

# New Directors Are Needed At Masimo

May 2023

 Politan Capital Management

 ADVANCE MASIMO

[www.advancemasimo.com](http://www.advancemasimo.com)

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Politan strongly advises all stockholders of Masimo to read the definitive proxy statement, any amendments or supplements to such proxy statement and other proxy materials filed by Politan with the SEC as they become available because they will contain important information. Such proxy materials will be available at no charge on the SEC's website at [www.sec.gov](http://www.sec.gov). The definitive proxy statement and other relevant documents, are also available on [www.AdvanceMasimo.com](http://www.AdvanceMasimo.com) and the SEC website, free of charge, or by directing a request to the Participants' (as defined below) proxy solicitor, D.F. King & Co., Inc., 48 Wall Street, 22nd Floor, New York, New York 10005 (stockholders can call toll-free: +1 (866) 620-9554).

The Participants (the "Participants") in the solicitation are Politan, Politan Capital Management GP LLC, Politan Capital Partners GP LLC, Politan Capital NY LLC, Politan Intermediate Ltd., Politan Capital Partners Master Fund LP, Politan Capital Partners LP, Politan Capital Offshore Partners LP, Quentin Koffey, Matthew Hall, Aaron Kapito and Michelle Brennan.

# Shareholder Nominees Can Fix Masimo's Broken Governance and Restore Focus On Profitable Growth

## Change is Needed at Masimo

- Masimo's broken corporate governance has resulted in a deeply discounted valuation and an inability to profitably innovate and grow.
- We have tried to engage constructively for the past nine months, but the Board's remarkably hostile response is consistent with its history of failed governance.

## Shareholder Nominees Can Help

### Refresh Governance, Discipline Cap Allocation, and Refocus Strategy

- Michelle Brennan is an accomplished healthcare executive with over 30 years of experience at Johnson & Johnson. She brings deep experience in medical devices and a successful track record of new product innovation, strategy implementation, and scaling businesses.
- Quentin Koffey (Managing Partner of Politan, which owns 9% of Masimo) brings to the Board a much-needed shareholder perspective as well as experience from dozens of collaborative engagements focused on improving capital allocation, refocusing strategy, and reforming corporate governance.



# Politan Owns 9% of Masimo: We Are Long-Term Focused and Constructive in Our Engagement



~\$800M investment makes us one of Masimo's largest shareholders.

- We are **long-term** focused with the substantial majority of our capital committed for at least three years. We do not use leverage.
- Our **extensive due diligence** utilizes operating partners, consultants, and law firms.
- We seek to **engage constructively** with management teams and Boards of Directors to unlock long-term value through strategic, operational, and governance changes.
- Our firm was started in August 2021 and the investment partners have 35+ years of experience at prior firms including Elliott Management and The D. E. Shaw Group.
- We have substantial experience engaging productively for the benefit of all shareholders, having placed ~30 directors on public boards — **primarily through cooperation agreements.**



Politan's style is to amicably and quietly work with management to achieve its objectives. They do not send angry public letters, and they do not seek proxy fights. However, they will also not back down from a proxy fight if their hand is forced...Koffey has created significant value for shareholders at companies like Lowe's... As board members, Politan could be very helpful to both management and shareholders in pursuing strategic projects. They will listen to management with an open mind, and if they agree with a project their support would give management cover with other shareholders to pursue it. However, at the end of the day they are economic animals and will do what is best for shareholders — if management cannot justify a project, Politan will be there to protect shareholder value."

Ken Squire



[V]eteran activist.. [who] prefers to work privately with management before releasing public letters critiquing companies or pursuing proxy fights."

Presentation to Masimo on Politan, Aug 2022

Morgan Stanley

# Change Is Warranted

## Shareholder Nominees Can Help to Deliver Change

1

### Collapse in Valuation Revealed Crisis of Confidence

- Unprecedented valuation collapse (5x purchase price) reveals crisis of confidence in Board oversight.
- TSR has significantly underperformed peers across 1-, 3-, and 5-years by ~20% to over 100%.
- Politan's engagement and successful litigation have driven positive stock reaction.

2

### Undisciplined Capital Allocation & Unfocused Strategy

- Masimo's core business funds over (\$100M) of annual EBITDA losses in adjacent markets.
- These adjacent efforts have missed revenue targets by 50+% and caused ROIC to decline by 30%.
- Company is accelerating new product launches into more competitive markets further from core skills.
- Result is \$5.5B discount to valuation today (62% of market capitalization).

3

### Broken Corporate Governance

- Masimo is a governance outlier: bottom 0.1% Say-on-Pay votes, bottom 2% director votes. Delaware judge called CEO agreement "astounding, "truly remarkable," and indicated it "amounts to abdication."
- Employment agreement guarantees CEO ~\$600M and acts as a "poison pill" forbidding shareholders from replacing 1/3<sup>rd</sup> of the Board (we believe illegally), CEO annual pay is ~2x peers, annual side payment to CEO-owned Cercacor is \$17M, CEO's family has controlled Masimo's corporate charity and regularly donated to personal causes. Prior to Politan 13D, Board entertained granting CEO an "Elon Musk deal."
- Independent directors have never purchased stock during tenure, not even after valuation collapsed.

4

### History Repeats: Board Undermines Shareholders

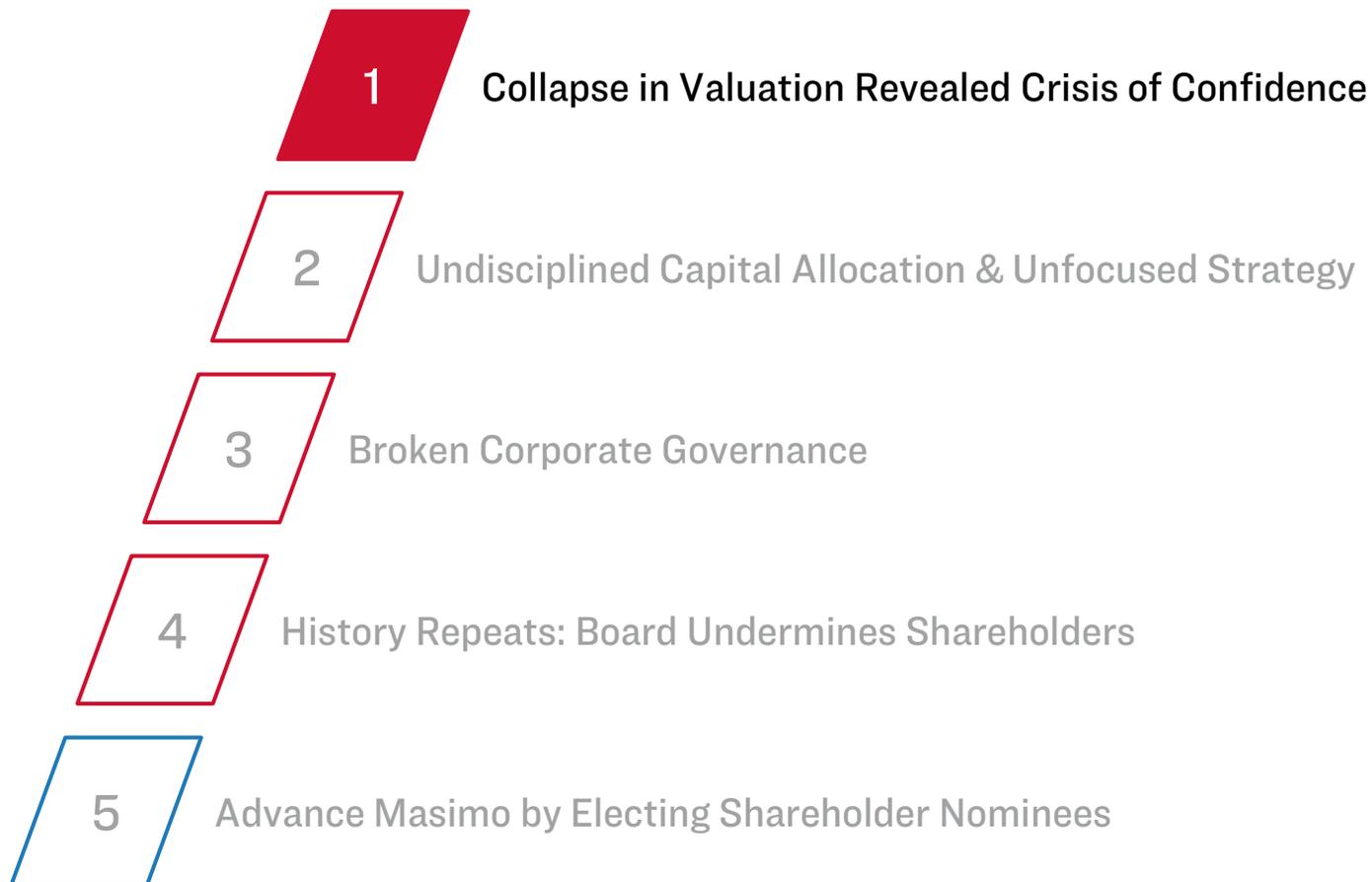
- Board refused to ever meet Politan and instead adopted bylaws designed to block shareholder nominations as majority of Board stated they thought Politan would win if a proxy contest held.
- Just as Board approved ~\$600M strict single trigger windfall to CEO only months after settling shareholder governance suit (later made permanent) and never complied with prior 2015 commitment to expand Board to seven, it is already undermining March 23<sup>rd</sup> governance 'concessions' to shareholders.

5

### Shareholder Nominees Can Advance Masimo

- Shareholder nominees, Michelle Brennan and Quentin Koffey, have the skills, experience, and shareholder alignment to refresh governance, bring discipline to capital allocation, and refocus strategy.
- Shareholders may not have chance to effectuate meaningful change ever again: we spent \$15M to remove bylaws and secure waivers to Mr. Kiani's "poison pill" agreement. No one is likely to ever try again.

# Change Is Warranted



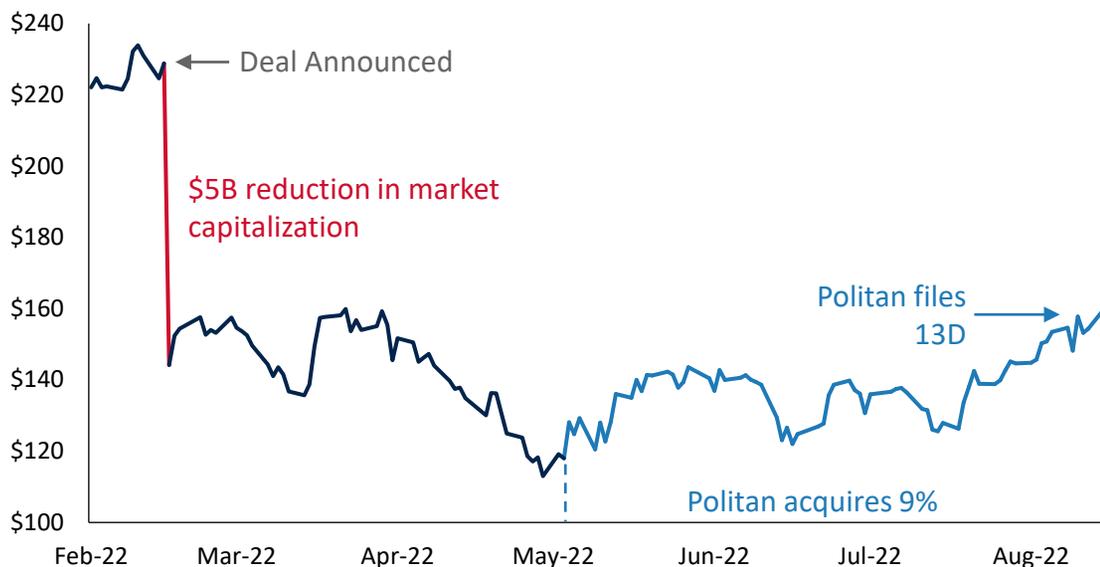
# Unprecedented Collapse in Value Reveals a Crisis of Confidence in Masimo's Board



Masimo's valuation collapsed by 5x the Sound United purchase price due to fears of further potential destruction of shareholder value – a crisis of confidence in governance, not merely a controversial deal:

- Historical average move is 3% upon announcement of an acquisition.
- Declining by 5x the purchase price is 3x the second-worst decline by a company and is a 19x standard deviation move.
- Declining by \$4B in excess of purchase price reveals fundamental concern that Board will not stop future value destruction.

## Collapse in Masimo Stock Price



Once there's a precedent, people believe that... the thing may repeat... There were investors who expressed serious concern over the capital allocation decision and wondered how it could be justified."

Eli Kammerman, Masimo IR, Deposition, Jan 23



If the market hated the deal, you would just write off \$1B, but they wrote off \$5B."<sup>(1)</sup>

Sep 22



Bloomberg.  
1. Wolfe research webcast on September 16<sup>th</sup>, 2022.

# Many Longtime Shareholders Exited Their Investments in Masimo



**7 of the top 20 shareholders** exited following the acquisition of Sound United.<sup>(1)</sup>

Average holding period of exiting shareholders was **6 years**.

Top shareholders exited at **11x normal levels**.<sup>(2)</sup>

Exiting **not explained by market trends** as Masimo shareholders exited at 6x peer levels.<sup>(3)</sup>

Bloomberg.

1. Calculated as the number of beginning top 20 shareholders (excluding Mr. Kiani) who reduced initial position by >85% over subsequent two quarter period.
2. Compares top 20 shareholders exiting Masimo post-Sound United with the average top 20 shareholders exiting Masimo over two quarters for the preceding three years prior to Sound United.
3. Compares top 20 shareholders exiting Masimo to the average top 20 shareholders exiting proxy peers over the two quarters post-Sound United.

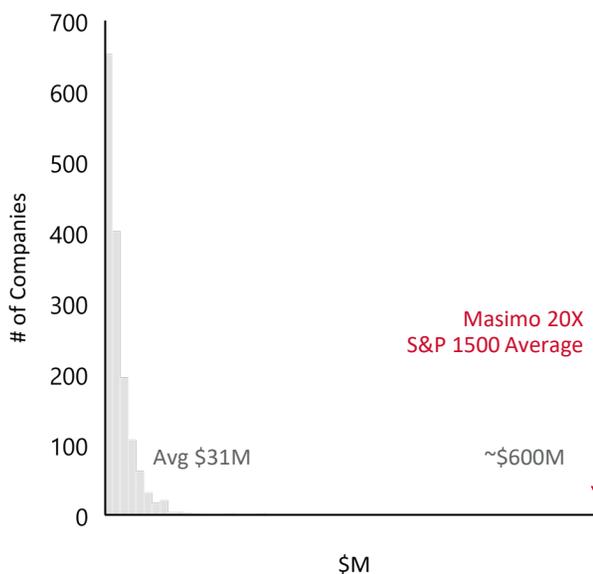
# Why a Crisis of Confidence? Masimo's Governance Is an Extraordinary Outlier...



## ~\$600M Payment to Mr. Kiani Upon Governance Changes

- Delaware Judge called it **“astounding”** and **“amounts to abdication”** of Board’s fiduciary duties.

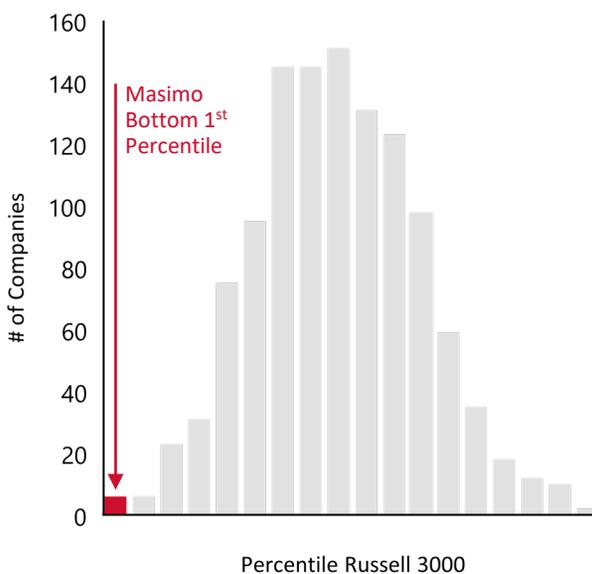
CEO Change in Control Payments vs S&P 1500



## Board Ignores Votes Against Compensation Practices

- Failed Say-on-Pay 6 of the last 12 years; **bottom 1%** of the Russell 3000 for Say-on-Pay results.

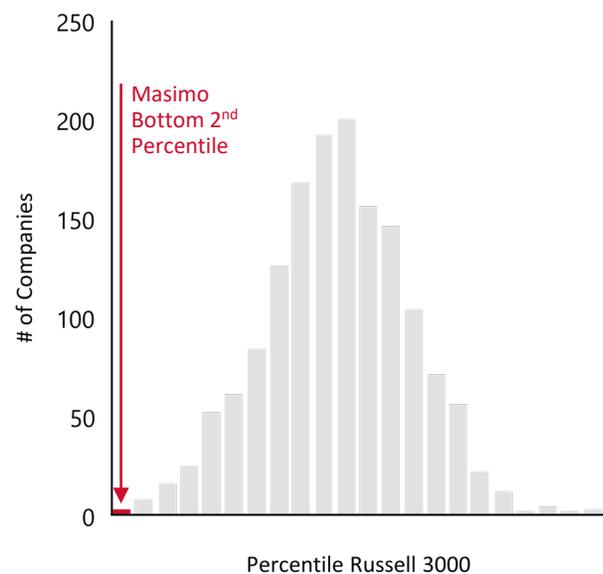
Say-on-Pay Votes In-Favor Since 2011 vs Russell 3000



## Board Ignores Votes Against Directors and **Reneges on Commitments**

- Bottom 2%** of the Russell 3000 for votes against directors.
- Undermined** 2015 governance agreement to expand Board to seven.

Director Votes In-Favor vs Russell 3000



Company filings, expert report of James Reda of Gallagher’s Human Resources & Compensation Consulting practice, and ISS Corporate Solutions voting data. Calculations exclude Mr. Kiani’s stake, as provided by Company’s annual proxy statement. If Mr. Kiani’s stake were included, votes against directors would instead be in the bottom 3<sup>rd</sup> percentile.

# ...And Mr. Kiani's Employment Agreement Functions as a Poison Pill to Thwart Shareholders

## Employment Agreement

- ~\$600M payment to Mr. Kiani ensures:
  - Shareholders cannot replace more than 1/3<sup>rd</sup> of Board.
  - No Lead Independent Director.
  - Mr. Kiani must be CEO & Chairman.
  - Agreement renews forever.



[Triggering the Special Payment is] “a very scary prospect for me in that it’s a lot of shares and a lot of dollars... I thought **the employment agreement that existed alone was a sufficient poison pill** and it was surprising to me that anyone would want two board seats...”

Director Mikkelson, Deposition, Jan 2023



## Cercacor Licensing Agreement

- Mr. Kiani is Chairman, CEO, and majority owner of Cercacor.
- Cercacor controls intellectual property licensed in Masimo’s Rainbow products.
- If for any reason Mr. Kiani is not Chairman & CEO of Masimo, then minimum royalty payment of \$17M per year is payable.
- For years, this functioned as a second poison pill.

**As a result...  
Masimo has long been viewed as a controlled company that does not need to listen to its shareholders due to Mr. Kiani’s compensation agreement.**

**But Politan, through litigation, has secured limited waivers exclusively for this year’s 2023 AGM.**

# Board Knew Shareholders Were Frustrated so Attempted to Block Shareholder Nominations

## Board Believed They Would Lose a Proxy Fight...



We're likely to lose the proxy fight [with Politan], I thought."

Mr. Kiani, Deposition, Jan 23



[Q]You also said [to the Board] that you assume that Politan might win a proxy contest?

Yeah, I did say that [to the Board] at some point."

Director Mikkelson, Deposition, Jan 23



[T]here would likely be a proxy contest... and we'd likely lose, but there would be a proxy contest."

Director Shimer, Deposition, Jan 23



## ...so Deployed Entrenchment Tactics and Attacked

Refused to meet with Politan (not even once)

Adopted bylaws to stop shareholder vote

Deployed harassment and pressure tactics against Politan & Politan investors

After losing in Court, announced governance half-measures while simultaneously undermining them

# Despite Intense Criticism of Board's Behavior ... Only Removed Bylaws to Delay Trial on CEO Pay



## MFA Submits Amicus Curiae Brief...

(Masimo's) provisions are **designed to discourage investor engagement** that would strengthen corporate governance by forcing the disclosure of proprietary and sensitive confidential information..” – 



## Masimo serves Politan a scalding hot cup of Koffey

At the end of the day, however, we see a company that has attempted to throw up a roadblock against some bogeyman that doesn't exist. Investors know who Koffey is and understand that he isn't some nefarious character working on behalf of a shady foreign government. Or trying to steal the secret recipe to MASI's pulse oximeters. **He's an investor, not a spy.**” –  GORDON HASKETT  
RESEARCH ADVISORS



## Bloomberg: Money Stuff

“Except that now **Masimo wants to force activists to disclose their investors, so that it can pressure those investors to stop supporting activism**, so that there will be less activism. And, as Politan says, ‘one would reasonably expect’ this sort of bylaw ‘to be broadly adopted by public companies,’ since no public company really wants to get into a proxy fight if it doesn't have to. So the result would be that it's a lot harder to run an activist fund.” – **Bloomberg**



## MASI Is Embarrassing

Based on our knowledge of MASI, from its own documents and Politan's, **it has among the worst corp gov and shareholder engagement policies and practices anywhere...** the flimsy rationale of conforming bylaws to UPC conceals a concerted effort to disenfranchise a shareholder that evidently attempted to comply in good faith with some of the most onerous requirements around, merely to complete the first step, nominating director candidates.” –  TAI  
The Activist Investor



## Corporate tactic to unmask activist hedge fund investors faces key Delaware hearing

But in a client alert issued last month, **Sidley Austin – which, keep in mind, bills itself as a specialist in helping companies defend against activist hedge funds – said that Masimo was ‘flying close to the sun’** and risked ‘undermining reasonable and appropriate advance notice bylaws.’” –  REUTERS



## Delaware judge rejects early unmasking of activist fund investors in proxy bylaw fight

In a big win for activist investors, hedge fund Politan Capital Management LP has shut down an attempt by medical device maker Masimo Corp to **use the litigation discovery process to unmask Politan's investors.**” –  REUTERS



## A fight for the boardroom of America

**When you've found a corporate defense that makes Wachtell uneasy, you've overshot...** The Delaware court has to balance two things: giving corporate managers the freedom to run their business, and ensuring accountability and reasonable access to the ballot for shareholders. This bylaw will kill the latter, and goes too far in the tug-of-war between management and shareholders.” – **SEMAFOR**



## The gloves come off at Masimo

(T)he big **reason why a settlement isn't near is Kiani doesn't want an outsider upsetting his semi-private fiefdom.** From our airborne viewing spot at 30K feet, that is what is going on here.” –  GORDON HASKETT  
RESEARCH ADVISORS



## Masimo, after ditching dicey ‘advance notice’ bylaw, still faces CEO pay trial

Cook said multiple prongs of the (change of control) provision -- including its lack of an end date aside from Kiani's death; the quick trigger if only one-third of the board changed hands or if the board named someone other than Kiani ‘lead director’; and the board's inability to block the payout once the clause was triggered – were **‘astounding’ and ‘truly amazing.’**” –  REUTERS

**Despite months of intense criticism, Board only removed bylaws in last ditch effort to delay trial on CEO compensation agreement.**

# Against Any Relevant Set of Peers Masimo Has Substantially Underperformed



	1 Year	3 Years	5 Years
 <b>As of Unaffected Date August 15<sup>th</sup>, 2022</b> <b>Total Shareholder Return Performance vs.</b>	<b>(62%)</b>	<b>(133%)</b>	<b>(22%)</b>
<b>Bloomberg Peers<sup>(1)</sup></b>	<b>(18%)</b>	<b>(19%)</b>	<b>(53%)</b>
<b>Proxy Peers<sup>(2)</sup></b>	<b>(27%)</b>	<b>(82%)</b>	<b>(171%)</b>
<b>Proxy Peers with Same Growth Profile<sup>(3)</sup></b>	<b>(28%)</b>	<b>(34%)</b>	<b>(24%)</b>
<b>Medical Devices Index<sup>(4)</sup></b>	<b>(17%)</b>	<b>(47%)</b>	<b>(85%)</b>
<b>Comparable Business Quality Peers<sup>(5)</sup></b>	<b>(33%)</b>	<b>(37%)</b>	<b>(72%)</b>
<b>Sell-Side Peers<sup>(6)</sup></b>			

Bloomberg data as of August 15th, 2022, date Politan filed 13D.

1. Bloomberg Peers include: SWAV, INSP, PEN, GMED, NARI, IRTC, ENOV, AXNX, ITGR, ATRC.

2. 2022 Proxy Peers include: ABMD, ALGN, COO, XRAY, DXCM, GMED, HAE, HOLX, PODD, ICUI, IART, LIVN, NUVA, RMD, TDOC, TNDM, TFX, WST.

3. Proxy Peers with Same Growth Profile are 2022 Proxy Peers that have a 3-year forward sales CAGR exceeding 10% and includes ABMD, DXCM, HOLX, PODD, RMD, WST.

4. Dow Jones US Medical Equipment Index (selected by Masimo in their proxy statement).

5. Comparable Business Quality Peers include: EW, IDEXX, RMD, ISRG.

6. Sell-Side Peers are peers used for Wolfe Research healthcare segment valuation and include: ABT, BSX, EW, RMD, STE.

# Politan’s 13D, Engagement, and Success in Court Have Driven Positive Stock Reaction

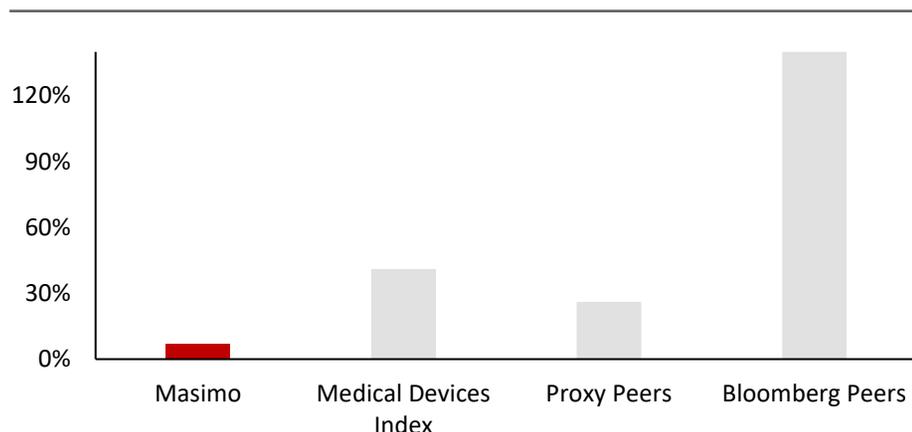


...it’s **almost exclusively the presence of Politan** — ...[that has]...helped shares drift higher over the past several months, and it could very well be what keeps shares from moving materially lower...”

May 9, 2023

PIPER | SANDLER

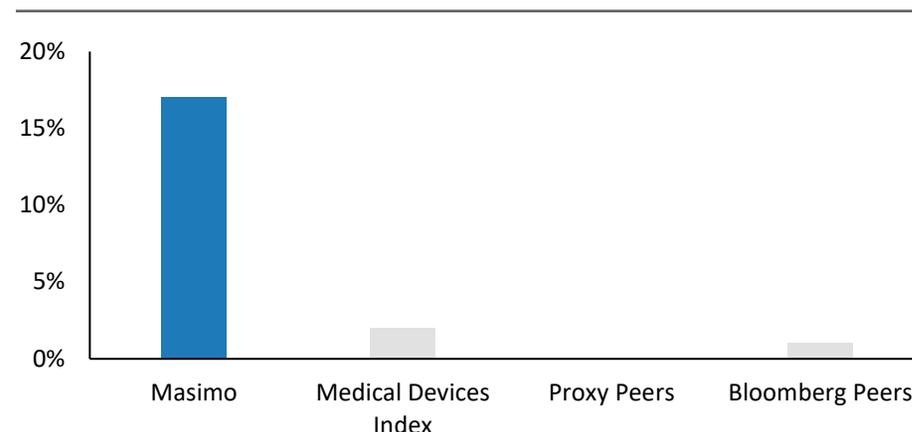
## Total Stock Return **Before** Politan 13D



Relative Performance  
8/15/19 to 8/15/22



## Total Stock Return **After** Politan 13D



Relative Performance  
8/16/22 to 5/8/23



**7 of Masimo’s top 20 shareholders  
exited positions<sup>(1)</sup>**

**4 top shareholders  
materially added<sup>(2)</sup>**

Bloomberg data. See prior page footnote for definition of peer sets. Total stock return after Politan 13D through May 8<sup>th</sup>, 2023 (up to 1Q23 earnings) to match quote above.

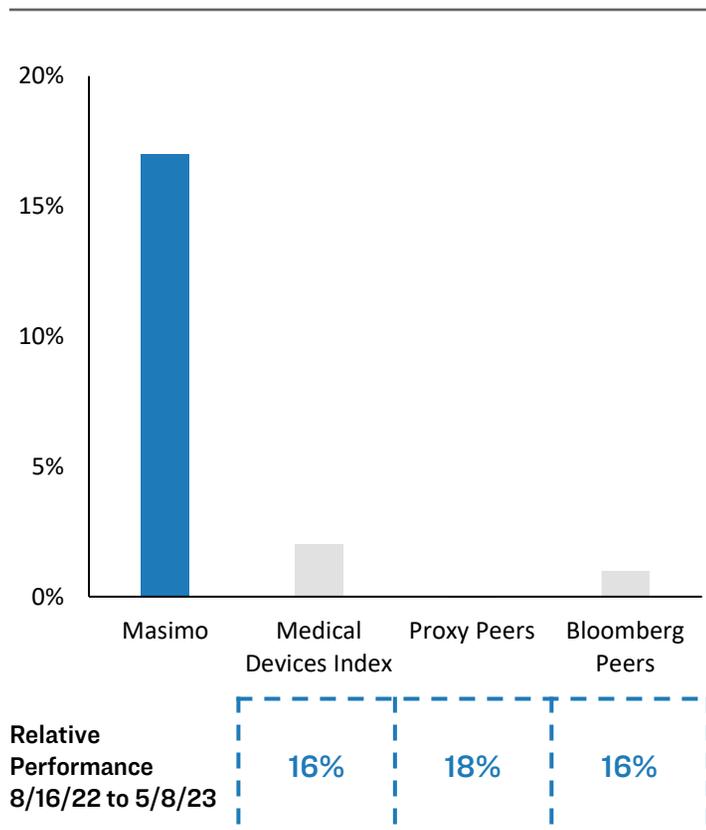
1. See page 8, footnote 1 for calculation methodology.

2. Defined as shareholders who were not in the top 20 as of Q2’22 (pre-Politan 13D) and entered top 20 two quarters later. These shareholders collectively increased their positions by 315% over that time.

# Despite Outperformance From Politan Engagement Masimo Underperformance Remains Stark



## Despite Outperformance Following 13D...



## ...Masimo Has Still Underperformed Peers

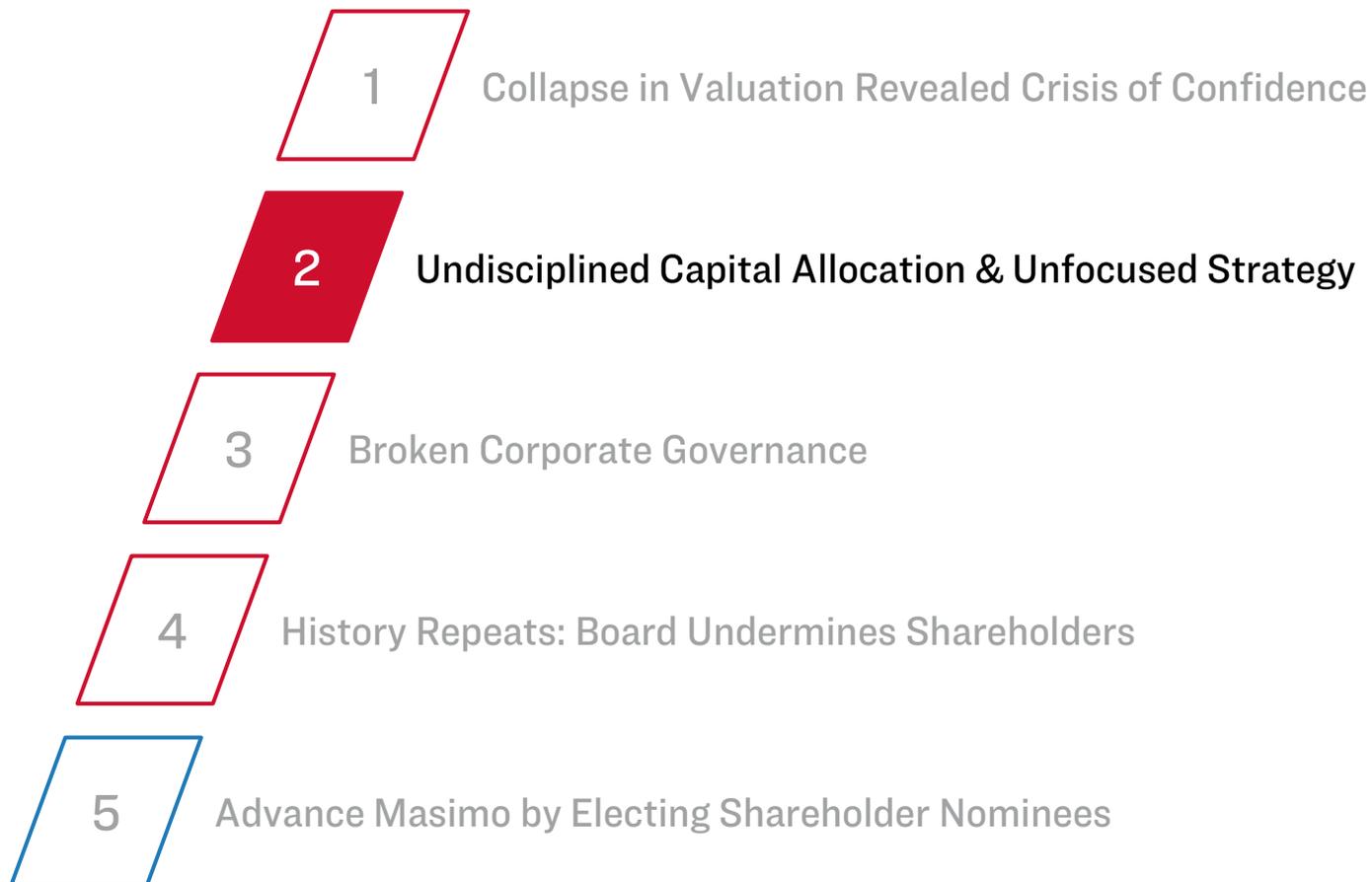
	Sound United		
	1.3 Years	3 Years	5 Years
<b>Bloomberg Peers<sup>(1)</sup></b>	<b>(35%)</b>	<b>(133%)</b>	<b>(102%)</b>
<b>Proxy Peers<sup>(2)</sup></b>	<b>(15%)</b>	<b>(42%)</b>	<b>(3%)</b>
<b>Proxy Peers with Same Growth Profile<sup>(3)</sup></b>	<b>(39%)</b>	<b>(89%)</b>	<b>(140%)</b>
<b>Medical Devices Index<sup>(4)</sup></b>	<b>(23%)</b>	<b>(65%)</b>	<b>(9%)</b>
<b>Comparable Business Quality Peers<sup>(5)</sup></b>	<b>(24%)</b>	<b>(83%)</b>	<b>(53%)</b>
<b>Sell-Side Peers<sup>(6)</sup></b>	<b>(26%)</b>	<b>(71%)</b>	<b>(37%)</b>

**MASIMO**  
As of May 22, 2023  
Total Shareholder Return Performance vs.

Bloomberg data. Left: See prior page for description of total stock return after Politan 13D. Right: Data through May 22<sup>nd</sup>, 2023, date upon which definitive proxy statement was filed. Given ~40% decline in share price following Sound United acquisition (1.3 years ago), we show total stock return since the acquisition in place of 1 year so that measurement period is relevant.

1. Bloomberg Peers include: SWAV, INSP, PEN, GMED, NARI, IRTC, ENOV, AXNX, ITGR, ATRC.
2. 2022 Proxy Peers include: ABMD, ALGN, COO, XRAY, DXCM, GMED, HAE, HOLX, PODD, ICUI, IART, LIVN, NUVA, RMD, TDOC, TNDM, TFX, WST.
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6. Sell-Side Peers are peers used for Wolfe Research healthcare segment valuation and include: ABT, BSX, EW, RMD, STE.

# Change Is Warranted



# Sound United Acquisition Part of Masimo's Intention to Accelerate Move Into Adjacent Markets



## Masimo's valuation **dropped \$5B** upon its **\$1B cash acquisition of Sound United**

- Acquisition of a consumer speaker business marked big strategy shift into the highly competitive consumer space against **much larger** competitors, such as Amazon, Apple, Google, and Samsung.
- No example exists of a medical device company successfully entering the consumer market.
- Mr. Kiani explained that Masimo acquired Sound United for distribution for new products:



Our portfolio of products for consumer health and wellness is expanding... Sound United unlocks access to large, well-established consumer channels... like Best Buy in the US and Euronics in Europe.”

Mr. Kiani, Feb 22



Collapse in Masimo Stock Price



# Masimo's Core Business Funds Entry Into Adjacent Markets—What Mr. Kiani Calls His “Second Act”



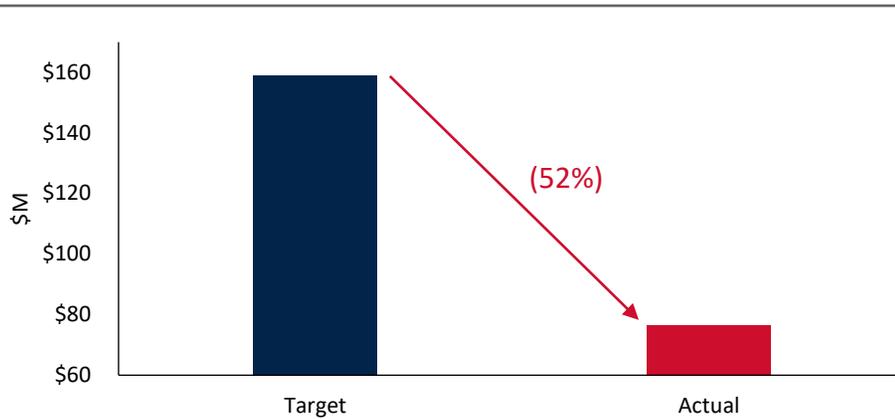
Business	Description	'23 Guidance Mid-Point <sup>(1)</sup>	
		Revenue	EBITDA
SET (Core) & Rainbow	Pulse Oximetry Co-Oximetry Hemodynamics	\$1,297M	\$540M
Adjacent Market Efforts ("Second Act")	Advanced Parameters (ROOT) Capnography & Gas Monitoring (Nomoline) Brain Monitoring (Sedline & O3) Hospital Automation Telemonitoring & Telehealth	\$160M	(\$37M)
	Consumer Ventures Smart Watch (W1 & Freedom) Baby Monitor (Stork) Hearing Aids Home Health Hubs	\$0	(\$71M)
	Litigation Non-GAAP Guidance includes (~\$15M) Actual spending is ~\$100M on Apple IP litigation and \$40M+ on litigation over bylaws with Politan	\$0	(\$15M)
	Sound United Home Audio & Headphones	\$981M	\$118M (\$1B acquisition)
	<b>Masimo Total</b>		<b>\$2,438M</b>

1. Revenue allocations based on percentages disclosed at '22 Analyst Day. EBITDA allocations based on the following. (i) Sound United at historic EBITDA margin of 12%. (ii) Consumer Ventures includes 2% of Sound United revenue that management has disclosed will be spent on additional marketing as well as 3.5% of revenues for R&D (as disclosed by IR to various shareholders). (iii) Litigation includes trade secret litigation expenses that are included in Non-GAAP guidance, approximately \$5M per quarter in 1H23 and less 2H23 (as disclosed by IR to various shareholders). (iv) SET & Rainbow 40+% EBITDA margin based on (i) & (ii) and corroborated by three different former senior company executives who stated higher than 40% operating margin was correct. Further confirmed by triangulating historical company targets for gross margin (70%) and operating margin (30%) and benchmarking for peers (gross margins, R&D, SG&A) for scaled, mature businesses such as SET/Rainbow versus sub-scale, earlier stage businesses (Advanced Parameters).

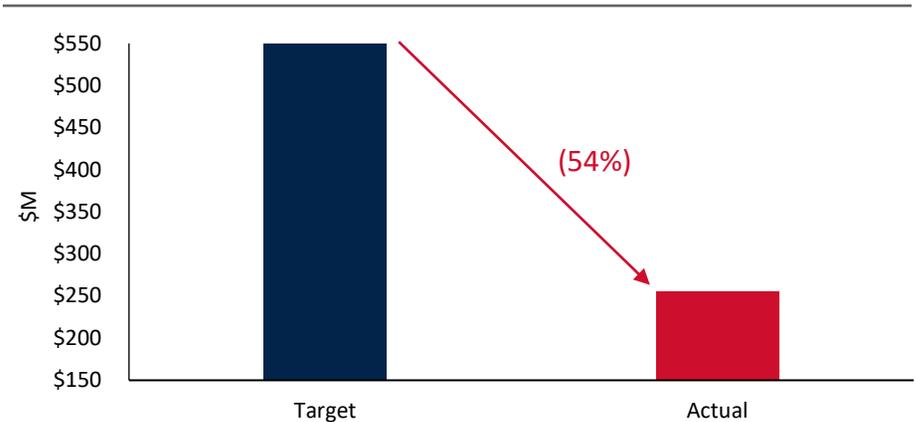
# Adjacent Market Efforts Have Missed Every Target, Resulting in Missed Company Profitability Targets



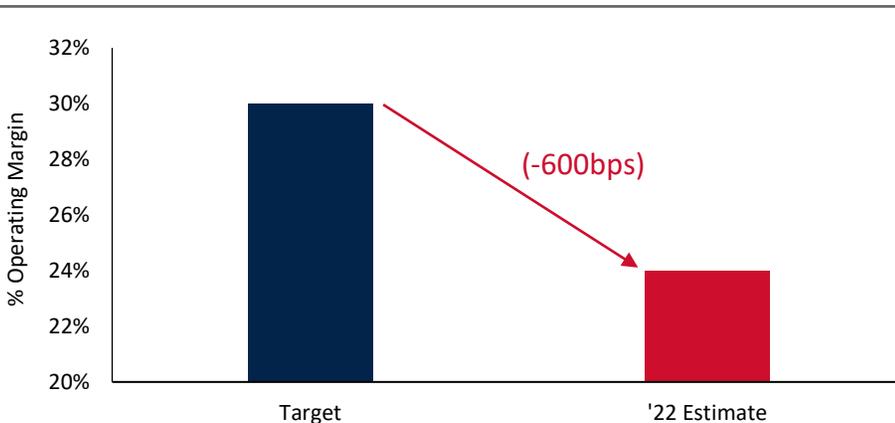
**Missed** 2012 Non-SET Revenue Target for 2017



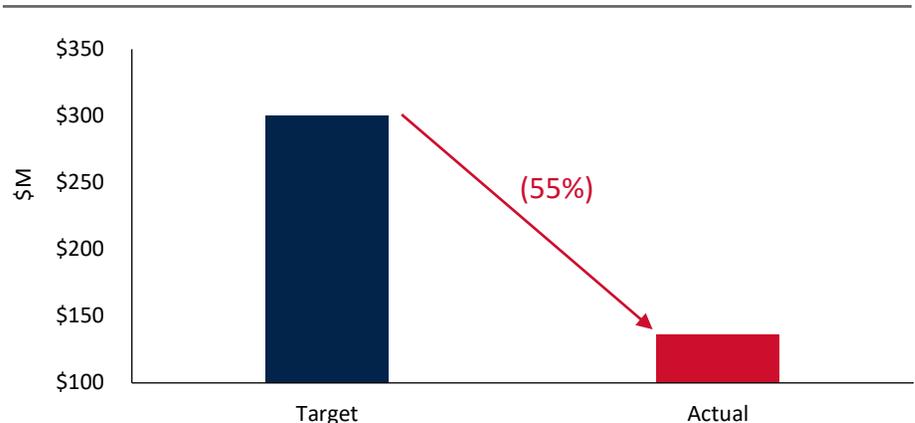
**Missed** 2017 Non-SET Revenue Target for 2022



**Missed** Company 5 Year Margin Target for 2022



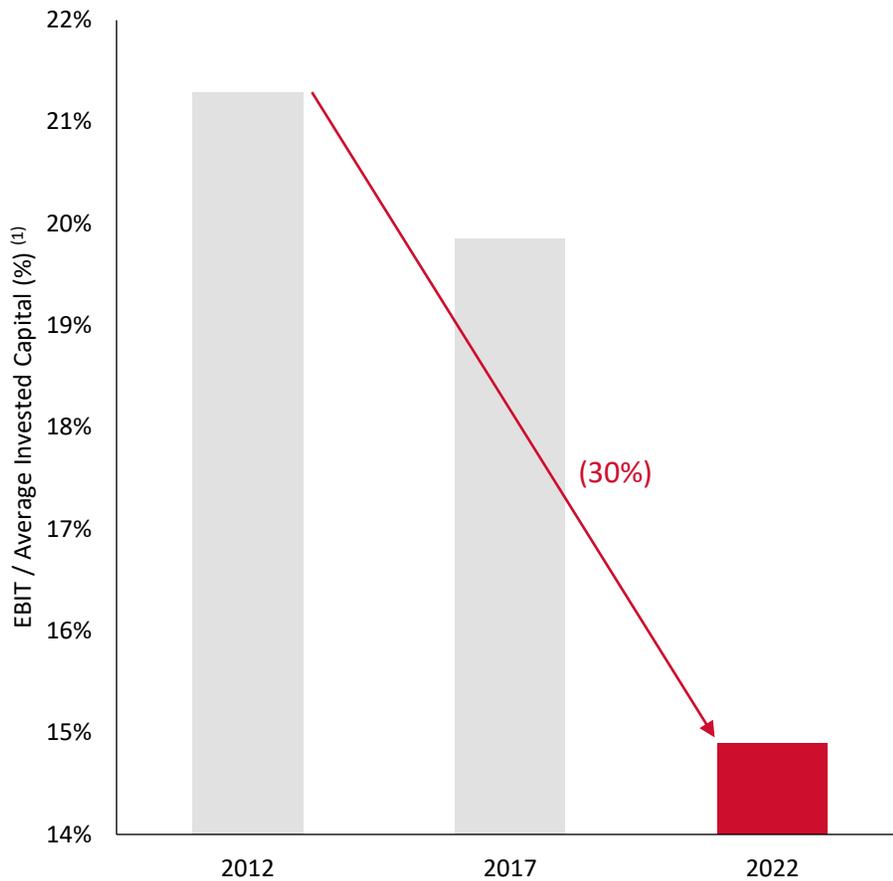
**Missed** Company 5 Year Average Free Cash Flow Target



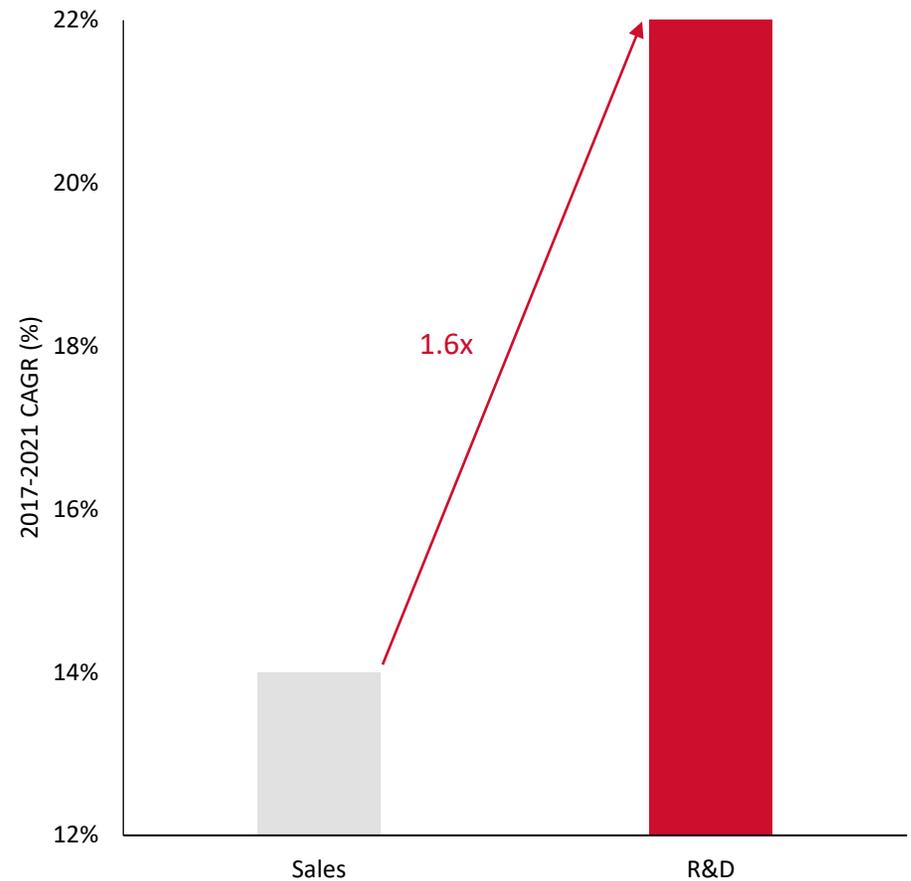
# Unsuccessful Investments in Adjacent Markets Degrade ROIC and Cause R&D to Outgrow Revenue



ROIC Has Consistently Declined...



...As Sales Growth Has Not Kept Pace With R&D



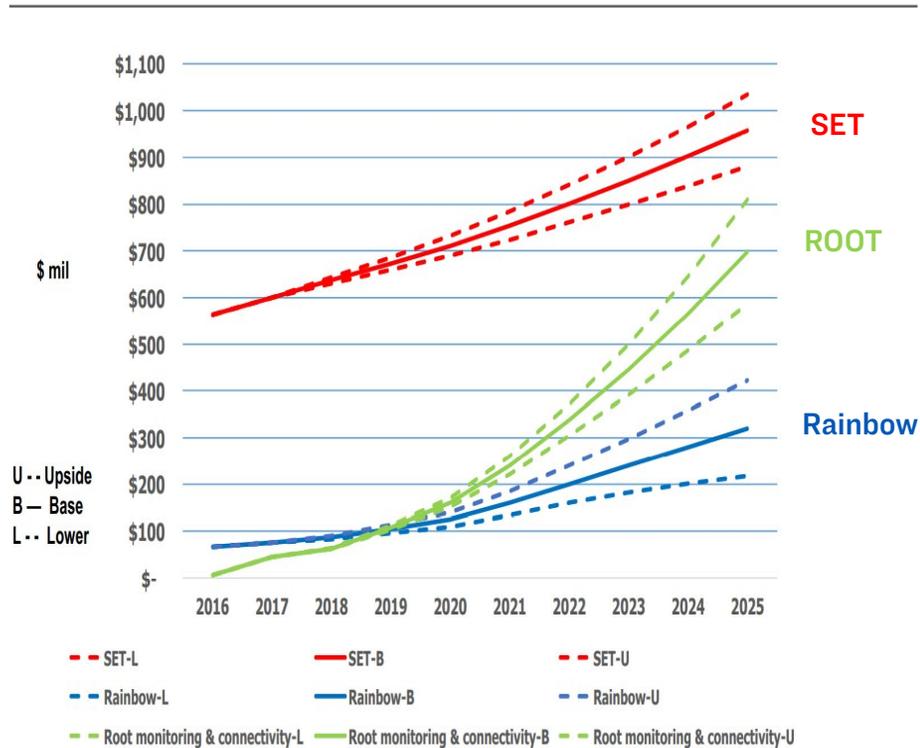
Company filings, Bloomberg.

1. Historical EBIT excludes royalty payments. 2022 EBIT and invested capital pro forma for full year of Sound United. Decline is ~15% excluding Sound United.

# Substantial Shortfalls in Adjacent Markets Offset Strength of Core (SET) Revenues



2017 Analyst Day Segment Targets<sup>(1)</sup>



Missed targets in adjacent markets negated outperformance in Masimo's core (SET)<sup>(2)</sup>

(\$ M)	2022 Target	2022 Actual	Beat / Miss
<b>Core (SET)</b>	\$800	\$1,059	+\$259
<b>ROOT</b>	\$350	\$121	(\$229)
<b>Rainbow</b>	\$200	\$134	(\$66)
<b>M&amp;A</b>	-	\$27	+\$27

Company filings, presentations and transcripts.

1. 2017 Analyst Day presentation page 10.

2. 2022 Targets from chart on left. 2022 Actuals based on 2022 Analyst Day presentation page 22 and page 50, Politan analysis.

# To Avoid Accountability, Masimo Removes Disclosure...



I think there needs to be **more financial accountability** that's visible and quarterly updates to the street about **what's working, what's not**, is it dragging on profit, is the base business subsidizing this."<sup>(1)</sup>

Sep 22  
**WOLFE**  
RESEARCH

## No Ability to Track Performance; No Ability to Hold Accountable

**Disclosed Previously,  
Now Refuse To**

- SET sales
- Rainbow sales
- Installed oximeter base
- Sensor growth rate

Cannot track core business

- Healthcare operating margin
- Consumer operating margin

Cannot track margin progress or distinguish segment performance

**Refuse to Disclose**

- ROOT sales consolidated
- Hospital Automation sales
- Advanced Parameter sales

Cannot track sales progress on advanced parameter efforts

- Sales for new consumer health products
- Consumer health operating margins

Cannot track sales progress on consumer efforts

1. Wolfe research webcast on September 16<sup>th</sup>, 2022.

# ...And Misleadingly Restates Prior Targets...

In 2017, Set Targets of  
30% and 70%

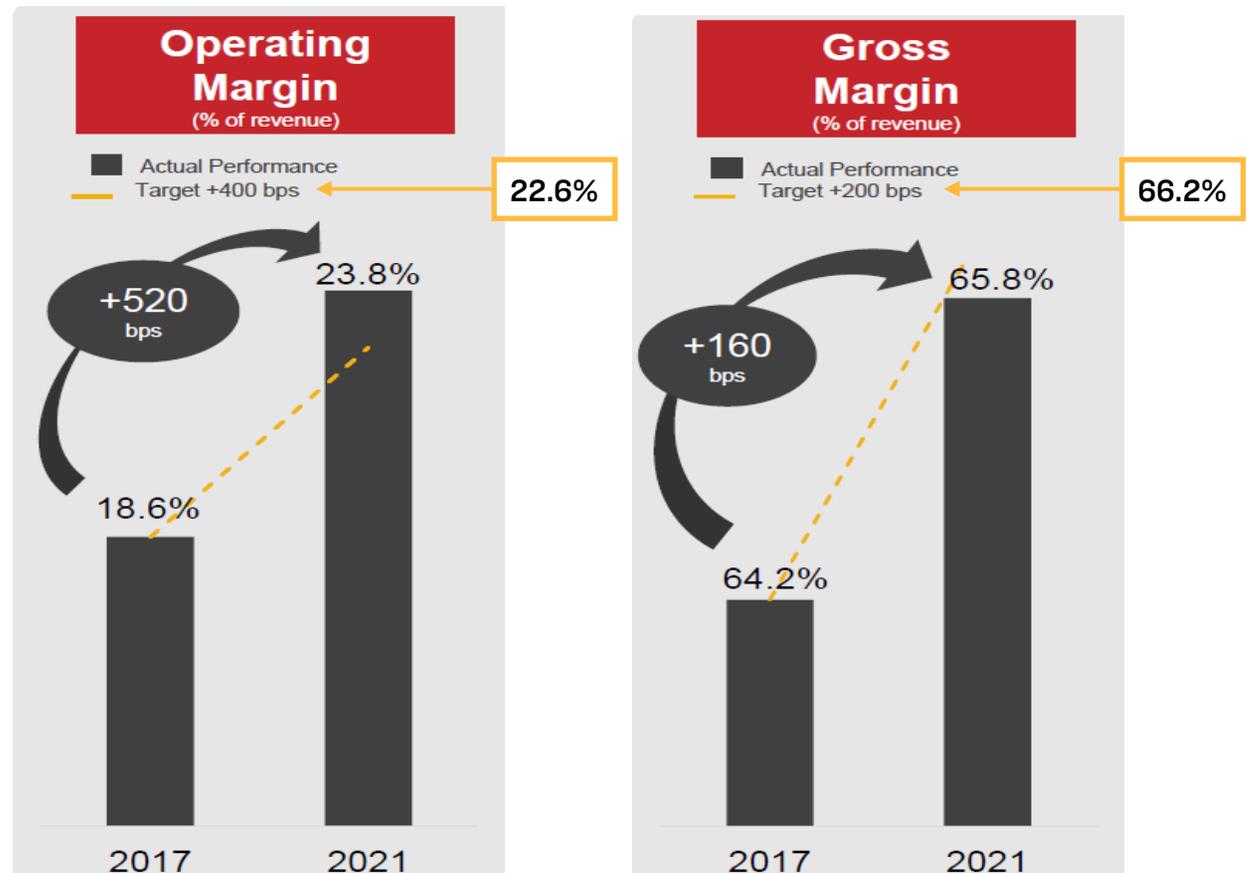


We're also expecting to reach 30% operating margin over the next few years...[and] 70% of product gross margin."

Analyst Day, May 17



At 2022 Investor Day Claimed Targets Were  
22.6% and 66.2%<sup>(1)</sup>



Company filings, presentations and transcripts.

1. 2022 Analyst day presentation page 44.

# ...Despite Having Missed Them by 54% and 72%



Targets of  
**30% and 70%**



We're also expecting to reach **30%** operating margin over the next few years...[and] **70%** of product gross margin."

Analyst Day, May 17



Reality:  
**Missed Targets by  
54% and 72%**

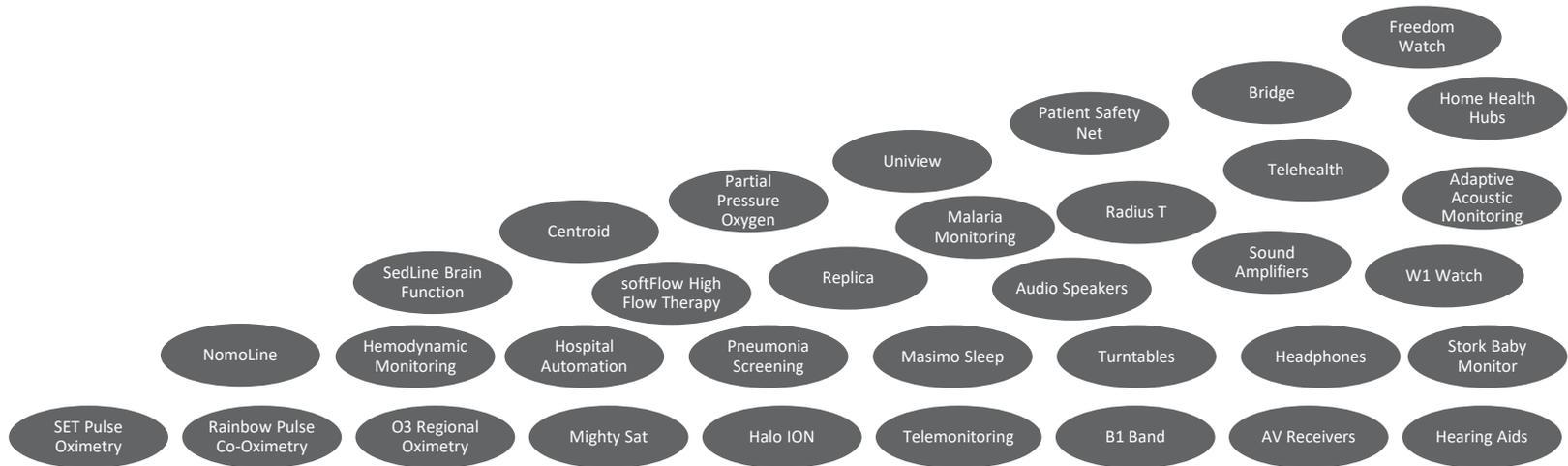
	Operating Margin	Gross Margin
Starting Margin	18.6%	64.2%
Target Margin	30.0%	70.0%
Target Expansion	1140bps	580bps
Actual Margin	23.8%	65.8%
Actual Expansion	520bps	160bps
Expansion Beat / Miss	<b>-54%</b>	<b>-72%</b>

# Meanwhile, Masimo Continues Concerning Pace of New Product Launches...



Creeping Mission Statement:	2009–2011	2012–2017	2017–2020	2021	2022
	[D]evelop	[D]evelop	[D]evelop	[D]evelop	We are an
	<b>noninvasive blood constituent patient monitoring solutions...</b>	<b>noninvasive monitoring solutions...</b>	<b>technologies</b> that improve patient outcomes...	<b>technologies</b> that improve patient outcome... <b>outside of the hospital arena.</b>	<b>organization engineered to improve life.</b>

## Ever Expanding Product Portfolio:



## Focus on Number of Launches:

“We have been introducing about a dozen... new products per year and **three to four of them each year for brand new markets.**”

Mr. Kiani, Aug 17

“As it is our 30th anniversary, we plan to do many things to celebrate. One of those things is our intention to **launch a new product every month.**”

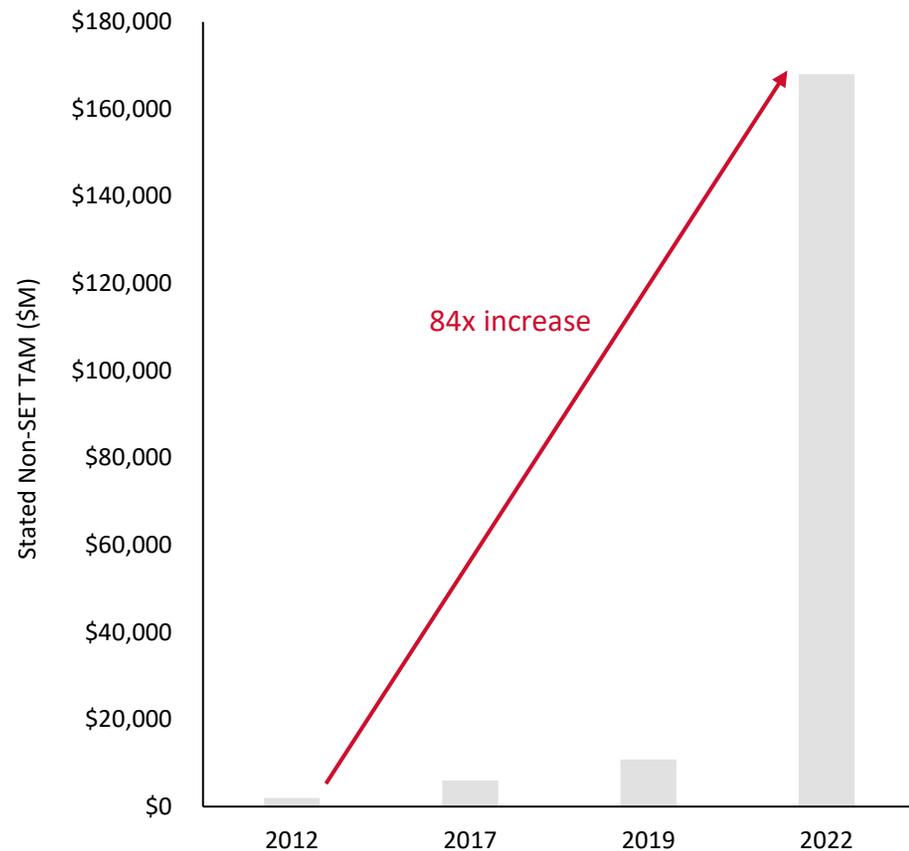
Mr. Kiani, May 19

Company filings and transcripts.

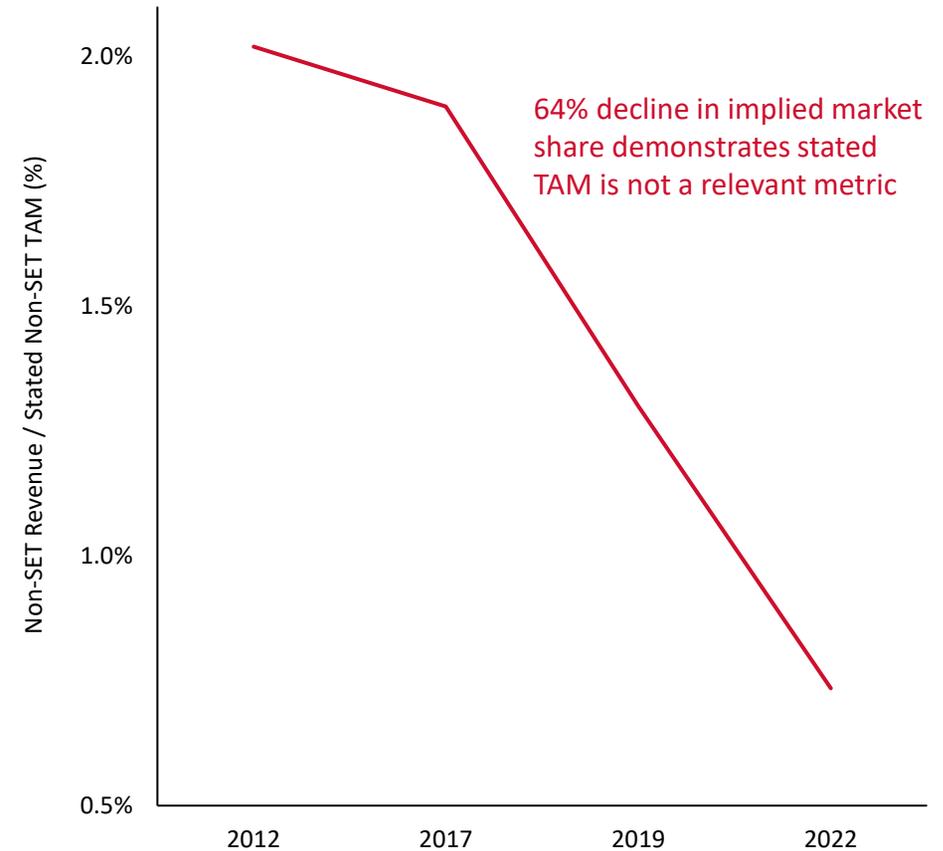
# ... Justifies Launches, but Avoids Accountability, by Pointing to Ever Larger Addressable Markets...



Masimo refuses to disclose revenue or performance metrics for new products and instead points to ever larger TAMs...



...Irrelevance of these TAMs demonstrated by how they dwarf Masimo's total company revenues



# ...And Promising Success Is Just Around the Corner



We're very excited about continuous noninvasive PO2 measurement...We think that that's going to be...a big opportunity for us....we're still probably **about two years out** from commercializing those products."

Micah Young, CFO, Sep 19



And they're probably technologies that from a revenue standpoint won't have a material impact on 2018. You're probably looking more like **2019, 2020, 2021.**"

Micah Young, CFO, Nov 17



I believe those \$2 billion opportunities, they will start seeing their way into the market in **three to four years.**"

Mr. Kiani, May 17



So we think [Stork] is a very essential product that kind of fulfills the whole plans for Masimo SET pulse oximetry, so I don't know, maybe it should reach \$100M, \$200M of revenue **over the next few years.**"

Mr. Kiani, Feb 23



**...by 2025...** Root, from just beginning to hopefully maybe even \$600 million, \$700 million of revenue."

Mr. Kiani, May 17



So, we're really expecting after 15 years...**2023 and beyond** will be...the 5 years to 10 years for rainbow to take off and others to follow it."

Mr. Kiani, Nov 22



...the Nomoline business is going to grow by at least **4x between here and 2022.** So this is going to be a major source of growth."

Rick Fishel, Pres. Worldwide OEM, May 17



...we would begin to accelerate beyond that 10% year-over-year growth rate. Hopefully in the not too distant future, moving towards 15% and then eventually **20%** if you're looking at **a window over the next five years.** Those kinds of annual growth rates we think are very, **very doable.**"

Mark de Raad, CFO, Sep 17



Numerically, we think LiDCO can contribute roughly 1% of revenues this year and that number really can grow to be much more **substantial** as we look **two to four years out.**"

Eli Kammerman, IR, Feb 21

**Results are  
always just a  
few years away...**



Product B is about a \$200 million potential; product C, \$500 million; D, \$1 billion plus; and E, \$1 billion plus as well. And we hope in the **next few years...** to have rolled out all of these."

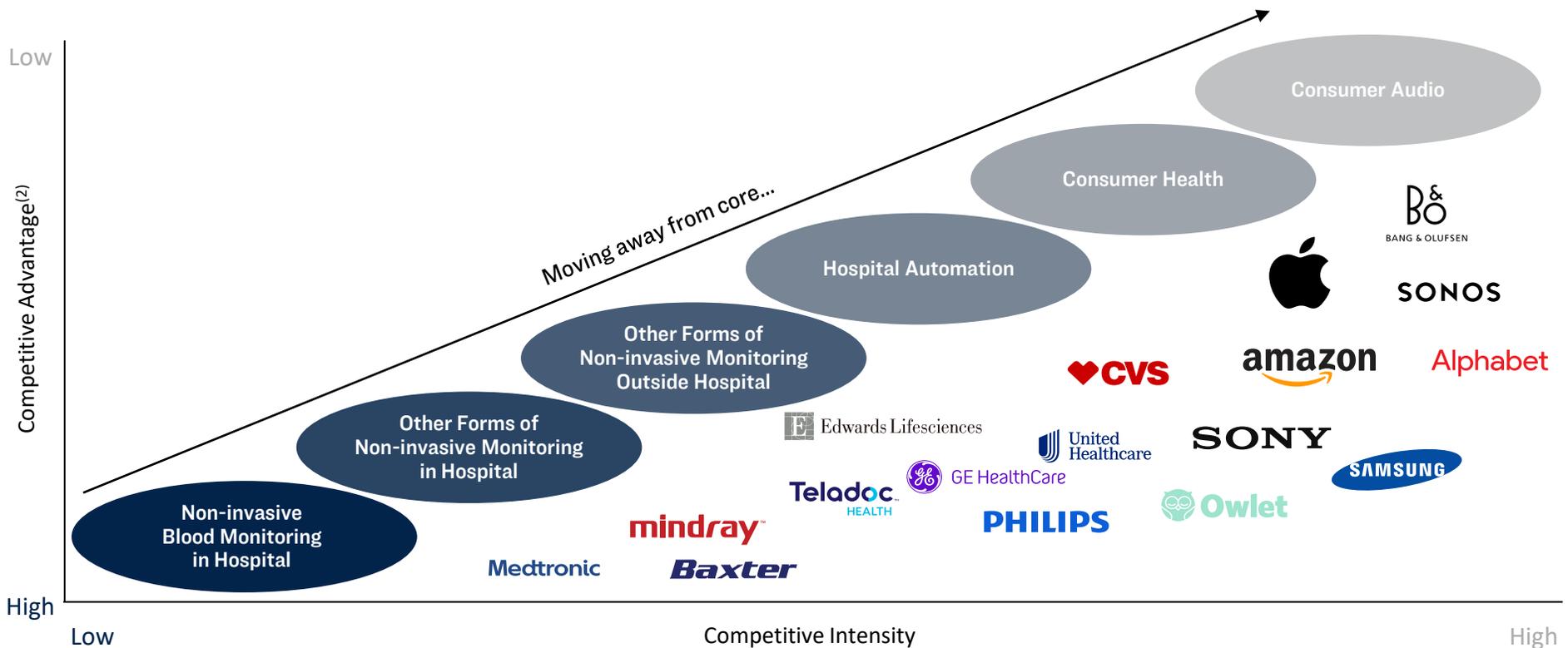
Mr. Kiani, May 17

# Risk Increases as Masimo Plunges Into Ever More Competitive Markets Away From Core Competencies



There has been an **ever-expanding list of adjacent investments. [I]t's not clear** that any of those **are putting revenue points on the board**, let alone **profit points.**<sup>(1)</sup>

Sep 22  
**WOLFE**  
 RESEARCH



1. Wolfe research webcast on September 16<sup>th</sup>, 2022.

2. Competitive Advantage: proven new market entry playbook, relevant existing products, existing customer overlap, common distribution channels, and economies of scale / ability to share existing cost structure.

# Risk of Undisciplined Capital Allocation & Unfocused Strategy Causes Valuation to Collapse



## Concerns Around Undisciplined Capital Allocation & Unfocused Strategy...

Board is not holding management accountable.

Undisciplined capital allocation and unfocused strategy are **accelerating**.

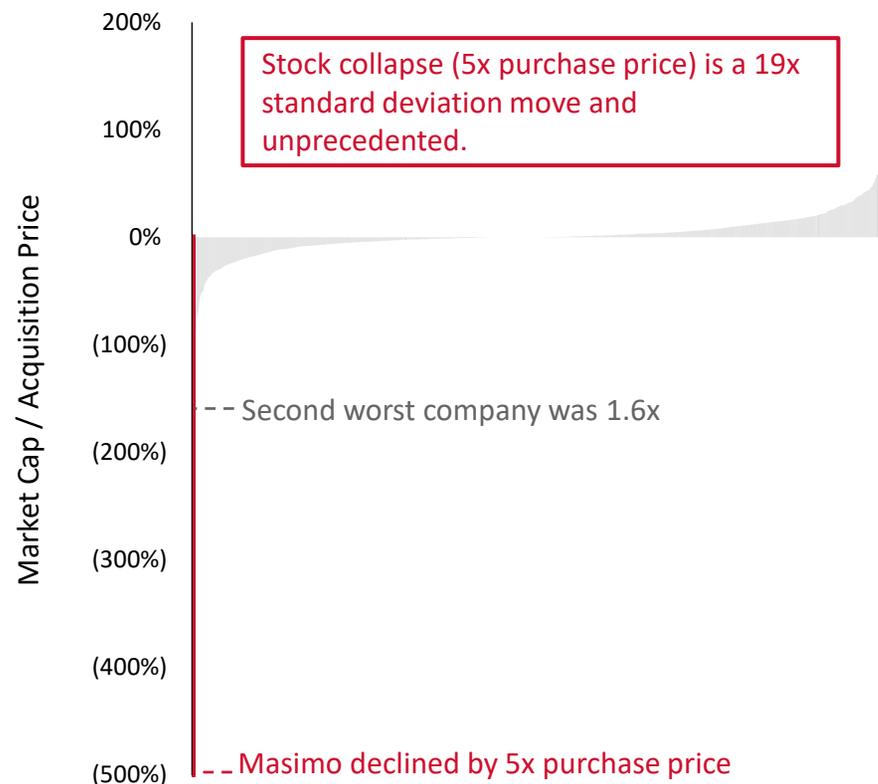


Once there's a precedent, people believe that... the thing may repeat... There were investors who expressed serious concern over the capital allocation decision and wondered how it could be justified."

Eli Kammerman, Masimo IR, Deposition, Jan 23



## ...Revealed in Unprecedented Collapse in Valuation<sup>(1)</sup>



Bloomberg.

1. All acquisitions since 2012 (10 years prior to Sound United deal) by US public companies with market cap greater than \$1B as per Bloomberg. Excludes SPACs.

# Resulting in Substantial Negative Value Implied for Consumer Efforts Today



Masimo TEV Today	<b>\$9.7 B</b>	Taking Masimo's TEV today...
Minus: Value of Masimo Healthcare	<b>\$14.2 B</b>	...valued at 22.5x 2025 EBITDA (inline with peers, despite historic premium to peers)
Minus: Value of Apple Litigation	<b>-?-</b>	...conservatively giving no value to Apple litigation despite Politan's expectation of Masimo prevailing and Masimo spending \$100+M
Minus: Value of Sound United	<b>\$1.0 B</b>	...and valuing Sound United at its purchase price a year ago
<b>(\$5.5 B)</b>		<b>Shows Market's Persistent Concerns Over Capital Allocation &amp; Strategy</b>

TEV today= \$162.87/share x 55M diluted shares + \$723M of net debt. As of May 22<sup>nd</sup>, 2023.

Value of Masimo Healthcare= 22.5x \$631M of FY25 EBITDA:

- FY25 multiple of 22.5x is average FY25 multiple of peers (BSX, EW, IDXX, ISRG, RMD, SYK).

- FY25 EBITDA of \$631M based on \$503M of EBITDA today (\$540M for SET & Rainbow and (\$37M) for Advanced Parameters) grown at 12% CAGR.

- 12% CAGR is based on December '22 Investor Day guidance detailed on pages 49 & 50 of company presentation. Per page 50, 9% is midpoint of revenue growth expectation for Masimo Healthcare (less new consumer health products). Per page 49, Masimo expects EBITDA growth 300bps above revenue growth. While we would expect greater incremental margins in Healthcare business than in Sound United, we have applied company-wide expectation.

Masimo's TEV at \$162.87/share today values Masimo Healthcare at 13.7x FY25 EBITDA which is 28% below SYK and 20% below BSX (both much lower growth and quality businesses). Analysis assumes \$1,025M for Sound United and no value for Apple Litigation or Consumer Efforts.

# We Strongly Support Investing for Growth but Board Oversight Is Needed to Do It Successfully



As Mr. Kiani acknowledged over a decade ago...



If we chose to, we could literally be a 40% operating income business.. We have chosen to... do something that nobody else could do and we have chosen to take a future that we think is much brighter **if we implement properly** than go for the short-term gain. So I know **there's a balance to that and we can't do that forever**... It's going to allow Masimo **sometime in the future to start seeing amazing growth**. And I can't predict when that will come. But if we weren't convinced it would come, we wouldn't be making this choice."

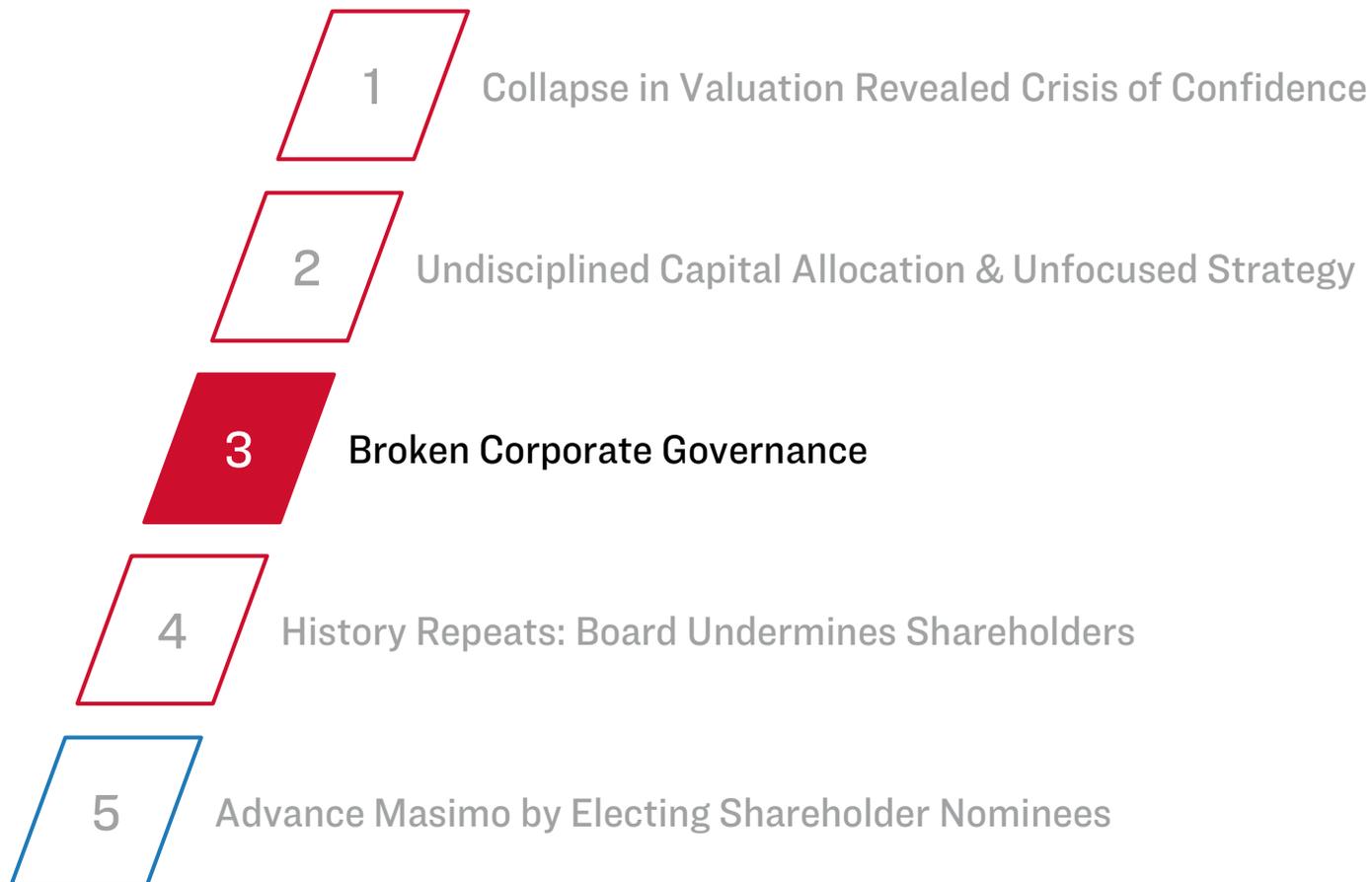
Mr. Kiani, Sep 12



Masimo shareholders have invested heavily, but growth outside the core has not materialized

	2012	2022	Change
Annual Revenue Growth Rate	14.4%	8.2%	(43%)
Trailing 5-year Revenue CAGR	18.4%	12.7%	(31%)

# Change Is Warranted



# Board Is Utterly Dismissive of Corporate Governance



Corporate Governance Doesn't Matter



**Better governance doesn't drive better stock price."**

Director Cohen, Deposition, Jan 23



Proxy Advisory Firms Are The Problem, Not Masimo's Governance



No, we don't [have a good corporate governance reputation] because ISS and the way people want to put everyone on that mediocre slot. **I mean, a lot of the things ISS says this or that about, I disagree with. I think—I think they are a problem. They're part of a problem in our society.**

And when they began ... what do they say? We're going to go set this thing up, but the real money isn't going to come from the Fidelitys of the world. It's going to come from Masimos of the world that'll pay us consulting fees to get the votes they need."

Mr. Kiani, Deposition, Jan 23



Board Should Get Out of CEO's Way



**Meddling** [in] every little thing in a company, **isn't a board's job.** Their job is to hire a great CEO."

Mr. Kiani, Deposition, Jan 23



Lead Director Just Gets in the Way



Everyone should know who to follow, who to listen to. So while I am CEO of the Company ... I need to be Chairman. **I don't want to have a lead director because I think it gets in the way** .... Some people may disagree with me. But if anyone does, they can fire me."

Mr. Kiani, Deposition, Jan 23



# Board Is Utterly Dismissive of Shareholders



## Board purposefully isolates itself from shareholders' perspectives:

- Masimo policy is that the Board “never meet[s] with shareholders.”<sup>(1)</sup>
- Prior to Politan 13D, Mr. Cohen (newly appointed Lead Director) had never met with a shareholder despite ~5-year tenure.<sup>(2)</sup>
- Prior to Politan 13D, no current independent director (except Chair of Compensation Committee) met with shareholders.

## Board continually voices a critical perspective of Masimo's largest shareholders:

### Institutional Shareholders Are Short-Term



[BlackRock's] long-term is three to four years, and its valued year to year. ... I started trying to understand why are these people reacting like this? ... So even a BlackRock that might be in a stock for 10, 20 years, **it's a year-to-year evaluation, whether they're going to stay in it or not.** That's my understanding — **BlackRock, Fidelity, every investor. No one looks at it the way I do...**

Mr. Kiani, Deposition, Jan 23



### Masimo's Largest Shareholder Is a Stock Manipulator



BlackRock and Fidelity who owned the biggest chunks of our company. The investment funds that are being run by employees [institutional investors], they view things differently ... I think they're just trying to make a point. I don't know what they're doing. **Maybe BlackRock purposely sank our stock just to purchase it and make more money that way.**

Mr. Kiani, Deposition, Jan 23



1. Mr. Kiani, Deposition, Jan 23.

2. Director Cohen testified that, prior to November 2022, he had never met with any stockholder in his capacity as a director, even though he joined the Board in 2018, Deposition Jan 23.

# Board Has Continually Ignored Shareholder Votes, With Governance and Compensation Getting Worse



## Shareholders Consistently Vote Against Compensation

**Bottom 0.1% of Russell 3000** for “Say-on-Pay” vote results since votes first required in 2011.

- Failed 6 out of 12 times (including last year)
- Even in years passed, bottom 8th percentile
- Only 3 other US companies with this bad a record

### Say-on-Pay Historical Average Percentile of Russell 3000



### Compensation Only Worsens

- Employment agreement progressively worsened with 2017 and 2022 amendments (special payment made permanent).
- Prior to Politan 13D, **Mr. Kiani was pushing for even more, to “get large sums of stock...like the Elon Musk deal with Tesla”.**

## Shareholders Consistently Vote Against Directors

**Bottom 2<sup>nd</sup> percentile of Russell 3000** for votes against directors (“withholds”) over the past decade.

- Last year directors were bottom 2<sup>nd</sup> and 5<sup>th</sup> percentile
- Only twice in past decade has an independent director been above bottom 33<sup>rd</sup> percentile

### Director Votes Historical Average Percentile of Russell 3000



### Governance Only Worsens

- No independent Chairman or lead director appointed and Board contracted in size.
- Shareholder rights progressively transferred to Mr. Kiani in employment agreement.

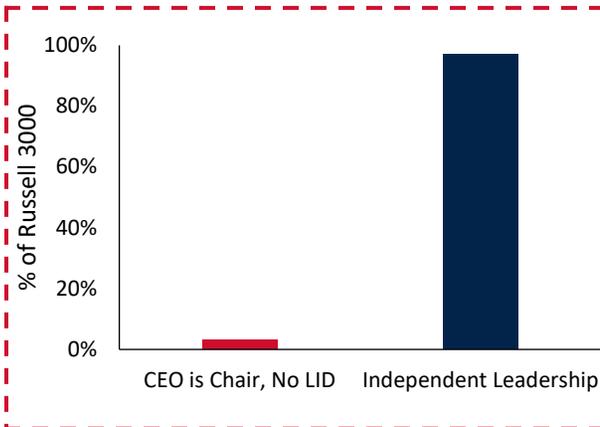
Company filings and ISS Corporate Solutions voting data. Calculations exclude Mr. Kiani’s stake, as provided by company’s annual proxy statement. If Mr. Kiani’s stake were included, votes against directors would instead be in the bottom 3rd percentile.

# Board Has Perpetuated a Flawed Board Structure Unlike Any Other Company of Its Size



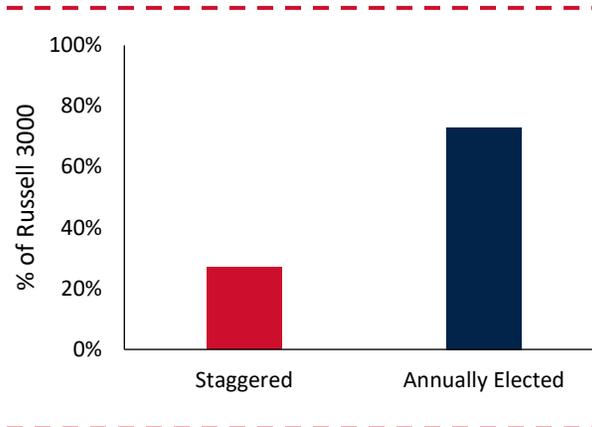
## No Independent Leadership

- 97% of companies have independent board leadership
- Masimo has never had independent board leadership



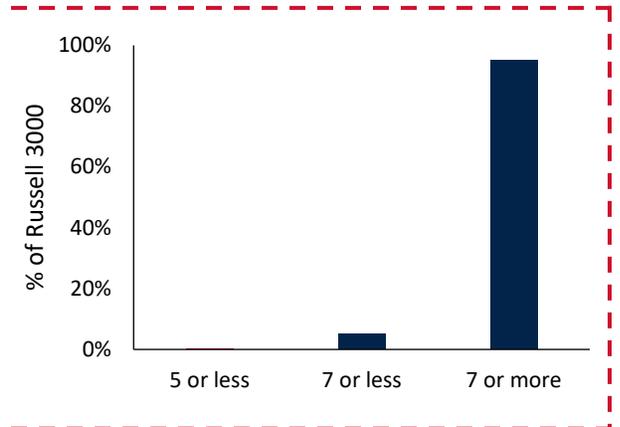
## Staggered Board

- 73% of companies annually elect directors
- Masimo has always had a staggered board



## Only Five Directors

- 99.7% of companies have more than 5 directors; 95% have more than 7 directors
- Mr. Kiani pre-selected all current directors
- Violated 2015 legal settlement requiring board expand to at least seven directors



**A Governance Outlier**  
**The only public company over \$5B of market cap with all three**

# Independent Board Members Have Never Bought Stock... Ever, Not Even After Sound United Collapse



**Not a single independent director has ever bought stock in Masimo.**

Not even after approving the Sound United acquisition and the resulting share price collapse.

	Shares Purchased	Shares Sold (% of Lifetime Grants)	Current Stock Ownership
Cohen	–	13%	0.004%
Mikkelson	–	45%	0.005%
Reynolds	–	47%	0.010%
Shimer	–	0%	0.005%
<b>Total</b>	–	44%	0.024% (<2 years of board fees)
	<b>No One Ever Bought Stock</b>	<b>Regularly Sell Stock Granted to Them</b>	

# Board Has Allowed Runaway Compensation and Concerning Conflicts of Interest



**Annual Compensation**  
~2x Peer Levels

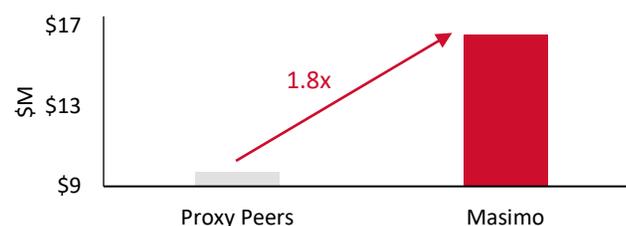
~\$600M guaranteed  
Special Payment

\$17M per year  
Cercacor Payments

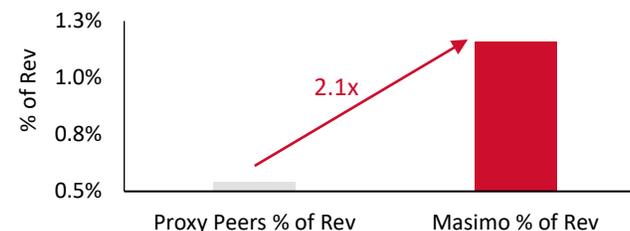
\$30+M  
Charitable Foundation

Related Party Payments  
& Personal Use of  
Company Assets

## Outsized Annual Compensation



## Even More Outsized Scaled to Revenues



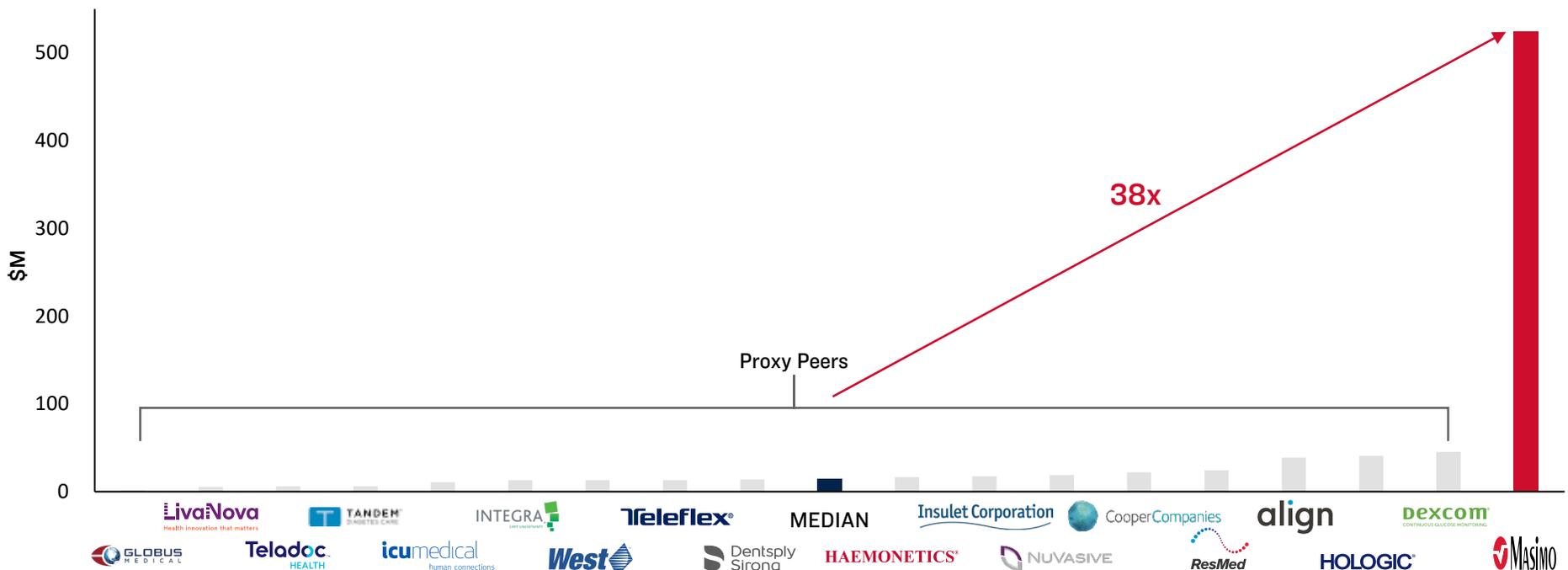
- Mr. Kiani receives unprecedented 'change in control' (CIC) payment that is 38x peers.
- Current directors made special payment permanent in 2017 and 2022 amendments.
- Unprecedented contract terms guarantee Mr. Kiani receives the payment even without a CIC.
- Mr. Kiani is Chairman & CEO of Cercacor, majority owner and controls the entity.
- Masimo paid Cercacor \$17M in royalties for 2022 and that is expected to grow this year.
- If Mr. Kiani ever ceases to be Masimo's CEO & Chairman, then Masimo must pay Cercacor an annual minimum royalty of \$17M irrespective of any actual sales linked to licensed IP.
- Masimo has given over \$30M to the Masimo Foundation with Mr. Kiani, his wife, and his sister comprising the majority of the foundation's board for most of its history.
- Grants to Mr. Kiani's personal causes: 50% to Presidents Carter, Clinton, Obama, and Biden. As well as grants to Chapman University where Mr. Kiani is Trustee and on the President's Cabinet.
- Personal use of Masimo assets: investing Masimo cash in his friend's hedge fund, Cota Capital; \$1+M of personal security; R&D facility built near his vacation home; ownership of corporate jet.
- History of related party payments to entities such as Like Minded Media Ventures ("a team of storytellers that create content" owned by Mr. Kiani).

# ~\$600M Payment Terms Act as Poison Pill, Size is Egregious; Yet Current Directors Made It Permanent



- Size is outrageous: special payment is **38x** peer median, **12x** next highest peer, and **37x** peer median as % of sales.
- Terms are unprecedented: **unlike any peer**, payment is awarded even if there is no actual change in control.
- Yet, in 2017 & 2021 amendments, current Board made the ~\$600M special payment permanent.
- Mr. Kiani's grants and initial holdings (including shares he has sold) have added up to ~20% of Masimo.

## Change in Control Payment



Company and peer filings. Masimo change in control payment calculated as per proxy statement and includes: (i) 2x annual base salary (ii) 2x average bonus payment of last 3 years (iii) value of accelerating unvested options using Black Scholes with company's disclosed assumptions (iv) 100% of unvested PSUs at average of 100% of target value and 200% of target value (maximum) (v) special payment of 2.7M shares (vi) special payment of \$35M (vii) other cash payments as per proxy statement (viii) continuation of benefits as per proxy statement. Calculations assume trailing 30 day stock price as of May 22<sup>nd</sup>, 2023. Results in \$586M to \$614M value transfer to Mr. Kiani depending on unvested PSU assumption.

# Board Abdicated Its Fiduciary Duties by Granting Control to Mr. Kiani in Employment Agreement

Highly unusual provisions collectively grant Mr. Kiani extraordinary control over the shareholder franchise and amount to the Board members' abdication of their fiduciary duties.

## ~\$600M payment trigger ensures that...

### 1. Payment is permanent.

Agreement must be renewed forever

- If the agreement is not renewed each year, then Mr. Kiani receives ~\$600M.
- The original agreement had a phase out of the payment over 10 years. In 2017 on the eve of the phase out beginning, the current directors made the payment permanent.

### 2. No Independent Leadership without Mr. Kiani's approval

- Board cannot appoint a Lead Independent Director without triggering the ~\$600M payment to Mr. Kiani. Appointment of Mr. Cohen as LID needed Mr. Kiani's approval.

### 3. Shareholders can't replace 1/3<sup>rd</sup> of Board. Provision has strict single trigger

- Changing a minority of the Board (even over three elections) triggers the payment.
- This is a 'dead hand' provision as Board members can not vote to approve directors.
- Mr. Kiani is unconditionally entitled to the payment irrespective of whether he stays or leaves following the change in board composition (strict single trigger).

### 4. Mr. Kiani must be both CEO & Chair

- If Mr. Kiani is not **both** Chairman & CEO then Masimo must pay him ~\$600M.

# Compensation Agreement Is an Appalling Entrenchment Device, as Noted by Many...



Longtime Shareholder

“

CalSTRS has been a Masimo stockholder for more than a decade...The Masimo CEO’s **employment agreement is not only counter to the best interests of the Company’s stockholders, but also sets a dangerous precedent.** Ultimately, good governance drives greater value and that is why we are joining this lawsuit.”

Aeisha Mastagni, CalSTRS, Mar 23



Compensation Expert

“

I have not found a single example of an agreement containing each of the extreme aspects that can be found in Mr. Kiani’s CIC agreement... **the combined effect of these provisions coexisting in one agreement is stunning.** Masimo’s CIC agreement is **the most egregious and problematic that I have ever seen or believe exists in the United States.**”

James Reda, Compensation Expert Report, Jan 23



Delaware Judge

“

This is an **astounding amount of consideration** for a change in the composition of one-third of the board. Not a majority. One-third...For the appointment of a lead director to trigger these provisions is **truly amazing**.... [these provisions] **preclude the board from exercising its statutory and fiduciary duties to manage the corporation in the best interests of the corporation and its stockholders, and thus amounts to abdication**...I’m not sure that for a lot of these provisions, and certainly for them together...there really is a parallel.”

Delaware Vice Chancellor Nathan Cook, Court Transcript, Feb 23



Even Masimo’s Own Director

“

[Triggering the Special Payment is] “a very scary prospect for me in that it’s a lot of shares and a lot of dollars... I thought **the employment agreement that existed alone was a sufficient poison pill** and it was surprising to me that anyone would want two board seats...”

Director Mikkelson, Deposition, Jan 23



# Board Views Doing What Shareholders Want as a Conflict of Interest



In 2015, Robert Coleman, Compensation Committee Chair, refused Mr. Kiani's compensation demands because he knew shareholders opposed them.

- Mr. Coleman explained to Mr. Kiani that shareholders would vote Mr. Coleman off the Board if he agreed.

**Mr. Kiani retaliated by revealing personal information about Mr. Coleman to the Board—pressuring him off with no public disclosure of what had really occurred.**

- Mr. Kiani viewed Mr. Coleman as conflicted because Mr. Coleman wanted to do what shareholders wanted and not what Mr. Kiani wanted (an egregious compensation agreement).

## Item 8.01. Other Events.

As previously disclosed in the Proxy Statement, Dr. Robert Coleman's service on the Board of Directors of the Company (the "Board") ceased when his current term expired at the Meeting. Effective upon the termination of Dr. Coleman's service on the Board, the Company's authorized number of directors was reduced to five.



He [Mr. Coleman] just said **he's afraid of doing what he thinks should be done with my agreement because he would lose his board seat ...** Bob had been the godfather of my son. I was his best man at his wedding. We had a really good relationship ... [A]fter I told the full board what he told me one-on-one, after the board meeting, he said to me, 'I cannot be here anymore because of all the things you said I told you in our one-on-one conversation.' He was embarrassed about it."

Mr. Kiani, Deposition, Jan 23



# Each Step of the Way, the Board Has Willfully Chosen to Be Uninformed



## Never read CEO's employment agreement...

Director Cohen testified that **he had never read Mr. Kiani's employment agreement.**

- Mr. Cohen has been a member of the Compensation Committee for 2 years and on the Board for nearly 5 years.
- Mr. Cohen agreed to 2022 employment agreement amendments which **granted benefits to Mr. Kiani that resulted in Masimo failing Say-on-Pay last year.**



[Q] In any capacity on the board, **you have not reviewed Mr. Kiani's employment agreement?**

Cohen: **Correct.**"

Director Cohen, Deposition, Jan 23



## Never learned about Cercacor relationship...

Each independent director was **unable to answer basic information about Cercacor** during depositions.

### No director knew:

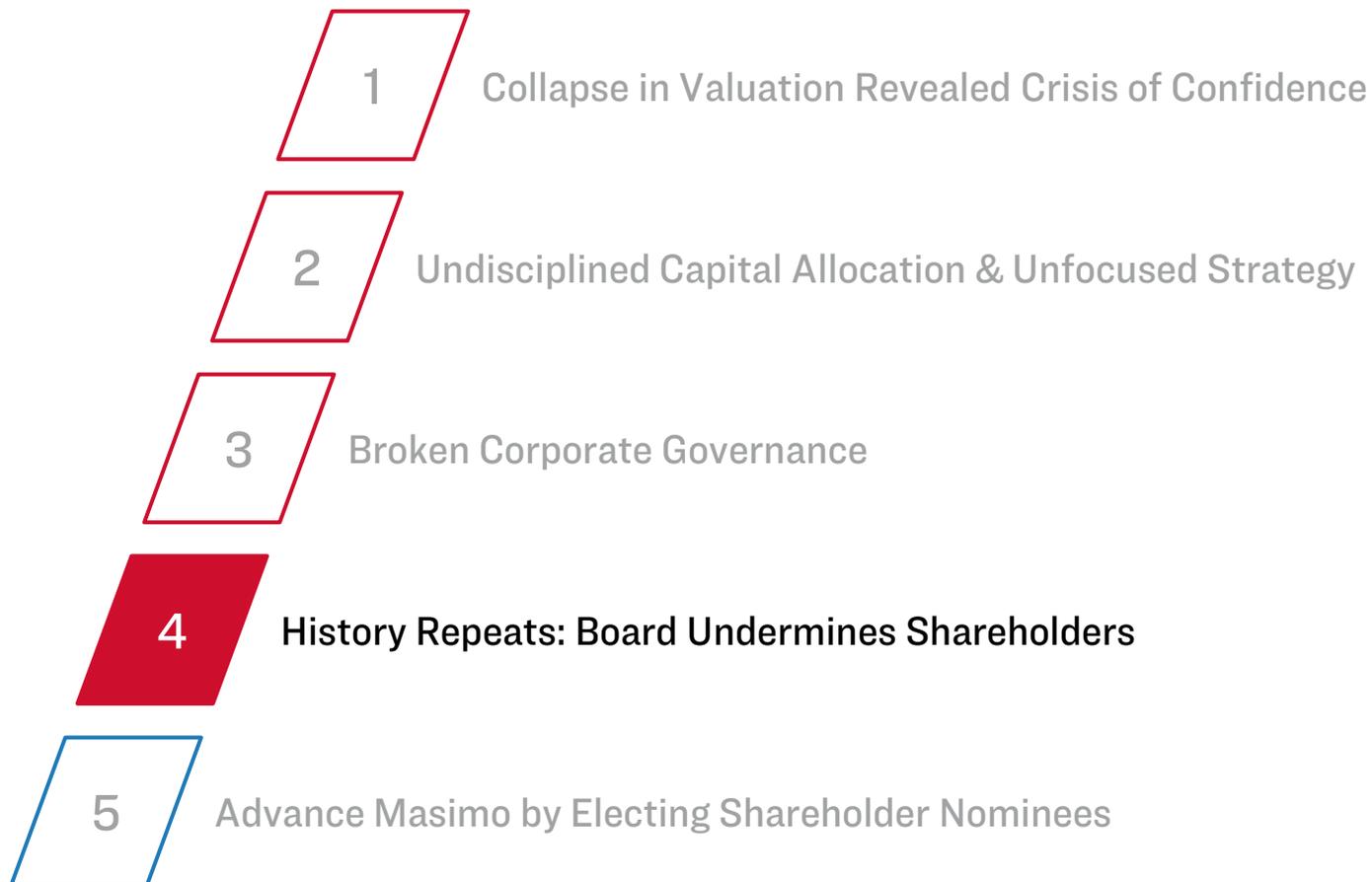
- How much of Cercacor Mr. Kiani owns.
- What royalties Masimo pays Cercacor.
- What royalties are due on Masimo's new consumer products or Apple litigation.

## Never received independent counsel...

Even though special payment of ~\$600M is a direct transfer from shareholders to Mr. Kiani, the Board has taken the extraordinary approach of **not retaining independent counsel in the compensation litigation** with CalSTRS and Politan.

Company counsel currently vigorously advocates for Mr. Kiani, while the Board receives no independent legal advice.

# Change Is Warranted



# Widely Criticized Response to Politan Consistent With Board’s History of Undermining Shareholders



	<b>Board Response to Politan ...</b>	<b>...Consistent With Failed Governance History</b>
<b>Refused to meet Politan despite multiple requests</b>	<ul style="list-style-type: none"> <li>For over nine months, Board has effectively refused to ever meet Politan despite our repeated requests.</li> <li>Bad faith: evening before deposing Politan employees, Masimo invited Politan to meet one director, but never followed through once NDA put in place.</li> <li>Nominee interviews: same bad faith games by the Board.</li> </ul>	<ul style="list-style-type: none"> <li>Never meet with shareholders.</li> <li>Always dismissive of governance.</li> <li>Aggressive litigation tactics.</li> </ul>
<b>Enacted entrenchment device to block vote</b>	<ul style="list-style-type: none"> <li>Bylaw amendments sought to block Politan from nominating, as directors believed they would lose a proxy contest.</li> <li>Bylaws widely panned by governance community as preclusive and likely illegal.</li> </ul>	<ul style="list-style-type: none"> <li>Consistently ignore shareholder votes.</li> <li>Allow entrenchment devices in Mr. Kiani’s employment contract, Cercacor agreement, and board structure.</li> </ul>
<b>Accused Politan of being “Trojan Horse” and pressured us to abandon efforts</b>	<ul style="list-style-type: none"> <li>Claim Politan is funded by foreign governments to steal IP or by Apple to undermine consumer efforts and litigation.</li> <li>Attempt to scare off Politan: harass our presumed investors (subpoenas, lobbying by famous politicians); seek to disclose our commercially sensitive information.</li> </ul>	<ul style="list-style-type: none"> <li>Claim ISS is “a problem in society” and that two largest shareholders are short-term and a stock manipulator.</li> <li>Pushed Coleman off the Board.</li> </ul>
<b>After losing in Court, agree to half measures that later undermine</b>	<ul style="list-style-type: none"> <li>Following loss in court, Board abolished bylaw amendments, appointed Cohen lead director, and promised Board would expand to seven members and de-stagger over four years.</li> <li>We asked Board to use search firm to locate new directors with no preexisting relationships. Board has refused.</li> </ul>	<ul style="list-style-type: none"> <li>Promised similar improvements in 2015 settlement agreement; never complied.</li> <li>Mr. Kiani preselected all current directors; never used search firm.</li> </ul>

# Why Did Things Escalate So Rapidly With Politan?

## September 2:

Masimo management met with Politan for ~one hour.

Immediately following meeting, Board **determines a proxy contest is inevitable** and they would lose.

## 6 days later...

## September 8:

Board adopts bylaws six months before nomination window opens without meeting Politan.

Resulting in spending **\$40M<sup>(1)</sup>** litigating bylaws (**number likely to double** with proxy contest and employment litigation)

## Why?

Because Really Believed Politan Funded by IP Criminals? **or**

Because Mr. Kiani able to threaten ~\$600M payment?

Board cannot accept new directors if threat of a proxy contest exists without triggering ~\$600M payment.



[T]he bylaws protect against a “Trojan Horse”... the fact that Politan has “sovereign entities” as investors is particularly concerning, given that there are a number of sovereign entities that do not respect—and have attempted to steal—intellectual property belonging to U.S. companies.”

**Masimo Suit Against Politan, Oct 22**



What the board was worried about is that if Politan was working at the behest of Apple or Foxconn.”

**Mr. Kiani, Deposition, Jan 23**



...director whose initial assumption of office is in connection with **an actual or threatened** election contest.”

**(Special Payment trigger on Board additions)  
Mr. Kiani’s Employment Agreement**



One of the biggest pieces ...in favor of adopting those bylaws, despite me believing that they were difficult to comply with...[triggering the Special Payment is] a very scary prospect for me in that it’s a lot of shares and a lot of dollars... I thought the employment agreement that existed alone was a sufficient poison pill and it was surprising to me that anyone would want two board seats...”

**Director Mikkelsen, Deposition, Jan 23**

1. Company spent \$32M in 4Q22 and 1Q23 on Litigation expenses as per Non-GAAP adjustments, of which 90% are related to litigation with Politan (as disclosed by IR to various shareholders). In addition, under Delaware law, Company is also required to pay for over \$15M of litigation expenses Politan has spent to date given Politan prevailing / Masimo removing bylaws and granting limited waivers.

# Just as Board Undermined Past Commitments to Expand to Seven Directors...



## Masimo failed to comply with prior commitments to expand the Board:

- In 2012 a shareholder sued Masimo for violating its own Executive Officer Compensation Policy by granting Mr. Kiani **3x** the permitted number of options for four consecutive years from 2008 to 2011.
- Shareholder successfully sued the Board. The Board entered a governance settlement agreement mandated by the Court that required expansion to seven members.
- Masimo's Board undermined the commitment by taking over three years to select directors and reducing the Board's size a month after the agreement expired.
- Masimo had seven directors for only two years...
- Today, Masimo once again has committed to expand the Board to seven directors...

## Despite shareholder agreement to expand...



The Board will vote to **increase the size of the Board to at least 7 directors**, subject to the Board finding an appropriate and suitable independent candidate to nominate for a directorship on the Board.”

Stipulation of Governance Settlement and Agreement  
(Mandated by Court in **May 15**)



## ...Masimo undermined the commitment

- Masimo took three years to find directors.
- Expanded Board to seven for less than two years.
- One month after agreement expired (5-year term), the Board contracted again.

## Today, another commitment to expand Board...



In response to specific and broad-based shareholder feedback, the Board has also decided to expand its size from five to seven directors.”

Press Release, Mar 23



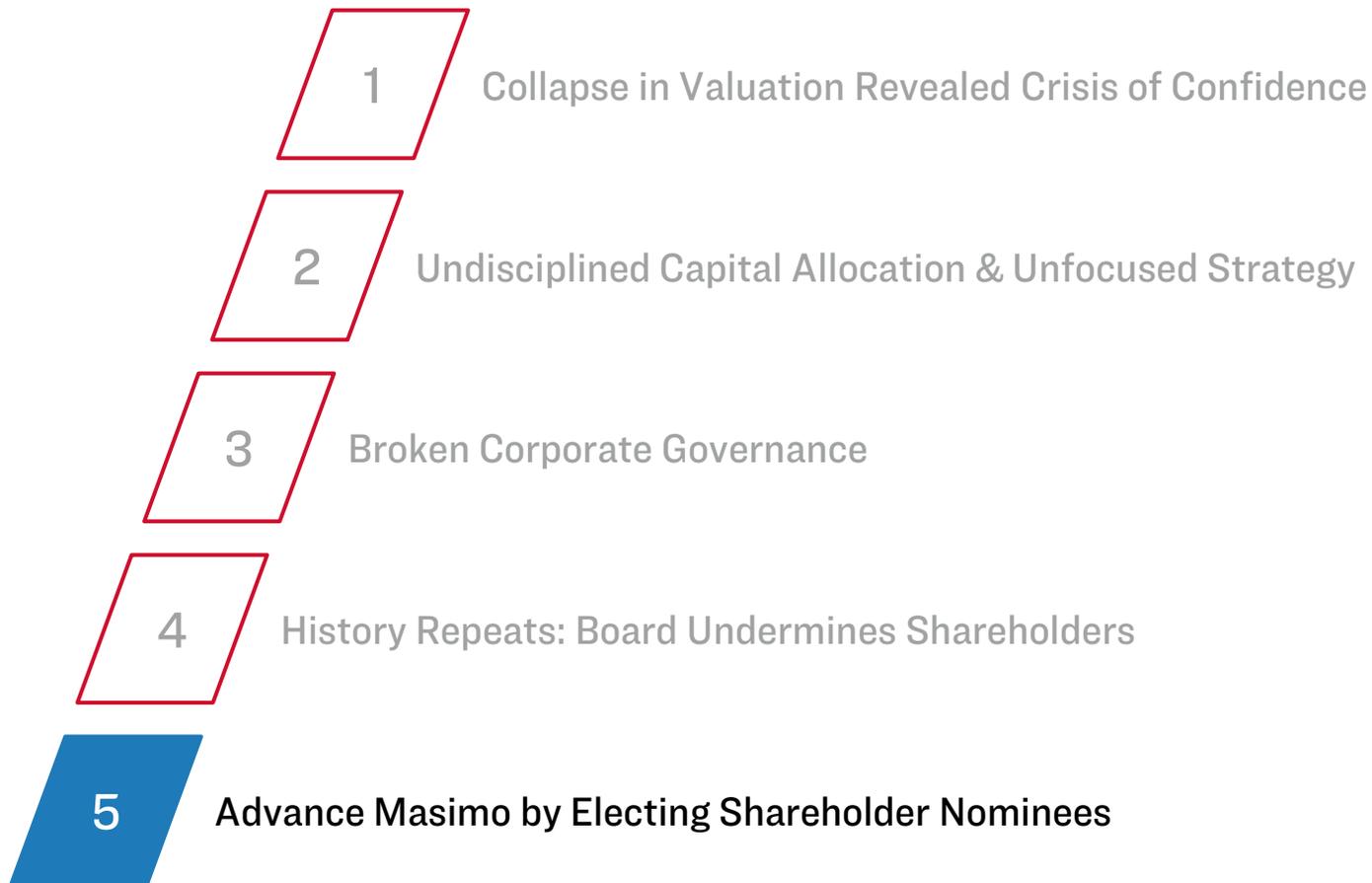
# Board Is Already Undermining Recently Announced Half Measures



On the eve of the nomination window opening, Board announced three governance changes — each rendered ineffective by the Board’s implementation and Mr. Kiani’s employment agreement.

Announcement	Why It Is Ineffective:
1. Michael Cohen New Lead Independent Director	<ul style="list-style-type: none"> <li>• Mr. Cohen is clearly the wrong choice.</li> <li>• He has stated in deposition: <b>“Better governance doesn’t drive better stock price.”</b></li> <li>• He testified that he had <b>never even read</b> Mr. Kiani’s employment agreement: despite being on the compensation committee for 2 years, Board for ~5 years, and approving changes to the agreement.</li> <li>• Mr. Cohen had <b>never met</b> with a single shareholder until Politan’s 13D and has <b>never bought stock</b>.</li> <li>• Board <b>needed Mr. Kiani’s permission</b> to appoint a LID given controls in the employment agreement.</li> </ul>
2. Board to Destagger	<ul style="list-style-type: none"> <li>• Board <b>remains effectively staggered</b> due to a provision in employment agreement that Mr. Kiani refuses to waive. Replacing 1/3 of the Board (even over three cycles) triggers ~\$600M payment.</li> <li>• Board plans to take <b>four</b> years to destagger.</li> <li>• Mr. Kiani has not committed to vote in favor of destaggering.</li> </ul>
3. Board to Expand to Seven	<ul style="list-style-type: none"> <li>• Board <b>never complied with past expansion commitment</b>. In 2015, they had a court mandated governance settlement agreement to expand Board to seven that they violated. This is second time.</li> <li>• Expansion appears motivated by desire to dilute impact of 2023 annual meeting. Politan asked Board to put new directors up to a vote at the 2023 AGM or to confirm they will not select candidates with preexisting relationships to current Board members. <b>Board refused</b>.</li> </ul>

## Shareholder Nominees Can Deliver Change



# Shareholder Nominees Can Refresh Governance and Focus Capital Allocation on Profitable Growth



**Quentin Koffey**

Founder, Managing Partner, and CIO of Politan Capital

- Brings a much-needed **shareholder perspective** as the CIO of Politan, Masimo's 4th largest owner.
- Known for working closely with management teams and boards of directors to unlock long-term value for the benefit of all shareholders.
- Strong **track record of value-creating capital allocation**.
- Has significant strategic and **corporate governance expertise** through his work with leading companies across a broad range of industries including Lowe's, Centene, CoreLogic, Louisiana-Pacific, Bunge, EQT, Marathon, and Hess.



**Michelle Brennan**

Former J&J Global Value Creation Leader and Group Chair of J&J's Medical Device Business in EMEA

- Has **broad operational experience** across medical devices as well as consumer pharmaceuticals with responsibility for a \$5BN+ medical device business operating across multiple geographies.
- Successful **track record of new product innovation through optimizing R&D**, strategy implementation, and scaling multiple businesses from inception to several billion dollars in revenue.
- **Public board experience:** Cardinal Health, Coupa Software. Committee experience having served on all three major committees (Nominating & Governance, Compensation, and Audit).

# Shareholder Nominees Are the Superior Alternative: Quentin Koffey



Shareholder Nominee: Quentin Koffey

## Experience

- 15+ year track record as **engaged shareholder** including a substantial focus in healthcare.
- Significant relevant experience across capital allocation, corporate strategy, corporate governance, executive compensation, and capital markets.

## Independence & Alignment With Shareholders

- **Fully independent.**
- Politan is **Masimo's 4th largest shareholder** with a 9% ownership stake in the Company.

## Governance Focus

- Established track record of **driving improved corporate governance** at leading US public companies including Centene, Lowe's, Louisiana-Pacific, Bunge, and Marathon Petroleum.



Incumbent: H. Michael Cohen

- Healthcare investment banking at Deutsche Bank and SG Cowen. Advisor to Masimo for IPO.

- **Preselected by Mr. Kiani**, whom Mr. Cohen has **known for over 15 years.**
- **Never** read Mr. Kiani's employment agreement despite approving amendments granting benefits.
- **Never** bought stock; has only sold.

- **"Better governance doesn't drive better stock price"**
- **Never** met with shareholder prior to Politan 13D.
- Voted for bylaws to prevent shareholder nominations.

# Shareholder Nominees Are the Superior Alternative: Michelle Brennan



Shareholder Nominee: Michelle Brennan

## Experience

- Johnson & Johnson (\$450B public company): Former **Global Value Creation Leader**; Former **Group Chair of J&J's EMEA Medical Devices** (\$5+B in revenue).
- Currently on board of Cardinal Health (\$20B market cap), formerly on board of Coupa (sold for \$8B).
- 30+ years of healthcare experience at J&J: significant relevant experience across medical device operations, strategy implementation, new product innovation, and business transformation.

## Independence & Alignment With Shareholders

- **Fully independent.**
- No preexisting relationship with Politan, who used nationally recognized search firm.

## Governance Focus

- Experienced serving on Nominating & Governance, Compensation, and Audit Committees.



Incumbent: Julie Shimer

- Welch Allyn (private medical device company with \$700M in revenue): Former CEO for five years. Retired in 2012.
- Has never served on a board of a public company with greater than \$3.5B of market capitalization.
- Prior executive experience in communications as CEO of Vocera, networking equipment at 3Com, and overseeing Motorola's paging business.

- **Preselected by Mr. Kiani**, whom Dr. Shimer has **known for 20 years.**
- **Never** bought stock during four years on board.

- As Chair of Nom & Gov Committee, allowed Masimo's **broken corporate governance culture** to continue, including bylaws to stop shareholder nominations.

# 2023 Annual Meeting May Be the Last Chance for Shareholder Representation



Politan has navigated unprecedented impediments to the fundamental shareholder right to nominate directors. **If Shareholder Nominees are not both elected, no other shareholder is likely to ever try again.**

Politan has borne enormous expense and risk to be able to nominate.

**Nothing stops the Board from doing this again...**

- **We spent over \$15M to remove the bylaws** enacted by Masimo. While the Board removed the bylaws, they have refused to commit to not restore the bylaws after the 2023 AGM.
- **To deter us**, Board hired private investigators to research Politan employees and family members, harassed Politan investors, and attempted to force Politan to disclose confidential information.
- Given the lengths this Board will go, it is reasonable to think no other shareholder will undertake this effort again if the Shareholder Nominees are not both elected to the Board.

Employment agreement waiver is for this year only...

- Mr. Kiani's likely illegal employment **agreement gives him enormous control** over the Board.
- In order to delay the trial after losing a motion to dismiss, Mr. Kiani granted a limited waiver to his agreement: **only for the 2023 AGM** will the election of Shareholder Nominees not trigger Mr. Kiani's ~\$600M payment.
- Mr. Kiani has refused to permanently waive the provision and it will return for the 2024 AGM.

Newly constituted Board will pick additional directors and decide how to expand...

- Politan used a nationally recognized search firm. Shareholder Nominees are committed to Board expansion by using proper Board process to find additional directors.
- Current Board refused Politan's request that new directors have no pre-existing relationship with Board and refused to use a nationally recognized search firm.
- Current Board failed to comply with prior expansion commitment (2015 Court mandated governance settlement to expand Board to seven); **same Board decides how and whether to comply with current (second) commitment to expand.**

## Advance Masimo by Electing Shareholder Nominees



**Masimo's severely discounted valuation and governance failures are extraordinary outliers among US public companies.**

**Shareholder Nominees bring needed experience and independence to refresh governance, refocus strategy, and restore valuation.**

**Politan has secured waivers to governance impediments for the 2023 AGM only. If shareholder nominees not both elected, no one likely to ever nominate again.**

**Vote the BLUE Card FOR Both Highly Qualified Shareholder Nominees.**

# Appendix

/// Politan Capital Management

 ADVANCE MASIMO

# Appendix

-  **1** Timeline of Engagement
-  **2** Correcting the Record

# Politan Tries to Meet the Board Masimo Refuses and Adopts Entrenching Bylaws



August 15 – September 9

August 15	August 16	August 19	September 2	September 6	September 9
<p>Politan privately calls and emails CEO and IR asking for a meeting.</p>	<p>Politan files 13D showing 8.8% investment. Masimo puts off a meeting or phone call with CEO, offers phone call with IR &amp; CFO.</p>	<p>Politan follows up asking if a meeting in person is possible instead of a phone call three weeks later. Masimo ultimately agrees to a meeting in September.</p>	<p>Masimo management meet Politan CIO and partners for one hour. At the meeting Politan explains its focus on ROIC, desire for Board representation, and asks to meet with the Board. <b>Immediately following Politan meeting, Masimo Board convenes and determines proxy contest is inevitable.</b></p>	<p>Koffey emails Kiani thanking him for the meeting on Friday and <b>reiterating request to meet with Board.</b></p>	<p>Masimo announces it has amended its bylaws to include substantial additional information requirements from nominating stockholders.</p>
<p><b>/// Politan</b></p> <p>.... I left a message at your office...we own just under 9% of Masimo's shares... we are required to make certain regulatory filings... I hope we can connect soon and have included my cell phone number below. - Email from Koffey to Kiani</p>	<p><b>Masimo</b></p> <p>...we'd like to proceed with a meeting between you, Micah and me [Eli, Head of IR]. -Email from IR to Koffey</p>  <p>Politan 13D Filing 8.8% investment in Masimo</p>	<p><b>/// Politan</b></p> <p>It is unfortunate and unusual to take three weeks to have an introductory phone call. I hope to persuade you that the best path here is to have open, constructive dialogue... -Email from Koffey to Kiani</p> <p>While I very much look forward to speaking with you and Micah, I think it would be most productive if I could first meet with Joe. I will make myself available anytime. - Email from Koffey to IR</p>	<p><b>/// Politan</b></p> <p>Thank you for the meeting this past Friday... please let me know if the Board is willing to meet and, if so, when works. We look forward to meeting your fellow directors. - Email from Koffey to Kiani</p>	<p><b>Masimo</b></p> <p>FORM 8-k <b>Item 5.03 Amendments to Articles of Incorporation or Bylaws</b> ..The Board approved and adopted amended and restated bylaws which became effective on September 9, 2022...Bylaws enhance the procedural mechanics and disclosure requirements in connection with stockholder nominations of directors...</p>	

# Politan Asks Masimo Privately to Reconsider Masimo Accuses Politan of Attempting IP Theft



## September – October

<p><b>September 16</b></p> <p>Koffey emails Kiani asking him to reconsider their approach. Kiani never responds.</p>	<p><b>October 9</b></p> <p>Politan sends Masimo a 100-page nomination notice asking if Masimo really requires additional information.</p>	<p><b>October 19</b></p> <p>Masimo counsel responds that Politan nomination notice has insufficient information and would be rejected.  Masimo also refuses to disable the provision in the employment agreement and Board never retains independent counsel to evaluate.</p>	<p><b>October 21</b></p> <p>Politan files suit to remove the bylaws and the provision of the employment agreement triggered by electing two directors on to the Board.</p>	<p><b>November 9</b></p> <p>Masimo counterclaims against Politan claiming Politan is a Trojan Horse funded by either Apple or Chinese entities in order to steal Masimo's IP.</p>
<p> Politan</p> <p>I am reaching out to ask you to please reconsider your response to us.... ...A natural next step would be a meeting between us and Masimo's Board of Directors; given you only have four independent directors, we asked to meet with the full Board...</p> <p>The Board adopted egregious bylaw provisions that undermine the fundamental shareholder right to nominate and elect directors. We don't understand why the Board would do this...are asking you and your fellow Board members to please reverse these amendments. - Email from Koffey to Kiani</p>	<p> MASIMO</p> <p>Rejection of Draft Nomination Notice: We therefore continue to request full compliance with the Masimo Bylaws ...Masimo expects Politan to adhere to the plain letter of the Bylaw...</p>	<p> Politan</p> <p><b>Politan Capital Management Takes Legal Action in Response to Masimo's Attempts to Eliminate Stockholder Rights.</b> <i>Masimo's Recent Bylaw Amendments Following Politan's Engagement Effectively Preclude Stockholders from Nominating Director Candidates and Are Without Precedent</i>  <i>Politan Hopes for Constructive Engagement with Masimo Yet Now Needs to Defend Stockholder Rights in Court.</i></p>	<p> MASIMO</p> <p>Koffey had shown himself to be untruthful and untrustworthy...the bylaws protect against a "Trojan Horse"... the fact that <b>Politan has "sovereign entities" as investors is particularly concerning</b>, given that there are a number of sovereign entities that do not respect—and have <b>attempted to steal—intellectual property</b> belonging to U.S. companies.</p>	

# Masimo Attempts to Harass and Pressure Politan



## October – January

<p><b>October 18</b></p> <p>Masimo has globally recognized former politician contact a presumed Politan investor.</p> <p>Presumed Politan investor had already been contacted multiple times by Masimo counsel and had asked to not be contacted.</p>	<p><b>November 23</b></p> <p><b>Masimo delivers 250 page subpoena to a presumed Politan investor on the eve of Thanksgiving.</b></p> <p>Masimo seeks through court discovery to force Politan to disclose all of its investors.</p>	<p><b>December 13</b></p> <p>Court holds hearing on Masimo’s discovery requests. One week later issues bench ruling denying Masimo’s requests and throwing out the subpoena.</p>	<p><b>December 29</b></p> <p>Politan learns Masimo has hired a private investigator who is attempting to interview people who know Politan employees and family members.</p> <p>Politan requests and receives through discovery the investigators’ report on Politan employees and family members.</p>	<p><b>January 4</b></p> <p>Night before Politan employees to be deposed, Masimo invites Politan to meet with a director.</p>	<p><b>January 22</b></p> <p>Following conclusion of depositions of fact witnesses, Politan and Masimo agree to NDA under which discussions can occur.</p> <p><b>No discussions occur with any independent Board member; no meeting with Board allowed.</b></p>
<p><b>Politan</b></p> <p>FORM PRRN14A</p> <p>Also on November 23, 2022 (the day before Thanksgiving), just before 5:00 p.m., the Company served a subpoena on an investment firm, which the Company suspected of being a Politan limited partner (the “Suspected LP Subpoena”). The Suspected LP Subpoena demanded the production of documents and deposition testimony and, including exhibits and attachments, was approximately 250 pages long.</p>		 <p><b>Court Transcript</b></p> <p>Under settled precedent, <b>Masimo’s discovery demands seek information that is irrelevant</b> to the issues in this case. Accordingly, Masimo’s motion to compel is denied.</p>	<p><b>Report of Private Investigator</b></p> <p>.. “reputation of engaging constructively with public companies,” a “reputation as a ‘behind the scenes’ activist,” and that the last time Mr. Koffey nominated directors “86 percent of shareholders voted to support” his nominees.</p>	<p>8:22pm: I’m writing to invite you to engage with independent Masimo Board member Michael Cohen, CFO Micah Young, and General Counsel and Corporate Secretary Tom McClenahan...</p> <p>-Email from IR to Koffey</p> <p>9:00am the following day Masimo begins taking depositions of Politan employees.</p>	

# Masimo Scraps Bylaws to Buy Time to Defend Likely Illegal Employment Agreement



## January – March

### February 3

Masimo attempts to dismiss Politan litigation against employment agreement. Judge denies motion to dismiss and issues sternly worded opinion.

### February 6

Conditioned upon delaying the trial until September, Masimo repeals bylaws and grants limited waiver of employment agreement only for 2023 AGM.

Masimo tells judge they will likely lose the employment agreement litigation and need to delay trial to build record for appeal.

### February 15

Koffey reaches out to Kiani asking if he will meet for dinner. Follows up to let Kiani know in advance that CalSTRS joining litigation.

Kiani agrees to meet.

Meeting is under NDA.

### March 3

CalSTRS joins litigation against Masimo employment agreement.



### Court Transcript

This is an **astounding** amount of consideration for a change in the composition of one-third of the board. Not a majority. One-third...For the appointment of a lead director to trigger these provisions is **truly amazing**... [these provisions] preclude the board from exercising its statutory and fiduciary duties to manage the corporation in the best interests of the corporation and its stockholders, and thus **amounts to abdication**...I'm not sure that for a lot of these provisions, and certainly for them together...there really is a parallel.

*-Judge reading ruling into transcript*



So those bylaw amendments are gone...now with the bylaws off the table, the trial is... very different looking... **the loser—I suspect it may be us**—will be in a position of taking that on an expedited appeal to the Supreme Court...We'd like the opportunity to properly prepare the case. We will, with Mr. Kiani's agreement, waive the change of control for 2023. We could have the trial sometime... in the fall.  
*-Masimo counsel to Judge*



Joe,  
I hope you are well. I am reaching out to see if you are available to meet for dinner...  
I hope we can find a productive way forward.  
Best regards,  
Quentin



### CalSTRS Joins Politan Capital Management in Legal Action Against Masimo CEO's Employment Agreement.

*Current Employment Agreement Undermines the Stockholder Franchise and Exerts 'Dead Hand Control' Over the Actions of All Future Boards.*

*Agreement Pays Approximately \$600 million to CEO if the Board Merely Appoints a Lead Independent Director or if Stockholders Replace More Than One-Third of the Incumbent Board.*

# Masimo Makes Promises of Change While Undermining Commitments



## March – April

### March 23

Masimo announces Board expanding to seven, appointment of Cohen as LID, and destaggering.

Kiani calls to tell Koffey that **under no condition will the Board even consider adding Koffey to the Board.**

### March 27

Politan writes Masimo that Politan supports expanding the Board but asks Masimo to put the new directors up to a vote to ensure not diluting impact of 2023 AGM (diluting impact of annual meeting is illegal under Delaware law- Liquid Audio).

### March 31

Masimo responds that it will put the Board expansion up to a vote at the 2023 AGM (in an effort to avoid violating Liquid Audio) but not the actual directors.

### April 5

Politan asks Board to agree to not select directors with preexisting relationship to current Board, use a search firm to find directors, and to let the newly constituted Board select the directors (following the 2023 AGM). **Masimo refuses all points.**

### April 8 – May 1

Politan informs Masimo it intends to nominate directors and asks when is best day to do so in order to not interfere with Masimo's public relations strategy around the Apple trial. Masimo asks Politan to nominate on May 1. Politan nominates May 1.

### May 16

Masimo informs Politan it intends to interview Shareholder Nominees. Politan writes that welcome interviews and asks to do so under NDA so as to avoid it being subject of future litigation. **Masimo refuses.**



### Masimo Announces Changes to Governance Structure and Practices.

*H Michael Cohen Selected as Lead Independent Director.*

*Two Additional New Directors to Be Named to Board Following Consultation with Stockholders.*

*Significant Governance Changes Announced, Including Termination of Rights Agreement and Plan to Declassify Board.*



[U]rges you to consider...(1) use a nationally recognized search firm, (2) not consider any candidates who have pre-existing relationships of any kind with the Company's board, management, or their respective advisors, (3) put any new director added as part of a board expansion to a stockholder vote at the next annual meeting of stockholders, and (4) wait until the conclusion of the 2023 annual meeting before selecting a search firm and identifying and interviewing candidates for the board expansion so that directors elected in 2023 can have the ability to participate in the selection process.



### Politan Nominates Two Candidates for Masimo Board.

Nominees Michelle Brennan and Quentin Koffey Bring Relevant Industry Experience, a Focus on Profitable Growth and Shareholder Alignment to a Board in Need of Independent Oversight.



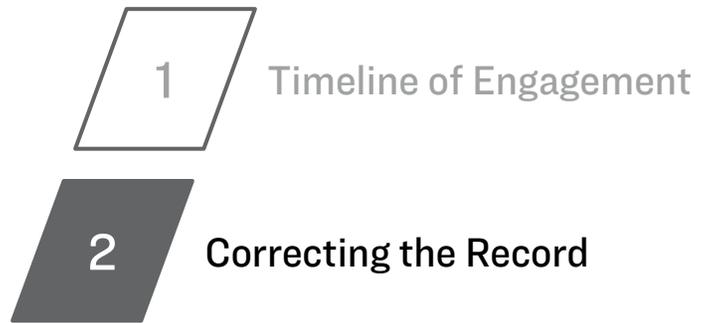
As to Mr. Koffey, if he is unwilling to agree to an interview without confidentiality protection, then the Board will not interview him...  
-Letter from Masimo Counsel to Politan Counsel



We want to reiterate that Politan would very much like for its nominees to meet with the Nominating, Compliance and Corporate Governance Committee, and we sincerely hope that your client will allow it to happen. **[Y]our client has already used a prior one-hour meeting with Mr. Koffey as an inappropriate basis to depose him for an entire day, to subpoena individuals your client suspected of being Politan limited partners, and to further seek extensive discovery into Politan (information requests that the Court later deemed "irrelevant" and halted but still took substantial time and resources for my client to defend himself from).** You can understand why **we wish to avoid a repeat of that experience** which is why we ask that meetings with Politan's nominees be subject to the non-disclosure agreement put in place by both parties.

-Letter from Politan Counsel to Masimo Counsel

# Appendix



# Masimo Has Underperformed Peers It Cherry Picks Dates to Try to Claim Otherwise



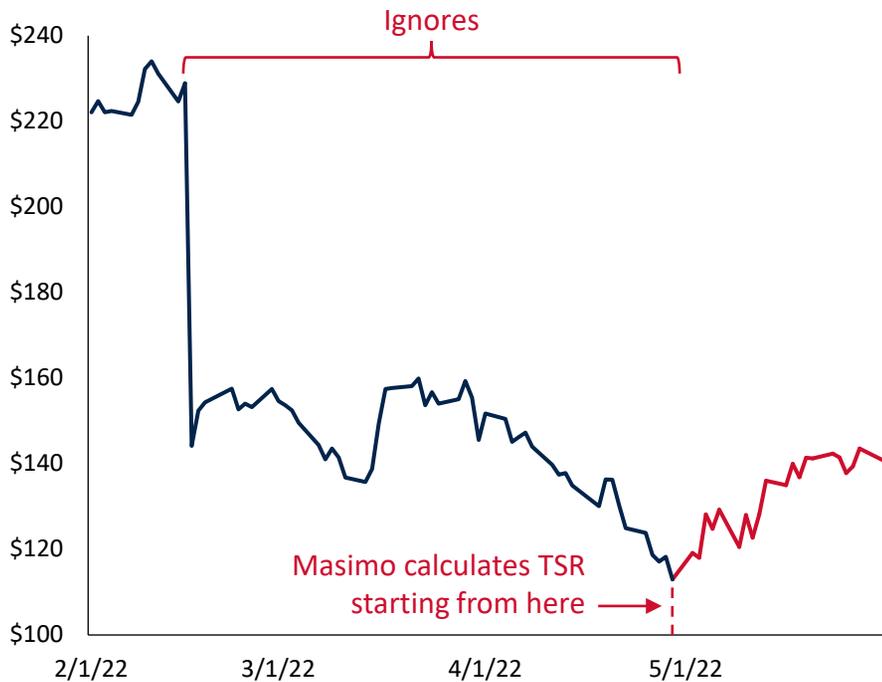
## MASI...Today's letter takes "cherry picking" to a new level

...Team Masimo's **plainly obvious attempt to cherry pick the data** to make the case that its relative returns are unimpeachable. **This effort is good for a laugh, and not much else.** Case in point, MASI decided to end this benchmarking exercise at May 1...Also, we love the fact that Kiani is selling MASI's one-year performance from 5/2/22 through 5/1/23. **Not only does this ignore the fact the stock has been punked this May,** but that particular window opens after a three-month period in 2022 that saw **MASI fall 46%.**"

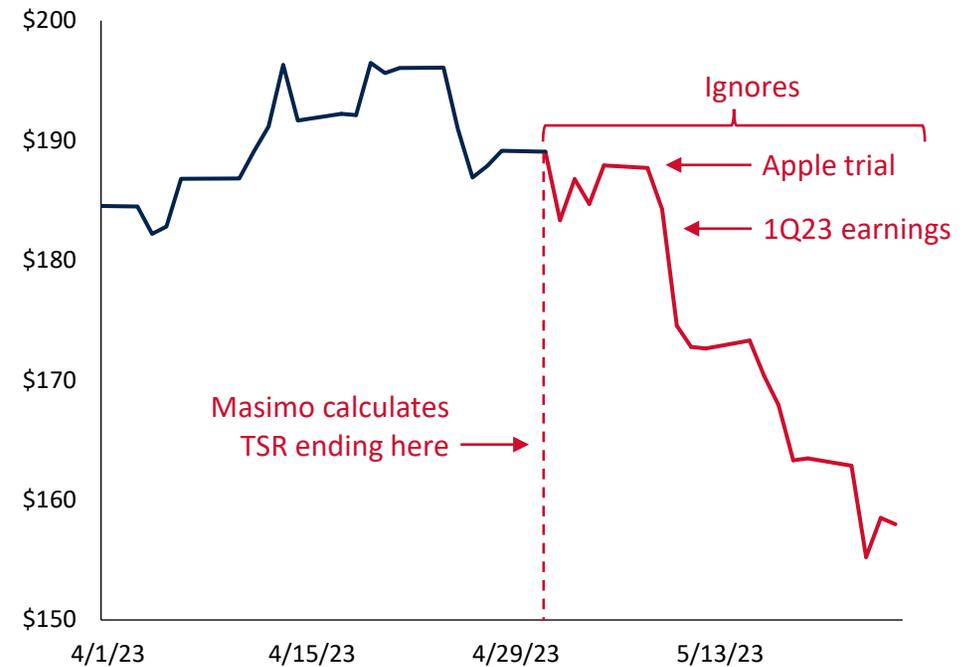
May 26, 2023



### Ignores Sound United Decline



### Ignores Decline After May 1, 2023



Company May 26<sup>th</sup>, 2023 letter to shareholders, Bloomberg.

# Masimo Underperforms in All Relevant Periods Against Any Peer Group It Selected



## Masimo's False Claim:

Masimo has outperformed.



...Masimo has outperformed relevant comparisons for almost all time periods, both short-term and long-term."

May 26, 2023



## Reality:

Masimo has underperformed peers over any relevant timeframe.

	Sound United 1.3 Years	3 Years	5 Years
 As of May 22, 2023 Total Shareholder Return Performance vs.			
Masimo's Select Peers <sup>(1)</sup>	(14%)	(73%)	(17%)
Masimo's Proxy Peers <sup>(2)</sup>	(15%)	(42%)	(3%)
Masimo's Proxy Peers with Same Growth Profile <sup>(3)</sup>	(39%)	(89%)	(140%)
S&P 500 Index	(25%)	(83%)	(1%)
NASDAQ Composite	(20%)	(74%)	(14%)
Medical Devices Index <sup>(4)</sup>	(23%)	(65%)	(9%)

Company May 26<sup>th</sup>, 2023 letter to shareholders, Bloomberg. Data through May 22<sup>nd</sup>, 2023, date upon which definitive proxy statement was filed. Given ~40% decline in share price following Sound United acquisition (1.3 years ago), we show total stock return since the acquisition in place of 1 year so that measurement period is relevant.

1. Select Peers are those chosen by Masimo in their May 26<sup>th</sup>, 2023 letter to shareholders and includes: ALGN, EW, ISRG, RMD.

2. 2022 Proxy Peers include: ABMD, ALGN, COO, XRAY, DXCM, GMED, HAE, HOLX, PODD, ICUI, IART, LIVN, NUVA, RMD, TDOC, TNDM, TFX, WST.

3. Proxy Peers with Same Growth Profile are 2022 Proxy Peers that have a 3-year forward sales CAGR exceeding 10% and includes ABMD, DXCM, HOLX, PODD, RMD, WST.

4. Dow Jones US Medical Equipment Index (selected by Masimo in their proxy statement).

# Politan Campaign Drove Nearly 7% Stock Outperformance, Masimo Investor Day <0.5%



## Masimo's False Claim:

Politan's campaign poorly received; Masimo's investor day generated strong positive market reaction.



Politan's campaign was poorly received by the market... Since management unveiled the strategy at the Investor Day...outperformance has substantially closed the valuation gap..."

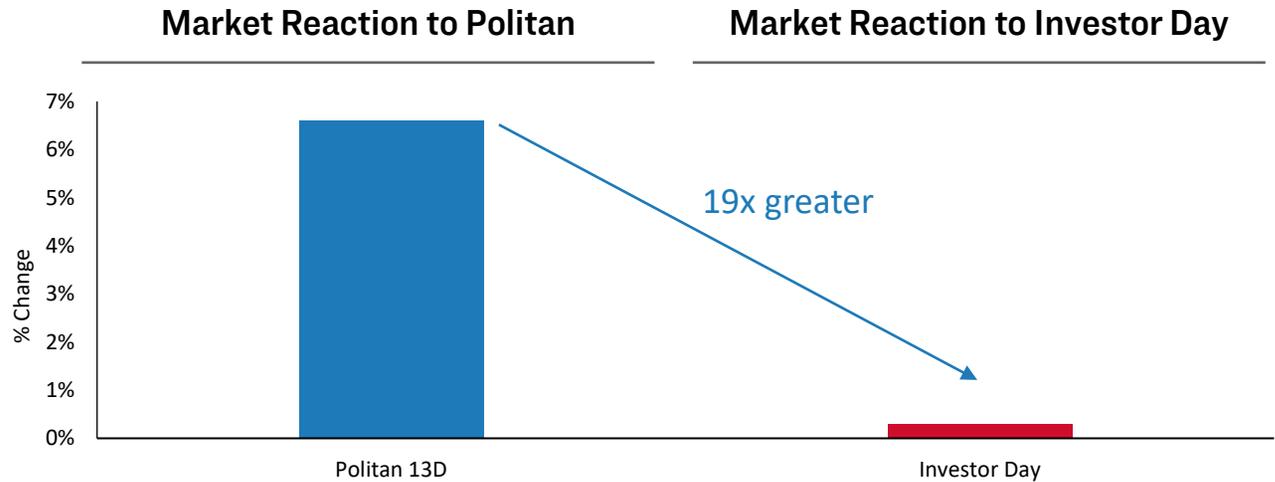
May 26, 2023



## Reality:

Stock outperformed following Politan 13D.

Stock performed inline with peers after 2022 Investor Day.



Masimo **misleadingly** measures the impact of Politan's 13D by not including the first day move (August 16<sup>th</sup>, 2022).

Company May 26<sup>th</sup>, 2023 letter to shareholders, Bloomberg. Calculations measure Masimo stock performance relative to Dow Jones US Medical Equipment Index (selected by Masimo in their proxy statement). Politan 13D stock reaction measured 1 day from August 15<sup>th</sup>, 2022 closing price, as Politan filed 13D during the morning of August 16<sup>th</sup>, 2022. Investor day stock reaction measured 2 days from December 12<sup>th</sup>, 2022 closing price, as Investor day was held on morning December 13<sup>th</sup>, 2022 and Masimo released additional financial information post market close on December 13<sup>th</sup>, 2022.

# ROIC Has Unquestionably Declined

## Masimo's False Claim:

ROIC is flat when adjusted for royalties.



[T]he Company's innovation-focused strategy and rigorous capital allocation process sustained ROIC at levels well above...Masimo's prior performance...Properly adjusting for those royalties...yields a clear picture of Masimo's highly disciplined capital allocation.

May 26, 2023



## Reality:

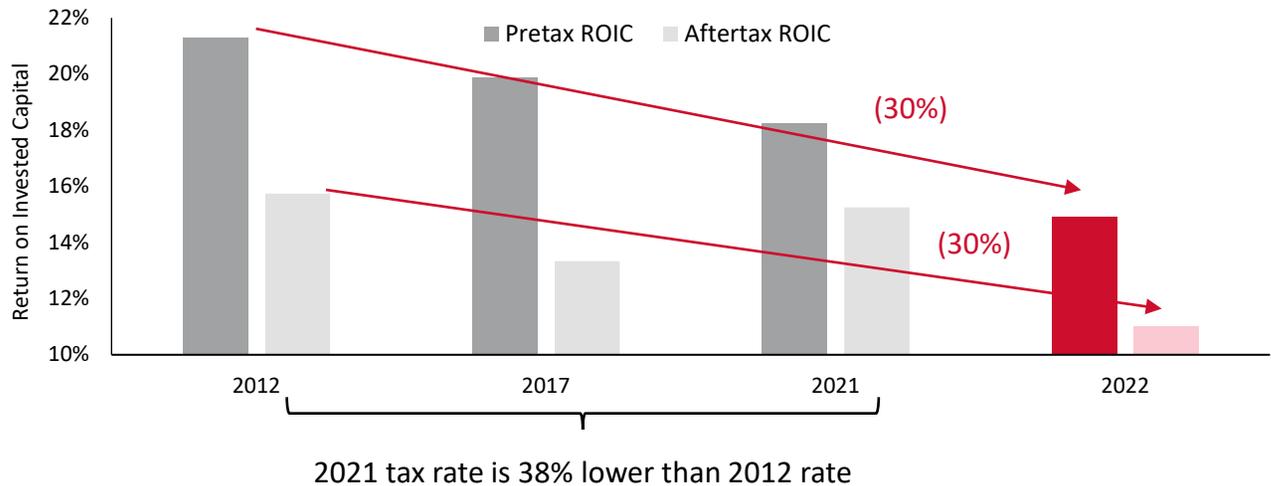
We do adjust for royalties.

We don't give Masimo credit for 2017 Tax Reform.

We don't stop calculation in 2021.

**Masimo misstates its ROIC performance by stopping in 2021 instead of 2022 and by using after-tax numbers (thereby taking credit for 2017 tax reform).**

Return on Invested Capital excluding Royalties <sup>(1)</sup>



Company May 26<sup>th</sup>, 2023 letter to shareholders, company filings, Bloomberg.

1. Historical numbers exclude royalty payments. 2022 figures and invested capital are pro forma for full year of Sound United.

# Politan Is Seeking a Minority Slate, Not Control



## Masimo's False Claim:

Politan is seeking control.



We believe Mr. Koffey is seeking control of the Company.”

May 26, 2023



## Reality:

Politan is seeking a minority slate.

- Politan has nominated 2 individuals, a minority of the board.
- Shareholder nominees are independent and have no preexisting relationship with each other or other Board members. Politan used a nationally recognized search firm to identify candidates.
- Politan is seeking governance befitting a public company.
- Incumbent Board has attempted to disenfranchise shareholders through bylaws and employment agreement that are likely illegal.

# Board Refused to Ever Meet Politan Uses Meetings as Litigation Tactic

## Masimo's False Claim:

Masimo made effort to engage.



We gave Mr. Koffey multiple opportunities to work with us..."

May 26, 2023



## Reality:

Board has refused to ever meet with Politan despite our repeated requests.

### Board Bad Faith Actions

---

- Following Politan's introductory meeting with Masimo management, **the Board refused to meet** and immediately enacted entrenching bylaws.
- The Board **used our 1 hour meeting with management as a litigation tactic** to:
  - Depose Politan employees for ~40 hours.
  - Subpoena individuals suspected of being Politan limited partners.
  - Seek extensive and inappropriate discovery into Politan (information requests the Court later deemed "irrelevant" and halted but took substantial time and resources for Politan to defend itself).
- The evening before deposing Politan employees, the Board invited Politan to meet one director but never followed through once an NDA was put in place.
- Called Mr. Koffey and told him under no scenario would he be added to the Board.
- Board **sought to once again use a meeting as a litigation tactic** by only agreeing to interview Mr. Koffey if not under NDA.

# Masimo Says They Are Responsive to Shareholders, but Actions Speak Louder Than Words



## Masimo's False Claim:

Masimo claims it is responsive to shareholders.



Since our IPO, the Board has embraced change in response to shareholder input and continues to do so.”

May 26, 2023



## Reality:

Board utterly dismissive of shareholders and has repeatedly made bad corporate governance worse.

Subject	Failed Governance History	Continued Failure
Engagement with Shareholders	Masimo policy is that the Board “never meet[s] with shareholders.” <sup>(1)</sup>	<ul style="list-style-type: none"> <li>Board refuses to meet with Politan, refuses to engage in good-faith</li> <li>Adopts illegal bylaws</li> </ul>
Compensation	<b>Bottom 0.1% of Russell 3000</b> for “Say-on-Pay” vote results since votes first required in 2011.	<ul style="list-style-type: none"> <li>Employment agreement progressively worsened with 2017 and 2022 amendments (special payment made permanent).</li> <li>Prior to Politan 13D, Mr. Kiani was pushing for even more, to “get large sums of stock...like the Elon Musk deal with Tesla”.</li> </ul>
Corporate governance	<b>Bottom 2<sup>nd</sup> percentile of Russell 3000</b> for votes against directors over the past decade.	<ul style="list-style-type: none"> <li>Undermined 2015 commitment to expand the Board to seven members.</li> <li>Shareholder rights progressively transferred to Mr. Kiani in employment agreement.</li> </ul>

1. Mr. Kiani, Deposition, Jan 23.

# Proxy Contest Is About Lack of Board Oversight and Concern Over Capital Allocation, Not Sound United



We have no preset agenda, but change is needed to fix Masimo's broken corporate governance that has resulted in a deeply discounted valuation and an inability to profitably innovate and grow.

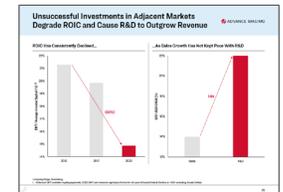
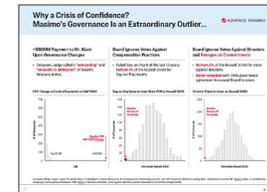
## Masimo May Say:

## Reality:

## Examples:

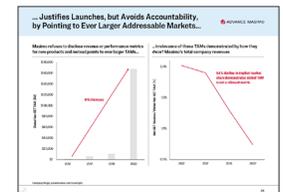
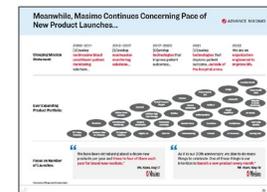
Proxy contest is only about Sound United.

Proxy contest is about board oversight and capital allocation.



Sound United is different, provides infrastructure to succeed in new markets.

Consistent with history of announcing numerous product launches and pointing to large potential TAMs.



“ [T]he Sound United acquisition increases our total market potential from \$12 billion annually to over \$180 billion.”  
 Mr. Kiani, May 22

Give us more time and you will see.

Consistent with history of missing adjacent market targets but promising success is around the corner.



“ So you stuck with us for so many years, please stay with us longer.”  
 Mr. Kiani, Dec 22

# We Want to Improve Innovation, Not Stop It



## Masimo's False Claim:

Masimo claims we want to stop innovation.

Because we care about ROIC, Masimo equates that to wanting to do nothing outside of core.



[Politan's CIO] thinks that all that we should be doing is pulse oximetry, and with it, he would get great operating margins and EPS. He's right. He would, instantly."

Mr. Kiani, Deposition



## Reality:

We want to bring discipline to capital allocation and focus to strategy.

By trying to do everything, Masimo risks failing in adjacent markets where they ought to succeed.

Many iconic, innovative US companies have benefited from focus brought on by a refreshed Board.



<b>Issue</b>	Substantial investment in failed efforts (e.g., Nokia) overshadowed exceptional core.	Substantial investment in failed efforts, (e.g., wholesale supply) overshadowed exceptional core.
<b>Solution</b>	Upgraded Board in 2014, including adding shareholder representation, increased oversight on capital allocation and refocused strategy.	Upgraded Board in 2007, including adding shareholder representation, increased oversight on capital allocation and refocused strategy.
<b>Result</b>	Acceleration in long-term growth and tremendous success for all stakeholders.  Outperformed S&P 500 by 168% over next 5 years.	Acceleration in long-term growth and tremendous success for all stakeholders.  Outperformed closest peer by 45% over next 5 years.

# Masimo Says Prior Board Experience is Necessary, but Their Current Directors Did Not Have It



## Masimo's False Claim:

Masimo claims prior board experience is necessary to serve on Masimo's Board.



The Board discussed Mr. Koffey's lack of board experience."

2023 Proxy Statement



## Reality:

Prior to joining Masimo's Board, current directors had little or no prior board experience.

**40%**

2 of 5 current directors have never sat on the board of a public company other than Masimo.

**60%**

3 of 5 current directors had never served on a public company board prior to their appointment to Masimo's Board.

**71%**

12 of Masimo's 17 board members since its IPO had no public company board experience prior to their appointment.

**80%**

4 of 5 current board members have never sat on the board of a public company with a market cap greater than \$800M other than Masimo.

# Masimo Says Industry Experience Is Necessary, but Highly-Respected Company Directors Do Not Have It



## Masimo's False Claim:

Industry experience is necessary to serve on Masimo's Board.



Mr. Koffey also failed to identify any relevant experience in the Company's field or industry."

2023 Proxy Statement



## Reality:

A minority of directors at highly-respected public companies have direct industry experience.

### At Top 3 Most Respected Companies<sup>(1)</sup>

Only 3 of a combined 28 independent directors (11%) have specific industry experience.



Microsoft

### At Closest Competitor

Only 3 of 10 independent directors (30%) have specific industry experience.



1. Per Fortune Public filings.

We greatly appreciate the support we have heard from shareholders.

If you are a fellow Masimo shareholder, please contact us with any thoughts or questions.

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