Neuronetics, Inc.

NASDAQ: STIM

Company Presentation

November 2018

Disclaimers

Neuronetics, Inc. (the "Company") has filed a Registration Statement on Form S-1, as amended (the "Registration Statement"), with the Securities and Exchange Commission ("SEC") in connection with the offering to which this presentation relates. Before you invest, you should read the Registration Statement, the preliminary prospectus included within the Registration Statement including the risk factors set forth therein, and other documents the Company has filed with the SEC for more complete information about the Company and this offering. You can obtain these documents for free by visiting EDGAR on the SEC website at wvvw.sec.gov. Alternately, a copy of the preliminary prospectus relating to this offering may be obtained from Piper Jaffray & Co., Attention: Prospectus Department, 800 Nicollet Mall, J12S03, Minneapolis, MN 55402, via telephone at (800) 747-3924 or via e-mail at prospectus@pjc.com. This presentation is not a prospectus and is not an offer to sell, nor a solicitation of an offer to buy, securities.

This presentation also contains estimates and other statistical data made by independent parties and by the Company relating to market size and growth and other data about our industry. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. This presentation also includes certain non-GAAP financial measures as defined by SEC rules. As required by Regulation G, we have provided a reconciliation of those measures to the most directly comparable GAAP measures, which is available in the Appendix.

Certain statements in this presentation and the accompanying oral commentary are forward-looking statements. These statements, including statements relating to our business strategy, financial metrics and revenue guidance for future periods, relate to future events or the future financial performance of the Company and involve known and unknown risks, uncertainties and other factors that may cause the actual results, levels of activity, performance or achievements of the Company or its industry to be materially different from those expressed or implied by any forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "could," "would," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential" or other comparable terminology. All statements other than statements of historical fact could be deemed forward-looking, including any expectations regarding investment returns; any projections of financial information; any statements about historical results that may suggest trends for our business; any statements of the plans, strategies, and objectives of management for future operations; any statements of expectation or belief regarding future events, potential markets or market size, or technology developments; and any statements of assumptions underlying any of the items mentioned. The Company has based these forward-looking statements on its current expectations, assumptions, estimates and projections. While the Company believes these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond the Company's control. These and other important factors may cause actual results, performance or achievements to differ materially from those expressed or implied by these forward-looking statements. The forward-looking statements in this presentation are made only as of the date hereof. Except as required by law, the Company assumes no obligation and do not intend to update these forward-looking statements or to conform these statements to actual results or to changes in the Company's expectations.

Presenters

Chris Thatcher

President & Chief Executive Officer

23 years of experience:

INTEGRA LIMIT UNCERTAINTY

BAUSCH + LOMB

Allergan

AMETEK®

Peter Donato

Vice President &
Chief Financial Officer

26 years of experience:

Assurex HEALTH

Bovie

Cyberonics®

Iris International, Inc.

accellent

Neuronetics Snapshot

- NeuroStar Advanced Therapy — Transcranial Magnetic Stimulation (TMS)
  - Focused on psychiatric indications
  - Initial Indication: Adult Major Depressive Disorder (MDD)
  - Safe, effective and non-invasive office-based treatment
  - FDA cleared, CE mark and approved in Japan

Investment Highlights

- Clinically Relevant and Differentiated Outcomes for Patients with MDD
- Category Leading Clinical Study Compendium
- Large Direct Sales and Customer Support Team — Difficult to Replicate
- Broad US Reimbursement
- Favorable Psychiatrist Economics
- $3.0B Targeted Annual TAM Among High-Decile Psychiatrist Practices
- Geographic and Potential New Indication Opportunities for Growth
- Attractive Financial Profile: $40M Revenues; 2017 Growth in US Revenues of 26%; 2018 YTD thru Q3 Growth Worldwide 31%, in US Revenue of 30%; Post Q3 2018 Guidance $51.0M - $52.5M representing growth in Revenue 26% – 30%

Neuronetics

Major Depressive Disorder

Disease Overview

- Characterized by depressed mood or loss of interest in pleasure for at least two weeks
- Periods of remission and relapse over a lifetime
- 300 million people worldwide living with depression
  - 13 million adults with MDD in the US
  - 3.0% incidence rate

Disease Burden

- Economic burden in US of $210 billion annually

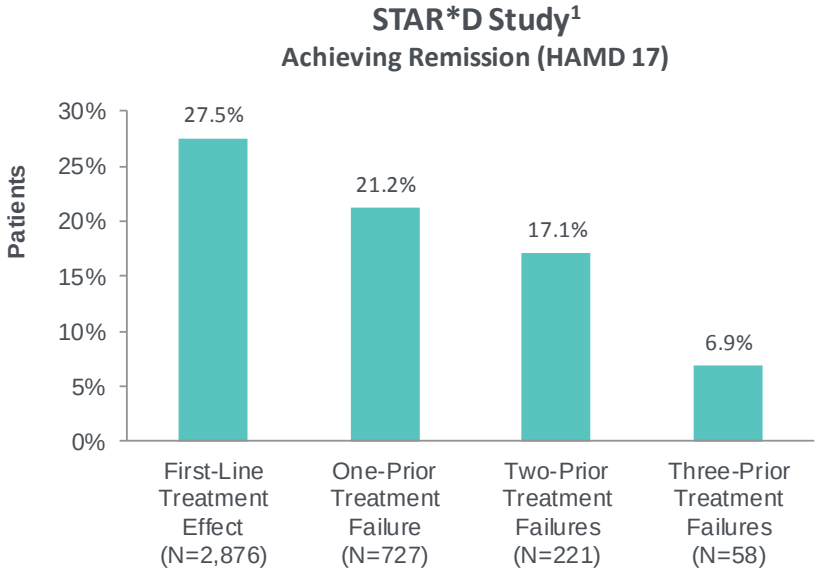
Medical Management

- First line treatment is antidepressants with or without psychotherapy
  - Care by PCP, followed by referral to psychiatrist after failed treatment attempt

MDD is the single largest contributor to global disability and a major contributor to suicide worldwide

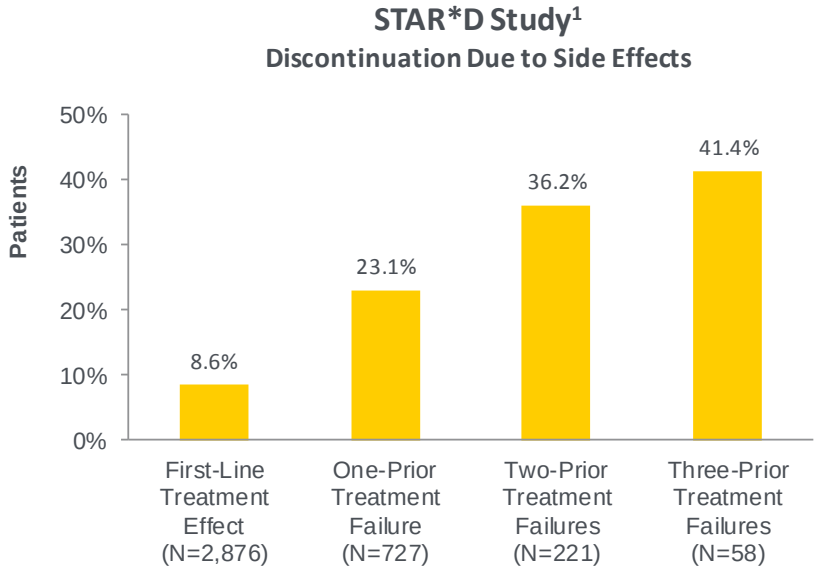
Limitations of Antidepressant Medications

Limited Effectiveness



- Approximately 28% and 21% of patients achieved remission in their first and second medication attempts, respectively
- Likelihood of remission was limited and declined with each new medication attempt

Treatment-Emergent Side Effects

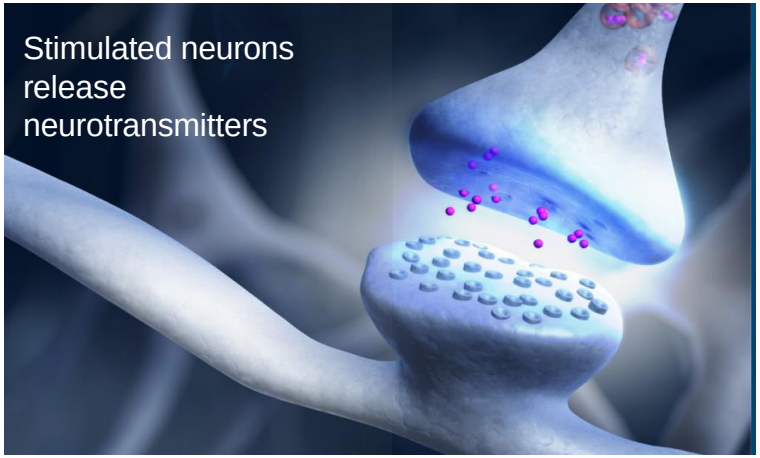


- Likelihood of discontinuing treatment increased with each new medication attempt
- In the fourth treatment attempt, likelihood of dropping out of treatment had more than quadrupled
- Adverse events discontinuation rate in monotherapy 9% to 41%

1. Trivedi MH, et al. (2006). Evaluation of Outcomes with Citalopram for Depression Using Measurement-Based Care in Sequenced Treatment Alternatives to Relative Depression ("STAR*D") Implications for Clinical Practice. Am J Psychiatry, 163(1):28-40.

Transcranial Magnetic Stimulation

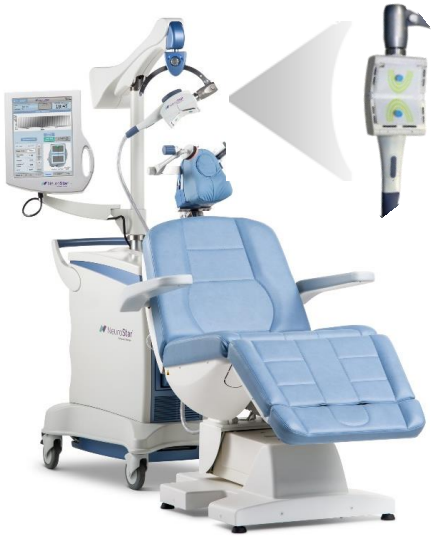
- TMS uses pulsed, MRI-strength magnetic field
- Induces electrical currents to stimulate specific areas of brain associated with mood
- Stimulation triggers a cascading electro-chemical effect
- Changes connections in brain structures to improve neuronal circuit activity and mood



Effectiveness of TMS therapy depends on precise and targeted stimulation that is consistent and repeatable over treatment sessions

Our Solution: NeuroStar Advanced Therapy

NeuroStar Advanced Therapy System



Therapy

- Psychiatrist establishes treatment dose and positioning in first session
- Five days a week for up to six weeks
- Trained member of office staff may administer subsequent treatment sessions under psychiatrist supervision

Efficient

- Non-invasive and no anesthesia
- MT Assist
- Treatment time as low as 19 minutes
- TrakStar stores patient's treatment data

Precise

- Proprietary SenStar Connect contact sensing
- SenStar magnetic field detector
- Proprietary, laser-aligned, six-point coordinate system

Clinically Proven Solution

Two Randomized Controlled Trials

- Sponsored largest RCT, sham-controlled TMS trial ever conducted
  - Enrolled 325 adult patients with treatment resistant MDD
    - **Primary Efficacy Endpoint:** MADRS at 4 weeks (P=0.057); not achieved but clinically meaningful improvement demonstrated
    - **Secondary Efficacy Endpoints Included:** HAMD 17 at 4 and 6 weeks (P=0.006 and P=0.005, respectively); HAMD 24 at 4 and 6 weeks (P=0.012 and P=0.015, respectively)
  - Basis of initial 510(k) clearance in 2008 — failed <u>one</u> prior antidepressant medication[1]
    - All patients who failed one prior research-grade Rx (N=164; MADRS, P=0.0006)
- Second, industry-independent RCT, sham-controlled trial funded by the NIMH
  - Enrolled 199 adult patients with treatment resistant MDD
    - **Primary Efficacy Endpoint:** Remission measured using HAMD 24 at up to 6 weeks (P=0.02)
  - Basis of expanded labeling in 2014 — failed <u>one or more</u> prior antidepressants[2]

Unmatched Body of TMS Clinical Data

11 Studies → **>900 Patients** → Resulting in **23 Publications**

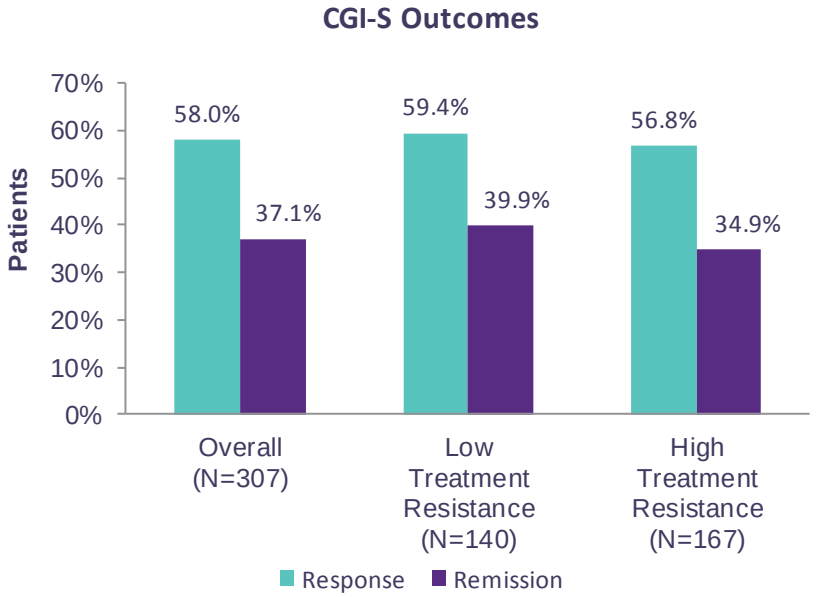
Safety Record

- ~ 2.0 million treatment sessions delivered
- ~ 56,000 patients treated
- Adverse events discontinuation rate ~5%[3]

1. O'Reardon, J.P., et al. (2007) *Biological Psychiatry,* 62(11):1208–1216
2. George, M.S., et al. (2010) *Archives of General Psychiatry,* now published as *JAMA Psychiatry,* 67(5):507–516
3. In sham-controlled studies

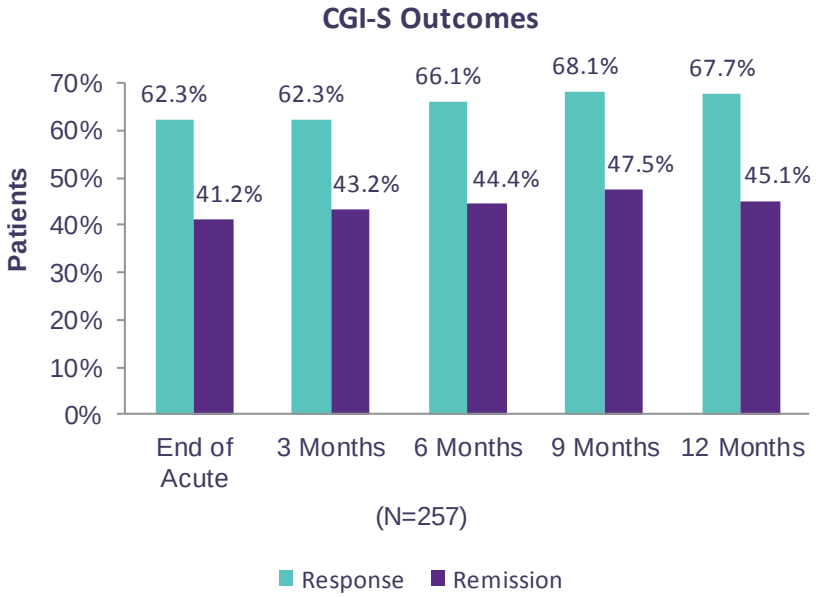
Clinically Proven Solution

Acute Phase in Real-World Clinical Settings Study[1]



- 1 in 2 patients respond
- 1 in 3 patients achieve remission

Long-term Durability in Real-World Clinical Settings Study[2]



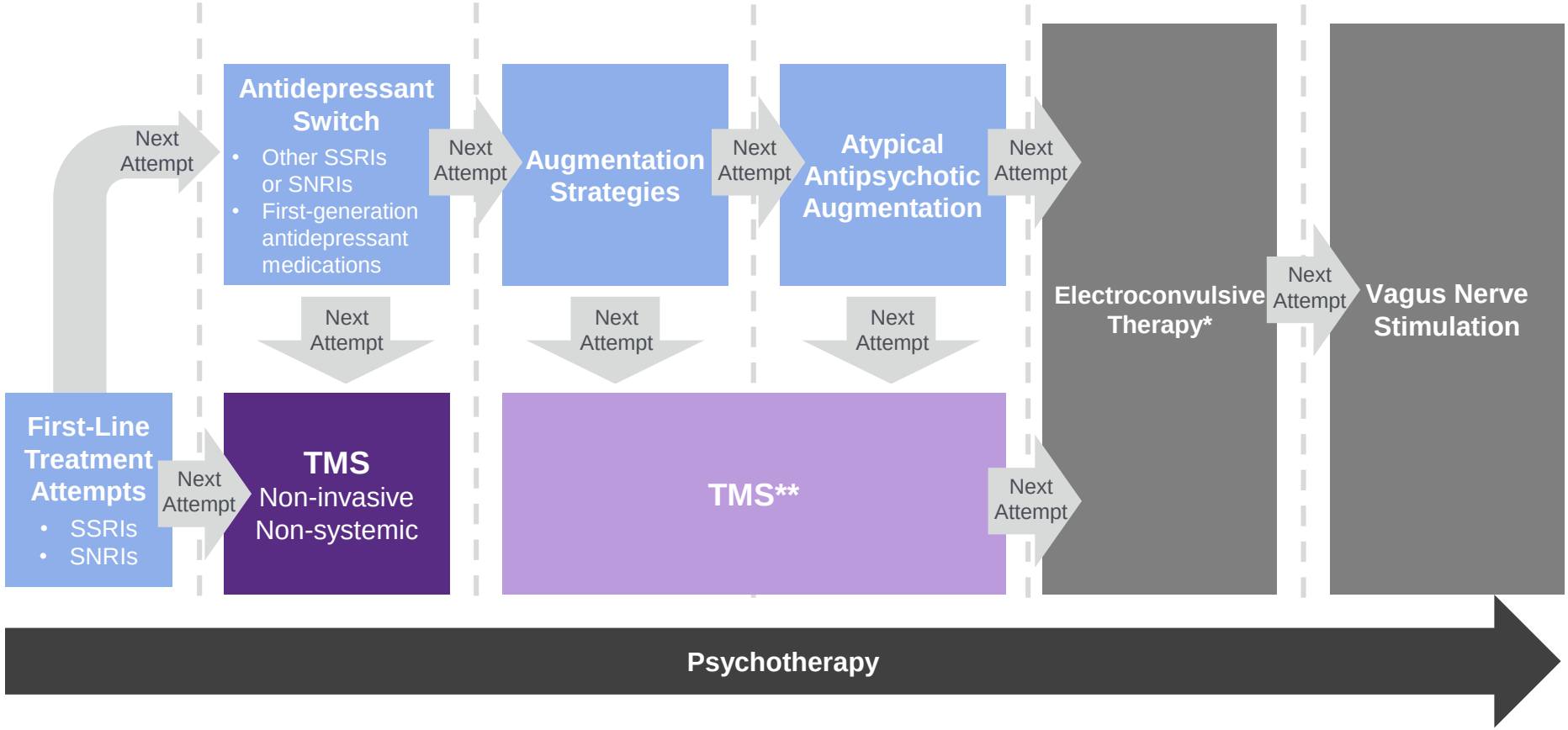
- Long-term durability has been demonstrated with response and remission rates among users

Outcomes Registry

- Large registry of treatment resistant depression — nearly 2,100 patients across ~88 treatment facilities
- Remission rate of 33% and response rate of 63% for nearly 2,100 self-evaluating patients
- Remission rate of 54% and response rate of 76% for 750+ patients evaluated by clinician rating scale

1. Carpenter L.L, et al. (2012) *Depression and Anxiety*, 29(7):587–596
2. Dunner, D.L., et al. (2014) *The Journal of Clinical Psychiatry*, 75(12):1394–1401

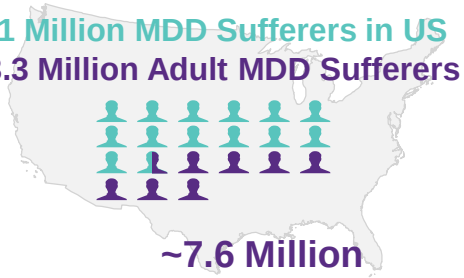
MDD Patient Continuum of Care



NeuroStar Advanced Therapy is indicated for treatment of MDD in adult patients who have failed to achieve satisfactory improvement from prior antidepressant medication in the current episode

* ECT may be used earlier in the patient continuum of care in patients experiencing catatonia, acute suicidal behaviors or psychotic symptoms
** TMS may be used at any point along the continuum of care following one or more failed treatment attempts

Large Annual Total Addressable Market Opportunity

KEY DRIVER	US Market Opportunity
PREVALENCE	**21 Million MDD Sufferers in US** **13.3 Million Adult MDD Sufferers** 
TREATED PATIENTS	**~7.6 Million** Adult MDD patients currently being treated by a psychiatrist annually
FAILED TO ACHIEVE REMISSION	**~5.5 Million** Adult MDD patients who have failed to achieve remission from one or more prior antidepressant medications
COVERED BY INSURANCE	**~3.8 Million** Adult MDD patients with commercial insurance or Medicare coverage
TOTAL US MARKET OPPORTUNITY	Annual US Total Addressable Market (TAM) Opportunity **$9.6B(1)**

1. Represents potential revenues from treatment sessions annually, based on expected revenues for a standard course of treatment

Payors and Reimbursement

Payor Coverage

- Estimated to cover 95% of total private payor covered lives in the US
- 65+ major US private insurers provide coverage policies
  - Our top 25 US private insurers, including **United/OPTUM**, **Anthem**, **Aetna**, **Cigna**, **HCSC**, **TRICARE** and **Humana**, represent 205 million covered lives[2]
- 100% Medicare Coverage
  - 58.5 million covered lives[1]

Reimbursement

- Covers MT assist and treatment sessions

CPT Code	Reimbursement
90867	MT Assist and Treatment Session
90868	Treatment Session
90869	Subsequent MT Assist and Treatment Session

1. As of July 1, 2018
2. As of March 15, 2018

Physician Practice Economics

Proven return on investment for psychiatrists

Psychiatrist can generate ~$7,500 to $10,000 of revenue per patient per course of treatment on average

Can recoup capital investment by treating ~12 patients

Potential to provide meaningful incremental income to psychiatrist practice

NeuroStar® Advanced Therapy

NeuroStar Advanced Therapy has potential to enhance psychiatrist practice economics

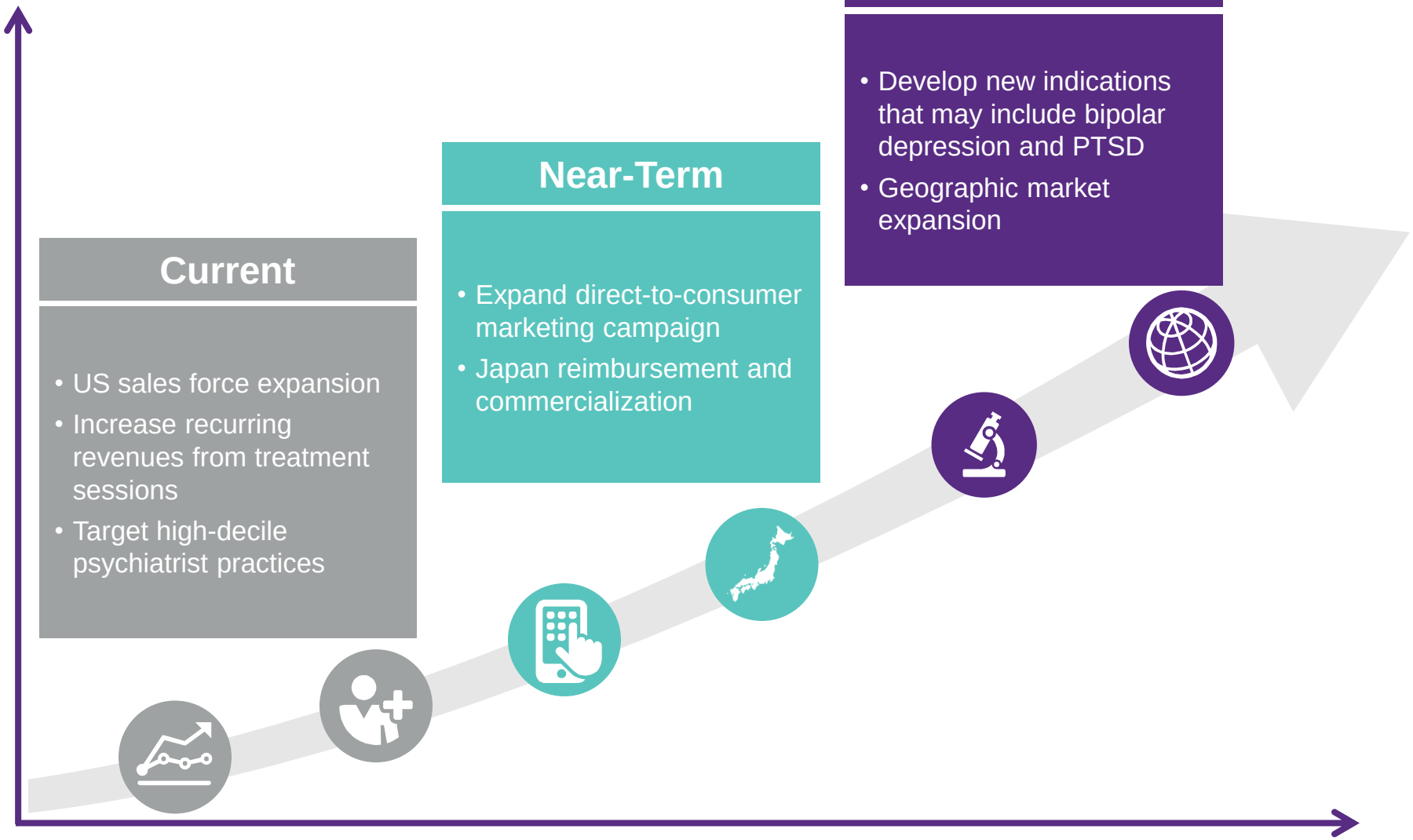
Competitive Positioning

	 NeuroStar Advanced Therapy	 BrainsWay	 magstim	 MagVenture Versatility in Magnetic Stimulation	 CLOUDTMS	 Nexstim	 MAG & more
Peer Reviewed Large MDD Clinical Studies	11	1	0	0	0	0	0
Design Objective	Clinical	Clinical	Research/ Neurology	Research/ Neurology	Clinical	Neurosurgery Mapping	Clinical
3D Positioning & Contact Sensing	✓	✗	✗	✗	✗	Camera Based	✗
Data Capture/ Graphical User Interface	✓	✓	✗	✓	✓	✓	✓

We believe the NeuroStar Advanced Therapy System is the most attractive TMS system alternative on the market

Barriers to Entry

Growth Strategy



Sales and Marketing Efforts Drive Growth

- Business Development Managers (BDMs) expansion

	YTD Additional Territories	Full Year BDM Territories
2018	29 →  +14	44

- Clinical Training Consultant (CTCs) expansion
  - Adding 9 CTCs to train clinicians, allowing Clinical Practice Consultants (CPCs) to focus on driving treatment session pull through
- Shift to high-decile practices that have more MDD patients
  - Focusing sales efforts on accounts with high adult MDD patient volumes to drive utilization
- Trialing direct to consumer marketing programs
  - During Q2 concluded a three week national campaign to increase patient awareness and treatments

Japan Growth Opportunity

- Primary international focus is on Japan
- Third largest healthcare spend globally
- Single payor healthcare system
- Shonin Approval: September 2017
- Exclusive distribution agreement with Teijin Pharma signed October 2017
  - Teijin to promote sales of systems and treatment sessions
  - Minimum purchase requirements
  - Milestones received to date of $2.75 million
- Working to obtain reimbursement approval in 2018
  - Approved to submit reimbursement dossiers in April 2018
  - Level of reimbursement triggers milestone payment, establishes transfer price, and minimum purchase amount

Estimated TAM in Japan for Treatment Sessions[1]

Adults Suffering from MDD
2.4 million

↓

Treated by a Psychiatrist
655,000

↓

Failed to achieve remission[2]
475,000

↓

$1.0 Billion Addressable Market

Japan represents a large market opportunity

1. Assumes psychiatrist reimbursement levels per treatment course are similar to those in the U.S.
2. All patients covered by Japan's single payor healthcare system

Pipeline Indications

Adolescent Study

- Recently completed first arm
- Did not separate on primary or secondary endpoints
- No serious adverse events have been identified in the patient population attributed to NeuroStar
- Two remaining arms will be completed
- Will assess full data set to determine if there is a path for regulatory approval, though a label expansion is unlikely

Bipolar Depression

- Mania and depressed phases
- Depressed phase considered most difficult to treat phase of Bipolar Disorder
- Few treatment options available; suboptimal outcomes
- NeuroStar Advanced Therapy may be beneficial to patients with Bipolar Depression

Post Traumatic Stress Disorder (PTSD)

- Treatment options limited
- NeuroStar Advanced Therapy may represent potential new treatment for patients with PTSD

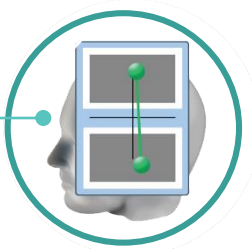
Intellectual Property

Patent Portfolio

- Largest of any TMS system provider
- Issued or allowed patents:
  34 US / 50 OUS
- Pending patent applications:
  7 US / 11 OUS

Key Portfolio Coverage Areas

- **Contact Sensing**
  - US patent expires 2027



- **MT Assist**
  - US patent expires 2024

- **Iron Core Magnet**
  - Multiple, US patents expire 2025–2027

Management and Board of Directors

Management	
Chris Thatcher	President & CEO and Director
Peter Donato	VP, CFO
Daniel Guthrie	VP, CCO
Greg Harper	VP, R&D, Operations and Product Development
Anthony Pui	VP, International Commercial Development
Yelena Tropsha	VP, Commercial Access

Board of Directors	
Brian Farley	Chairman; former CEO and Chairman, Entellus Medical
Stephen Campe	Patricia Industries (Investor AB)
Paulina Hill	Polaris Partners
Ron Hunt	New Leaf Venture Partners
Wilfred Jaeger	Three Arch Partners
Glenn Muir	Former CFO, Hologic

* Audit Committee Chair

Financial Overview

NeuroStar Advanced Therapy Business Model

Treatment Sessions Revenue

70% of US revenues YTD 2018;
Recurring, single-use revenue

NeuroStar Advanced Therapy System Revenue

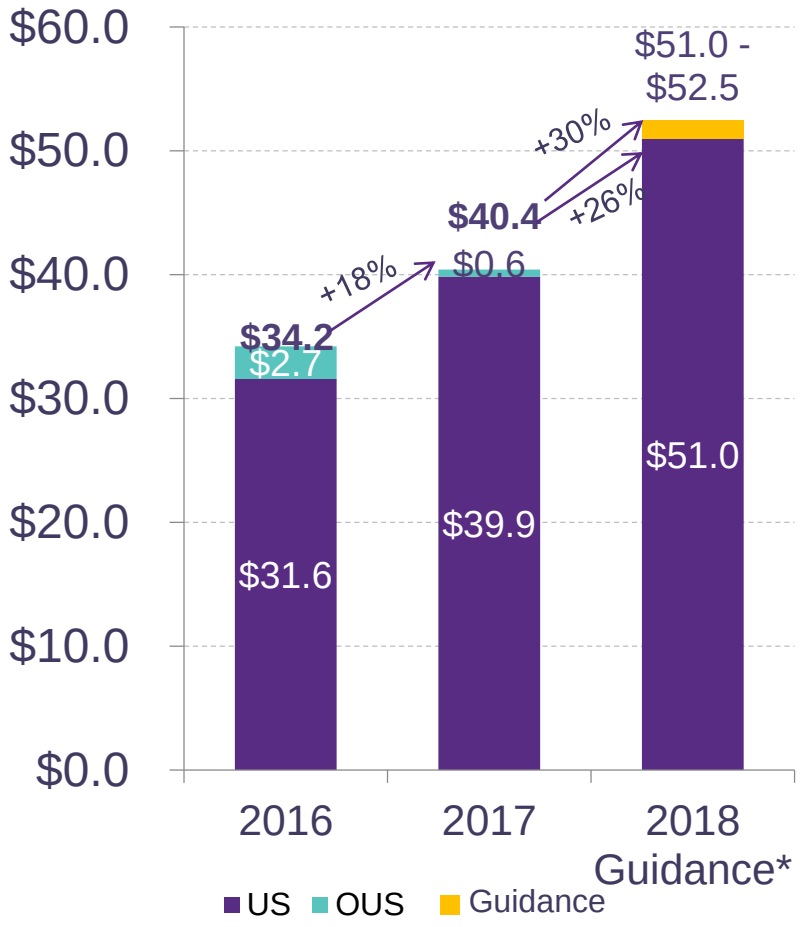
27% of US revenues YTD 2018;
Capital sales

Note: Total revenues also include international and other revenues

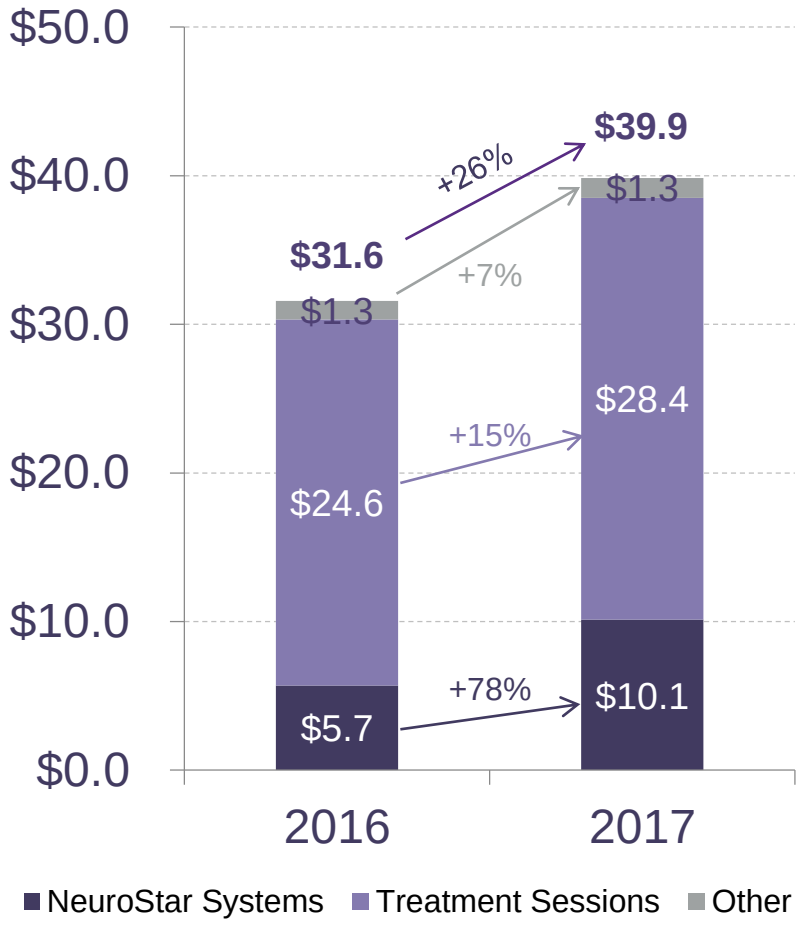
Annual Revenue

($ in millions)

Annual Revenue by Geography



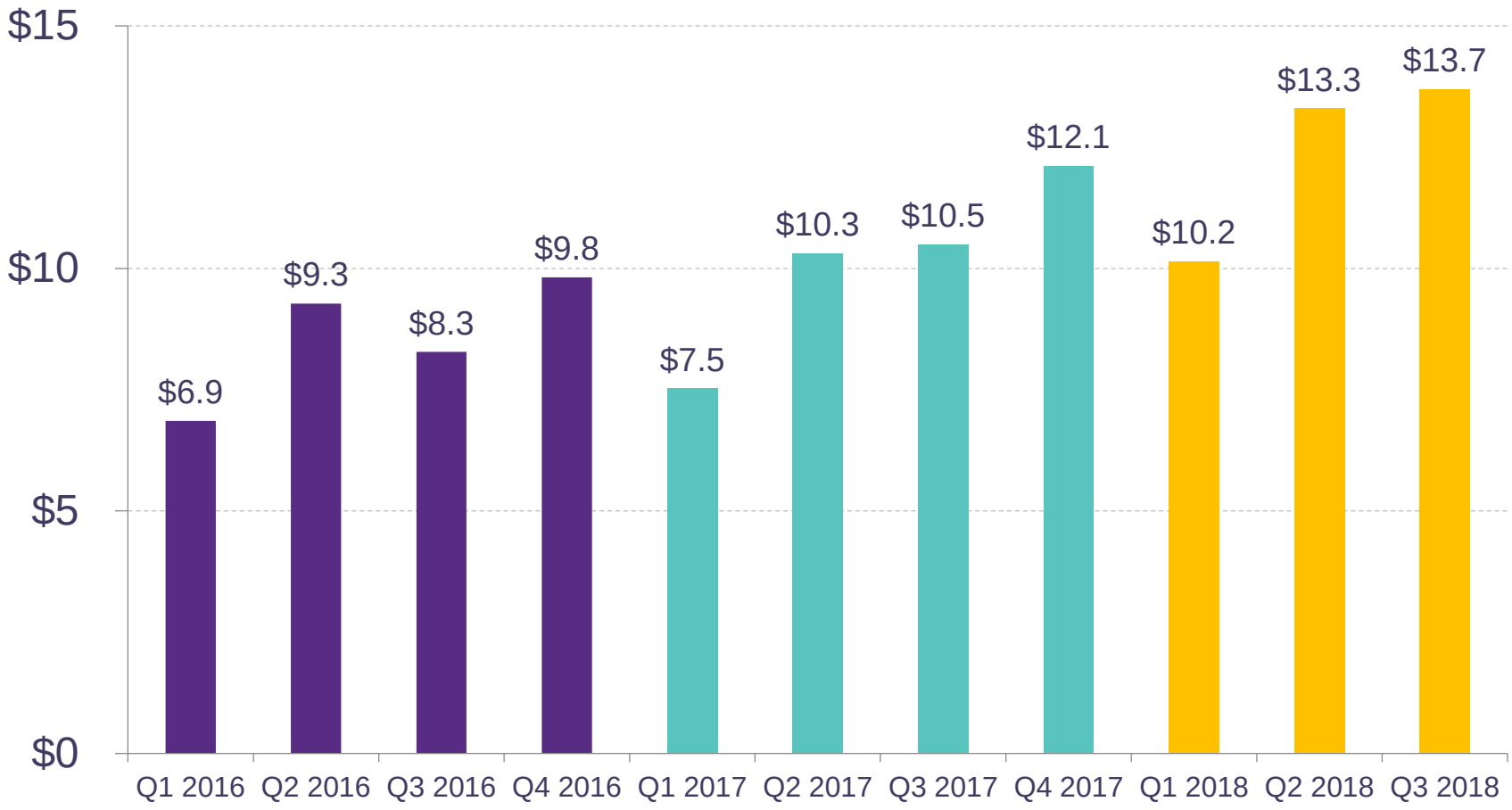
Annual Product Revenue (US)



* Guidance is global and not product specific

Quarterly Revenue

($ in millions)



Revenues increased 31% in YTD Q2 2018 compared to YTD Q2 2017

US Systems Data

NeuroStar Advanced Therapy Systems

	2016	2017	Q1 2017	Q2 2017	Q3 2017	Q1 2018	Q2 2018	Q3 2018
Total NeuroStar Revenues	**$5.7M**	**$10.1M** *78%*	**$1.3M**	**$2.5M**	**$2.8M**	**$2.4M** *80%*	**$3.6M** *42%*	**$3.9M** *38%*
Revenue Increase								
Capital Revenue Growth		*68%*	*64%*	*36%*	*144%*	*76%*	*70%*	*58%*
ASP		*11%*	*1%*	*9%*	*3%*	*4%*	*(1%)*	*1%*

US Treatment Sessions Data

Treatment Sessions

	2016	2017	Q1 2017	Q2 2017	Q3 2017	Q1 2018	Q2 2018	Q3 2018
US Installed Base of Active NeuroStars	647	752 *16%*	671	690	725	781 *16%*	816 *18%*	858 *18%*
Total Treatment Sessions Revenues & Increase OPY	**$24.6M**	**$28.4M** 15%	**$5.7M**	**$7.4M**	**$7.2M**	**$7.2M** *26%*	**$8.9M** *21%*	**$9.2M** *28%*

Results of Operations

	Year Ended December 31,		Nine Months Ended Sept 30,	
($ in thousands)	2016	2017	2017	2018
Revenues	**$34,228**	**$40,433**	**$28,325**	**$37,141**
YOY Growth		*18%*		*31%*
Gross Profit	**27,606**	**30,801**	**21,650**	**28,405**
Gross Margin	*81%*	*76%*	*76%*	*76%*
Operating Expenses:				
Sales and Marketing *% of Revenues*	21,794 *64%*	27,900 *69%*	19,272 *68%*	27,616 *74%*
General and Administrative *% of Revenues*	6,926 *20%*	8,572 *21%*	5,735 *20%*	8,952 *24%*
Research and Development *% of Revenues*	8,223 *24%*	7,937 *20%*	6,018 *21%*	6,010 *16%*
Total Operating Expenses	**36,943**	**44,409**	**31,025**	**42,578**
Loss from Operations	**($9,337)**	**($13,608)**	**($9,375)**	**($14,173)**
% of Revenues	*(27%)*	*(34%)*	*(33%)*	*(38%)*

Financial Position

($ in thousands)	As of Sept 30, 2018
Cash and Cash Equivalents	$106,760
Working Capital	$9,979
Total Assets	**$118,979**
Long-Term Debt, net	**$25,198**
Convertible Preferred Stock Warrant Liability	$0
Convertible Preferred Stock	$0
Accumulated Deficit	($214,900)
Total Stockholders' Equity	**$76,348**

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