



Neuronetics, Inc.

NASDAQ: STIM

Company Presentation

March 2020



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Presenters



Interim Co-Presidents



Steve Furlong

**Vice President &
Chief Financial Officer**

32 years of experience:



Andrew Macan

**Senior Vice President, General
Counsel, Chief Compliance Officer
and Corporate Secretary**

22 years of experience:



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



\$6.0B Targeted Annual TAM Among High-Decile Psychiatrist Practices



Geographic and Potential New Indication Opportunities for Growth



Attractive Financial Profile: FY 2019 Revenue \$62.7M 2019 YoY growth of 19% versus 2018. FY 2020 Guidance, \$69.0M-\$71.0M representing 10% -13% YoY growth versus 2019. Q4 2019 Rev, 11% growth versus Q4 2018.

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

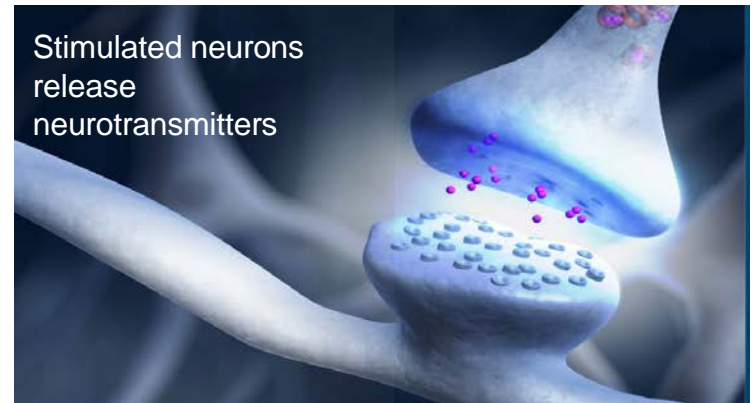
- First line treatment is antidepressants with or without psychotherapy
 - Care by PCP, followed by referral to psychiatrist after failed treatment attempt

MDD is a leading cause of 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

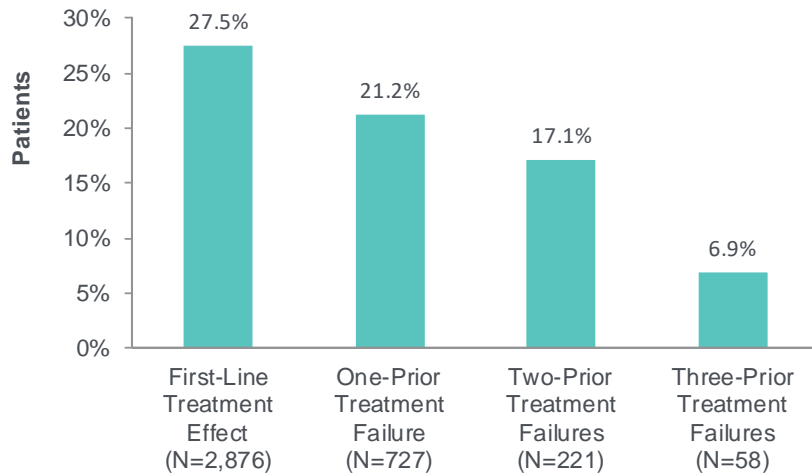


Effectiveness of TMS therapy depends on precise and targeted stimulation that is consistent and repeatable over treatment sessions

Limitations of Antidepressant Medications

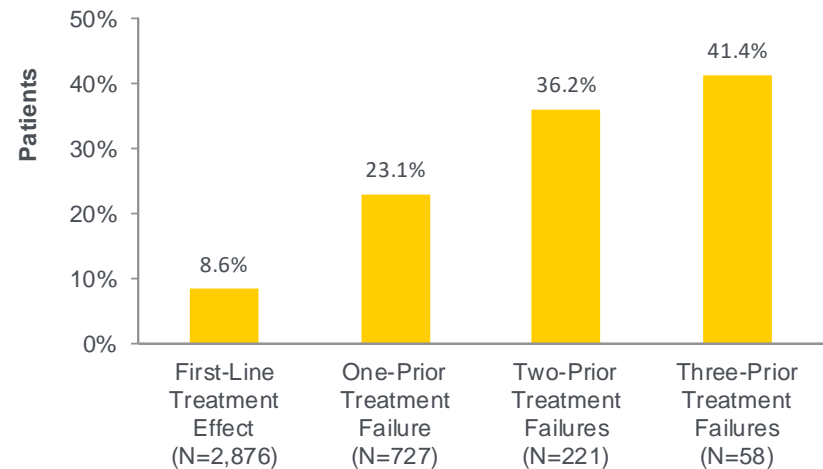
Limited Effectiveness

STAR*D Study¹
Achieving Remission (HAMD 17)



Treatment-Emergent Side Effects

STAR*D Study¹
Discontinuation Due to Side Effects

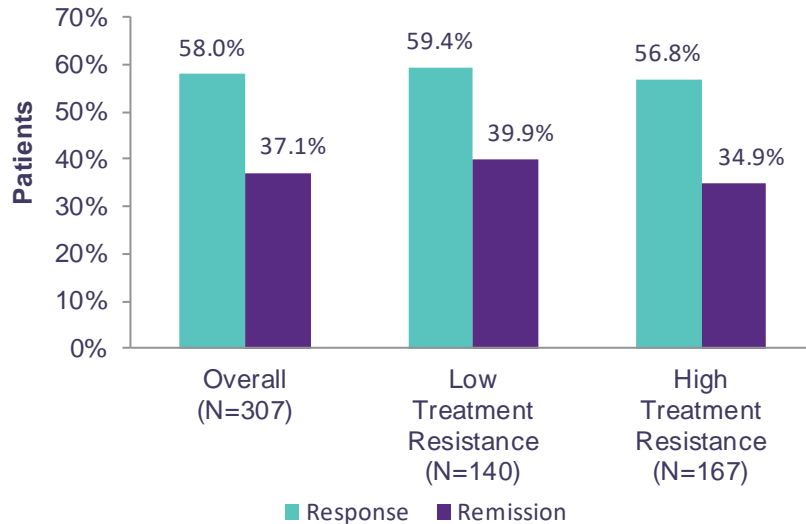


- Approximately 28% and 21% of patients achieved remission in their first and second medication attempts, respectively
- Likelihood of remission was limited and declined with each new medication attempt
- Likelihood of discontinuing treatment increased with each new medication attempt
- In the fourth treatment attempt, likelihood of dropping out of treatment had more than quadrupled
- Adverse events discontinuation rate in monotherapy 9% to 41%

Clinically Proven Solution

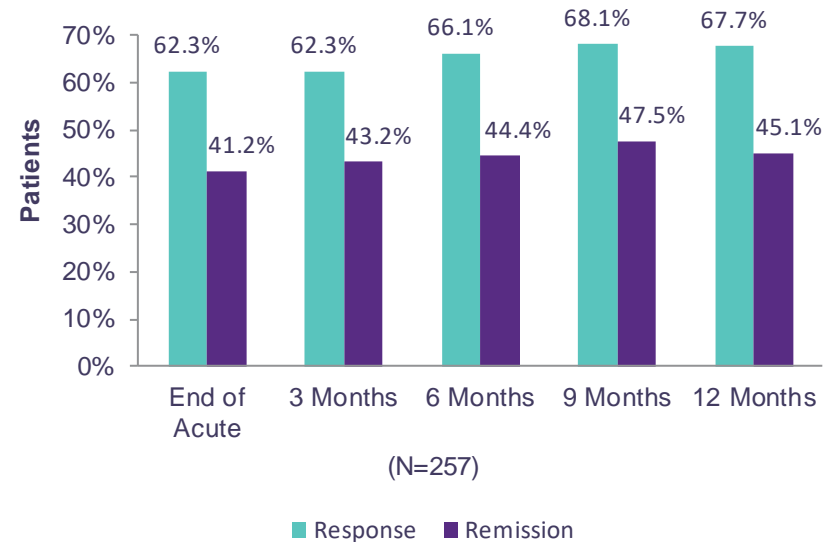
Acute Phase in Real-World Clinical Settings Study¹

CGI-S Outcomes



Long-term Durability in Real-World Clinical Settings Study²

CGI-S Outcomes



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

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

Outcomes Registry

- World's largest registry of treatment resistant depression, >4,300 patients across >100 treatment facilities
- Remission rate of 34% and response rate of 63% for over 4,300 self-evaluating patients
- Remission rate of 53% and response rate of 75% for 1,300+ 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 medication¹
 - 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 antidepressants²

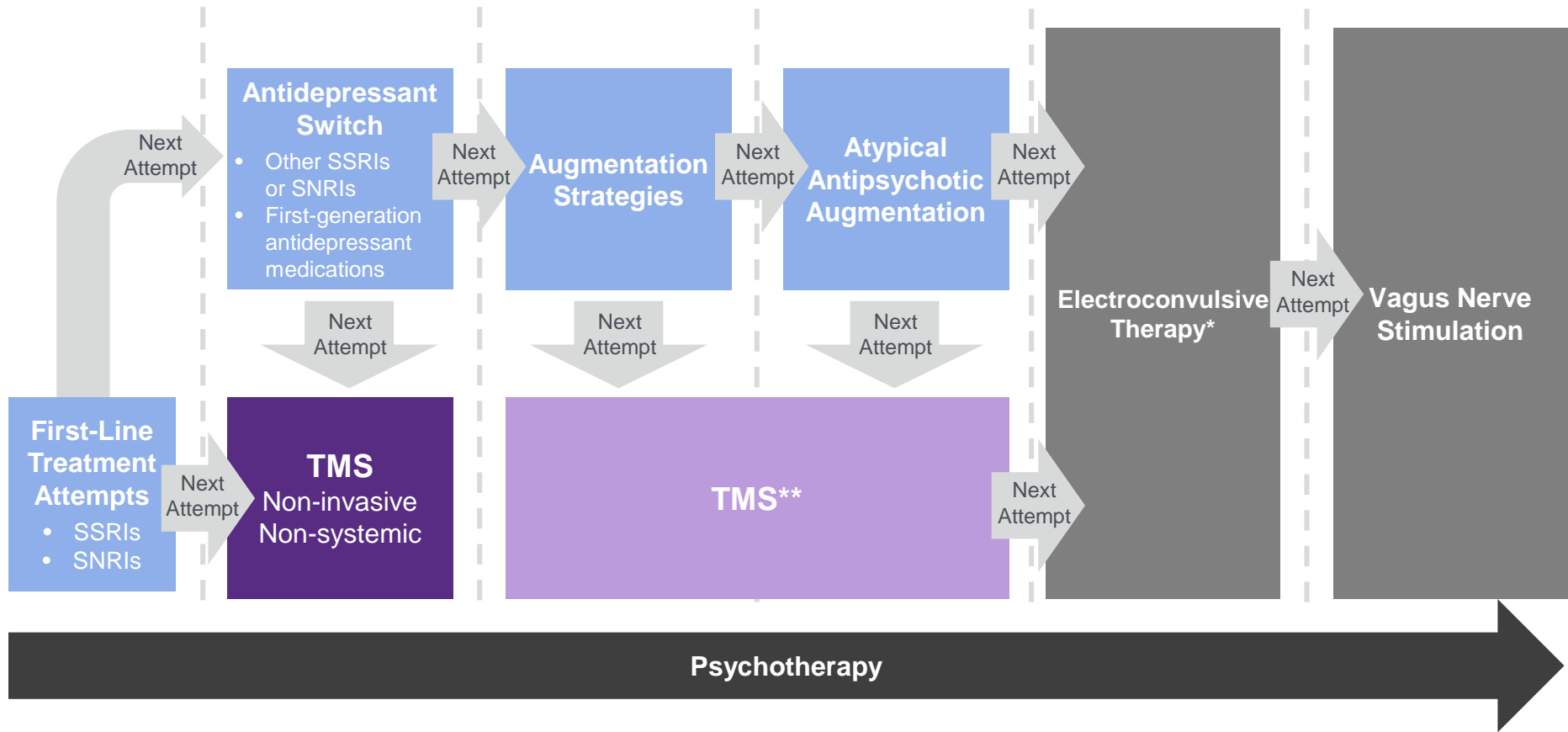
Unmatched Body of TMS Clinical Data



Safety Record

- > 2.9 million treatment sessions delivered globally
- > 81,000 patients treated
- Adverse events discontinuation rate ~5%³

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



Efficient, Specialty-Focused Commercialization Model

\$6.0B US Addressable Market Opportunity*



	# of Psychiatrists	# of Sites	# of Patients Treated
Total	56,100	37,700	~7.6M Patients
Acute Care Community + Behavioral Health Hospitals + Other Sites	6,800	11,400	~2.2M Patients
Solo and Group Practice Sites	49,300	26,300	~5.4M Patients

FAVORABLE CALL POINT DYNAMIC

Top 22% of practices represent **60%** of the patient volume or **~3.3M** patients

Estimated **1.6M** treatable patients

\$3.7B*

Current **BDM** Call Points

Remaining **78%** of practices represent **40%** of the patients volume or **~2.1M** patients

Estimated **1.0M** treatable patients

\$2.3B*

“TMS-Only” Providers

*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 lives² in excess of 200 million¹
- 100% Medicare Coverage
 - 59.7 million covered lives¹

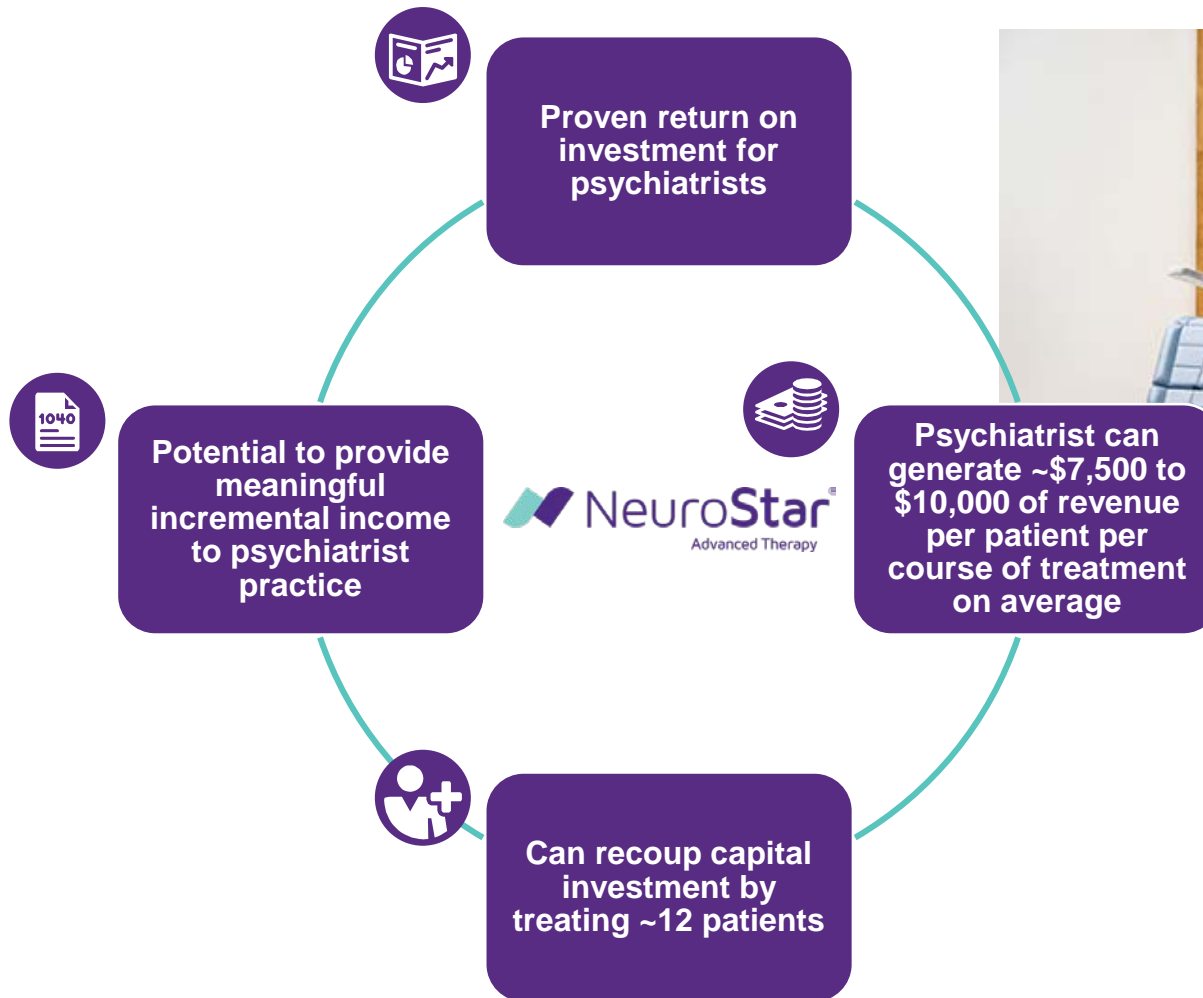
Reimbursement

- 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
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

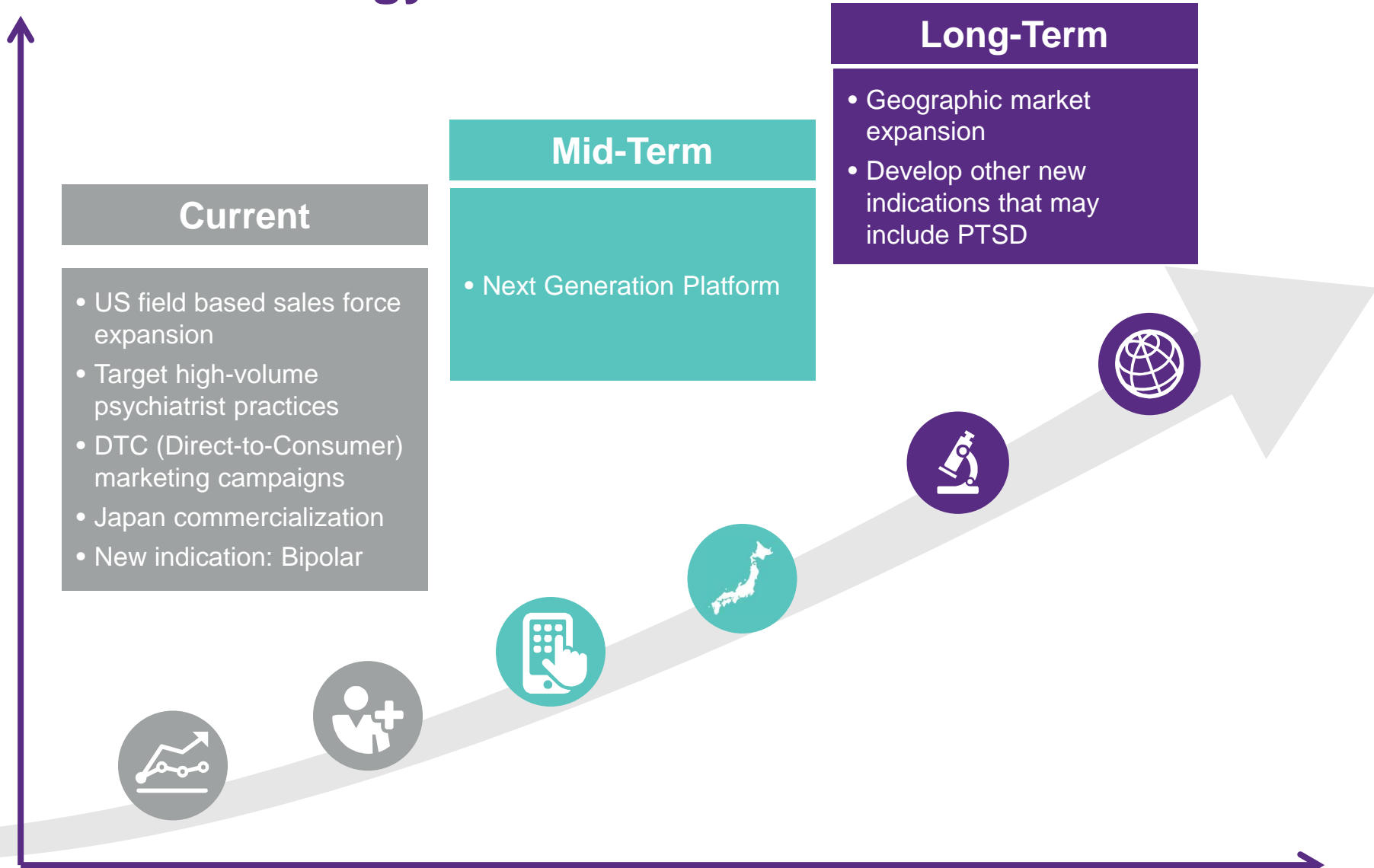


We believe the NeuroStar Advanced Therapy System is the most attractive TMS system alternative on the market









Barriers to Entry



Growth Strategy



Leading Commercial Team in the Industry

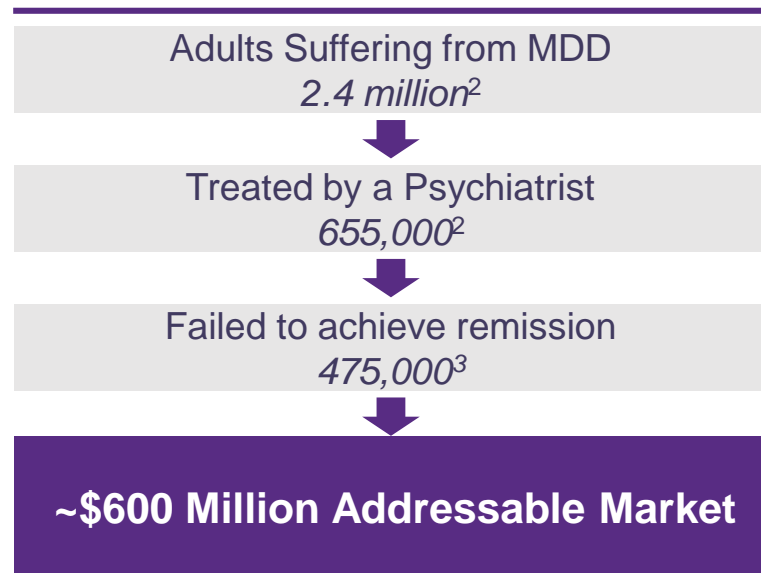
Optimized Team			Territories/Positions				
			2016	2017	2018	2019	2020 Forecast
	Business Development Mangers	High Value Target Acquisition	14	29	44	59	55
	Internal Sales Representatives	Prospect Accounts for BDMs	4	5	7	7	0
	NeuroStar Practice Consultants	Practice Support	25	28	28	33	40
	Clinical Training Consultants	Clinical Proficiency	-	-	9	15	17
	Reimbursement Managers	Payor Access	5	7	9	10	9
	Field Service Engineers / Tech Support	Business Continuity and Support	12	15	17	20	20
	Marketing	Physician and Patient Awareness	5	6	6	9	6
	Management	Leadership, Mgmt., and Execution	11	15	18	21	22
TOTAL			76	105	138	174	169

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
 - 2nd Milestone payment estimated \$0.7 million
 - 158 hospitals qualified
 - Approved reimbursement amount is ¥12,000



Estimated TAM in Japan for Treatment Sessions¹



Japan represents a large market opportunity

1. Assumes psychiatrist reimbursement levels per treatment course are similar to those in the U.S.
2. Source: National Center for Biotechnology and Information
3. Estimate based on Star*D data and all of whom covered by Japan's single payor healthcare system

Pipeline Indications

Bipolar Depression

- Mania and depressed phases
- Depressed phase considered most difficult to treat phase of Bipolar Disorder
- Few treatment options available; suboptimal outcomes
- Received Breakthrough Device Designation
- Currently in discussions with FDA on clinical protocol

Post Traumatic Stress Disorder (PTSD)

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

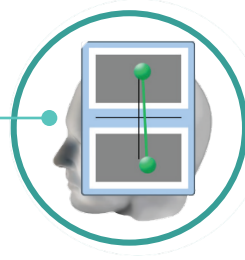
Intellectual Property

Patent Portfolio

- Largest of any TMS system provider
- Issued or allowed patents:
37 US / 51 OUS
- Pending patent applications:
7 US / 10 OUS

Key Portfolio Coverage Areas

- **Contact Sensing**
 - Multiple, US patent expires 2024-2027
- **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

Steve Furlong	VP, CFO Interim Co-President
Daniel Guthrie	VP, CCO
Greg Harper	VP, R&D, Operations and Product Development
Andrew Macan	SVP, General Counsel, Chief Compliance Officer, and Corporate Secretary Interim Co-President
Anthony Pui	VP, International Commercial Development
Yelena Tropsha	VP, Commercial Access

Board of Directors

Cheryl Blanchard, Ph.D.	Former CEO, Keratin Biosciences, and Interim CEO Anika Therapeutics
Stephen Campe	Patricia Industries (Investor AB)
Sheryl L. Conley	Former Global President and Chief Marketing Officer, Zimmer Holdings
Brian Farley	Chairman; Former CEO and Chairman, Entellus Medical
Wilfred Jaeger	Three Arch Partners
Glenn Muir	Former CFO, Hologic

Financial Overview



NeuroStar Revenue: 2018 and 2019

NeuroStar Revenue	2018				2019			
	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19
Total U.S. NeuroStar Revenue (\$000s)	\$2,373	\$3,568	\$3,908	\$4,754	\$3,350	\$4,628	\$4,616	\$5,413
YoY Δ	80%	42%	38%	37%	41%	30%	18%	14%
U.S. NeuroStar Capital Revenue (\$000s) (4)	\$1,909	\$3,268	\$3,428	\$4,338	\$2,939	\$4,034	\$4,264	\$4,959
YoY Δ	76%	65%	54%	47%	54%	23%	24%	14%
U.S. NeuroStar Operating Lease Revenue (\$000s) (5)	\$258	\$181	\$269	\$231	\$182	\$187	\$184	\$177
YoY Δ	13%	-38%	-7%	-2%	-29%	3%	-31%	-24%
U.S. NeuroStar Other (\$000s) (6)	\$206	\$120	\$211	\$185	\$229	\$407	\$167	\$278
YoY Δ	NM	-50%	-34%	-35%	11%	239%	-21%	50%

(4) = Revenue includes NeuroStar System Capital Sales and Sales Type Leases

(5) = Revenue derived from Operating Lease revenue amortization during the period

(6) = Revenue derived from Treatment Coils in U.S.

NeuroStar Unit Sales: 2018 and 2019

Unit Sales	2018				2019			
	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19
Total NeuroStar Units (Capital Sales, Sales Type Leases, Operating Leases) (1)	30	47	48	65	43	61	68	78
YoY Δ	50%	62%	50%	55%	43%	30%	42%	20%
Beginning Active Installed Base	752	781	816	858	907	931	976	1,032
Ending Active Installed Base	781	816	858	907	931	976	1,032	1,135
YoY Δ	16%	18%	18%	21%	19%	20%	20%	25%
Net Active Installed Base Change	29	35	42	49	24	45	56	53
YoY Δ	21%	84%	20%	81%	-17%	29%	33%	8%
Inactive Systems (Calculation) (2)	-1	-12	-6	-16	-19	-16	-12	-25
Inactive System Churn % (Calculation) (3)	-0.1%	-1.5%	-0.7%	-1.9%	-2.1%	-1.7%	-1.2%	-2.4%

(1) = Includes all active systems placed during the period. In 2018, this included 15 operating leases: Q1-6, Q2- 4, Q3-1, Q4-4.

(2) = Calculation: (Ending Installed Base - Beginning Installed Base) - Total NeuroStar Units

(3) = Calculation: Inactive Systems / Ending of Prior Period Installed Base

NeuroStar Treatment Session: 2018 and 2019

Treatment Session Sales

Total Treatment Session Revenues (\$000s)

YoY Δ

Active Installed Base (Ending of Prior Quarter)

Avg. Revenue per Active System (\$000s) (8)

YoY Δ

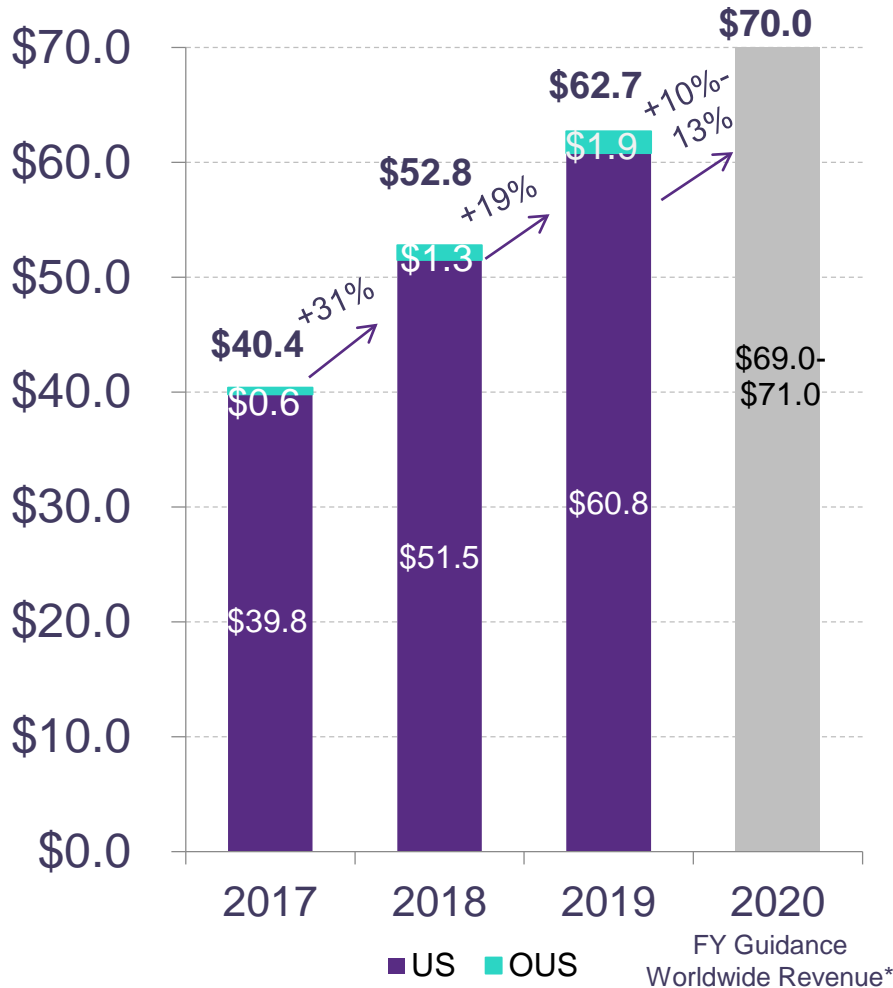
	2018				2019			
	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19
Total Treatment Session Revenues (\$000s)	\$7,240	\$8,920	\$9,218	\$9,909	\$8,778	\$10,847	\$10,252	\$11,243
YoY Δ	26%	21%	28%	23%	21%	22%	11%	13%
Active Installed Base (Ending of Prior Quarter)	752	781	816	858	907	931	976	1,032
Avg. Revenue per Active System (\$000s) (8)	\$9.6	\$11.4	\$11.3	\$11.5	\$9.7	\$11.7	\$10.5	\$10.9
YoY Δ	8%	4%	8%	4%	1%	2%	-7%	-6%

(8) = Total Treatment Session Revenue / Active Installed Base (Ending of Prior Quarter)

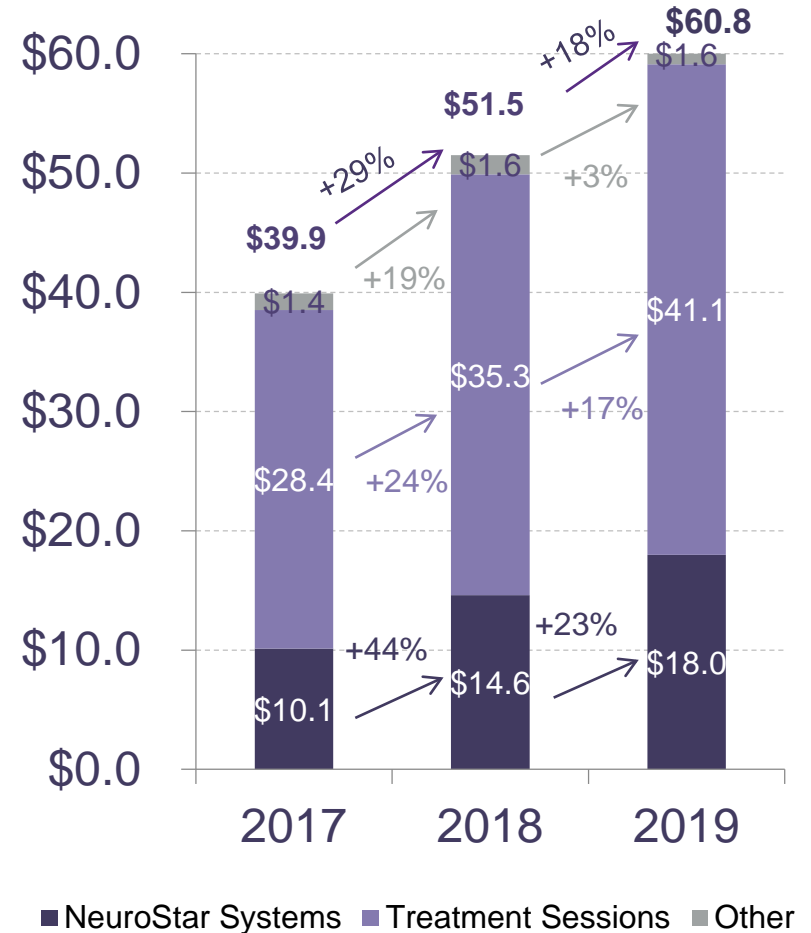
Annual Revenue

(\$ in millions)

Annual Revenue by Geography

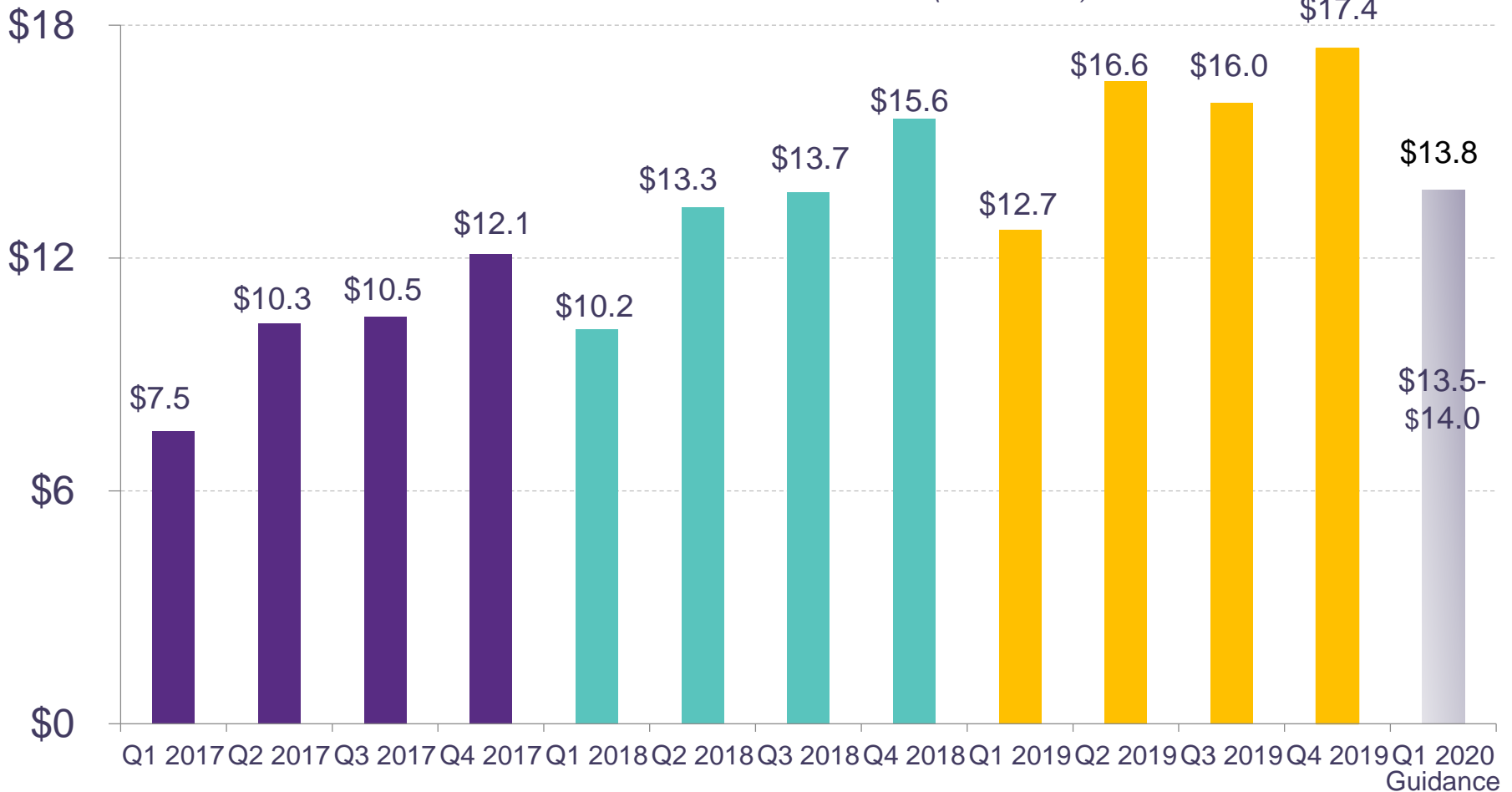


Annual Product Revenue (US)



*Worldwide Revenue Guidance provided as of March 3, 2020

Worldwide Quarterly Revenue (\$ in millions)



Worldwide Q4 2019 revenues increased 11% versus Q4 2018.

Q1 2020 Guidance, \$13.5M-\$14.0M represents 6% - 10% growth over Q1 2019.

Full Year 2020 Guidance, \$69.0M - \$71.0M represents 10% - 13% versus 2019.

Results of Operations

	Year Ended December 31,		
(\$ in thousands)	2017	2018	2019
Revenues	\$40,433	\$52,776	\$62,656
<i>YOY Growth</i>		31%	19%
Gross Profit	30,801	40,329	47,267
<i>Gross Margin</i>	76%	76%	75%
Operating Expenses:			
Sales and Marketing <i>% of Revenues</i>	27,900 69%	38,264 73%	42,993 69%
General and Administrative <i>% of Revenues</i>	8,572 21%	13,667 26%	17,457 28%
Research and Development <i>% of Revenues</i>	7,937 20%	8,232 16%	13,747 22%
Total Operating Expenses	44,409	60,163	74,197
Loss from Operations	(\$13,608)	(\$19,834)	(\$26,930)
<i>% of Revenues</i>	(34%)	(38%)	(43%)

Financial Position

<i>(\$ in thousands)</i>	As of December 31, 2019
Cash and Cash Equivalents	\$75,708
Other Assets	\$24,460
Total Assets	\$100,168
Long-Term Debt, net	\$19,898
Convertible Preferred Stock Warrant Liability	\$0
Convertible Preferred Stock	\$0
Accumulated Deficit	(\$250,087)
Total Stockholders' Equity	\$47,852



3222 Phoenixville Pike
Malvern, PA 19355
www.neurostar.com
610.640.4202