



apollo
endosurgery



OverStitch™

Endoscopic Suturing System

apollo
endosurgery

Orbera™
managed weight loss system



May 2019

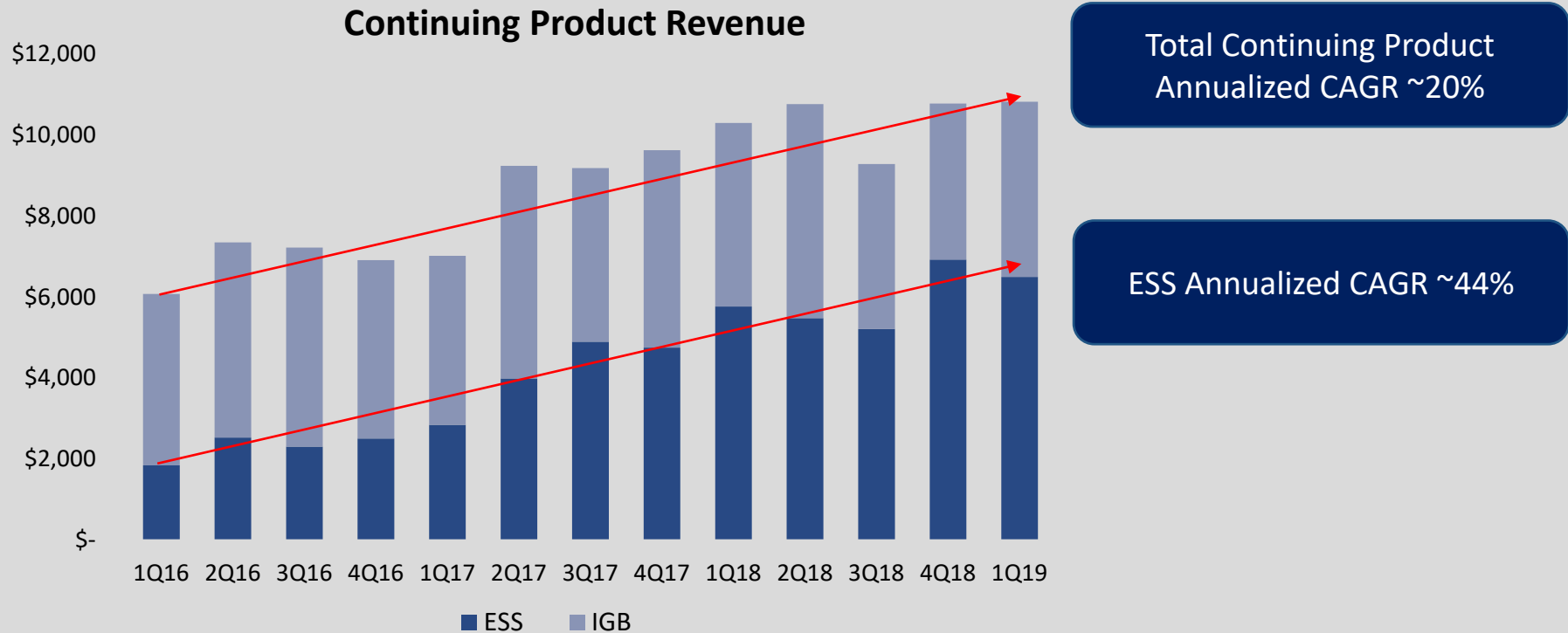


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Apollo Endosurgery Overview

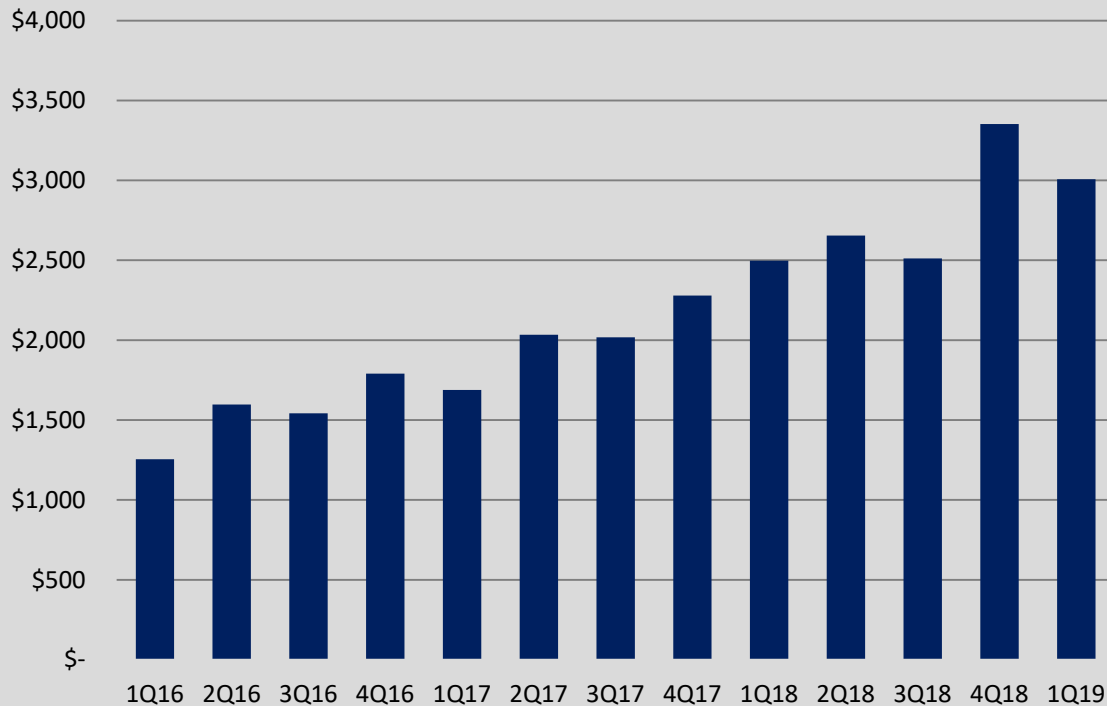
Strategic Focus	<ul style="list-style-type: none">Therapeutic Endoscopy
Products	<ul style="list-style-type: none">Endoscopic Suturing Systems (ESS): OverStitch & OverStitch SxIntragastric Balloon Systems (IGB): Orbera, BIB, and Orbera365
User	<ul style="list-style-type: none">GastroenterologistBariatric surgeons
Procedures	<ul style="list-style-type: none">ESS: core GI applications, primary bariatric treatment, revision of bariatric surgeriesIGB: weight loss



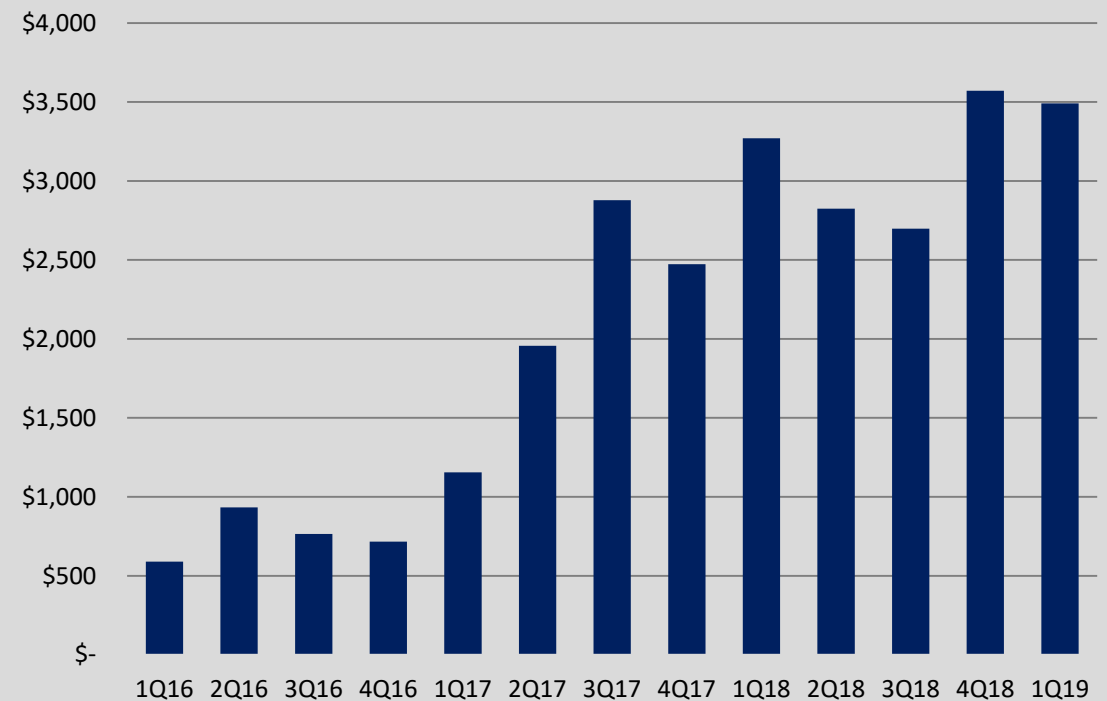


- Enables physicians to perform endolumenal procedures that could not previously be done without surgery
- OverStitch has broad current and future applications – upper and lower GI tract

US ESS Revenue

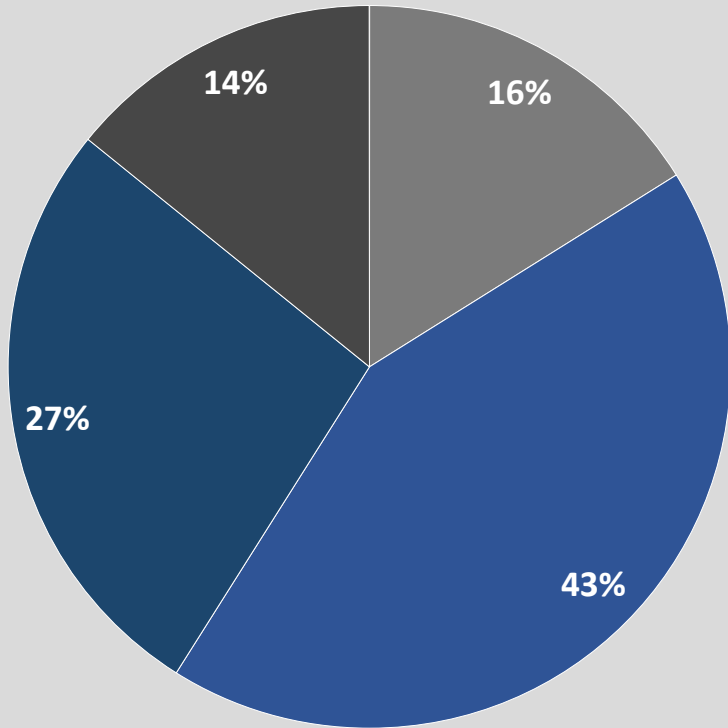


OUS ESS Revenue

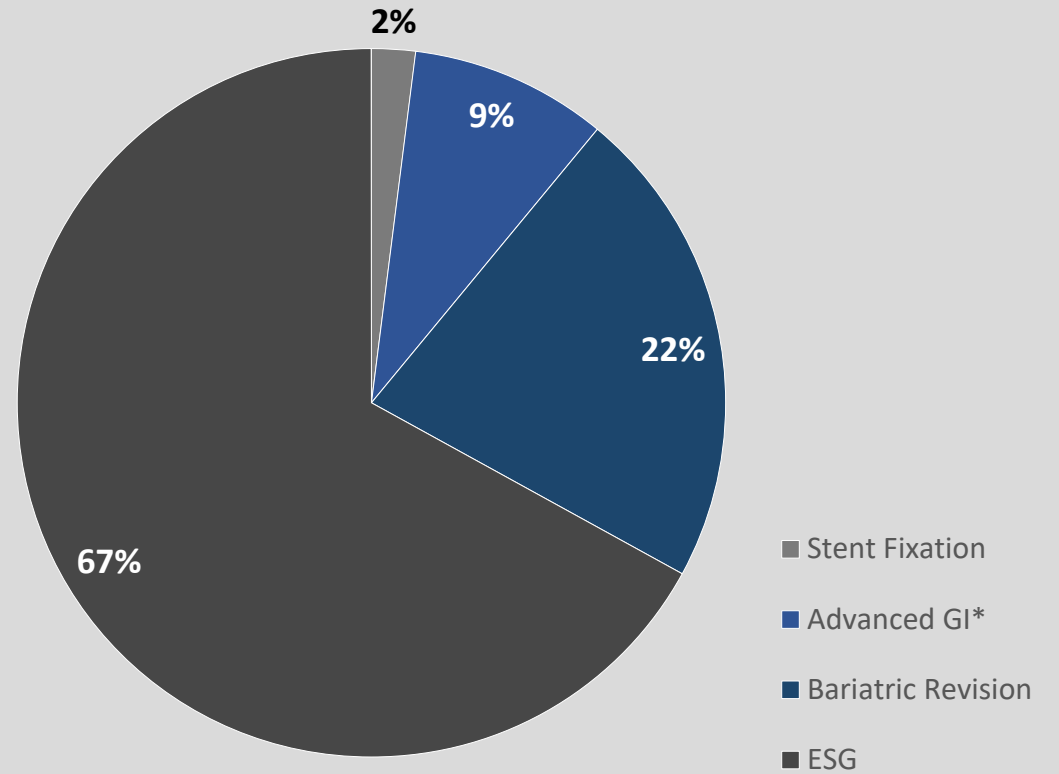




2018 U.S. Procedure Mix



2018 OUS Procedure Mix



- Stent Fixation
- Advanced GI*
- Bariatric Revision
- ESG

*Advanced GI includes: ESD, EMR, POEMS, Defect Closure

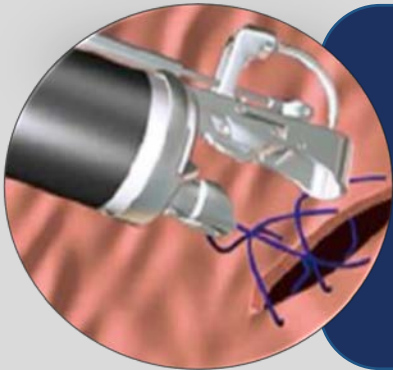


Over \$5 Billion Addressable Market for upper GI



Bariatrics - \$4.8B Global Potential

- Primary (ESG)
- Revisions



Core GI - \$175M Global Potential

- Stent Fixation
- Advanced GI



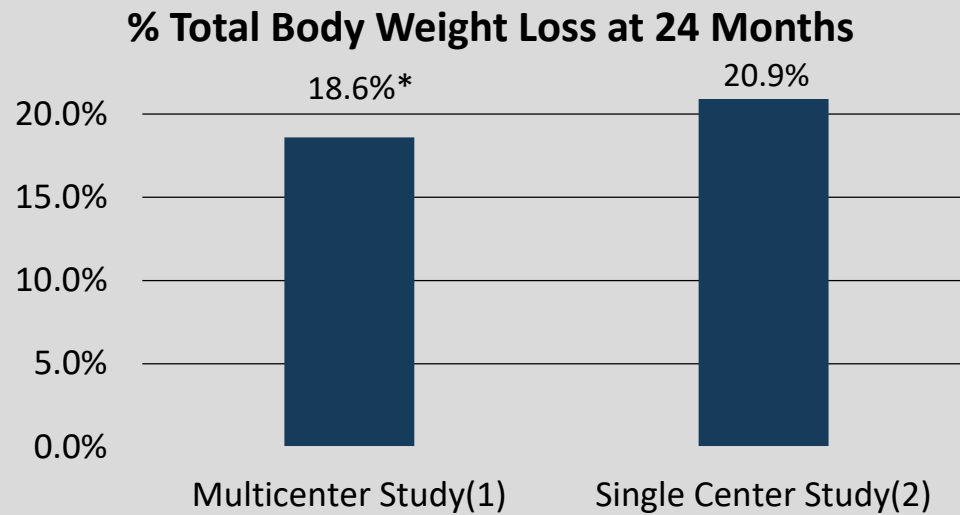
GERD - \$1.7B Global Potential

- Recent first publication
- Early stages of technique and procedure development

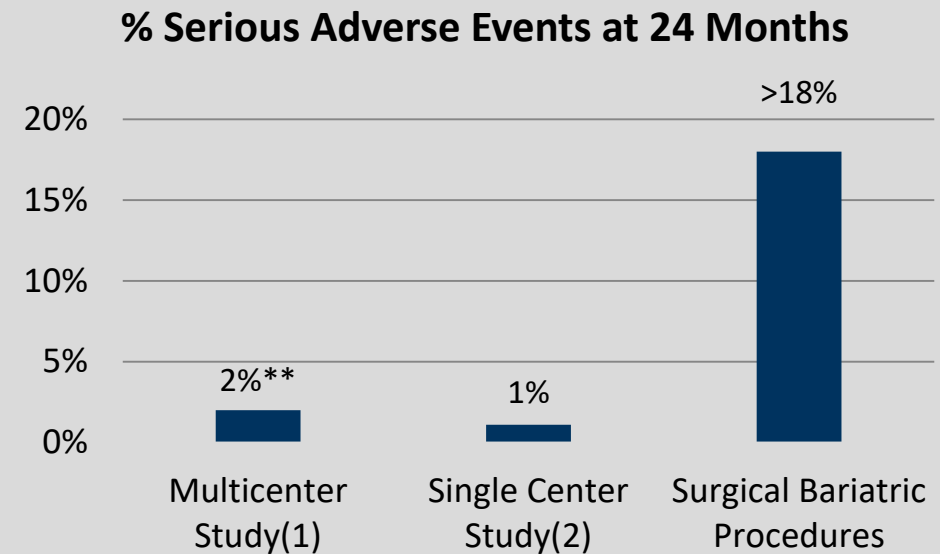


ESG for Primary Obesity, Tremendous Potential

- ESG uses suturing to reduce the volume of the stomach, but without the invasiveness of surgery and removal of the gastric remnant
- Demonstrates significant weight loss, with low adverse events, and repeatable across various centers



* % TBWL was statistically consistent between the three centers (using three different techniques and patient population)



** most associated with reducing the fundus, which is no longer part of the standard technique

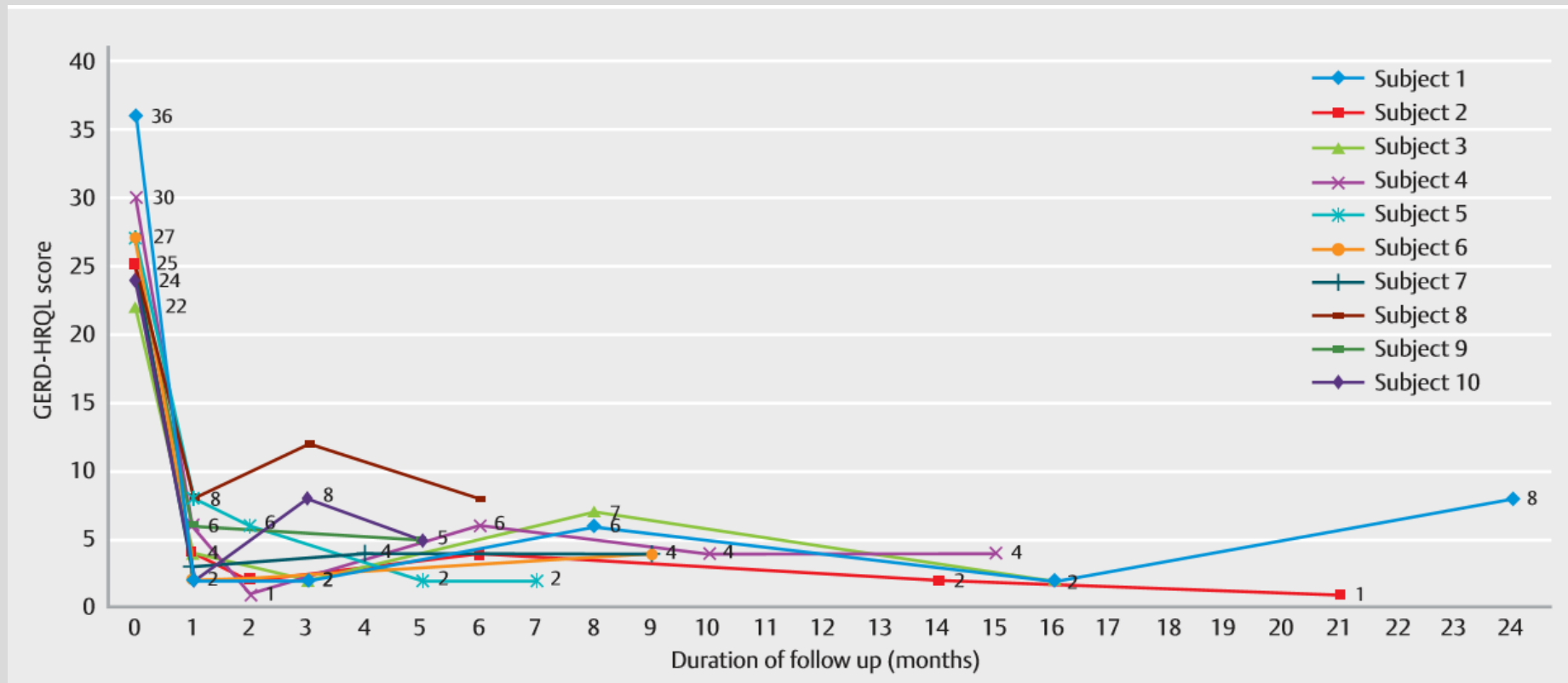
- (1) Gontrand Lopez-Nava, Reem Z. Sharaiha, Eric J. Vargas, Fateh Bazerbach, Galvao Neto Manoel & Inmaculada Bautista-Castaño, Andres Acosta, Mark D. Topazian, Manpreet S. Mundi, Nikhil Kumta, Michel Kahaleh, Andrea Marie Herr, Alpana Shukla, Louis Aronne, Christopher J. Gostout, Barham K. Abu Dayyeh; OBES SURG DOI 10.1007/s11695-017-2693-7, Volume 27, Number 5
- (2) Reem Z. Sharaiha, Nikhil A. Kumta, Monica Saumoy, Amit P. Desai, Alex M. Sarkisian, Andrea Benevenuto, Amy Tyberg, Rekha Kumar, Leon Igel, Elizabeth C. Verna, Robert Schwartz, Christina Frissora, Alpana Shukla, Louis J. Aronne, and Micheal Kahaleh, Clinical Gastroenterology and Hepatology 2017



First Publication of Endoscopic Intervention for GERD using OverStitch

- No adverse events
- Patients discharged same day
- 8 of 10 patients eliminated daily PPI dependence

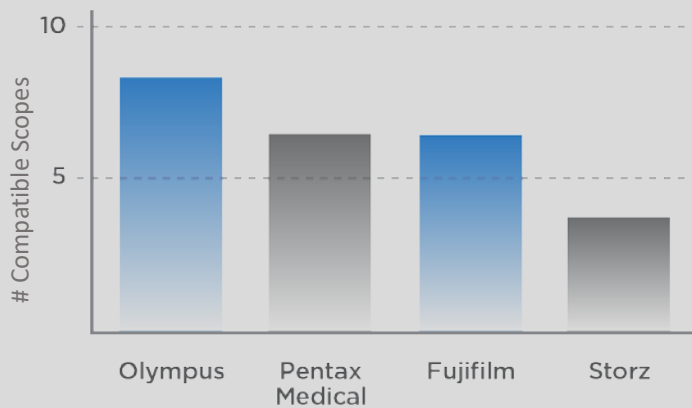
Change Over Time in GERD-HRQL Scores Per-Patient⁽¹⁾



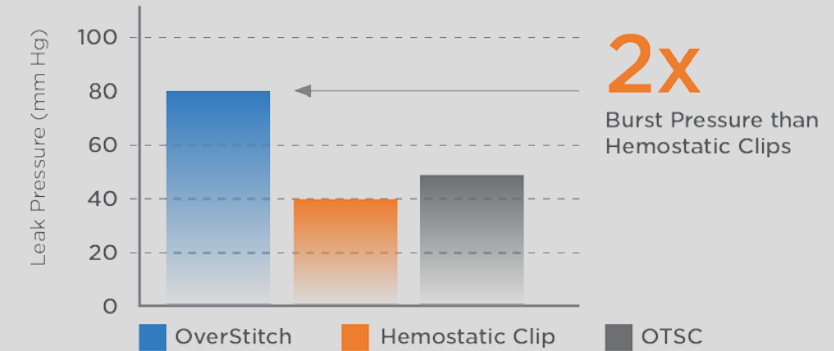


- Commercial launch in February 2019
- Removes requirement for account to purchase specific endoscopic capital equipment
- Provides an additional working channel for better suction, insufflation, or additional instrumentation
- Improves maneuverability and visualization

Compatible Single Channel Scopes



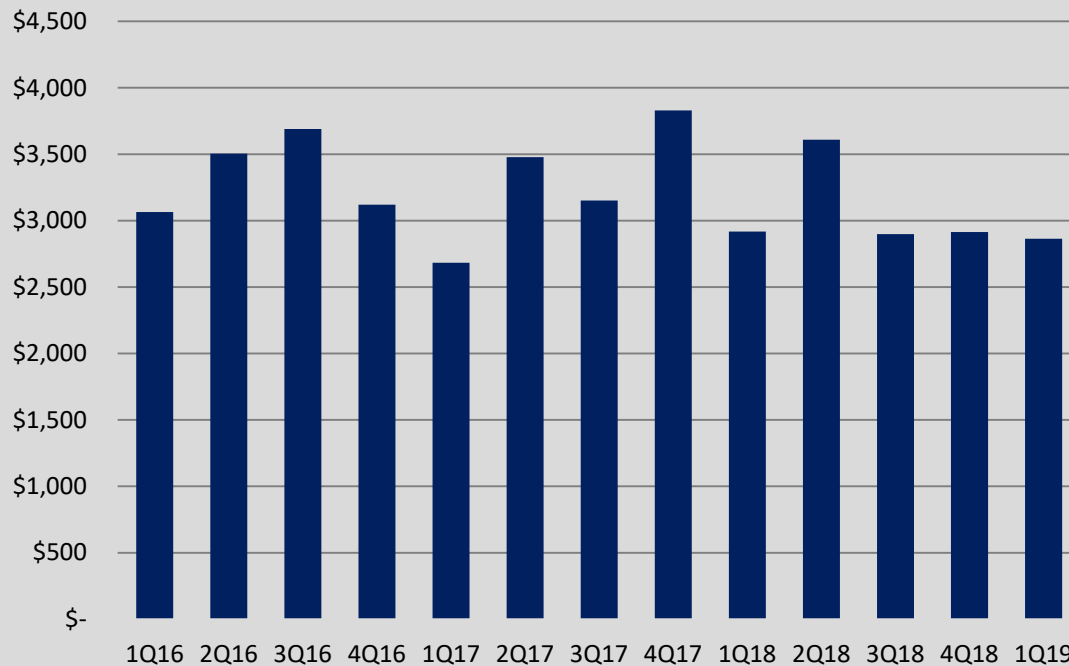
Endolumenal Leak Pressure*



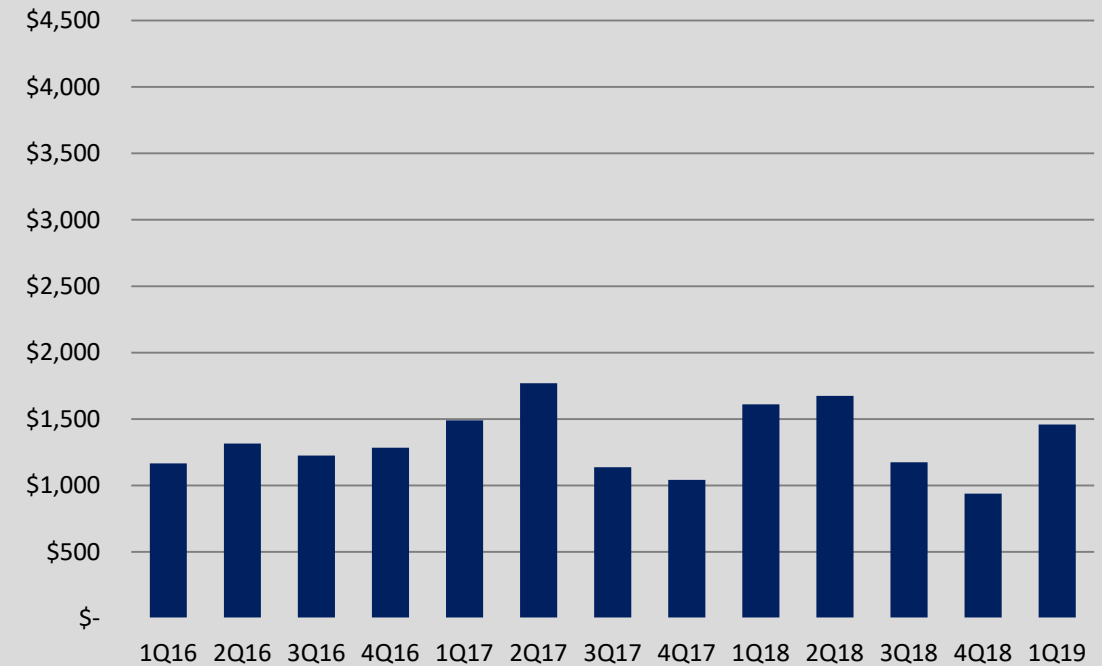


- CE marked in 1997, FDA cleared in August 2015
- Only balloon currently meeting ASGE's PIVI⁽¹⁾ threshold standards for safety and efficacy
- More than 230 peer reviewed publications reporting weight loss results consistently >10% TBW

OUS IGB Revenue

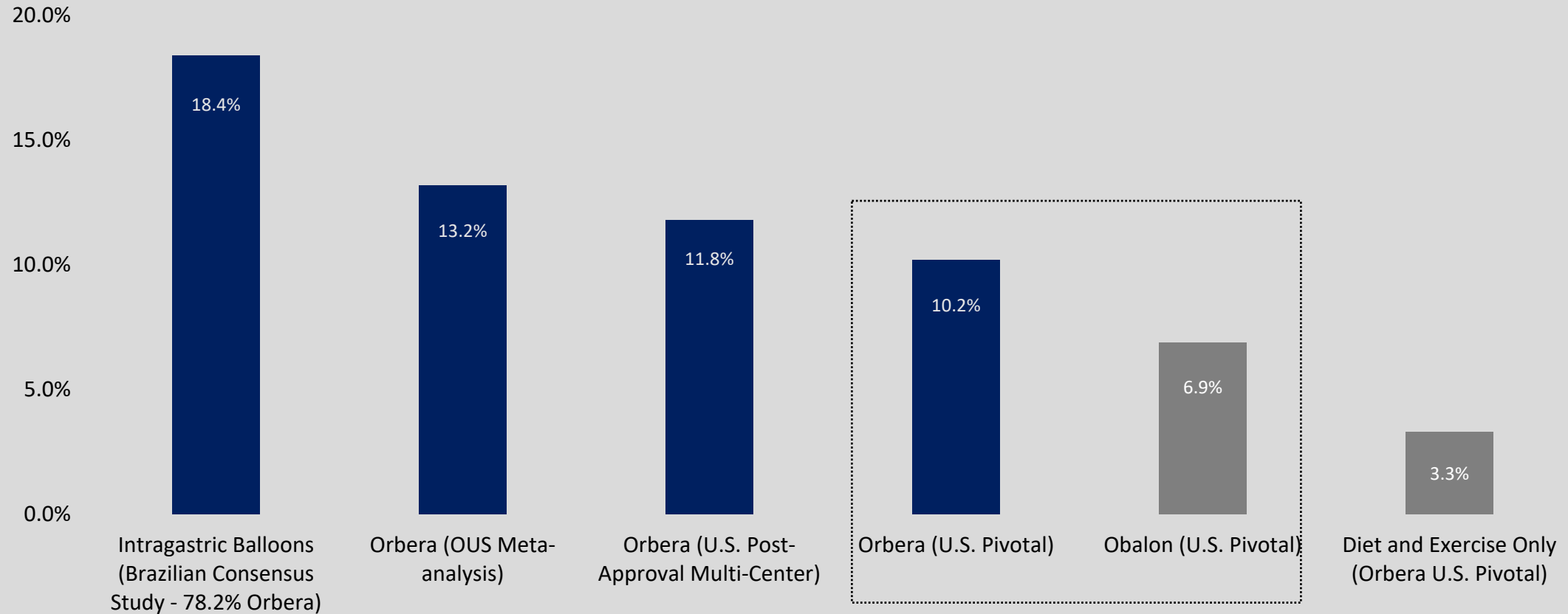


US IGB Revenue (ex. Kits)





% Total Body Weight Loss at 6 Months ⁽¹⁾



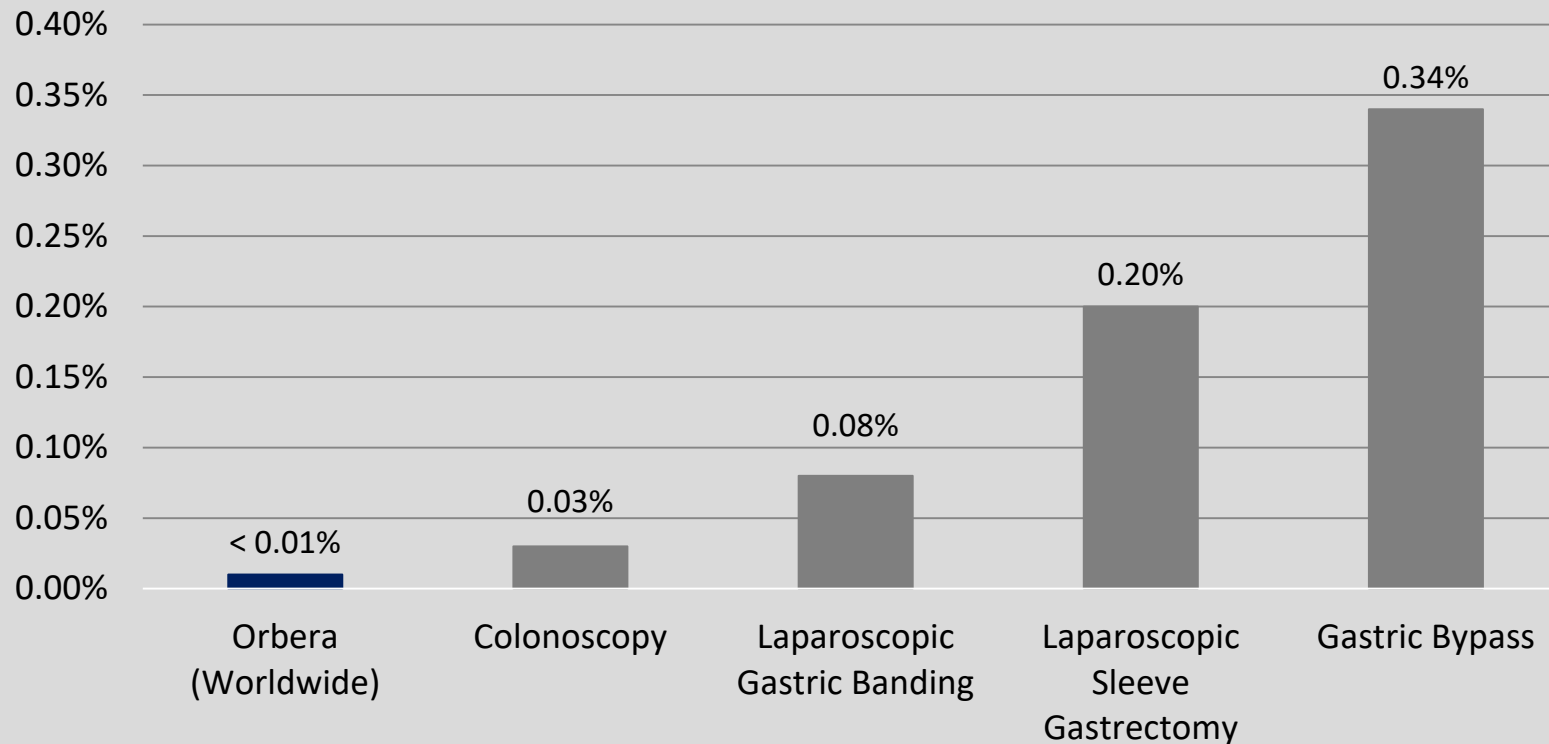
(1)Sources: Neto MG et al “Brazilian Intra-gastric Balloon Consensus (BIBC): practical guidelines based on experience of over 40,000 cases”. September 2018. For OUS Meta-analysis , ASGE Bariatric Endoscopy Task Force systematic review and meta-analysis assessing the ASGE PIVI thresholds for adopting endoscopic bariatric therapies. Gastrointest Endosc. 2015 Sep;82(3):425-38.e5. For US Post-Approval Multi-Center, Single Fluid Filled Intra-gastric Balloon Safe and Effective for Inducing Weight Loss in a Real-World Population. February 6, 2018. For pivotal studies; the data shown is based upon the respective pivotal study data results and not a head to head comparison. See FDA.gov for respective U.S. Pivotal studies of Orbera and Obalon balloon products.



Orbera – Long Established Record of Safety and Efficacy

Based on 295,000 Orbera distributed worldwide

Incident Rate of Reported Mortality in Peer Reviewed Journals⁽¹⁾



Adverse event rates comparison

	Global Rate (as of March 31, 2017)	Global Rate (as of March 31, 2018)
Mortality Rate	0.01%	<0.01%
Gastric Perforation	0.01%	0.01%
Esophageal Perforation	< 0.01%	< 0.01%
Pancreatitis	< 0.01%	< 0.01%
Spontaneous Hyperinflation	0.04%	0.07%

(1) Sources: Orbera IntraGastric Balloon System (Orbera) Directions for Use (DFU); Complications of colonoscopy, Fisher, Deborah A. et al., Gastrointestinal Endoscopy, Volume 74, Issue 4: 2011, 745 – 752; Hutter MM, Schirmer BD, Jones DB, et al., Baseline data from American Society for Metabolic Surgery designated Bariatric Surgery Centers of Excellence using the Bariatric Outcomes Longitudinal Database, Surg Obes Relat Dis 2010; 6(4): 347-55.



Aesthetic market



- 228,000 U.S. bariatric procedures annually ⁽¹⁾
- 1.8 million U.S. cosmetic surgical procedures annually ⁽²⁾
- Plastic surgery centers becoming an increasingly important site of service

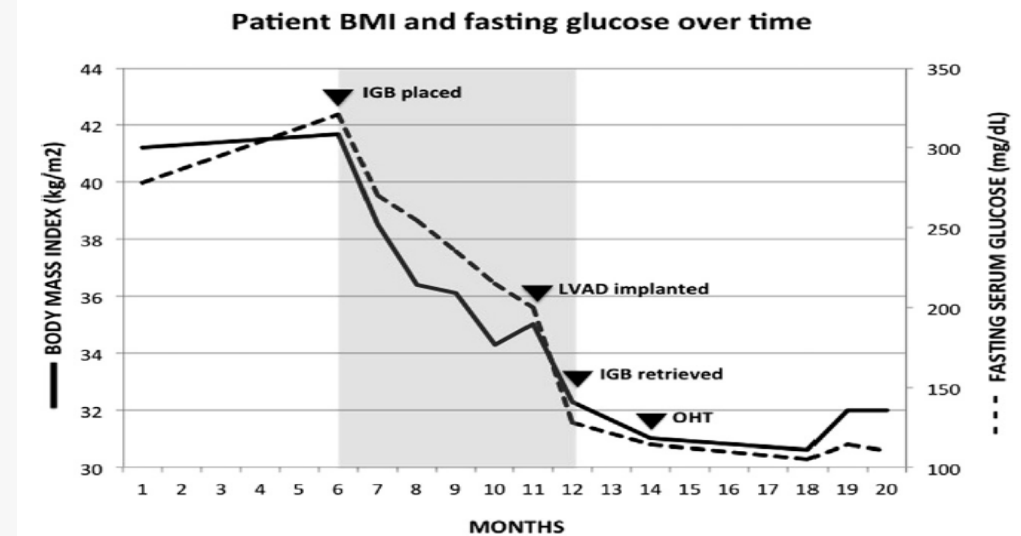
(1) ASMBS bariatric procedure data published June 2018

(2) American Society of Plastics Surgeons: 2018 National Plastic Surgery Statistics

Medical uses

- Non-cirrhotic NASH with fibrosis
- Bridge to Orthopedics or General Surgery
- Solid Organ Transplantation

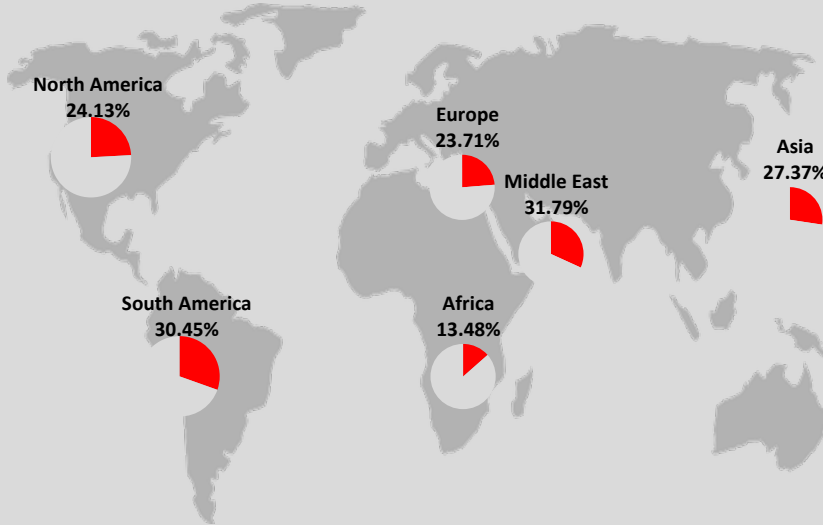
Initial BMI = 41.7 kg/m²



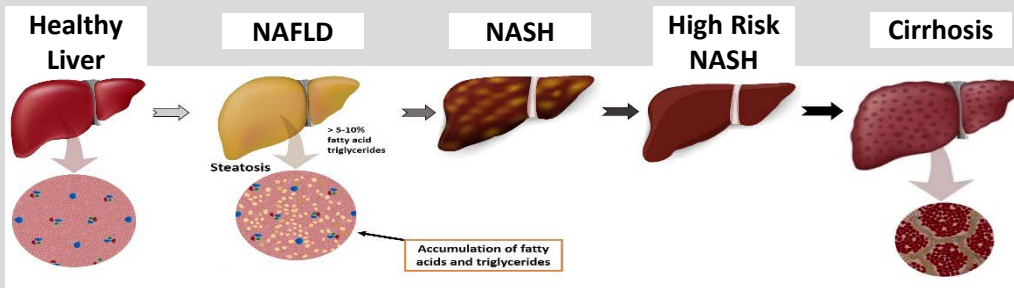
Body mass index (BMI) (solid line) and fasting serum glucose (dashed line) over 18 months including 6 months before intragastric balloon (IGB) implantation, 6 months of therapy (gray area), and 6 months after balloon retrieval. LVAD, left ventricular assist device; OHT, orthotopic heart transplantation.



Global incidence rate of NAFLD



Contribution of Alcoholic and Nonalcoholic Fatty Liver Disease to the Burden of Liver-Related Morbidity and Mortality. Gastroenterology. 2016 Jun;150(8):1778-85.



Mayo Clinic evaluation of ORBERA for NASH (DDW 2018)

- 6 month study (n=21)
- 80% of patients achieving $\geq 7\%$ TBWL, the minimum recommended weight loss target for NASH
- Mean weight loss: 12.8% TBWL
- Results:
 - 65% of patients achieved resolution of NASH
 - 15% had tissue evidence indicating regression of fibrosis (scarring)



OverStitch™ Endoscopic Suturing System

- **MERIT Trial for ESG**
- **AGA Endoscopic Suturing Registry**
- **European Bariatric Registry**
- **European GI Registry**
- **Various Investigator Initiated Studies**



Orbera™ managed weight loss system

- **FDA Post Approval Study**
 - **Enrollment completed**
- **European Post Market Study for Orbera365**
- **Various Investigator Initiated Studies**



Completed to date

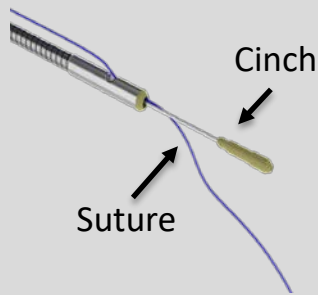
Helix ✓

Transfer **complete** Q3 2017



Suture ✓

Anchor needle production **complete** Q3 2017



Cinch ✓

Transfer **complete** Q3 2018

Orbera ✓

Delivery system **complete** Q3 2018



Expected impact:

- \$2.25 million per year* reduction in material and purchased goods cost
- Neutral to overhead spend
- 5% improvement in Gross Margin before overhead affect

2019 & 2020 Projects

- \$3.5 million* of additional costs savings
- Projects are directed to reduce ESS product costs and increase manufacturing overhead efficiency



- **Purpose of the Transaction**

- Create a more focused therapeutic endoscopy company
- Monetize a non-strategic asset
- Remove a top-line growth overhang

- **Deal Terms**

- \$17M in cash payments to APEN: \$10M at closing and another \$7M over the next three years
- Transfer of RSLs' IGB assets
- Remaining payments secured by a lien on remaining RSLs assets

- **Transition Services**

- OUS distribution for up to 12 months
- Manufacturing for up to 24 months
- Other services for periods ranging from up to 6 months to up to 24 months



- **Deal Terms**

- \$35 million borrowed at closing
- Potential for an additional \$15 million upon our request and lender's further credit approval
- Term of the loan(s) is 54 months from initial funding
- Interest at LIBOR plus 7.5%
- 24-month interest-only period

- **Impact on Cash**

- Used \$22.4 million to retire our existing credit facility
- Roughly \$1 million in transaction costs
- Net \$11.6 million increase in cash



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