

# Electromed, Inc. Investor Presentation

November 2023

NYSE American: ELMD

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**INNOVATION LEADER IN  
AIRWAY CLEARANCE  
TECHNOLOGIES**



**smartvest<sup>®</sup>**  
AIRWAY CLEARANCE SYSTEM





# Forward Looking Statements

Certain statements in this press release constitute forward-looking statements as defined in the US Private Securities Litigation Reform Act of 1995. Forward-looking statements can generally be identified by words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “should,” “will,” and similar expressions, including the negative of these terms, but they are not the exclusive means of identifying such statements. Forward-looking statements cannot be guaranteed, and actual results may vary materially due to the uncertainties and risks, known or unknown associated with such statements. Examples of risks and uncertainties for the Company include, but are not limited to the competitive nature of our market; changes to Medicare, Medicaid, or private insurance reimbursement policies; changes to state and federal health care laws; changes affecting the medical device industry; our ability to develop new sales channels for our products such as the homecare distributor channel; our need to maintain regulatory compliance and to gain future regulatory approvals and clearances; new drug or pharmaceutical discoveries; general economic and business conditions; our ability to renew our line of credit or obtain additional credit as necessary; our ability to protect and expand our intellectual property portfolio; the risks associated with expansion into international markets, as well as other factors we may describe from time to time in the Company’s reports filed with the Securities and Exchange Commission (including the Company’s most recent Annual Report on Form 10-K, as amended from time to time, and subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K). Investors should not consider any list of such factors to be an exhaustive statement of all of the risks, uncertainties or potentially inaccurate assumptions investors should take into account when making investment decisions. Shareholders and other readers should not place undue reliance on “forward-looking statements,” as such statements speak only as of the date of this press release. We undertake no obligation to update them in light of new information or future events.

# → Who We Are

## ***ELECTROMED, INC.***

Electromed, Inc. is a growing medical device company focused on airway management to help people around the world breathe better, stay healthier, and lead active and fulfilling lives.

### Key Stats:



**Headquarters:**  
New Prague, MN



**Ticker:**  
ELMD



**Established:**  
1992



**Annual Revenue:**  
\$48.1M



**Market Cap:**  
\$90M



**Share Count:**  
8.6M



**#170**  
**Employees**



**Manufacturing**  
**in Minnesota**



**HFCWO Market**  
**Focus**

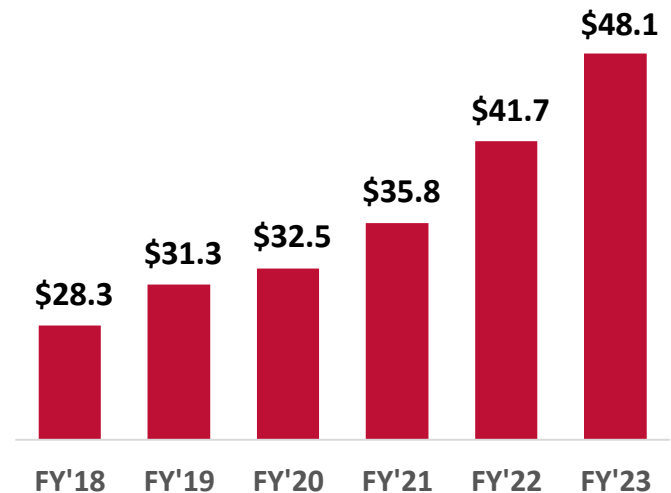
*As of 10/31/2023*



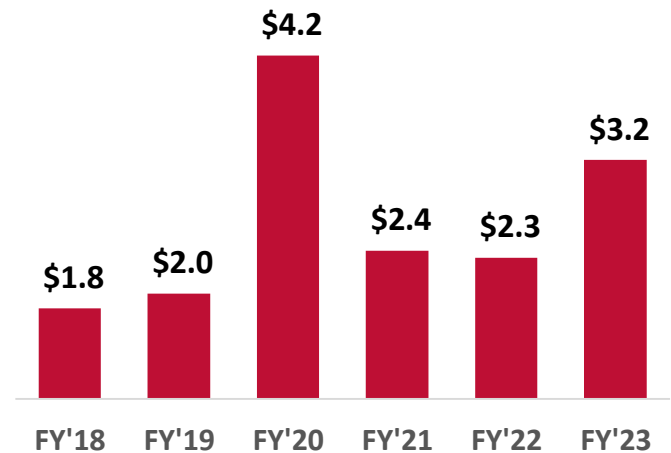
# Electromed Overview

- » Growing and profitable medical technology company
- » A leader in the large and expanding airway clearance market
- » SmartVest® High Frequency Chest Wall Oscillation (“HFCWO”) technology supported by clinical outcomes data with strong reimbursement
- » Attractive direct-to-patient and provider model
- » Strong financial profile with attractive historical gross margins and profitability, well capitalized balance sheet

## Net Revenue (\$M)<sup>1</sup>



## Net Income (\$M)<sup>1</sup>

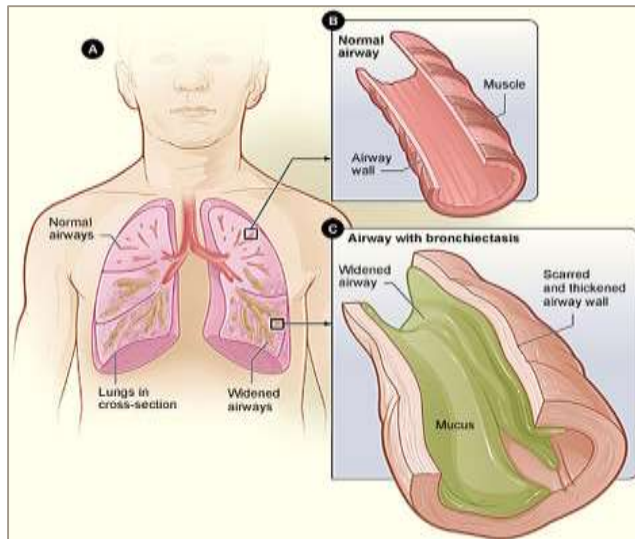


<sup>1</sup> Financials under ASC 606

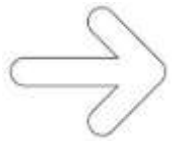


# What is Bronchiectasis?

- » An irreversible lung condition characterized by abnormal widening of one or more of the bronchi (airways)
- » End result of repeated episodes of pulmonary inflammation and infection
- » Damaged airways allow excess mucus to accumulate, increasing risk of infection
- » Mean prevalence of bronchiectasis in patients with COPD is 54%<sup>1</sup>



<sup>1</sup>Chalmers J. and Sethi S. Raising awareness of bronchiectasis in primary care: overview of diagnosis and management strategies in adults. *NPJ Prim Care Respir Med.* 2017;27:18



# US Market

*Large, Growing and Underpenetrated Market*

Estimated Net  
Bronchiectasis  
prevalence, **DIAGNOSED**<sup>1</sup>

Estimated bronchiectasis  
prevalence,  
**UNDIAGNOSED**<sup>2</sup>



Estimated HFCWO  
bronchiectasis penetration,  
treated population<sup>1</sup>

Bronchiectasis HFCWO  
penetration ~15%<sup>1</sup>

Diagnosed BE population  
growing at ~12%  
annually<sup>1</sup>

<sup>1</sup>Internal company estimates derived from GUIDEHOUSE 2023 NASM claims database

<sup>2</sup>Internal company estimates derived from GUIDEHOUSE 2023 literature review and 2023 CDC NHANES data



# How is Bronchiectasis Treated?

## *Benefits of HFCWO Therapy*

### How Does SmartVest® HFCWO Therapy Work?

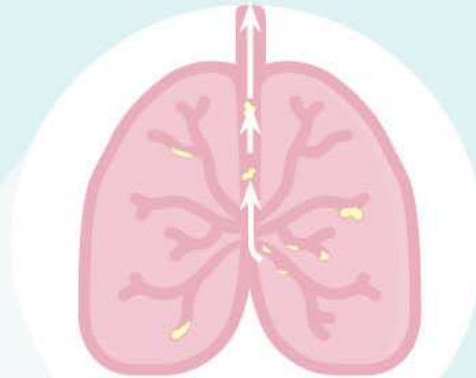
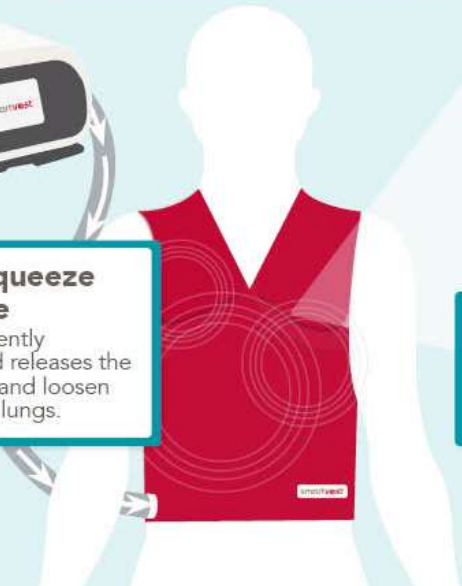
#### **Air-Pulse Technology**

A generator delivers repeating pulses of air through a single hose to an inflated wearable vest.



#### **Gentle Squeeze & Release**

Each pulse gently squeezes and releases the chest to thin and loosen mucus in the lungs.



#### **Airway Clearance**

Mucus is propelled upward toward major airways where it can be coughed out more easily.

### On Average, How Often Is HFCWO Therapy Performed?

**2x**  
per day

**30**  
minutes  
per session

**7**  
days  
per week

# ➔ History of Innovation



Introduced *Portable* HFCWO Device

2000



Introduced *Programmable* HFCWO Device

2003



Introduced *Reversible* Wrap Garment

2007 2008



Introduced *SmartVest® Colors*

2010



Introduced *SmartVest SQL®*

2013



Commenced Development of *Wireless Connectivity* Reporting Solution

2016 2017

Introduced *Machine Washable* Vest Garment



2001

Introduced *Multi-Positional* HFCWO Device



2007 2008

Introduced *Expanded SmartVest®* Garment and *SQL®* Generator Colors

2016 2017

Introduced *Touch Screen* User Interface HFCWO Device - *Clearway®*



2022



# → SmartVest Clearway®

*Only New HFCWO Device on the Market*

An enhanced patient experience!

- » **Smaller, lighter and intuitive user interface** for better patient adherence
- » **Patient remote monitoring** enabled
- » More **portable and easier for travel**
- » **Expect to contribute to both top line and gross margin growth**



**SmartVest® has a well-established reimbursement code from CMS – E0483;  
Electromed has over 275M contracted lives in the US**



# SmartNotes™ Patient Progress Report

Providing Patient Outcomes and Treatment Progress to Physicians

**SmartNotes** combine patient **Quality of Life** and **Therapy Utilization** data to provide physicians with extended views into disease management

- » **TeleRespiratory Services:** A team of Respiratory Therapists stay connected with patients and support their therapy utilization.
- » **Outcomes Management:** Easy-to-read report provides physicians with a comprehensive view of disease progression and therapy impact.

**SmartNotes Patient Progress Report** smartvest

Name: Clarence DOB: 01/01/1950 Age: 73

COPD Risk: C SmartNotes Onboard: 12/02/2022 SmartVest Connect Enabled: Yes

Primary Care Physician: (Non CP) HFCWO Setup: 12/02/2022 Resp. John Doe (DCU-1)

Member ID: 123456 Last Encounter: 06/14/2023 Pt Reported Feeling: Better - I feel better than the last check in.

Patient Motivational Goal: Be able to go shopping

Days in Program: **195**

**PHYSICIAN INFO** Primary Care Physician: Sam Smith Pulmonologist: Peter Moss Next Phys Follow Up Visit: 10/01/2023

**MEDICATION BEST PRACTICES** Both Rescue & Maint Med: Patient has both a SABER/Rescue and some combination of Long Acting LABA, LAMA, ICS. Increase in Rescue inhaler use: No. Currently on Antibiotics: Yes.

**EQUIPMENT INFORMATION** HFCWO Manufacturer: Electromed SmartVest Experienced HFCWO Equipment Error Codes: No. HFCWO Therapy Settings: Program 1, Program 2. Garment Fit: Yes. HFCWO Equipment Working: Yes. Oxygen as Prescribed: Yes. HFCWO Current Total Hours: 2. Oxygen Rx on Order: Rx Hours: May 24hrs continuous.

**HFCWO REPORTED USAGE**

Avg Sessions/Day	Avg Minutes/Day
2	30

**HFCWO COMPETENCIES** Able to return the equipment instructions: Yes. Able to complete bronchodilator therapy: Yes. Able to complete antibiotic therapy: Yes. Able to complete device therapy: Yes. Able to perform clearance techniques: Yes.

**HFCWO OUTCOMES (POST THERAPY)** Sputum production post SmartVest: Much more. Reduced effort to mobilize secretions: Yes. Has shortness of breath improved: Yes. Any side effects with therapy: No. Explain side effect if present: N/A.

Days since last Admit: **165**

**HOSPITAL ADMISSIONS PRIOR TO ONBOARDING** Hospital Admissions: 2. Reason for Visit: Respiratory. Last Admission date: 11/08/2022. Resp Infections Prior to Onboarding: 4.

**POST ONBOARDED HOSPITALIZATIONS** Hospital Admissions: 1. Reason for Visit: Cardiac. Date of last admission: 01/02/2023. Resp Infections Since Onboarded: N/A.

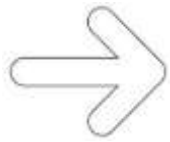
CAT Change from Initial: **-22**

**COPD ASSESSMENT TEST TOTAL SCORE BY DATE**

Date	Score
06/14/2023	22
05/02/2023	24
04/02/2023	26
03/02/2023	28
02/02/2023	30
01/02/2023	32

**CAT SCORE BY QUESTION**

Date	Coughing	Phlegm	Chase	Walking	Activities	Using Our	Sleeping	Energy	Total
06/14/2023	1	1	1	1	1	1	1	1	9
05/02/2023	1	1	2	1	1	1	1	1	11
04/02/2023	1	1	2	1	1	1	1	1	14
03/02/2023	1	1	2	1	1	1	1	1	14
02/02/2023	1	1	2	2	2	2	2	2	18



# Clinical Evidence

***Electromed has Published Studies Showing Effectiveness of HFCWO to Treat Bronchiectasis***

*Therapy with HFCWO demonstrated key health outcomes improved in post-compared to pre-index period: cough, all-cause hospitalizations, pneumonia and pulmonary hospitalizations.*

DeKoven (2022)

*Therapy with SmartVest® significantly decreased exacerbations requiring hospitalization, antibiotic use, and stabilizes lung function.*

Powner (2018)

*Therapy with SmartVest® demonstrated an improvement in symptom scores and quality of life.*

Chakravorty (2011)

**59%**

## **Fewer hospitalizations**

Exacerbations requiring hospitalizations reduced with SmartVest®.

Sievert (2016)

**75%**

## **Reduction in ER visits**

Longitudinal outcome-based study showed ER visits significantly reduce with SmartVest®.

Sievert (2018)



# Markets We Serve

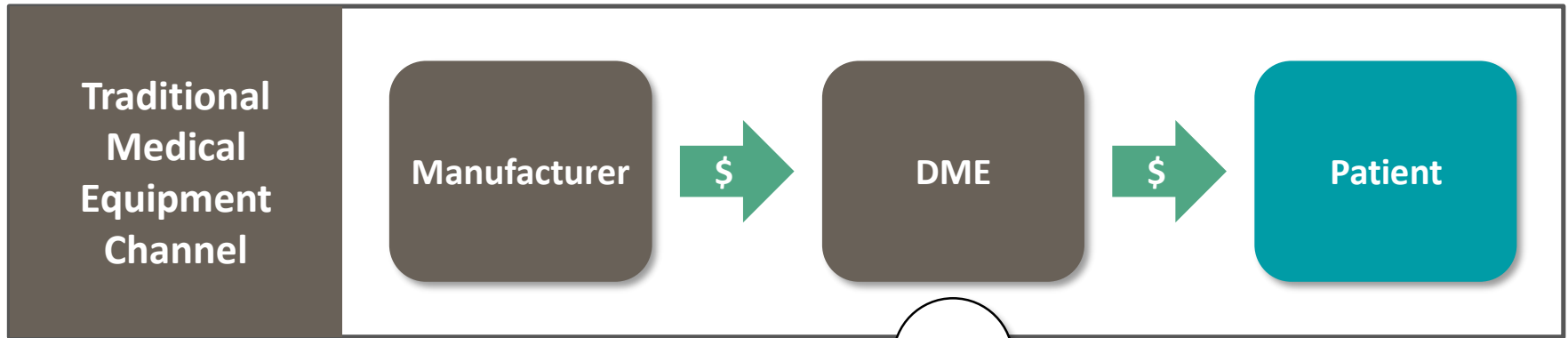
*Net Revenue Breakdown, Fiscal Year 2023*

	Homecare	Hospitals	International
<b>% of Net Revenue:</b>	<b>95%</b>	<b>4%</b>	<b>1%</b>
<b>Sales Points:</b>	Direct to physicians adult pulmonology clinics cystic fibrosis centers neuromuscular clinics HME distributors	Individual hospitals; member hospitals of group purchasing organizations (GPOs)	Distributors
<b>Revenue Model:</b>	Third-party reimbursement (Medicare, Medicaid, Commercial)  Contracted price with payments made directly from the distributor	Payments made directly from the institution for generator sales – capital purchase  Single patient use garments – recurring sales	Contracted price with payments made directly from the distributor

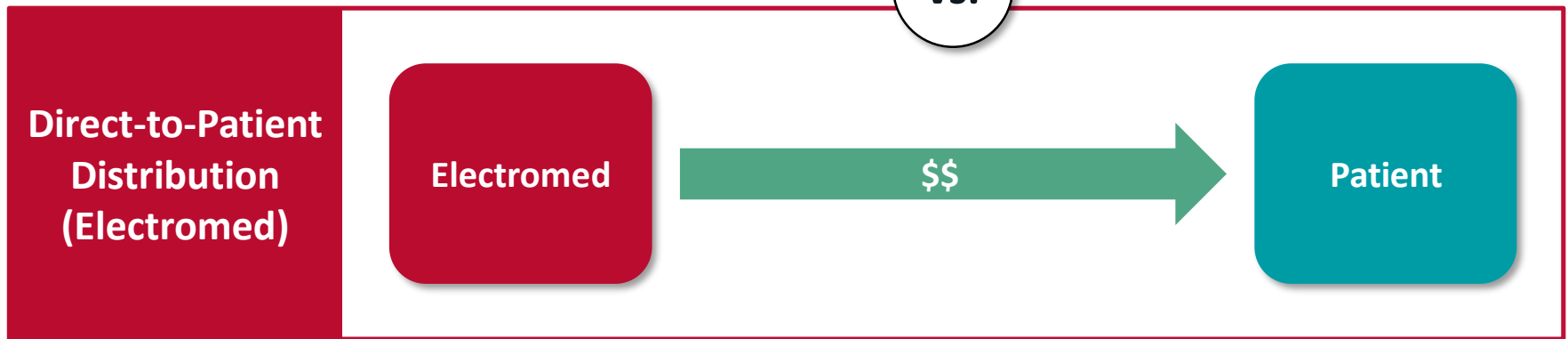


# Direct-to-Patient Model

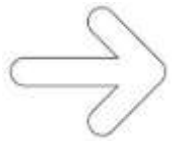
*Drives Attractive Margin Profile*



vs.

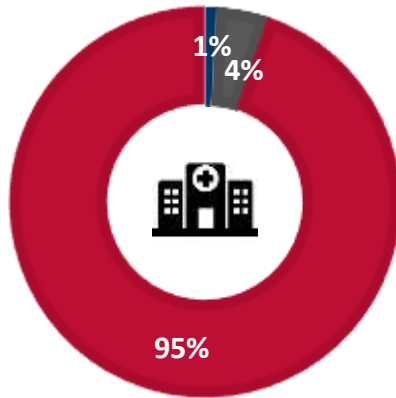


ELMD expects gross margins in the mid-70s and improving with the SmartVest® Clearway®



# Net Revenue Breakdown - \$48.1M (FY'23)

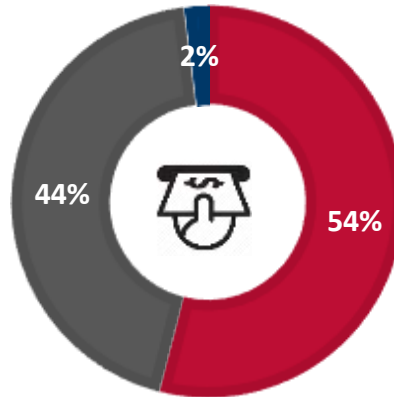
## By Setting



- Home Care<sup>1</sup>
- Hospitals
- International

<sup>1</sup>Includes \$1.5 million from home care distributor revenue

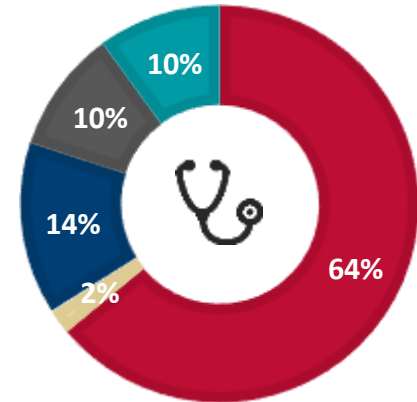
## Homecare By Payer



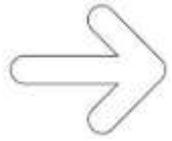
- Medicare
- Commercial / Other<sup>2</sup>
- Medicaid

<sup>2</sup>Includes Managed Medicare and Managed Medicaid

## Homecare By Referral Volume



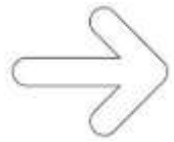
- Bronchiectasis
- Cystic Fibrosis
- Neuromuscular
- COPD/COPD Related
- Other



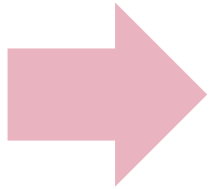
# Growth Strategy

## *How Will Electromed Increase Market Share?*

- Continued sales force expansion along with complementary infrastructure investments
- Direct-to-consumer and physician marketing to increase brand awareness and revenue
- Best-in-class customer care and support
- Develop and promulgate the body of bronchiectasis clinical evidence to increase physician adoption of the SmartVest® System for patients
- Promote the best-in-class SmartVest Clearway® device

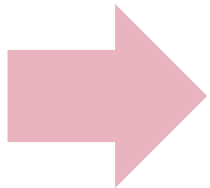


# Long-Term Objectives



## Mid-teens revenue growth

- Increase market share; deeper penetration of current SmartVest® prescribers



## Operating margin improvement

- Operating leverage as revenue increases

**We are committed to delivering long-term profitable growth**



# → Why Invest?

## HFCWO Industry Drivers



**Aging  
population**



**Higher  
incidence  
of chronic  
lung diseases**



**Growing  
physician  
awareness of  
diseases such as  
bronchiectasis**



**The  
Affordable  
Care Act  
penalizes for  
readmission**



**Healthcare  
reform moving  
to fee-for-  
outcomes**

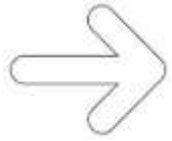


**Treatment  
moving to  
lower cost  
settings  
(homecare)**



# Unique Investment Opportunity

- **Large, expanding bronchiectasis market** supported by **industry tailwinds**
- **Clinically proven therapy**
- **Well established reimbursement code with broad payer coverage**
- **Consistent double-digit organic revenue growth**
- History of **high gross margins, robust operating cash flow** and increased **operating leverage**
- **Attractive valuation** at 1.8x EV/Revenue



# Mgmt. Incentives Aligned w/Investors

- **CEO incentive** reward based on increasing **total shareholder return**.
- **Management's incentive compensation** focused solely on delivering **financial results**.

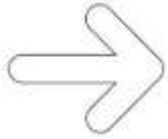




# Why Invest?

*Attractive Valuation and Operating Metrics (FY2023 Results)*

Metric	ELMD		RUS ME
Sales Growth	15.4%	>	3.7%
EV / Revenue	1.8x	>	4.6x
Gross Margin	76.0%	>	54.7%
Operating Margin	8.3%	>	(9.1%)



## ***ELECTROMED, INC.***

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**Brad Nagel, CFO**

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## **ICR WESTWICKE**

**Mike Cavanaugh**

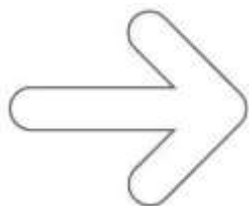
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# APPENDIX



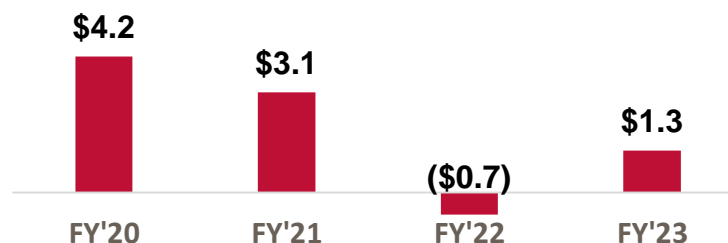
# Financial Highlights and Balance Sheet

Financial Summary (in \$ millions, except shares amounts)	Fiscal Year Ended			3 Months Ended	
	June 30, 2021	June 30, 2022	June 30, 2023	Sept 30, 2022	Sept 30, 2023
Revenues	35.8	41.7	48.1	10.7	12.3
Gross Profit	27.3	31.4	36.5	8.3	9.5
<i>Gross margin</i>	76%	75%	76%	78%	77%
Operating income	3.1	3.0	4.0	0.0	0.1
<i>Operating margin</i>	9%	7%	8%	0%	1%
Net income	2.4	2.3	3.2	0.1	0.2
Diluted EPS	\$0.27	\$0.26	\$0.36	\$0.01	\$0.02
Diluted shares	8,911,842	8,768,703	8,700,833	8,689,377	8,782,824
Cash provided by operations	\$3.1	(\$0.7)	\$1.3	(\$1.7)	(\$0.2)

Balance Sheet (in \$ millions)	Sept 30, 2023
Cash	7.0
Current assets	36.2
Total assets	44.1
Current liabilities	5.8
Other long-term liabilities	0.1
Total debt	0.0
Total shareholders' equity	38.2

## Cash Provided by Operations

(in millions)





# Senior Leadership



## **Jim Cunniff – President & Chief Executive Officer**

- CEO of Electromed since July 2023
- 30+ years of executive leadership in MedTech and the broader healthcare industry
- Track record of consistently growing revenue through innovative go-to market strategies
- Former President, CEO, and Board Director of Provista as well as Leiters Health
- Former Senior Vice President of Americas for Kinetic Concepts, Inc.
- Former President, Stryker Corporation for the following divisions: Medical, Asia/Pacific and Emerging Markets



## **Brad Nagel – Chief Financial Officer**

- Chief Financial Officer at Electromed since November 2022
- 15+ years of financial leadership and strategic planning experience with Fortune 500 companies
- Former Divisional Chief Financial Officer of Global Lung Health and Visualization at Medtronic



## **Kristine Owata – Vice President of Reimbursement & Payer Relations**

- VP of Reimbursement & Payer Relations at Electromed since October 2020
- 15+ years of diverse leadership experience in people management, client experience and process improvement
- Former president and director of Intelligere, Inc., and former owner of W4P Revenue Cycle Solutions, where she implemented revenue cycle solutions for healthcare clients



## **Diane Kaufman – Vice President of Human Resources**

- VP of Human Resources at Electromed since July 2021
- 30+ years of experience leading global human resource functions aligning them with global business strategy and a champion of culture transformation
- Former Sr. VP of Global Human Resources at Ergotron resulting in 65% employee referral rate, 100% candidate acceptance and hiring in 30 days, and reduced turnover from 23% to 3%



## **Amy Yanta – Vice President of Regulatory Affairs, Quality Assurance & Compliance**

- VP of Regulatory, Quality & Compliance since September 2023
- 15+ years of experience in the MedTech industry specializing in Regulatory Affairs and Quality Assurance
- Former RAQA leader at IMRIS, and former regulatory affair roles at Boston Scientific and Surmodics.