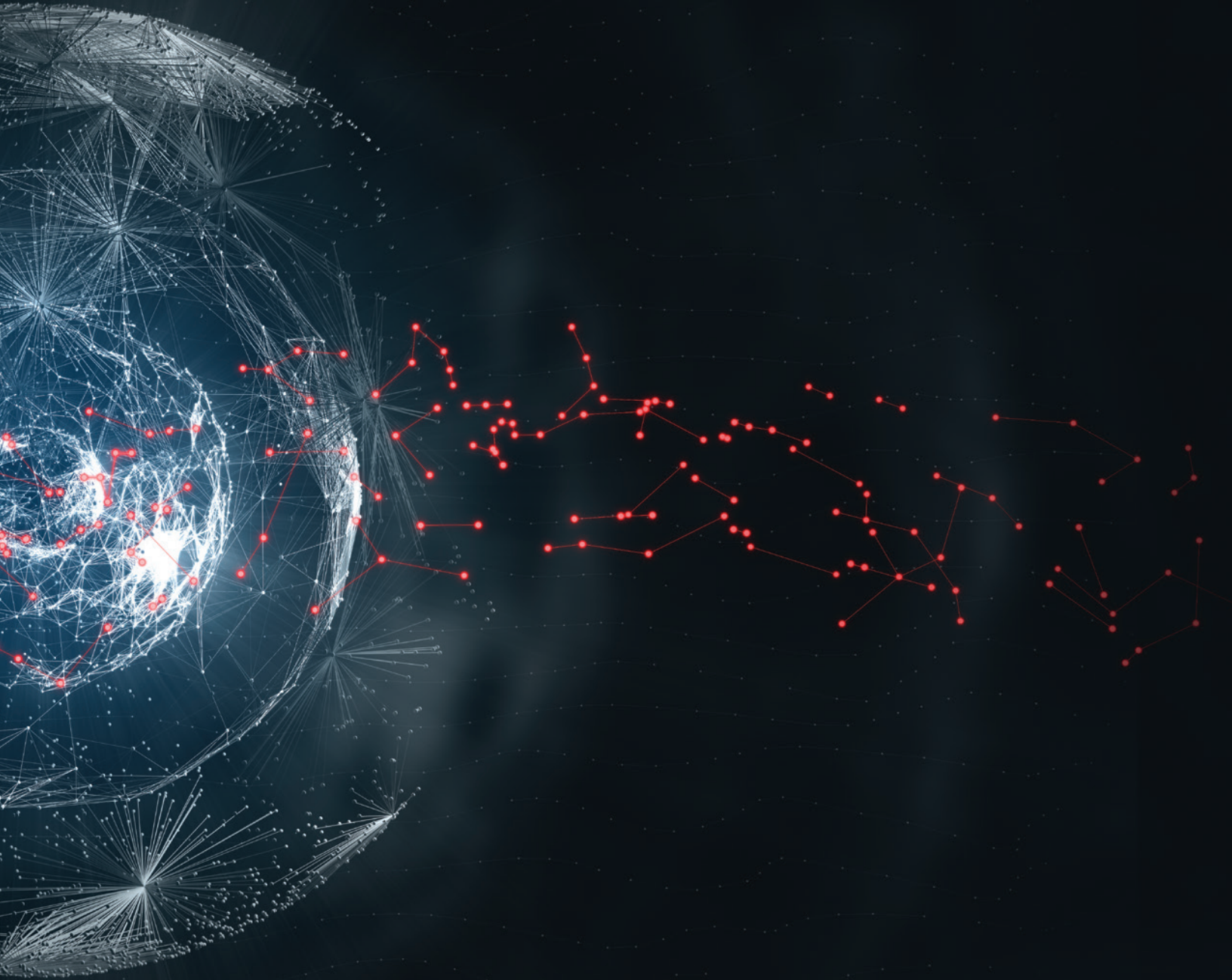


PATIENT SAFETY TO THE CORE



2019 | ANNUAL REPORT

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& Chairman of the Board

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Chief Operating Officer

Micah Young

Executive Vice President
& Chief Financial Officer

Tom McClenahan

Executive Vice President,
General Counsel

Tao Levy

Executive Vice President,
Business Development

Jon Coleman

President, Worldwide Sales,
Professional Services &
Medical Affairs

Yongsam Lee

Executive Vice President
& Chief Information Officer

Anand Sampath

Executive Vice President,
Operations & Clinical Research

Tetsuro Maniwa

President, Japan, Greater
China & South Korea

Stacey Orsat

President, EMEA

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North America Sales

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PATIENT SAFETY TO THE CORE

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LETTER FROM THE
CHAIRMAN AND CEO

Patient Safety Is in Our DNA

In 1989, I founded Masimo with an ambitious goal: to solve the “unsolvable” challenge of making pulse oximetry accurate and reliable, even during patient motion and low perfusion.

At the time, conventional pulse oximetry was plagued by unreliability, delivering inaccurate data and excessive false alarms due to patient movement and low perfusion. Lives were harmed and even lost because conventional pulse oximeters failed to accurately monitor those who needed it the most.

My dear friend and mentor, Dr. Jeremy Swan, described conventional pulse oximetry as a fair-weather friend. I believed a superior technology—one that would be accurate and reliable during challenging conditions of motion and low perfusion—was possible. In partnership with another dear friend and fellow engineer Mohamed Diab, we set out to make that goal a reality.

The Masimo Difference: Signal Extraction Technology®

In 1996, Masimo Signal Extraction Technology (SET®) was introduced at the *World Congress of Anaesthesiologists* in Australia. Over time, SET® transformed from a breakthrough technology into the standard of care for monitoring oxygen saturation and pulse rate at top hospitals around the world. Since its launch, more than 100 independent and objective studies have shown that Masimo SET® outperforms other pulse oximetry technologies, providing clinicians with unmatched sensitivity and specificity to make critical patient care decisions.¹

The legacy of Masimo SET® is indelibly tied to enhanced patient safety.

As the underlying technology driving many of our solutions, SET® remains as disruptive today as when it launched. Just this past year, we’ve achieved significant accuracy specification improvements with our new line of eco- and patient-friendly RD SET® sensors. And, in line with our unrelenting pursuit of perfecting pulse oximetry for motion, we released Radius PPG™, a tetherless pulse oximetry solution powered by Masimo SET®, providing accurate monitoring for patients on the move.

From dramatically reducing the incidence of false alarms and missed true alarms to enabling critical congenital heart disease (CCHD) screening with SET® pulse oximetry and helping save newborns’ eyesight, the legacy of Masimo SET® is indelibly tied to enhanced patient safety. →

2019 Highlights

Our 30th anniversary, 2019, was a milestone year for Masimo in multiple ways. We grew our product revenue by \$106 million, achieving 13% product revenue growth on a constant currency basis. 2019 also saw us making significant headway in emerging markets and welcoming many new customers from across the world, resulting in our best year yet for global sales.

We believe that 2020 is poised to be a year of momentum for SpHb[®] adoption as a standard of care, just like SET[®].

Moreover, in 2019 we remained true to our commitment to enhancing patient safety by bringing a range of innovative products and solutions to market—each designed to make meaningful clinical differences and help clinicians improve patient outcomes. From Radius PPG, a tetherless, continuous pulse oximetry solution powered by SET[®], to Halo ION[™], which offers care teams a comprehensive, personalized, continuous patient score, we are rapidly expanding our portfolio of solutions to match the evolving needs of modern, high-velocity healthcare.

Finally, 2019 also brought important new evidence to demonstrate the clinical need for noninvasive, continuous hemoglobin (SpHb) monitoring, which, like SET[®], is an area of continual innovation at Masimo.

While earlier studies showed that SpHb helped clinicians reduce the frequency and volume of unnecessary blood transfusions, both in high- and low-blood-loss surgery, a landmark study conducted in Limoges, France, published in 2019, reinforces what we have long believed: SpHb has a significant impact on patient outcomes, amounting in that study to a 33% reduction in mortality at 30 days and 29% at 90 days after surgery.²

¹Published clinical studies on pulse oximetry and the benefits of Masimo SET[®] can be found on our website at <http://www.masimo.com>. Comparative studies include independent and objective studies which are comprised of abstracts presented at scientific meetings and peer-reviewed journal articles. ²Cros et al. *J Clin Monit Comput.* Aug 2019: 1-9.

The evidence is becoming clearer: SpHb monitoring makes a true clinical difference, helping enhance patient safety, improve patient outcomes, and reduce the cost of care. In 2019, we saw an inflection in the adoption of SpHb by hospitals. We believe that 2020 is poised to be a year of momentum for SpHb adoption as a standard of care, just like SET[®].

While these achievements alone are wonderful news for all of our shareholders, we plan to build on the momentum of 2019 to make 2020 our best year for growth ever—aiming to surpass \$1 billion in revenue.

The Next Generation of Innovation at Masimo

At Masimo, we've cultivated a can-do environment populated by dedicated, ethical employees who thrive on passion and curiosity and are committed to the common good. As a mission-based medical technology company, we attract team members who possess the brightest minds and the biggest hearts, and give them a collaborative environment where they have support to develop technologies and solutions that are the best for patient care.

Just as we set out three decades ago to perfect pulse oximetry, the next generation of visionary engineers, clinicians, and leaders at Masimo are hard at work addressing the most pressing healthcare technology challenges of the 21st century—each with a profound commitment to enhancing patient safety. They are here, dedicating their considerable talents to our mission, not for prestige or vanity, but in service to the legacy forged by Masimo SET[®]. I call them the Masimo purists.

From tackling the opioid epidemic, to delivering automation solutions that will optimize the continuum of great care, to developing clinically useful wearable and home care devices, these purists are leading the charge into the future of medicine.

Please read on to discover how these purists, and the personal motivations that drive their fascination, determination, and commitment to patient safety, are shaping the future of Masimo and our customers and partners—and why we say we are patient safety to the core. ■

Joe Kiani
Chairman and CEO

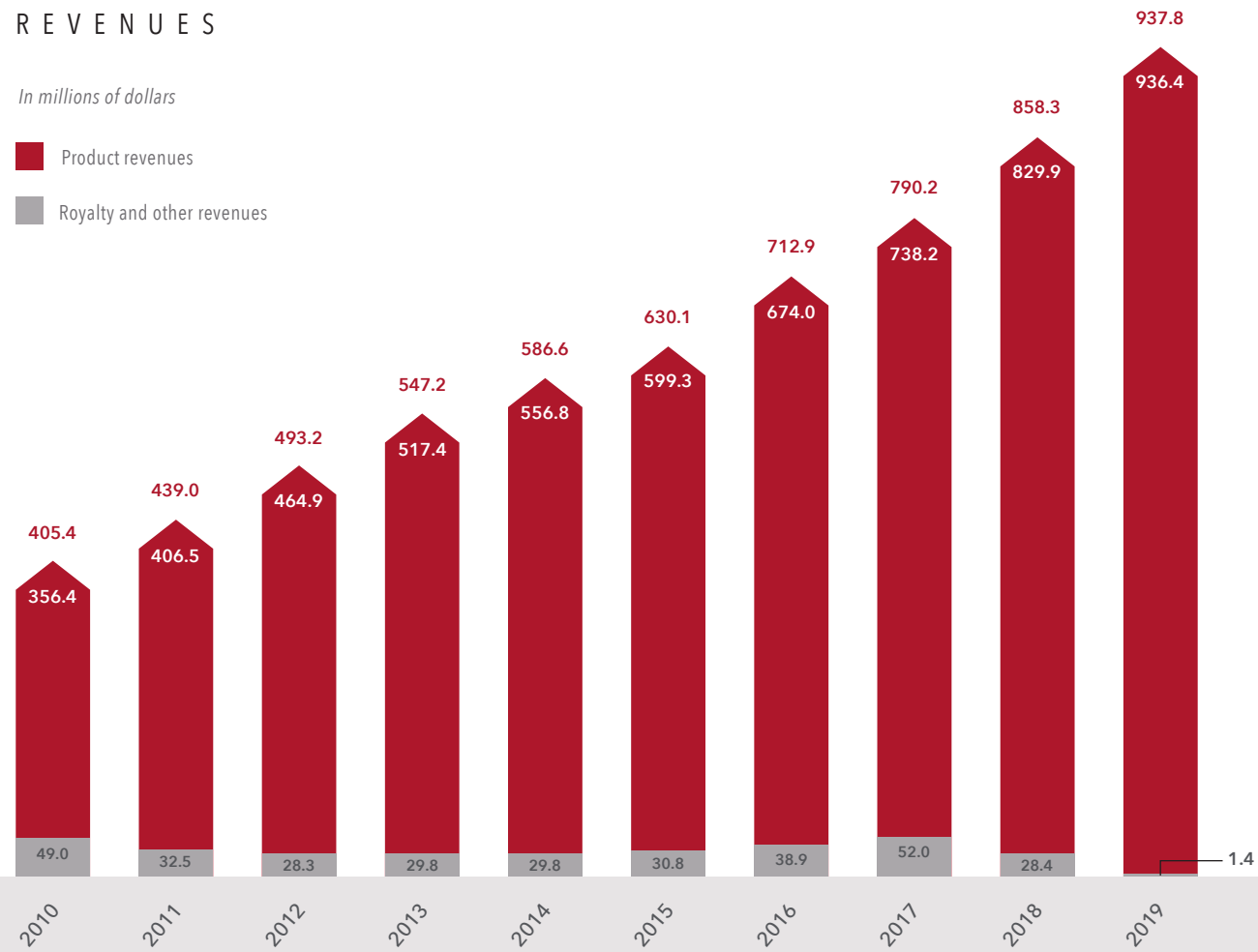


2019 FINANCIAL HIGHLIGHTS

REVENUES

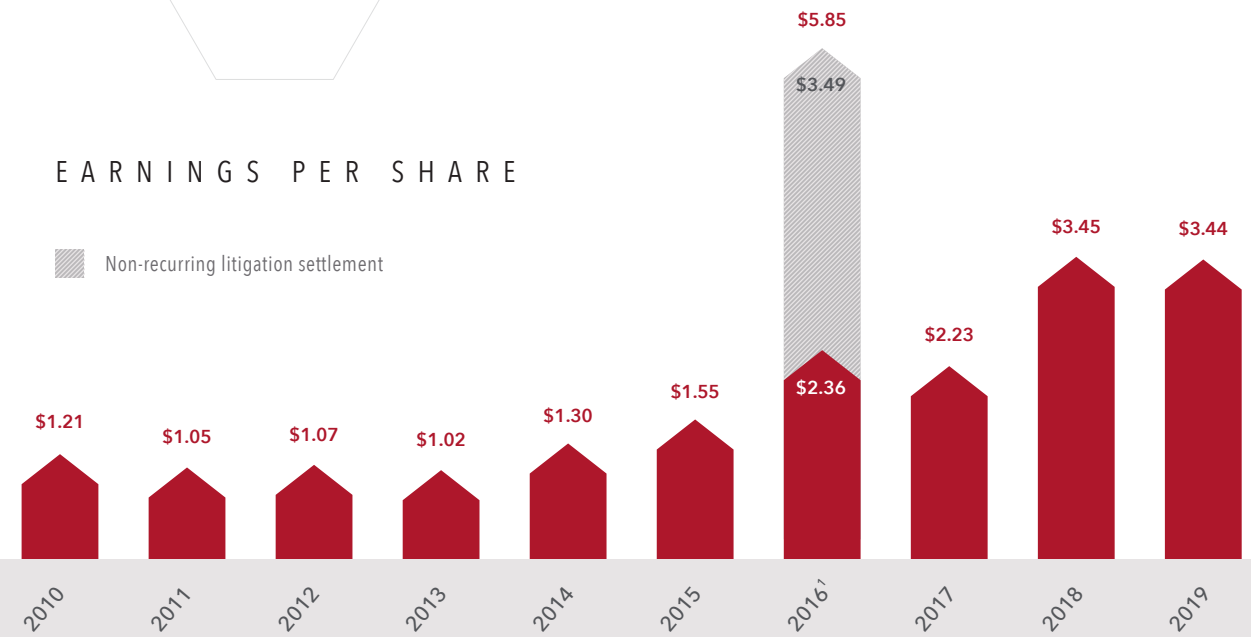
In millions of dollars

- Product revenues
- Royalty and other revenues



EARNINGS PER SHARE

- Non-recurring litigation settlement



FINANCIAL RESULTS SUMMARY

2019 Total Revenues
\$937,837,000

2019 EPS
\$3.44

¹Included in the FY2016 Historical GAAP Earning Per Share was \$3.49 per diluted share related to a \$300.0 million litigation settlement agreement, of which \$270.0 million was recognized as a gain on the Statement of Operations on December 31, 2016.



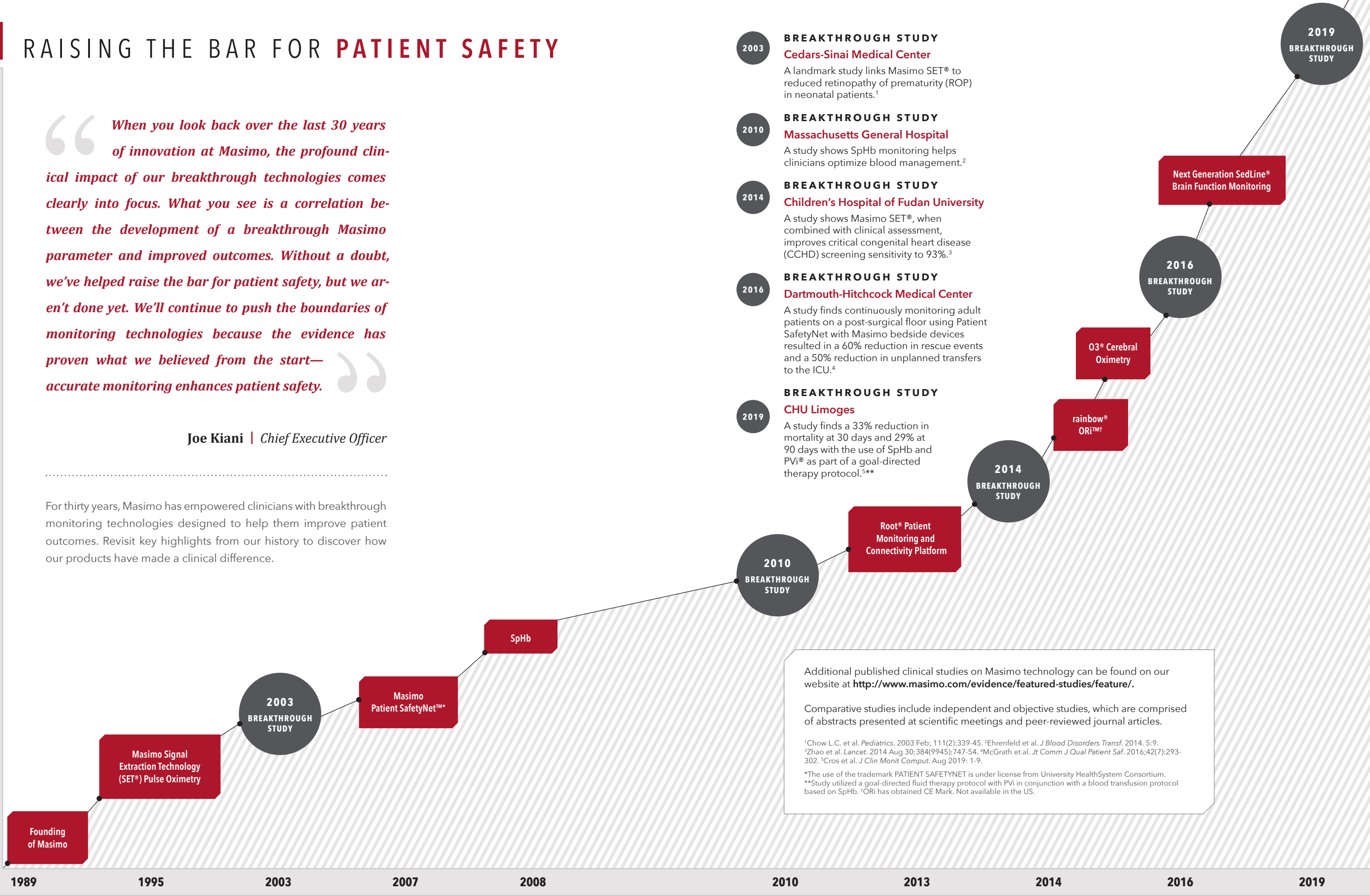
RAISING THE BAR FOR PATIENT SAFETY

“When you look back over the last 30 years of innovation at Masimo, the profound clinical impact of our breakthrough technologies comes clearly into focus. What you see is a correlation between the development of a breakthrough Masimo parameter and improved outcomes. Without a doubt, we’ve helped raise the bar for patient safety, but we aren’t done yet. We’ll continue to push the boundaries of monitoring technologies because the evidence has proven what we believed from the start—accurate monitoring enhances patient safety.”

Joe Kiani | Chief Executive Officer

For thirty years, Masimo has empowered clinicians with breakthrough monitoring technologies designed to help them improve patient outcomes. Revisit key highlights from our history to discover how our products have made a clinical difference.

RAISING THE BAR FOR PATIENT SAFETY →



- 2003 BREAKTHROUGH STUDY**
Cedars-Sinai Medical Center
A landmark study links Masimo SET® to reduced retinopathy of prematurity (ROP) in neonatal patients.¹
- 2010 BREAKTHROUGH STUDY**
Massachusetts General Hospital
A study shows SpHb monitoring helps clinicians optimize blood management.²
- 2014 BREAKTHROUGH STUDY**
Children’s Hospital of Fudan University
A study shows Masimo SET®, when combined with clinical assessment, improves critical congenital heart disease (CCHD) screening sensitivity to 93%.³
- 2016 BREAKTHROUGH STUDY**
Dartmouth-Hitchcock Medical Center
A study finds continuously monitoring adult patients on a post-surgical floor using Patient SafetyNet with Masimo bedside devices resulted in a 60% reduction in rescue events and a 50% reduction in unplanned transfers to the ICU.⁴
- 2019 BREAKTHROUGH STUDY**
CHU Limoges
A study finds a 33% reduction in mortality at 30 days and 29% at 90 days with the use of SpHb and PVi® as part of a goal-directed therapy protocol.^{5**}

Additional published clinical studies on Masimo technology can be found on our website at <http://www.masimo.com/evidence/featured-studies/feature/>.

Comparative studies include independent and objective studies, which are comprised of abstracts presented at scientific meetings and peer-reviewed journal articles.

¹Chow L.C. et al. *Pediatrics*. 2003 Feb; 111(2):339-45. ²Ehrenfeld et al. *J Blood Disorders Transf*. 2014; 5:9. ³Zhao et al. *Lancet*. 2014 Aug 30;384(9945):747-54. ⁴McGrath et al. *Jt Comm J Qual Patient Saf*. 2016;42(7):293-302. ⁵Cros et al. *J Clin Monit Comput*. Aug 2019; 1-9.

*The use of the trademark PATIENT SAFETYNET is under license from University HealthSystem Consortium.
**Study utilized a goal-directed fluid therapy protocol with PVi in conjunction with a blood transfusion protocol based on SpHb. [†]ORI has obtained CE Mark. Not available in the US.



Live to Defeat the Opioid Epidemic with Masimo

“ *It’s well known that monitoring with Masimo SET® can help prevent harm from opioid-induced respiratory depression in hospitals. We want to provide a similar level of safety to opioid users at home.* ”

Tom McClenahan
Executive Vice President, General Counsel

Answering the Call

In 2017, the U.S. Department of Health and Human Services (HHS) officially declared the opioid epidemic a public health emergency. In response, the FDA’s Center for Devices and Radiological Health (CDRH) launched an Innovation Challenge to spur the development of medical devices that could help curb the rising death toll. We answered the FDA’s call with a visionary approach that combines hospital-proven pulse oximetry technology with a novel alert system.

From more than 250 submissions, Masimo’s was one of eight proposals selected. We were also granted “Breakthrough Device” status.

This designation gives us the opportunity to work closely with the FDA to expedite the review process, so our groundbreaking approach is available to help reduce harm as soon as possible.

Closing the Gap on Opioid Safety

Since the late 1990s, opioids have been prescribed to a wide variety of patients for many different reasons, including postoperative and post-surgical patients recovering and healing at home as well as those with chronic pain. Unfortunately, the last two decades have also shown how addictive opioids can be—with opioid abuse contributing to a growing number of deaths.

This worrisome statistic reveals that the opioid epidemic is impacting many different patient groups, including patients using non-prescription opioids, such as heroin and fentanyl, and those working through recovery programs.

While there are opioid risk mitigation strategies available to offset or lessen the risk of overdose, they leave significant gaps in protection. Current strategies fail to account for one of the most important consid-

erations: more than 50% of opioid overdoses occur while a person is alone and vulnerable.¹

Though the healthcare industry is actively seeking new approaches to pain management, opioids remain a valuable tool that clinicians rely on to manage and alleviate pain—both in the hospital and at home. For this reason, among others, it is imperative to develop new solutions to enhance patient safety outside the boundaries of the hospital.

Progress has been made, but major gaps in protection against opioid risks remain. Masimo is leveraging decades of industry-leading monitoring expertise to deliver a consumer home monitoring solution that helps fill in those gaps. →

Delivering Hospital-proven Systems to the Home Setting

Opioids are powerful painkillers, but they are also powerful respiratory depressants. Even when taken as directed under the care of physicians, opioids can cause respiratory depression (slow or shallow breathing), which lowers blood oxygen to dangerous levels, leading to brain injury and death. Respiratory depression is a serious risk for anyone using opioids—and a key reason that patients prescribed opioids in the hospital are often continuously monitored for oxygenation (SpO2) with pulse oximetry.

With more than 100 independent and objective studies completed since its launch, the clinical benefits of SET®—including its ability to help care teams reduce the risks associated with opioid-induced respiratory depression (OIRD)—have been documented.

In particular, a landmark study conducted at Dartmouth-Hitchcock Medical Center demonstrated that by implementing continuous patient monitoring with Masimo SET® and a clinician notification system, researchers were able to eliminate preventable deaths and brain damage due to opioid overdose in post-surgical wards, as well as reduce rapid rescue events by 60%, ICU transfers by 50%, and cost by an estimated \$1.48 million annually.³⁻⁵ The Dartmouth-Hitchcock Medical Center study demonstrates the measureable difference that reliable, continuous monitoring, coupled with a notification system, can have on patient outcomes.

In an effort to reduce the harm caused by the opioid epidemic, we are expanding our leadership beyond the hospital and into the consumer space, so that we can deliver hospital-proven systems in the home setting directly to all at-risk patients.

Masimo SafetyNet*: Opioid Safety Alert System

In clinical settings, care teams are trained to respond to alarms and address possible deterioration before serious complications, such as brain damage or death, occur. However, the home setting is very different.

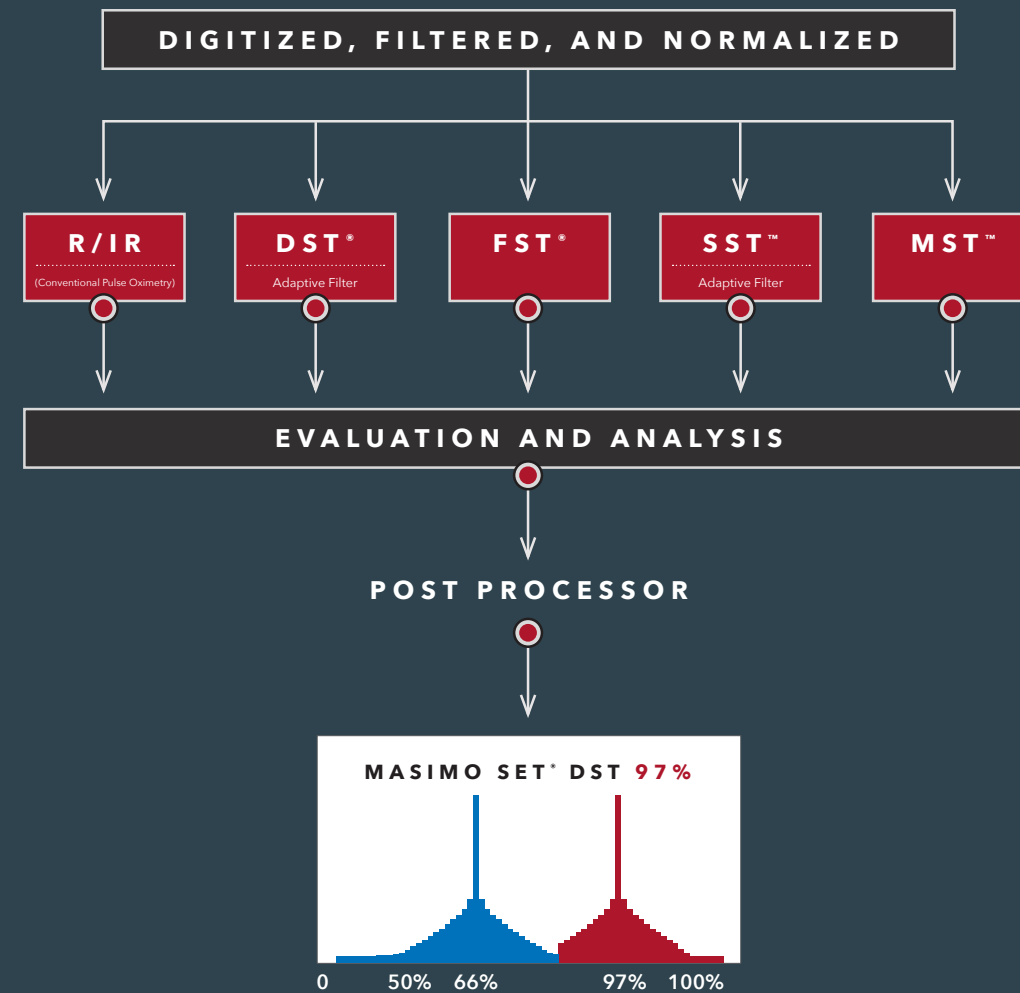
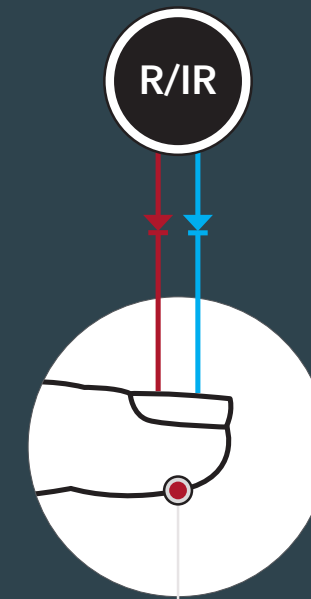
The unmatched sensitivity and specificity of Masimo SET®, in combination with a system that accounts for those who may be alone, is key to delivering the demonstrated benefits of pulse oximetry in the home setting. By leveraging similar alert system protocols to those used at Dartmouth-Hitchcock Medical Center and other leading hospitals, we are bringing hospital-proven solutions to the home, enhancing patient safety and, we hope, making a measurable impact on the opioid crisis.

Designed to enhance safety, Masimo SafetyNet will marry powerful SET® pulse oximetry technology with a novel alert system. Intended to replicate the responsiveness of hospital care teams, Masimo SafetyNet provides crucial opportunities for patients to self-recover or get help when needed. Ideal for anyone using opioids, Masimo SafetyNet will provide a level of safety and accuracy not available from other wearable devices, fitness trackers, or smartphone applications. ■

¹ODPRN. Opioid Mortality Surveillance Report. Public Health Ontario. <https://www.publichealthontario.ca/-/media/documents/opioid-mortality-surveillance-report.pdf?la=en>. ²Shah et al. *J Clin Anesth*. 2012;24(5):385-91. ³Taenzer AH et al. *Anesthesiology*. 2010;112(2):282-287. ⁴Taenzer AH et al. *Anesthesia Patient Safety Foundation Newsletter*. 2012. Available at: http://www.apsf.org/newsletters/html/2012/spring/01_postop.htm. ⁵McGrath et al. *Jt Comm J Qual Patient Saf*. 2016;42(7):293-302. ^{*}Masimo SafetyNet pending FDA clearance. Product not available.

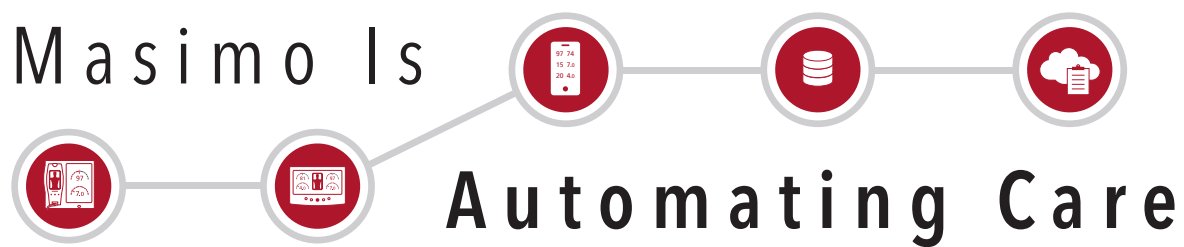
Masimo is leveraging decades of industry-leading monitoring expertise to deliver a consumer home monitoring solution.

Masimo Signal Extraction Technology (SET®) is renowned for reliable, accurate oxygenation monitoring during challenging conditions of motion and low perfusion. A trusted clinical tool that physicians rely on as an indicator of a patient's physiological status, SET® has demonstrated unmatched sensitivity and specificity, with 3% missed true alarms and 5% false alarms versus 43% and 28%, respectively, with competitor technology.²



Conventional pulse oximetry uses the standard red-over-infrared algorithm to provide SpO2, while Masimo SET® includes four additional algorithms, running in parallel. These algorithms distinguish between the arterial signal and non-arterial and venous signal noise—during motion and low perfusion—by identifying and isolating the non-arterial and venous noise SpO2 components (left peak, shown in blue) from the true arterial SpO2 components (right peak, shown in red) in the signal.

Masimo Is



Automating Care

“*Healthcare needs more than scalable, flexible connectivity solutions. My team is at the forefront of invention and innovation at Masimo, working to provide a platform for potential advancements such as centralized device control, decision support, and closed-loop management. We believe that by supplying advanced connectivity solutions, combined with best-in-class approaches, our automation platform will help clinicians reduce manual steps and procedures—leading to enhanced patient safety and improved patient outcomes.*”

Omar Ahmed | Vice President, Software Engineering

The Masimo Difference: Signal Extraction Technology

Masimo Signal Extraction Technology (SET®) is used to monitor more than 700 million patients every year.¹ The primary pulse oximetry at 9 of the 10 hospitals that top the 2019-20 *U.S. News and World Report* Best Hospitals Honor Roll, SET® is renowned for accuracy and reliability, even in challenging conditions of motion and low perfusion.²

As the foundation of Masimo monitoring devices, SET® provides clinicians with quality patient data. Leading hospitals and clinicians choose SET® because they know that with more accurate patient data, fewer false alarms, and more true alarms, they can focus on what truly matters: delivering excellent, evidence-based patient care.

With the rainbow® Pulse CO-Oximeter®, Masimo combines the power of SET® with the ability to monitor additional advanced parameters, including Total Hemoglobin (SpHb), Perfusion Index (Pi), Pleth Variability Index (PVi), Methemoglobin (SpMet®), Carboxyhemoglobin (SpCO®), and Acoustic Respiration Rate (RRa®)—increasing the amount of continuous, noninvasive patient data available to clinicians to support informed care decisions.

Masimo is automating care by marrying the undisputed power of SET® and rainbow® Pulse CO-Oximetry with powerful automation features, including expanded connectivity and interoperability solutions and a variety of novel devices and systems. This unique combination provides clinicians and care teams with an abundance of accurate, noninvasive, continuous patient data alongside advanced automation features to improve workflow efficiencies. Combined, our approach to automating care is helping clinicians deliver great care while also optimizing the continuum of care.

Automating Care to Enhance Patient Safety

As more patient information becomes available to clinicians through continuous monitoring, new opportunities to enhance the care experience for both the clinician and the patient abound.

We are addressing these opportunities with a range of automation solutions poised to revolutionize not only the kind of patient data that can be collected and moved throughout the continuum of care, but also how that information can be used to empower clinicians to deliver superior, evidence-based care. →

Automating care benefits patients and clinicians in many ways. To understand the specific benefits for each, it is imperative to outline our approach to automation.

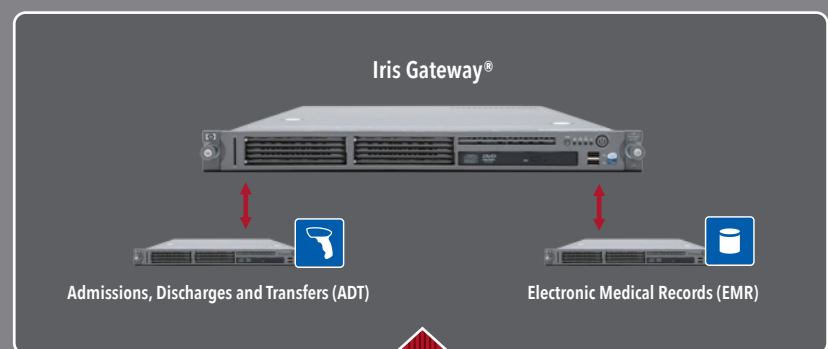
Continuously Monitor Advanced Parameters

At the core of our approach to automating care is our ability to accurately monitor multiple advanced patient parameters. With the Root Patient Monitoring and Connectivity Platform, clinicians are able to centralize noninvasive technologies usually found on multiple separate devices in one comprehensive monitor, including advanced rainbow SET® measurements, brain function monitoring, regional oximetry, blood pressure, temperature, and capnography—all on an easy-to-interpret, customizable display.

Further, Root serves as a connectivity hub, drawing in patient data from connected Masimo and third-party devices and automating the electronic charting of this rich, comprehensive stream in electronic medical records (EMR). By reducing the need to manually document and copy data, the chance of transcription errors is minimized, helping clinicians focus their full attention on delivering evidence-based care rather than documentation. →



IRIS CONNECTIVITY ACROSS THE CONTINUUM OF CARE



Continuously Monitor Advanced Patient Parameters

Root
Patient Monitoring and Connectivity Platform Designed to Transform Care

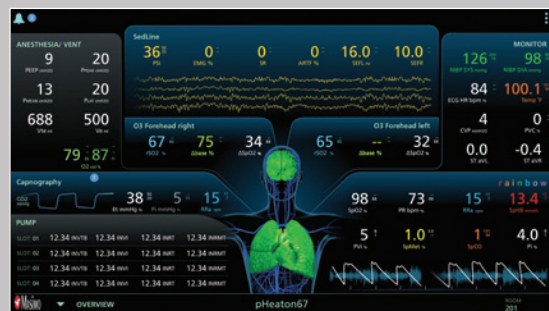


Third-party Devices

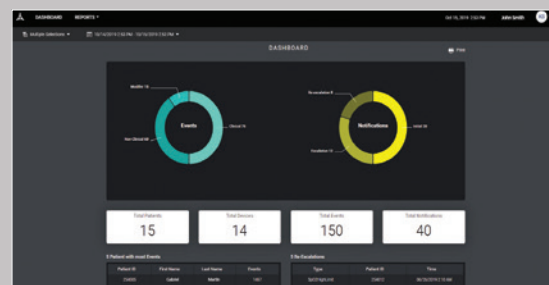
- Anesthesia Machine
- Pump
- Patient Monitor
- Ventilator

Centralize Patient Data to Streamline Workflows

UniView™
Intelligent Display for Next-Generation Data Aggregation and Alarm Visualization



Iris Analytics™
Hospital-wide Patient Reporting



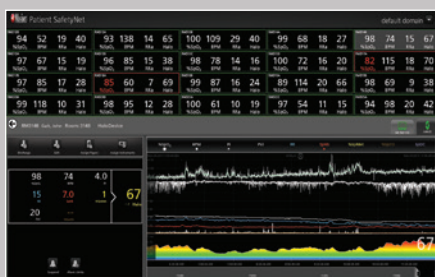
Use Patient Data to Inform Management Decisions

Replica™
Mobile Application for Supplemental Remote Monitoring and Clinician Alarm Notification



Transform Patient Data into Actionable Insights

Patient SafetyNet
Supplemental Remote Monitoring and Clinician Alarm Notification



In addition to robust continuous monitoring capabilities, Root offers a versatile spot-check interface that streamlines data input at the bedside, automating vital signs workflows and the calculation of early warning scores (EWS). With easy-to-follow prompts, cold-spot data queueing, and intuitive data push capabilities, care teams can more easily collect quality data and transfer it upstream for use by clinicians throughout the hospital and beyond.

Iris Connectivity Across the Continuum of Care

The Iris® platform enables connectivity across the continuum of care by seamlessly funneling all the data collected at the bedside—including third-party devices—into hospital IT systems, promoting connectivity and interoperability through standards-based protocols. Masimo is firmly committed to the flow of open data and, with our scalable, flexible automation solutions, we adapt our advanced connectivity tools to meet the needs of each hospital's unique device and network infrastructure.

By breaking down data siloes and automating how patient information is collected and transferred, clinicians and care teams have access to high quality, comprehensive information about patient status throughout the hospital—helping reduce variability in bedside care and enhance patient safety and comfort.

Transforming Patient Data into Actionable Insights

Automating care at Masimo is more than accurate patient monitoring and patient data management. To maximize the use of quality patient data, our state-of-the-art devices and systems are designed to display that data in meaningful ways to support care team workflows and enhance patient safety.

For example, Patient SafetyNet is a supplemental remote monitoring and clinician notification system

that displays near real-time information from connected Masimo and third-party devices at a central station. Combined with Replica, these alarms and alerts travel from bedside devices to a clinician's tablet or smartphone.

In turn, Halo ION maximizes the value of quality patient data collected at the bedside. Specifically, Halo ION aggregates trend data from multiple physiologic parameters into a single, continuous score for each patient. Configured according to hospital policy, and displayed and dynamically updated at Patient SafetyNet central view stations and on Replica mobile devices, Halo ION allows clinicians to leverage patient data to support workflow and resource allocation.

Combined, the Masimo approach to automating care offers clinicians the ability to leverage quality data to deliver evidence-based care across the continuum. For patients, this approach helps ensure enhanced care at the bedside and a more consistent care experience.

The Relentless Pursuit of Innovation

At Masimo, innovation is a way of life. Nowhere is this more evident than in our efforts to automate care. In early 2020, we acquired NantHealth's Connected Care business (formerly iSirona™), bolstering Masimo's connectivity solutions with DCX™ device connectivity software (formerly known as DeviceConX™), VCX™ patient vitals software (formerly known as VitalsConX™), and the HBox® connectivity hub. These connectivity assets will help us expand and strengthen our automation solutions by promoting the free, open flow of patient data across even more systems and devices.

By recognizing the value of open data and scalable automation solutions that allow more patients to be continuously monitored on the general floor, during transport, or

Masimo is firmly committed to the flow of open data and, with our scalable, flexible automation solutions, we adapt our advanced connectivity tools to meet the needs of each hospital's unique device and network infrastructure.

at home via Doctella™, we are expanding what it means to provide great care.

And we are far from done.

As we look forward, only one thing is certain: we are committed to automating care for the benefit of clinicians and patients alike—and will pursue any avenue that drives us closer to that goal. ■

¹Estimate: Masimo data on file. ²<http://health.usnews.com/health-care/best-hospitals/articles/best-hospitals-honor-roll-and-overview>.

WHY I BELIEVE IN MASIMO

Q & A with Early Masimo Adopters

From the beginning, a devoted group of respected clinicians and medical authorities has fiercely advocated for Masimo technology to be made accessible to practitioners everywhere. Their support and scholarship have been integral to the successful adoption of Masimo monitoring technologies around the globe.

We recently asked four of these early adopters for their candid opinions on why they believe in Masimo technology.

Round Table Participants



Mitchell Goldstein, MD

Professor of Pediatrics, Loma Linda University School of Medicine
Director, Neonatal ECMO Program
Division of Neonatology, Department of Pediatrics
Loma Linda University Children's Hospital, Loma Linda, California



Augusto Sola, MD, FAAP

Vice President, Medical Affairs, Neonatology, Masimo
Medical Director, Iberoamerican Society of Neonatology



André Denault, MD, PhD, ABIM-CCM, FRCPC, FASE, FCCS

Professor of Anesthesiology and Critical Care
Department of Anesthesiology, Critical Care Division
Montréal Heart Institute and Centre Hospitalier de l'Université de Montréal
Université de Montréal, Montréal, Quebec, Canada



Michael A.E. Ramsay, MD, FRCA

Chairman, Department of Anesthesiology and Pain Management,
Baylor University Medical Center, and President of Baylor
Scott & White Research Institute, Dallas, Texas
Chairman, Patient Safety Movement Foundation

Question:

Thank you for your participation. As early adopters, you have a unique outlook on the value of Masimo technologies—both for the clinician and the patient. From a clinical perspective, how do Masimo technologies improve patient safety?

Dr. Goldstein:

Masimo technologies define patient safety. What I mean by that is that Masimo builds robust products that can be trusted when the patient is coding and nothing else is working.

In my patient population, fragile neonates, who have low perfusion, high motion, and multiple confounding interfering extrinsic signals, reliable pulse oximetry was not achievable before Masimo. Without Masimo, patient safety would just be a theory.

Dr. Sola:

As a clinical neonatologist for over four decades, I have witnessed several, but not many, technological advancements that have been truly useful in improving the safety of newborns. Masimo pulse oximetry is one.

Years ago, in a landmark study published in *Pediatrics*, I showed that severe retinopathy of prematurity (ROP) and blindness in preterm babies was much more prevalent than commonly thought but that with the implementation of Masimo Signal Extraction Technology (SET®), from the time of birth, rates of ROP decreased significantly.¹

This technology has improved patient safety—particularly in helping to avoid the many types of damage that excessive oxygen can cause. It's the main reason that, following the ROP study, I chose to join Masimo. It's critical to educate others about how pulse oximetry can improve patient outcomes. Some of the adverse effects of excess oxygen are very serious, not only for children, but also for pregnant women, their fetuses, and even adults.

Going forward, the ability to monitor the oxygenation of the neonatal brain will significantly benefit efforts to avoid central nervous system hypoxia and hyperoxia.

Dr. Denault:

We started using SedLine in our institution, a cardiac center seeing 2,000 cases a year, in 2017. Before then, we were skeptical about processed EEG monitors and only used near-infrared spectroscopy (beginning in 2002).

At first, we were quite surprised by how differently our patients responded to anesthesia and how often we observed over-sedation. We have since significantly reduced our use of intraoperative anesthesia agents.

For me, the major role of SedLine is to personalize my anesthesia regimen and avoid burst suppression from overdosing, which by itself can lead to unnecessary complications.

Dr. Ramsay:

Masimo provides innovative, accurate noninvasive technology that gives clinically relevant, real-time information that improves patient safety and treatment. Masimo has delivered technology that is needed to detect vital sign changes at a time intervention can be made and before harm can occur.

For example, Masimo technology helps to prevent blindness in premature infants, reduce unnecessary blood transfusions in major surgeries, and support precise anesthesia in enhanced recovery programs.

Finally, Masimo technology can help reduce harm from opioid-induced respiratory depression through early detection. By aggregating patient data collected in the ICU, clinicians can quickly identify deterioration in a patient at a time when an intervention can be made to prevent harm.

Question:

What made you an advocate for Masimo and how does the company's mission align with your own?

Dr. Goldstein:

Masimo gave me 2020 equipment back in the 1990s. I am passionate about doing everything I can to save the most fragile neonates. Masimo helps me do my job and more. When I have had a question, a suggestion, a thought, or just needed to discuss an issue regarding patient care, Masimo wanted to hear from me.

Unlike other companies in the field, Masimo listened.

Dr. Sola:

Before SET®, SpO₂ monitors had significant false alarms and false readings. The original innovation by Masimo gave me the opportunity to improve the care delivered in the centers I directed, and subsequently, in many centers around the world.

I have devoted most of my professional life to two issues: The first is education. The second is finding original ways to improve the quality of infant care, to decrease morbidity, and to improve survival without morbidities or sequelae.

Masimo, in the field of noninvasive monitoring, has shown a permanent commitment to both.

Dr. Denault:

Masimo brings technologies together and continually evaluates and improves their products. The ability to combine SedLine with O₃ and other noninvasive technology is really unique and valuable.

Dr. Ramsay:

Masimo, as a company, is very responsive to physician needs and also to patient safety needs. Their focus on patient safety has resulted in very positive results. The reliability of their devices has reduced patient harm and made our hospitals safer places to be as a patient.

Question:

What are your thoughts on the next generation of Masimo technologies (i.e. automating care, advanced non-invasive technologies, wearable and home care solutions, etc.)? How do you envision them improving patient safety?

Dr. Goldstein:

With Masimo, innovative technology will carry information back to providers like me reliably, just in time, and without false positives, helping me extend my ability to monitor my patients and save more lives.

Dr. Sola:

For noninvasive technologies in neonatal care, I believe the implementation of SpHb will lead to less exposure from blood transfusion, but also lead to more appropriate transfusion. In addition, I believe the implementation of O₃ in neonates will play a major role in helping clinicians avoid practices that can negatively impact the developing brain.

Dr. Denault:

I hope to see more technologies that improve patient care become universally adopted, just as pulse oximetry and bedside ultrasound have been. I also hope to see, eventually, more technology that is environmentally responsible and affordable.

Dr. Ramsay:

No patient should be categorized as a "Failure to Rescue." This must be made a major quality issue and eliminated. Nearly every major event is preceded by a change in vital signs.

Finally, more major surgery is being done in an outpatient setting and Masimo technology will enable home monitoring with the ability to wirelessly transmit to caregivers' smart phones when anomalies are detected, and at a time when an intervention can be made. ■

¹Chow L.C., Wright K.W., Sola A.; CSMC Oxygen Administration Study Group. *Pediatrics*. 2003 Feb;111(2):339-45.

Innovation Never Stops →

“ At Masimo, innovation is a way of life. It drives us to think differently and pursue new ideas. That’s why, when I look at the list of 2019 product highlights, I’m incredibly proud of our achievements. They prove that our relentless drive for innovation is contributing to better patient care— both in the hospital and at home. ”

Bilal Muhsin | Chief Operating Officer

→ Radius PPG



Tetherless Radius PPG pulse oximetry represents a significant breakthrough in patient monitoring, providing industry-leading Masimo SET® Measure-through Motion and Low Perfusion™ technology without a cabled connection to a monitor—allowing patients to move about freely and comfortably while remaining continuously and reliably monitored. Featuring a feather-weight sensor with an adjustable wrist strap, each Radius PPG single-patient-use sensor provides four days of battery life. Multiple sensor types are available to support a variety of patient populations.

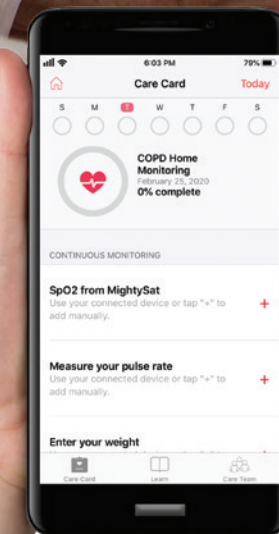
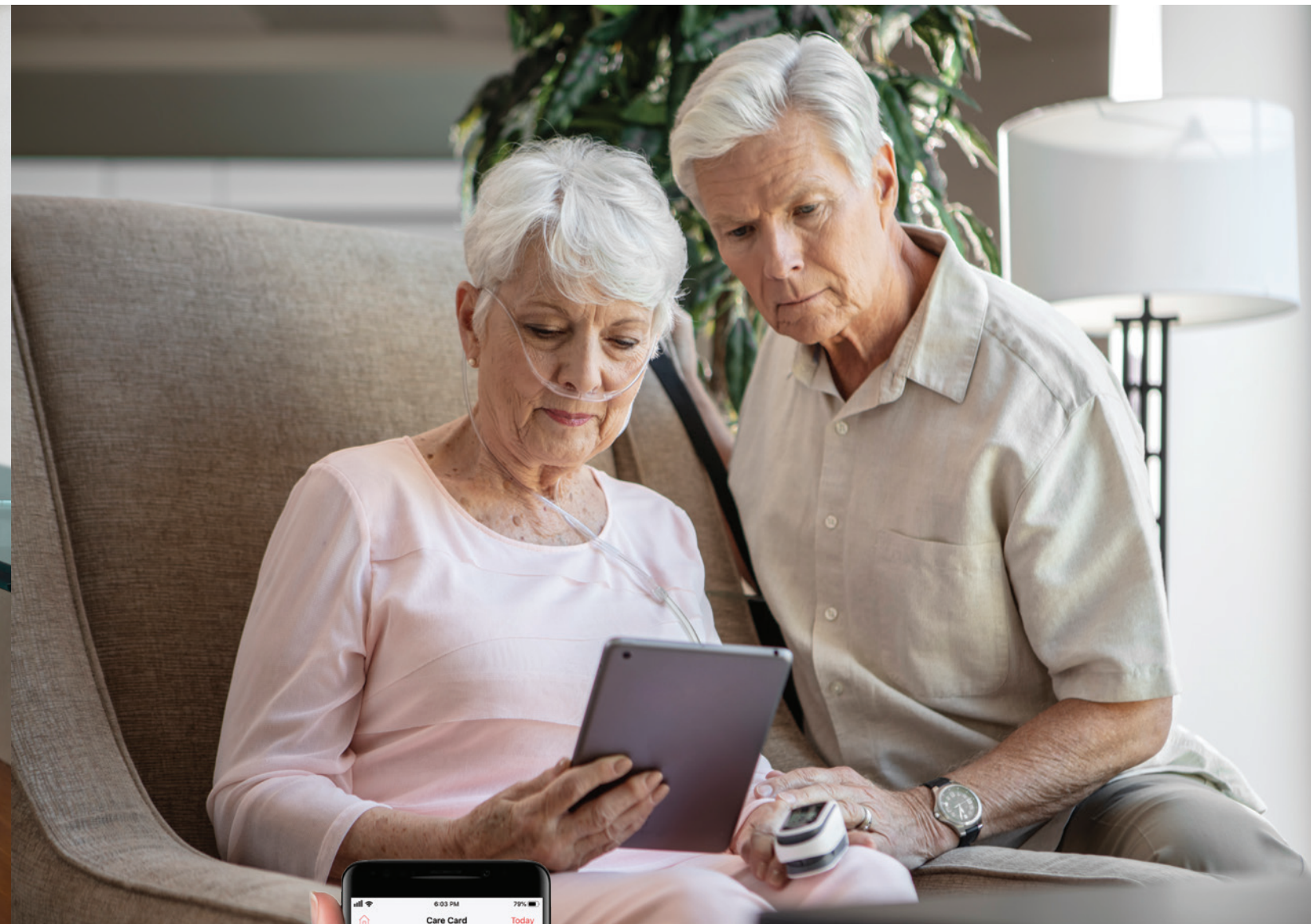
Designed to improve patient comfort and convenience while enhancing clinical workflows and efficiency, Radius PPG is suitable for use anywhere patients can benefit from mobility.

→ Halo ION



Halo ION aggregates trend data from multiple physiologic parameters into a single, continuous score for each patient, configured according to hospital policy and displayed and dynamically updated at Patient SafetyNet central view stations and on Replica mobile devices. By displaying the relative contribution of each parameter to the score, Halo ION provides a tool to help clinicians better assess possible causes of patient deterioration.

→ Doctella



Doctella is a secure, cloud-based patient engagement and remote home care automation platform. Using intuitive, customizable CarePrograms, home device data aggregation, and a web-based provider dashboard, Doctella provides a complete end-to-end home care solution, allowing clinicians to create, relay, and manage treatment plans, patient schedules, and patient data flow.

→ Pathway™



Pathway, a newborn oxygenation visualization mode for Root, provides clinicians with a way to visualize a hospital's recommended resuscitation protocol for a newborn's oxygen saturation (SpO₂) while continuously monitoring SpO₂ and pulse rate (PR) during the first ten minutes after birth. Pathway is intended to help streamline clinician workflow and improve protocol adherence during this critical period.

→ 03



O3 Regional Oximetry is now indicated for use on neonatal patients in the U.S. With this expansion, the benefits of monitoring with O3 are now available to patients of all ages in the U.S. and beyond.

WHAT PATIENT SAFETY MEANS TO ME

At the core of Masimo is a network of dedicated employees committed to enhancing patient safety. Their hard work and unwavering commitment drives us closer to reaching our goals every day. In honor of our 30th anniversary, we asked employees at all levels of our organization to tell us what patient safety means to them and why they have dedicated their working lives to improving patient outcomes and reducing the cost of care.

MISSION STATEMENT

Improving patient outcomes and reducing the cost of care.®

GUIDING PRINCIPLES

Remain faithful to your promises and responsibilities.

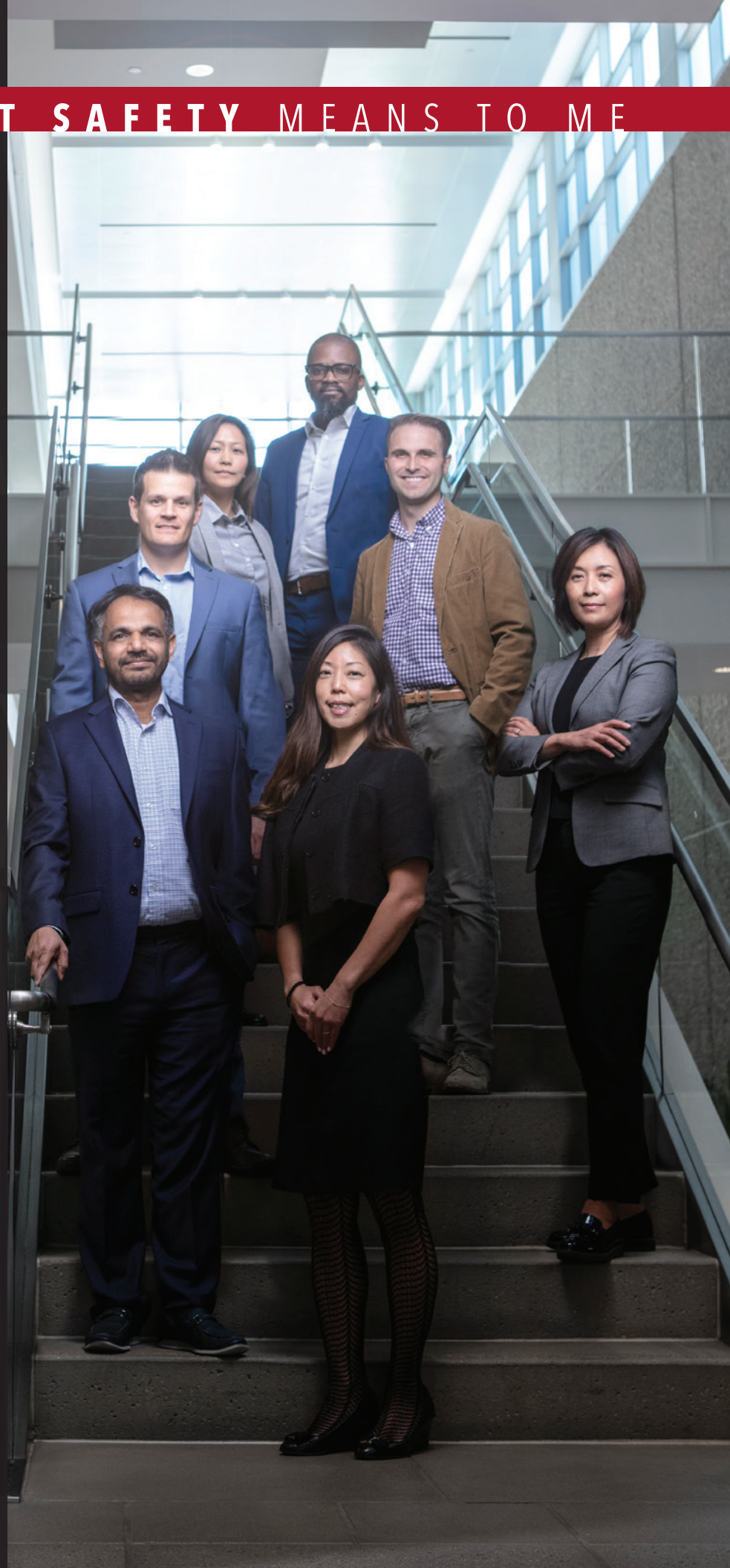
Thrive on fascination and accomplishment and not greed and power.

Strive to make each year better than the year before, both personally and for the team.

Make each day as fun as possible.

Do what is best for patient care.

Clockwise from top: Valery G. Telfort, Austin Pike, Julie Jin-Cesana, Michelle Hahn, Faisal Kashif, David Todd, and Crystal Wei. Not pictured: Elisa Mulet and Andrea Walters.



"20 years ago, my father nearly lost his eyesight. Thanks to a new treatment, they were able to prolong his vision. It was at that point, when I saw how medical technology could make a difference, that I decided I wanted to be part of something that positively impacts the lives of patients and their families, just as it had mine—and that's when I discovered Masimo. Masimo technology not only helps save lives and improve patient outcomes, every day, but it also makes a difference in the lives of patients' loved ones, too."

ANDREA WALTERS

Area Vice President, Northeast, Sales

"Patient safety means getting the best products and services into the hands of doctors who are responsible for saving the lives of people who may be going through the most difficult time of their lives. I believe that our products help doctors make better decisions based on trustworthy data."

DAVID TODD

Senior Manager, IT Systems

"I have always been strongly resolved to contribute to patient care, and have made my career decisions based on this motivation, opting to use my background for advancing noninvasive patient monitoring, which I find more meaningful than other applications of engineering. I believe that passion is the most important factor in our pursuits, and I share Masimo's passion for saving and improving people's lives. These shared values make me proud to be a part of the Masimo family."

FAISAL KASHIF

Director of Engineering

"I appreciate Masimo's mission in particular for its use of present progressive verbs, 'improving' and 'reducing.' This is a reminder that we aren't solely focused on an end goal, but instead on continuously striving for an ideal. It's the enduring effort that is important to me."

AUSTIN PIKE

Senior Mechanical Engineer

"I feel a particularly strong connection to two of our guiding principles, 'Do what is best for patient care' and 'Strive to make each year better than the year before, both personally and for the team.' These principles align with my desire to make a positive impact on the lives of those in need. At Masimo, I have the opportunity, every day, to work toward our shared goal of enhancing patient safety and improving patient outcomes, and that is deeply important to me."

CRYSTAL WEI

Senior Manager, Project Management

"Every superhero fan knows the saying, 'With great power comes great responsibility.' At Masimo, we say, 'Thrive on fascination and accomplishment and not greed and power.' For me, this means that I must do what is best for patient care at all stages of the product development cycle by continuously calibrating our moral and ethical compass to safeguard inalienable human rights."

VALERY G. TELFORT

Vice President, Engineering

"Many people ask me, why Masimo? Throughout the 10 years that I have worked at Masimo, my answer remains the same: our commitment to improving healthcare and patient safety. I love working for an organization where it is very clear that this mission drives all of us on a daily basis. I want to ensure I do my part and leave healthcare in a better place for my family, friends, and loved ones. We all have someone who is impacted by healthcare. I am driven to do what is best for patients, who as we all know are ultimately someone's family."

MICHELLE HAHN

Area Vice President, West, Sales

"I want to know that when my co-workers, friends, and loved ones go to a hospital using Masimo, they will be monitored with the best technology money can buy. I know every single Masimo team member takes pride in their work and would not allow a low-quality product to leave the building."

ELISA MULET

Senior Legal Administrator

"For me, patient safety means saving lives through developing innovative technology, upholding the highest standards, and delivering the best solutions for patient care. I share Masimo's mission and value being part of a bigger cause and movement dedicated to improving patient care."

JULIE JIN-CESANA

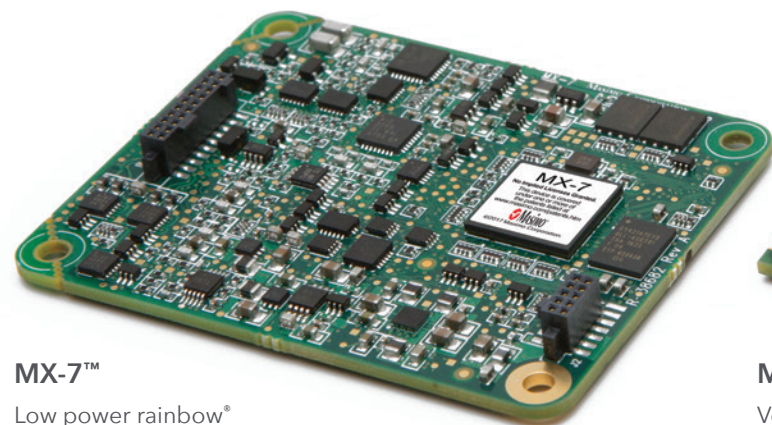
Vice President, Worldwide Tax

Integrating Masimo Technology into Leading Multi-parameter Monitors

Masimo technologies are integrated into more than 200 third-party monitors from 90 leading brands. Masimo SET® is more often integrated than any other pulse oximetry technology. In addition, many of our original equipment manufacturer (OEM) partners are enhancing the capabilities of their monitoring solutions by integrating rainbow® measurements and other advanced Masimo technologies, including NomoLine capnography solutions.



NomoLine® ISA™ Capno Module



MX-7™
Low power rainbow® OEM board



MSX™
Very low power SET® OEM board



■ SELECT PARTNERS



■ SELECT PARTNERS





HEADQUARTERS
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GLOBAL REACH

As a global company, Masimo employs over **5,500** people worldwide and maintains operations in North America, Europe, Latin America, the Middle East, Asia, and Australia.

- R&D Center
- Manufacturing Centers
- Country Offices
- Masimo Distributors
- Masimo OEM Partners
- Masimo Capnography OEMs

“ Masimo’s mission and guiding principles aren’t restricted by borders; we are focused on ensuring global access to the technologies and health-care that we’d want for our own loved ones. We are proud of the customer relationships we have built and the patients we reached internationally in 2019, yet there are still five billion people in this world who don’t have access to safe surgery. In 2020, we will pursue all possible opportunities to do what is right for every patient, everywhere, and to make a difference in all peoples’ lives. Patient safety, love, dignity, and respect for all is a goal we must never stop pursuing. ”

Stacey Orsat | President, EMEA

R&D CENTERS

- 52 Discovery
Irvine, CA 92618, USA
- 25 Sagamore Park Rd,
Hudson, NH 03051, USA
- 1021 West Hastings Street Unit 500
Vancouver, BC V6E 0C3, Canada
- 430 W. 5th St. #800
Panama City, FL 32401, USA
- Svärdvägen 15, 182 33
Danderyd, Sweden

MANUFACTURING CENTERS

- U.S. Manufacturing**
15776 Laguna Canyon Rd,
Irvine, CA 92618, USA
- Mexico Manufacturing**
Industrial Vallera De Mexicali, S.A. de C.V.
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Modulo-6, Mexicali, 21395, Mexico
- Industrial Vallera de Mexicali S.A. de C.V.
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THIRD PARTIES

- Masimo Distributors
- Masimo OEMS
- Masimo Capnography OEMS

FINANCIAL PERFORMANCE

ASSETS • LIABILITIES AND STOCKHOLDERS' EQUITY • REVENUE

Condensed Consolidated Balance Sheets (unaudited, in thousands)

ASSETS	December 28, 2019	December 29, 2018
Current assets		
Cash and cash equivalents	\$567,687	\$552,490
Short-term investments	120,000	–
Trade accounts receivable, net of allowance for doubtful accounts	132,433	109,629
Inventories	115,871	94,732
Other current assets	60,071	32,426
Total current assets	996,062	789,277
Lease receivable, non-current	49,936	–
Deferred costs and other contract assets	16,214	122,906
Property and equipment, net	219,552	165,972
Intangible assets, net	27,251	27,924
Goodwill	22,350	23,297
Deferred tax assets	35,972	21,210
Other non-current assets	28,791	4,232
Total assets	\$1,396,128	\$1,154,818

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 28, 2019	December 29, 2018
Current liabilities		
Accounts payable	\$54,548	\$40,388
Accrued compensation	54,705	49,486
Deferred revenue and other contract-related liabilities, current	25,939	32,054
Other current liabilities	37,027	24,627
Total current liabilities	172,219	146,555
Other non-current liabilities	56,035	39,198
Total liabilities	228,254	185,753
Commitments and contingencies		
Stockholders' equity		
Preferred stock	–	–
Common stock	54	53
Treasury stock	(526,580)	(489,026)
Additional paid-in capital	600,624	533,164
Accumulated other comprehensive loss	(6,718)	(6,199)
Retained earnings	1,100,494	931,073
Total stockholders' equity	1,167,874	969,065
Total liabilities and stockholders' equity	\$1,396,128	\$1,154,818

Condensed Consolidated Statements of Operations (unaudited, in thousands, except per share amounts)

REVENUE	Year ended December 28, 2019	Year ended December 29, 2018
Product	\$936,408	\$829,874
Royalty and other revenue	1,429	28,415
Total revenue	937,837	858,289
Cost of goods sold	308,665	283,397
Gross profit	629,172	574,892
Operating expenses:		
Selling, general, and administrative	314,661	285,417
Research and development	93,295	81,006
Litigation settlement, award and/or defense costs	–	425
Total operating expenses	407,956	366,848
Operating income	221,216	208,044
Non-operating income	12,950	5,732
Income before provision for income taxes	234,166	213,776
Provision for income taxes	37,950	20,233
Net income	\$196,216	\$193,543
Net income per share:		
Basic	\$3.67	\$3.70
Diluted	\$3.44	\$3.45
Weighted-average shares used in per share calculations:		
Basic	53,434	52,296
Diluted	57,100	56,039

■ CASH FLOWS

Condensed Consolidated Statements of Cash Flows
(unaudited, in thousands)

	Year ended December 28, 2019	Year ended December 29, 2018
Cash flows from operating activities:		
Net income	\$196,216	\$193,543
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,487	21,127
Stock-based compensation	39,233	27,417
Loss on disposal of equipment, intangibles and other assets	357	949
Provision (benefit) for doubtful accounts	687	(439)
Benefit for amount due from former foreign agent	–	(2,016)
Benefit from deferred income taxes	(5,965)	(8,274)
Changes in operating assets and liabilities:		
(Increase) decrease in trade accounts receivable	(23,580)	10,826
Increase in inventories	(21,257)	(1,885)
(Increase) decrease in other current assets	(8,536)	3,843
Increase in lease receivable, net	(11,958)	–
Decrease (increase) in deferred costs and other contract assets	3,308	(17,935)
(Increase) decrease in other non-current assets	(226)	407
Increase in accounts payable	9,934	5,211
Increase in accrued compensation	5,338	10,195
Increase in deferred revenue and other contract-related liabilities	7,739	1,420
Increase (decrease) in income taxes payable	4,079	(1,208)
Increase in accrued liabilities	746	3,923
Increase (decrease) in other non-current liabilities	2,038	(7,577)
Net cash provided by operating activities	221,640	239,527

Condensed Consolidated Statements of Cash Flows
(unaudited, in thousands)

	Year ended December 28, 2019	Year ended December 29, 2018
Cash flows from investing activities:		
Purchases of short-term investments	(120,000)	–
Purchases of property and equipment	(68,375)	(17,126)
Increase in intangible assets	(4,117)	(5,557)
(Purchases of) proceeds from strategic investments	(5,189)	453
Business acquisition, net of cash acquired	–	(3,922)
Net cash used in investing activities	(197,681)	(26,152)

Cash flows from financing activities:

Proceeds from issuance of common stock	28,339	44,748
Repurchases of common stock	(37,555)	(18,478)
Other	(123)	(490)
Net cash provided by (used in) financing activities	(9,339)	25,780
Effect of foreign currency exchange rates on cash	814	(1,997)
Net increase in cash, cash equivalents and restricted cash	15,434	237,158
Cash, cash equivalents and restricted cash at beginning of period	552,641	315,483
Cash, cash equivalents and restricted cash at end of period	\$568,075	\$ 552,641

FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this annual report that address activities, events or developments that we expect, believe, or anticipate will or may occur in the future are forward-looking statements. Forward-looking statements include statements which are predictive in nature, which depend upon or refer to future events or conditions, or which include words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “estimates” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. These forward-looking statements are based on management’s current expectations and beliefs and are subject to uncertainties and factors, all of which are difficult to predict and many of which are beyond our control and could cause actual results to differ materially and adversely from those described in the forward-looking statements. These risks include, but are not limited to, those related to: our dependence on Masimo SET®, products and technologies for substantially all of our revenue; any failure in protecting our intellectual property; exposure to competitors’ assertions of intellectual property claims; the highly competitive nature of the markets in which we sell our products and technologies; any failure to continue developing innovative products and technologies; the lack of acceptance of any of our current or future products and technologies; obtaining regulatory approval of our current and future products and technologies; the risk that the implementation of our international realignment will not continue to produce anticipated operational and financial benefits, including a continued lower effective tax rate; the loss of our customers; the failure to retain and recruit senior

management; product liability claims exposure; a failure to obtain expected returns from the amount of intangible assets we have recorded; the maintenance of our brand; the amount and type of equity awards that we may grant to employees and service providers in the future; our ongoing litigation and related matters; and other factors discussed in the “Risk Factors” section of our most recent periodic reports filed with the Securities and Exchange Commission (“SEC”), including our most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, all of which you may obtain for free on the SEC’s website at www.sec.gov. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we do not know whether our expectations will prove correct. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof, even if subsequently made available by us on our website or otherwise. We do not undertake any obligation to update, amend or clarify these forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

NOTE REGARDING THIS ANNUAL REPORT

Please note that this annual report does not constitute our “annual report to security holders” for purposes of the requirements of the SEC. For a copy of our annual report to security holders required under Rule 14a-3 of Regulation 14A of the Securities Exchange Act of 1934, as amended, please refer to our Annual Report on Form 10-K for the fiscal year ended December 28, 2019, which you may obtain for free on the SEC’s website at www.sec.gov.





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REGULATORY NOTICE

Not all Masimo features and/or products included in this Annual Report are available in all markets.

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