

ELECTROMED, INC.
INVESTOR PRESENTATION

November 2019

NYSE American: ELMD

**THE INNOVATION LEADER IN
AIRWAY CLEARANCE
TECHNOLOGIES**

smartvest[®]
AIRWAY CLEARANCE SYSTEM

ELECTROMED, INC.



FORWARD LOOKING STATEMENTS

Certain statements in this presentation constitute forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can generally be identified by words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan” “potential,” “should,” “will,” and similar expressions, including the negative of these terms, but they are not the exclusive means of identifying such statements. Forward-looking statements made in this presentation include, but are not limited to, our plans and expectations regarding the economic environment in which we operate, market opportunities, treatment, referral and approval trends, growth strategies and long-term objectives.

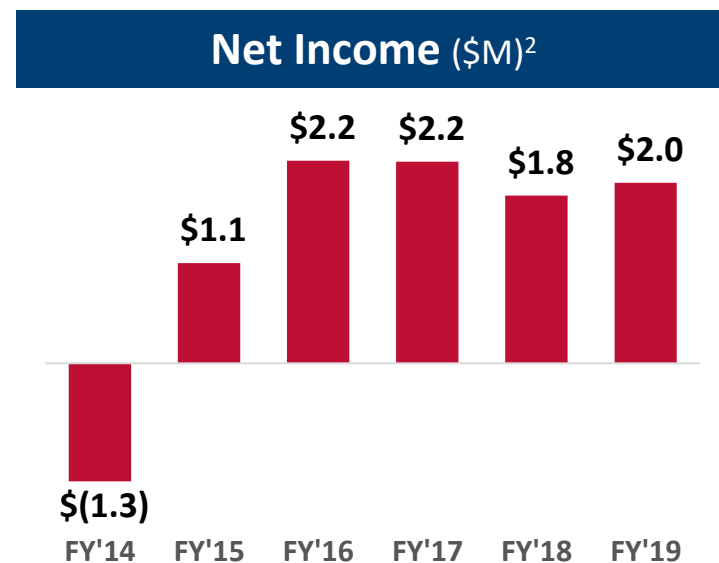
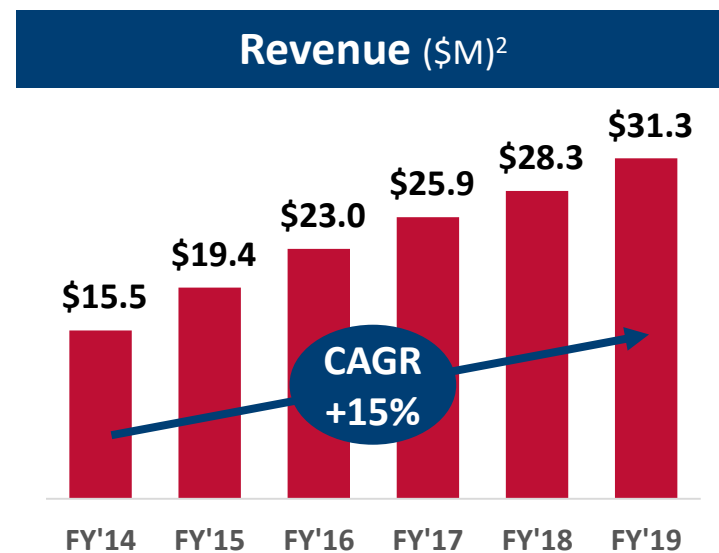
Forward-looking statements cannot be guaranteed, and actual results may vary materially due to the uncertainties and risks, known or unknown associated with such statements. Examples of risks and uncertainties for the Company include, but are not limited to the competitive nature of our market; changes to Medicare, Medicaid, or private insurance reimbursement policies; changes to state and federal health care laws; changes affecting the medical device industry; our ability to develop new sales channels for our products such as the homecare distributor channel; our need to maintain regulatory compliance and to gain future regulatory approvals and clearances; new drug or pharmaceutical discoveries; general economic and business conditions; our ability to renew our line of credit or obtain additional credit as necessary; our ability to protect and expand our intellectual property portfolio; the risks associated with expansion into international markets, as well as other factors described from time to time in the Company’s reports filed with the Securities and Exchange Commission (including the Company’s most recent Annual Report on Form 10-K, as amended from time to time, and subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K). Investors should not consider any list of such factors to be an exhaustive statement of all of the risks, uncertainties or potentially inaccurate assumptions investors should take into account when making investment decisions. Shareholders and other readers should not place undue reliance on “forward-looking statements,” as such statements speak only as of the date of this presentation. We undertake no obligation to update any of these forward-looking statements.

WHO IS **ELECTROMED**?

- We are a profitable, growing **medical device company** focused on developing, manufacturing and marketing **innovative airway clearance products**.
- Our primary model: **direct** to patient and provider.
- Our SmartVest® High Frequency Chest Wall Oscillation (“HFCWO”) system helps patients clear mucus from the lungs.
- **We improve quality of life and reduce risk of infection** for patients with compromised pulmonary function due to **chronic** diseases and conditions such as bronchiectasis and other diseases under the COPD¹ umbrella as well as cystic fibrosis and neuromuscular disorders.
- We are guided by a “patient centric” culture and call on three customers: **physicians, patients and payers**.

¹Chronic obstructive pulmonary disease

² FY'14 to FY'17 financials under ASC 605; FY'18 & FY'19 under ASC 606



BENEFITS OF **HFCWO THERAPY**

Studies show that HFCWO therapy is as effective as chest physical therapy (“CPT”) for airway clearance.

Benefits for the Patient

- Lower risk of respiratory infections that can be serious or life-threatening (e.g., pneumonia)
- Independence from a dedicated caregiver
- Consistency, comfort and portability of therapy
- Improved quality of life

Benefits for the Payer

- Eliminates expense of an in-home care provider (required in CPT)
- Reduces likelihood of costly hospital admissions due to infections or other complications

Mini coughs loosen, thin and propel mucus toward major airways



Garment squeezes and releases upper torso of body, creating “mini coughs”



Air pulse generator delivers rapidly repeating pulses of air to an inflatable garment connected via hose

How HFCWO Works

WHY ELECTROMED'S **SMARTVEST**?

- Smaller, quieter, lighter and designed to maximize comfort
- Tailored-fit design and user-friendly controls
- Truly portable



SmartVest's Innovative Features Designed to Drive Greater Patient Compliance with Prescribed Treatment Schedules

HISTORY OF INNOVATION



Introduced *Portable* HFCWO Device

Introduced *Programmable* HFCWO Device



Introduced *Reversible Wrap* Garment



Introduced *SmartVest® SQL®*



Launched *SmartVest Connect®* Wireless Connectivity & Reporting Solution

2000

2002

2004

2006

2008

2010

2011

2013

2014

2016

2017

Introduced *Machine Washable* Vest Garment



Introduced *Multi-Positional* HFCWO Device

Expanded R&D Projects

Introduced *Seriously Pink* SmartVest®

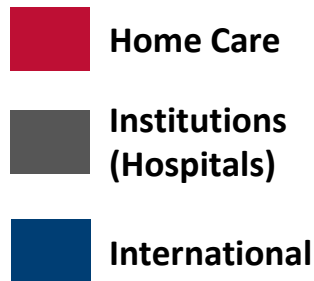
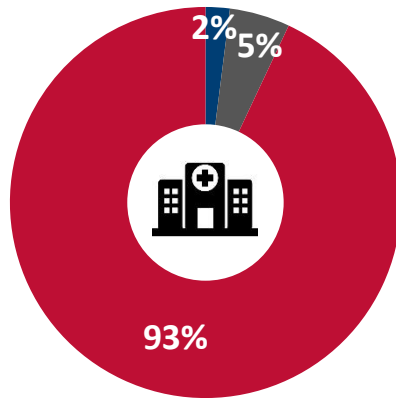
Introduced *Gingko Green* SmartVest®

Introduced *Expanded SmartVest®* Garment and *SmartVest SQL®* Generator Colors

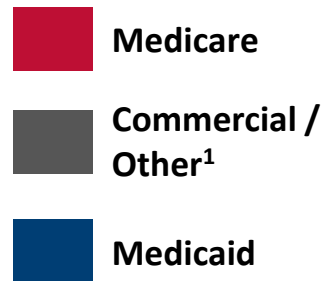
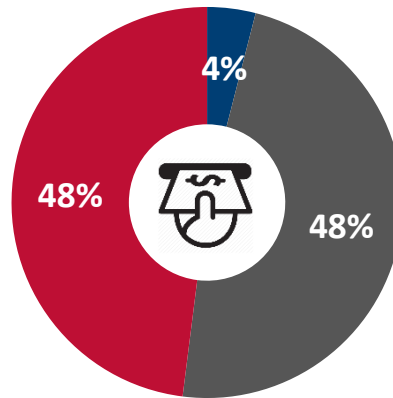


REVENUE BREAKDOWN – \$31.3M (FY 2019)

By Setting

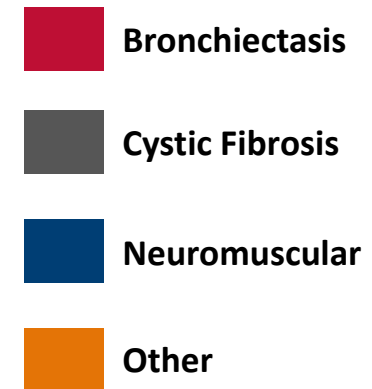
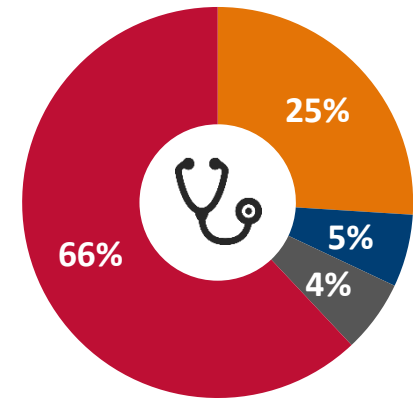


Homecare By Payer



¹ Includes 13% Managed Medicare and 11% Managed Medicaid

Homecare By Referral Volume



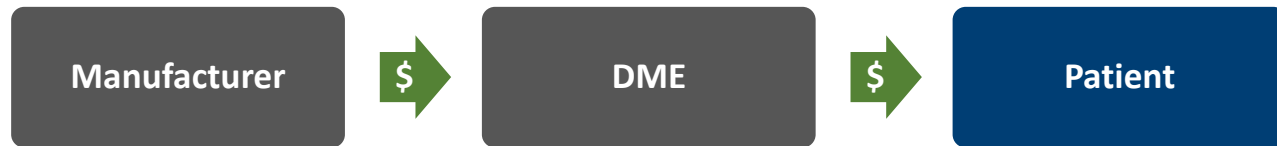
BUSINESS MODEL

We generate revenue via sales to: patients for home use; institutions for inpatient use; patients when discharged from a hospital; and international distributors.

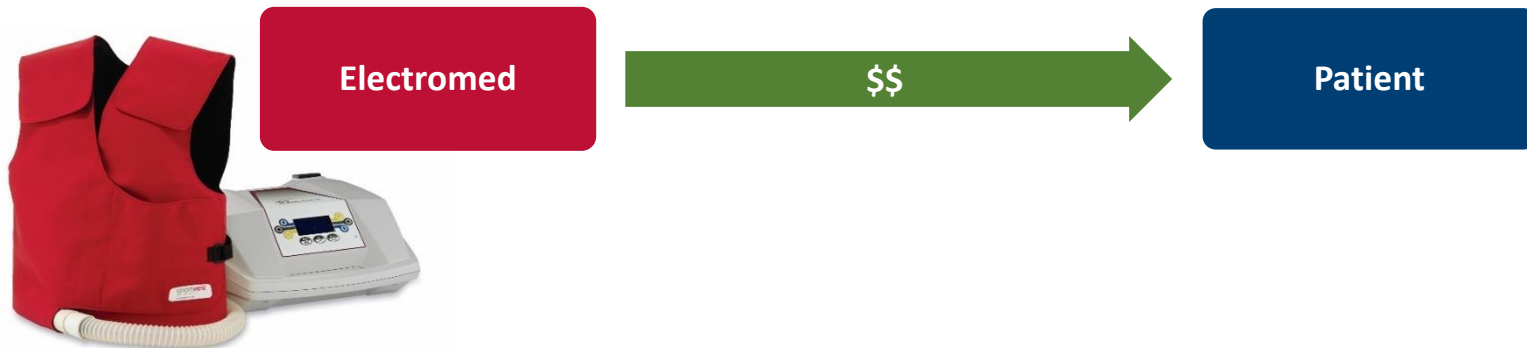
	Home Care	Institutions	International
% of Revenue:	~93%	~5%	~2%
Sales Points:	Direct to physicians Adult pulmonology clinics Cystic fibrosis centers Neuromuscular clinics Hospitals	Individual hospitals; member hospitals of group purchasing organizations (GPOs)	Distributors
Revenue Model:	Third-party reimbursement (Medicare, Medicaid, Commercial)	Payments made directly from the institution for generator sales – capital purchase Single patient use garments – recurring sales	Contracted price with payments made directly from the distributor

DIRECT-TO-PATIENT DISTRIBUTION MODEL DRIVES HOME CARE GROSS MARGIN

Traditional Medical Equipment Channel



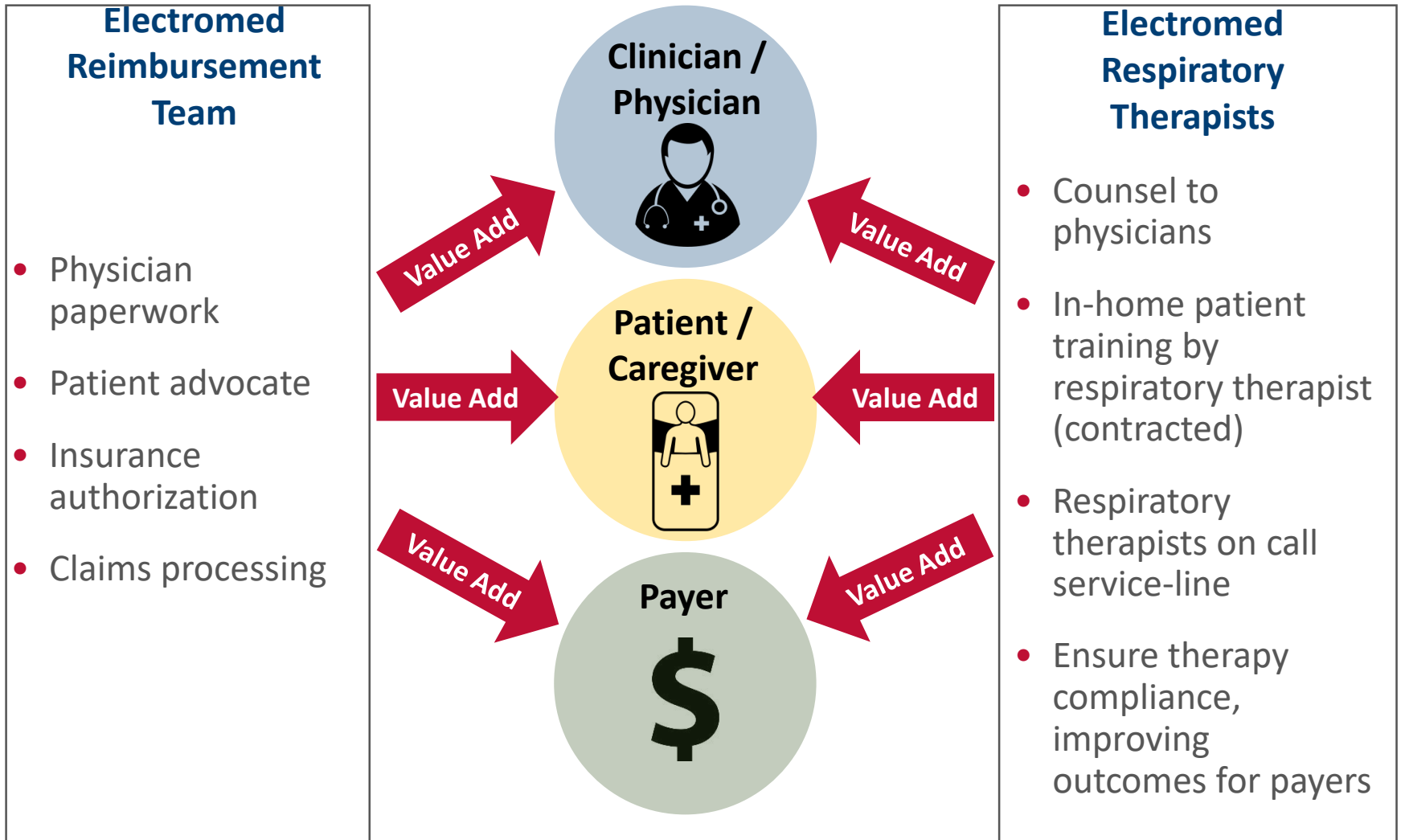
Direct to Patient Distribution



We believe our long-term gross margins can be sustained in the mid-70s

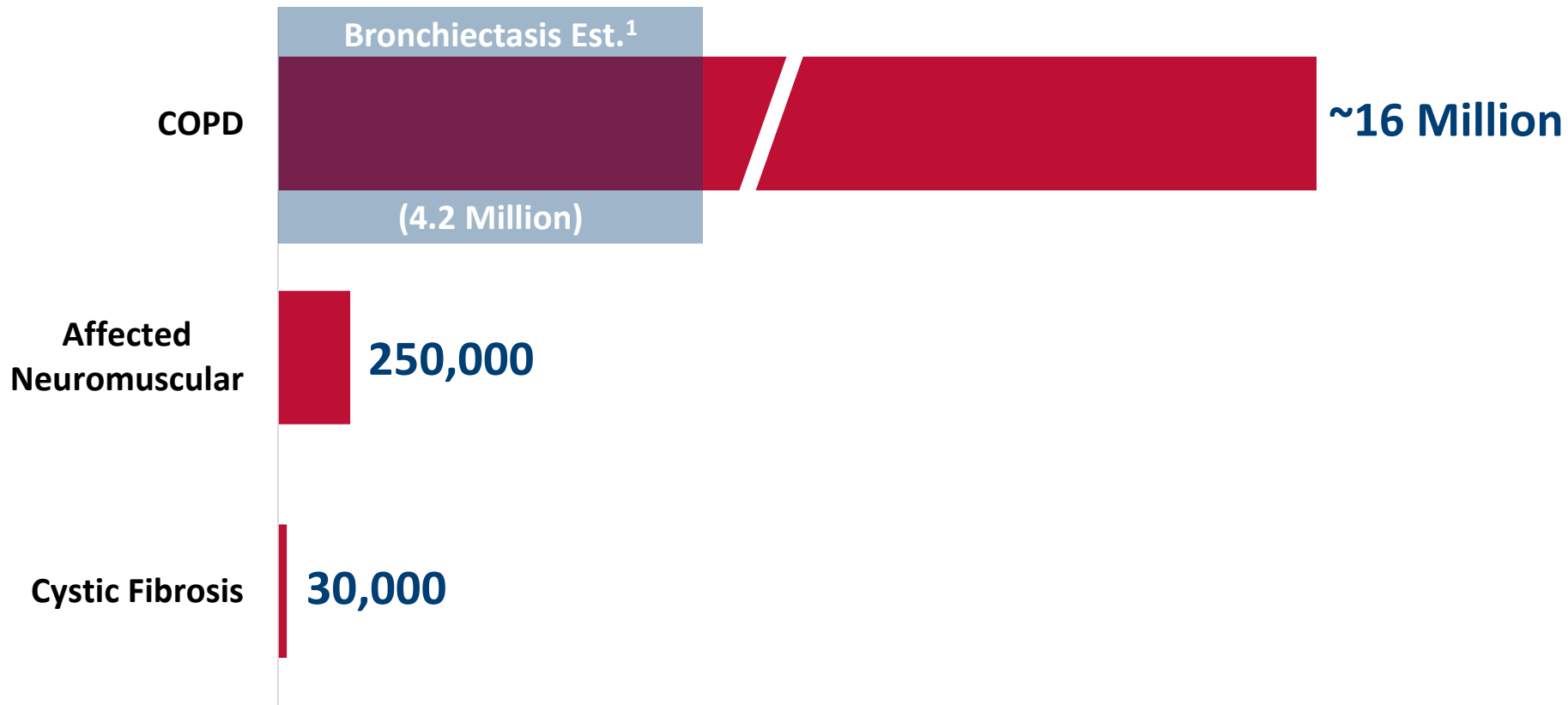
VALUE ADDED SERVICES

TO OUR HOME CARE CUSTOMERS



DISEASES AND CONDITIONS FOR WHICH HFCWO THERAPY IS **ROUTINELY PRESCRIBED**

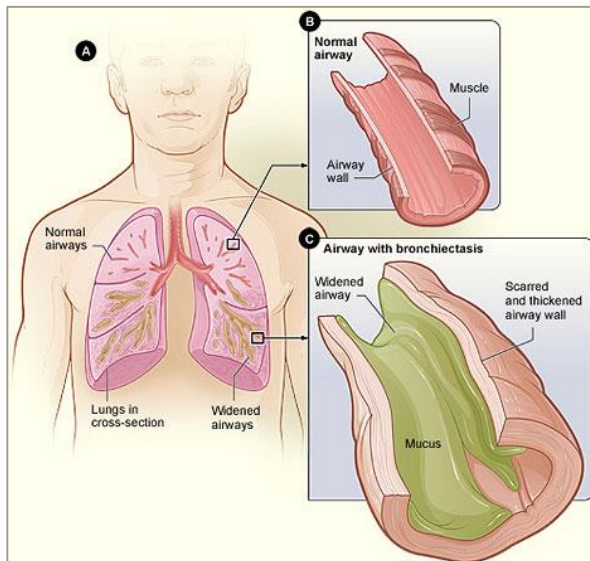
Estimated U.S. Populations:



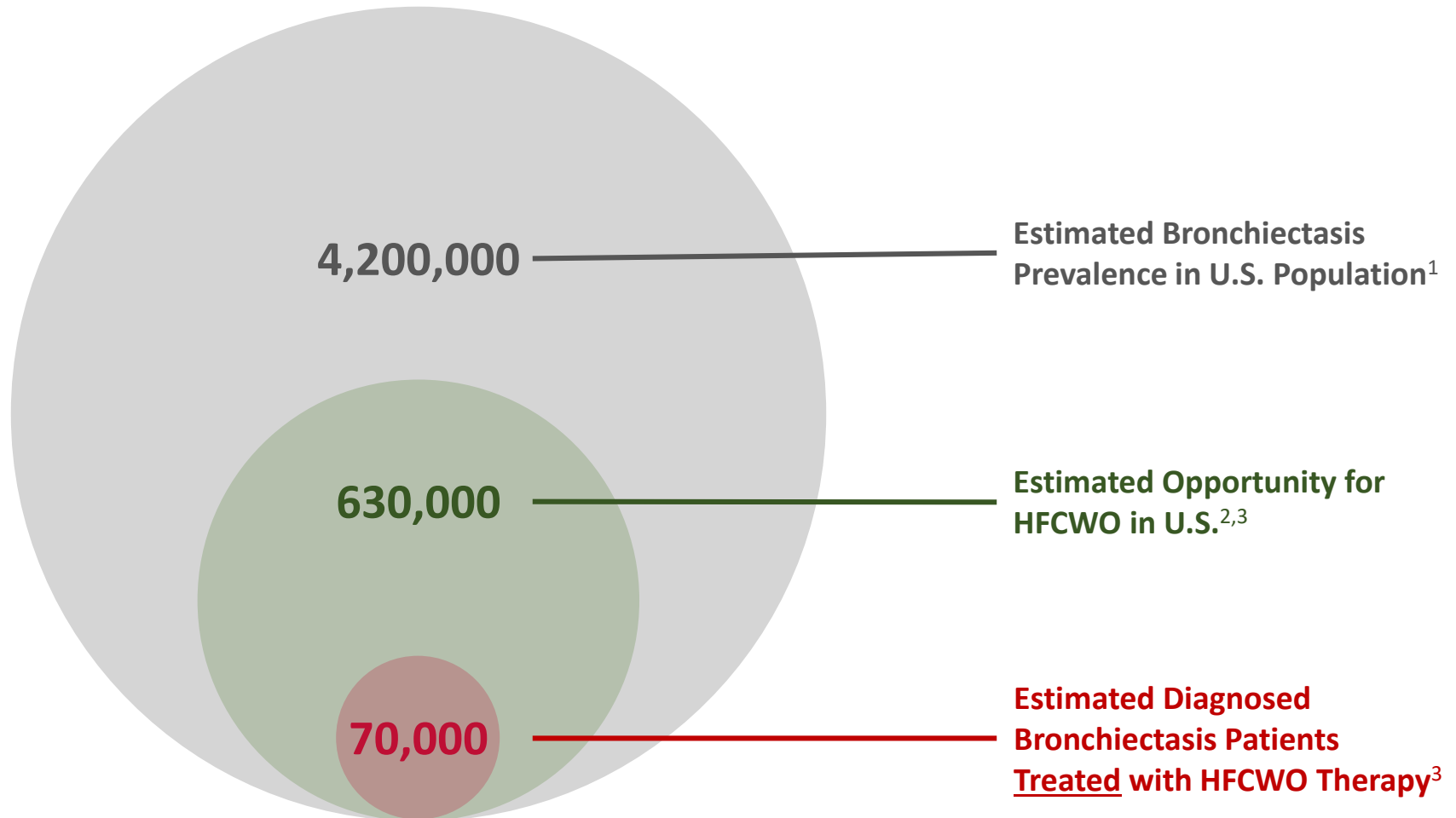
¹ Weycker D, Hansen G, Seifer F. Prevalence and incidence of non-cystic fibrosis bronchiectasis among US adults in 2013. Chronic Respiratory Disease. 2017; 14(4):377-384.

THE BRONCHIECTASIS MARKET OPPORTUNITY

- Bronchiectasis: an irreversible lung condition characterized by abnormal widening of one or more of the bronchi (airways)
- End result of repeated episodes of pulmonary inflammation and infection
- Damaged airways allow excess mucus to accumulate, increasing risk of infection



LARGE, UNDERPENETRATED U.S. MARKET



Estimated total addressable market opportunity: \$5 billion⁴

¹ Weycker D, Hansen G, Seifer F. Prevalence and incidence of non-cystic fibrosis bronchiectasis among US adults in 2013. *Chronic Respiratory Disease*. 2017; 14(4):377-384.

² Estimate for 2016, extrapolated from "Trends in Bronchiectasis-Among Medicare Beneficiaries in the United States, 2000 to 2007" (Amy E. Seitz, MPH, et al. 2012).

³ Aksamit T.R., et al. Bronchiectasis Research Registry C. Adult Patients With Bronchiectasis: A First Look at the US Bronchiectasis Research Registry. *Chest*. 2017;151:982-92

⁴ Assuming an average selling price between \$8,000 and \$10,000

INDUSTRY DRIVERS FOR AN EXPANDING HFCWO MARKET

- Aging population
- Higher incidences of **chronic lung diseases**
- Growing **physician awareness** of diseases and conditions, such as bronchiectasis
- The **Affordable Care Act** penalizes for readmission of patients within certain timeframes after discharge
- Healthcare reform driving greater accountability through moving from fee-for-service to **fee-for-outcomes**
- Treatment moving to **lower cost settings** (i.e., in-home care)

The bronchiectasis market is growing an estimated 9% per year, driven by an aging U.S. population developing higher incidences of chronic lung diseases.

HEALTH CARE REFORM IS FOCUSED ON THE **COMPREHENSIVE COST** OF CARE



**Upfront
Cost**

vs.

**Future Costs
and Outcomes**

**Cost of Hospital
Readmissions**

**Cost of
Drugs**

**Complications and
Infections**

**Lower Quality
of Life**

SmartVest®



**SmartVest can Lower the Comprehensive Cost
of Health Care and Improves Outcomes**

EVIDENCE-BASED SALES APPROACH

Electromed is the only HFCWO company with multiple published studies showing that bronchiectasis exacerbation rates drop significantly when using HFCWO therapy.

BMC Pulmonary Medicine published an independent outcomes study that concluded therapy with SmartVest significantly decreases exacerbations requiring hospitalization, antibiotic use, and stabilizes lung function among non-CF bronchiectasis patients. Powner (2018).

Therapy with SmartVest demonstrated an improvement in symptom scores and quality of life.
Chakravorty (2011)

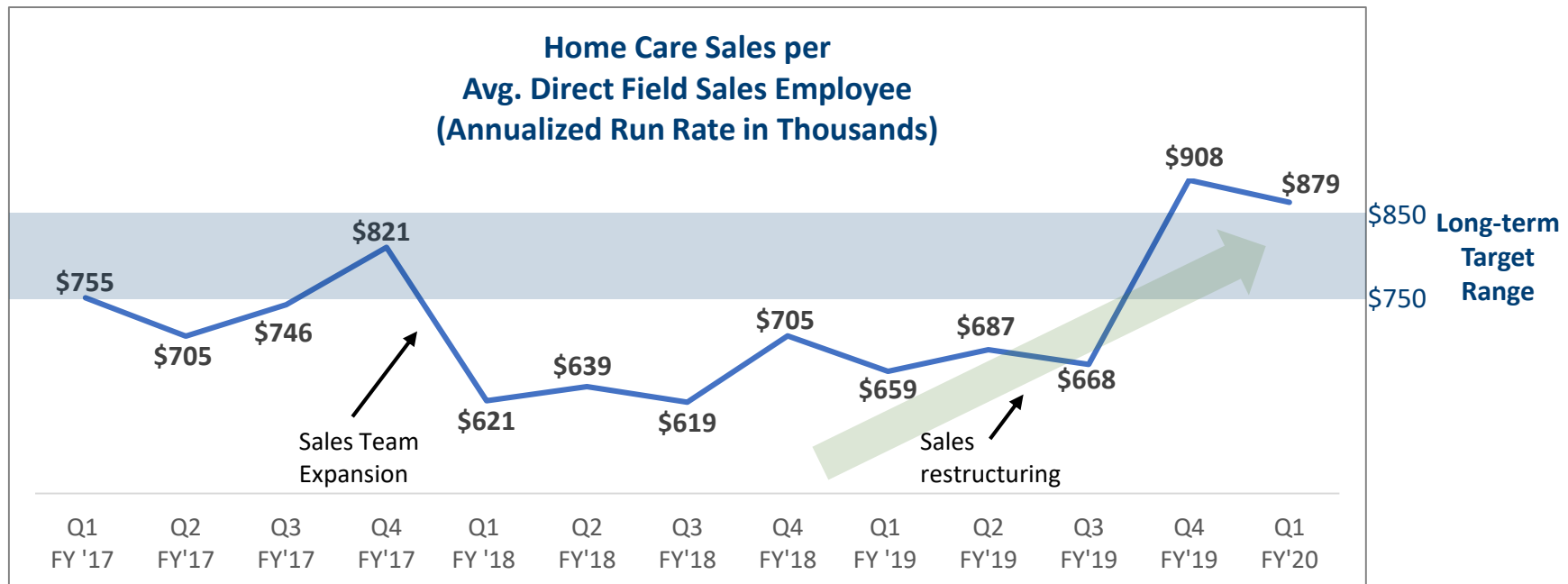
59%
Exacerbations requiring hospitalization reduced with SmartVest.
Sievert (2016)

75%
Longitudinal outcome-based study: ED visits significantly reduced with SmartVest.
Sievert (2018)

EMPHASIS ON **SALES FORCE PRODUCTIVITY**

Continuing Actions

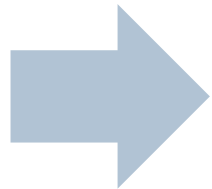
- Focus on strategic high-prescribing clinics and home care referrals from hospitals
- Sales training programs, account planning tools and CRM utilization
- Increased sales leadership co-travel with new field sales employees
- Pause on sales force expansion



KEY GROWTH STRATEGY

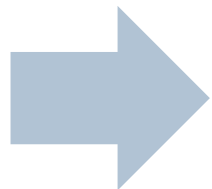
- Increase referrals in largest, fastest growing segments: adult pulmonology / bronchiectasis
- Improve sales productivity through deeper clinic penetration and market share growth
- Enhance patient and provider support to provide best-in-class customer care
- Expand and promulgate the body of clinical evidence to increase utilization of SmartVest for patients with bronchiectasis
- Continue to develop innovative device features that appeal to patients
- Grow institutional market share to support home care growth

LONG-TERM OBJECTIVES



Low double-digit revenue growth

- Growth in quality referrals
- Increased rate of reimbursement on referrals through clinic and hospital call points



Operating margin improvement

- Focus on cost containment
- Operating leverage as revenue increases

We are committed to delivering long-term profitable growth, while maintaining the highest standards of integrity, respect and privacy.

INVESTMENT CONCLUSIONS

**Growing market,
driven by aging
population and
increasing
bronchiectasis
and COPD
prescriptions**

**We believe
Electromed
provides superior
HFCWO devices
and services**

**Differentiated
Direct-to-Patient
Distribution
Model**

**Strong historical
gross margins and
positive operating
cash flow**

**Compelling
organic growth
strategy**

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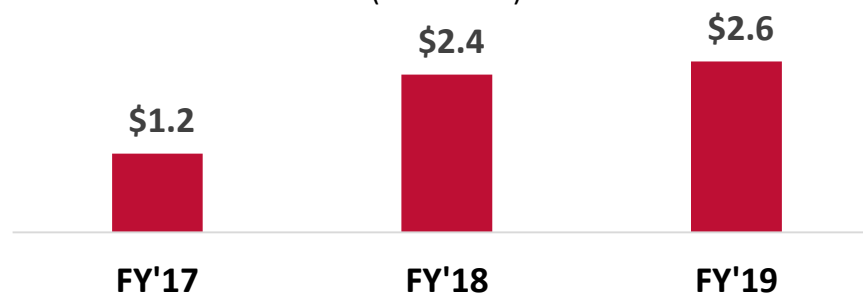
APPENDIX

FINANCIAL HIGHLIGHTS AND BALANCE SHEET SNAPSHOT

Financial Summary (in \$ millions, except shares amounts)	Fiscal Year Ended ¹			3 Months Ended ²	
	June 30, 2017	June 30, 2018	June 30, 2019	Sept. 30, 2018	Sept. 30, 2019
Net revenue	25.9	28.3	31.3	7.3	8.3
Gross Profit	20.6	21.8	23.8	5.5	6.3
<i>Gross margin</i>	<i>80%</i>	<i>77%</i>	<i>76%</i>	<i>76%</i>	<i>76%</i>
Operating income	3.6	2.7	2.8	0.2	1.3
<i>Operating margin</i>	<i>14%</i>	<i>10%</i>	<i>9%</i>	<i>3%</i>	<i>16%</i>
Net income	2.2	1.8	2.0	0.2	1.0
Diluted EPS	\$0.26	\$0.21	\$0.23	\$0.02	\$0.12
Diluted shares	8,461,120	8,620,102	8,631,469	8,637,990	8,651,891
Cash provided by operations	1.2	2.4	2.6	0.3	0.6

Balance Sheet (in \$ millions) ²	Sept. 30, 2019
Cash	8.0
Current assets	25.0
Total assets	30.3
Current liabilities	3.3
Total debt	-
Total stockholders' equity	27.0

Cash Provided by Operations (in millions)



¹ FY'17 financials under ASC 605; FY'18 and FY'19 under ASC 606

² Financials under ASC 606

SENIOR LEADERSHIP



Kathleen Skarvan – President & Chief Executive Officer

- CEO of Electromed since 2012
- 30+ years of experience in executive leadership, operations, sales, marketing & strategic planning
- Track record of transforming organizations through innovation, quality and productivity initiatives
- Former President of Hutchinson Technologies’ Disk Drive Components division (\$300M+ annual revenues)
- Former Vice President of Operations of OEM Fabricators
- Bachelor’s degree, Mass Communication with minor in Finance and Business – St. Cloud State University



Jeremy Brock, CPA – Chief Financial Officer

- CFO of Electromed since 2011
- 16+ years of experience in leadership, financial management, reporting, planning, forecasting & auditing
- Former Auditor, CliftonLarsonAllen LLP; focused on manufacturing, distribution and technology sectors
- Expertise in strategic business planning, risk assessment, and internal controls
- Served in the United States Marine Corps from 1998 to 2002
- Bachelor’s degree, Accounting and Finance – University of Northern Iowa



Bud Reeves – Vice President of Sales

- VP of Sales at Electromed since April 2019
- 20+ years of sales and marketing leadership experience in the healthcare industry
- Former Director of Sales with Philips Healthcare, Specialty Business Channels; led the distribution, business to business and LTAC hospital sales activities
- Former Director of Sales, Corporate and Strategic Accounts with Respirationics; oversaw all GPO, IDN, and distribution management
- Bachelor’s degree, Biology – North Carolina Central University; MBA in Executive Management – Ohio University

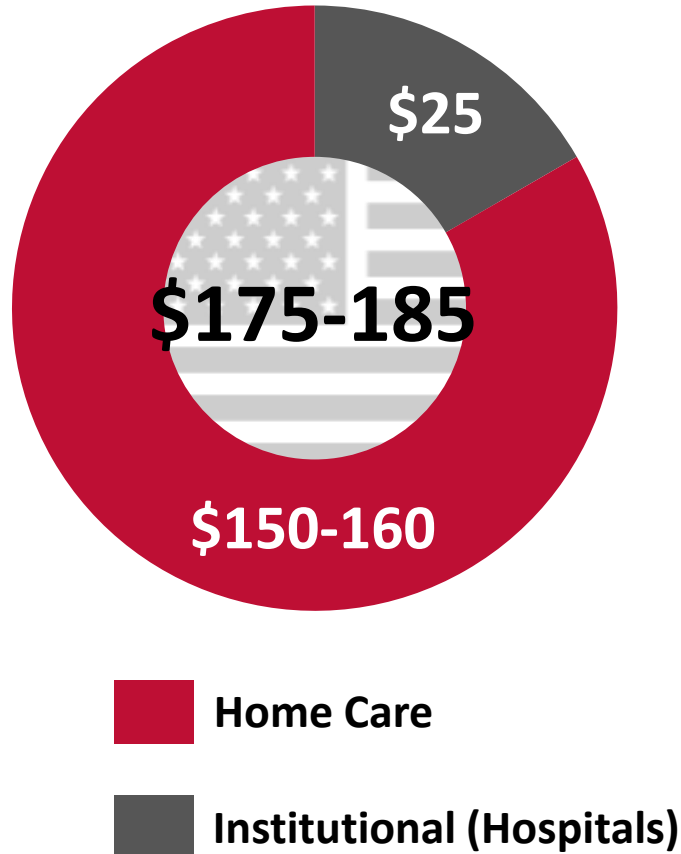


Kathryn Thompson – Vice President of Reimbursement

- VP of Reimbursement at Electromed since October 2017
- 20+ years of experience in the healthcare industry with a proven track record in the reimbursement revenue cycle, as well as operations and finance
- Former Revenue Cycle Director at Fairview Health Services/University of Minnesota MHealth
- Former Senior Manager of Revenue Cycle at Virtual Radiologic, where she managed the billing and reimbursement function, and improved revenue cycle processes.
- Bachelor’s degree, Strategic Leadership, Metropolitan State University; Bachelors’ degree, Journalism, University of Montana

TOTAL SERVED MARKET – HFCWO DEVICES

Total Served Domestic Market
(est. in millions)



Total Served International Market
(est. in millions)



COMPETITIVE LANDSCAPE

- Hill-Rom the Vest[®]
 - Well established
 - Deep pockets
 - Hospital bundle option
 - Large domestic sales force
- RespirTech inCourage[®]
 - Strong focus on pediatric market
 - Triangle-wave theory
- I.B.C. AffloVest[®]
 - Patient truly mobile during therapy
 - Selling through DME

Estimated Domestic Market Share

