Masimo Corporation (MASI)

BUY: US$151.27 (+9.2%)

NUS INVESTMENT SOCIETY

Equity Research Department – Healthcare

Date: 13rd Dec 2022

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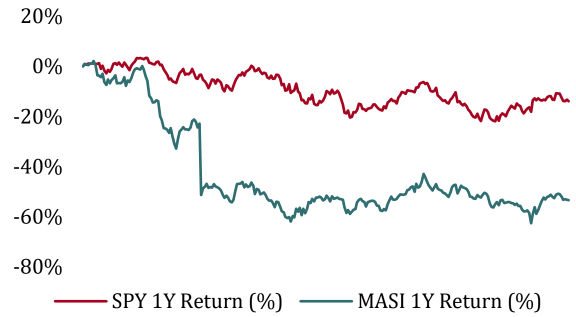
Basic Information

Ticker	MASI
Last close (221209)	US$138.49
12M Target Price	US$151.27
+ / - Potential	+9.2%
GICS Sector	Healthcare
GICS Subindustry	Healthcare Equipment & Supplies

1Y Price Change vs. Relative Index (SPX)



Company Description

Masimo (NASDAQ: MASI) is a global medical technology company that develops and produces a wide array of industry-leading monitoring technologies, including non-invasive innovative measurements, sensors, and patient monitors.

Key Financials

Market Cap	US$6.83B
Basic Shares O/S	52.5M
Free Float	82.9%
52-Wk High-Low	US$108.89 - US$305.00
Fiscal Year End	31-Dec-2022

(US$ M)	FY19A	FY20A	FY21A	FY22E
Revenue	938	1,144	1,239	2,019
Gr Rate (%)	*9.3*	*22.0*	*8.3*	*63.0*
EBIT	234.2	263.7	274.4	214.8
Margin (%)	*25.0*	*23.1*	*22.1*	*10.6*
NPI	196.2	240.3	229.6	132.5
Margin (%)	*20.9*	*21.0*	*18.5*	*6.6*
ROE (%)	16.8	17.1	14.8	9.2

Key Executives

Joe Kiani	Chief Executive Officer
Micah Young	Chief Financial Officer

We are initiating coverage of **Masimo Corporation, ("MASI" or "Masimo")** with a BUY rating and a **US$151.27** 12M price target.

3Q22 Earnings Highlights

- Healthcare segment saw a 6.4% revenue growth to US$327.2m compared to prior year period.
- MASI shipped approximately 76,100 technology boards and instruments as compared to 74,600 in 3Q21.
- Consumer audio segment revenue reported at US$222.1m, representing a 6.6% increase vs. previous quarter.
- Net income stood at US$37.9m, a decrease of 34.4% as compared to prior year period.

Investment Thesis

- **Masimo's acquisition of Sound United seems to be an unrelated move at first glance, but in fact it represents an underappreciated opportunity by the market** – despite being undervalued at the moment, the decision has shown the management's foresight and implied a hospital-to-home healthcare strategy to shift to consumer market
- **Current monitoring system landscape in Hospitals' general wards imply a large addressable market for Masimo –** The company can leverage upon its dominant share in pulse oximetry business to capture this largely untapped market and build long-term growth and value

Catalysts

- The ongoing lawsuit between the company and Apple is expected to shed Masimo in a positive light if Masimo wins
- Submitted 510(k) application for W1 watch is expected to get approved soon for full launch of the product
- The surge in of respiratory illnesses among vulnerable communities might affect government's policies and hospitals' expenditure on medical equipment
- Announcement of progress of the new project between engineering teams from the company and Sound United may restore investors' confidence

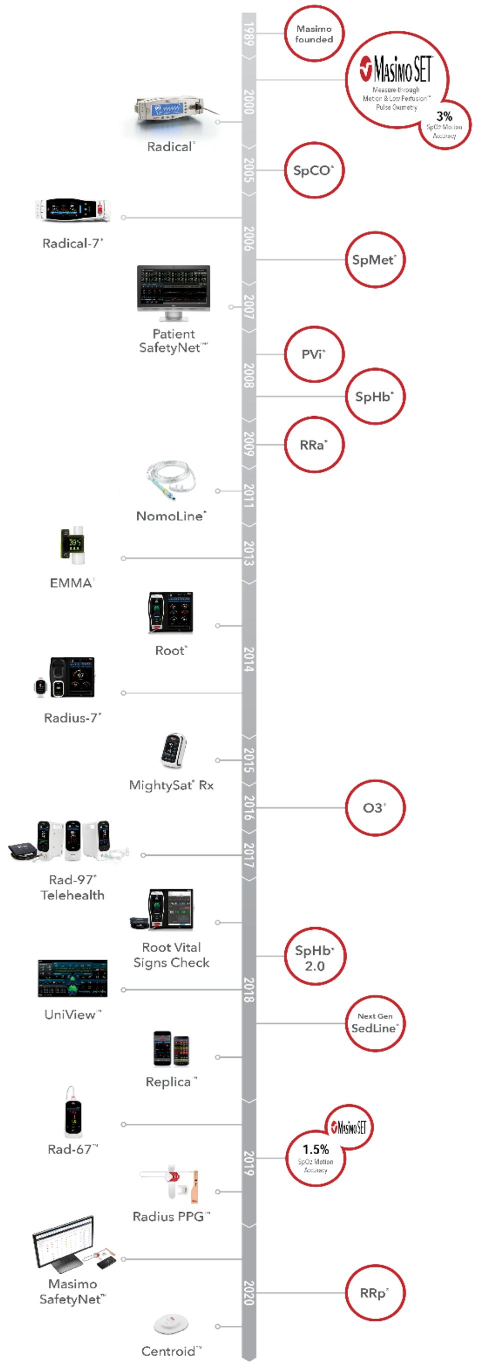
Valuations

Our 12M target price at the date of coverage is **US$151.27**, consisting of a blend between a DCF valuation of **US$146.34** and a blended multiple valuation of **US$156.19**.

Investment Risks

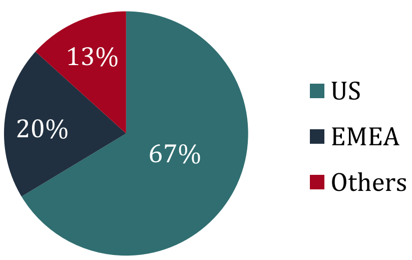
- Inflation erodes consumer spending, cutting consumer audio segment revenue
- Lower capex from hospitals translates into less revenue for MASI' core business
- Lack of integration synergy with respect to audio technology

Figure 1: MASI's Products Evolution



Source: Company Websites

Figure 2: Geographical Revenue Mix



Source: Company Filings

Company Overview

Founded in 1989, Masimo Corporation ("MASI") is a global medical equipment company that concentrates on developing and selling non-invasive monitoring technology and hospital management solutions to professional healthcare providers. The company both produces its own monitoring equipment and licenses its technology to other major MedTech companies such as Phillips, GE Healthcare, Baxter International, etc.

In 1995, MASI successfully developed and debuted its proprietary Signal Extraction Technology ("SET"), allowing for high-accuracy measurement under extreme body condition – low perfusion and constant motion. Up till date, SET-based pulse oximetry has become an industry standard, and it is used to monitor over 200 million patients worldwide annually. Through more than 2 decades of operation, MASI's product portfolio has seen vertical and horizontal expansion from traditional SET-based monitoring devices to going beyond pure-play oxygen measurement into other segments including brain function monitoring, nasal flow gauging, and substance-addiction tracking system (Figure 1).

MASI sells its products through three main channels: (i) selling directly to end-user hospitals and healthcare operators, (ii) selling to third-party distributors, and (iii) selling circuit boards to OEM partners. Direct sales and distribution channels accounted for 88.7% of total revenue in 2021, amounting to US$1,099.1m while partnership with OEM contributed US$140.1m in revenue. Geographically, MASI derived a dominant portion of revenue from the U.S market, followed by Europe and EMEA market (Figure 2).

MASI manufactures end-user products mostly in-house with one facility in U.S and two facilities in Mexico. For subassembly parts such as the circuit boards, the process is outsourced to third-party manufacturers. MASI and its contractors rely on sole source suppliers for certain main components, including digital signal processor chips and analog-to-digital converter chips.

FY22 development: On April 11, 2022, MASI successfully acquired 100% of equity interest of Sound United for US$1.065 billion, primarily financed by MASI's new credit facility. Sound United is a holding company of many premium and high-performance audio brands (Figure 3). The consumer audio segment is expected to contribute around one-third of total revenue annually for the combined business.

3Q22 earnings highlights:

- Healthcare segment revenue: MASI is seeing a 6.4% increase compared to prior year period, resulting in US$327.2m.
- As compared to 2Q22, healthcare revenue resembled an 8.3% drop; however, historical performance has demonstrated similar pattern. Main reasons can be attributed to rampant growth in 2Q22 to solve backlog orders in 1Q22 while 3Q22 was seeing less surgery and procedures carried out in hospitals as compared to other periods, thus contributing to slower sales of single-use sensors to hospitals.
- MASI shipped approximately 76,100 technology boards and instruments as compared to 74,600 in 3Q21. The company is on

Figure 3: Sound United's Brands Portfolio

Bowers & Wilkins

marantz

D polk

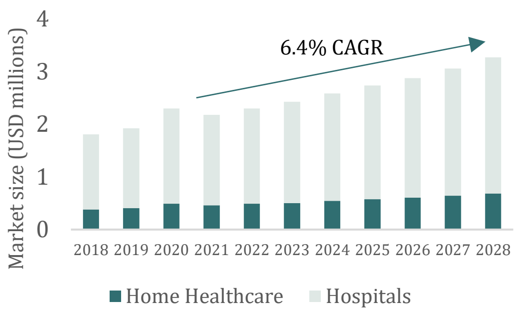
DENON

BLUSTREAM

NILES

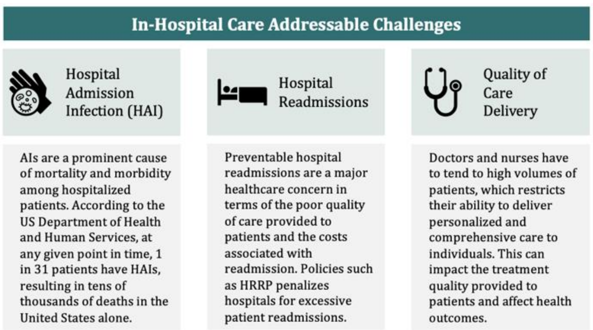
Source: Company Websites

Figure 4: Size of the Global Pulse Oximeter Market



Source: Grandview Research

Figure 5: Problems Addressable by Home Healthcare



Source: Frost & Sullivan

track for a full-year shipment of around 300,000 – an 3.8% YoY increase.

- Consumer audio revenue: reporting US$222.1 in total sales, a 6.6% increase as compared to 2Q22.
- Full-year guidance: Management is expecting revenue of US$675m for consumer audio and US$1,325m for healthcare, culminating in US$2 billion.
- Top-line margin decreased due to the new business line, primarily because of the difference in COGS for each segment – 64.6% for healthcare and 35.0% for consumer audio, resulting in a combined gross margin of 51.4%. Moreover, FX and operation headwinds is expected to contribute 3% in negative effect for full year gross margin.
- Main operating expense margin showed signs of improvement, with 31.8% for SG&A margin and 9.7% for R&D margin. Three-year quarterly average for 2019 – 2021 period stood at 32.6% and 10.5% for SG&A and R&D margin respectively.
- Net income stood at US$37.9m, a decrease of 34.4% as compared to prior year period. Net margin also declined to 6.9% from 18.8% on a QOQ-basis. Leading factor was the aforementioned top-line compression in gross margin.

Industry Outlook

The size of the global pulse oximeter market is around $2.3 billion dollars in 2020, and from 2021 to 2028 its expected to grow at a CAGR of 6.4%, driven by both increasing prevalence of home healthcare and consistent increase in demand for healthcare services in hospitals since hospitals and individual patients are the main end-users of pulse oximeters. Although pulse oximetry is not covered under Medicare, the CARES Act passed in March 2020 has incentivised the suppliers to produce and distribute products by providing additional liability protection and using attractive financial incentives to support hospitals for diagnostics, screening and treatment (Figure 4).

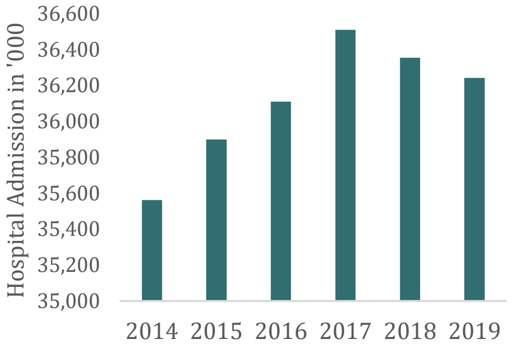
Burgeoning popularity of home healthcare

Home healthcare refers to a wide range of services that can be provided to patients at home for illnesses and injuries such as wound care for surgical wounds, patient and caregiver education and monitoring of serious illnesses and unstable health status. According to research, home healthcare has been growing fast driven by technological according to research because it can addressed three significant problems associated with hospital admissions: 1) preventing Hospital Admission Infection (HAI) by using devices only for the patients being treated so they are not exposed to other patients , 2) improving healing and recovery time attributed to familiarity of the home setting and presence of relatives during treatment which can reduce stress, and 3) providing more effective care with one-to-one basis care offered unlike in hospitals where professionals have to cater to multiple patients, which would improve the overall efficiency of in-hospital care as well by freeing up beds and reducing stress on the professionals (Figure 5). In the United States, around 33% of the clinicians believe that by 2031, healthcare services including critical care, acute care and chronic care will be provided at the patient's home driven by rising prevalence of chronic diseases with age-related conditions, patients' own preferences, payment reforms from volume under fee-for-service to outcomes under value-based care so that healthcare providers also share financial risk with payers to ensure quality as well as development in technology to improve portability of medical equipment so that they can be transported and set up at home.

Tech firms' growing interest in remote monitoring

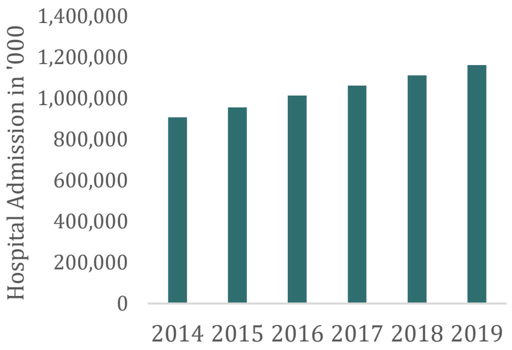
Remote monitoring is part of home healthcare as patients' conditions can be monitored remotely with devices such as monitoring wearables that can take measurements. One example will be the latest Apple watch that can measure pulse rates and inform users about unregular rhythms detected. The GPS watch manufacturing expert Garmin also sells watches that can track heart rate, blood oxygen saturation and hydration. The trend of these massive multinational firms moving into consumer healthcare demonstrates that the remote monitoring field has more opportunities to be explored. However, although the data collection must pass the clinical trial stage assessed by Food and Drugs Administration, experts still hold doubts regarding data accuracy and safety collected by these wearables since these tech firms' experiences are more in the field of consumer goods rather than professional healthcare equipment development.

Figure 6: Yearly U.S. Total Hospital Admission



Source: American Hospital Association

Figure 7: Healthcare Expenditure in the United States



Source: American Hospital Association

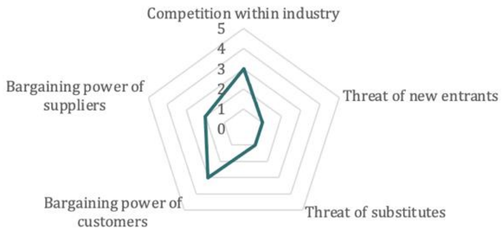
Rising demand for healthcare in hospitals

The growth in pulse oximeter market closely ties with that of the in-hospital healthcare since hospitals are major clients of medical devices developers. Supply-side factors such as increasing access and availability of hospitals and clinics in the country and surging demand for quality healthcare due to ageing population have led to a steady increase in the hospital admission in the United States. Before the pandemic, the number of yearly hospital admission in the United States increased at a slow and steady pace from 35,562 thousand admissions in 2014 to 36,242 thousand admissions in 2019 (Figure 6). In contrast, the healthcare expenditure in hospitals in the country has been spiralling at a much faster rate at around 5% per year from US$907,755m in 2014 to US$1,161,032m in 2019 (Figure 7)., faster than the increase of healthcare cost at 4.2% per year after Affordable Care Act was signed. Hence, it can be inferred that more hospitals are providing for more expensive services that may require medical equipment such as pulse oximeter, benefiting the manufacturers and MedTech companies.

Tailwinds of COVID-19 pandemic in recent two years

During the peak period of the COVID-19 pandemic, hospital are filled with COVID-19 patients, especially when new variants of the virus just appeared. For example, in January in 2022, the omicron-driven surge led to over 145,000 patients hospitalised within one week across the United States and these patients filled about 30% of ICU beds in the nation. For COVID-19 patients with acute symptoms, consistent observation and monitoring of blood oxygen level are needed, so during that period of time the demand for pulse oximeter surges in order to cope with the rising number of hospital admissions. Besides, individuals who are concerned about COVID-19's impacts might also consider purchase pulse oximeter as home healthcare products. These all contribute to the continuing growth of the pulse oximeter market, and as the pandemic persists, the high demand is expected to sustain.

Figure 8: Porter's Five Forces



Source: Team Estimates

Porter's Five Forces

Competition within industry – Moderate

There are quite a few large businesses that operate in the non-invasive patient monitoring technologies production including Medtronic, General Electric Company, Philips and Edward Science. Masimo's pipeline specialises on and development of pulse oximeters and complementary products while the above competitors might offer a more diverse range of services or products. As one of the main players in the pulse oximeter industry with 51% of market share by revenue, followed by Nellcor under medical device giant Medtronic, Masimo differentiates itself with its superior products with better data accuracy and complimentary products, and it has also reached agreement with competitors including GE and Philips to produce for them since its expertise and quality of product are widely recognised.

Threat of new entrants – Low

The barrier to entry for non-invasive monitoring technology industry is rather high because of dominance of the larger players that have reached agreements with most institutional clients such as hospitals. New entrants would need to have ground-breaking technology that differentiates itself from the current major players to sway the hospitals and clinics to switch, and both ways would require high capital devoted to research and development and establishment of manufacturing facilities.

Threat of substitutes - Low

Pulse oximetry is one of the most common technologies used in and out of hospitals for oxygen saturation monitoring, and it has gained widespread clinical acceptance as a standard patient vital sign measurement tool. The possible alternative might be consumer-grade watches or wearables that have similar functions or conventional pulse oximeters, but Masimo's products are superior in terms of accuracy since its core technology Masimo SET® has a smaller margin of error of 1.5% under different saturation ranges with similar price as conventional ones with a margin of error of around 2% under normal saturation range proven by clinical data. Saturation range can be different for stable and critically ill populations, and the margin of error of pulse oximeter can be affected by this factor, leading to inaccuracies. Masimo resolved the problem by optimizing its complementary products such as sensors and designing specific solutions to cater to groups with special conditions. In comparison, consumer-grade wearables for tracking physical activity showed large variations in accuracy between different devices—with error margins of up to 25% which is a serious discrepancy for professional healthcare. Consumer-grade wearables also introduce problems in terms of data privacy since they can measure a variety of data simultaneously such as locations of the users that might not be needed by professionals, making patients worried about security of their personal data. Thus, it is unlikely for Masimo's products to be substituted by the consumer-grade wearables.

Bargaining power of customers – Moderate

The bargaining power of customer in the United States mainly arises from hospitals as well as individual consumers, and professionals remain the major group of consumers for Masimo's current products. With the competitions between the major companies, if the hospitals decide to switch, there are other options available for them to choose from. The hospitals generally have a sufficient amount of knowledge regarding the performance of the pulse oximeters, so they will prefer the products with affordable price and higher quality. Thus Masimo faces the pressure to consistently improve the products' performances so that it can maintain its product advantage and ensure the price of its products similar to that of competitors.

Bargaining power of suppliers – Low to Moderate
Masimo employs an in-house manufacturing strategy since it is more efficient and cost-effective. Hence the main suppliers for Masimo are contract manufacturers that manufacture certain components such as circuit boards and supplier for raw materials, and Masimo relies on sole source suppliers for digital signal processor chips and analogue-to-digital converter chips. Therefore, Masimo and contract manufacturers have taken action to prevent stoppage or shortage by maintaining safety stock and designing software that can be easily ported to other types of chips. Masimo has also reached agreements that only allows termination upon specified notice at least four months in advance with major suppliers. In the first quarter this year when Masimo was facing shortages of critical components and shipping delay, it managed to contain the issue within Q1 by identifying new vendors and switching to new companies for shipment. Hence the risks of shortage of components happening are low given the prevention measures and ease of switching suppliers as well as their experience in managing similar issues (Figure 8).

Investment Thesis

1. Masimo's acquisition of Sound United seems to be an unrelated move at first glance, but in fact it represents an underappreciated opportunity by the market.

Announcement of Acquisition of Sound United
On 15 February 2022, Masimo announced that it had acquired Sound United, a consumer-focused audio, speaker and headphone business for US$1.025 billion. Investors were shocked by the decision and on the next day, Masimo's stock price dropped by 37%, wiping out US$5 billion of its market value. The reasons behind the plunge of the stock price can be summarised as the following two with the former as the main concern: 1) Doubts on strategic directions behind the acquisition since the two industries of Sound United and Masimo are completely unrelated and there are no cost synergies to be derived; 2) There can be loss of profitability since Masimo's gross margin was at 65.8%, significantly higher than that of Sound United. The rationales given by Masimo including integration of technology from both companies and developing hearing aids or enhanced earbuds were considered relatively vague by investors and therefore failed to convince them at that point of time (Figure 9).

Figure 9: Masimo' s Share Price in Last 12 Months Showing the Drop after Acquisition

Source: Yahoo Finance

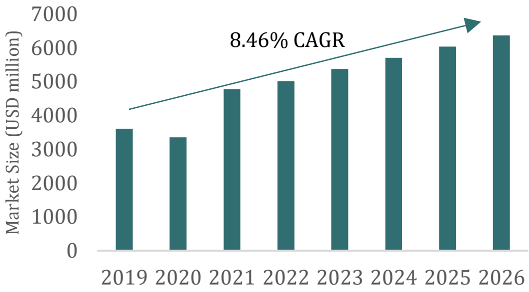
Seizing hidden opportunities with a hospital-to-home strategy
While market sentiment has largely been that of confusion with regards to strategic direction, we believe that this is actually a sound acquisition strategy that plays to seizing hidden opportunities in various markets: from the latest earnings call presentation, Masimo has revealed its ambitious strategy behind the unusual move: it is planning to penetrate into consumer-focused businesses. Considering this trend, Masimo's seemingly vague rationales become clearer, implying that it is actually considering developing monitoring wearables and hearing aids by incorporating technology from both

teams to capitalise on the trend by moving from hospital to home healthcare.

Opportunities in the hearing aids market

The U.S. market for hearing aids has shown a steady growth with a forecast CAGR of 8.46% from US$3,606m in 2019 to US$6,368m in 2026 (Figure 10). It is also a good time to enter into this market since recently on 16 August, 2022, FDA passed the regulation for over-the-counter hearing aids to be allowed for consumers with mild and moderate impairments without going through complicated medical examinations. This means hearing aids can be purchased as a consumer-product by consumers directly, which will improve the access to the market and thus presenting new opportunities.

Figure 10: U.S. Hearing Aids Market

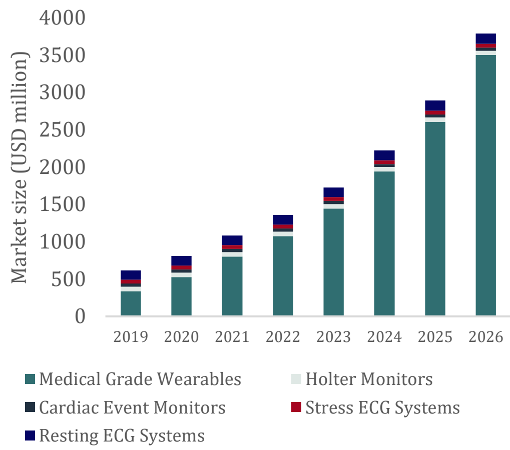


Source: Fitch Connect

Opportunities in the remote vital measurement market

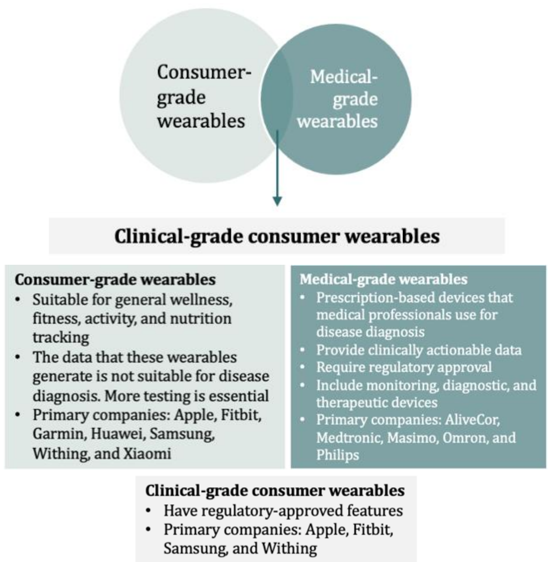
Monitoring and remote vital measurements segment is another direction that Masimo is looking at. It is a fast-growing industry serving both professionals and consumers of different kinds of demands. For professional cardiac monitoring devices, the market is driven by the growth in medical grade wearables with a CAGR of 29.6% from 2019 to 2026 (Figure 11). The broader wearable markets can be segmented into three sub-markets: 1) the consumer-grade wearables which has the largest market amongst the three with a market size of over US$80 billion and penetrated by tech companies, but the quality of the data measured by the products is low: examples will be normal smart watches that are able to measure body measures; 2) medical-grade wearables that can provide higher quality data for professional use: many of Masimo's current products including pulse oximeters belong to this market; 3) the clinical-grade wearables for consumers with the clinical data of devices accuracy examined by FDA: the market size is at around US$8.6 billion, and some of the tech giants' latest products including Apple Watch are within this market. Masimo's shift to consumer product is an attempt to enter the clinical grade consumer wearable markets to capture the opportunities since it is a larger global market compared to the current pulse oximetry market and has a relatively fast growth rate as shown by a CAGR of around 25.2% in next five years (Figure 13). Meanwhile it is less penetrated by large tech companies than the consumer-grade wearable markets. FDA's requirements for highly accurate data also caters to Masimo 'core technology's strength of capturing and storing accurate body measurements while the competitors with less experience in developing professional healthcare monitoring devices can potentially face trouble or cost-side restraints when trying to ensure their products pass the strict clinical data assessment.

Figure 11: U.S. Monitoring and Remote Vital measurement Market



Source: Frost & Sullivan

Figure 12: Wearables Market Segments

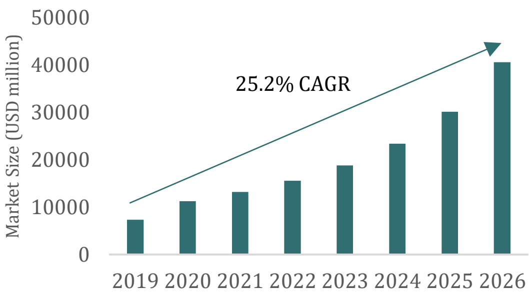


Source: Frost & Sullivan

Experienced and innovative management team to lead the change

Other than the strategic direction of the company, investors are have doubts about whether the Masimo has the capability to benefit from this unconventional move. Masimo has been specialising in non-intrusive monitoring as a MedTech firm and it seems to have no experience on acquisitions or ventures into novel fields at all. In fact, Masimo is led by a team with excellent track records on innovation as well as acquisition. The CEO Joe Kiani who is also the founder of Masimo created the core technology Masimo SET® that Masino's main products rely on. The rest of the teams also have years of experiences in the industry. Other than Masimo SET®, Masimo has 11 other technologies registered with different functions, which shows it has

Figure 13: Global Clinical-grade Wearables Revenue Forecast



Source: Frost & Sullivan

Figure 14: Masimo's new W1 Watch & SafetyNet Platform for Hospitals

W1 Watch
clinical-grade consumer product, uses Masimo SET® as the core technology to ensure its accuracy as their usual products

SafetyNet
System
to collect data from patients, managed to cut the average length of in-hospital stay by 36% system to collect

Source: Company Website

Figure 15: Tech Firms' Consumer Healthcare Products

Sony Self-Fitting Hearing Aids CRE-C10 (Left) & Apple Watch Series 6 with Blood Oxygen Sensor (Right)
Source: Company Websites

the ability to bring new products to the market. Its successful acquisition of TNI Medical, a German company that produces ventilation devices using novel technology and accounts for 20% of Masimo's revenue with another non-core product, proves that Masimo has the foresight to acquire companies that are competent in other areas to complement its own product pipeline. Masimo's past attempts to enter into new markets also demonstrate that they are able to expand without too much deviation from the core business: for professional products Masimo explored into telemedicine and integrated platforms such as their SafetyNet Platform that can collect and store data in central system in hospitals and cut the length of stay of patients by 36% during the time when COVID-19 cases surged in number; and for hospital-to-home products, Masimo has already made its attempt by releasing its new clinical-grade prosumer wearable – the W1 watch with Masimo SET® remaining as the core technology behind the product. It will also include a new type of novel measurement called Hydration Index launched to measure fluid intake to target at more specific groups such as athletes and patients (Figure 14). From the records we believe Masimo has the ability to maintain its strong growth in the core business while expanding into new niches.

<u>Precedent cases of cross-industry acquisition</u>

Many investors are also concerned that ventures of a MedTech company into the consumer goods industry are completely unheard of, so it is impossible to prove the acquisition's feasibility. Although it seems uncommon, there are actually some successful cases of similar acquisitions. In 2021, a Swiss-based hearing aid maker and MedTech company Sonova group acquired the consumer division of Sennheiser, a company that produces headphones, to seize growth opportunities in the fast growing consumer market. Upon the completion of the acquisition, the stock price of Sonova increased by around 30%. As aforementioned, some tech firms have also indicated interests in entering the consumer healthcare market. For example, Apple introduced blood oxygen saturation measurement in its Apple Watch Series 4, 5 and 6 while Sony made its attempt by pushing out the Self-Fitting CRE-C10 hearing aids to enter the OTC hearing aids market (Figure 15). With strong market potentials in the markets and a visionary and experienced team, Masimo would be able to follow such cases and take advantage of the new venture.

<u>Looking into more tangible financial benefits that outweigh the cost</u>

Beside the strategic advantages the acquisition might potentially provide in the long-term perspective, Sound United is a steadily growing company with a profit margin around 35% to 36%, above that of the industry average. The consumer audio industry, despite being inflated in 2020 and 2021 recently due to the pandemic and is expecting a drop of 11% in 2022, will resume the usual growth rate of around 3% to 5% soon, and Sound United is expected to follow the trend in the upcoming years. For 2022Q3 there is a slight decline in Sound United's revenue of around 2% compared to that of the same quarter in 2021, but it is already buffered compared to the drop in revenue in the market. By the end of the year Sound United is expected to help Masimo to increase the revenue by around 67%. Masimo has entered into a credit facility for an unsecured term loan of US$300M and US$500m in unsecured revolving commitments just for the acquisition. With much higher addition to revenue with lower increase in expenses and Sound United's current annual revenue at around US$900m, Sound United can be expected to recover the cost of acquisition solely within three years and pays back the debt within two years.

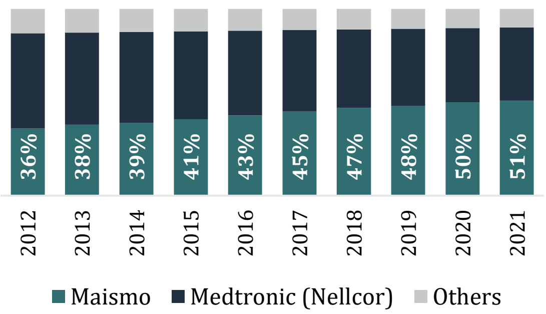
Ultimately, with the foresight to make a daring strategic direction, Masimo can be expected to benefit more than expected from this acquisition and secure a steady profit-earning position while attempting to diversify its pipelines and expanding its horizons.

2. MASI can leverage on market dominance in continuous monitoring technology to capture opportunity in hospital general wards, contributing to long-term growth and value

MASI's entrenched position in the industry:

MASI has steadily increased its foothold within the pulse oximetry industry during the last decade (Figure 16), capturing 51% market share as of the latest period. Even though MASI has proven its superiority in technology front, it took the company more than 20 years to fully gain a leading role in the market. This speaks into the slow change and long product life cycle, usually 10 to 15 years for these devices, of the medical equipment market in general. However, the slow penetration rate of the industry would serve wonders for MASI now as the company will comfort
tably keep and expand its market share.

Figure 16: MASI's Increasing Share in Pulse Oximetry Market (vs. closest competitors)



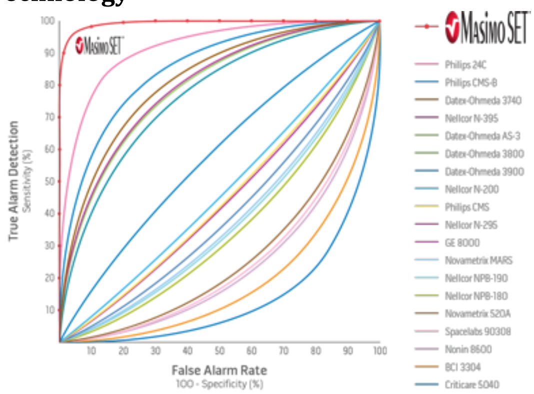
Source: Company Filings and Presentations; Stifel Estimates

To solidify and keep its current stance, MASI adopts a customer-centric culture in developing and innovating.

Recently, MASI announced that they have once again raised the industry standard for pulse oximetry technology by reducing the margin of error of SET from 3% (previous best clinical deviation) to 1.5%. The improvement, which unconsciously seems minimal, is utmost crucial to measuring oxygen saturation since a healthy human being requires a reading of 95 to 100 on a scale of 100. Therefore, reducing margin of error is undoubtedly a priority, especially for cases of vulnerable patients whose health profile must be determined with little compromise to accuracy.

Alongside with addressing patients-centric issue, MASI also focuses on alleviating pain points for doctors and healthcare practitioners through reducing physical and mental inefficiency. False alarm is one of the top technology hazards according to ECRI for healthcare professions as it creates unnecessary burdens and workloads while desensitizing physicians from future alarms. Therefore, the consequences of false alarm issues will not only take a toll on the physicians' effectiveness but also on the patients' health. Through numerous research, SET is shown to have the best true detection rate and lowest false alarm rate (Figure 17). SET's superior performance has once again alleviated a hazardous problem, which would in turn increase trusts and dependence of practitioners and physicians.

Figure 17: MASI's Superior Detection and Alarm Technology

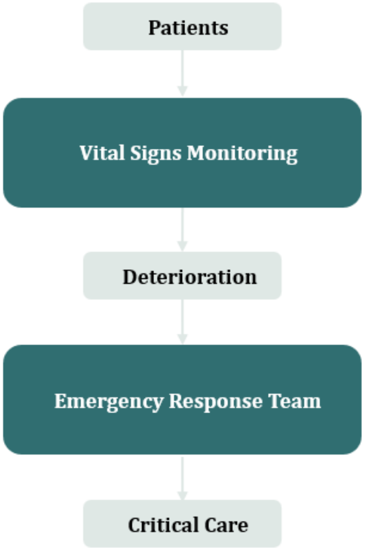


Source: Company Websites and Research

Current issues within hospital general wards imply an underserved market for Masimo:

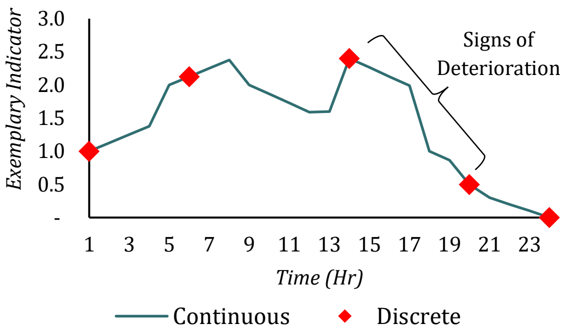
While it is true that most intensive and critical care beds have implemented continuous monitoring, the same cannot be said for general wards. From the current landscape of general wards response chain (Figure 18), it is found that most countries have already implemented emergency response team ("ERT"), but the monitoring of vital signs is still conducted by spot-checks and discretely by

Figure 18: General Wards Response Chain



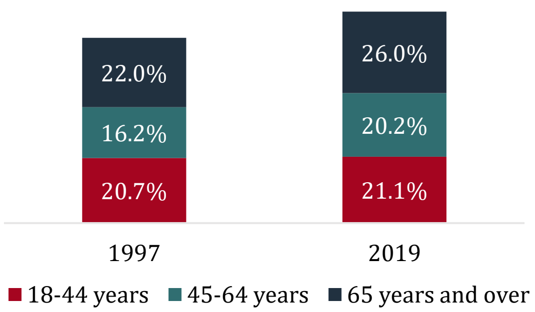
Source: JMIR Publications

Figure 19: Continuous Monitoring vs Spot-checks



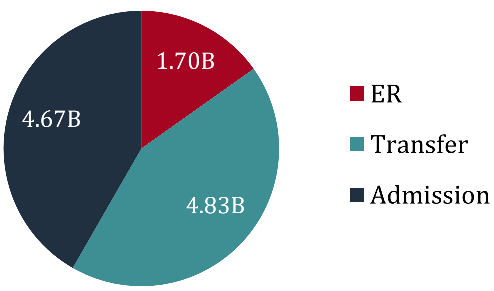
Source: Team Illustrations

Figure 20: Changing Patients' Case-mix



Source: US CDC - NCHS

Figure 21: Hospitals' Inefficiencies by Category



Source: Fierce Healthcare

nurses. This poses a major issue since effective response depends on the timeliness of monitoring data. Furthermore, traditional discrete monitoring also brings about 2 major problems: misrepresentation of patient health and nurses' subjectivity bias.

Lack of continuous data will depict a non-clear representation of patients' health since the interval between spot-checks might have already shown signs of deterioration which go unnoticed (Figure 19). Without continuous monitoring, the onset of deterioration will not be captured in a timely and effective manner.

It has recently been researched that nurses tend to bypass the mandatory 5 vital signs monitoring and rely on their clinical judgement more, thus introducing more subjectivity bias during these spot-checks. In last 2 decades, patient's case-mix has become older, sicker, and with less obvious signs (Figure 20). Therefore, without the holistic measurements of all vital signs, major consequences would ensue such as unexpected development of deterioration and health degradation.

The combined issues have previously surfaced and cost all participants greatly. For hospitals, capital inefficiency and subsequent liabilities for patients' death are few of the examples. In 2018, it is estimated that hospitals wasted US$11 billion on miscommunication, with emergency response and inter-ward transferal amounted to half of that number (Figure 21). For patients, financial burden and longer days in hospitals are the leading concerns. Ultimately, it is the question of life and death of the patients.

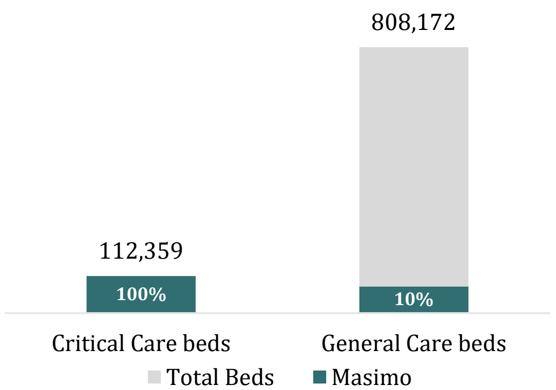
<u>Addressable market opportunities for Masimo's long-term growth</u>: While MASI has penetrated fully critical care beds for continuous monitoring, only 10% of the potential 800,000 general ward beds have implemented MASI continuous monitoring technology (Figure 22). Moreover, the non-penetrated segment holds no competition from other major players but traditional vital signs monitoring as discussed above. This represents an estimated addressable market size of US$1.5 to 2.5 billion for MASI to capture in the long run.

In summary, MASI's current entrenchment along with its patient/physician-centric approach will prime MASI for capturing new opportunities existed in the general wards, thus contributing to long-term growth and value.

Catalysts

- There is currently an ongoing lawsuit between Apple and Masimo regarding Masimo's new W1 watch which provide similar features as Apple's watch on oxygen saturation measurement. Previously in 2020 Masimo sued Apple for severing its patent on oxygen saturation measurement and stealing trade secrets. Masimo is experienced in patent right lawsuits against larger competitors in the industry such as Nellcor and Royal Philips and have earned a lumpsum of compensation from such lawsuits, so if Masimo continues to win this lawsuit it might shed the company in a positive light as an exemplar of anti-poaching and originality.
- Masimo has submitted 510(k) application for W1 to get the device onto the market faster, and they might hear back from FDA soon before Investor Day in December to announce the feedback,

Figure 22: Continuous Monitoring Landscape in Critical Care vs General Care



Source: Company Presentations

which might lead to full launch of the product. Meanwhile on the Investor Day more details about earnings and clearer strategic directions will be revealed which may clarify doubts for investors and boost the market's confidence.

- According to American Academy of Paediatrics (AAP) and the Children's Hospital Association there can be an alarming surge of respiratory illness among more vulnerable communities, and the organisations are urging Biden's Administration to take action. This might affect government's resources allocation and to address such demand more resources might be devoted to equipping hospitals with necessary devices, leading to rising demand for Masimo's products.
- According to the CEO Joe Kiani, the engineering team from both Masimo and Sound United have been working on new projects together. If the team manages to attain some progress, the announcement of the news might restore investors' confidence in the acquisition.

Financial Analysis

	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E
Revenue	2,019	2,400	2,568	2,741	2,931	3,132	3,349
GP	1,083	1,264	1,380	1,502	1,638	1,784	1,943
Margin (%)	*53.6*	*52.7*	*53.7*	*54.8*	*55.9*	*57.0*	*58.0*
EBIT	214.9	242.2	296.8	358.2	426.4	502.4	586.8
Margin (%)	*10.6*	*10.1*	*11.6*	*13.1*	*14.5*	*16.0*	*17.5*
Net Income	132.5	154.1	192.5	249.3	303.1	359.3	454.8
Margin (%)	*6.6*	*6.4*	*7.5*	*9.1*	*10.3*	*11.5*	*13.6*
EPS	2.52	2.93	3.66	4.74	5.77	6.84	8.65
ROE (%)	9.2	9.2	9.9	11.0	11.4	11.5	12.4

In US$ million, except per share values

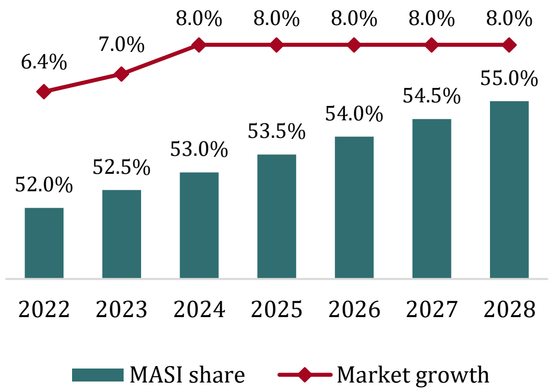
Overview

The above table reveals MASI's financial conditions for the next seven years, highlighting our assumptions. We are seeing an improvement in both top-line and bottom-line margins, thus resulting in both EPS accretion and higher ROE. Moreover, we are expecting MASI's capital structure to approach zero debt in the long run, aligning with the company's historical appetite. Most indicators yield positive and favourable trends that are supportive of the overall BUY recommendation.

Revenue growth driven by higher instalment base and new customers, continuing to maintain momentum post-COVID

We broke down MASI revenue into two segments for forecasting purpose: Healthcare operation and non-healthcare operation.

Figure 23: Healthcare Revenue Assumptions



Source: Team Estimates

Healthcare: we forecast pulse oximetry market size and MASI market share. Together, we derive MASI revenue for the healthcare segment (Figure 23).

As for pulse oximetry market size, we are seeing higher than current consensus market CAGR of 6.4% for the 2022 – 2028 period. We believe that the market growth rate estimates have not fully considered the on-going penetration of continuous monitoring in general wards. The reason can be point back to our thesis 2 combining with the catalytic COVID event, which pushed hospitals to further realize the importance of accurate and reliable measurements belonging to MASI products. Without these accurate measurements in place, many hospitals would have turned patients away and putting their operations at risk.

MASI saw 51% foothold in the market in 2021, and we expect their market share to continue the steam and reach 55% market share in 2028 with a 0.5% equal step-up for the forecast period. Reason to further solidify our assumptions surfaces in the latest quarter announcement: MASI is seeing the strongest nine-month new customer acquisition with installed base to grow 7% this fiscal year. Among the new customers, Denver Health and Nationwide Children's belong to one of the top 10 children's hospital in the United States, thus better entrenching MASI's position in the industry.

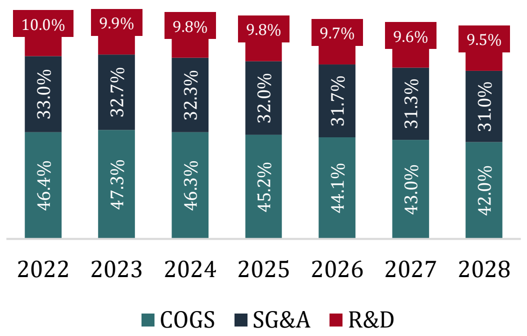
Non-healthcare: We forecast consumer audio to grow at a similar rate to the industry and maintain such momentum moving forward due to price-raising initiatives and luxury-stickiness of Sound United's portfolio of brands.

In totality, we are expecting MASI to grow within the high single-digit number, deviating around 6% YOY for our forecast period.

Main operating cost margin seeing a decrease driven by the removal of current market and operational headwinds

We are seeing an improvement in all 3 operating costs margins: COGS, SG&A, and R&D (Figure 24). Primary drivers include reducing effect of current headwinds on COGS and cost and strategic synergy for SG&A and R&D expense.

Figure 24: Operating Costs Margin Assumptions *(% of revenue)*



Source: Team Estimates

COGS expense: we broke down by two previously mentioned segments - healthcare and non-healthcare - since the discrepancies is significant. Both segments 2022 COGS margin is assumed to follow management guidance with equal-step improvement throughout the forecast period.

From 2021 to 2022, there was an additional 3% increase in COGS mainly led by FX (1.2%) and operation (1.8%) headwinds. Operation-wise, supply chain inefficiencies manifested in the form of higher freight costs and increased labour costs of some components.

We are expecting higher COGS margin decrease for the healthcare segment to reflect resolving supply chain issues. Moreover, the supply chain issues were at the pinnacle during the first half of 2022, and MASI is expecting an overall improvement, latest by first half of FY23, with active effort in diversifying vendor base. Regarding the consumer audio segment, the brands under Sound United has significant room for raising prices due to its standing in the luxury market and its customer segment being more resistant to economic downturn; thus, stronger ability to raise price as compared to rising costs will result in improving gross margin.

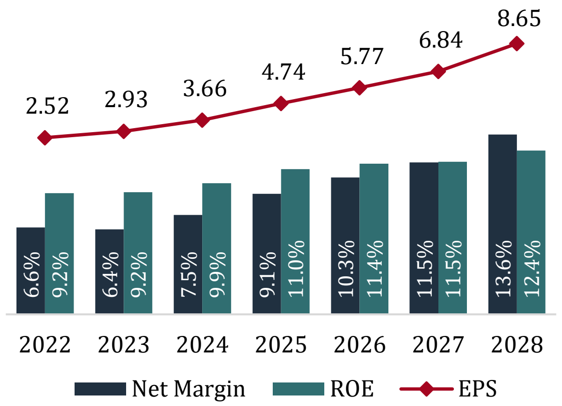
SG&A expense: we are expecting equal-step improvement since MASI can leverage upon 20,000 distribution points of Sound United to deliver its new prosumer products such as W1 and Freedom pulse oximetry watch. Our 2028 SG&A expense will reach 30% of sales due to the aforementioned synergy along with the fact that certain historic quarters have demonstrated similar expectations.

R&D expense: After combining the business with Sound United, R&D margin has improved greatly as compared to historic standing. However, based on MASI's vision in developing more products that cater towards patients in a transitory phase and prosumers such as athletes, we are only projecting minimal improvement in R&D margin, starting at 10% of sales to 9.5% of sales in 2028.

Bottom-line improvements leading to EPS accretion and increasing ROE

With both revenue and costs improvement as mentioned above, we are seeing expanding net margin for our forecast period, starting at 6.9% in 2022 and reaching 15.6% in 2028. Thus, assuming constant shares outstanding, EPS will be accretive. ROE will also share the same path (Figure 25).

Figure 25: Net Margin, EPS, and ROE



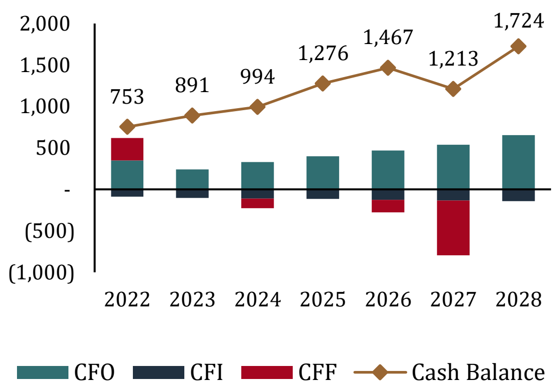
Source: Team Estimates

Cash accumulators in the long-run due to positive operating cash flows, allowing for aggressive investments and share repurchase program

Profitable as MASI was, the company is expected to behave the same moving forward, which will be reflected in our operation cash flow. With steady re-investment in its core assets, cash flow from investing activities also remains stable in our projection. As for MASI's financing activities, big change happens during their debt repayment periods.

Combining the three categories above, we are looking at positive net change YoY for the forecast period, making MASI a cash accumulator (Figure 26). Therefore, we believe the company will have significant room for aggressive investment and share repurchase to enhance EPS (Management in 9M22 has repurchased 3 million shares and there are plans to buyback an extra 5 million shares).

Figure 26: Cash Balance Its Delta Factors (in US$ million)

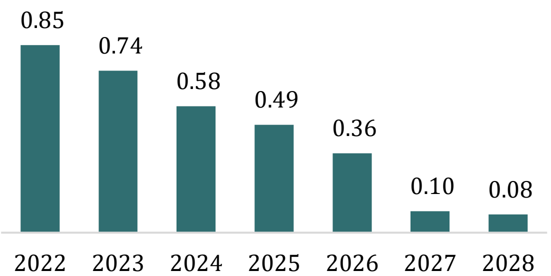


Source: Team Estimates

Debt financing is assumed to decrease through times to target a debt-free capital structure with significant cash generated from operations reducing the needs for external financing

For the current fiscal year, MASI increased its debt account mainly to finance the acquisition of Sound United. Its debt-to-equity ratio saw a change from previously 0 to 0.77 in 3Q22. As for the long-term, we believe MASI will be targeting a debt-free capital structure based on the company's historical preference. Therefore, debt-to-equity ratio will naturally decrease (Figure 27) through our forecast period – mainly on the year of debt maturity.

Figure 27: Debt-to-equity Ratio Change



Source: Team Estimates

Moreover, since MASI has historically generated positive internal cash flow and continue to remain so during our forecast, we believe the pecking order theory would be applicable, thus justifying the non-necessity for external financing.

With respect to MASI's negative financial covenants for new debt, the company is required to maintain its Net Leverage Ratio ("NLR") below 3.50 and its Interest Coverage Ratio ("ICR") above 3.00. From our model, the worst performance for NLR and ICR is 1.83 and 4.70 respectively, which has shown to not violate any aforementioned restrictive covenants.

Valuation

We weighted our DCF valuation of US$146.34 and blended multiple valuation of US$156.19 at a weightage of 50:50. Valuation Price Target: **US$151.27**

DCF Model

A Discounted Cash Flow model (with a 7-year forecast period – from 2022 to 2028) was used to estimate the intrinsic value of MASI's share price.

We modelled revenue based on two segments: healthcare and non-healthcare. Operating costs margin are assumed to decrease through time due to the removal of current headwinds that MASI is encountering. For further explanation of our assumptions, details are mentioned in the Financial Analysis section above. Overall, we are seeing expanding operating and profit margins from start to finish of the forecast period.

The DCF model was built following guidance from historical performance, annual reports, Q3 earning calls, and industry outlooks. Both the exit multiple method and the Gordon growth method were used (and weighted equally) to obtain a blended target price of US$146.34 – representing a 5.7% upside from latest closing price.

Weighted Average Cost of Capital (WACC)

The CAPM was used to estimate the Cost of Equity. The Risk-free rate was taken to be the 10Y US Treasury Yield, standing at 3.88%. An Equity Risk Premium of 7.97% was derived by weighing MASI's exposure to three main operating regions (Figure 29). Beta was calculated by regressing MASI's monthly adjusted closing price with the relative index (S&P 500 in our case) for a 5-year span, arriving at a figure of 0.84. Incorporating all these components, we arrive at 10.57% for our Cost of Equity.

Since we believe that MASI will be targeting a debt-free structure in the long-run with details explained in our *Financial Analysis* section, the WACC is thus equalled to our Cost of Equity (Figure 30).

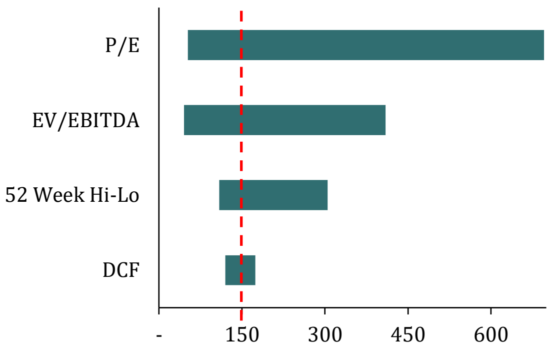
Terminal value

We applied two terminal value methods: Gordon Growth Method and EV/EBITDA exit multiple. We weighted the two approaches 50:50 to arrive at a blended terminal value of US$16,058 thousand.

For Gordon Growth, the long-term growth rate for each geographical region was derived by averaging out each region's historical real GDP growth rate. Then, weighing by revenue contribution, we arrived at a terminal growth rate of 3.12% (Figure 31). For exit multiple, we chose median EV/EBITDA from our comps-list, which stood at 37.29x.

Upon further analysis, we noticed that the exit multiple method showed a much higher value as compared to the Gordon Growth method. We believe the market overall optimistic for MedTech companies is justifiable given how COVID-19 has pushed the needs for innovation and technological advance within the healthcare space. Moreover, U.S and European MedTech companies saw a steep decline in market capitalization for the first half of 2022, as the market felt the steam of COVID-19 has slowed down and has started to dissipate.

Figure 28: Football Field Analysis



Source: Team Estimates

Figure 29: ERP Calculation

Region	Revenue %	ERP
North America	57.4%	6.01%
APAC	22.1%	10.35%
EMEA	20.5%	10.89%
MASI		**7.97%**

Source: Team Estimates

Figure 30: WACC Calculation

Parameters	Figure
Risk-free Rate	3.88%
Beta	0.84
ERP	7.97%
Cost of Equity	**10.57%**
Target D/Capital	**0.00%**
WACC	**10.57%**

Source: Team Estimates

Figure 31: Terminal Growth Rate

Region	Revenue %	Terminal G
North America	57.4%	2.49%
APAC	22.1%	5.46%
EMEA	20.5%	2.36%
MASI		**3.12%**

Source: Team Estimates

However, according to EY research, it is shown that the outlook for MedTech companies is bright if they could navigate through 3 main obstacles: innovation, new commercial models, and supply chain transformation. We believe all these obstacles are addressable given how the industry has shown its resilience during COVID period. Moreover, from MASI's own example, effort to create new commercial model along with suppressing supply chain issues are already on the way, thus further demonstrating MASI in specificity and the industry as a whole capability to live up to market expectation, justifying the high trading multiples.

Figure 31: Sensitivity Analysis

		WACC				
	145.43	11.6%	11.1%	10.6%	10.1%	9.6%
Terminal Growth	2.3%	131.31	136.59	142.23	148.31	154.89
	2.7%	132.45	137.90	143.75	150.07	156.96
	3.1%	133.71	139.34	145.43	152.04	159.29
	3.5%	135.08	140.94	147.29	154.25	161.92
	3.9%	136.60	142.71	149.39	156.74	164.93

		WACC				
	145.43	11.6%	11.1%	10.6%	10.1%	9.6%
Exit Multiple	26.51	120.08	125.33	131.03	137.23	144.06
	28.51	126.89	132.34	138.23	144.64	151.67
	30.51	133.71	139.34	145.43	152.04	159.29
	32.51	140.52	146.34	152.63	159.44	166.90
	34.51	147.33	153.35	159.83	166.85	174.51

		COGS (healthcare)				
	145.43	(35.0)%	(34.0)%	(33.0)%	(32.0)%	(31.0)%
COGS (non-healthcare)	(62.0)%	128.40	134.06	139.73	145.39	151.06
	(61.0)%	131.25	136.91	142.58	148.24	153.91
	(60.0)%	134.10	139.76	145.43	151.09	156.76
	(59.0)%	136.95	142.61	148.28	153.94	159.61
	(58.0)%	139.80	145.46	151.13	156.79	162.46

		SG&A Expense				
	145.43	(32.0)%	(31.5)%	(31.0)%	(30.5)%	(30.0)%
R&D Expense	(10.5)%	128.82	132.97	137.12	141.27	145.43
	(10.0)%	132.97	137.12	141.27	145.43	149.58
	(9.5)%	137.12	141.27	145.43	149.58	153.73
	(9.0)%	141.27	145.43	149.58	153.73	157.88
	(8.5)%	145.43	149.58	153.73	157.88	162.04

Source: Team Estimates

Sensitivity analysis

We deployed sensitivity analysis on 4 variable-pairs (Figure 32): WACC - terminal growth, WACC - exit multiple. COGS (healthcare) - COGS (non-healthcare), SG&A expense – R&D expense. Overall, our extreme-pessimistic figure for each analysis suggests that US$120.08 is the minimum price that MASI should be trading at, representing a 13.3% downside compared to current price. On the other hand, an optimistic improvement will result in target price ranging from US$160 to US$175.

Relative valuation

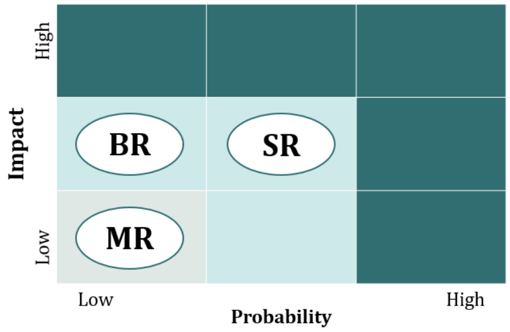
Since our comps-list has positive earnings along with non-significant capital expenditure expense, we chose EV/FWD EBITDA and P/FWD E multiples to derive our relative valuation for MASI.

We set up two lists of comparable companies - one for MedTech segment and the other for consumer electronics. Afterwards, we weighed the multiples of these two sets based on MASI's revenue mix of healthcare and non-healthcare. Thus, we assume that MASI should be traded with proportionate exposure to both segments – 33.3% for consumer electronics and 66.7% for MedTech. Additionally, it should be noted that consumer electronics are traded with much lower multiples as compared to the MedTech space.

Evaluating MASI's multiples against the comps' median, we noticed that MASI is currently trading at a discount. Market's pessimism over Sound United acquisition is our general comments, which is not justifiable as we have illustrated in thesis 1. Moreover, since we derive our median multiples based on MASI's revenue mix weightage, MASI's current trading multiples imply that the market sees MASI as much more exposed to the consumer electronics segment, which again is not the case based on our long-term revenue contribution forecast.

The weighted median EV/FWD EBITDA came at 30.51x while the weighted median P/FWD E stood at 44.33x. Thus, if MASI is traded at current median, its share price would be US$161.42 and US$150.97 respectively.

Figure 33: Risk Matrix



Source: Team Estimates

Investment Risks

Market Risk (MR)

Inflation erodes consumer spending, cutting MASI's audio segment revenue: Since the acquisition of Sound United, MASI has expanded its customer base to include retail consumers. Considering current inflationary periods, consumer spending will decrease and thus has a damaging effect on MASI's non-healthcare segment, which contributes to one-third of the company's total revenue. Moreover, with raw materials price increase, top-line margin of MASI will be compressed due to such happenings.

However, we believe current economic condition will not have tremendous impact on MASI due to its strongly hedged position on both demand and supply fronts. Per supply, the company is keeping enough stocks to weather through the period according to call transcript. Moreover, historically, consumer audio segment's inventory has been kept levelling around one-third of COGS; therefore, we have reasons to believe that MASI is well-positioned to use current inventory to sail through the inflationary period. As for demand side, Sound United's portfolio of premium brands such as Bowers & Wilkins, Marantz, and Denon target high-income customers who are less affected by economic downturns. Were situation to get worse, MASI has plans to raise prices and pass on the inflationary cost to consumers.

Business Risk (BR)

Lower capex from hospitals reduces revenue growth for healthcare segment: There are mixed feedback on the Street about hospitals decreasing capex, thus implying a potential risk for MASI's healthcare revenue segment.

However, we believe the surface of such problem is overstated considering the supply chain issues that companies engaging in medical equipment manufacturing are facing. Therefore, the problem originates on the supple side rather than the demand side per se. Moreover, MASI has continued to see great growth in its shipments and revenue during this fiscal year amid such claim, which signals that the risk is not materialistic in nature. Additionally, MASI has already taken action to expand its supplier base with an effort to alleviate industry-wide supply chain issues.

Strategic Risk (SR)

Lack of co-integration synergy for audio technology: One of the rationales for Sound United acquisition includes MASI's endeavour to leverage on the audio technology and integrate into its new healthcare products. Still, there remains risk of such effort would not be fruitful considering MASI's healthcare product portfolio has very small composition coming from sound-based equipment. Therefore, R&D expense might be an exercise in futility.

However, while we think the above scenario is hard to negate, we believe that the acquisition targeted Sound United's distribution channels more. With more plans to roll out prosumers' devices, tapping on a 20,000 stores channels from Sound United will help improve MASI's SG&A margin, which will help absorb the loss from R&D and thus maintain a stable operating margin.

Disclaimer

Appendix:

Pro-Forma Financial Statements

Masimo Corporation									
Fiscal Year Ended 31 Dec									
					Forecast Years				
Currency: USD thousands									
Target Price: $ 145.43	FY19A	FY20A	FY21A	TTM	FY22E	FY23E	FY24E	FY25E	FY26E
Balance Sheet									
Assets									
Current Assets									
Cash and cash equivalents	567,687	641,447	745,250	219,500	753,133	890,688	993,680	1,276,424	1,467,375
Short-term investments	120,000	-	-	-	-	-	-	-	-
Accounts receivable	132,433	141,350	200,765	371,600	331,942	394,530	422,193	450,523	481,824
Inventories	115,871	215,952	201,370	495,400	410,365	497,898	521,009	542,786	566,875
Other current assets	60,071	102,416	91,027	159,100	183,968	218,655	233,986	249,687	267,035
Noncurrent Assets									
Lease receivable, non-current	49,936	57,666	73,688	79,600	79,600	79,600	79,600	79,600	79,600
Deferred costs and other contract assets	16,214	20,076	28,093	37,000	42,783	50,850	54,415	58,067	62,101
Property and equipment, net	219,552	272,511	272,793	372,200	405,528	445,160	481,355	517,327	549,647
Customer relationships, net	-	-	-	204,500	204,500	204,500	204,500	204,500	204,500
Acquired technologies, net	-	-	-	163,900	163,900	163,900	163,900	163,900	163,900
Intangible assets, net	27,251	73,923	72,502	78,200	78,200	78,200	78,200	78,200	78,200
Trademark	-	-	-	262,000	262,000	262,000	262,000	262,000	262,000
Goodwill	22,350	103,206	100,334	446,300	446,300	446,300	446,300	446,300	446,300
Deferred tax assets	35,972	39,363	52,607	56,500	56,500	56,500	56,500	56,500	56,500
ROU assets	19,137	32,324	30,486	69,800	80,772	96,002	102,734	109,627	117,244
Other non-current assets	9,654	12,318	18,095	40,800	47,177	56,073	60,004	64,030	68,479
Total Assets	**1,396,128**	**1,712,552**	**1,887,010**	**3,056,400**	**3,546,667**	**3,940,857**	**4,160,376**	**4,559,471**	**4,871,581**
Liabilities									
Current Liabilities									
Accounts payable	54,548	64,061	75,627	267,800	205,182	248,949	260,504	271,393	283,438
Accrued compensation	54,705	71,601	70,835	90,400	104,530	124,239	132,950	141,871	151,728
Deferred revenue	25,939	44,935	50,877	77,600	89,729	106,648	114,125	121,783	130,245
Current lease liabilities	4,653	5,975	6,371	18,500	16,794	19,840	21,187	22,565	24,089
Other current liabilities	32,374	47,264	64,026	119,200	137,831	163,820	175,306	187,069	200,066
Short-term debt	-	-	-	13,800	-	270,562	-	153,638	940,900
Noncurrent Liabilities									
Long-term debt	-	-	-	951,400	1,235,762	965,200	1,118,838	965,200	24,300
Non-current lease liabilities	15,834	28,373	26,290	54,500	67,178	79,362	84,747	90,262	96,355
Other non-current liabilities	40,201	42,703	42,739	210,600	243,517	289,433	309,727	330,510	353,473
Total Liabilities	**228,254**	**304,912**	**336,765**	**1,803,800**	**2,100,524**	**2,268,053**	**2,217,384**	**2,284,292**	**2,204,594**
Shareholders' Equity									
Preferred stock	-	-	-	-	-	-	-	-	-
Common stock	54	55	55	53	53	53	53	53	53
Treasury stock	(526,580)	(638,736)	(767,655)	(1,169,100)	(1,169,100)	(1,169,100)	(1,169,100)	(1,169,100)	(1,169,100)
Additional paid-in capital	600,624	703,693	752,513	775,047	836,127	908,725	986,412	1,069,313	1,157,973
Accumulated other comprehensive (loss) income	(6,718)	1,413	(5,530)	(26,900)	(26,900)	(26,900)	(26,900)	(26,900)	(26,900)
Retained earnings	1,100,494	1,341,215	1,570,862	1,673,500	1,805,963	1,960,026	2,152,526	2,401,814	2,704,960
Total Equity	**1,167,874**	**1,407,640**	**1,550,245**	**1,252,600**	**1,446,144**	**1,672,804**	**1,942,992**	**2,275,180**	**2,666,987**
Total Liabilites and Shareholders' Equity	**1,396,128**	**1,712,552**	**1,887,010**	**3,056,400**	**3,546,667**	**3,940,857**	**4,160,376**	**4,559,471**	**4,871,581**
Income Statement									
Total revenue	**937,837**	**1,143,744**	**1,239,153**	**1,746,353**	**2,019,311**	**2,400,060**	**2,568,338**	**2,740,679**	**2,931,096**
Cost of goods sold	(308,665)	(400,679)	(430,806)	(786,106)	(936,145)	(1,135,831)	(1,188,551)	(1,238,230)	(1,293,184)
Gross profit	**629,172**	**743,065**	**808,347**	**960,247**	**1,083,166**	**1,264,229**	**1,379,787**	**1,502,449**	**1,637,912**
				-					
Operating expenses:				-					
Selling, general and administrative	(314,661)	(369,057)	(395,291)	(575,691)	(666,373)	(784,020)	(830,429)	(877,017)	(928,180)
Research and development	(93,295)	(118,659)	(137,234)	(170,434)	(201,931)	(238,006)	(252,553)	(267,216)	(283,339)
Litigation awards, settlements/or defense costs	-	474	-	-	-	-	-	-	-
Operating income	**221,216**	**255,823**	**275,822**	**214,122**	**214,862**	**242,204**	**296,804**	**358,216**	**426,392**
				-					
Non-operating (loss) income	12,950	7,913	(1,442)	14,358	-	-	-	-	-
EBIT	**234,166**	**263,736**	**274,380**	**228,480**	**214,862**	**242,204**	**296,804**	**358,216**	**426,392**
Interest expense	-	-	-	(14,100)	(47,187)	(47,187)	(53,133)	(42,662)	(42,662)
EBT	**234,166**	**263,736**	**274,380**	**214,380**	**167,675**	**195,016**	**243,671**	**315,553**	**383,730**
				-					
Provision for income taxes	(37,950)	(23,454)	(44,733)	(43,533)	(35,212)	(40,953)	(51,171)	(66,266)	(80,583)
Net income	**196,216**	**240,282**	**229,647**	**170,847**	**132,463**	**154,063**	**192,500**	**249,287**	**303,147**
	16.8%	**17.1%**	**14.8%**	**13.6%**	**9.2%**	**9.2%**	**9.9%**	**11.0%**	**11.4%**

Cash Flows Statement									
Cash flows from operating activities:									
Net income	196,216	240,282	229,647	170,847	132,463	154,063	192,500	249,287	303,147
Adjustments to reconcile net income to net cash provided by operating activitie									
Depreciation and amortization	23,487	29,300	35,620	65,720	52,667	62,576	73,181	80,743	92,504
Stock-based compensation	39,235	42,225	44,624	52,824	61,080	72,597	77,688	82,901	88,660
Loss on disposal of equipment, intangibles and other assets	357	554	479	279	-	-	-	-	-
Provision (benefit) for doubtful accounts	687	82	815	1,415	-	-	-	-	-
(Benefit) provision for amount due from former foreign agent	-	-	-	900	-	-	-	-	-
(Benefit) provision from deferred income taxes	(5,965)	(4,964)	(15,086)	(15,086)	-	-	-	-	-
Changes in operating assets and liabilities:									
(Increase) decrease in trade accounts receivable	(23,580)	(2,229)	(60,799)	(76,499)	39,658	(62,589)	(27,662)	(28,330)	(31,301)
Increase in inventories	(21,257)	(94,434)	13,493	(69,807)	85,035	(87,533)	(23,110)	(21,777)	(24,090)
(Increase) decrease in other current assets	(8,536)	(29,984)	6,884	14,184	(24,868)	(34,688)	(15,331)	(15,701)	(17,348)
Increase in lease receivable, net	(11,958)	(7,749)	(16,061)	(12,661)	-	-	-	-	-
Decrease (increase) in deferred costs and other contract assets	3,308	(2,806)	(8,053)	(37,053)	(5,783)	(8,067)	(3,565)	(3,651)	(4,034)
(Increase) decrease in other non-current assets	(226)	(1,320)	57	(22,243)	(6,377)	(8,895)	(3,931)	(4,026)	(4,449)
Increase (decrease) in accounts payable	9,934	7,637	10,988	84,888	(62,618)	43,767	11,555	10,888	12,045
Increase (decrease) in accrued compensation	5,338	15,544	47	(5,553)	14,130	19,709	8,711	8,921	9,857
Increase (decrease) in deferred revenue and other contract-related liabilities	7,739	10,871	7,110	25,410	12,129	16,919	7,478	7,658	8,461
Increase (decrease) in income taxes payable	4,079	(1,301)	6,409	(491)					
Increase in accrued liabilities	746	9,391	7,793	(14,707)					
Increase (decrease) in other current liabilities					18,631	25,989	11,486	11,763	12,997
Increase (decrease) in other non-current liabilities	2,038	(136)	787	(28,713)	32,917	45,916	20,293	20,783	22,963
Decrease (increase) in ROU assets					(10,972)	(15,230)	(6,731)	(6,894)	(7,617)
Increase (decrease) in lease liabilities					10,972	15,230	6,731	6,894	7,617
Net cash provided by operating activities	**221,642**	**210,963**	**264,754**	**133,654**	**349,066**	**239,764**	**329,291**	**399,459**	**469,413**
Cash flows from investing activities:									
Maturities of short-term investments	160,000	120,000	-	-					
Purchases of short-term investments	(280,000)	-	-	-	-	-	-	-	-
Purchases of property and equipment	(68,375)	(72,549)	(25,503)	(40,803)	(85,995)	(102,209)	(109,375)	(116,715)	(124,824)
Increase in intangible assets	(4,117)	(7,408)	(9,426)	(15,126)	-	-	-	-	-
Business combinations, net of cash acquired	-	(112,706)	-	(985,000)					
Deposit to acquire noncontrolling interest	-	(3,374)	-	-					
(Purchases of) proceeds from strategic investments	(5,189)	(6,750)	(2,600)	-					
Business acquisition, net of cash acquired	-	-	-	-					
Net cash used in investing activities	**(197,681)**	**(82,787)**	**(37,529)**	**(1,040,929)**	**(85,995)**	**(102,209)**	**(109,375)**	**(116,715)**	**(124,824)**
Cash flows from financing activities:									
Borrowings under line of credit	-	-	-	1,050,600	270,562	-	153,638	-	-
Repayments on line of credit	-	-	-	(96,300)	-	-	(270,562)	-	(153,638)
Debt issuance costs	-	-	-	(9,300)					
Proceeds from issuance of common stock	28,339	58,424	23,241	11,141	-	-	-	-	-
Repurchases of common stock	(37,555)	(110,540)	(128,917)	(401,417)	-	-	-	-	-
Dividends					-	-	-	-	-
Payroll tax withholdings on behalf of employees for stock options	(123)	(2,191)	(16,728)	(25,428)					
Net cash provided by (used in) financing activities	**(9,339)**	**(54,307)**	**(122,404)**	**529,296**	**270,562**	**-**	**(116,924)**	**-**	**(153,638)**
Effect of foreign currency exchange rates on cash	812	3,060	(1,448)	(53,848)	-	-	-	-	-
Net increase in cash, cash equivalents and restricted cash	**15,434**	**76,929**	**103,373**	**(431,827)**	**533,633**	**137,555**	**102,992**	**282,745**	**190,951**
Cash, cash equivalents and restricted cash at beginning of period	552,641	568,075	645,004	662,800	219,500	753,133	890,688	993,680	1,276,424
Cash, cash equivalents and restricted cash at end of period	**568,075**	**645,004**	**748,377**	**230,973**	**753,133**	**890,688**	**993,680**	**1,276,424**	**1,467,375**

Financial Projections

Scenario 2	FY19A	FY20A	FY21A	TTM	FY22E	FY23E	FY24E	FY25E	FY26E
Income Projections									
Revenue	937,837	1,143,744	1,239,153	1,746,353	2,019,311	2,400,060	2,568,338	2,740,679	2,931,096
Revenue Build:									
Healthcare - Pulse Oximetry	937,837	1,143,744	1,239,153		1,344,311	1,452,244	1,583,360	1,726,162	1,881,677
Market size	1,953,827	2,287,488	2,429,712		2,585,213	2,766,178	2,987,473	3,226,470	3,484,588
Market growth rate	7.0%	17.1%	6.2%		6.4%	7.0%	8.0%	8.0%	8.0%
Bull case					7.0%	7.7%	8.8%	8.8%	8.8%
Base case					6.4%	7.0%	8.0%	8.0%	8.0%
Bear case					5.8%	5.8%	5.8%	5.8%	5.8%
MASI market share	48%	50%	51%		52.0%	52.5%	53.0%	53.5%	54.0%
Bull case					52.0%	53.0%	54.0%	55.0%	56.0%
Base case					52.0%	52.5%	53.0%	53.5%	54.0%
Bear case					52.0%	52.0%	52.0%	52.0%	52.0%
Non-healthcare - Consumer Audio					675,000	947,816	984,978	1,014,517	1,049,419
Market size		43,164,200	55,894,850		49,329,630	51,950,480	53,987,320	55,606,400	57,519,380
Market growth rate			29.5%		-11.7%	5.3%	3.9%	3.0%	3.4%
Bull case					708,750	1,042,598	1,083,476	1,115,969	1,154,361
Base case					675,000	947,816	984,978	1,014,517	1,049,419
Bear case					641,250	853,035	886,480	913,066	944,477
Cost build:									
COGS	(308,665)	(400,679)	(430,806)	(786,106)	(936,145)	(1,135,831)	(1,188,551)	(1,238,230)	(1,293,184)
% of revenue	(32.9)%	(35.0)%	(34.8)%	(45.0)%	(46.4)%	(47.3)%	(46.3)%	(45.2)%	(44.1)%
Margin contribution (% of total revenue)									
Healthcare - Pulse Oximetry					66.6%	60.5%	61.6%	63.0%	64.2%
Non-healthcare - Consumer Audio					33.4%	39.5%	38.4%	37.0%	35.8%
Healthcare - Pulse Oximetry					(37.0)%	(36.3)%	(35.7)%	(35.0)%	(34.3)%
Bull case					(33.3)%	(32.7)%	(32.1)%	(31.5)%	(30.9)%
Base case					(37.0)%	(36.3)%	(35.7)%	(35.0)%	(34.3)%
Bear case					(40.7)%	(40.0)%	(39.2)%	(38.5)%	(37.8)%
Non-healthcare - Consumer Audio					(65.0)%	(64.2)%	(63.3)%	(62.5)%	(61.7)%
Bull case					(58.5)%	(57.8)%	(57.0)%	(56.3)%	(55.5)%
Base case					(65.0)%	(64.2)%	(63.3)%	(62.5)%	(61.7)%
Bear case					(71.5)%	(70.6)%	(69.7)%	(68.8)%	(67.8)%
SG&A	(314,661)	(369,057)	(395,291)	(575,691)	(666,373)	(784,020)	(830,429)	(877,017)	(928,180)
% of revenue	(33.6)%	(32.3)%	(31.9)%	(33.0)%	(33.0)%	(32.7)%	(32.3)%	(32.0)%	(31.7)%
Bull case					(29.7)%	(29.4)%	(29.1)%	(28.8)%	(28.5)%
Base case					(33.0)%	(32.7)%	(32.3)%	(32.0)%	(31.7)%
Bear case					(36.3)%	(35.9)%	(35.6)%	(35.2)%	(34.8)%
R&D	(93,295)	(118,659)	(137,234)	(170,434)	(201,931)	(238,006)	(252,553)	(267,216)	(283,339)
% of revenue	(9.9)%	(10.4)%	(11.1)%	(9.8)%	(10.0)%	(9.9)%	(9.8)%	(9.8)%	(9.7)%
Bull case					(9.0)%	(8.9)%	(8.9)%	(8.8)%	(8.7)%
Base case					(10.0)%	(9.9)%	(9.8)%	(9.8)%	(9.7)%
Bear case					(11.0)%	(10.9)%	(10.8)%	(10.7)%	(10.6)%
EBT	234,166	263,736	274,380	214,380	167,675	195,016	243,671	315,553	383,730
Income tax	(37,950)	(23,454)	(44,733)	(43,533)	(35,212)	(40,953)	(51,171)	(66,266)	(80,583)
% of EBT	(16.2)%	(8.9)%	(16.3)%	(20.3)%	21.0%	21.0%	21.0%	21.0%	21.0%
					21.0%	21.0%	21.0%	21.0%	21.0%
					21.0%	21.0%	21.0%	21.0%	21.0%
					21.0%	21.0%	21.0%	21.0%	21.0%
Stock-based compensations	39,235	42,225	44,624	52,824	61,080	72,597	77,688	82,901	88,660
% of revenue	4.2%	3.7%	3.6%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Bull case					2.7%	2.7%	2.7%	2.7%	2.7%
Base case					3.0%	3.0%	3.0%	3.0%	3.0%
Bear case					3.3%	3.3%	3.3%	3.3%	3.3%
Working Capital Ausumptions									
Accounts receivable	132,433	141,350	200,765	371,600	331,942	394,530	422,193	450,523	481,824
Days' receivable	47.10	43.69	50.39	59.81	60.00	60.00	60.00	60.00	60.00
Bull case					60.00	60.00	60.00	60.00	60.00
Base case					60.00	60.00	60.00	60.00	60.00
Bear case					60.00	60.00	60.00	60.00	60.00
Inventories	115,871	215,952	201,370	495,400	410,365	497,898	521,009	542,786	566,875
Days' inventory	124.52	151.14	176.79	161.76	160.00	160.00	160.00	160.00	160.00
Bull case					160.00	160.00	160.00	160.00	160.00
Base case					160.00	160.00	160.00	160.00	160.00
Bear case					160.00	160.00	160.00	160.00	160.00
Accounts payable	54,548	64,061	75,627	267,800	205,182	248,949	260,504	271,393	283,438
Days' payable	56.13	54.02	59.18	79.73	80.00	80.00	80.00	80.00	80.00
Bull case					80.00	80.00	80.00	80.00	80.00
Base case					80.00	80.00	80.00	80.00	80.00
Bear case					80.00	80.00	80.00	80.00	80.00
Other assets/liabilities									
Other current assets	60,071	102,416	91,027	159,100	183,968	218,655	233,986	249,687	267,035
% of revenue	6.4%	9.0%	7.3%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%
Deferred costs and other contract assets	16,214	20,076	28,093	37,000	42,783	50,850	54,415	58,067	62,101
% of revenue	1.7%	1.8%	2.3%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Other non-current assets	9,654	12,318	18,095	40,800	47,177	56,073	60,004	64,030	68,479
% of revenue	1.0%	1.1%	1.5%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Accrued compensation	54,705	71,601	70,835	90,400	104,530	124,239	132,950	141,871	151,728
% of revenue	5.8%	6.3%	5.7%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%
Deferred revenue	25,939	44,935	50,877	77,600	89,729	106,648	114,125	121,783	130,245
% of revenue	2.8%	3.9%	4.1%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%
Other current liabilities	32,374	47,264	64,026	119,200	137,831	163,820	175,306	187,069	200,066
% of revenue	3.5%	4.1%	5.2%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%
Other non-current liabilities	40,201	42,703	42,739	210,600	243,517	289,433	309,727	330,510	353,473
% of revenue	4.3%	3.7%	3.4%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%
Operating Lease ROU Assets	19,137	32,324	30,486	69,800	80,772	96,002	102,734	109,627	117,244
% of revenue	2.0%	2.8%	2.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Current Portion of Operating Lease Liabilities	4,653	5,975	6,371	18,500	16,794	19,840	21,187	22,565	24,089
Noncurrent Portion of Operating Lease Liabilities	15,834	28,373	26,290	54,500	67,178	79,362	84,747	90,262	96,355
Total lease liabilities	**20,487**	**34,348**	**32,661**	**73,000**	**83,972**	**99,202**	**105,934**	**112,827**	**120,444**
Change in ROU assets		13,187	(1,838)	39,314	10,972	15,230	6,731	6,894	7,617
		13,861	(1,687)	40,339	10,972	15,230	6,731	6,894	7,617
% current	23%	17%	20%	25%	20.0%	20.0%	20.0%	20.0%	20.0%
% noncurrent	77%	83%	80%	75%	80.0%	80.0%	80.0%	80.0%	80.0%

Scenario	2	FY19A	FY20A	FY21A	TTM	FY22E	FY23E	FY24E	FY25E	FY26E
PPE Summary										
Revenue		937,837	1,143,744	1,239,153	1,746,353	2,019,311	2,400,060	2,568,338	2,740,679	2,931,096
PPE, net		219,552	272,511	272,793	372,200	405,528	445,160	481,355	517,327	549,647
Cost allocation	Assumed useful life									
Buildings and building improvements	30	101,731	122,310	142,132	150,000	184,398	225,281	269,032	315,718	365,647
Computer equipment and software	7	19,650	24,693	32,450	41,600	54,499	69,831	86,237	103,744	122,468
Demonstration units	3	836	1,024	949	10,400	11,260	12,282	13,376	14,543	15,791
Furniture and office equipment	5	11,049	13,567	14,200	17,800	19,520	21,564	23,752	26,086	28,582
Leasehold improvements	10	15,921	19,295	21,894	30,900	39,499	49,720	60,658	72,329	84,812
Machinery, equipment and tooling	7	74,210	90,843	103,451	140,000	165,798	196,461	229,274	264,288	301,735
Transportation, vehicles and other	10	29,934	33,175	33,082	32,700	34,420	36,464	38,652	40,986	43,482
Land		40,216	57,151	57,027	86,800	86,800	86,800	86,800	86,800	86,800
CIP		39,107	44,589	25,109	45,900	45,900	45,900	45,900	45,900	45,900
PPE, at cost		**332,654**	**406,647**	**430,294**	**556,100**	**642,095**	**744,304**	**853,679**	**970,394**	**1,095,218**
Beginning AD						(183,900)	(236,567)	(299,143)	(372,324)	(453,067)
Depreciation						(52,667)	(62,576)	(73,181)	(80,743)	(92,504)
Ending AD		**(113,102)**	**(134,136)**	**(157,501)**	**(183,900)**	**(236,567)**	**(299,143)**	**(372,324)**	**(453,067)**	**(545,571)**
Capex		(68,375)	(72,549)	(25,503)	(40,803)	(85,995)	(102,209)	(109,375)	(116,715)	(124,824)
% of revenue		(7.3)%	(6.3)%	(2.1)%	(2.3)%	(4.3)%	(4.3)%	(4.3)%	(4.3)%	(4.3)%
Buildings and building improvements		13,282	20,579	19,822	7,868	(34,398)	(40,884)	(43,750)	(46,686)	(49,930)
Computer equipment and software		3,068	5,043	7,757	9,150	(12,899)	(15,331)	(16,406)	(17,507)	(18,724)
Demonstration units		366	188	(75)	9,451	(860)	(1,022)	(1,094)	(1,167)	(1,248)
Furniture and office equipment		590	2,518	633	3,600	(1,720)	(2,044)	(2,188)	(2,334)	(2,496)
Leasehold improvements		(507)	3,374	2,599	9,006	(8,599)	(10,221)	(10,938)	(11,671)	(12,482)
Machinery, equipment and tooling		5,473	16,633	12,608	36,549	(25,798)	(30,663)	(32,813)	(35,014)	(37,447)
Transportation, vehicles and other		4,379	3,241	(93)	(382)	(1,720)	(2,044)	(2,188)	(2,334)	(2,496)
Land		16,454	16,935	(124)	29,773	-	-	-	-	-
CIP		25,787	5,482	(19,480)	20,791	-	-	-	-	-
Total net additions		**68,892**	**73,993**	**23,647**	**125,806**	**(85,995)**	**(102,209)**	**(109,375)**	**(116,715)**	**(124,824)**
% of total net additions										
Buildings and building improvements		19.3%	27.8%	83.8%	6.3%	40.00%	40.00%	40.00%	40.00%	40.00%
Computer equipment and software		4.5%	6.8%	32.8%	7.3%	15.00%	15.00%	15.00%	15.00%	15.00%
Demonstration units		0.5%	0.3%	-0.3%	7.5%	1.00%	1.00%	1.00%	1.00%	1.00%
Furniture and office equipment		0.9%	3.4%	2.7%	2.9%	2.00%	2.00%	2.00%	2.00%	2.00%
Leasehold improvements		-0.7%	4.6%	11.0%	7.2%	10.00%	10.00%	10.00%	10.00%	10.00%
Machinery, equipment and tooling		7.9%	22.5%	53.3%	29.1%	30.00%	30.00%	30.00%	30.00%	30.00%
Transportation, vehicles and other		6.4%	4.4%	-0.4%	-0.3%	2.00%	2.00%	2.00%	2.00%	2.00%
Land		23.9%	22.9%	-0.5%	23.7%	-	-	-	-	-
CIP		37.4%	7.4%	-82.4%	16.5%	-	-	-	-	-

Building and building improvements

				TTM	FY22E	FY23E	FY24E	FY25E	FY26E
Useful life			30						
Opening Balance					150,000	178,251	211,625	246,408	282,570
Additions					34,398	40,884	43,750	46,686	49,930
Depreciation					(6,147)	(7,509)	(8,968)	(10,524)	(12,188)
Net Balance					178,251	211,625	246,408	282,570	320,311
			Final year						
TTM	150,000	30	FY52E	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
FY22E	34,398	30	FY52E	(1,147)	(1,147)	(1,147)	(1,147)	(1,147)	(1,147)
FY23E	40,884	30	FY53E	(1,363)	-	(1,363)	(1,363)	(1,363)	(1,363)
FY24E	43,750	30	FY54E	(1,458)	-	-	(1,458)	(1,458)	(1,458)
FY25E	46,686	30	FY55E	(1,556)	-	-	-	(1,556)	(1,556)
FY26E	49,930	30	FY56E	(1,664)	-	-	-	-	(1,664)
FY27E	53,351	30	FY57E	(1,778)	-	-	-	-	-
FY28E	57,044	30	FY58E	(1,901)	-	-	-	-	-
Depreciation					(6,147)	(7,509)	(8,968)	(10,524)	(12,188)

Computer equipment and software

				TTM	FY22E	FY23E	FY24E	FY25E	FY26E
Useful life			7						
Opening Balance					41,600	46,714	52,069	56,156	58,843
Additions					12,899	15,331	16,406	17,507	18,724
Depreciation					(7,786)	(9,976)	(12,320)	(14,821)	(17,495)
Net Balance					46,714	52,069	56,156	58,843	60,071
			Final year						
TTM	41,600	7	FY28E	(5,943)	(5,943)	(5,943)	(5,943)	(5,943)	(5,943)
FY22E	12,899	7	FY29E	(1,843)	(1,843)	(1,843)	(1,843)	(1,843)	(1,843)
FY23E	15,331	7	FY30E	(2,190)	-	(2,190)	(2,190)	(2,190)	(2,190)
FY24E	16,406	7	FY31E	(2,344)	-	-	(2,344)	(2,344)	(2,344)
FY25E	17,507	7	FY32E	(2,501)	-	-	-	(2,501)	(2,501)
FY26E	18,724	7	FY33E	(2,675)	-	-	-	-	(2,675)
FY27E	20,006	7	FY34E	(2,858)	-	-	-	-	-
FY28E	21,392	7	FY35E	(3,056)	-	-	-	-	-
Depreciation					(7,786)	(9,976)	(12,320)	(14,821)	(17,495)

Demonstration units

				TTM	FY22E	FY23E	FY24E	FY25E	FY26E
Useful life			3						
Opening Balance					10,400	7,507	4,435	1,070	1,143
Additions					860	1,022	1,094	1,167	1,248
Depreciation					(3,753)	(4,094)	(4,459)	(1,094)	(1,170)
Net Balance					7,507	4,435	1,070	1,143	1,221
			Final year						
TTM	10,400	3	FY24E	(3,467)	(3,467)	(3,467)	(3,467)	-	-
FY22E	860	3	FY25E	(287)	(287)	(287)	(287)	-	-
FY23E	1,022	3	FY26E	(341)	-	(341)	(341)	(341)	-
FY24E	1,094	3	FY27E	(365)	-	-	(365)	(365)	(365)
FY25E	1,167	3	FY28E	(389)	-	-	-	(389)	(389)
FY26E	1,248	3	FY29E	(416)	-	-	-	-	(416)
FY27E	1,334	3	FY30E	(445)	-	-	-	-	-
FY28E	1,426	3	FY31E	(475)	-	-	-	-	-
Depreciation					(3,753)	(4,094)	(4,459)	(1,094)	(1,170)

Furniture and office equipment

				TTM	FY22E	FY23E	FY24E	FY25E	FY26E
Useful life			5						
Opening Balance					17,800	15,616	13,347	10,784	7,902
Additions					1,720	2,044	2,188	2,334	2,496
Depreciation					(3,904)	(4,313)	(4,750)	(5,217)	(5,716)
Net Balance					15,616	13,347	10,784	7,902	4,682
			Final year						
TTM	17,800	5	FY26E	(3,560)	(3,560)	(3,560)	(3,560)	(3,560)	(3,560)
FY22E	1,720	5	FY27E	(344)	(344)	(344)	(344)	(344)	(344)
FY23E	2,044	5	FY28E	(409)	-	(409)	(409)	(409)	(409)
FY24E	2,188	5	FY29E	(438)	-	-	(438)	(438)	(438)
FY25E	2,334	5	FY30E	(467)	-	-	-	(467)	(467)
FY26E	2,496	5	FY31E	(499)	-	-	-	-	(499)
FY27E	2,668	5	FY32E	(534)	-	-	-	-	-
FY28E	2,852	5	FY33E	(570)	-	-	-	-	-
Depreciation					(3,904)	(4,313)	(4,750)	(5,217)	(5,716)

Leasehold imprrvements

				TTM	FY22E	FY23E	FY24E	FY25E	FY26E
Useful life			10						
Opening Balance					30,900	35,550	40,798	45,670	50,109
Additions					8,599	10,221	10,938	11,671	12,482
Depreciation					(3,950)	(4,972)	(6,066)	(7,233)	(8,481)
Net Balance					35,550	40,798	45,670	50,109	54,110
			Final year						
TTM	30,900	10	FY31E	(3,090)	(3,090)	(3,090)	(3,090)	(3,090)	(3,090)
FY22E	8,599	10	FY32E	(860)	(860)	(860)	(860)	(860)	(860)
FY23E	10,221	10	FY33E	(1,022)	-	(1,022)	(1,022)	(1,022)	(1,022)
FY24E	10,938	10	FY34E	(1,094)	-	-	(1,094)	(1,094)	(1,094)
FY25E	11,671	10	FY35E	(1,167)	-	-	-	(1,167)	(1,167)
FY26E	12,482	10	FY36E	(1,248)	-	-	-	-	(1,248)
FY27E	13,338	10	FY37E	(1,334)	-	-	-	-	-
FY28E	14,261	10	FY38E	(1,426)	-	-	-	-	-
Depreciation					(3,950)	(4,972)	(6,066)	(7,233)	(8,481)

Scenario	2	FY19A	FY20A	FY21A	TTM	FY22E	FY23E	FY24E	FY25E	FY26E

Machinery, equipment and tooling									
Useful life			7						
Opening Balance					140,000	142,113	144,710	144,769	142,028
Additions					25,798	30,663	32,813	35,014	37,447
Depreciation					(23,685)	(28,066)	(32,753)	(37,755)	(43,105)
Net Balance					142,113	144,710	144,769	142,028	136,370
			Final year						
TTM	140,000	7	FY28E	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
FY22E	25,798	7	FY29E	(3,685)	(3,685)	(3,685)	(3,685)	(3,685)	(3,685)
FY23E	30,663	7	FY30E	(4,380)	-	(4,380)	(4,380)	(4,380)	(4,380)
FY24E	32,813	7	FY31E	(4,688)	-	-	(4,688)	(4,688)	(4,688)
FY25E	35,014	7	FY32E	(5,002)	-	-	-	(5,002)	(5,002)
FY26E	37,447	7	FY33E	(5,350)	-	-	-	-	(5,350)
FY27E	40,013	7	FY34E	(5,716)	-	-	-	-	-
FY28E	42,783	7	FY35E	(6,112)	-	-	-	-	-
Depreciation					(23,685)	(28,066)	(32,753)	(37,755)	(43,105)

Transportations, vehicle and others									
Useful life			10						
Opening Balance					32,700	30,978	29,376	27,698	25,934
Additions					1,720	2,044	2,188	2,334	2,496
Depreciation					(3,442)	(3,646)	(3,865)	(4,099)	(4,348)
Net Balance					30,978	29,376	27,698	25,934	24,082
			Final year						
TTM	32,700	10	FY31E	(3,270)	(3,270)	(3,270)	(3,270)	(3,270)	(3,270)
FY22E	1,720	10	FY32E	(172)	(172)	(172)	(172)	(172)	(172)
FY23E	2,044	10	FY33E	(204)	-	(204)	(204)	(204)	(204)
FY24E	2,188	10	FY34E	(219)	-	-	(219)	(219)	(219)
FY25E	2,334	10	FY35E	(233)	-	-	-	(233)	(233)
FY26E	2,496	10	FY36E	(250)	-	-	-	-	(250)
FY27E	2,668	10	FY37E	(267)	-	-	-	-	-
FY28E	2,852	10	FY38E	(285)	-	-	-	-	-
Depreciation					(3,442)	(3,646)	(3,865)	(4,099)	(4,348)

				FY19A	FY20A	FY21A	TTM	FY22E	FY23E	FY24E	FY25E	FY26E
Debt Schedule												
Short-term debt				-	-	-	13,800	-	270,562	-	153,638	940,900
Long-term debt				-	-	-	951,400	1,235,762	965,200	1,118,838	965,200	24,300
Total Debt				-	-	-	965,200	1,235,762	1,235,762	1,118,838	1,118,838	965,200
Cash BoP				552,641	568,075	645,004	662,800	219,500	753,133	890,688	993,680	1,276,424
Cash Flow from Operations/Investing								263,071	137,555	219,916	282,745	344,589
(-) Mandatory Debt Amortization								-	-	(270,562)	-	(153,638)
(-) Minimum Cash Balance			40.0%					(753,133)	(883,874)	(993,680)	(1,061,803)	(1,134,355)
Cash Surplus/Shortfall								**(270,562)**	**-**	**(153,638)**	**-**	**-**
Revenue				898,063	1,040,791	1,191,449	1,492,753	1,882,832	2,209,685	2,484,199	2,654,509	2,835,888
% revenue				61.54%	54.58%	54.14%	44.40%					
Required Fundraise	Debt Ratio		100%					270,562	-	153,638	-	-
Debt Raised								270,562	-	153,638	-	-
Equity Raised								-	-	-	-	-
Total Debt Beginning Balance				-	-	-	-	965,200	1,235,762	1,235,762	1,118,838	1,118,838
(+) Borrowings								270,562	-	153,638	-	-
(-) Repayments								-	-	(270,562)	-	(153,638)
Ending Balance				**-**	**-**	**-**	**965,200**	**1,235,762**	**1,235,762**	**1,118,838**	**1,118,838**	**965,200**
Repayments	**Principal**	**Interest Rate**	**Maturity**									
Term loan	280,300	3.870%	FY27E					-	-	-	-	-
Revolver	660,600	3.870%	FY27E					-	-	-	-	-
Japanese loans	24,300	1.250%	FY30E					-	-	-	-	-
FY22E	270,562	3.870%	FY24E					-	-	270,562	-	-
FY23E	-	3.870%	FY25E					-	-	-	-	-
FY24E	153,638	3.870%	FY26E					-	-	-	-	153,638
FY25E	-	3.870%	FY27E					-	-	-	-	-
FY26E	-	3.870%	FY28E					-	-	-	-	-
FY27E	279,301	3.870%	FY29E					-	-	-	-	-
FY28E	-	3.870%	FY30E					-	-	-	-	-
Total Repayments								**-**	**-**	**270,562**	**-**	**153,638**
Interest	**Principal**	**Interest Rate**	**Maturity**									
FY22A	280,300	3.870%	FY27E					(10,848)	(10,848)	(10,848)	(10,848)	(10,848)
FY22A	660,600	3.870%	FY27E					(25,565)	(25,565)	(25,565)	(25,565)	(25,565)
FY20A	24,300	1.250%	FY30E					(304)	(304)	(304)	(304)	(304)
FY22E	270,562	3.870%	FY24E					(10,471)	(10,471)	(10,471)	-	-
FY23E	-	3.870%	FY25E					-	-	-	-	-
FY24E	153,638	3.870%	FY26E					-	-	(5,946)	(5,946)	(5,946)
FY25E	-	3.870%	FY27E					-	-	-	-	-
FY26E	-	3.870%	FY28E					-	-	-	-	-
FY27E	279,301	3.870%	FY29E					-	-	-	-	-
FY28E	-	3.870%	FY30E					-	-	-	-	-
Total Interest								**(47,187)**	**(47,187)**	**(53,133)**	**(42,662)**	**(42,662)**
Equity schdule												
Beginning Retained Earnings				931,073	1,100,494	1,341,215	1,570,862	1,673,500	1,805,963	1,960,026	2,152,526	2,401,814
(+) Net Income				196,216	240,282	229,647	170,847	132,463	154,063	192,500	249,287	303,147
(-) Dividends								-	-	-	-	-
Ending Retained Earnings				**1,100,494**	**1,341,215**	**1,570,862**	**1,673,500**	**1,805,963**	**1,960,026**	**2,152,526**	**2,401,814**	**2,704,960**
Weighted Average Shares Outstanding (thousands)												
Basic				53,434	54,700	55,166	52,565					
Diluted				57,100	58,037	57,682	56,400					
Dividends Declared per Common Share Outstanding				-	-	-	-					
Dividends Per Share				-	-	-	-	-	-	-	-	-
Common Shares (Basic)				53,434	54,700	55,166	52,565	52,565	52,565	52,565	52,565	52,565
Earnings Per Share				3.67	4.39	4.16	3.25	2.52	2.93	3.66	4.74	5.77
Payout Ratio				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Beginning APIC				533,164	600,624	703,693	752,513	775,047	836,127	908,725	986,412	1,069,313
(+) Share-based compensation expense								61,080	72,597	77,688	82,901	88,660
(+) New Equity Financing								-	-	-	-	-
(+) Reissuance								-	-	-	-	-
(-) Treasury Buybacks								-	-	-	-	-
Ending APIC				**600,624**	**703,693**	**752,513**	**775,047**	**836,127**	**908,725**	**986,412**	**1,069,313**	**1,157,973**
Beginning Treasury				(489,026)	(526,580)	(638,736)	(767,655)	(1,169,100)	(1,169,100)	(1,169,100)	(1,169,100)	(1,169,100)
(+) Buybacks								-	-	-	-	-
(-) Reissuance								-	-	-	-	-
Ending Treasury				**(526,580)**	**(638,736)**	**(767,655)**	**(1,169,100)**	**(1,169,100)**	**(1,169,100)**	**(1,169,100)**	**(1,169,100)**	**(1,169,100)**

Valuation

Cost of equity	
Rf	3.88%
ERP	7.97%
Beta	0.84
Ke	10.57%

Cost of debt	
Weighted average IR	3.80%
Tax rate	21%
After-tax Kd	3.01%

WACC	
	Based on MV
Target D/Capital	0.00%
Target E/Capital	100.00%
WACC	**10.57%**

Principal	Weighted	Interest Rate
280,300	29.0%	3.870%
660,600	68.4%	3.870%
24,300	2.5%	1.250%

Assumptions	
Tax Rate	16.4%
WACC	10.6%
Perpetual Growth Rate	3.1%
Transaction Date	12/9/2022
Fiscal Year End	12/31/2022
Current Price	138.49
Shares Outstanding	52,530.24
EV/EBITDA	30.51

DCF Model - Assume equal-weighting for both terminal methods

	Weight	**Terminal Value**
Perp. Growth	50%	5,976,298
EV/EBITDA	50%	21,386,316
Average		13,681,307

Discounted Cash Flow	**Entry**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Exit**
Date	*12/09/2022*	*12/31/2022*	*12/31/2023*	*12/31/2024*	*12/31/2025*	*12/31/2026*	*12/31/2027*	*12/31/2028*	*12/31/2028*
Time periods		*0*	*1*	*2*	*3*	*4*	*5*	*6*	*6*
Year frac		*0.06*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	
EBIT		267,529	304,780	369,985	438,959	518,897	603,554	701,018	
FCF Calculation:									
EBIT x (1 - Tax Rate)		179,633	202,491	248,140	299,482	356,480	420,014	490,606	
Add: Depreciation & Amortization		52,667	62,576	73,181	80,743	92,504	101,167	114,195	
OCF		232,300	265,068	321,320	380,225	448,984	521,181	604,801	
(-) Changes in NWC		80,393	(75,381)	(25,527)	(25,198)	(27,855)	(28,703)	(30,635)	
(-) Capex		(85,995)	(102,209)	(109,375)	(116,715)	(124,824)	(133,377)	(142,611)	
FCFF		**226,698**	**87,478**	**186,417**	**238,312**	**296,305**	**359,101**	**431,556**	**13,681,307**
Applicable FCFF	**-**	**13,854**	**87,478**	**186,417**	**238,312**	**296,305**	**359,101**	**431,556**	**13,681,307**

Intrinsic Value	
Enterprise Value	8,505,881
Plus: Cash	219,500
Less: Debt	(1,038,200)
Equity Value	7,687,181
Equity Value/Share	**146.34**

Market Value	
Market Cap	7,274,913
Plus: Debt	1,038,200
Less: Cash	(219,500)
Enterprise Value	8,093,613
Equity Value/Share	**138.49**

Upside/Downside	*5.67%*

Sensitivity Data

WACC	10.6%
Terminal G	3.1%
Exit Multiple	30.51
COGS (healthcare)	(33.0)%
COGS (non-healthcare)	(60.0)%
SG&A expense	(31.0)%
R&D expense	(9.5)%
Target Price	145.43

WACC & Terminal G

Terminal Growth	WACC →					
	$ 145.43	11.6%	11.1%	10.6%	10.1%	9.6%
	2.3%	131.31	136.59	142.23	148.31	154.89
	2.7%	132.45	137.90	143.75	150.07	156.96
	3.1%	133.71	139.34	145.43	152.04	159.29
	3.5%	135.08	140.94	147.29	154.25	161.92
	3.9%	136.60	142.71	149.39	156.74	164.93

WACC & Exit Multiple

Exit Multiple	WACC →					
	145.43	11.6%	11.1%	10.6%	10.1%	9.6%
	26.51	120.08	125.33	131.03	137.23	144.06
	28.51	126.89	132.34	138.23	144.64	151.67
	30.51	133.71	139.34	145.43	152.04	159.29
	32.51	140.52	146.34	152.63	159.44	166.90
	34.51	147.33	153.35	159.83	166.85	174.51

COGS of each segment for final year

COGS (non-healthcare)	COGS (healthcare) →					
	145.43	(35.0)%	(34.0)%	(33.0)%	(32.0)%	(31.0)%
	(62.0)%	128.40	134.06	139.73	145.39	151.06
	(61.0)%	131.25	136.91	142.58	148.24	153.91
	(60.0)%	134.10	139.76	145.43	151.09	156.76
	(59.0)%	136.95	142.61	148.28	153.94	159.61
	(58.0)%	139.80	145.46	151.13	156.79	162.46

SG&A and R&D for final year

R&D Expense	SG&A Expense →					
	145.43	(32.0)%	(31.5)%	(31.0)%	(30.5)%	(30.0)%
	(10.5)%	128.82	132.97	137.12	141.27	145.43
	(10.0)%	132.97	137.12	141.27	145.43	149.58
	(9.5)%	137.12	141.27	145.43	149.58	153.73
	(9.0)%	141.27	145.43	149.58	153.73	157.88
	(8.5)%	145.43	149.58	153.73	157.88	162.04

Sensitivity Data

WACC	10.6%
Terminal G	3.1%
Exit Multiple	30.51
COGS (healthcare)	(33.0)%
COGS (non-healthcare)	(60.0)%
SG&A expense	(31.0)%
R&D expense	(9.5)%
Target Price	145.43

WACC & Terminal G

		WACC				
	$ 145.43	11.6%	11.1%	10.6%	10.1%	9.6%
Terminal Growth	2.3%	131.31	136.59	142.23	148.31	154.89
	2.7%	132.45	137.90	143.75	150.07	156.96
	3.1%	133.71	139.34	145.43	152.04	159.29
	3.5%	135.08	140.94	147.29	154.25	161.92
	3.9%	136.60	142.71	149.39	156.74	164.93

WACC & Exit Multiple

		WACC				
	145.43	11.6%	11.1%	10.6%	10.1%	9.6%
Exit Multiple	26.51	120.08	125.33	131.03	137.23	144.06
	28.51	126.89	132.34	138.23	144.64	151.67
	30.51	133.71	139.34	145.43	152.04	159.29
	32.51	140.52	146.34	152.63	159.44	166.90
	34.51	147.33	153.35	159.83	166.85	174.51

COGS of each segment for final year

		COGS (healthcare)				
	145.43	(35.0)%	(34.0)%	(33.0)%	(32.0)%	(31.0)%
COGS (non-healthcare)	(62.0)%	128.40	134.06	139.73	145.39	151.06
	(61.0)%	131.25	136.91	142.58	148.24	153.91
	(60.0)%	134.10	139.76	145.43	151.09	156.76
	(59.0)%	136.95	142.61	148.28	153.94	159.61
	(58.0)%	139.80	145.46	151.13	156.79	162.46

SG&A and R&D for final year

		SG&A Expense				
	145.43	(32.0)%	(31.5)%	(31.0)%	(30.5)%	(30.0)%
R&D Expense	(10.5)%	128.82	132.97	137.12	141.27	145.43
	(10.0)%	132.97	137.12	141.27	145.43	149.58
	(9.5)%	137.12	141.27	145.43	149.58	153.73
	(9.0)%	141.27	145.43	149.58	153.73	157.88
	(8.5)%	145.43	149.58	153.73	157.88	162.04

Relative Valuation

Consumer Electronics Companies

		Market data					Financial Estimates (FY23)				Trading Metrics			
Company Name	**Ticker**	**Share price**	**Shares (MM)**	**Market Cap (MM)**	**Net Debt (MM)**	**Enterprise Value (MM)**	**Revenue (MM)**	**EBITDA (MM)**	**EBIT (MM)**	**Net Income (MM)**	**EV/Revenue**	**EV/EBITDA**	**EV/EBIT**	**P/E**
MASIMO CORPORATION (XNAS:MASI)	XNAS:MASI	130.00	52.5	6,828.9	818.7	7,647.6	2,400.1	304.8	242.2	154.1	3.19	25.09	31.58	44.33
SONOS, INC. (XNAS:SONO)	XNAS:SONO	17.67	127.3	2,248.5	(238.7)	2,009.8	1,733.0	171.0	115.0	14.6	1.16	11.75	17.48	154.01
VIZIO HOLDING CORP. (XNYS:VZIO)	XNYS:VZIO	11.32	117.6	1,331.7	(310.3)	1,021.4	1,901.0	85.6	38.5	32.0	0.54	11.93	26.53	41.62
TURTLE BEACH CORPORATION (XNAS:HEAR)	XNAS:HEAR	8.86	16.6	146.7	41.9	188.6	286.0	16.6	(3.7)	(3.4)	0.66	11.36	N/A	N/A
UNIVERSAL ELECTRONICS INC. (XNAS:UEIC)	XNAS:UEIC	22.24	12.7	282.0	44.2	326.2	549.0	68.1	47.3	22.0	0.59	4.79	6.90	12.82
KNOWLES CORPORATION (XNYS:KN)	XNYS:KN	15.08	91.0	1,371.5	54.4	1,425.9	792.0	203.0	143.0	78.7	1.80	7.02	9.97	17.43
Genasys Inc. (XNAS:GNSS)	XNAS:GNSS	3.10	36.6	113.5	(11.1)	102.4	58.2	4.9	(0.1)	(0.2)	1.76	21.12	N/A	N/A
DOLBY LABORATORIES, INC. (XNYS:DLB)	XNYS:DLB	70.37	59.9	4,213.1	(758.4)	3,454.7	1,277.0	475.0	248.0	209.0	2.71	7.27	13.93	20.16
VOXX INTERNATIONAL CORPORATION (XNAS:VOXX)	XNAS:VOXX	10.28	21.7	222.9	36.8	259.6	583.0	8.5	(4.9)	0.6	0.45	30.55	N/A	353.76
Average											*1.21*	*13.22*	*14.96*	*99.96*
Min											*0.45*	*4.79*	*6.90*	*12.82*
25th percentile											*0.58*	*7.21*	*9.97*	*18.11*
Median											*0.91*	*11.56*	*13.93*	*30.89*
75th percentile											*1.77*	*14.23*	*17.48*	*125.91*
Max											*2.71*	*30.55*	*26.53*	*353.76*

MedTech Companies

		Market data					Financial Estimates (FY23)				Trading Metrics			
Company Name	**Ticker**	**Share price**	**Shares (MM)**	**Market Cap (MM)**	**Net Debt (MM)**	**Enterprise Value (MM)**	**Revenue (MM)**	**EBITDA (MM)**	**EBIT (MM)**	**Net Income (MM)**	**EV/Revenue**	**EV/EBITDA**	**EV/EBIT**	**P/E**
MASIMO CORPORATION (XNAS:MASI)	XNAS:MASI	130.00	52.5	6,828.9	818.7	7,647.6	2,400.1	304.8	242.2	154.1	3.19	25.09	31.58	44.33
NOVOCURE LIMITED (XNAS:NVCR)	XNAS:NVCR	82.25	105.0	8,632.1	(390.8)	8,241.3	555.0	(104.0)	(94.7)	(102.0)	14.85	N/A	N/A	N/A
TELEFLEX INCORPORATED (XNYS:TFX)	XNYS:TFX	219.17	46.9	10,281.3	1,384.2	11,665.5	2,916.0	873.0	797.0	503.0	4.00	13.36	14.64	20.44
HOLOGIC, INC. (XNAS:HOLX)	XNAS:HOLX	75.93	245.8	18,665.9	540.0	19,205.9	3,818.0	1,247.0	1,145.0	903.0	5.03	15.40	16.77	20.67
INSPIRE MEDICAL SYSTEMS, INC. (XNYS:INSP)	XNYS:INSP	215.33	28.9	6,220.9	(418.4)	5,802.5	513.0	(45.7)	(75.6)	(75.0)	11.31	N/A	N/A	N/A
PENUMBRA, INC. (XNYS:PEN)	XNYS:PEN	194.02	38.0	7,368.9	33.1	7,402.0	1,003.0	78.2	52.4	41.1	7.38	94.65	141.26	179.29
SHOCKWAVE MEDICAL, INC. (XNAS:SWAV)	XNAS:SWAV	246.6	36.1	8,912.1	(196.0)	8,716.1	634.0	218.0	178.0	145.0	13.75	39.98	48.97	61.46
ABIOMED, INC. (XNAS:ABMD)	XNAS:ABMD	373.99	45.1	16,863.2	(820.4)	16,042.8	1,136.0	291.0	266.0	273.0	14.12	55.13	60.31	61.77
DEXCOM, INC. (XNAS:DXCM)	XNAS:DXCM	115.96	386.3	44,790.7	(240.0)	44,550.7	3,472.0	901.0	609.0	362.0	12.83	49.45	73.15	123.73
LIVANOVA PLC (XNAS:LIVN)	XNAS:LIVN	52.11	53.5	2,788.9	346.7	3,135.6	1,045.0	189.0	159.0	37.3	3.00	16.59	19.72	74.77
EXACT SCIENCES CORPORATION (XNAS:EXAS)	XNAS:EXAS	46.33	177.7	8,231.9	1,790.9	10,022.8	2,282.0	(116.0)	(408.0)	(437.0)	4.39	N/A	N/A	N/A
Average											*9.07*	*40.65*	*53.55*	*77.45*
Min											*3.00*	*13.36*	*14.64*	*20.44*
25th percentile											*4.55*	*16.00*	*18.25*	*41.07*
Median											*9.35*	*39.98*	*48.97*	*61.77*
75th percentile											*13.52*	*52.29*	*66.73*	*99.25*
Max											*14.85*	*94.65*	*141.26*	*179.29*

Blended Trading Metrics

Weight	
Consumer Electronics	33.3%
Medtech	66.7%

	EV/Revenue	**EV/EBITDA**	**EV/EBIT**	**P/E**
Average	6.45	31.51	40.68	84.95
Min	2.15	10.51	12.06	17.90
25th percentile	3.23	13.07	15.49	33.41
Median	6.53	30.51	37.29	51.48
75th percentile	9.60	39.60	50.31	108.14
Max	10.80	73.28	103.02	237.45
MASI	3.19	25.09	31.58	44.33

MASI Target Price

		MASI's Implied Valuation					MASI's FY23 Figures				Peers Median			
Company Name	**Approach**	**Share price**	**Shares (MM)**	**Market Cap (MM)**	**Net Debt (MM)**	**Enterprise Value (MM)**	**Revenue (MM)**	**EBITDA (MM)**	**EBIT (MM)**	**Net Income (MM)**	**EV/Revenue**	**EV/EBITDA**	**EV/EBIT**	**P/E**
MASIMO CORPORATION (XNAS:MASI)	EV/Revenue	**282.92**	52.5	14,861.94	818.7	15,680.6	2,400.1	304.8	242.2	154.1	**6.53**			
MASIMO CORPORATION (XNAS:MASI)	EV/EBITDA	**161.42**	52.5	8,479.38	818.7	9,298.1	2,400.1	304.8	242.2	154.1		**30.51**		
MASIMO CORPORATION (XNAS:MASI)	EV/EBIT	**156.34**	52.5	8,212.58	818.7	9,031.3	2,400.1	304.8	242.2	154.1			**37.29**	
MASIMO CORPORATION (XNAS:MASI)	P/E	**150.97**	52.5	7,930.5	818.7	8,749.18	2,400.1	304.8	242.2	154.1				**51.48**