



Inogen, Inc.

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Robbie Marcus: Welcome everyone. I'm Robbie Marcus the Medtech analyst at JP Morgan, really happy to introduce our next presentation from Inogen. Going to bring up Nabil Shabshab the CEO, and then we'll do some Q&A after. Nabil.

Nabil Shabshab: Thank you, Robbie.

Thank you, Robbie, and thank you for having us here. Welcome guys. I'm going to maybe start with those who don't know Inogen that well with a very high-level description.

We're a global Medtech company that is focused on respiratory care, but deep into the oxygen therapy, long-term oxygen therapy market for chronic respiratory conditions, COPD, and beyond that.

As a company, we take our purpose, our true north very seriously, which is improving the lives through respiratory care. It's the glue that holds the organization together. Everybody wakes up every day with a very discern focus on serving patients much better than the day before and that's what drives us every day.

Let me talk a little bit about the impact of COPD specifically on healthcare system but more importantly on the patients themselves. If you look at some of the views on COPD recently, especially in the NIH analysis in 2020 and you see that COPD is the sixth leading cause of death in the US as of that date.

Also, the CDC estimated that the COPD prevalence among adults 18 years or older is around 5.2 to 6.2 percent, so it's a significant percentage. More importantly, the impact on the patients themselves and the healthcare system, not only that this disease is progressive in nature and debilitating and actually lowers the quality of life of the patients as soon as they get to the later stages of COPD.

The cost is about 49 billion in 2020 of COPD based on the American Lung Association, and there were about 1.3 million emergency department visits in 2019 which is a significant amount of visits

that hopefully could be lowered.

COPD and other diseases including cystic fibrosis or congestive heart failure lead naturally to lower oxygen in your bloodstream and hence can benefit greatly from long-term oxygen therapy.

COPD is as we said debilitating disease that we know we can help in terms of not only providing long-term oxygen therapy for our patients but in an ambulatory fashion that greatly benefits them. A snapshot from a different angle about COPD.

We basically have a geographic reach of 60 countries plus where we are commercially active. We operate out of three or four major locations. One in California, one in Ohio, one in Texas, and our European headquarters in the Netherlands, but we also have an OEM or a manufacturer in the Czech Republic. Our manufacturing locations are Texas and California and the US.

If you look at the strength in terms of the patents that we have, we have more than 90 patents That are issued and pending but more critically, we have a very broad reach from a channel perspective.

I think the one thing that defines Inogen very uniquely is the fact that we are both a medical device company and an HME two and one. Meaning that we can leverage not only our capabilities in terms of serving patients with new and improved systems, but also we can get it into the hands of our patients ourselves while partnering sometimes with HMEs, but doing it directly ourselves.

The breadth of that reach be it in the direct patient to prescriber through the HMEs and distributors around the world is something that sets us apart.

If you look at, in terms of a financial snapshot, a very solid balance sheet which will cover later on, and then what we actually put out yesterday in our press release or unaudited preliminary results actually show that we're going to land in the estimate of 376.7 to 377.7 million and 22. 20 to 22 which is about 5.2 to 5.5 percent growth.

OK, so let me maybe take a little bit of a step back into the transformation that we have been going through for the last 18 months.

If I could characterize it, I think we're moving Inogen from being a very strong HME with product capabilities and an excellent portfolio into a medical device company that will always retain its

HME strain in the DNA that differentiates it, but can then aspire to be able to continue to serve patients not only in COPD but beyond as I will explain later.

Then that journey started about 18 months ago, and is progressing really well. It's helping us build the foundation for sustainable durable growth which is ahead of us yet because of also not only the capabilities we're standing but the low market penetration that we have.

On slide seven, if you look at our strategy, there's maybe two or three things that are happening at the same time. One is we're strengthening and delivering results, and then the other one is while doing that while we're transforming the organization to unlock growth moving forward and actually not only drive growth, but actually aim for return to profitability in the medium to long term.

Simply, if I look at the runways, we think of them as parallel runways that are happening simultaneously with each other.

Today, as the first one, we do have the portfolio that we actually know serves patients in the best way possible and the focus is on driving commercial execution to actually drive penetration of POC-based therapy versus other modalities. That gives us a significant runway for growth. We're not satisfied with that.

The second runway is actually growth through new product introductions which is really important for us, and I'm going to be able to later on just walk you through a high-level blueprint of where we're going from where we are today and the new imminent launches that we have in 2023. Also importantly, the third runway is one which is focused on market development.

You can accelerate actually the penetration of POC-based therapy if you generate enough clinical evidence and in support of what the key opinion leaders and Scientific Advisory Boards want to do to be able to change also the behavior of the prescribers not only be able to show up at their clinics and advocate for the right therapy.

You want the guidelines and the scientific evidence to help you and aid you in actually generating further interest and penetration in that market.

Then naturally the fourth thing that we always look at because we are in a position that helps us continue to look for the right inorganic accelerator and an opportunity which is really important for us.

We're very selective in that sense and we continue to look at potential ways to add to the portfolio and go from oxygen therapy into a respiratory care company, but also do that not only organically, but inorganically.

Moving to slide 8, there are four major things that we focus on in support of the strategy that I just went through. The number one is growing the core by evolving the commercial model.

That commercial excellence and pricing excellence is something that we've talked about extensively over the last 18 months. Specifically, we're focused on the three channels that we believe there's opportunity to continue to drive productivity and efficiency in.

I'm going to start with the direct-to-consumer channel. I'm going to share a few early results that we feel are very promising in terms of the pilots that we've ran.

If you look at the two periods, October 2019 to March 2021, which is the 18 months before the new team landed in place and you look at the most recent 18 months, April 2021 to September 2022.

I'm going to just rattle off things that are not on the slides in terms of why we believe the productivity is on its way. It's still work in progress but we believe this is a very solid proof of what we can do moving forward.

If I look at the total DTC revenue, it's gone up 18.1 percent in the channel. If I look at the total revenue per rep, per DTC rep, it's gone up 33 percent. If I look at the number of reps that gone down 11 percent, but I still achieved the other milestones above.

Also when I look at the average selling price for POCs, it's gone up 24.6 percent. When I look at the total units sold per DTC rep, they've gone up 9.5 percent while the tenure of the reps is down 5 percent.

The early progress that we're making is very promising. We're looking to institutionalize it moving forward and drive a higher level of productivity and efficiency in the DTC channel.

Also, one of the things that we've done differently recently as of early in 2022 February or March, we decided to start focusing on the prescriber channel which is really important for us. The reason there is we want to go upstream to where people get diagnosed and prescribed. We don't

want to wait for them only downstream.

Both DTC and prescriber have a place in our business model. We want to be able to maximize the lifetime value of the patient that is prescribed which is really important for us. We've gone to market. We've got 60 territories that we cover. We've also had very promising productivity improvements and that I'm going to go through, just three of them.

If I look at the monthly rental productivity of tenured reps, it's up 93 percent in the same period that I mentioned before. If I look at the patient referrals, existing and new prescribers, they're up 16 and 21 percent respectively. If I look at new prescriber acquisition, which is a major focus for us, it's two times the base that we had before we started the focus area.

Why is this very important for us? As I said it maximizes the lifetime value of an oxygen prescription. It allows me to get in and put the patient on the right modality right when they're diagnosed and they actually are sent home with long-term oxygen therapy.

The third one which is also a very significant focus for us is how do we elevate the strategic partnerships with HMEs to a level that is more around collaboration? Especially that we're doing a lot of clinical work to expand the market in totality for all the players involved?

Those who really are going to partner with us in terms of putting the patients on the right modality have a lot of time with us in terms of how do I advance the market penetration together? Using the B2B channel as strategic partners to continue to drive to that objective.

That's on the commercial side, number one. On the second focus area that we have is of course enhancing performance through new product introductions. The one thing that's very different for us moving forward that we started as a discipline 18 months ago is all our innovation ideas in the pipeline that we'll talk about later on are basically discussed and vetted with the Scientific Advisory Board.

They're clinically oriented. We know what patient population, what indications, what benefit we hope to drive, and we actually are thinking ahead of time and putting it into our development cycle what clinical evidence do we need.

That's a very different take on how we actually talk about innovation moving forward. Most importantly we want to innovate not only in COPD but also beyond that disease state. You'll hear me talk later on about hypercapnia or dyspnea.

These are indications that we know that we can add to our base patient population and continue to drive performance and growth through new product introductions, which is really critical.

The third focus area is efficiency. We cannot only grow we have to become a much more efficient organization but also that discipline that I'm going to cover will elevate the customer and the patient experience which is really critical for us.

If there's no friction in the processes and the experiences be it with a customer and or with a patient are much more satisfying, we know that that is a driver of the brand equity and the commitment to Inogen as a brand and one of the reasons people select the best-in-class portfolio in addition to it being an excellent experience for them.

Streamlining and digitizing processes in the back office are really critical. We have very significant areas that we're working on in terms of intake processes, billing, customer service that can benefit from not only cleaning up the processes, removing redundancy, removing friction, but also scaling those through digitization. That's a key focus for us moving forward in 2023.

That benefit we can deliver not only within the functions. As you know in organizations, sometimes these processes are disconnected. We want to look across the functions first and foremost so we can actually take out that friction also within the functions and deliver a benefit to the corporation at large and as I said, in the process elevating the customer and the patient experience.

The fourth area for us of course is looking at inorganic opportunities. We're always, we're very clear in our criteria and what we look for. We're very selective in terms of what we look for and we're looking for always a way to continue to increase the portfolio impact in terms of dealing with the respiratory distress and diseases not only in COPD and not only in oxygen therapy specifically.

Those are we're blessed with the fact that we have a strong balance sheet that I will cover later on to be able to have the opportunity and the liberty to look at inorganic accelerators in addition to growing the core.

If I move to slide 10, let's talk about why we remain excited at Inogen about the potential opportunity that lies ahead of us. On the left-hand side of slide 10, you'll see the CMS data published for 2021. There's one number I'd like you to pay attention to which is 22 percent

penetration of POC-based therapy out of the total.

If I look at that number alone and then look what is the size of the runway that remains ahead of us as an organization, as long as we continue to deliver the best-in-class innovation and services, the runway is huge for us and keeps us excited every day to come to work and avail ourselves of that opportunity to serve more patients with the right oxygen therapy modality.

In the middle of that slide also if you look at the data that has all payers not only CMS data, that percentage is only 14 percent of POC-based therapy. It's even lower than 22 percent.

If you triangulate the data no matter which way you look at it, there's plenty of opportunity for us to continue to move people from tank oxygen therapy to portable oxygen therapy through concentrators that is very significant ahead of us and requires the strategy and the transformation that we just discussed.

Also beyond that horizon, if you start looking at new indications including shortness of breath, which is known as dyspnea or hypercapnia, which is the accumulation of CO₂ in your bloodstream as well as other disease states.

You'll realize that beyond the runway that is available in COPD and then oxygen therapy, there are other venues for growth, which as I said keep us very excited about the future of Inogen and what we can do for the patient populations we serve.

On slide 11, we wanted to actually portray a little bit at the high level what does our innovation roadmap look like? More importantly, where are we coming from?

If I look historically at Inogen and its strength, it's had so far always the best-in-class portfolio and the best products out there. Our last launch was in 2019 in what we call Inogen G5.

That still is a significant base for us to launch ourselves from with the new discipline that I just described much more clinical discipline, regulatory technical discipline. The milestone that we're at today is a very exciting one.

After four years, we're now finally launching a new product in the US which is a four-setting POC that delivers ultimate performance based on weight and size and will be launched in the back half of 2023. We have already launched a new and improved Rove 6, which is the G5 that has improved features in the EU at the end of 2022.

Those milestones are just the beginning for the journey in terms of growth through new product introductions. Let me talk about the runway moving forward. That runway is typically characterized, if you look at what we've said publicly between two and five years.

It includes multiple things. One is a more advanced portable oxygen concentrator that is connected and basically has an ability to accumulate data that can benefit the patient as well as the clinician and how they manage their disease by being informed and they have data to drive their decisions about titration, other therapy parameters that they need to change.

We know that there is a certain patient population that can benefit from higher flow. We have said publicly that the next generation will be more than six setting, which is the current device that we have. That's number one.

Now, also within that there is a broader indication for the patient population. Let's say, OK, only COPD or are we going to start thinking about hypercapnia as well as dyspnea?

Those require not only an oxygen concentrator. We have a program and the funnel that we have today, which is also about track providing ambulatory ventilatory assistance in addition to oxygen therapy.

There are very few solutions that allow patients to actually ventilate in a non-invasive fashion while they're actually ambulatory and moving around. This is one of the main focus areas that we believe can serve those two indications that we have.

The runway will go from only products to more and improved products in terms of the advanced next generation to a connected device that has a digital health value-added service. On top of it that can benefit both the patients and the clinicians that I said, and then expanding into indications of oxygen therapy plus ventilation moving forward.

This is the blueprint that we have from 2024 moving forward and we can answer some questions may be in the Q&A on that.

Moving to slide 12, you can say OK, so what have you done historically and where are you going? Where are you going of course is off the discussions today, but let's look retrospectively.

The company has delivered 12 percent [indecipherable] for a five-year [indecipherable] from 2016

to 2021. If you look at the revenue breakdown, and this is a revenue breakdown that I'll characterize with it being evolving. That pie chart on the right is 358 million just for quantification, broken down as follows, in terms of the channels.

Based on the discussion we just had around our evolving channel strategy, this will continue to evolve in service of not only growth but also return to profitability.

This is what the breakdown was in 2021 at the end of the year. Again, diversified channels, the strategy is getting stronger. We're looking for not only growth, but to drive efficiency and to drive oxygen penetration, but we have the base for it to actually launch ourselves in 2023 and moving forward.

On slide 11, I mentioned very solid balance sheet cash and cash equivalence of about 210 million, no debt for the company gives us the opportunity to do a couple of things.

One is to continue to fund our growth strategy, which is really important, but also to manage like we've done through turbulent times of supply chain interruptions and premium pricing, and so on. That gives us the leverage to be able to do that, but also leaves the door open for an organic growth like we mentioned before.

If you look at the gross margin profile, it's a depiction of sort of the, not only the rental but the sales gross margin. Sales gross margin is a combination of both B2B and DTC together. You see that we are in the high 40s range bordering on 50. The most important thing is we have a line of sight of how we can continue to improve that in 2023 moving forward.

This discussion would not be complete if we do not discuss operating disciplines. On slide 14, we simply wanted to summarize four key areas that we're focused on to continue to drive operating margin.

One of them of course naturally is lowering manufacturing material pricing because supply chain is improving, and we have discussed publicly how much of a premium pricing we've paid for semiconductors before. Then we expect that that will abate moving forward in 2023, specifically towards the back half, like we've said before. That will be accretive in terms of the margin improvement.

Also improving manufacturing capacity utilization is really critical for us. The growth that we are aiming to generate will help us put volume through a fixed infrastructure and contribute to that

accretion.

Driving commercial and back office efficiencies also that I talked about through process improvement, clean-up streamlining, and digitization is also something that you cannot but focus on as an organization.

If you want to drive scale, if you want to drive efficiency, and if you want to drive repeatability, we are very focused on looking at where that not only help us drive growth, but help us drive margin also.

There's multiple programs that we're working on in that sense. Then of course, gaining operating leverage. Where we are now after a couple of years of investment is we're looking at the runway where we accelerate revenue, but we accelerate operating expenses at a lower pace to be able to level the P&L and return to profitability, as we said publicly, adjusted EBITDA positive at the end of 2023.

I would be remiss if I don't talk about very briefly the strength of the team. You can look on our website to look at the background blue chip key executives that in my mind are ambidextrous.

Let me just click down on what I mean by that. These are people that are capable of strategizing very differently data-driven insights-led, but they are people that are capable of executing with excellence because you can't have one without the other.

My always aspiration for myself as well as for people that I work with on the team is you have to excel in both and that's how you can actually accomplish some of the progress we made over the last 18 months. Not only delivering on our promises, but fixing and building a stronger organization simultaneously moving forward at the same time.

At the end, I have to come to a conclusion of if I was on the other end and I said, OK, so why Inogen? What's your pitch? What's your elevator pitch? Here goes. OK. We are a global market leader in high quality, innovative, and you heard from me before, increasingly innovative chronic respiratory care, oxygen therapy company.

We operate in 60 countries, we have high brand equity, and we will continue to drive that adoption of POC-based therapy on behalf of our patients and for the clinicians that we serve.

We are definitely a company that's building a sustainable competitive advantage in terms of

expanding the market while we get our fair share of growth out of that market expansion. We are focused on market development as much as we are focused on the growth for the company itself. We've went through a 18-month transformation so far, we're like sort of towards the end of it.

This has been an impressive track record for the team that you've seen on the previous slide in terms of how to deliver on the promises while building for a scalable more desirable organization that can return to profitability in the midterm.

Financial position we've covered, you've seen our balance sheet and the strength that we have. It gives us opportunities in terms of funding growth as well as looking at other accelerators.

Then an opportunity to return to profitability in the mid to long term. Then not only the world-class leadership that we have, but also the board that we have is a different profile now with a much more strengths in terms of partnering and being the constructive challenges of what the organization is putting forward as a strategy, but how also we're executing on it.

With that said, I want to thank you for your time and we turn to Q&A now. Robbie.

Robbie: Do you want us... Maybe we could start off with the fourth quarter pre-announcement. Sales came in at the lower end of the guidance range, just a hair below where consensus was sitting. Maybe you could walk us through some of the trends you saw by different business and any of the details you've provided.

Nabil: I'm going to go to Q3 of course, because we're in that period.

I think during Q3 we had signaled multiple times also in the conferences, Robbie that we went to that there's some macroeconomic headwinds and then some inflationary pressure that we're seeing. The inflationary pressure more on the DTC side, the macroeconomic headwinds are basically on the B2B side, availability of capital, access to capital for the B2B customers that we have.

We've actually managed to work through most of the headwinds like we've indicated in the range that we've put out there in Q4. I'm not going to only make a comment on Q4 in terms of the breakdown. We're going to be able to cover that during the Q4 earnings.

We've jumped over significant headwinds and I'm proud of the team in terms of what they've done and we'll give you more color in Q4 on the channel performance per se.

Robbie: What about, as we think about supply availability, where does that stand versus your targets and your goals and how far away are we from getting to unrestricted supply?

Nabil: I think, let me just go context a little bit before, I think during the height of the supply constraints, visibility was week to week. We went to month to month, now we're at the quarter level.

We feel fairly comfortable with the fact that the first half of 2023, we got what we need. We're working on increasing that towards the back half of the year. We need a few demonstrable months of performance from the regular suppliers in January and February. Hopefully, we'll be able to also update on that in the earnings call.

I feel much more with the three-pronged approach that we've had, regular channel, a collaboration and partnership, open market, and redesign of products. We feel comfortable for the first half and we're working towards getting to that comfort of the back half as soon as we can.

Robbie: To be clear, comfort with the first half, that means that your sales growth will be limited by Inogen, not by supply.

Nabil: The supply will not be constrained in the first half. Yes.

Robbie: How do we think about, if we sum up those three channels of acquisition for supplies, how do we think about how much it costs to make an Inogen unit now versus before COVID started?

Nabil: I think we've talked about, let me use Q3 also like a guideline. I think we had incurred about 13.4 million in terms of PPV, right?

Kristin: On the balance sheet.

Nabil: On the balance sheet. When we started talking about PPV in general, I think we said that there's a significant increase in terms of the cost basis for the product. I would be remiss if I don't say at the same time, we're one of the companies that took price in the marketplace.

We did two price increases. One was September of 2021 and one was March of 2022. The sum of all the price increases across the channels cover the PPV variant that we have incurred in

terms of the product. That eventually will become a good guy on the P&L as we start seeing in those [inaudible] like price variants paid start declining, that will become a good guy on the P&L.

Robbie: OK. You have a new platform that just launched in Europe, launching in the US in 2023. Maybe speak to some of the differences and should we be thinking about this as an incremental improvement over the prior version or is this something more meaningful?

Nabil: This is a great question. Let me start with what we call Rove 4. It's a four-setting POC that basically in terms of weight, size, and run life, it's comparable to the three setting POC. We believe that that opens up in terms of growth from patients that did not wanna carry a heavier device, but they needed a higher setting.

On net map, we haven't done exactly the math in terms of cannibalization. We believe it's incremental creative opportunity because it's opening up the ability to have a higher ambulatory with a higher setting with the same encumbrance in terms of weight and size.

The Rove 6, which is a five-setting improved device, is in general an update on the previous device that we have.

I would look at that as more compliant now with the EUMDR. The reason we updated it was EUMDR is compliant, it's fully launched now, and in my mind the incremental opportunity there is a little bit less but it's mainly Rove 4 that is the new and improved that will get us growth trajectory.

Robbie: With the gap of EUMDR, do you think you lost any share in the European market?

Nabil: I don't think we can sit here and say we didn't lose any share. Not only in the European market, potentially in the US market too, because of the backlog, just to be very transparent.

I think now the focus for us is on us gaining back through and as evidenced by the performance will talk about eventually in the Q4 earnings is how do you get back these customers into and land them into the ordering patterns that we're used to and continuing to drive the following message with them.

I think anywhere I go, all the customers I talk to understand the fact that the total cost of ownership of an Inogen POC is much more favorable to their operating margin than buying competitive devices.

Sometimes either during a supply crisis and or for other reasons for competitive pressure, they buy cheaper devices. They realize that the total cost of ownership is not favorable. That's the message we are continuing to drive and partner on.

If I look at the backlog that we've remediated in Q3 and Q4 and amount of business loss as part of the total, I'm encouraged by the fact that that story is resonating and we've lost some market share, but I don't think it's significant on the B2B side.

Robbie: Great. Maybe speaking of B2B, this is a market historically that has been a cash-poor market. We hear a lot about hospitals and their operating environment right now. What do you think the level of health of the HME industry is right now?

Nabil: I think it's a good question. Maybe one point of clarity, Robbie. I think the HMEs serve patients directly like we do and then they get reimbursement either from CMS or from the private payers.

Even though they might go to the hospital channel, to your point, they go to the discharge centers, and that financial transaction is not with the IDN or the hospital system, it's basically with the payers. They're securing the prescription from the hospitals, but the financial burdens of an IDN is not impinging on their ability to drive there.

Also when they go to the prescriber channel, that financial transaction is not with the office, it's basically with the payers. I think the rental model is not impacted greatly in terms of the economic headwinds that we're seeing because it's a payer-supplier relationship more than an intermediary, which is a healthcare provider in the middle like an IDN or a hospital system.

Robbie: Buying upfront POCs and replacing potentially tanks, that does take a capital investment up front, that's more what I was asking about.

Nabil: Oh yes. OK. Maybe, I think that's a progression that we're going to go through in terms of one is the conviction and the selling proposition that we are putting on the table.

Also experientially, if you look at HMEs and the margin compression that they've witnessed over the last call it year or so in terms of either labor costs going up, gas prices going up, shortages of labor, and maybe I'll characterize with a data point that I had discussed with Europe or the customer.

They were volunteering that if they put a patient on oxygen therapy on a tank, they have to see them 34 times a year. If they put them on one of our POCs, they see them two times a year. Now, that is a slow coming progress in terms of people realizing that the operating margins, if I can find the capital to your point, is a much better model of non-delivery versus delivery.

Now the advanced HMEs and the ones that have access to capital are inching that way. They continue to say demand is there, I like POC, but I'm playing a balancing game between my operating models, delivery versus non-delivery. I know they will continue to move that way.

I think within that, there have been some headwinds in 2022 based on some things that are not related to us, including the recall on CPAPs where people had to use a lot of capital to buy further fleets of CPAP machines to be able to continue to keep patients on service, thus taking some of that capital availability away from other things, including oxygen therapy.

That's what we worked through in the last quarter of the year.

Robbie: I want to turn to your pipeline of products and maybe we could tie in spending and the pipeline here. Walk us through what needs to happen internally to develop those products or any trials required and timing around that and how does that balance about your desire for profitability in the near to long term versus investing in the future?

Nabil: I'm going to start with sort of the headline when we put out there that at the end of '23, we're going to get back to adjusted EBIDTA positive. It included the spend in terms of fueling that innovation pipeline, including not only development but required clinical work either pre during the vetting of the ideas or during the development.

I think we are believers in shots on goal, but we are believers in informed and educated shots on goal. When you look at the pipeline, even from this presentation or previously, you'll see that there's multiple products in the pipeline that we're aiming to get there.

All of them are clinical-oriented, all of them were required development. The way we're going about the development is a combination of internal plus partnerships on the outside to make sure that we get the predictability to where we want it to be and the dollars spent.

We want to be very efficient in the knowledge that we spend, but also it has a very clear clinical pathway in terms of the evidence that we need to generate along the way because you also want

to think about it in terms of reimbursement. If you don't do that, you're going to get to that hurdle eventually.

Not only can I clear it with the regulatory bodies, FDA or EUMDR, but can I eventually get reimbursement for it? We're thinking ahead of time of that. It's baked into the expenses that we have and it's something that we believe is one of the best investments that we have in terms of the available cash to drive that growth strategy but with a high level of confidence.

Robbie: You talked about creating a connected POC and in something like sleep apnea where reimbursement is tied to utilization, there's a clear reason for that. What's the need for the connected care within oxygen therapy and is that something you could get reimbursement from?

Nabil: Let me start with a day in the life. I'm a patient with COPD, I show up four times a year to my pulmonologist. I have to do a lot of recollection about what happened, what was my oxygen level, was I stressed? Was I outside? Was I active? Was I sitting on the couch?

That lends itself to some data some data collection and distribution in a trend manner that help the patient describe what they've gone through, the clinician, give them better care and be able to titrate them and get them to be either one of two things. Either reportable patient outcomes that are positive and over time clinical outcomes that are more favorable.

Now, within that, there is a pathway to reimbursement that exists today in terms of monitoring, remote monitoring of respiratory distressed patients. There are four codes with CMS for that reimbursement. That reimbursement applies in different ways. Initiation then if you touch the patient one time or two times, and then how do you guide them to that?

That is an important thing, not only from a quality of care perspective, but it also allows for a revenue stream.

If you get reimbursed and you apply and you get reimbursed not only for you but for your clinical partners that you have because you'll provide the service and they're going to have to actually [inaudible] for it from a reimbursement perspective, allowing them for also an opportunity to generate revenue.

Robbie: Great. I want to check, are there any questions? Maybe one last one, your rental business. If I've been with Inogen since the beginning. It was the original strategy, then it took a backseat, now it's back as part of the main strategy with the last minute or so, tell us your focus

on rental versus direct-to-consumer.

Nabil: Great question. Let me start with a high-level illustration of why rental in addition to DTC. The DTC model, I call it a one-to-one model. I have a patient, I have to find a lead, I have to nurture it, I have to pay for it, I have to get that patient, I have to move them into a closed business. Then the lifetime value of that patient is a device plus a couple of accessories. That's it.

It's a great model. The other model that is actually complimentary, I go upstream and I nurture a relationship with a prescriber by not spending much more. Hence, if you look at the margins, they're evident if you look at that. I can actually go develop a relationship, nurture it, get a few prescriptions a month. I'm not going to quantify it, two and more or three and more and perpetuity.

The lifetime value of that patient, if you get them at the onset of care is 36 months of billable, let's call it at an average of 129 is more than the 3,300 or 3,200 on the other end.

That is a scalable model, predictable. You can forecast it, you need both at Inogen. We're not going to walk away from one or the other. You'll see a shifting balance between one and two, depending on the strategy. Going to the prescriber, I want address one more comment.

Before I think Inogen underfunded it and we're not data-driven about it, the way we're going about it today, as evidenced by the 25 percent growth we saw in Q3 is a much more data-driven.

Where do I go? What frequency? What coverage? To what deciles? What do I do when I get there? Is the one thing that is very different than the previous attempt, which didn't lead too much and is required to continue to balance the mix that we have on the revenue.

Robbie: Unfortunately, we're out of time.

Nabil: OK.

Robbie: Thank you so much.

Nabil: Thank you, Robbie.



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