



NEWS RELEASE

# Inspire Medical Systems, Inc. Reports First Quarter 2018 Financial Results

6/7/2018

MINNEAPOLIS, June 07, 2018 (GLOBE NEWSWIRE) -- Inspire Medical Systems, Inc. (NYSE:INSP) ("Inspire"), a medical technology company focused on the development and commercialization of innovative and minimally invasive solutions for patients with obstructive sleep apnea (OSA), reported financial results for the three-months ended March 31, 2018.

## Recent Business Highlights

- First quarter 2018 revenues of \$10.0 million, representing a 90% increase over first quarter 2017
- Completed initial public offering (IPO), raising \$112.2 million of net proceeds, after underwriting fees and other expenses
- Received CE Mark approval in Europe for Inspire IV, fourth-generation neurostimulator for the treatment of OSA
- Three recent publications highlighting the clinical experience of nearly 550 patients receiving Inspire therapy for the treatment of OSA
  - Significant body of clinical evidence now includes published data on approximately 775 patients across 10 studies

"We are extremely pleased with the significant momentum in our business," said Tim Herbert, President and Chief Executive Officer of Inspire Medical Systems. "Our Inspire therapy for the treatment of moderate to severe OSA is gaining substantial traction with patients and physicians, as evidenced by our continued strong growth in revenues in the first quarter of 2018. We have now published data from approximately 775 patients, including a 300-patient registry study, highlighting their clinical experience with Inspire therapy, further supporting the efficacy and safety

of our device for physicians, patients and payors. We look forward to the continued launch of our fourth-generation neurostimulator, Inspire IV, in Europe, during the second quarter.”

“We were also excited to successfully complete our IPO, which will enable us to hire additional sales and marketing personnel and expand marketing programs, both in the U.S. and in Europe, in order to target additional physicians and patients. In addition, we will continue to invest in product development and R&D to further enhance our technology platform,” continued Mr. Herbert. “We view this financing and the participation of many top-tier healthcare focused investors as validation of the significant growth potential of our business. We are grateful for the support of all of the investors who participated in the offering and are focused on creating long-term shareholder value.”

### First Quarter 2018 Financial Results

Revenue was \$10.0 million in the three months ended March 31, 2018, a 90% increase from \$5.3 million in the three months ended March 31, 2017. The increase in sales of our Inspire system reflects increased market penetration in existing territories, expansion into new territories and increased physician and patient awareness.

Gross profit was \$7.7 million, an increase of 89% from \$4.1 million in the corresponding prior year period. Gross margin was 77.2%, as compared to 77.4% in the corresponding prior year period. The decrease in gross margin in the first quarter of 2018 was due primarily to the anticipated introduction of the Inspire IV system in Europe.

Operating expenses were \$12.9 million, as compared to \$8.2 million in the corresponding prior year period, an increase of 57%. This increase was driven by a larger headcount associated with the expansion of Inspire’s U.S. and European sales organization, as well as increased marketing and general and administrative expenses.

Net loss was \$6.5 million, or \$5.05 per diluted share, as compared to \$4.5 million, or \$3.90 per diluted share, in the corresponding prior year period.

As of March 31, 2018, cash, cash equivalents and short-term investments were \$17.9 million. This excludes the net proceeds of \$112.2 million raised from the IPO, which closed on May 9, 2018.

### About Inspire Medical Systems

Inspire is a medical technology company focused on the development and commercialization of innovative and minimally invasive solutions for patients with obstructive sleep apnea. Inspire Medical Systems’ proprietary Inspire therapy is the first and only FDA-approved neurostimulation technology that provides a safe and effective treatment for moderate to severe obstructive sleep apnea.

For additional information about Inspire, please visit [www.inspiresleep.com](http://www.inspiresleep.com)

#### Forward Looking Statements

This press release contains forward-looking statements. All statements other than statements of historical facts contained in this press release are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “project,” “contemplate,” “believe,” “estimate,” “predict,” “potential” or “continue” or the negative of these terms or other similar expressions, although not all forward-looking statements contain these words. Forward-looking statements include, but are not limited to, statements concerning: estimates regarding the annual total addressable market for our Inspire therapy in the United States and our market opportunity outside the United States, future results of operations, financial position, research and development costs, capital requirements and our needs for additional financing; commercial success and market acceptance of our Inspire therapy; our ability to achieve and maintain adequate levels of coverage or reimbursement for our Inspire system or any future products we may seek to commercialize; competitive companies and technologies in our industry; our ability to expand our indications and develop and commercialize additional products and enhancements to our Inspire system; our business model and strategic plans for our products, technologies and business, including our implementation thereof; our ability to accurately forecast customer demand for our Inspire system and manage our inventory; our ability to expand, manage and maintain our direct sales and marketing organization, and to market and sell our Inspire system in markets outside of the United States; our ability to hire and retain our senior management and other highly qualified personnel; our ability to obtain additional financing in this or future offerings; our ability to commercialize or obtain regulatory approvals for our Inspire therapy and system, or the effect of delays in commercializing or obtaining regulatory approvals; FDA or other U.S. or foreign regulatory actions affecting us or the healthcare industry generally, including healthcare reform measures in the United States and international markets; the timing or likelihood of regulatory filings and approvals; our ability to establish and maintain intellectual property protection for our Inspire therapy and system or avoid claims of infringement; the volatility of the trading price of our common stock; our expectations regarding the use of proceeds from this offering; and our expectations about market trends.

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INSPIRE MEDICAL SYSTEMS, INC.  
CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (Unaudited)  
(in thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2018	2017
Revenue	\$10,042	\$5,297
Cost of goods sold	2,294	1,196
Gross profit	7,748	4,101
Gross margin	77.2 %	77.4 %
Operating expenses:		
Selling and marketing	9,868	5,745
Research and development	1,730	1,593
General and administrative	1,345	887
Total operating expenses	12,943	8,225
Operating loss	(5,195)	(4,124)
Other expense (income):		
Interest income	(60)	(18)
Interest expense	1,385	374
Other expense (income), net	19	1
Loss before income taxes	(6,501)	(4,481)
Income taxes	—	—
Net loss	(6,501)	(4,481)
Other comprehensive loss:		
Unrealized gains on short-term investments	—	—
Total comprehensive loss	\$(6,501)	\$(4,481)
Net loss per share, basic and diluted	\$(5.05)	\$(3.90)
Weighted average common shares used to compute net loss per share, basic and diluted	1,286,633	1,148,565

INSPIRE MEDICAL SYSTEMS, INC.  
CONDENSED BALANCE SHEETS  
(in thousands, except share amounts)

	March 31, 2018 (unaudited)	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$11,147	\$8,955
Short-term investments	6,756	7,188

Accounts receivable, net of allowances of \$47	3,459	3,858
Inventories	3,394	3,670
Prepaid expenses and other assets	2,187	426
Total current assets	<u>26,943</u>	<u>24,097</u>
Property and equipment, cost	1,794	1,804
Less: accumulated depreciation	<u>(883)</u>	<u>(810)</u>
Property and equipment, net	911	994
Total assets	<u>\$27,854</u>	<u>\$25,091</u>
Liabilities and stockholders' (deficit) equity		
Current liabilities:		
Accounts payable	\$3,916	\$2,998
Accrued expenses	3,143	4,032
Accrued interest	181	117
Current portion of notes payable	<u>681</u>	<u>—</u>
Total current liabilities	7,921	7,147
Notes payable	23,890	16,460
Preferred stock warrants	<u>978</u>	<u>157</u>
Total long-term liabilities	24,868	16,617
Stockholders' (deficit) equity		
Preferred Stock, \$0.001 par value, 76,894,620 shares authorized at March 31, 2018 and December 31, 2017, and 76,235,050 shares issued and outstanding at March 31, 2018 and December 31, 2017	119,106	119,106
Common Stock, \$0.001 par value per share; 110,000,000 shares authorized at March 31, 2018 and December 31, 2017; 1,379,099 and 1,272,360 issued and outstanding at March 31, 2018 and December 31, 2017, respectively	1	1
Additional paid in capital	7,546	7,305
Accumulated other comprehensive loss	—	—
Accumulated deficit	<u>(131,586)</u>	<u>(125,085)</u>
Total stockholders' (deficit) equity	<u>(4,935)</u>	<u>1,327</u>
Total liabilities and stockholders' (deficit) equity	<u>\$27,854</u>	<u>\$25,091</u>

Source: Inspire Medical Systems, Inc.