



Inspire Medical Systems, Inc.

August 2021

NYSE: INSP

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**No mask.
No hose.
Just sleep.**



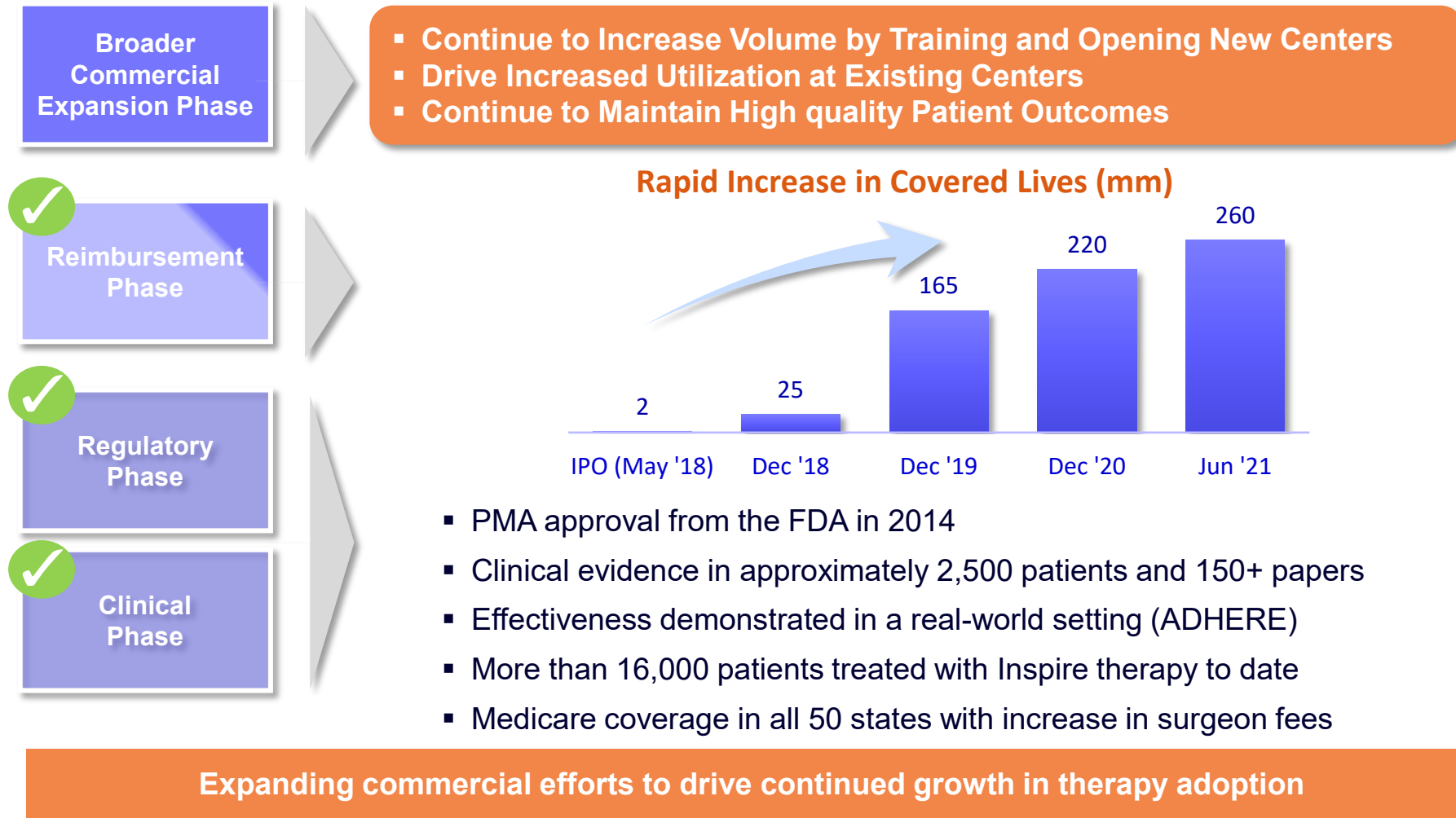
Strong Momentum in Therapy Adoption in 2021!!!

- FY 2021 Guidance revised post-Q2:
 - Revenue: \$210M - \$213M, representing 82% - 85% growth from FY 2020 revenue of \$115.4M
 - Prior guidance of \$192M - \$196M post-Q1 financials
 - Gross margin: 85% - 86%
 - Territories: 10 to 11 new territories per quarter
 - U.S. centers: 48 to 52 new centers per quarter
- In 2021, focus is on continuing expansion by improving **capacity** and **conversion**:
 - Increasing capacity by adding territories and centers (hospitals and ASC networks)
 - Entered into a network agreement with CHS, a publicly held hospital system with 84 hospitals and approximately 30 Ambulatory Surgical Centers across 16 states
 - USPI recently entered a joint venture which increased the number of USPI locations from over 300 to over 500 potentials locations. Inspire has opened approximately 20 USPI centers to-date.
 - New direct-to-consumer TV campaigns are driving more website visitors
 - Increasing and improving connections with potential patients with continued expansion of the Advisor Care Program (call center) to new and existing centers to capture most in-bound phone calls

Strong Momentum in Therapy Adoption in 2021!!!

- Strong enthusiasm and acceptance of the FDA-approved two-incision implanting approach
 - 99% of Inspire procedures now utilize this technique which significantly reduces surgical time
- Recent Anthem coverage policy -- approvals now occurring in just days for new Anthem patients and efficient approval of previous denials
- Approximately 50 new ENT surgeons recently completed the inaugural Inspire Fellows Program and are joining new and existing centers
- Resuming and increasing the number of Sleep Innovation Center events at headquarters which educates and strengthens relationships with sleep docs
- Planning and training has begun with Japan LifeLine Co., with first implants anticipated later in 2021
- Positive news regarding proposed payment for new dedicated CPT code for Inspire procedure
 - Physician payment of \$870 representing a range of \$8.50-\$10.00 per minute of procedure time
 - Hospital payment continues to map to Level V Neuro Ambulatory Procedure Code (APC) and proposed by CMS for a 3% increase in 2022
 - Ambulatory Surgical Center (ASC) calculation missing history of Inspire implants that will be presented to CMS at the August panel date around Inspire procedures to retain current ASC payment level

Significant Business Progress Since IPO: Strong Foundation in Place to Drive Greater Penetration



Commercial Execution: Opportunity to Accelerate Interest and Conversions

Our Direct-to-Patient Strategy Has Proven to Be Successful in Reaching and Educating Patients About Inspire Therapy...

1

Generating Interest

Selectively Expanding DTC Advertising

Inspire Website Visitors (mm)



2

Qualifying Interest

Matching the Right Patient with the Right Physician for the Right Therapy

2020

- 237k Doctor Searches
- 62k Doctor Contacts
- Launched Advisor Care Program

2021

Expanding Adviser Care Program – 2nd version launched Aug 2021

3

Driving Conversion

Conversion of < 10% of Incoming Calls

2020

~4k U.S. Implants

2021

Strive for Continuous Improvement of Conversion Rates

...And We Are Now Focused on Both Broadening These Efforts and Increasing Our Overall Conversion Rate and Utilization at Existing Centers

Inspire is an Innovative Neurostimulation Solution for Moderate to Severe Obstructive Sleep Apnea (OSA)

- First and only FDA-approved neurostimulation technology for OSA
- More than 16,000 patients treated with Inspire therapy
- Therapy for the estimated 35–65% of non-CPAP compliant patients
- ~\$10bn annual U.S. market opportunity
- Innovative, closed-loop, minimally invasive solution
- Safe, comfortable, and convenient therapy
- Significant body of clinical evidence involving over 2,500 patients across 23 studies
- Strong customer base and growing sales team
- Growing reimbursement with 260 million U.S. covered lives
- Proven management team leading 415+ employees

Our History & Key Milestones

1990s: Medtronic (MDT) begins early work on the development of Inspire

2001: Initial clinical results published by MDT

2007: Inspire is founded after being spun-out of MDT

2011: Initiated Phase III pivotal STAR trial; CE mark received in Europe

2014: STAR results published in the *New England Journal of Medicine* in January; **received PMA approval from the FDA**

2015: 18-month STAR data published; revenues of \$8.0M

2016: 1,000th implant milestone; revenues of \$16.4M

2017: Launched Inspire IV neurostimulator in U.S.; announced 5-year STAR results; 2,000th implant; revenues of \$28.6M

2018: Inspire IV CE mark; 5-year STAR results publication; initial public offering on NYSE; Aetna begins covering the Inspire therapy; revenues of \$50.6M

2019: 7,500th patient receives Inspire therapy; Many BCBS plans and other large insurers write positive coverage; six Medicare LCD drafts; revenues of \$82.1M

2020: Medicare coverage in all 50 states; FDA approved age range to 18 to 21; Inspire Sleep app released; 10,000th patient receives Inspire therapy; revenues of \$115.4M

2021: Anthem policy issued; FDA approved 2-incision; 15,000th patient receives Inspire, Guidance of \$210M-\$213M

Strong Management Team



Tim Herbert

**President, CEO &
Founder**

- 30+ Years of Experience



Rick Buchholz

Chief Financial Officer

- 25+ Years of Experience



Randy Ban

**Chief Commercial
Officer**

- 25+ Years of Experience



Phil Ebeling

Chief Operating Officer

- 20+ Years of Experience



Bryan Phillips

**SVP, General Counsel &
Chief Compliance Officer**

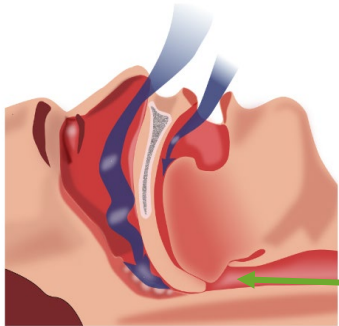
- 20+ Years of Experience



OSA is a Serious and Chronic Disease

OSA is Caused by a Blocked or Partially Blocked Airway

Typical Obstructive Sleep Apnea Event



Airway obstruction during breathing

- Blockage prevents airflow to the lungs
- Results in repeated arousals and oxygen de-saturations
- Severity of sleep apnea is measured by frequency of apnea or hypopnea events per hour, which is referred to as the Apnea-Hypopnea Index (AHI)

Normal range:

AHI < 5 events per hour

Mild sleep apnea:

5 ≤ AHI < 15 events per hour

Moderate sleep apnea:

15 ≤ AHI < 30 events per hour

Severe sleep apnea:

AHI ≥ 30 events per hour

Inspire's Focus

Most Patients Are Unaware of Their Condition...

- High risk patients: obese, male or of advanced age
- Common first indicator: heavy snoring
- Other indicators:
 - Lack of energy
 - Headaches
 - Depression
 - Nighttime gasping
 - Dry mouth
 - Memory or concentration problems
 - Excessive daytime sleepiness

...and Untreated OSA Multiplies Serious Health Risks

2x

The risk for stroke¹

2x

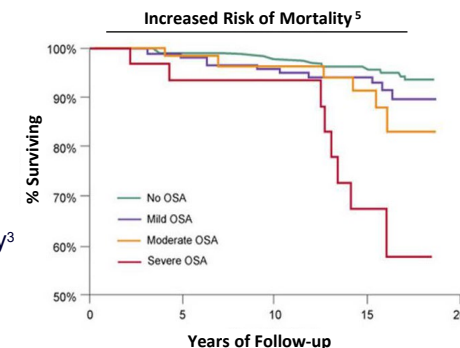
The risk for sudden cardiac death²

5x

The risk for cardiovascular mortality³

57%

Increased risk for recurrence of Atrial Fibrillation after ablation⁴



Source: Company Website

1. Redline et al, The Sleep Heart Health Study. Am J Res and Crit Care Med 2010.
2. Gami et al, J Am Coll Cardiol 2013.
3. Young et al, J Sleep 2008.

4. Li et al, Europace 2014.
5. Prospective Study of Obstructive Sleep Apnea and Incident Coronary Heart Disease and Heart Failure from SHHS and Wisconsin Sleep Cohort Study.

Current Treatment Options, Such as CPAP and Invasive Surgery, Have Significant Limitations

Continuous Positive Airway Pressure (CPAP) is the Leading Therapy for OSA

- Delivered through a mask that connects through a hose to a bedside air pump
- Demonstrated improvements in patient-reported sleep quality and reductions in daytime sleepiness
- **Long-term limitations as a therapeutic option, primarily due to low patient compliance (approximately 35% – 65%)**
- Low patient compliance as many patients find the mask or treatment cumbersome, uncomfortable and loud



Drivers of Non-Compliance

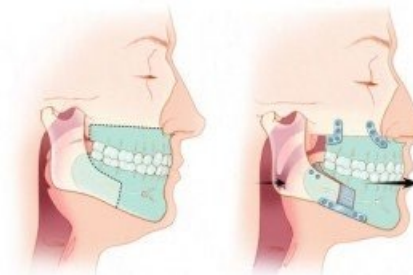
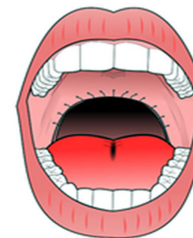
- ✗ Mask Discomfort
- ✗ Mask Leakage
- ✗ Pressure Intolerance
- ✗ Skin Irritation
- ✗ Nasal Congestion
- ✗ Nasal Drying
- ✗ Nosebleeds
- ✗ Claustrophobia
- ✗ Lack of Intimacy

Invasive Surgery

- Several variations of sleep surgery
- Success rates vary widely (30% - 60%)¹
- Irreversible anatomy alteration
- In-patient surgery with extended recovery



Uvulopalatopharyngoplasty
(UPPP)



Maxillomandibular Advancement
(MMA)

1. Shah, Janki, et al; American Journal of Otolaryngology (2018). Uvulopalatopharyngoplasty vs. CN XII stimulation for treatment of obstructive sleep apnea: A single institution experience.

A Strong Market Opportunity Exists for an Alternative to CPAP that is Effective and Minimally Invasive

Prevalence & Economic Costs

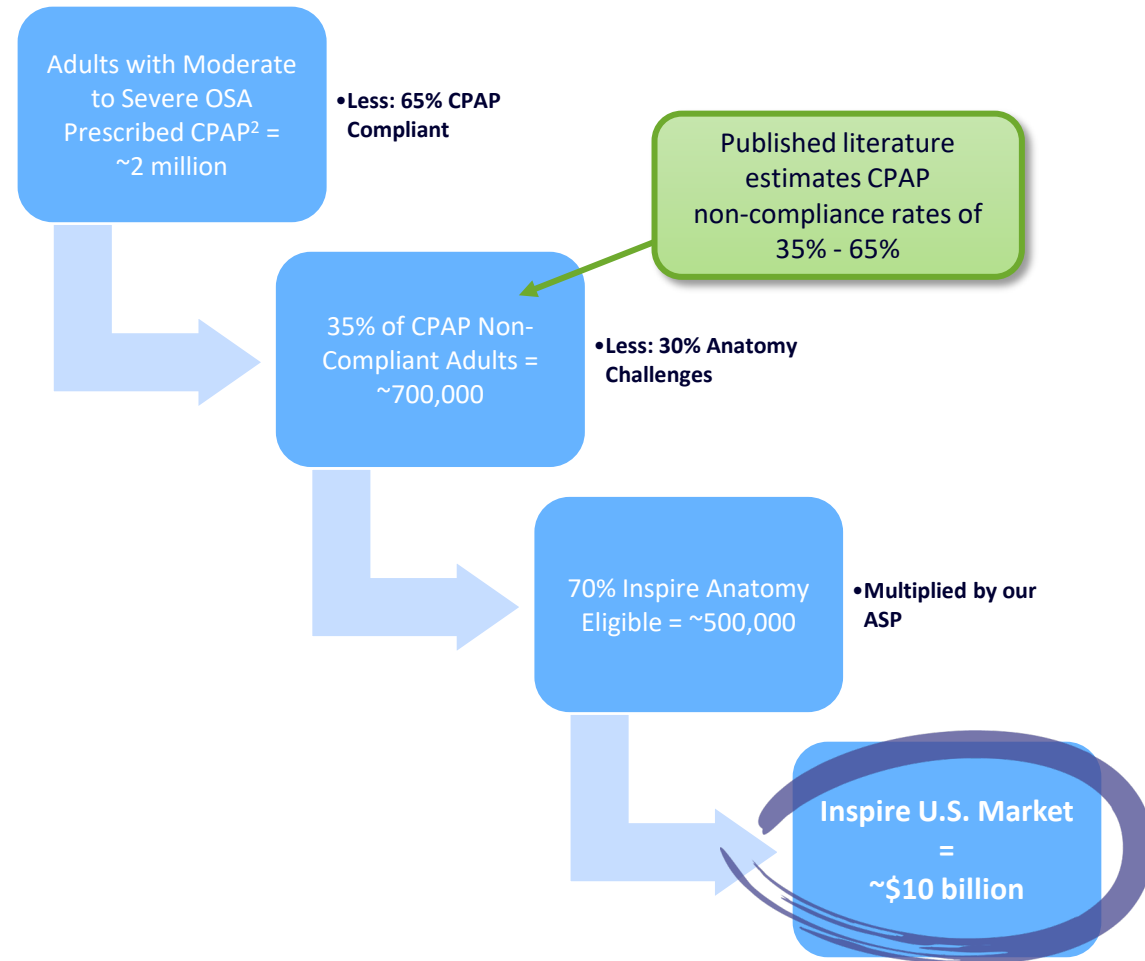
- ✓ Sleep apnea affects +100 million people worldwide¹
- ✓ Approximately 17 million individuals in the U.S. with moderate to severe OSA
 - Annually, ~2 million adult patients are prescribed a CPAP device²
- ✓ Annual U.S. economic costs of untreated moderate to severe OSA are between \$65 - \$165 billion³
- ✓ OSA economic costs are potentially greater than asthma, heart failure, stroke, and hypertensive disease
- ✓ OSA is associated with an increase in:
 - Rate & severity of vehicle accidents
 - Increased healthcare utilization
 - Reduction of work performance
 - Occupational injuries

Note: ASP constitutes abbreviation for average selling price.

1. Source: World Health Organization.

2. Company estimates.

3. Represents moderate to severe OSA. Source: McKinsey & Company, 2010.



Inspire Therapy is a Proven Solution for Patients with OSA

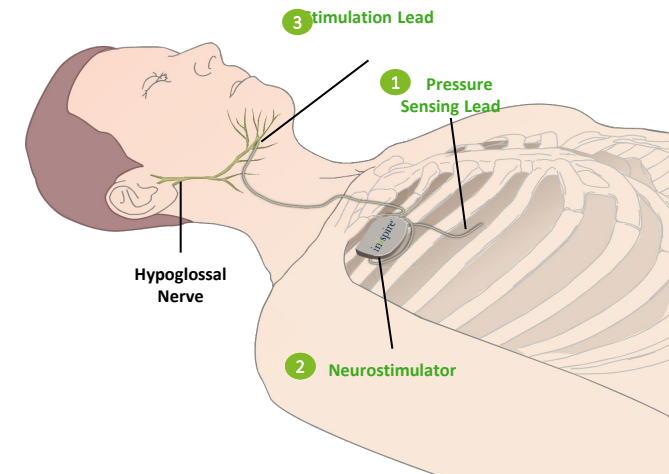
Inspire System



Remote control and three implantable components:

- 1 **Pressure sensing lead:** detects when the patient is attempting to breathe
- 2 **Neurostimulator:** houses the electronics and battery power for the device
- 3 **Stimulation lead:** delivers electrical stimulation to the hypoglossal nerve

Inspire Procedure

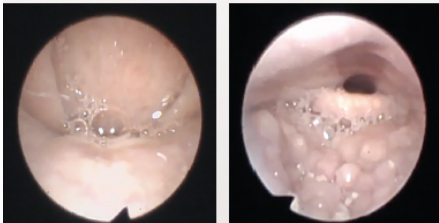
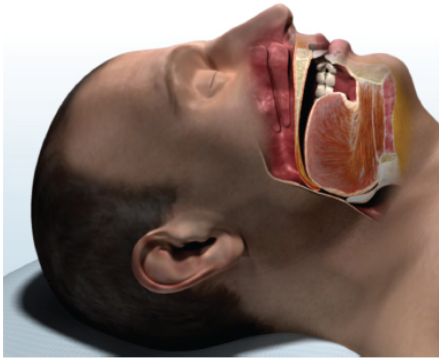


- Approximately a two-hour outpatient procedure
- Requires three small incisions
- Patients typically recover quickly and resume normal activities in just a few days
- System activation occurs 30 days after implantation
- Patient controls system by turning on the device each night with the remote control before going to sleep

Inspire Therapy is a Safe and Effective Solution

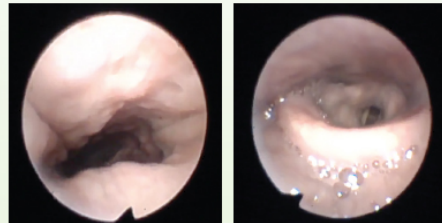
Mild Stimulation is a Clear Mechanism of Action

No Stimulation



Palate Tongue Base
Obstructed Airway

Mild Stimulation



Palate Tongue Base
Open Airway

Inspire Therapy Offers Significant Benefits

- ✓ Strong safety profile
- ✓ Effective and durable treatment
- ✓ Closed-loop system
- ✓ Strong patient compliance
- ✓ High patient satisfaction
- ✓ Minimally invasive outpatient procedure
- ✓ ~11-year battery life (without recharging)
- ✓ Utilizes patient's natural physiology
- ✓ Short recovery times post surgery
- ✓ Patient controlled therapy

Long-term outcomes demonstrate that Inspire therapy addresses the shortfalls of current treatments

Objective Measures Show the Impact of Inspire Therapy on OSA

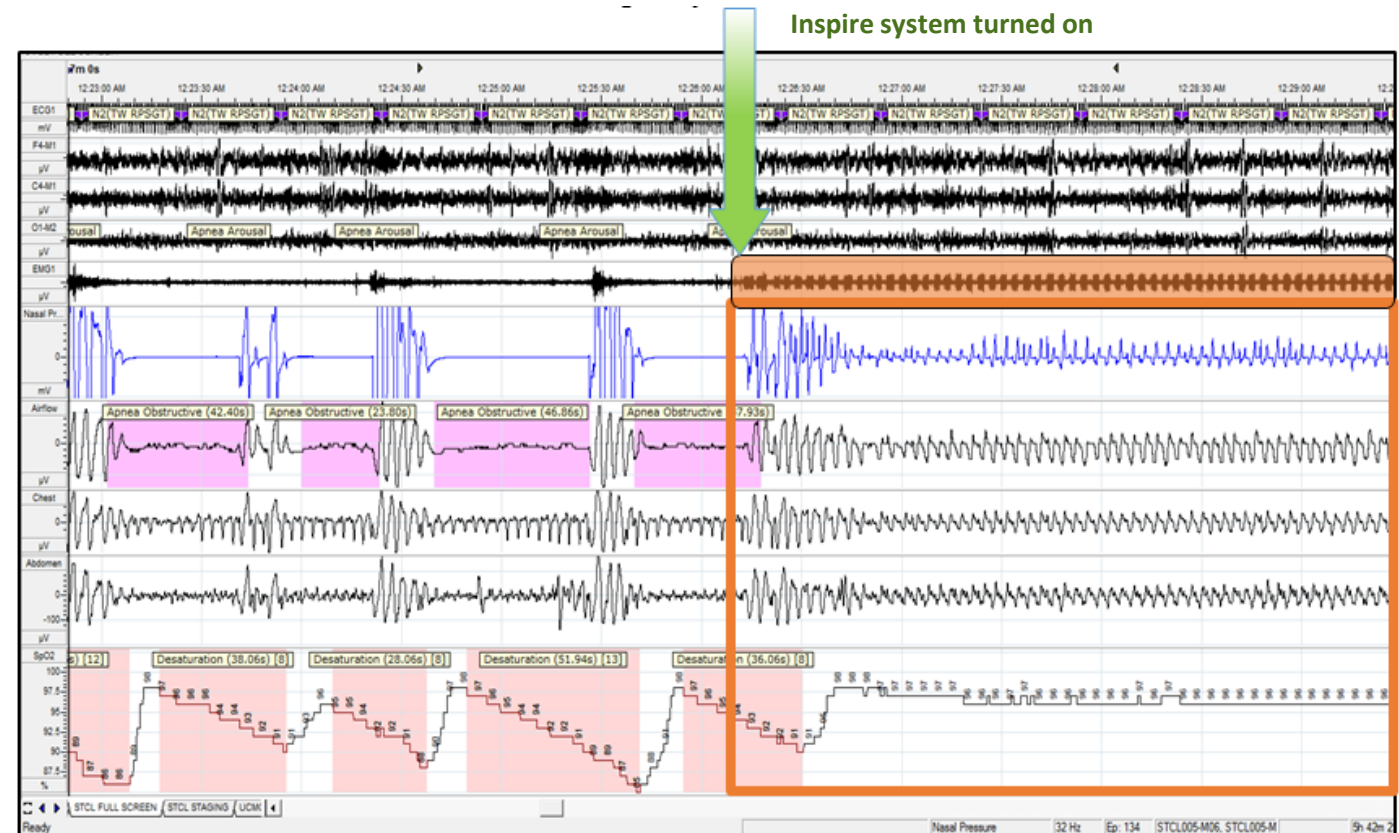
Polysomnogram Before and After Activation of Inspire System

After activating the Inspire system, the patient exhibited a more regular breathing pattern, higher and more consistent blood oxygen levels, and fewer or no transient arousals.

Airflow

Breathing

Oxygen Saturation



OSA events

No OSA events

Clinical Evidence

Significant Body of Clinical Evidence Evaluating Inspire in more than 2,500 Patients, in 150+ papers

	Clinical Studies	Patients Evaluated
Company Sponsored	Stimulation Therapy for Apnea Reduction (STAR)	126
	German Post-Market Study	60
	ADHERE Patient Registry	1,017
	Pediatric / Down Syndrome	26
Independent	Inspire vs. traditional sleep surgery (Cleveland Clinic, Thomas Jefferson, UPenn)	248
	Independent Studies in Single Centers ²	150
	Independent Studies of Specific Populations	418
	German and French Experience (Munich, Lubeck, Bordeaux)	143
	Total Patients Evaluated Above	2,188

1. Due to the inclusion of certain patients in multiple studies, some studies are not shown in the table because they do not add any incremental patients to the overall total.
2. Includes Thomas Jefferson University Hospital (TJUH) & University of Pittsburgh Medical Center (UPMC); University Hospitals – Cleveland; Non-Academic Hospital in San Diego; and University of Pennsylvania.



The NEW ENGLAND
JOURNAL of MEDICINE

JAMA Otolaryngology–
Head & Neck Surgery



EUROPEAN RESPIRATORY *journal*
FLAGSHIP SCIENTIFIC JOURNAL OF ERS

SLEEP[®]



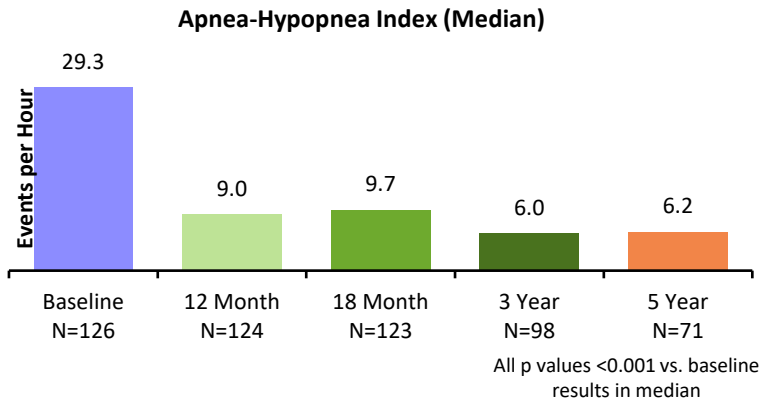
AMERICAN ACADEMY OF
OTOLARYNGOLOGY-
HEAD AND NECK SURGERY
FOUNDATION

JCSM
Journal of
Clinical Sleep
Medicine

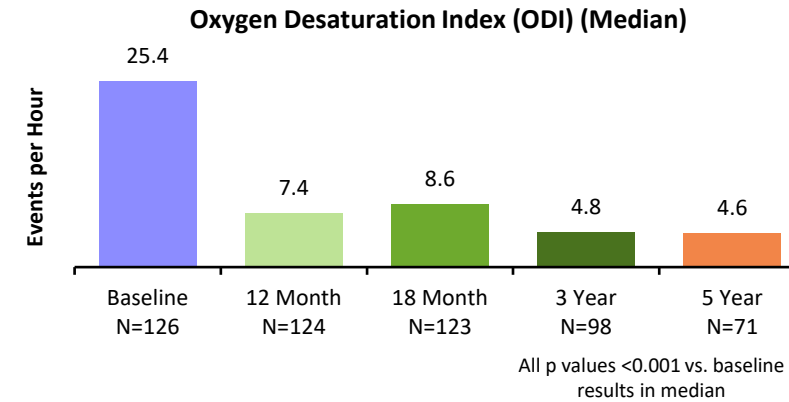
THE
Laryngoscope
FOUNDED IN 1896

STAR Trial Met Both Primary Endpoints & Showed Statistically Significant Reductions in AHI & ODI

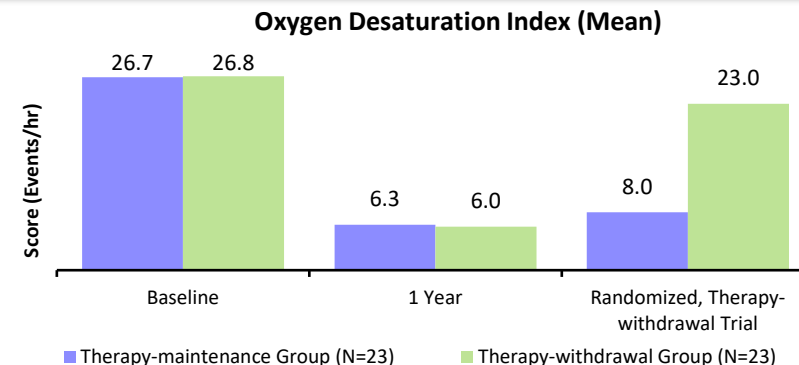
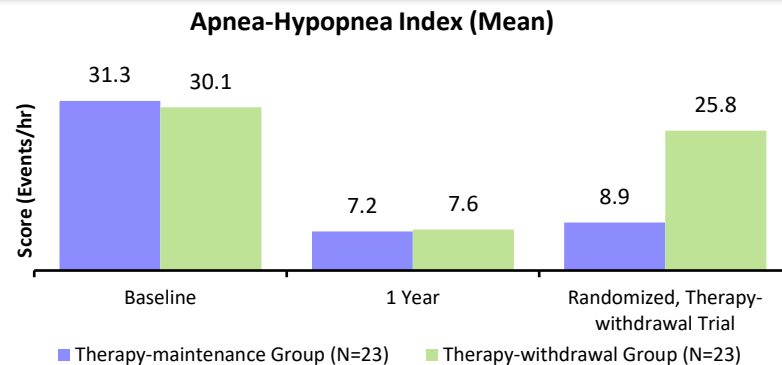
Significant Reduction in Severity of OSA



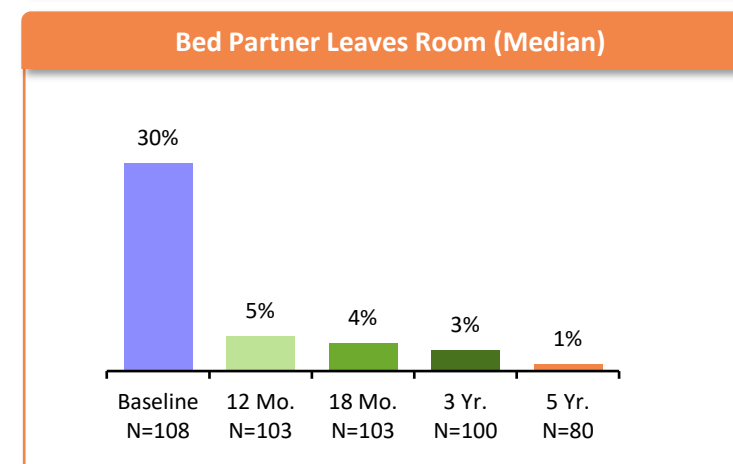
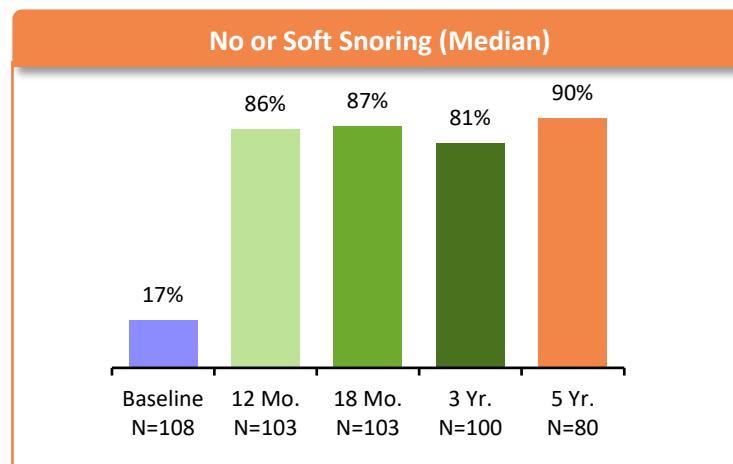
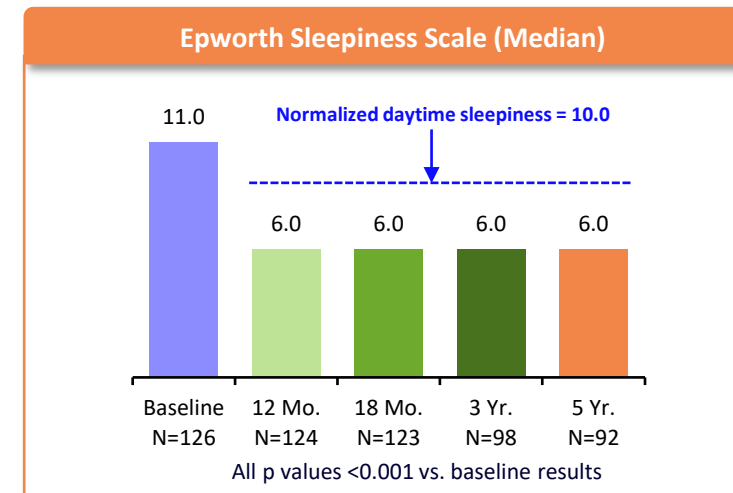
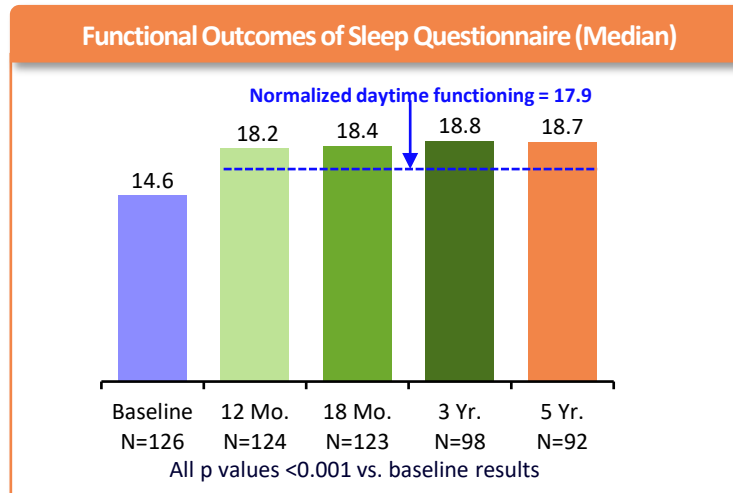
Meaningful Levels of Compliance Post-Implantation



Withdrawal of Inspire Therapy Resulted in Reversal of Therapeutic Benefit, Further Demonstrating Inspire's Effectiveness



Additional STAR Findings Showed Meaningful Improvement in Quality of Life Metrics



Summary of Inspire Clinical Studies

	STAR Trial ¹		German Post-Market Study ¹	ADHERE Patient Registry ¹	TJUH and UPMC Evaluation ²
# of Inspire Patients	124	97	56	1,017	97
Time Following Implantation	12 Months	5 Years	12 Months	12 Months	3 Months
AHI – Baseline	29.3	29.3	28.6	32.8	35.6
AHI – Therapy	9.0	6.2	9.5	9.5	6.3
ESS – Baseline	11	11	13	11	11
ESS – Therapy	6	6	7	6	6
FOSQ – Baseline	14.6	14.6	13.7	*	*
FOSQ – Therapy	18.2	18.7	18.6	*	*
Therapy Compliance	86% daily; 93% 5+ days weekly	80% daily	Average 39 hours per week; 89% ≥20 hours per week	Average 5.6 hours per night	Average >45 hours per week

1. Represents median results.

2. Represents mean results.

* Not measured

We Intend to Continue to Build the Depth of Our Clinical Data with Our ADHERE Patient Registry

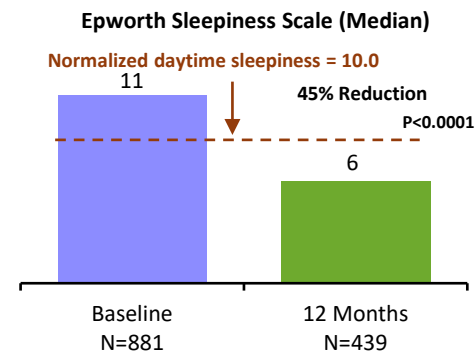
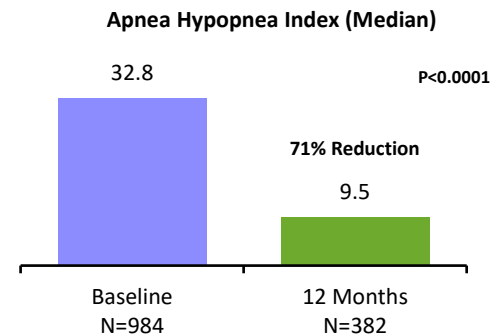
ADHERE Patient Registry: Our post-implantation study with the goal of collecting data on a group in excess of 5,000 patients

Registry Results from 1,017 Patients

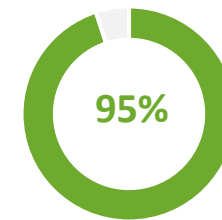
- Registry study designed to be retrospective and prospective
- 55 centers are involved in registry to date
- Registry enrolled >2,900 patients since October 2016
- Five peer-reviewed manuscripts

Adherence Monitoring: Average home device use: 5.6 hours / night

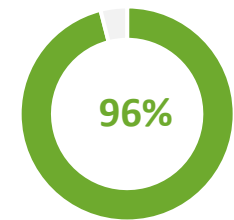
Results from the ADHERE registry show Inspire therapy is an effective treatment for OSA in a real-world setting.



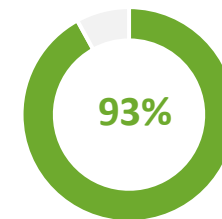
Inspire is Better Experience than CPAP



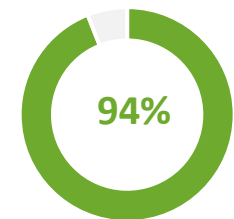
Would Recommend to Friends / Family



Overall Patient Satisfaction



Patients would Choose Inspire Again



Note: Enrollments as of July 2021. Results are from Thaler, Laryngoscope 2019

Reimbursement

AMA Grants Approval for New Category I CPT Code

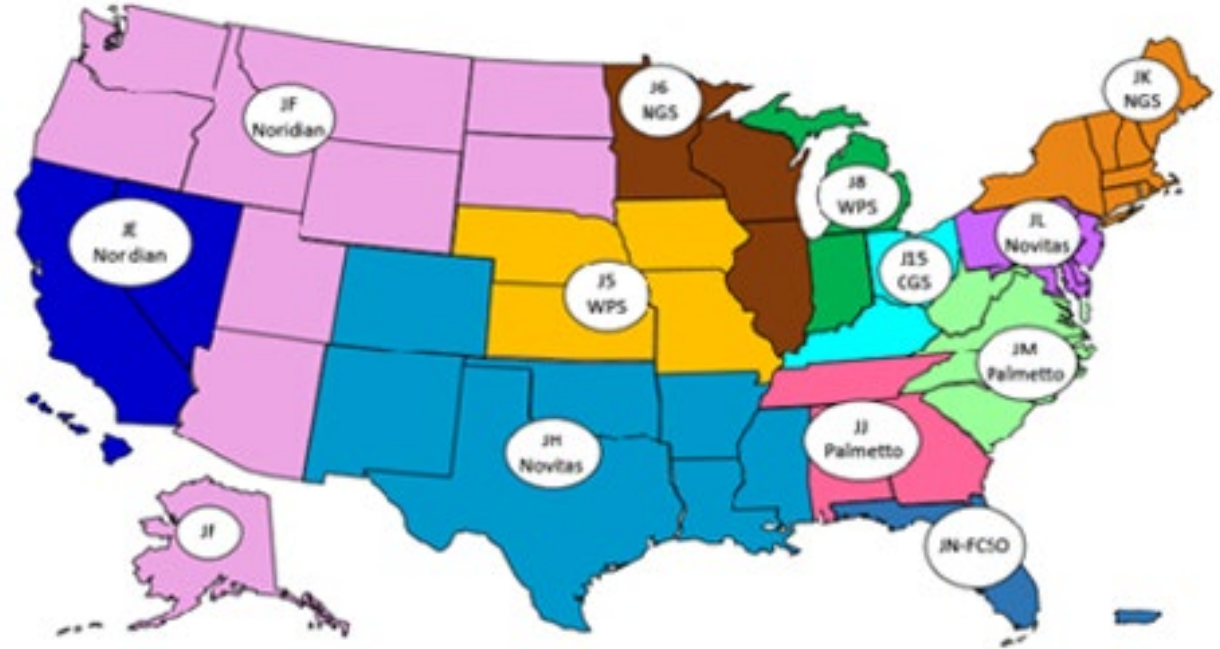
The AAO-HNS physician society applied for a comprehensive, dedicated new CPT Code for the hypoglossal nerve stimulation implant. This new code will become effective January 1, 2022

- Hypoglossal Nerve Stim will no longer share Procedure Codes with Vagus Nerve Stim for Epilepsy
 - Category I CPT code 645x1 will replace previously used CPT code 65468
 - Eliminate 'New Technology' or Cat III code for Inspire pressure sensor placement
- 2022 physician payments proposed for new codes
 - 'RUC' survey was performed to evaluate physician 'work' and expenses for the new CPT code
 - Medicare accepted the RUC recommendation for the number of Relative Value Units (RVUs) and proposed 25 RVUs (approximately \$870), which is expected to be finalized in November 2021 (Geographic adjustment range of \$800-\$1,050)
- Hospital payment for Inspire will not change: New code maps to same Facility payment (APC) for hospitals
 - Hospital: Proposed 2022 National Average Medicare payment of \$30,209 (3% increase over 2021)
- ASC: Proposed 2022 National Average Medicare payment of \$17,539 (28% decrease over 2021)
 - We believe the draft ASC facility reimbursement was calculated by CMS without reference to the extensive claims data that exists for Inspire therapy procedures. We intend to meet with CMS to review this data with the goal of assuring that the final reimbursement levels for Inspire therapy procedures in these settings is appropriately established and consistent with the base code, 65468 which is proposed to increase in 2022 to \$24,963

Medicare Local Coverage Determination (LCD) Completed and In-Place

- All coverage criteria consistent in all 50 states

MAC	Final LCD Publication Date
Noridian	March 15, 2020
Novitas	March 15, 2020
First Coast (Florida)	March 15, 2020
National Government Services (NGS)	April 1, 2020
Palmetto	June 21, 2020
CGS	April 1, 2020
Wisconsin Physicians Service (WPS)	June 14, 2020



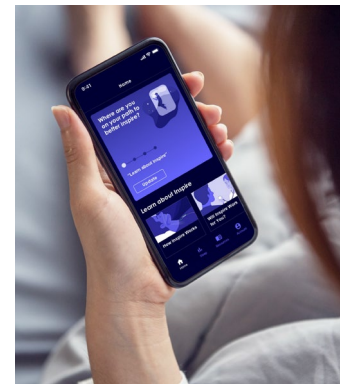
- BMI criterion = Below 35
- AHI criterion = 15 to 65 events per hour
- Other criteria mirrors FDA Indications
- Represents 40 million covered lives
 - Medicare Advantage is an additional 20 million covered lives

Product Development and Digital Health

Inspire Digital Health Definition

Connected tools for Sleep Docs, Surgeons, and Patients that improve outcomes and reduce work.

- Collaborative patient screening
- Seamless, personalized care
- Efficient therapy management



Foundational Customer Needs

Opportunities to Create Brand Preference

ENT Surgeon



- Strong, Predictable Patient Outcomes
- Speed and Ease of **Implant Procedure**

Sleep MD



- Strong, Predictable Patient Outcomes
- Speed and Ease of **Patient Management**

Sleep Apnea Patients

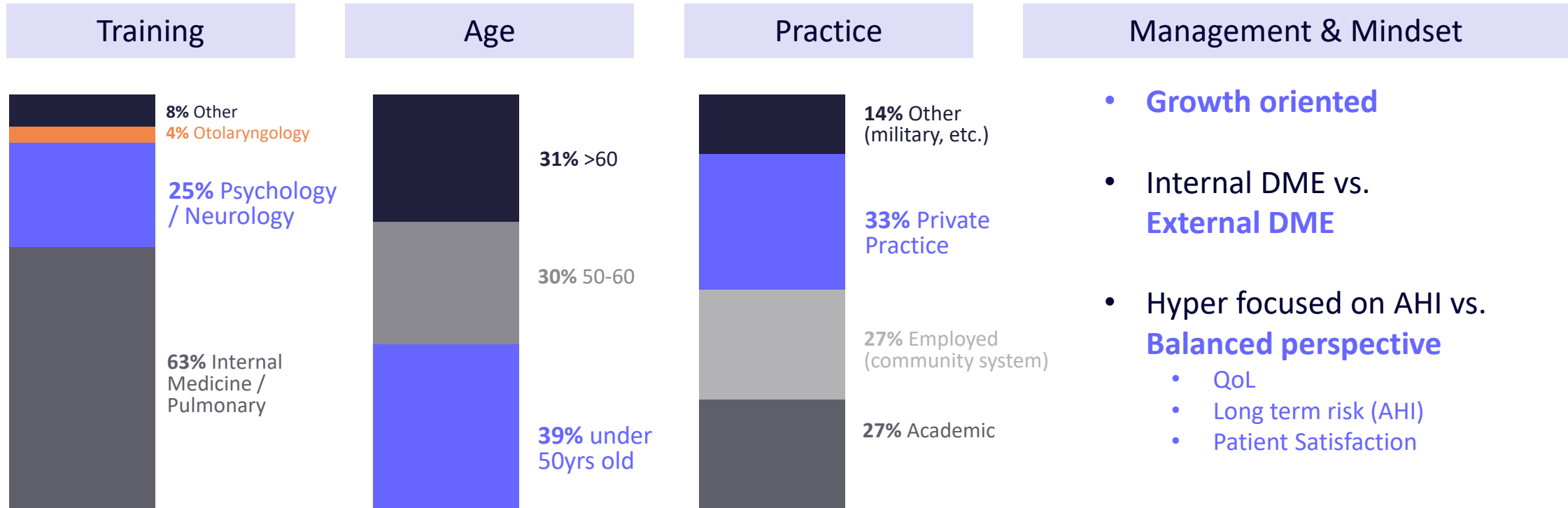


- Outcomes –
Feel Better / Reduce Risk
- Comfort
- Convenient / Easy to use

There are 6,000 Board Certified Sleep MDs in the US

Over 90% are aware of Inspire

Less than 40% are currently referring for Inspire



Sleep MDs Need Familiarity/Confidence in the Therapy Pathway

What they think about CPAP

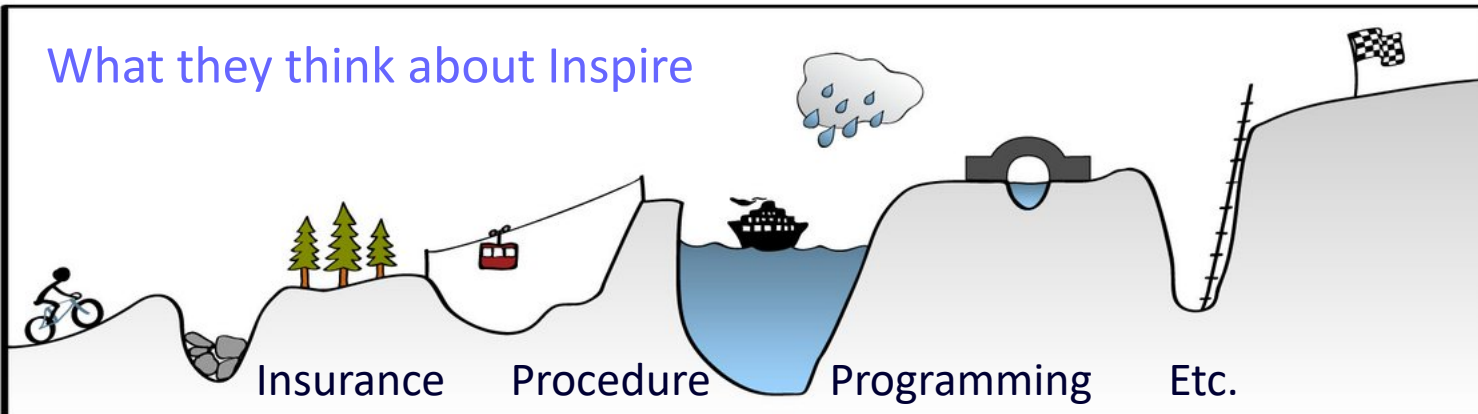


Patient



Treated OSA

What they think about Inspire



Perceived to be:

- Invasive
- Costly
- **Complex**

CPAP History: A proven model

1980



CPAP Invented

Game changing new therapy

1994



Increased Comfort

First nasal pillow

1995



Ease of Use

Integrated humidifier

2007



Auto Adjusting

First Auto PAP

2014



Smart, connected CPAP

Anytime adherence & efficacy
Remote adjustment of settings

Inspire History: A similar path

2014



FDA Approval

Game changing therapy

2016



New Patient Remote

Increased ease of use

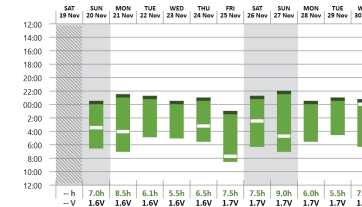
2017



40% Size Reduction

Increased comfort

2018



Inspire Cloud

Track adherence & efficacy

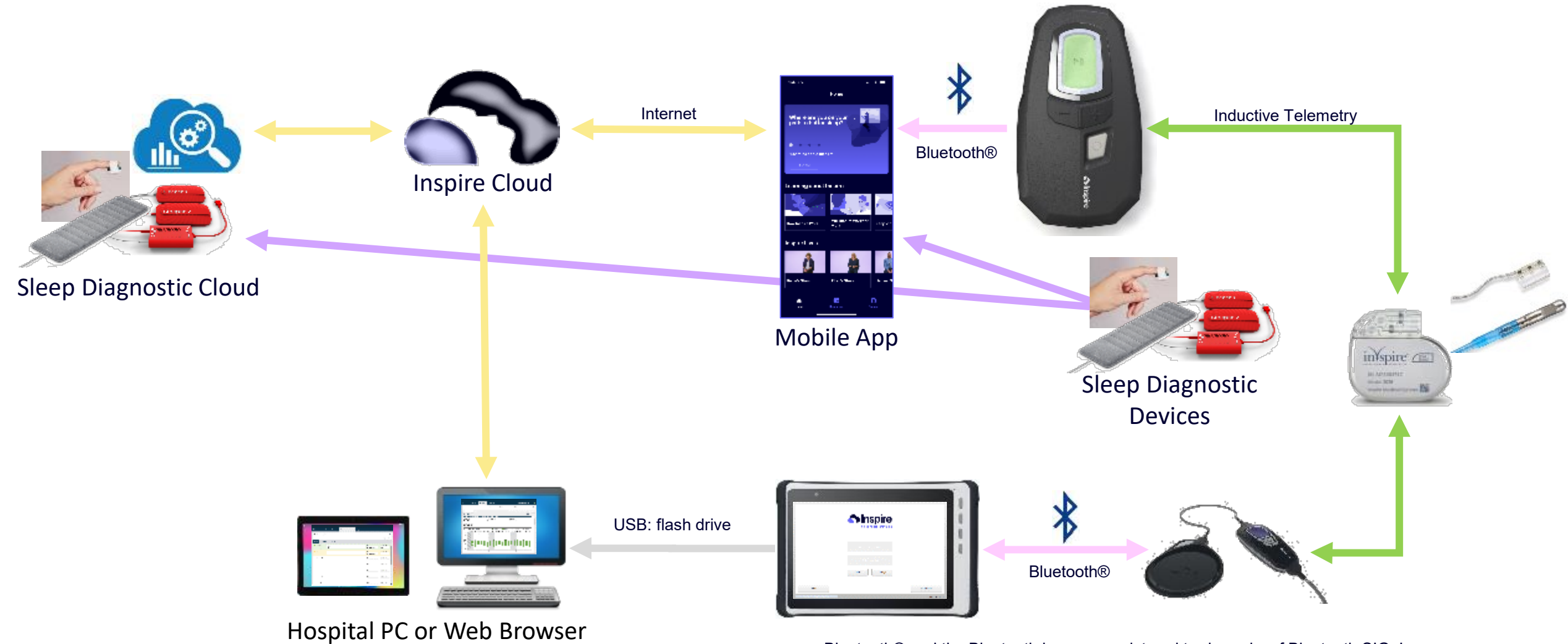
2021+



Smart, connected Inspire

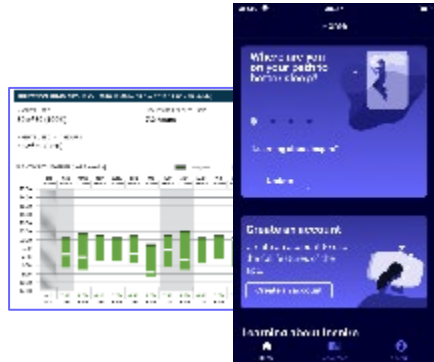
Anytime adherence & efficacy
Remote adjustment of settings

2021 Inspire System



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Digital Pipeline 2020/2021

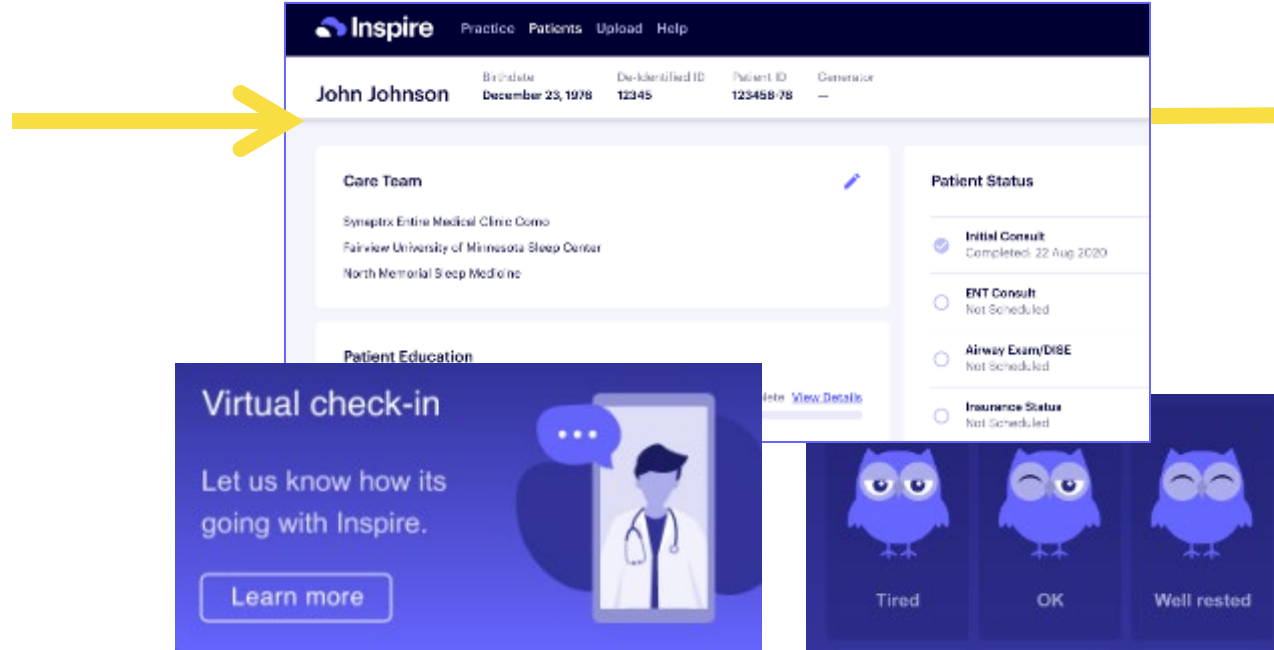


App

- Patient education
- Find a doctor
- Clinical ESS survey

Cloud

- Clinician collaboration
- Usage monitoring



2020/2021

- Patient education tracking
- Collaborative patient screening
- Virtual patient check-in



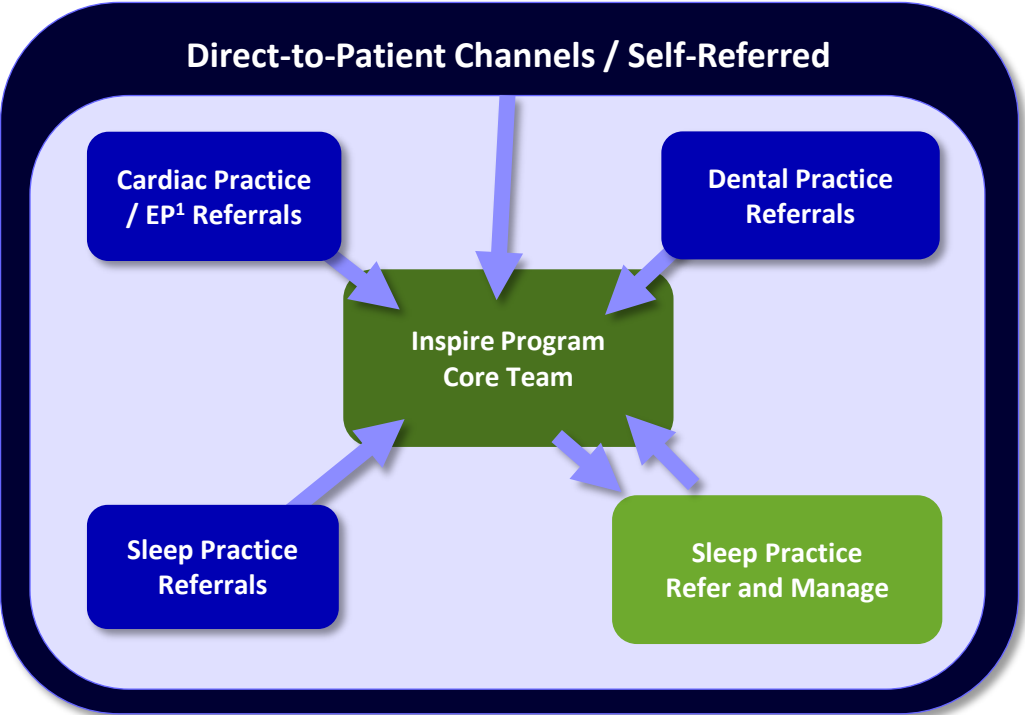
2021

- Digital monitoring of usage
- Browser-base interface
- Possible integration of AHI monitor

We have a Targeted Approach to Market Development and Patient Outreach

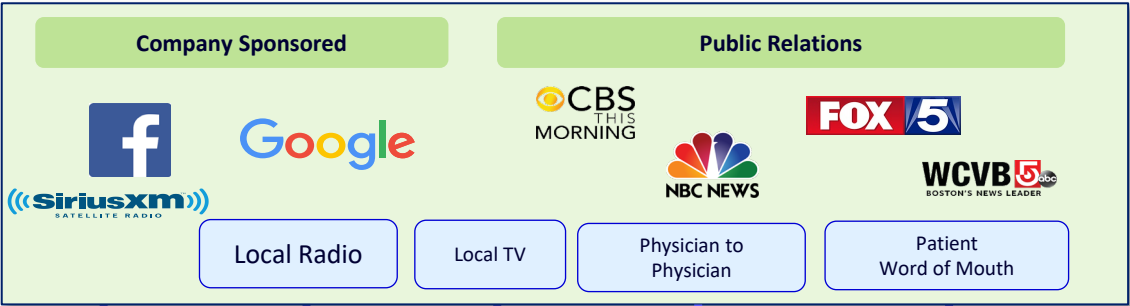
Market Development

- ✓ Inspire has built a referral network with physicians across the treatment continuum
- ✓ Differentiated marketing engine capable of generating demand through patient channels



1. Electrophysiologists (EP)

Direct-to-Patient Outreach Machine



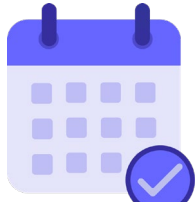
Q2 2021 YTD Website Results



3.2M Web Visitors
(+21% YoY)



185K Doctor Searches
(+35% YoY)



49K Doctor Contacts
(+77% YoY)

DTC Program: Strategic Pillars

#1: Drive Efficient Awareness



- Paid Media
- Breakthrough Content
 - Playbook Testing

Customized journeys
"Get Started"

Advisor Care
Program
(ACP)

Inspire App, Tablet,
Patient Tracking



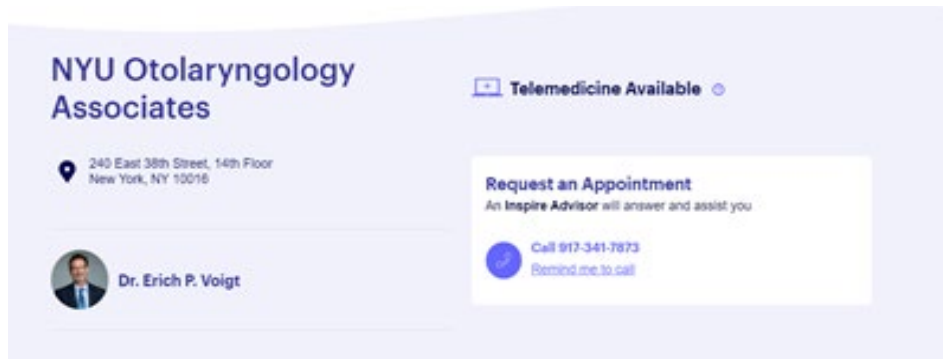
Marketing Automation



Advisor Care Program (ACP)

Connecting Qualified Patients Directly to our Centers

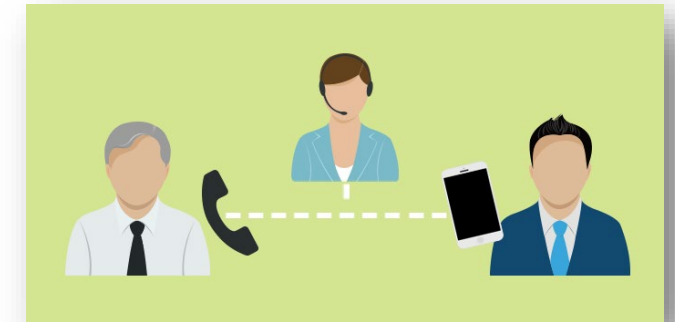
Patient calls number on MD Listing



Call connected to Inspire Advisor



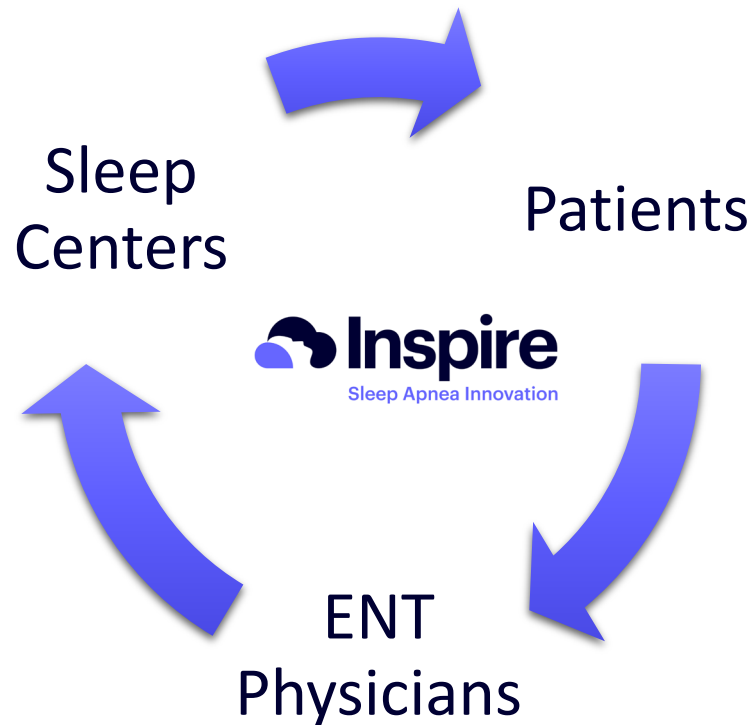
Inspire Advisor calls clinic;
Connects patient with **LIVE scheduler**



Turning Patient Interest into Actionable Steps Toward an Inspire Implant

Our Sales Strategy Engages All Key Stakeholders Across the OSA Treatment Paradigm

Holistic Approach to Engagement Across Key Stakeholders in the OSA Treatment Paradigm



U.S. Sales Organization

- 130 Territories in U.S. and 10 in Europe
 - Managed by 5 Area Vice-Presidents and 23 Regional Sales Managers
 - Supported by Therapy Awareness Managers and Field Clinical Reps
 - Field Training Staff
- Target for each rep to manage 5 – 7 active centers per territory

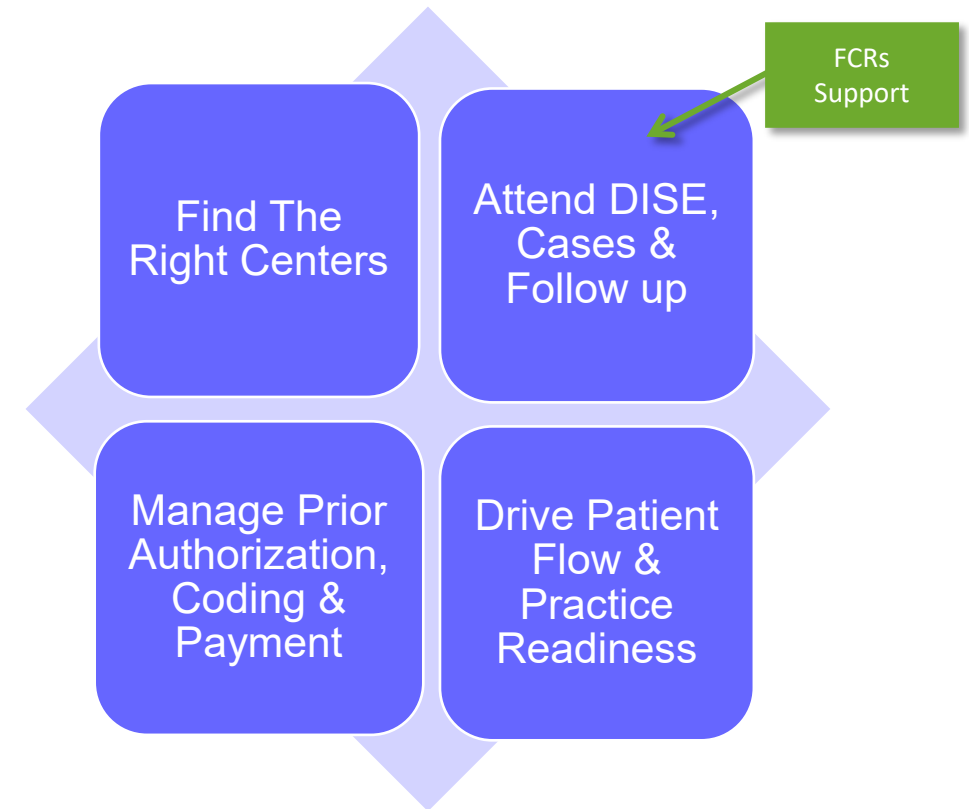
Continue to build capacity to treat patients by adding centers, hiring Territory Managers, and adding training and support structure, including Regional Managers and staff to cover implant cases and activations

Keys To Driving a Strong Territory

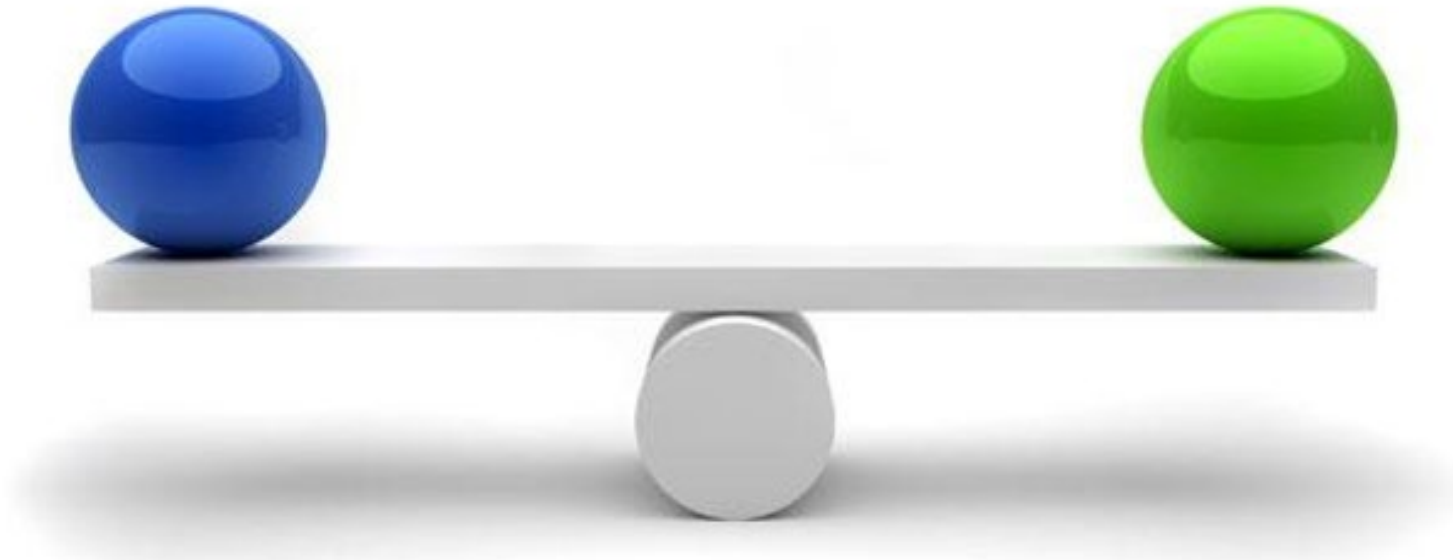
Territory Manager Strategy

- **New Centers and Territory Framing**
 - Leading with 5 Area Vice Presidents
 - Area Business Managers focus solely on new centers
 - Building Regional Manager Team, 23 in Q2 2021
 - Adding Field Clinical Reps (FCRs) to support implants, increased to 61 in Q2 2021 (added 10 in Q2)
- **Continue adding Territories**
 - Ended Q2 2021 with 130 U.S. Territories (13 added in Q2 2021)
- **Sales Training**
 - Inspire University conducted quarterly for new employees
- **Free up selling time for tenured reps to focus on driving patient flow**
 - Invest in FCRs to cover cases and activations

How TMs Spend their Time



The Great Balancing Act

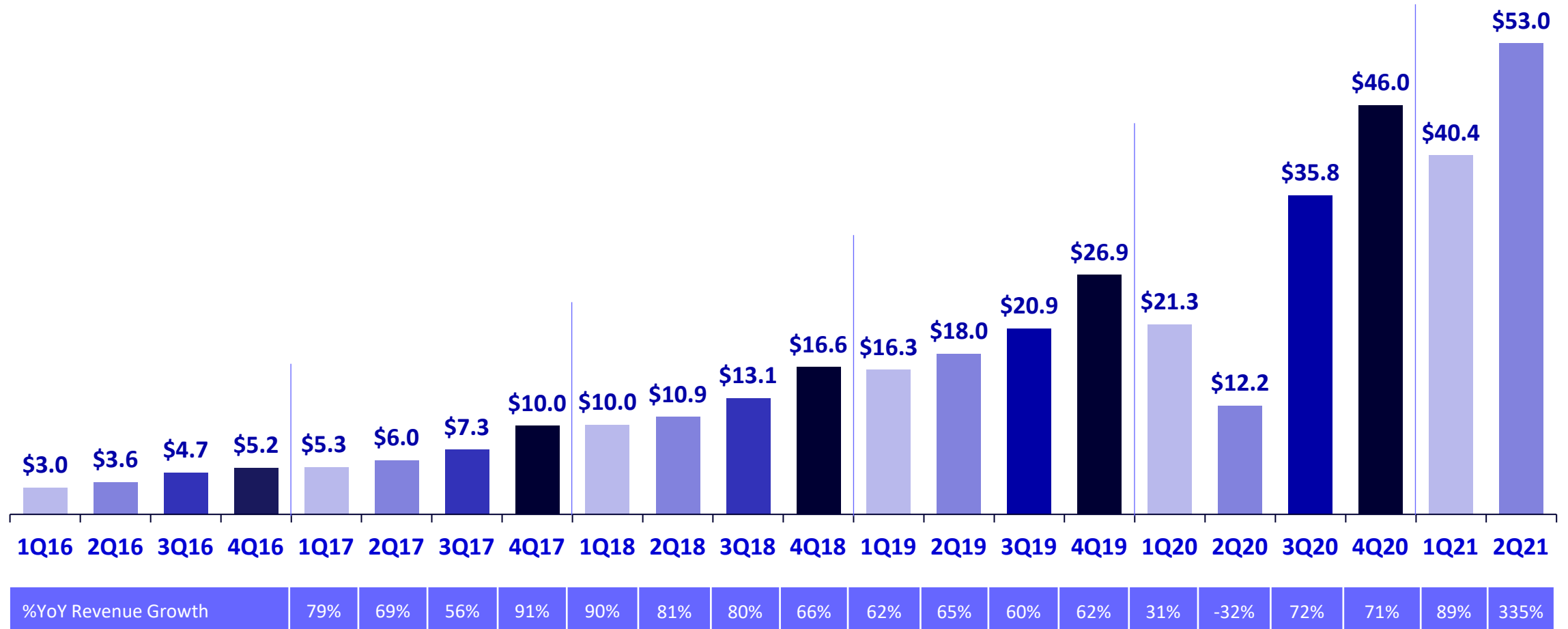


KEEPING CONTROL WHILE GROWING FAST

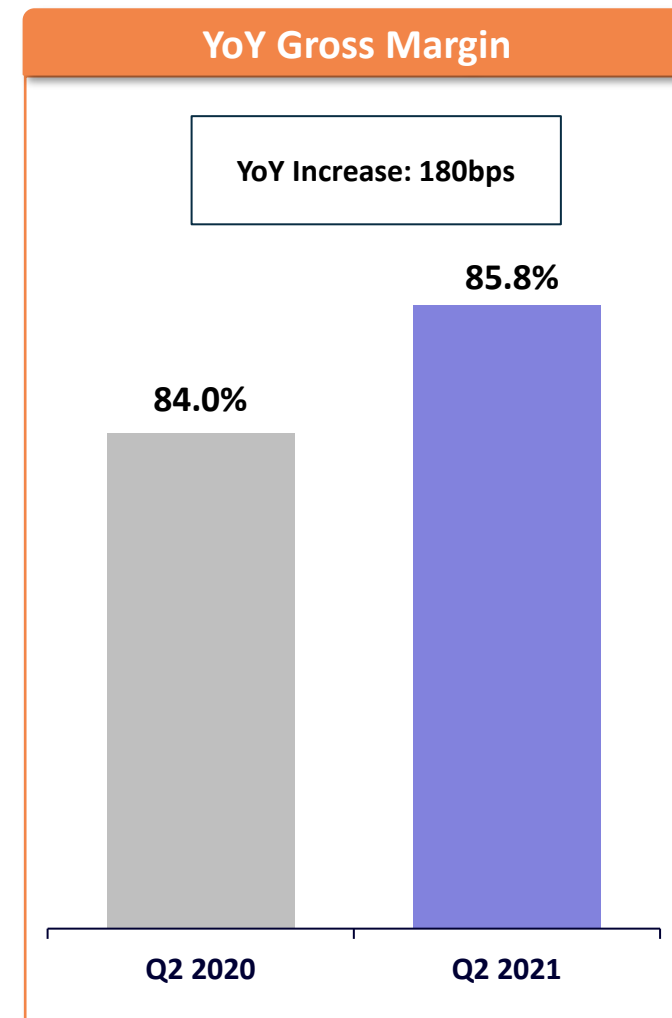
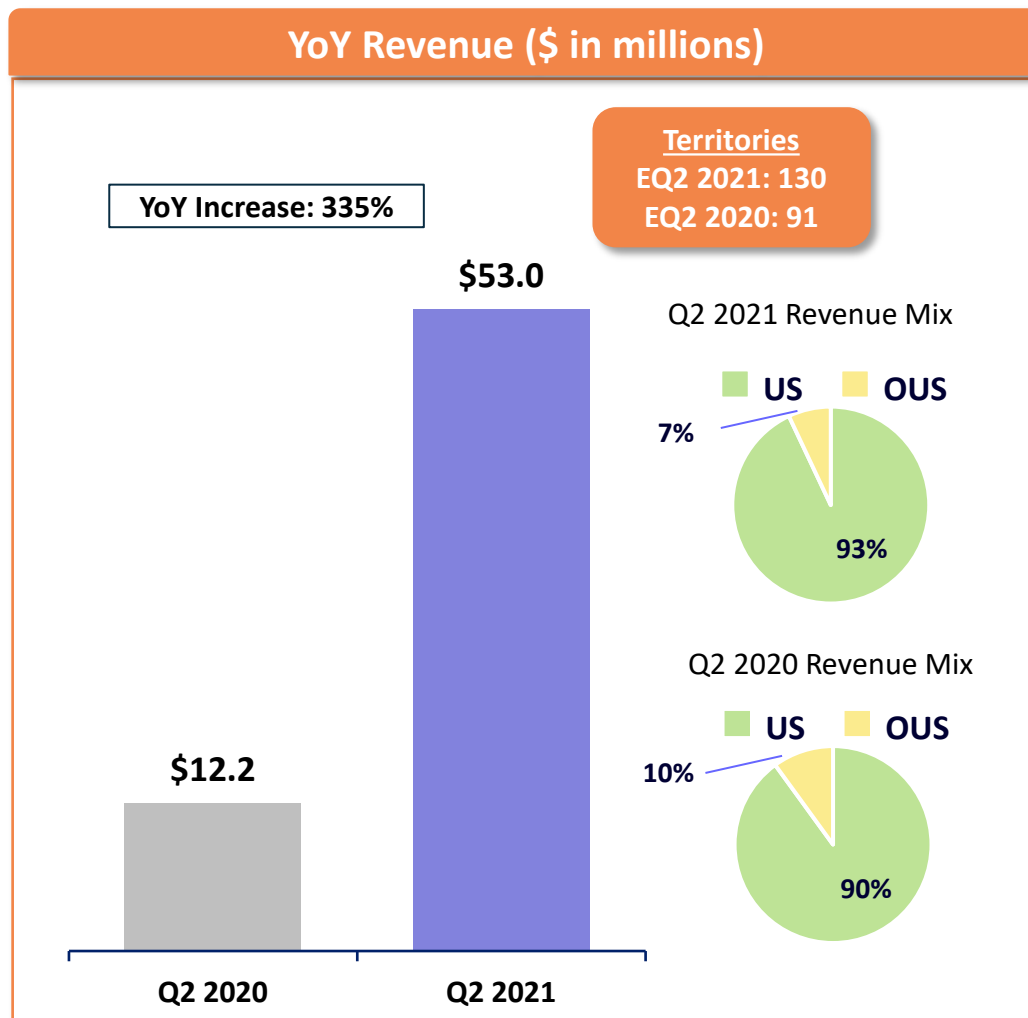
Focus on the rapid scaling of commercialization while ensuring proper training to maintain control of high-quality therapy outcomes

Financials

Quarterly Revenue (\$ in Millions)

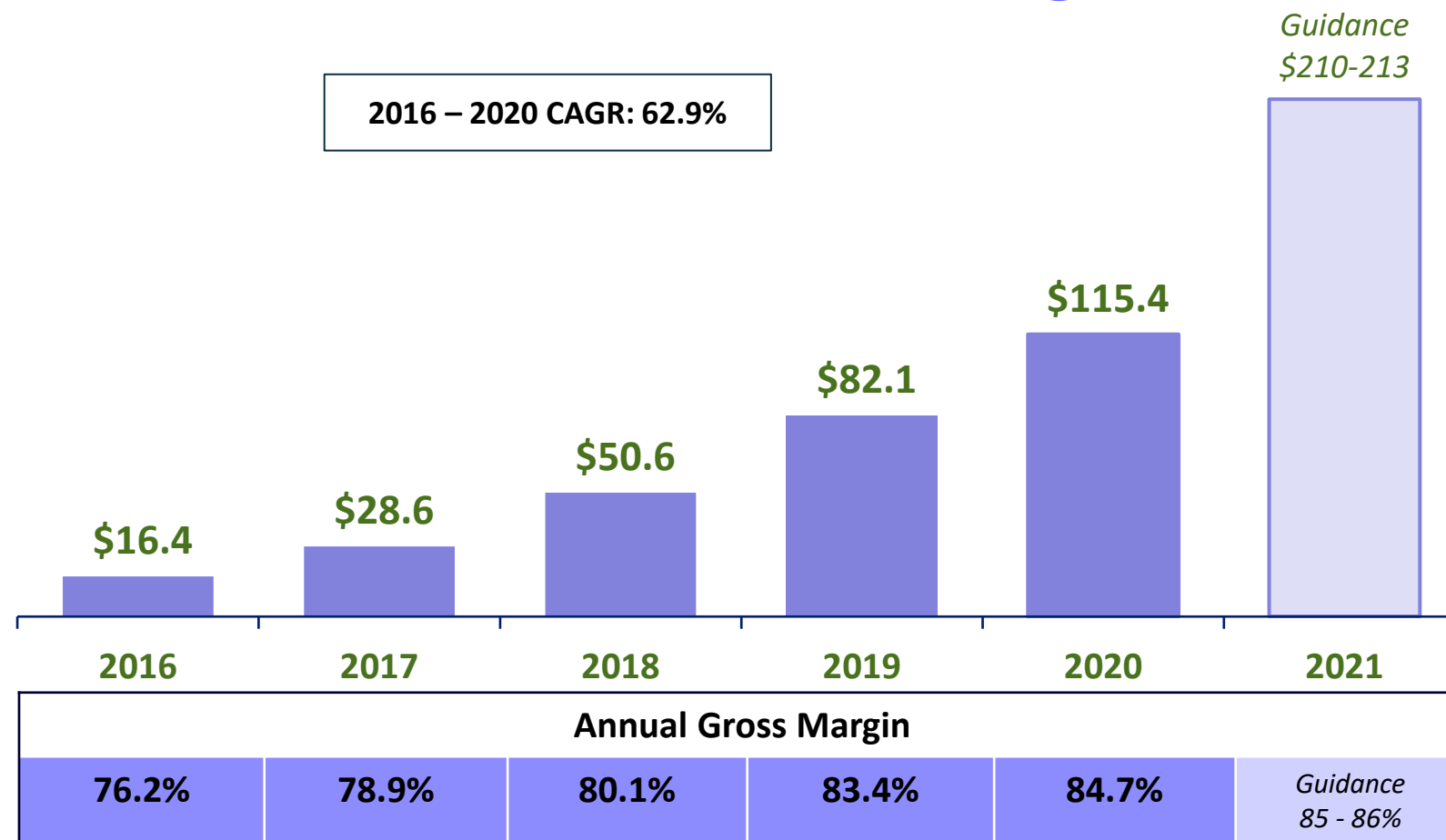


Q2 2021 Performance



Annual Revenue and Gross Margin

(\$ in millions)



Updated 2021 Guidance:

- FY2021 revenue range of \$210M - \$213M, representing 82% - 85% growth from FY2020
- FY2021 gross margin between 85% - 86%

Our Growth Strategies

- Ensure strong and consistent patient outcomes globally through planned and controlled expansion and robust physician training
- Promote awareness among patients, ENT physicians, sleep centers, and referring physicians
- Expand U.S. sales and marketing organization to drive adoption of our Inspire therapy
- Leverage final Medicare LCDs and 260 million covered lives while continuing with prior authorization model
- Invest in research and development to drive innovation and expand indications
- Further penetrate existing and expand into new international markets

Our Innovative Inspire Solution has a Significant First Mover Advantage

