



Insulet Reports Third Quarter 2022 Revenue Increase of 24% Year-Over-Year (29% Constant Currency¹)

November 3, 2022

ACTON, Mass.--(BUSINESS WIRE)--Nov. 3, 2022-- Insulet Corporation (NASDAQ: PODD) (Insulet or the Company), the global leader in [tubeless insulin pump](#) technology with its Omnipod[®] brand of products, today announced financial results for the three months ended September 30, 2022.

Third Quarter Financial Highlights:

- Third quarter 2022 revenue of \$340.8 million, up 23.7%, or 28.5% in constant currency¹, compared to \$275.6 million in the prior year, exceeds the guidance range of 17% to 20% in constant currency
 - Total Omnipod revenue of \$326.1 million, an increase of 25.3%, or 30.5% in constant currency
 - U.S. Omnipod revenue of \$238.1 million, an increase of 42.4%
 - International Omnipod revenue of \$88.0 million, a decrease of 5.5%, or an increase of 8.9% in constant currency
 - Drug Delivery revenue of \$14.7 million, a decrease of 3.9%
- Gross margin of 55.3%, down 1,320 basis points. Adjusted gross margin¹ of 66.1% excludes a charge of \$36.8 million associated with the voluntary medical device correction notice issued on October 17th to replace Omnipod DASH Personal Diabetes Managers (PDMs)
- Operating income of \$2.9 million, or 0.9% of revenue, compared to operating income of \$33.7 million, or 12.2% of revenue, in the prior year. Adjusted operating income¹ of \$39.7 million, or 11.6%, excludes a charge of \$36.8 million noted above
- Net loss of \$5.2 million, or \$(0.08) per diluted share, compared to net income of \$12.6 million, or \$0.18 per diluted share, in the prior year. Adjusted net income¹ of \$31.6 million, or \$0.45 per diluted share, excludes a charge of \$36.8 million noted above
- Adjusted EBITDA¹ of \$62.8 million, or 18.4% of revenue, compared to \$55.7 million, or 20.2% of revenue, in the prior year

Recent Strategic Highlights:

- Launched U.S. full market release of the Omnipod[®] 5 Automated Insulin Delivery System (Omnipod 5)
- Developed and will soon submit to the FDA a 510(k) for a new basal-only pod for individuals with type 2 diabetes
- Achieved record quarterly U.S. and Total Omnipod new customer starts
- Secured CE Marking for Omnipod 5 under the European Medical Device Regulation
- Expanded Omnipod 5's U.S. indication for use down to age two years old

"Our third quarter accomplishments demonstrate the continued execution and commitment of the entire Insulet team," said Jim Hollingshead, President and Chief Executive Officer. "Omnipod 5 U.S. adoption is exceeding our expectations and proving to be the game-changer we knew it would be. We are thrilled to have received CE Mark approval to bring Omnipod 5 to international markets and to have expanded Omnipod 5's indication down to age two. We expect to deliver another year of strong growth and operational progress and enter 2023 with significant momentum across our business. We have never been in a stronger position to deliver on our mission to simplify and improve the lives of people with diabetes."

¹ See description of non-GAAP financial measures contained in this release.

2022 Outlook:

Revenue Guidance (in constant currency):

- For the year ending December 31, 2022, the Company is raising its revenue growth guidance range to 18% to 19% (previously 14% to 17%). Revenue growth ranges by product line are:
 - Total Omnipod of 23% to 24% (previously 18% to 21%)
 - U.S. Omnipod of 30% to 31% (previously 23% to 26%)
 - International Omnipod of 11% to 12% (previously 9% to 12%)
 - Drug Delivery of (37)% to (35)% (previously (40)% to (35)%)
- For the quarter ending December 31, 2022, the Company expects revenue growth of 11% to 14%. Revenue growth ranges by product line are:
 - Total Omnipod of 23% to 26%
 - U.S. Omnipod of 27% to 30%
 - International Omnipod of 15% to 18%

o Drug Delivery of (100)% to (92)%

Gross Margin and Operating Margin Guidance:

For the year ending December 31, 2022, the Company now expects gross margin of 63% to 64%, including a charge of \$36.8 million (approximately 200 basis points) associated with the voluntary medical device correction. Excluding these costs, the Company continues to expect adjusted gross margin of 65% to 66% for the year.

For the year ending December 31, 2022, the Company now expects operating margin of low-single digits, including costs associated with the voluntary medical device correction and certain legal and CEO transition costs. Excluding these costs, the Company continues to expect adjusted operating margin of high-single digits for the year.

Adjusted gross margin and adjusted operating margin are expected to be lower year-over-year as a result of higher manufacturing costs and product mix.

Conference Call:

Insulet will host a conference call at 4:30 p.m. (Eastern Time) on November 3, 2022 to discuss the financial results and outlook. The link to the live call will be available on the Investor Relations section of the Company's website at investors.insulet.com, "Events and Presentations," and will be archived for future reference.

About Insulet Corporation:

Insulet Corporation (NASDAQ: PODD), headquartered in Massachusetts, is an innovative medical device company dedicated to simplifying life for people with diabetes and other conditions through its Omnipod product platform. The Omnipod Insulin Management System provides a unique alternative to traditional insulin delivery methods. With its simple, wearable design, the disposable Pod provides up to three days of non-stop insulin delivery, without the need to see or handle a needle. Insulet's latest innovation, the Omnipod[®] 5 Automated Insulin Delivery System, is a tubeless automated insulin delivery system, integrated with a continuous glucose monitor to manage blood sugar with no multiple daily injections, zero fingersticks, and is fully controlled by a compatible personal smartphone. Insulet also leverages the unique design of its Pod by tailoring its Omnipod technology platform for the delivery of non-insulin subcutaneous drugs across other therapeutic areas. For more information, please visit: insulet.com and omnipod.com.

Non-GAAP Measures:

The Company uses the following non-GAAP financial measures:

- Constant currency revenue growth, which represents the change in revenue between current and prior year periods using the exchange rate in effect during the applicable prior year period. Insulet presents constant currency revenue growth because management believes it provides meaningful information regarding the Company's results on a consistent and comparable basis. Management uses this non-GAAP financial measure, in addition to financial measures in accordance with generally accepted accounting principles in the United States (GAAP), to evaluate the Company's operating results. It is also one of the performance metrics that determines management incentive compensation.
- Adjusted gross margin, adjusted gross margin as a percentage of revenue, adjusted operating income, adjusted operating income as a percentage of revenue, adjusted net income, and adjusted diluted earnings per share, all of which exclude the impact of certain significant transactions or events, such as legal settlements and medical device corrections, that affect the period-to-period comparability of our operating performance, as applicable.
- Adjusted EBITDA, which represents net income (loss) plus net interest expense, income tax expense (benefit), depreciation and amortization, stock-based compensation and other significant transactions or events, such as legal settlements and medical device corrections, that affect the period-to-period comparability of our operating performance, as applicable, and adjusted EBITDA as a percentage of revenue.

Insulet presents the above non-GAAP financial measures because management uses them as supplemental measures in assessing the Company's operating performance, and the Company believes they are helpful to investors, and other interested parties as measures of comparative operating performance from period to period. They also are commonly used measures in determining business value and the Company uses them internally to report results.

These non-GAAP financial measures should be considered supplemental to, and not a substitute for, the Company's reported financial results prepared in accordance with GAAP. Furthermore, the Company's definition of these non-GAAP measures may differ from similarly titled measures used by others. Because non-GAAP financial measures exclude the effect of items that will increase or decrease the Company's reported results of operations, Insulet strongly encourages investors to review the Company's consolidated financial statements and publicly filed reports in their entirety.

Forward-Looking Statement:

This press release contains forward-looking statements regarding, among other things, future operating and financial performance, product success and efficacy, the outcome of studies and trials and the approval of products by regulatory bodies. These forward-looking statements are based on management's current beliefs, assumptions and estimates and are not intended to be a guarantee of future events or performance. If management's underlying assumptions turn out to be incorrect, or if certain risks or uncertainties materialize, actual results could vary materially from the expectations and projections expressed or implied by the forward-looking statements.

Risks and uncertainties include, but are not limited to adverse changes in general economic conditions as well as risks associated with public health

crises and pandemics, such as the COVID-19 global pandemic, government actions and restrictive measures implemented in response, supply chain disruptions, delays in clinical trials, and other impacts to the business; dependence on a principal product platform; ability to maintain and grow our customer base; ability to scale the business to support revenue growth; maintenance of an effective sales force and expansion of distribution network; ability to secure and retain adequate coverage or reimbursement from third-party payors; impact of healthcare reform laws; impact of competitive products, technological change and product innovation; ability to design, develop, manufacture and commercialize future products; changes to or termination of our license to incorporate a blood glucose meter into the Omnipod System or inability to enter into new license or other agreements with respect to the Omnipod System's current or future features; challenges to the future development of our non-insulin drug delivery product line; international business risks, including regulatory, commercial and logistics risks; supply problems or price fluctuations with sole source or third-party suppliers on which we are dependent; failure to retain key suppliers and/or supplier pricing discounts and achieve satisfactory gross margins; ability to protect our intellectual property and other proprietary rights and potential conflicts with the intellectual property of third parties; adverse regulatory or legal actions relating to the Omnipod System or future products; failure of our contract manufacturer or component suppliers to comply with the U.S. Food and Drug Administration's quality system regulations; potential adverse impacts resulting from a recall, or discovery of serious safety issues, or product liability lawsuits relating to off-label use; the potential violation of anti-bribery/anti-corruption laws or laws and regulations regarding privacy and data protection; breaches or failures of our product or information technology systems, including by cyberattack; unfavorable results of clinical studies or future publication of articles or announcement of positions by diabetes associations or other organizations that are unfavorable; the concentration of manufacturing operations and storage of inventory in a limited number of locations; loss of employees or inability to identify and recruit new employees; ability to generate sufficient cash to service our indebtedness or raise additional funds on acceptable terms or at all; the volatility of the trading price of our common stock; risks related to the conversion of outstanding Convertible Senior Notes; and potential limitations on our ability to use net operating loss carryforwards.

For a further list and description of these and other important risks and uncertainties that may affect our future operations, see Part I, Item 1A - Risk Factors in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission, which we may update in Part II, Item 1A - Risk Factors in Quarterly Reports on Form 10-Q we have filed or will file hereafter. Any forward-looking statement made in this release speaks only as of the date of this release. Insulet does not undertake to update any forward-looking statement, other than as required by law.

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INSULET CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(dollars in millions, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue	\$ 340.8	\$ 275.6	\$ 935.6	\$ 791.1
Cost of revenue	152.5	86.9	347.3	252.2
Gross profit	188.3	188.7	588.3	538.9
Research and development expenses	45.0	37.5	130.7	118.3
Selling, general and administrative expenses	140.4	117.5	443.5	344.3
Operating income	2.9	33.7	14.1	76.3
Interest expense, net	(6.8)	(16.3)	(24.0)	(46.1)
Loss on extinguishment of debt	—	(1.5)	—	(41.6)
Other expense, net	(1.8)	(0.7)	(2.6)	(1.5)
(Loss) income before income taxes	(5.7)	15.2	(12.5)	(12.9)
Income tax benefit (expense)	0.5	(2.6)	0.1	0.5
Net (loss) income	\$ (5.2)	\$ 12.6	\$ (12.4)	\$ (12.4)

Net (loss) income per share:

Basic	\$ (0.08	)	\$ 0.18	\$ (0.18	)	\$ (0.18)
Diluted	\$ (0.08	)	\$ 0.18	\$ (0.18	)	\$ (0.18)

Weighted-average number of common shares outstanding (in thousands):

Basic	69,418	68,869	69,343	67,236
Diluted	69,418	69,619	69,343	67,236

INSULET CORPORATION**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

(dollars in millions) September 30, 2022 December 31, 2021

ASSETS

Cash and cash equivalents	\$ 722.0	\$ 791.6
Accounts receivable, net	201.4	161.0
Inventories	327.6	303.2
Prepaid expenses and other current assets	78.1	74.0
Total current assets	1,329.1	1,329.8
Property, plant and equipment, net	553.1	536.5
Goodwill and other intangible assets, net	105.3	76.4
Other assets	178.7	106.1
Total assets	\$ 2,166.2	\$ 2,048.8

LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts payable	\$ 62.1	\$ 37.7
Accrued expenses and other current liabilities	245.2	166.0
Current portion of long-term debt	26.9	25.1
Total current liabilities	334.2	228.8
Long-term debt, net	1,379.8	1,248.8

Other liabilities	24.2	14.9
Total liabilities	1,738.2	1,492.5
Stockholders' equity	428.0	556.3
Total liabilities and stockholders' equity	\$ 2,166.2	\$ 2,048.8

INSULET CORPORATION

NON-GAAP RECONCILIATIONS (UNAUDITED)

CONSTANT CURRENCY REVENUE GROWTH

Three Months Ended September 30,

(dollars in millions)	2022	2021	Percent Change	Currency Impact	Constant Currency
Revenue:					
U.S. Omnipod	\$ 238.1	\$ 167.2	42.4 %	— %	42.4 %
International Omnipod	88.0	93.1	(5.5)%	(14.4)%	8.9 %
Total Omnipod	326.1	260.3	25.3 %	(5.2)%	30.5 %
Drug Delivery	14.7	15.3	(3.9)%	— %	(3.9)%
Total	\$ 340.8	\$ 275.6	23.7 %	(4.8)%	28.5 %

Nine Months Ended September 30,

(dollars in millions)	2022	2021	Percent Change	Currency Impact	Constant Currency
Revenue:					
U.S. Omnipod	\$ 608.6	\$ 461.0	32.0 %	— %	32.0 %
International Omnipod	272.8	274.6	(0.7)%	(10.8)%	10.1 %
Total Omnipod	881.4	735.6	19.8 %	(4.0)%	23.8 %
Drug Delivery	54.2	55.5	(2.3)%	— %	(2.3)%
Total	\$ 935.6	\$ 791.1	18.3 %	(3.7)%	22.0 %

INSULET CORPORATION

NON-GAAP RECONCILIATIONS CONTINUED (UNAUDITED)

ADJUSTED GROSS MARGIN, OPERATING MARGIN, NET INCOME, DILUTED EPS

Three Months Ended September 30, 2022

(in millions)	Gross Profit	Percent of Revenue	Operating Income	Percent of Revenue	Net (Loss) Income ⁽⁴⁾	Diluted (Loss) Earnings per Share
GAAP	\$ 188.3	55.3 %	\$ 2.9	0.9 %	\$ (5.2)	\$ (0.08)
Voluntary medical device correction ⁽¹⁾	36.8		36.8		36.8	0.53
Non-GAAP	\$ 225.1	66.1 %	\$ 39.7	11.6 %	\$ 31.6	\$ 0.45

Nine Months Ended September 30, 2022

(in millions)	Gross Profit	Percent of Revenue	Operating Income	Percent of Revenue	Net (Loss) Income ⁽⁴⁾	Diluted (Loss) Earnings per Share
GAAP	\$ 588.3	62.9 %	\$ 14.1	1.5 %	\$ (12.4)	\$ (0.18)
Voluntary medical device correction ⁽¹⁾	36.8		36.8		36.8	0.53
Legal costs ⁽²⁾	—		27.3		27.3	0.39
CEO transition costs ⁽³⁾	—		3.4		3.4	0.05
Non-GAAP	\$ 625.1	66.8 %	\$ 81.6	8.7 %	\$ 55.1	\$ 0.79

ADJUSTED EBITDA

(dollars in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022	Percent of Revenue	2021	Percent of Revenue	2022	Percent of Revenue	2021	Percent of Revenue
Net (loss) income	\$ (5.2)	(1.5)%	\$ 12.6	4.6 %	\$ (12.4)	(1.3)%	\$ (12.4)	(1.6)%
Interest expense, net	6.8		16.3		24.0		46.1	
Income tax (benefit) expense	(0.5)		2.6		(0.1)		(0.5)	
Depreciation and amortization	15.9		14.5		47.0		42.5	
Stock-based compensation	9.0		8.2		27.4		25.8	
Voluntary medical device correction ⁽¹⁾	36.8		—		36.8		—	
Legal costs ⁽²⁾	—		—		27.3		—	
CEO transition costs ⁽³⁾	—		—		3.4		—	
Loss on extinguishment of debt	—		1.5		—		41.6	

Adjusted EBITDA \$ 62.8 18.4 % \$ 55.7 20.2 % \$ 153.4 16.4 % \$ 143.1 18.1 %

(1) Represents total estimated costs associated with the voluntary medical device correction notice issued in October to replace Omnipod DASH PDMs, all of which are included in cost of revenue.

(2) Includes a \$20.0 million charge in the second quarter of 2022 to settle patent infringement litigation with Roche Diabetes Care, Inc., associated legal fees, and an estimated liability to settle a contract dispute.

(3) Represents costs in the second quarter of 2022 associated with the retirement and advisory services of the former chief executive officer, including \$2.3 million of accelerated stock-based compensation expense.

(4) The tax effect on non-GAAP adjustments is calculated based on the statutory tax rate. Due to valuation allowances, the statutory tax rate is 0%.

INSULET CORPORATION

NON-GAAP RECONCILIATIONS CONTINUED (UNAUDITED)

REVENUE GUIDANCE

Year Ending December 31, 2022

	Low						High					
	Revenue Growth		Currency Impact		Constant Currency		Revenue Growth		Currency Impact		Constant Currency	
	GAAP						GAAP					
U.S. Omnipod	30	%	—	%	30	%	31	%	—	%	31	%
International Omnipod (1)		)%	(12	)%	11	%	—	%	(12	)%	12	%
Total Omnipod	19	%	(4	)%	23	%	20	%	(4	)%	24	%
Drug Delivery	(37	)%	—	%	(37	)%	(35	)%	—	%	(35)%
Total	14	%	(4	)%	18	%	15	%	(4	)%	19	%

Three Months Ended December 31, 2022

	Low						High					
	Revenue Growth		Currency Impact		Constant Currency		Revenue Growth		Currency Impact		Constant Currency	
	GAAP						GAAP					
U.S. Omnipod	27	%	—	%	27	%	30	%	—	%	30	%
International Omnipod (1))%	(16)%	15	%	2	%	(16)%	18	%
Total Omnipod	18	%	(5)%	23	%	21	%	(5)%	26	%
Drug Delivery	(100)%	—	%	(100)%	(92)%	—	%	(92)%
Total	6	%	(5)%	11	%	9	%	(5)%	14	%

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