



# Neuronetics, Inc.

NASDAQ: STIM

## Company Presentation

August 2019



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# Presenters



Chris Thatcher

President & Chief Executive Officer

24 years of experience:



BAUSCH+LOMB



AMETEK®



Steve Furlong

Vice President &  
Chief Financial Officer

32 years of experience:



Raytheon

# 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 2008
  - CE mark and approved in Japan in September 2017. Reimbursement acquired in June 2019



# 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:** \$52.8M 2018 Rev; Accelerated worldwide rev growth of 31% vs 2017. 2019 FY Guidance, \$63.0M-\$65.0M representing, 19-23% growth OPY. 2019 Q2 Rev, 25% growth OPY.

 **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

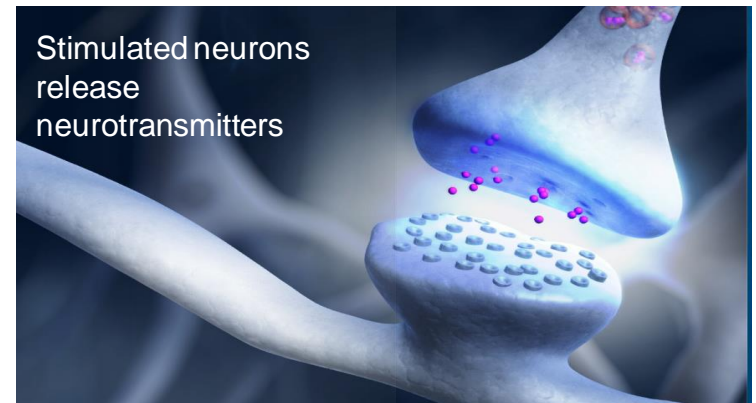
- First line treatment is antidepressants with or without psychotherapy
  - Care by PCP, followed by referral to psychiatrist after failed treatment attempt

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

\*Source: <https://www.who.int/news-room/fact-sheets/detail/depression>

# Transcranial Magnetic Stimulation

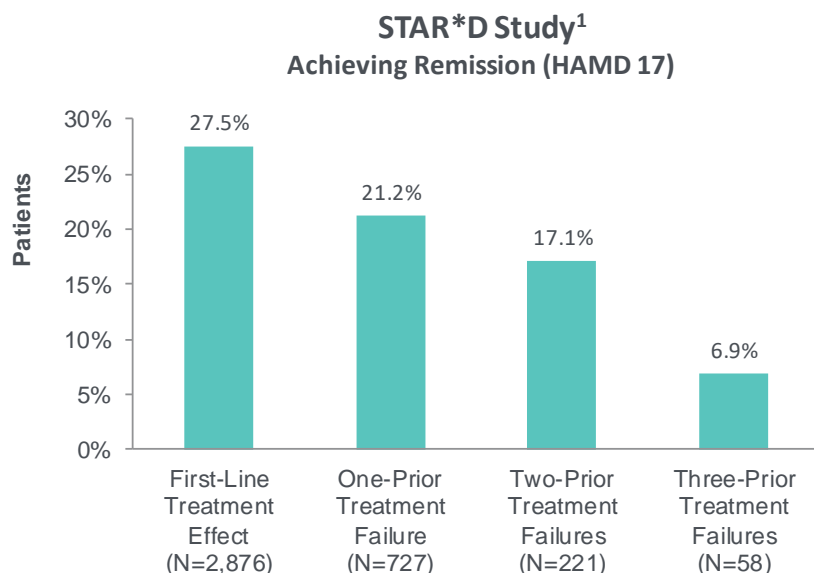
- TMS uses pulsed, MRI-strength magnetic field
- Induces electrical currents to stimulate specific areas of brain associated with mood
- Stimulation triggers a cascading electro-chemical effect
- Changes connections in brain structures to improve neuronal circuit activity and mood



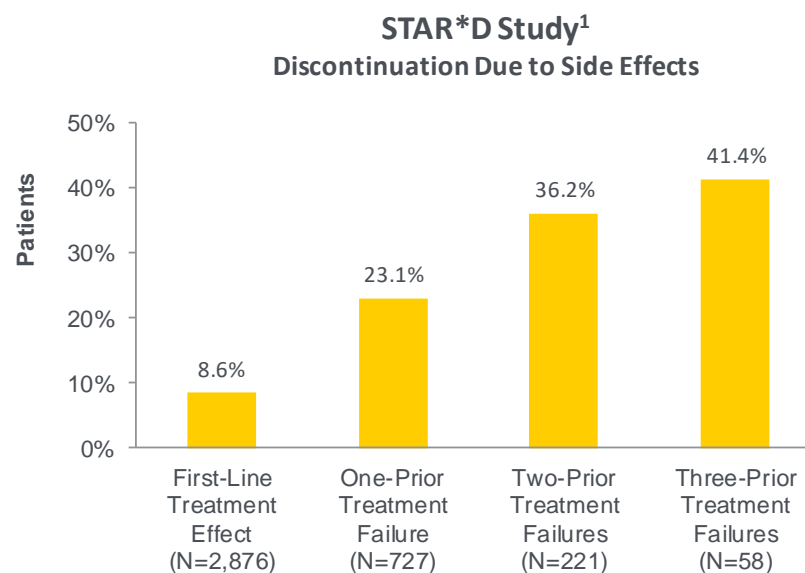
**Effectiveness of TMS therapy depends on precise and targeted stimulation that is consistent and repeatable over treatment sessions**

# Limitations of Antidepressant Medications

## Limited Effectiveness



## Treatment-Emergent Side Effects



- 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

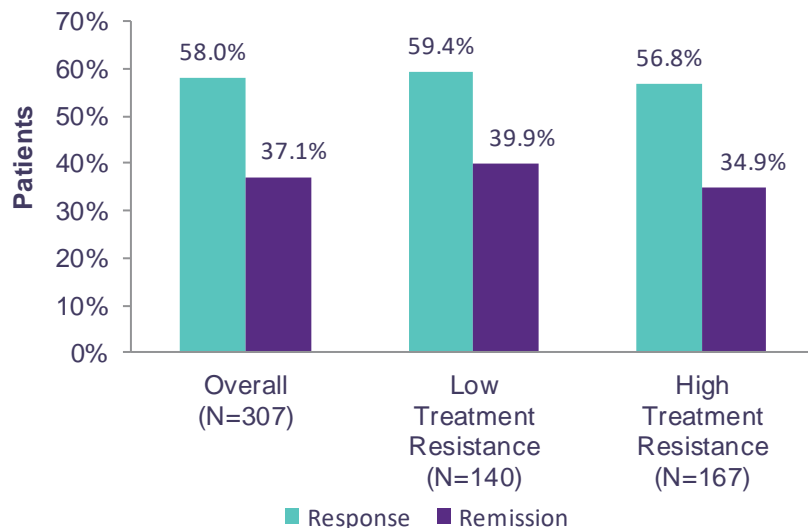
- Likelihood of discontinuing treatment increased with each new medication attempt
- In the fourth treatment attempt, likelihood of dropping out of treatment had more than quadrupled
- Adverse events discontinuation rate in monotherapy 9% to 41%



# Clinically Proven Solution

## Acute Phase in Real-World Clinical Settings Study<sup>1</sup>

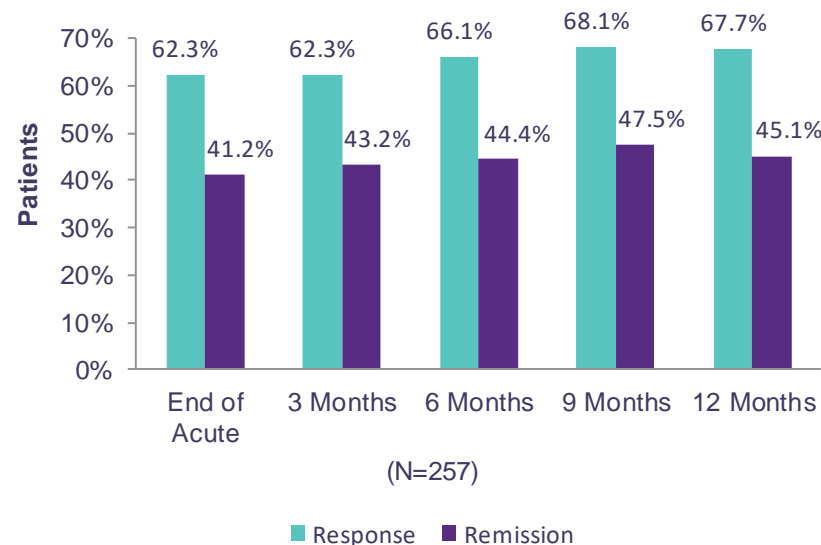
### CGI-S Outcomes



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

## Long-term Durability in Real-World Clinical Settings Study<sup>2</sup>

### CGI-S Outcomes



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

## Outcomes Registry

- World's largest registry of treatment resistant depression, >3,200 patients across ~100 treatment facilities
- Remission rate of 33% and response rate of 63% for over 3,200 self-evaluating patients
- Remission rate of 54% and response rate of 76% for 1,000+ patients evaluated by clinician rating scale

# 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 one prior antidepressant medication<sup>1</sup>
    - 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 one or more prior antidepressants<sup>2</sup>

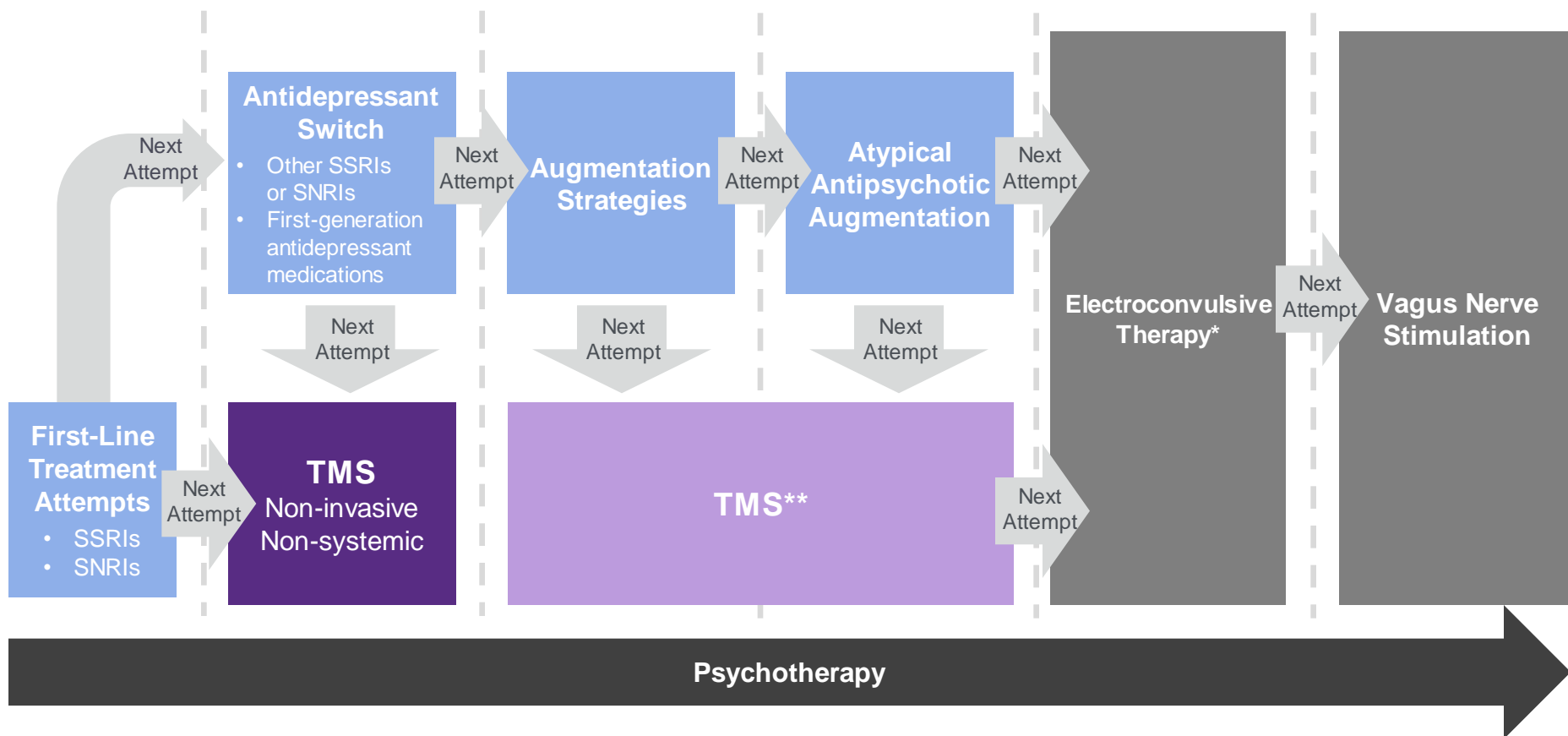
## Unmatched Body of TMS Clinical Data



## Safety Record

- > 2.6 million treatment sessions delivered globally
- > 71,000 patients treated
- Adverse events discontinuation rate ~5%<sup>3</sup>

# 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

# 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



# Large Annual Total Addressable US Market Opportunity

## KEY DRIVER

## US Market Opportunity

PREVALENCE

21 Million MDD Sufferers in US  
13.3 Million Adult MDD Sufferers



~7.6 Million

Adult MDD patients currently  
being treated by a psychiatrist annually

TREATED PATIENTS

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<sup>(1)</sup>**

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
- 95+ 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<sup>2</sup> in excess of 200 million<sup>1</sup>
- 100% Medicare Coverage
  - 59.7 million covered lives<sup>1</sup>

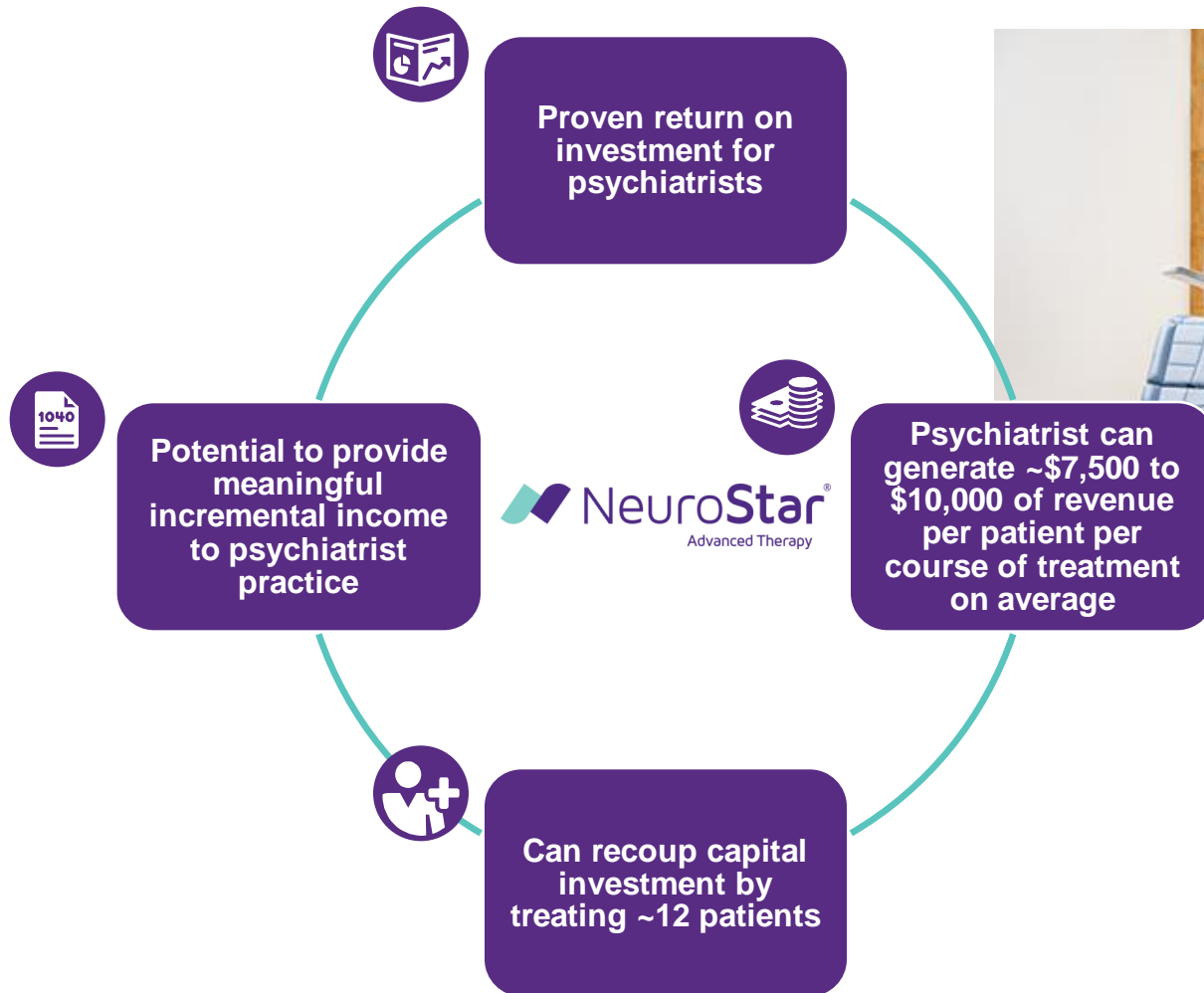
## Reimbursement

- 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 April 1, 2019
2. As of March 15, 2018

# Physician Practice Economics



NeuroStar Advanced Therapy has potential to enhance psychiatrist practice economics

# Competitive Positioning



**NeuroStar<sup>®</sup>**  
Advanced Therapy



**BrainsWay**



**magstim**



**MagVenture**  
Versatility in Magnetic Stimulation



**CLOUDTMS™**



**Nexstim**



**MAG & more**

Publications from  
Registration Trials

12

1

0

1

0

0

0

Original Design  
Objective

Clinical

Clinical

Research/  
Neurology

Research/  
Neurology

Clinical

Neurosurgery  
Mapping

Clinical

3D Positioning &  
Contact Sensing



With Additional  
Purchase



Camera  
Based



Electronic Medical  
Records (EMR)  
Systems  
Compatibility



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

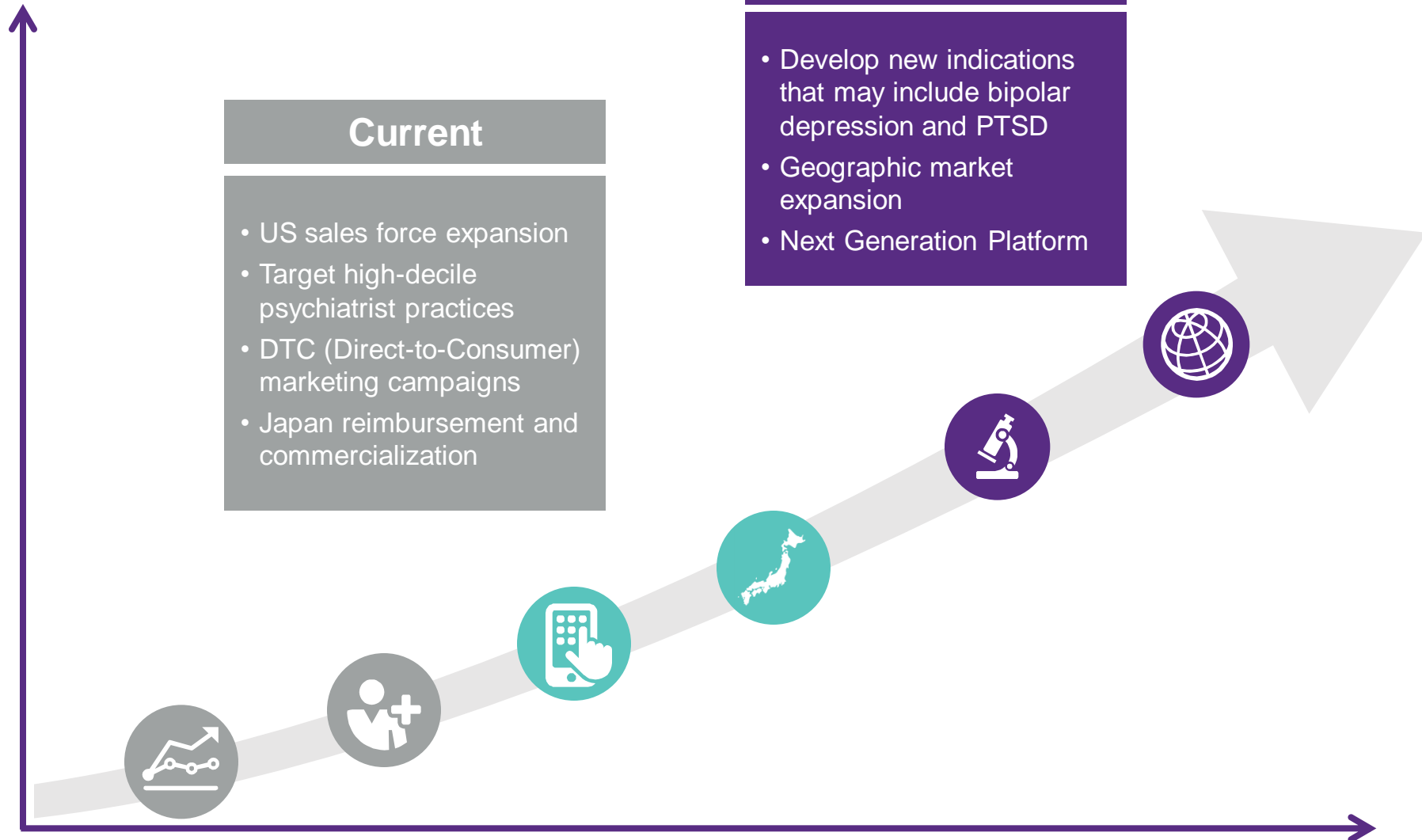


# Barriers to Entry









## Barriers to Market Entry



# Growth Strategy



# Source of Future Growth

Integrated Commercial Team			Territories/Positions				
			2016	2017	2018	2019*	2019 Expansion
	Business Development Mangers	High Value Target Acquisition	14	29	44	49	59
	Internal Sales Representatives	Prospect Accounts for BDMs	4	5	7	7	7
	Clinical Practice Consultants	Practice Support	25	28	28	33	33
	Clinical Training Consultants	Clinical Proficiency	-	-	9	15	15
	Reimbursement Managers	Payor Access	5	7	9	10	10
	Field Service Engineers / Tech Support	Business Continuity and Support	12	15	17	20	20
	Marketing	Physician and Patient Awareness	5	6	6	9	9
	Management	Leadership, Mgmt., and Execution	11	15	18	21	21
TOTAL			76	105	138	164	174

\* as of June 30<sup>th</sup>

# 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 \$2.8 million
- Reimbursement listing effective June 2019
  - 2<sup>nd</sup> Milestone payment estimated \$0.7 million
  - 158 hospitals qualified
  - Approved reimbursement amount is ¥12,000



## Estimated TAM in Japan for Treatment Sessions<sup>1</sup>

Adults Suffering from MDD  
2.4 million<sup>2</sup>



Treated by a Psychiatrist  
655,000<sup>2</sup>



Failed to achieve remission  
475,000<sup>3</sup>



**~\$600 Million Addressable Market**

**Japan represents a large market opportunity**

# Pipeline Indications

## Adolescent Study

- Recently completed all arms of the study
- Did not separate on primary or secondary endpoints
- No serious adverse events have been identified in the patient population attributed to NeuroStar
- 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
- Planning to discuss with the FDA later this year

## Post Traumatic Stress Disorder (PTSD)

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

# Intellectual Property

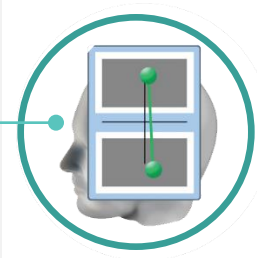
## Patent Portfolio

- Largest of any TMS system provider
- Issued or allowed patents:  
**34 US / 49 OUS**
- Pending patent applications:  
**8 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



The largest and most comprehensive IP portfolio of all TMS competitors.

# Management and Board of Directors

## Management

<b>Chris Thatcher</b>	President & CEO and Director
<b>Steve Furlong</b>	VP, CFO
<b>Daniel Guthrie</b>	VP, CCO
<b>Greg Harper</b>	VP, R&D, Operations and Product Development
<b>Anthony Pui</b>	VP, International Commercial Development
<b>Yelena Tropsha</b>	VP, Commercial Access

## Board of Directors

<b>Brian Farley</b>	Chairman; former CEO and Chairman, Entellus Medical
<b>Stephen Campe</b>	Patricia Industries (Investor AB)
<b>Cheryl Blanchard, Ph.D</b>	Keratin Biosciences, Inc
<b>Wilfred Jaeger</b>	Three Arch Partners
<b>Glenn Muir</b>	Former CFO, Hologic

# Financial Overview





# NeuroStar Advanced Therapy Business Model

## Treatment Sessions Revenue



~ 68% of US revenues Q2 2019;  
Recurring, single-use revenue

## NeuroStar Advanced Therapy System Revenue

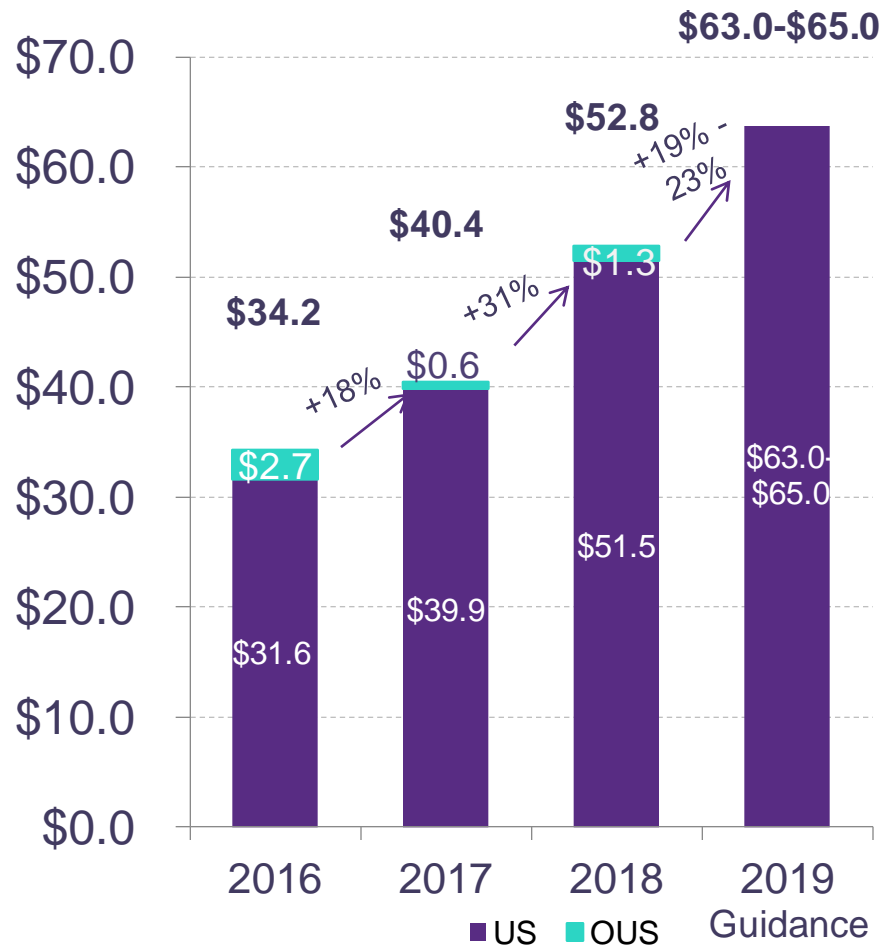


~29% of US revenues Q2 2019;  
Capital sales

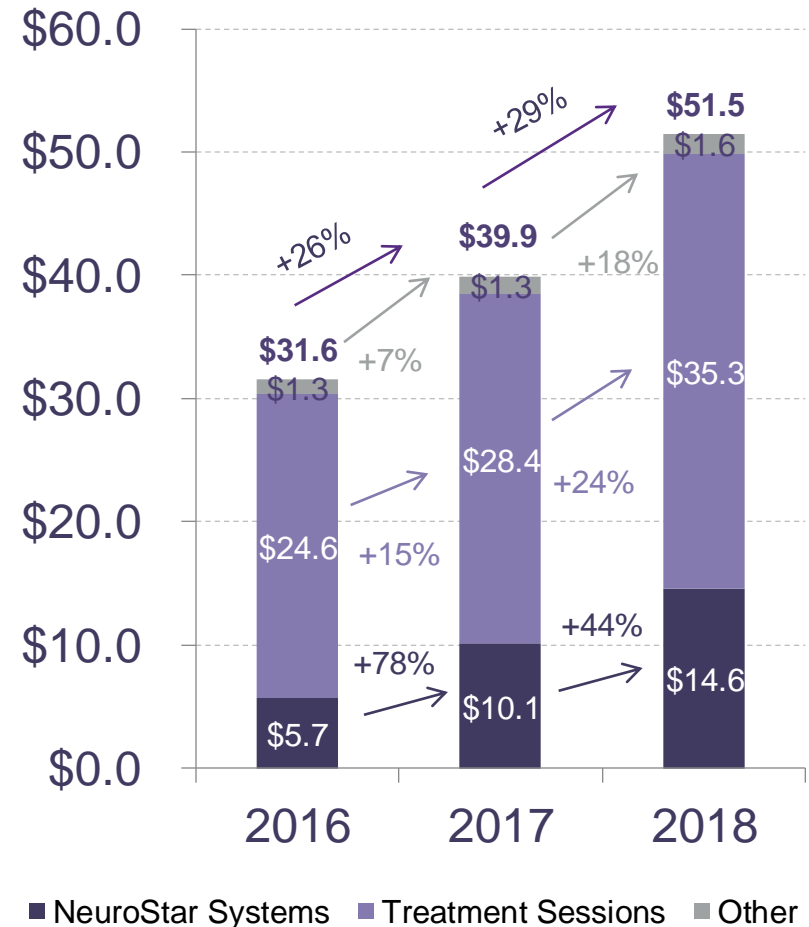
# Annual Revenue

(\$ in millions)

## Annual Revenue by Geography

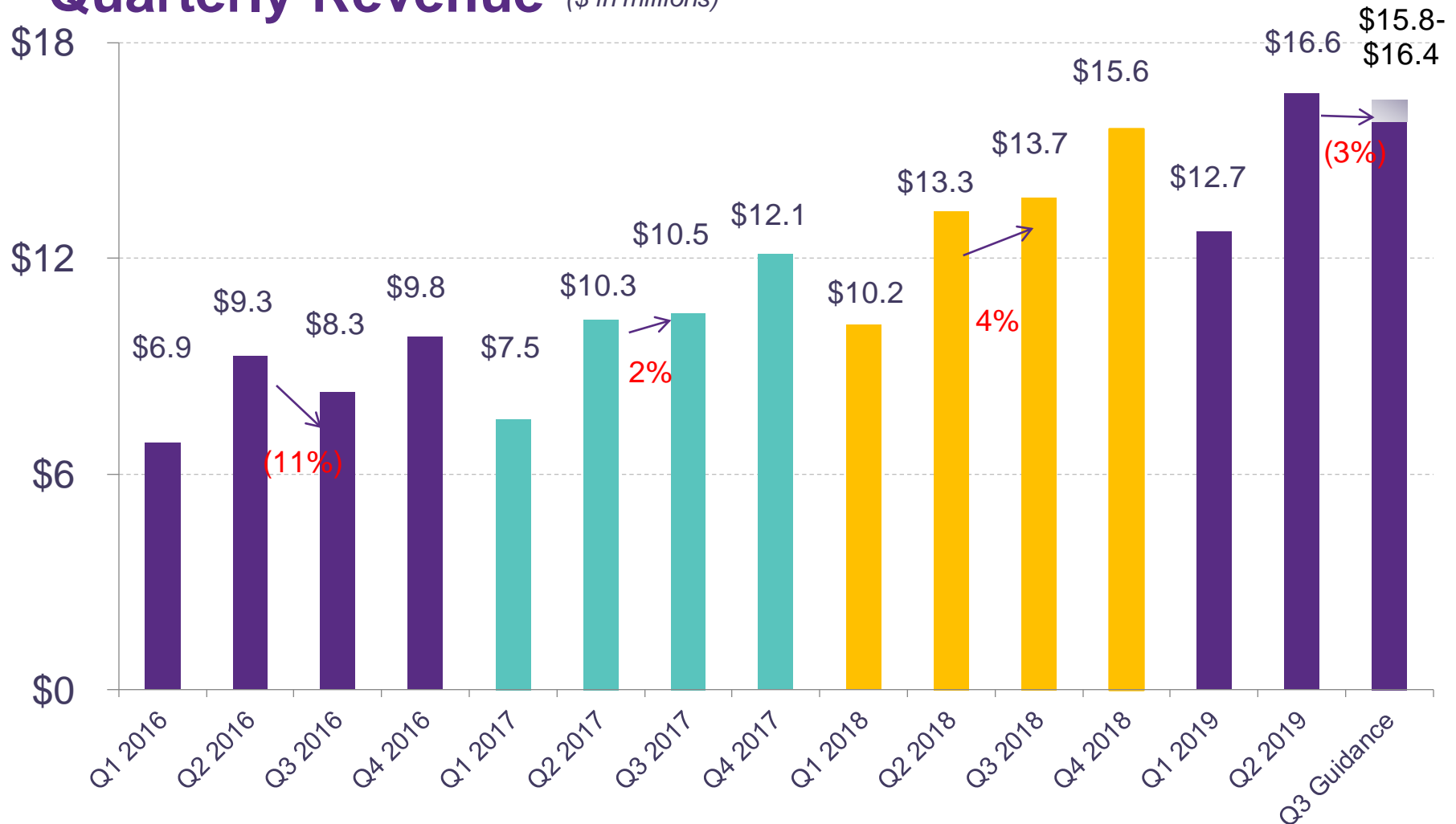


## Annual Product Revenue (US)



Reaffirmed Aug 6, 2019

# Quarterly Revenue (\$ in millions)



**Q2 2019 revenues increased, 25% OPY**

**Q3 Guidance, \$15.8M - \$16.4M represents, 15%-19% YOY growth**

**Full Year Guidance, \$63.0M - \$65.0M represents, 19%-23% YOY growth**

# US Systems Data

## NeuroStar Advanced Therapy Systems

	2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2018	Q1 2019	Q2 2019
Total NeuroStar Revenues (YoY%)	\$5.7M	\$1.3M	\$2.5M	\$2.8M	\$3.5M	\$10.1M 76%	\$2.4M 80%	\$3.6M 42%	\$3.9M 38%	\$4.8M 37%	\$14.6M 44%	\$3.3M 41%	\$4.6M 30%
NeuroStar ASP													
ASP (YoY%)		1%	9%	3%	8%	6%	4%	(1%)	1%	(4%)	(1%)	(8%)	(9%)
ASP (Sequential%)		9%	3%	(3%)	0%		5%	(3%)	(1%)	(5%)		.5%	(4%)

# US Treatment Sessions Data

## Treatment Sessions

	2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2018	Q1 2019	Q2 2019
US Installed Base of Active NeuroStars (YoY%)	647	671	690	725	752	752 16%	781 16%	816 18%	858 18%	907 21%	907 21%	931 19%	976 20%
Total Treatment Sessions Revenues (YoY%)	\$24.6M	\$5.7M	\$7.4M	\$7.2M	\$8.0M	\$28.4M 15%	\$7.2M 26%	\$8.9M 21%	\$9.2M 28%	\$9.9M 23%	\$35.3 24%	\$8.8M 21%	\$10.8M 22%

# Results of Operations

	Year Ended December 31,		Six Months Ended June 30,	
(\$ in thousands)	2017	2018	2018	2019
<b>Revenues</b>	<b>\$40,433</b>	<b>\$52,776</b>	<b>\$23,404</b>	<b>\$29,300</b>
<i>YOY Growth</i>		31%		25%
<b>Gross Profit</b>	<b>30,801</b>	<b>40,329</b>	<b>17,702</b>	<b>22,322</b>
<i>Gross Margin</i>	76%	76%	76%	76%
Operating Expenses:				
Sales and Marketing <i>% of Revenues</i>	27,900 69%	38,264 73%	17,944 77%	21,115 72%
General and Administrative <i>% of Revenues</i>	8,572 21%	13,667 26%	5,714 24%	8,860 30%
Research and Development <i>% of Revenues</i>	7,937 20%	8,232 16%	3,885 17%	6,010 21%
<b>Total Operating Expenses</b>	<b>44,409</b>	<b>60,163</b>	<b>27,543</b>	<b>35,985</b>
<b>Loss from Operations</b>	<b>(\$13,608)</b>	<b>(\$19,834)</b>	<b>(\$9,841)</b>	<b>(\$13,663)</b>
<i>% of Revenues</i>	(34%)	(38%)	(42%)	(47%)

# Financial Position

<i>(\$ in thousands)</i>	<b>As of June 30, 2019</b>
Cash and Cash Equivalents	\$89,644
Other Assets	\$19,747
<b>Total Assets</b>	<b>\$109,391</b>
<b>Long-Term Debt, net</b>	<b>\$27,007</b>
Convertible Preferred Stock Warrant Liability	\$0
Convertible Preferred Stock	\$0
Accumulated Deficit	(\$235,666)
<b>Total Stockholders' Equity</b>	<b>\$59,819</b>

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