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# Cutera, Inc.

## *Company Overview*

**James Reinstein**

President & Chief Executive Officer

March 2018

# Safe Harbor Statement

Certain statements made over the course of this presentation may be forward-looking in nature, involving known and unknown risks, assumptions, uncertainties and other factors that may cause the actual results, performance and achievements of the company to be materially different from those projected or implied by such forward-looking statements. For a discussion of such factors, we refer you to the "Risk Factors" discussion contained in our 2016 Form 10-K and follow on Form 10-Qs filed with the Securities and Exchange Commission.

## **Regulation G**

This presentation contains certain non-GAAP measures which are provided to assist in an understanding of the Cutera business and its operational performance. These measures should always be considered in conjunction with the appropriate GAAP measure. Reconciliations of all non-GAAP amounts to the relevant GAAP amount are provided as an attachment to this presentation.

# Executive Summary

Cutera is an **innovation-focused** leader in aesthetic energy systems with a strong technical culture

Design, manufacture & market in a ~**\$26.5 Billion** market

~**13,000 units** installed to core + non-core physicians

Broad portfolio of products in high-growth market segments

Recurring revenue streams from existing customers

# Executive Summary (continued)

**Fourteen** consecutive quarters of **double digit** revenue growth

**Three** consecutive years of **21%+** revenue growth

Q4'17 Non-GAAP Net Income of **\$6.1 million and EPS of \$0.42**

Strong balance sheet with all growth initiatives internally funded  
**No Debt**

Cash generated by operations in 2017 - \$14.3 million

# Established Global Corporate Infrastructure



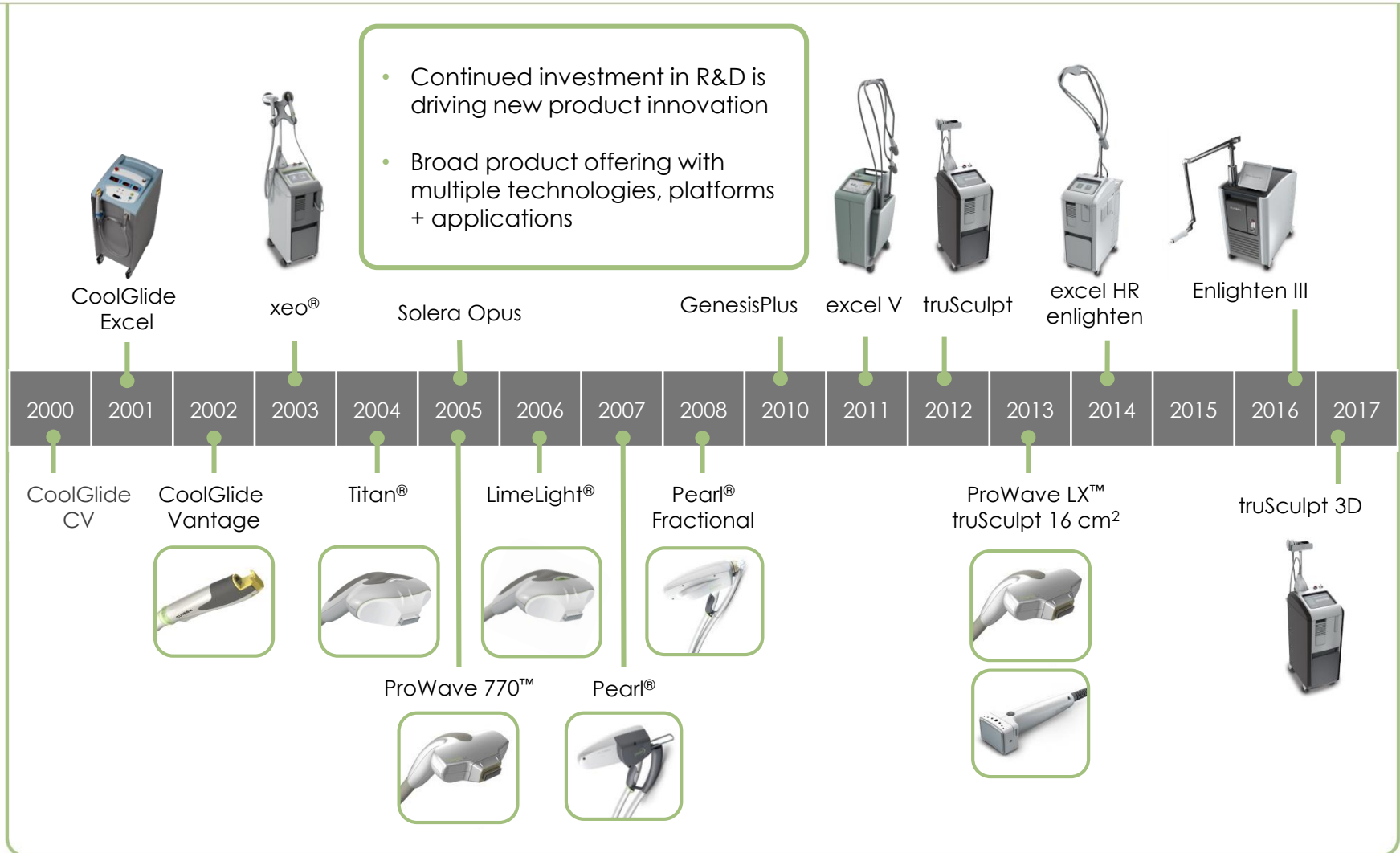
Cutera HQ in Brisbane, CA: **66,000 square-feet**

Strategic location near San Francisco and close to airport

~400 employees worldwide: **~1/3 in the commercial team**

Plans to add more resources to strengthen  
product offerings and increase revenue

# Proven Track Record of Innovation



# Comprehensive Product Line



# Clinical Results in Multiple, High-Growth Markets

## Proven Laser + Light-based Technology

Tattoo



Hair



Resurfacing



Pigment



Vascular



Body





# truSculpt 3D



**DOUBLE THE FREQUENCY  
DOUBLE THE HEAT**

**New “GLIDE” technique:**  
3X larger treatment zone

**DOUBLE THE RESULTS  
IN HALF THE TIME**

# Launched *truSculpt 3D* in May 2017



Contributed the highest revenue of all platforms in YTD 2017

Generates highest level of gross margin of all platforms

Consumable hand piece creates recurring revenue stream on all new and upgraded systems

# enlighten™: PICO + NANO Technology



- Fully integrated, single laser engine
- Three wavelength (532 nm, 1064 nm and 670nm), picosecond and nanosecond laser
- Highest pulse energy in class, independent adjustment of all treatment parameters

- Dermal and epidermal pigmentation concerns
- Tattoo removal on all ink colors and safe for all skin types
- PICO Genesis™ : 100% surface coverage utilizing ultra-short pulses

- Core physicians (dermatologists, plastic and reconstructive surgeons)
- Non-core physicians

# Late Breaking News

## Secret™ RF

Skin  
Revitalization



## Juliet™

Women's Intimate  
Health



# Skin Revitalization Market

- Energy-Based Aesthetic Devices
  - \$1.8B: 2018 Estimated Global Revenues
  - +5.8%: Projected 5-Year CAGR
- More than 70% of today's patients are bothered by lines and wrinkles around the eyes and skin and skin texture and/or discoloration. [\[1\]](#)
- Over 60% of today's patients are bothered by wrinkles near the cheeks and mouth, sagging facial skin, lines and wrinkles between the eyebrows, forehead and neck/chest. [\[2\]](#)

[\[1\] https://www.asds.net/2017-consumer-survey/](https://www.asds.net/2017-consumer-survey/)

[\[2\] https://www.asds.net/2017-consumer-survey/](https://www.asds.net/2017-consumer-survey/)

# Juliet Market Size

- Energy-Based Women's Health
  - \$223M: Estimated global revenue in 2018
  - 25.8%\*: Projected 5 Year CAGR
- Vaginal atrophy: 50% of menopausal & 15% of premenopausal women
  - 447 million worldwide
- Vaginal laxity: 75% of women during their lifetime report laxity
  - (reported by younger women 15-44yrs (8%))
  - (reported by older women >44 (2.9%))
- Vaginal rejuvenation/remodeling
  - 4.9M surgical vaginal procedures performed (ISAPS 2015)

\*MIL, Inc.

\*\*Im, E. O. (2009, April). Ethnic differences in symptoms experienced during the menopausal transition. *Health Care for Women International*, 30(4), 339–355. Retrieved from <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2670463>

# Commercial Overview – North America

Proven commercial leadership team led by Larry Laber

NA sales force expansion & productivity improvements

- Aggressive hiring to penetrate this significant aesthetics market opportunity
- Enhanced sales training and expanded marketing support
- **68 direct** sales people as of 12/31/17

Significant increase in sales productivity  
From **\$857k** per head in 2014 to **\$1.5m** in 2017

North America systems and upgrades revenue grew **51%**  
(2017 vs 2016)

Establishing a new commercial team to support the sales of consumable products used with the truSculpt 3D, Juliet and Secret RF

# Commercial Overview – International

Direct distribution in Japan, Australia, and major European markets

- European office located in France provides Sales, Marketing and Technical Service support to the EMMEA region
- International direct sales force and geographical expansion is continuing and we are evaluating other key international markets for growth opportunities

Expanded leadership team in Asia, Europe, Middle East and Latin America during 2017

International systems and upgrades revenue grew **10%**  
(2017 vs 2016)

Distributor relationships in **40+** countries



# Service Overview

Global Service Team under new leadership from Mike Palumbo

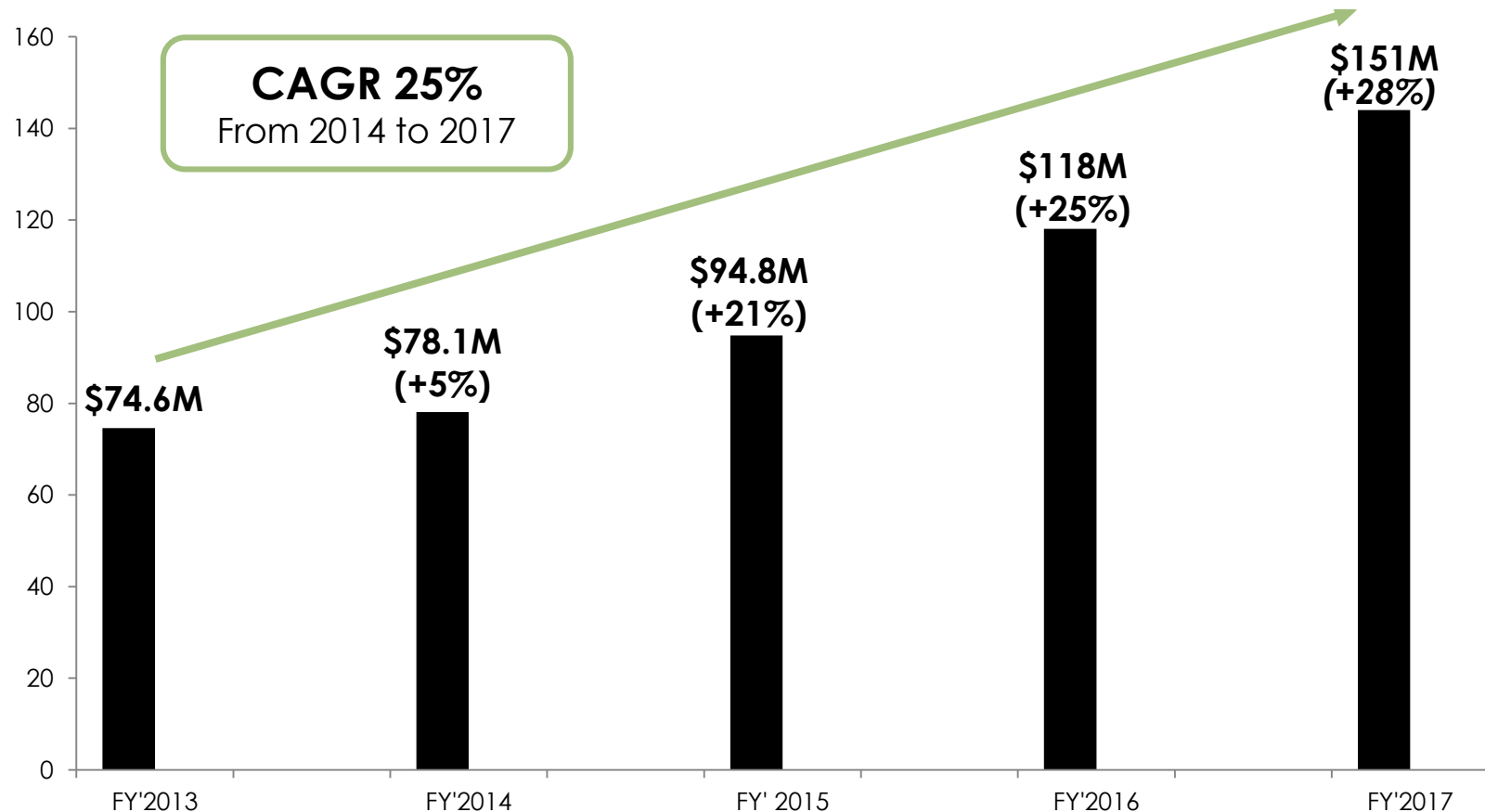
Post warranty service business is a predictable, recurring revenue stream allowing us to maintain strong customer relationships

- Generated \$19M of revenue in 2017
- Annual service contracts
- Time and material charges
- Spare parts sold to distributors

Gross margin of service business of ~50+%

Large installed base of systems offers a recurring revenue stream and opportunity for revenue expansion with new service agreements

# Annual Revenue Trend



**Growth is driven by continued innovation and commercial execution  
14 Consecutive Quarters of Double-Digit Revenue Growth as of Q4'17**

# Strong Balance Sheet Without Debt

	<b><u>December 31, 2017</u></b> <b><u>\$ Millions</u></b>
Cash and Investments	\$35.9 (\$2.46/Share)
Accounts Receivable	\$20.8 (DSO - 40)
Inventory	\$28.8
Total Assets	\$111.2
Debt	----

# Key Financial Highlights

**14** consecutive quarters of double-digit revenue growth  
Growth in both US and OUS regions **(Q4'17 +26%)**

North America Systems revenue growing at >50% per year since 2014  
**(51% in Q4'17)**

Adjusted Net Income of **\$13.3 million** in 2017

Cash generated from operations totaled **\$14.3 million** in 2017

Strong, Well Managed Balance Sheet **without Debt**

Repurchased **\$80 million** of stock since 2015

# Executing on Multiple Initiatives

Generate profits and cash by leveraging expenses



New product development process with generate the launch of 3 new technologies in new markets



Improve gross margin by increasing volume and continued focus on cost reduction programs



Increase revenue through North American Sale Team expansion and improved International Growth



# GAAP to Non-GAAP Reconciliations

**CUTERA, INC.**  
**RECONCILIATION OF GAAP CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**TO NON-GAAP CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share data)  
(unaudited)

	Twelve Months Ended December 31, 2017		
	GAAP	Adjustments*	Non-GAAP*
Net revenue	\$ 151,493	\$ —	\$ 151,493
Cost of revenue	65,383	(989) (a)	64,394
Gross profit	86,110	989	87,099
Gross margin %	57%		57%
Operating expenses:			
Sales and marketing	52,070	(2,300) (b)	49,770
Research and development	12,874	(961) (c)	11,913
General and administrative	14,090	(1,876) (d)	12,214
Lease termination	(4,000)	4,000 (e)	—
Total operating expenses	75,034	(1,137)	73,897
Income from operations	11,076	2,126	13,202
Interest and other income, net	884	—	884
Income before income taxes	11,960	2,126	14,086
Provision (benefit) for income taxes	(18,033)	18,411 (f)	378
Net income	\$ 29,993	\$ (16,285)	\$ 13,708
Net income per share:			
Basic	\$ 2.16	\$ (1.17)	\$ 0.99
Diluted	\$ 2.04	\$ (1.11)	\$ 0.93
Weighted-average number of shares used in per share calculations:			
Basic:	13,873	13,873	13,873
Diluted	14,728	14,728	14,728

\* Fiscal year 2017 Non-GAAP results exclude the effect of the below mentioned adjustments (\$000s)

(a) Adjustment of \$989 included non-cash expenses of \$329 related to depreciation and amortization, and \$660 of stock based compensation.

(b) Adjustment of \$2,300 included a non-cash expenses of \$658 related to depreciation and \$1,642 of stock based compensation.

(c) Adjustment of \$961 included a non-cash expenses of \$25 related to depreciation and \$936 of stock based compensation.

(d) Adjustment of \$1,876 included non-cash expenses of \$4 for depreciation and \$1,872 for stock based compensation.

(e) Adjustment of \$4,000 represents non-recurring lease termination income

(f) Adjustment of \$18,411 relates to: (i) \$18,741 for the release of a significant portion of our valuation allowance against certain U.S. deferred tax assets, partially offset by our revised measurement of U.S. deferred tax assets resulting from the 2017 US Tax Reform; offset by (ii) \$248 for establishing a foreign transfer pricing contingency reserve; and (iii) \$82 for the tax effect of the \$4 million lease termination fee received in Q3'2017.

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# **The New Era of Cutera**

**CUTERA®**

FACE + BODY AESTHETIC SOLUTIONS