 35,626 | 37,272 | 141,000 | 141,634 |
| Gross profit | 58,384 | 53,364 | 214,834 | 202,478 |
| Gross profit margin | 62.1% | 58.9% | 60.4% | 58.8% |
| Operating expenses: | | | | |
| Marketing and selling | 24,382 | 22,770 | 87,678 | 87,151 |
| Research and development | 8,412 | 7,699 | 31,980 | 32,073 |
| General and administrative | 11,491 | 8,480 | 49,326 | 48,528 |
| Total operating expenses | 44,285 | 38,949 | 168,984 | 167,752 |
| Income from operations | 14,099 | 14,415 | 45,850 | 34,726 |
| Other income/(expense), net | 498 | (1,279) | 158 | (2,716) |
| Income before tax | 14,597 | 13,136 | 46,008 | 32,010 |
| Provision for income tax expense | 4,677 | 3,716 | 14,311 | 8,685 |
| Net income | \$ 9,920 | \$ 9,420 | \$ 31,697 | \$ 23,325 |
| Earnings per share: | | | | |
| Basic | \$ 0.31 | \$ 0.31 | \$ 1.01 | \$ 0.78 |
| Diluted | \$ 0.30 | \$ 0.30 | \$ 0.97 | \$ 0.76 |
| Weighted-average shares: | | | | |
| Basic | 31,916 | 30,495 | 31,499 | 29,993 |
| Diluted | 32,908 | 31,458 | 32,568 | 30,821 |

NATUS MEDICAL INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)
(in thousands)

Dec 31,

Dec 31,

| ASSETS | <u>2014</u> | <u>2013</u> |
|--------------------------------|--------------------------|--------------------------|
| | Q4-14 | Q4-13 |
| Current assets: | | |
| Cash and cash equivalents | \$ 66,734 | \$ 56,106 |
| Accounts receivable, net | 82,255 | 82,110 |
| Inventories ¹ | 41,211 | 40,917 |
| Other Current Assets | <u>29,133</u> | <u>20,860</u> |
| Total current assets | 219,333 | 199,993 |
| Property and equipment, net | 19,275 | 23,295 |
| Goodwill and Intangible assets | 188,878 | 196,058 |
| Other assets | <u>8,424</u> | <u>10,324</u> |
| Total assets | <u><u>\$ 435,910</u></u> | <u><u>\$ 429,670</u></u> |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|--|--------------------------|--------------------------|
| Current liabilities: | | |
| Accounts payable | \$ 24,567 | \$ 29,777 |
| Current debt | -- | 10,517 |
| Accrued liabilities | 33,455 | 26,831 |
| Deferred revenue | <u>11,745</u> | <u>12,946</u> |
| Total current liabilities | 69,767 | 80,071 |
| Long-term liabilities: | | |
| Long-term debt, net | -- | 27,500 |
| Other long-term liabilities | <u>12,910</u> | <u>12,549</u> |
| Total liabilities | <u>82,677</u> | <u>120,120</u> |
| Total stockholders' equity ¹ | <u>353,233</u> | <u>309,550</u> |
| Total liabilities and stockholders' equity | <u><u>\$ 435,910</u></u> | <u><u>\$ 429,670</u></u> |

(1) 2013 inventories and stockholders' equity include a \$3.2 million adjustment to increase the value of inventories related to a change in prior years' overhead cost in inventory allocation.

NATUS MEDICAL INCORPORATED AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP ADJUSTMENTS (UNAUDITED)
(in thousands, except per share amounts)

| | <u>Quarter Ended</u> | | <u>Year to Date</u> | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | <u>Dec 31,</u> <u>2014</u> | <u>Dec 31,</u> <u>2013</u> | <u>Dec 31,</u> <u>2014</u> | <u>Dec 31,</u> <u>2013</u> |
| GAAP based results: | | | | |
| Income before provision for income tax | \$ 14,597 | \$ 13,136 | \$ 46,008 | \$ 32,010 |

Non-GAAP adjustments:

Amortization of acquired intangibles:

| | | | | |
|---|--------|--------|--------|--------|
| Cost of revenue | 704 | 611 | 2,960 | 2,972 |
| Marketing and selling | 654 | 621 | 1,150 | 2,642 |
| Research and development | 422 | 661 | 2,037 | 1,628 |
| Intangible Asset Impairment Charges (M&S) | 598 | 1,500 | 598 | 1,500 |
| Restructuring charges (G&A) | 538 | (198) | 4,238 | 1,822 |
| Direct costs of acquisitions (G&A) | 4 | -- | 342 | 1,774 |
| Non-GAAP income before provision for income tax | 17,517 | 16,331 | 57,333 | 44,348 |
| Income tax expense, as adjusted | 4,399 | 4,369 | 16,393 | 12,204 |

Non-GAAP net income

| | | | | |
|--|------------------|------------------|------------------|------------------|
| | \$ 13,118 | \$ 11,962 | \$ 40,940 | \$ 32,144 |
|--|------------------|------------------|------------------|------------------|

Non-GAAP earnings per share:

| | | | | |
|----------------------|---------|---------|---------|---------|
| Basic | \$ 0.41 | \$ 0.39 | \$ 1.30 | \$ 1.07 |
| Diluted ¹ | \$ 0.40 | \$ 0.38 | \$ 1.26 | \$ 1.04 |

Weighted-average shares used to compute

| | | | | |
|-------------------------------------|--------|--------|--------|--------|
| Basic non-GAAP earnings per share | 31,916 | 30,495 | 31,499 | 29,993 |
| Diluted non-GAAP earnings per share | 32,908 | 31,458 | 32,568 | 30,821 |

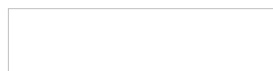
| | | | | |
|------------------------------|--------------|--------------|--------------|--------------|
| GAAP Gross profit | 58,384 | 53,364 | 214,834 | 202,478 |
| Amortization of intangibles | 704 | 611 | 2,960 | 2,972 |
| Non-GAAP Gross Profit | 59,088 | 53,975 | 217,794 | 205,450 |
| Non-GAAP Gross Margin | 62.9% | 59.6% | 61.2% | 59.7% |

| | | | | |
|----------------------------------|--------------|--------------|--------------|--------------|
| GAAP Operating profit | 14,099 | 14,415 | 45,850 | 34,726 |
| Amortization of intangibles | 2,378 | 3,393 | 6,745 | 8,742 |
| Restructuring and other charges | 542 | (198) | 4,580 | 3,596 |
| Non-GAAP Operating profit | 17,019 | 17,610 | 57,175 | 47,064 |
| Non-GAAP Operating margin | 18.1% | 19.4% | 16.1% | 13.7% |

(1) Q4 and full year 2013 non-GAAP earnings per share was previously reported as \$0.37 and \$1.03, respectively and now include a \$0.01 adjustment to include the effects of an anticipated adjustment to increase the value of inventories related to a change in prior years' overhead cost in inventory allocation.

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Source: Natus Medical Incorporated