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# Investor Presentation

March 2023

# Forward Looking Statement

This release contains forward-looking statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, forecasts, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. The Company makes no express or implied representation or warranty as to the completeness of forward-looking statements or, in the case of projections, as to their attainability or the accuracy and completeness of the assumptions from which they are derived. Factors that could cause actual results to materially differ from forward-looking statements include, but are not limited to, the need to obtain CE marking of new products, the acceptance of new products as well as existing products by doctors and hospitals, larger competitors with greater financial resources, the need to keep pace with technological changes, our dependence on the reimbursement for our products from health insurance companies, our dependence on third party manufacturers to produce our goods on time and to our specifications, implementation of our sales strategy including a strong direct sales force, the impact of COVID-19 on the global economy and other risks described in our filings with the Securities and Exchange Commission including, but not limited to our Annual Report on Form 10-K for the year ended December 31, 2022 as well as our quarterly reports on Form 10-Q and current reports on Form 8-K. Any forward-looking statement made by us in this release is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

# Investment Highlights



At-Home Prescription Strength Electrotherapy Pain Management Leader



Robust and Durable Business Model with High Recurring Revenue



Pipeline Products: Hemodynamic/Fluid Volume Monitor, Laser-based Noninvasive CO-Oximeter & Total Hemoglobin Pulse Oximeter, and Sepsis Monitor



History of Consistent Operational Execution



Strong financial performance with robust revenue growth, high gross margins, and profitability

# Total Addressable Market

**\$4.6B**

**\$900M**

Pain & Rehabilitation  
Incontinence Treatment  
Stroke Rehab

## ELECTROTHERAPY

- Over 1.5 billion worldwide suffering from chronic pain<sup>1</sup>
- 84% of patients were able to reduce medication use<sup>2</sup>

Hemodynamic Monitoring  
Pulse Oximetry  
Sepsis

**\$3.7B**

## PATIENT MONITORING

- >6,000 hospitals and >900,000 staffed beds in the U.S.<sup>3</sup>
- Over 36M annual hospitals admissions in the U.S.<sup>3</sup>

1) Global Industry Analysts, Inc. (2011) Global Pain Management Market to Reach US\$60 Billion by 2015. According to a New Report by Global Industry Analysts, Inc. <http://www.prweb.com/pdfdownload/8052240.pdf>

2) Chabal, et. al. Long-Term Transcutaneous Electrical Nerve Stimulation (TENS) Use: Impact on Medical Utilization and Physical Therapy Costs Clinical Journal of Pain. The Clinical Journal of Pain. Vol 14, No 1. March 1998

3) The American Hospital Association - Fast Facts on U.S. Hospitals, 2021

# Total Addressable Market

## Electrotherapy

**\$900M** Pain & Rehabilitation  
Incontinence Treatment  
Stroke Rehab

### ELECTROTHERAPY



**InWave**

Incontinence Treatment



**NexWave**

Pain Relief, Muscle Rehabilitation



**NeuroMove**

Stroke Rehabilitation

# NexWave

## Prescription Strength Electrical Nerve Stimulation

### Indications

- Relieves pain, augments healing, alleviates swelling through increased blood circulation, prevents muscle disuse atrophy, relaxes muscle spasms
- Superior performance to over-the-counter TENS devices, inferential efficacy

### Capital/Consumable Business Model

- 2022: 72% of revenue from supplies

### Reimbursed by Health Insurance

- Requires a prescription

### Alternative to Traditional Prescription Pain Treatment

- Only 23% of patients with chronic pain found opioids “very effective”<sup>1</sup>
- 51% of people feel that they have no control over their pain<sup>2</sup>
- 84% of patients were able to reduce medication use<sup>3</sup>
- Nearly half reduced medication consumption by 50%<sup>3</sup>
- Patients decreased the cost of medication by 50%<sup>3</sup>



1) The CHP Group (2014) The Cost of Chronic Pain: How Complementary and Alternative Medicine Can Provide Relief. [http://www.chpgroup.com/wp-content/uploads/2014/12/CHP-WP\\_CAM-Chronic-Pain\\_SIs\\_12.12.2014.pdf](http://www.chpgroup.com/wp-content/uploads/2014/12/CHP-WP_CAM-Chronic-Pain_SIs_12.12.2014.pdf)

2) American Academy of Pain Medicine (2017) AAPM Facts and Figures on Pain. [http://www.painmed.org/patientcenter/facts\\_on\\_pain.aspx](http://www.painmed.org/patientcenter/facts_on_pain.aspx)

3) Chabal, et. al. *Long-Term Transcutaneous Electrical Nerve Stimulation (TENS) Use: Impact on Medical Utilization and Physical Therapy Costs Clinical Journal of Pain*. The Clinical Journal of Pain. Vol 14, No 1. March 1998

# Stages of Treatment Options for Chronic Pain



## NexWave

Prescribed at all stages of patient care



### OTC NSAIDS

Non-invasive

Limited effect in patients with moderate to severe pain



### Rx Opioids

Non-invasive

Can cause mental and physical side effects and extremely addictive



### MIS Procedures

Minimally invasive

Must be performed by a physician and relief is typically temporary (nerve blocks/epidurals)



### Surgery

Invasive

Performed by surgeon in a hospital or surgery center

# Building a Strong Distribution Network



## Direct Sales

### Physicians & Therapists

- Direct sales force is growing rapidly with incentives for productivity and efficiency
- Inside sales team to support field sales reps
- Physician relationships include orthopedics, physical therapy, sports medicine and occupational therapy



## Indirect Sales

### Domestic

- ~5 independent sales reps
- Commission-only

### International

- Distributors in Canada, Australia, Russia, China, India, Singapore, Holland, Germany, UAE, Malaysia, Saudi Arabia, Egypt and Vietnam



## Patients

### Insurance Plans

- HMO and PPO private insurance plans
- Patient's carrier is directly billed upon product delivery
- Experienced reimbursement staff of ~160 employees



Efficient  
Electrotherapy  
Distribution Network  
designed to grow

**EBITDA &  
PROFIT MARGINS**



# Commercial Infrastructure: Pain Management Division

## Grow Proven Direct Sales Team

Sales management, national account coverage, direct reps

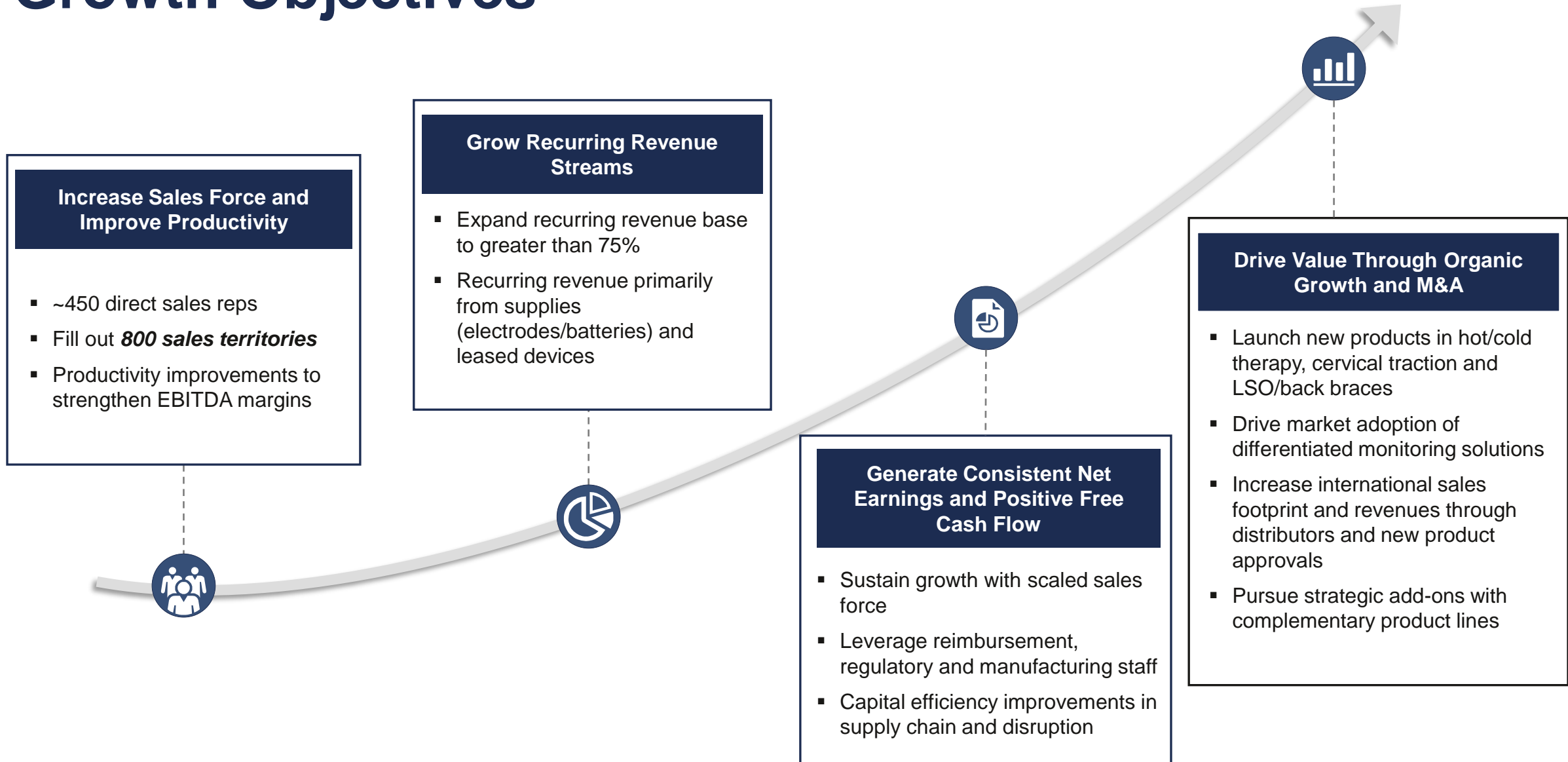
- Total of **800 territories** of equal revenue potential
- ≈ 450 direct sales reps at end of 2022
- Emphasis on recruitment of productive reps and maintaining high performing existing sales teams, top and bottom-line growth is achievable without dramatic increases in rep count

## Direct Sales Productivity

- Development of focused training program designed for reps to achieve long-term productivity
- Emphasis on high-performing efficiency to grow EBITDA and Operating Profit margin
- Top performing sales representatives can ultimately produce \$2M+ in annual revenue



# Growth Objectives



# Total Addressable Market

## Patient Monitoring

**\$3.7B** Hemodynamic Monitoring  
Pulse Oximetry  
Sepsis

### PATIENT MONITORING



### CM-1500/1600

Noninvasive Wireless Fluid Monitoring System



### NiCO™ & HemeOx™

Laser-based Noninvasive CO-Oximeter (NiCO™) & Total Hemoglobin Pulse Oximeter (HemeOx™)

\*prototypes



### Sepsis

Noninvasive Sepsis Monitor

\*utility patent filed

# Patient Monitoring

## One Monitoring Platform

### Hemodynamic Fluid Monitoring System (CM-1500 & CM-1600)

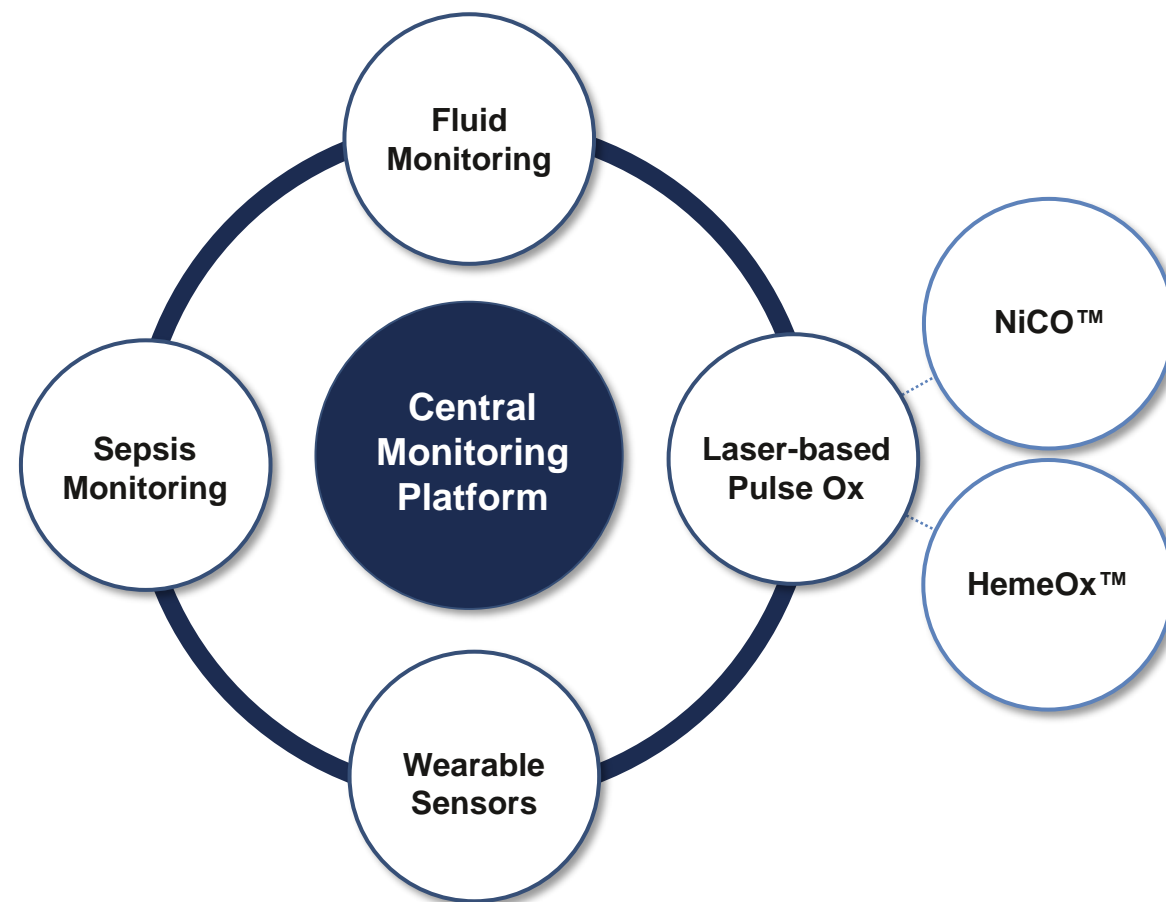
- Early warning of deteriorating fluid imbalance targeted at solving perioperative hypovolemia and fluid imbalance

### Laser-based Pulse Oximetry

- **NiCO™** CO-Oximeter uses laser technology to noninvasively measure and monitor four crucial hemoglobin species with unprecedented accuracy
- **HemeOx™** Total Hemoglobin (tHb) Pulse Oximeter replaces invasive blood draws with continuous noninvasive monitoring of oxygen saturation, tHb/HCT, and O2ct

### Sepsis Monitor

- Early warning of deteriorating patient condition to indicate and predict the onset of sepsis replacing current complex protocols through proactive detection and alerting



# Hemodynamic Monitoring

## CM-1500 & CM-1600



### Early warning

- Determine changing trend in patient condition, enabling earlier condition intervention

### Noninvasive, continuous fluid monitoring

- Hemorrhagic Shock
- Hypovolemia
- Hypervolemia

**CM-1500 FDA 510(k) cleared** – February 2020

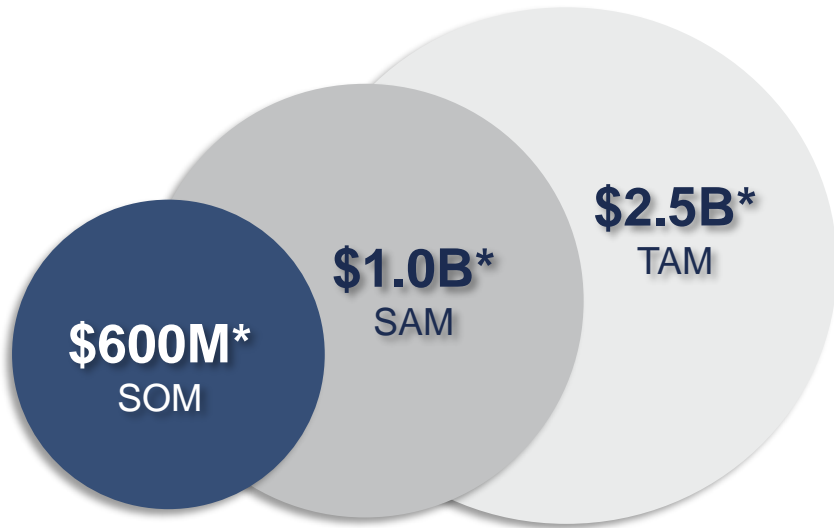
### CM-1600 next generation, wireless device

- 510(k) application filed December 2021
- CE mark in process

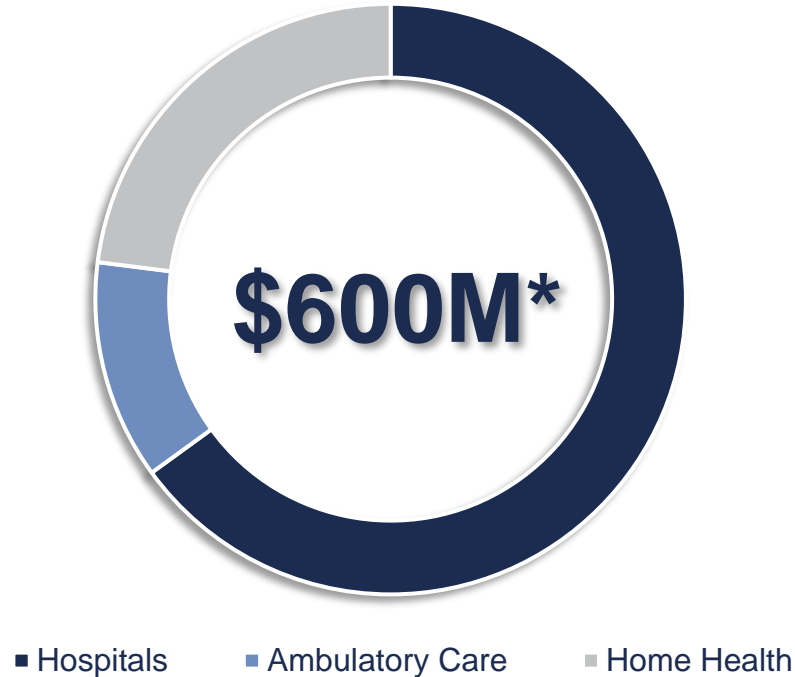
**Multiple studies enrolled in 2022 and planned for 2023**

# Pulse Oximetry

\$600M Obtainable U.S. Market in 2022



Large Patient Monitoring Segment



Global CAGR 7.4%\*



\* Company estimates based on public industry sources

# Pulse Oximetry

## Laser Based Technology - Unprecedented Accuracy

**NiCO™** Noninvasive CO-Oximeter uses laser technology to measure and monitor all four hemoglobin species with unprecedented accuracy\* regardless of skin pigmentation

- Direct replacement for conventional pulse oximeter monitors that utilize LED technology and fail to capture accurate reflection of patient health

**HemeOx™** Total Hemoglobin (tHb) Pulse Oximeter replaces invasive blood draws with continuous noninvasive monitoring of oxygen saturation, tHb/HCT, and O<sub>2</sub>ct

- Eliminates need for tens of millions of blood draws on patients every year

### KEY PARAMETERS

**O<sub>2</sub>Hb** - oxygenated hemoglobin  
**RHb** - reduced hemoglobin  
**COHb** - carboxyhemoglobin  
**metHb** - methemoglobin  
**Pulse rate & perfusion index**

### KEY PARAMETERS

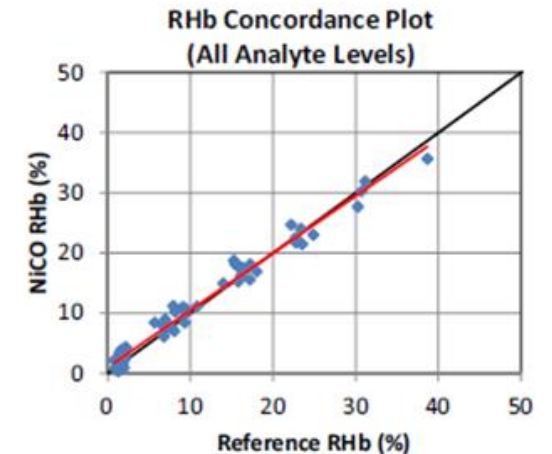
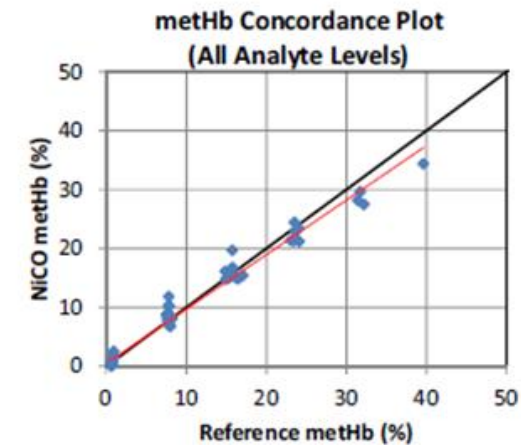
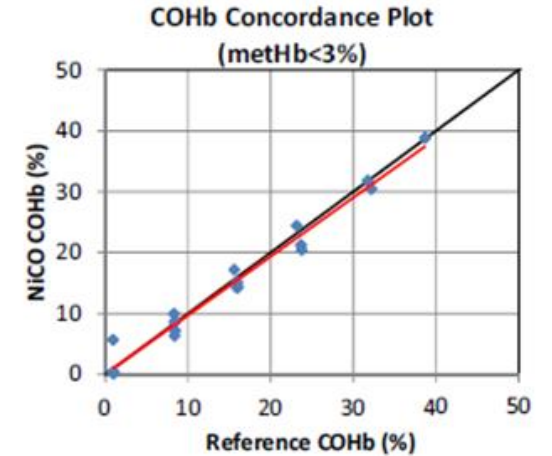
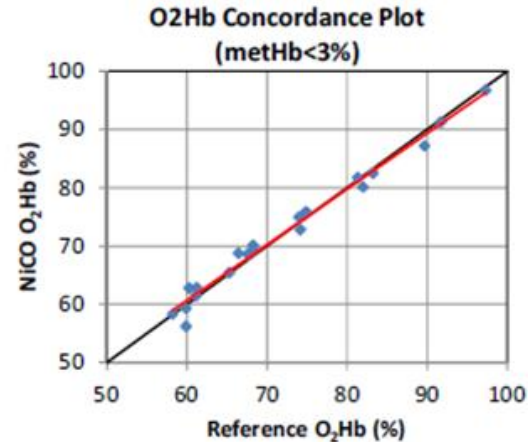
**tHb** – total hemoglobin  
**HCT** – hematocrit  
**O<sub>2</sub>ct** – oxygen content  
**SpO<sub>2</sub>** – oxygen saturation  
**Pulse rate & perfusion index**

\*Pologe JA, Arnold DH, Delianides TP. Multi-analyte calibration and verification of a multi-parameter laser-based pulse oximeter. J Clin Monit Comput. 2021 Apr 19. doi: 10.1007/s10877-021-00704-1.

# Pulse Oximetry

## LED vs Laser Based Technology: In Vitro Calibration Study Data\*

- Oxygen Saturation: “5<sup>th</sup> Vital Sign”
- LED Technology: 35+ years old
- Pigmentary Bias in LED Pulse Ox
- Laser: Unprecedented Accuracy
- Current Pulse Oximeters overestimate SpO<sub>2</sub> in darkly pigmented patients and in cases of CO poisoning



**The New York Times**  
 Dec. 22, 2020 Updated 3:02 p.m. ET

**Pulse Oximeter Devices Have Higher Error Rate in Black Patients**

Pulse oximeters are one of the most commonly used tools in medicine. The small devices, which resemble a clothespin, measure blood oxygen when clipped onto a fingertip, and they can quickly indicate whether a patient needs urgent medical care.

Health providers use them when they take vital signs and when they evaluate patients for treatment. Ever since the pandemic started, doctors have encouraged patients with Covid to use them at home.

But in Black patients, the devices can provide misleading results in more than one in 10 people, according to a new study.

The findings, which were published last week as a letter to the editor of a top medical journal, sent ripples of dismay through the medical community, which relies heavily on the devices to decide whether to admit patients or send them home.

which appeared in the New England Journal of Medicine. “I’m a trained pulmonologist and critical care physician, and I had no understanding that the pulse ox was potentially inaccurate — and that I was missing hypoxemia in a certain minority of patients.”

“Reference” refers to the gold standard invasive measurements performed on an OSM3 Laboratory CO-Oximeter

\*Pologe JA, Arnold DH, Delianides TP. Multi-analyte calibration and verification of a multi-parameter laser-based pulse oximeter. J Clin Monit Comput. 2021 Apr 19. doi: 10.1007/s10877-021-00704-1.



# Sepsis Monitoring



## Global Health Concern

- 48M cases and 11M deaths per year, globally\*
- 1.7M cases in the US and nearly 300,000 deaths per year\*
- Low survival rates

## Simplified Early Detection and Alerting

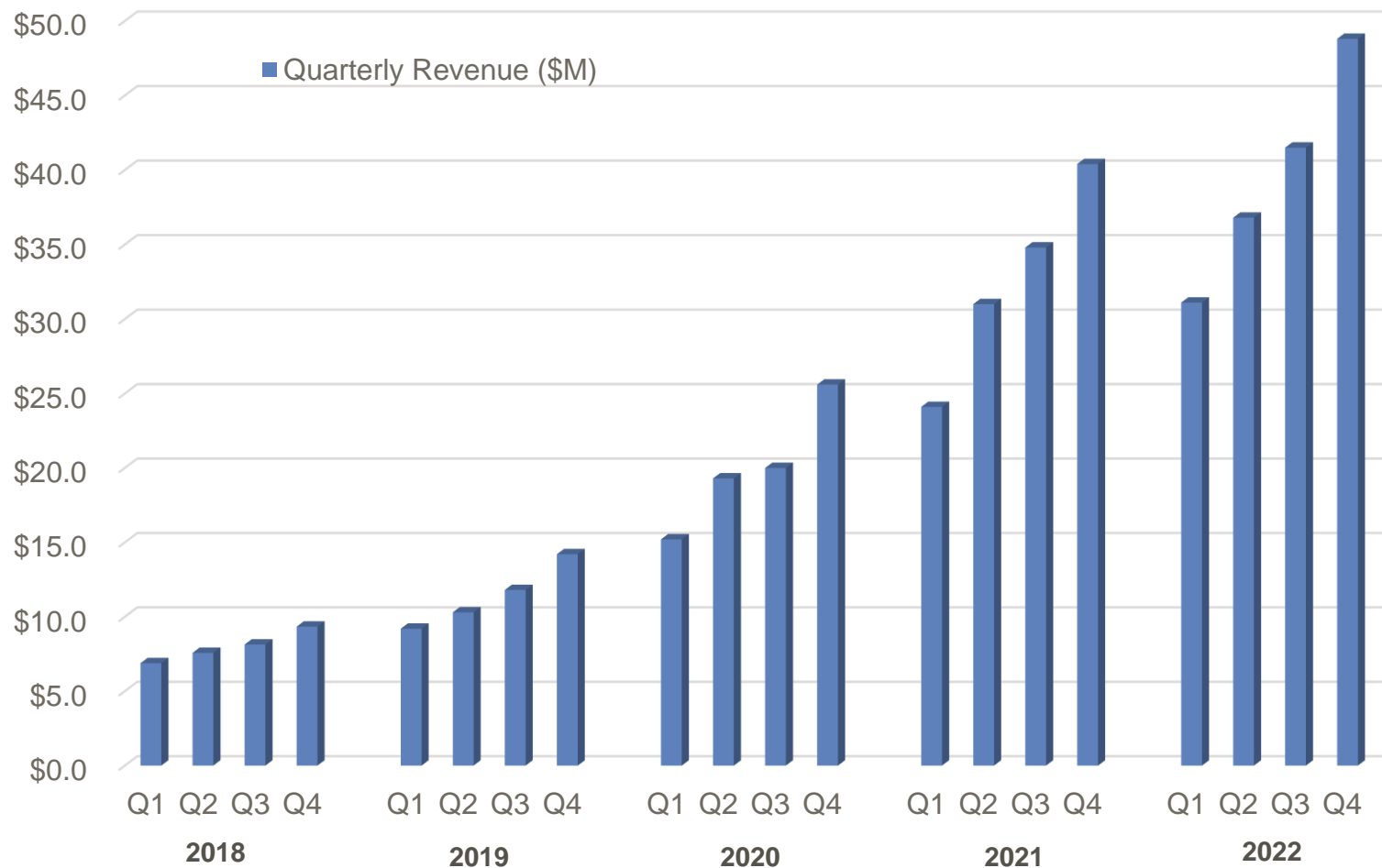
- Current methods insufficient in early detection and alerting of sepsis onset
- Prevalence of sepsis partially due to the challenging nature of early diagnosis

## Utility Patent Filed

- December 2021

\* Company estimates based on public industry sources

# Financial Performance



## Highlights

7 Consecutive Years of Profitability

Q4 '22 Revenue: \$48.8M

Full Year 2022 Revenue: \$158.2M

Q4 '22 EBITDA: \$11.4M

Full Year 2022 EBITDA: \$28.1M

## 2022

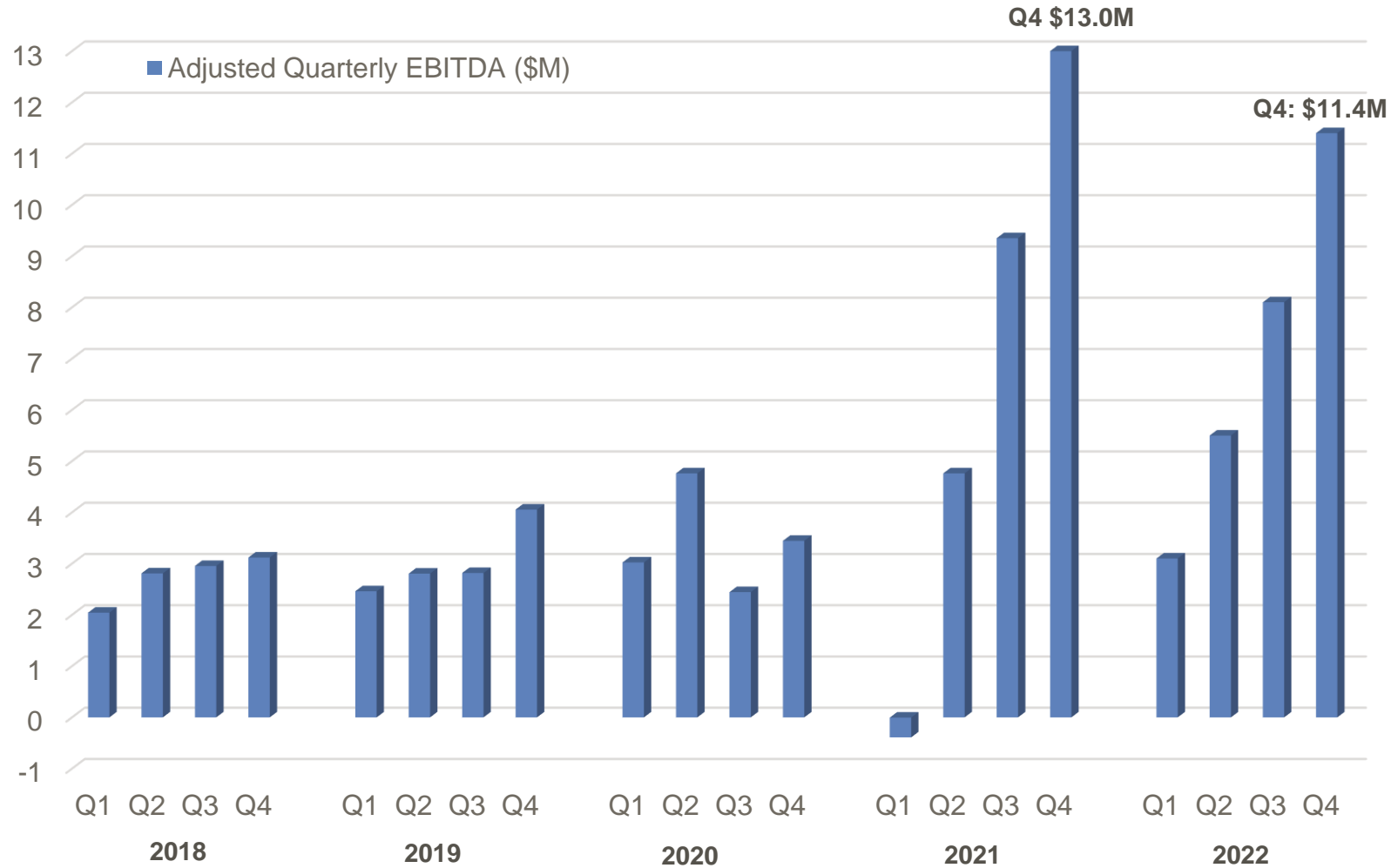
Gross Margins: 80%

Diluted EPS: \$0.44

Cash From Operations: \$13.7M

# Financial Performance

## Adjusted Quarterly EBITDA (\$M)



Note: Adjusted EBITDA reflects earnings before interest, taxes, depreciation, amortization, non-cash lease expense, non-cash lease expense, one-time severance, other income/expense and stock compensation. Depreciation does not include amounts related to units on lease to third parties which are depreciated and included in cost of goods sold. See appendix for EBITDA reconciliation figures

# Management Team



**THOMAS SANDGAARD**

FOUNDER, CHAIRMAN AND CHIEF EXECUTIVE



**DAN MOORHEAD**

CHIEF FINANCIAL OFFICER



**ANNA LUCSOK**

CHIEF OPERATING OFFICER



**DONALD GREGG**

VP, ZYNEX MONITORING SOLUTIONS



**STEVE FOX**

VP, SALES

# Investment Highlights



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History of Consistent Operational Execution



Strong financial performance with robust revenue growth, high gross margins, and profitability



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# Appendix

## **Use of Non-GAAP Financial Measures**

This presentation includes the non-GAAP financial measure of Adjusted EBITDA, which differs from financial measures calculated in accordance with accounting principles generally accepted in the U.S. (GAAP). Adjusted EBITDA in this release represents net income plus interest expense, tax expense, depreciation, amortization, other income/expense, non-cash lease expense, restructuring/severance and stock compensation. The Company's management believes this non-GAAP financial measure is useful to investors and lenders in evaluating the overall financial health of the Company in that it allows for greater transparency of additional financial data routinely used by management to evaluate performance. Adjusted EBITDA can be useful for investors or lenders as an indicator of available earnings. Non-GAAP financial measures should not be considered in isolation from or as an alternative to the financial information prepared in accordance with GAAP. The following is a reconciliation of GAAP to Non-GAAP financial measures provided in this presentation.

# EBITDA Reconciliation - 2022

	For The Three Months Ended March 31,	
	2022	2021
<b>Adjusted EBITDA:</b>		
Net Income (Loss)	\$ 1,377	\$ (706)
Depreciation and Amortization*	396	268
Stock-based compensation expense	589	108
Restructuring/severance	-	318
Interest expense and other (gain), net	(76)	9
Non-cash lease expense***	183	-
Income tax expense	605	(384)
<b>Adjusted EBITDA</b>	<b>\$ 3,074</b>	<b>\$ (387)</b>
<i>% of Net Revenue</i>	10%	(2%)

	For The Three Months Ended June 30,	
	2022	2021
<b>Adjusted EBITDA:</b>		
Net Income (Loss)	\$ 3,346	\$ 2,808
Depreciation and Amortization*	411	242
Stock-based compensation expense	535	401
Restructuring/severance	-	-
Interest expense and other (gain), net	215	45
Non-cash lease expense***	227	303
Income tax expense	803	962
<b>Adjusted EBITDA</b>	<b>\$ 5,537</b>	<b>\$ 4,761</b>
<i>% of Net Revenue</i>	15%	15%

	For The Three Months Ended September 30,	
	2022	2021
<b>Adjusted EBITDA:</b>		
Net Income (Loss)	\$ 4,873	\$ 6,107
Depreciation and Amortization*	418	201
Stock-based compensation expense	578	532
Restructuring/severance	-	-
Interest expense and other (gain), net	206	18
Non-cash lease expense***	572	553
Income tax expense	1,479	1,921
<b>Adjusted EBITDA</b>	<b>\$ 8,126</b>	<b>\$ 9,332</b>
<i>% of Net Revenue</i>	20%	27%

	For The Three Months Ended December 31,	
	2022	2021
<b>Adjusted EBITDA:</b>		
Net Income (Loss)	\$ 7,452	\$ 8,894
Depreciation and Amortization*	423	214
Stock-based compensation expense	640	589
Restructuring/severance	-	-
Interest expense and other (gain), net	395	23
Non-cash lease expense***	183	572
Income tax expense	2,263	2,669
<b>Adjusted EBITDA</b>	<b>\$ 11,356</b>	<b>\$ 12,961</b>
<i>% of Net Revenue</i>	23%	32%



# EBITDA Reconciliation - 2021

	For The Three Months Ended March 31,	
	2021	2020
<b>Adjusted EBITDA:</b>		
Net Income (Loss)	\$ (706)	\$ 2,937
Depreciation and Amortization*	268	68
Stock-based compensation expense	108	497
Restructuring/severance	318	-
Interest expense and other (gain), net	9	4
Non-cash lease expense***	-	-
Income tax expense	(384)	(483)
<b>Adjusted EBITDA</b>	<b>\$ (387)</b>	<b>\$ 3,023</b>
<i>% of Net Revenue</i>	(2%)	20%

	For The Three Months Ended June 30,	
	2021	2020
<b>Adjusted EBITDA:</b>		
Net Income (Loss)	\$ 2,808	\$ 3,017
Depreciation and Amortization*	242	97
Stock-based compensation expense	401	579
Restructuring/severance	-	-
Interest expense and other (gain), net	45	5
Non-cash lease expense***	303	-
Income tax expense	962	1,063
<b>Adjusted EBITDA</b>	<b>\$ 4,761</b>	<b>\$ 4,761</b>
<i>% of Net Revenue</i>	15%	25%

	For The Three Months Ended September 30,	
	2021	2020
<b>Adjusted EBITDA:</b>		
Net Income (Loss)	\$ 6,107	\$ 1,333
Depreciation and Amortization*	201	305
Stock-based compensation expense	532	730
Restructuring/severance	-	-
Interest expense and other (gain), net	18	5
Non-cash lease expense***	553	-
Income tax expense	1,921	71
<b>Adjusted EBITDA</b>	<b>\$ 9,332</b>	<b>\$ 2,444</b>
<i>% of Net Revenue</i>	27%	12%

	For The Three Months Ended December 31,	
	2021	2020
<b>Adjusted EBITDA:</b>		
Net Income (Loss)	\$ 8,894	\$ 1,788
Depreciation and Amortization*	214	272
Stock-based compensation expense	589	875
Restructuring/severance	-	-
Interest expense and other (gain), net	23	82
Non-cash lease expense***	572	-
Income tax expense	2,669	428
<b>Adjusted EBITDA</b>	<b>\$ 12,961</b>	<b>\$ 3,445</b>
<i>% of Net Revenue</i>	32%	13%