



## **iRhythm Technologies Announces Third Quarter 2019 Financial Results**

November 5, 2019

SAN FRANCISCO, Nov. 05, 2019 (GLOBE NEWSWIRE) -- iRhythm Technologies, Inc. (NASDAQ: IRTC), a leading digital health care solutions company focused on the advancement of cardiac care, today reported financial results for the three months ending September 30, 2019.

### **Third Quarter 2019 and Recent Highlights**

- Revenue of \$56.0 million for the three months ended September 30, 2019, an increase of 47% compared to third quarter revenue in 2018
- Gross margin was 75.4%, a 150 basis point year-over-year improvement
- Announced a collaboration with Verily, an Alphabet company, focused on the development of solutions aimed at improving the screening, diagnosis and management of patients with atrial fibrillation (AFib)
- Received confirmation from the AMA that the proposed replacement of the existing four temporary codes with eight permanent codes was reviewed for Category 1 status and approved by the panel to move forward to the Relative Value Scale Update Committee (RUC) and valuation process
- Completed an underwritten public offering raising \$107 million in net proceeds

"We are pleased with our third quarter performance and sustained track record of strong revenue growth," said Kevin King, CEO. "The fundamentals of our business continue to strengthen on many fronts, driven by the proven superiority and completeness of our Zio platform, which is enabling our customers to measurably diagnose patients in less time with fewer unnecessary repeat tests and at lower cost."

"Additionally, our collaboration with Verily to address the millions of patients living with undiagnosed AFib will further enhance and differentiate our Zio service. We remain confident that our expertise in cardiac monitoring, data analytics, and commercial execution will continue to position the company for long term success," concluded King.

### **Third Quarter Financial Results**

Revenue for the three months ended September 30, 2019 increased 47% to \$56.0 million, from \$38.1 million during the same period in 2018. The increase was primarily due to increased salesforce productivity, expansion into new accounts and improved penetration of existing accounts.

Gross profit for the third quarter of 2019 was \$42.2 million, or 75.4% gross margin, up from \$28.2 million, or gross margin of 73.9%, during the same period in 2018. Margin expansion was primarily driven by productivity gains through proprietary algorithm and workflow enhancements.

Operating expenses for the third quarter of 2019 were \$60.7 million, compared to \$37.9 million for the same period in 2018. The increase in operating expenses were driven by salesforce expansion, organizational support for our network sales strategy, expansion of R&D activities, increasing bad debt expense, ongoing stock compensation expense and Verily developmental costs. Verily milestone payments and developmental costs were \$5M and \$0.4M, respectively, totaling \$5.4M for the quarter.

Net loss for the third quarter of 2019 was \$18.6 million, or a loss of (\$0.74) per share, compared with net loss of \$10.2 million, or a loss of (\$0.43) per share, for the same period in 2018.

### **Updated Guidance for Full Year 2019**

iRhythm projects revenue for the full year 2019 in the range of \$215 million to \$217 million, which represents 46% to 47% growth over the company's prior year. Gross margins for the full year 2019 are expected to be between 75.5% to 76.5% and operating expenses for the full year 2019 are expected to be between \$210M and \$214M including, \$36 million to \$38M in research and development and \$174 million to \$176 million for SG&A. Full year operating expenses, excluding Verily costs, are expected to be between \$202 million to \$206 million including \$29 million to \$31 million for research and development and \$173 million to \$175 million for SG&A. This compares to previous revenue guidance of \$212 to \$216 million, gross margins of 75.5% to 76.5% and operating expenses of \$198 to \$204 million, which included \$169 to \$173 million for SG&A and \$29 million to \$31 million for research and development. The company expects sales headcount between 130 to 140 for the remainder of the year.

### **Webcast and Conference Call Information**

iRhythm's management team will host a conference call today beginning at 1:30 p.m. PT / 4:30 p.m. ET. Investors interested in listening to the conference call may do so by dialing (844) 348-0016 for domestic callers or (213) 358-0876 for international callers, and referencing Conference ID: 7818739 or from the webcast on the "Investors" section of the company's website at: [www.irhythmtech.com](http://www.irhythmtech.com).

### **About iRhythm Technologies, Inc.**

iRhythm is a leading digital health care company redefining the way cardiac arrhythmias are clinically diagnosed. The company combines wearable biosensor devices worn for up to 14 days and cloud-based data analytics with powerful proprietary algorithms that distill data from millions of heartbeats into clinically actionable information. The company believes improvements in arrhythmia detection and characterization have the potential to change clinical management of patients.

### **Forward-Looking Statements**

This news release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. These statements include statements regarding financial and salesforce guidance, CPT coding, market opportunity, ability to penetrate the market and expectations for growth. Such statements are based on current assumptions that involve risks and uncertainties that could cause actual outcomes and results to differ materially. These risks and

uncertainties, many of which are beyond our control, include risks described in the section entitled "Risk Factors" and elsewhere in our filing made with the Securities and Exchange Commission on the Form 10-Q on August 6, 2019. These forward-looking statements speak only as of the date hereof and should not be unduly relied upon. iRhythm disclaims any obligation to update these forward-looking statements.

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**IRHYTHM TECHNOLOGIES, INC.**

**Condensed Consolidated Balance Sheets**

**(Unaudited)**

**(In thousands)**

|                                                 | <b>September 30,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|-------------------------------------------------|-------------------------------|------------------------------|
| <b>Assets</b>                                   |                               |                              |
| Current assets:                                 |                               |                              |
| Cash and cash equivalents                       | \$ 34,634                     | \$ 20,023                    |
| Investments, short-term                         | 118,091                       | 58,320                       |
| Accounts receivable, net                        | 25,640                        | 21,977                       |
| Inventory                                       | 3,499                         | 2,062                        |
| Prepaid expenses and other current assets       | 3,653                         | 4,100                        |
| Total current assets                            | 185,517                       | 106,482                      |
| Property and equipment, net                     | 17,865                        | 9,158                        |
| Operating lease right-of-use asset              | 91,935                        | -                            |
| Goodwill                                        | 862                           | 862                          |
| Other assets                                    | 5,574                         | 3,208                        |
| Investments, long-term                          | 9,026                         |                              |
| Total assets                                    | \$ 310,779                    | \$ 119,710                   |
| <b>Liabilities and Stockholders' Equity</b>     |                               |                              |
| Current liabilities:                            |                               |                              |
| Accounts payable                                | \$ 4,186                      | \$ 2,284                     |
| Accrued liabilities                             | 31,470                        | 26,570                       |
| Deferred revenue                                | 889                           | 1,243                        |
| Accrued interest, current portion               | 128                           | 139                          |
| Operating lease liabilities, current portion    | 8,036                         | -                            |
| Total current liabilities                       | 44,709                        | 30,236                       |
| Debt                                            | 34,929                        | 34,899                       |
| Deferred rent, noncurrent portion               | -                             | 153                          |
| Operating lease liabilities, noncurrent portion | 87,099                        | -                            |
| Total liabilities                               | 166,737                       | 65,288                       |
| Commitments and contingencies                   |                               |                              |
| Stockholders' equity:                           |                               |                              |
| Common stock                                    | 25                            | 23                           |
| Additional paid-in capital                      | 385,613                       | 257,955                      |
| Accumulated other comprehensive loss            | 14                            | (41)                         |
| Accumulated deficit                             | (241,610)                     | (203,515)                    |
| Total stockholders' equity                      | 144,042                       | 54,422                       |
| Total liabilities and stockholders' equity      | \$ 310,779                    | \$ 119,710                   |

**IRHYTHM TECHNOLOGIES, INC.**

**Condensed Consolidated Statements of Operations and Comprehensive Loss**

**(Unaudited)**

**(In thousands, except share and per share data)**

**Three Months Ended  
September 30,**

**Nine Months Ended  
September 30,**

|                                                                                      | 2019        |   | 2018        |   | 2019        |   | 2018        |
|--------------------------------------------------------------------------------------|-------------|---|-------------|---|-------------|---|-------------|
| Revenue                                                                              | \$ 55,957   |   | \$ 38,104   |   | \$ 156,502  |   | \$ 104,138  |
| Cost of revenue                                                                      | 13,785      |   | 9,949       |   | 38,340      |   | 28,050      |
| Gross profit                                                                         | 42,172      |   | 28,155      |   | 118,162     |   | 76,088      |
| Operating expenses:                                                                  |             |   |             |   |             |   |             |
| Research and development                                                             | 12,723      |   | 5,164       |   | 28,118      |   | 13,747      |
| Selling, general and administrative                                                  | 48,007      |   | 32,739      |   | 127,901     |   | 94,410      |
| Total operating expenses                                                             | 60,730      |   | 37,903      |   | 156,019     |   | 108,157     |
| Loss from operations                                                                 | (18,558)    | ) | (9,748)     | ) | (37,857)    | ) | (32,069)    |
| Interest expense                                                                     | (409)       | ) | (861)       | ) | (1,258)     | ) | (2,580)     |
| Other income                                                                         | 377         |   | 365         |   | 1,066       |   | 1,082       |
| Loss before income taxes                                                             | (18,590)    | ) | (10,244)    | ) | (38,049)    | ) | (33,567)    |
| Income tax provision                                                                 | 19          |   | -           |   | 46          |   | -           |
| Net loss                                                                             | \$ (18,609) | ) | \$ (10,244) | ) | \$ (38,095) | ) | \$ (33,567) |
| Net loss per common share, basic and diluted                                         | \$ (0.74)   | ) | \$ (0.43)   | ) | \$ (1.53)   | ) | \$ (1.41)   |
| Weighted-average shares used to compute net loss per common share, basic and diluted | 25,247,831  |   | 24,059,010  |   | 24,818,482  |   | 23,764,153  |

