Apollo Endosurgery Overview

- Market share leader in less invasive devices that treat obesity

- Large target market of more than 600 million obese people worldwide, ~70 million in the U.S.

- Scaled commercial infrastructure supporting approximately $65 million in 2016 revenue
  - Direct sales teams in the U.S., Brazil, Canada, Australia, and key countries in Europe
  - Products approved for sale in 80+ countries
  - Supported by highly profitable, but mature Lap Band cash contribution

- Significant growth opportunity in “endo-bariatrics”
  - Up 21% year-over-year in 1H 2017 (1)
  - Over 50% of total revenue in 1H 2017(1)
  - ORBERA® World’s #1 Intra-Gastric Balloon System
  - OverStitch™ Endoscopic Suturing System

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**Total Revenue**

<table>
<thead>
<tr>
<th>Year</th>
<th>$ in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$69.8</td>
</tr>
<tr>
<td>2015</td>
<td>$67.8</td>
</tr>
<tr>
<td>2016</td>
<td>$64.9</td>
</tr>
</tbody>
</table>

**Endo-Bariatric Revenue**

<table>
<thead>
<tr>
<th>Year</th>
<th>$ in millions</th>
<th>% of Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$4.6</td>
<td>7%</td>
</tr>
<tr>
<td>2015</td>
<td>$17.1</td>
<td>25%</td>
</tr>
<tr>
<td>2016</td>
<td>$31.9</td>
<td>49%</td>
</tr>
</tbody>
</table>

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(1) Excludes US ORBERA starter kit sales of ~$3.2 million in 1H 2016 and $0.6 million in 1H 2017
Bariatrics: Large Global Market Opportunity

- Enormous obesity market with significant unmet need – no appealing solution to the problem

600M Obese Adults Worldwide

56M U.S. Adults with BMI of 30-40

12.7M U.S. Adults with BMI of 40+

< 200K U.S. Bariatric Procedures

20+ Obesity Comorbidities
- Heart Disease
- Type 2 Diabetes
- Hypertension
- Obstructive Sleep Apnea
- High Blood Pressure
- Liver Disease
- Infertility
- Cancer

Up to $2x$ the cost of providing equivalent healthcare to a person with BMI of 40 vs. person with BMI < 30

Less than 2% U.S. Market Penetration

Sources:
Centers for Disease Control
American Society for Metabolic and Bariatric Surgery, July 2016
## Current Bariatric Surgery Options

- **Current surgical bariatric procedures are invasive and not palatable**
  - Only 1-2% of eligible patient population choose surgical treatment
  - U.S. primary bariatric surgical procedures have remained static at approximately 170,000 per year in 2015
- **There is a great unmet need**

<table>
<thead>
<tr>
<th>Feature</th>
<th>Gastric Banding</th>
<th>Sleeve Gastrectomy</th>
<th>RNY Gastric Bypass</th>
</tr>
</thead>
<tbody>
<tr>
<td>BMI Range</td>
<td>30+ w/ Co-morbidity or 40+ without</td>
<td>35+ w/ Co-morbidity or 40+ without</td>
<td>35+ w/ Co-morbidity or 40+ without</td>
</tr>
<tr>
<td>Durability</td>
<td>5 years +</td>
<td>5 years +</td>
<td>5 years +</td>
</tr>
<tr>
<td>Reversibility</td>
<td>+</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Anatomy-alteration</td>
<td>Temporary</td>
<td>Severe</td>
<td>Severe</td>
</tr>
<tr>
<td>Total Procedure Cost</td>
<td>$9-$15k</td>
<td>$10-$15K</td>
<td>$15-$20K</td>
</tr>
<tr>
<td>Device Cost</td>
<td>$3,000</td>
<td>$3,000</td>
<td>$3,000</td>
</tr>
<tr>
<td>Total Body Weight Loss (%TBWL)</td>
<td>16-20% est</td>
<td>20% est</td>
<td>24-32% est</td>
</tr>
<tr>
<td>Aftercare Importance</td>
<td>++</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>
## Apollo’s Minimally Invasive Obesity Solutions

### Surgical
- Long FDA history (15+ years)
- Only low BMI surgical option
- 400+ peer-reviewed publications
- Long-term implant > 5 years
- PMA

### Endo-Bariatrics
- Global market leader
- Over 20 years market experience
- 230+ peer-reviewed publications
- 6 month indwell time
- PMA

### Other
- First endoscopic full thickness suturing device
- Wide range of applications:
  - Bariatric revisions
  - Bariatric complications
  - Primary bariatrics
  - GI defects
  - Stent fixation
Our Growth Strategy: Focused on Endo-Bariatrics

- Mature product
- Dedicated and highly effective user base
- High margin contribution that supports growth initiatives

46% of 1H 2017 Sales$^{(1)}$

Bariatric Surgeon

- 21% year-over-year sales growth in 1H 2017$^{(1)}$
- Addressing patient demand for minimally invasive procedures
- Large potential U.S. market at early stage of development
- Supported by medical education and patient education investments

52% of 1H 2017 Sales$^{(1)}$

Gastroenterologist

(1) Excludes US ORBERA starter kit sales of ~$3.2 million in 1H 2016 and $0.6 million in 1H 2017
Opening the Obesity Market to the GI

- Apollo’s portfolio expands the market’s capacity to grow by engaging the very large GI community into the treatment of obesity
- Portfolio establishes a potential 4,500 U.S. physician call-point
  - Up from current approximately 2,500 bariatric surgeons
- Effectively doubles the market’s provider capacity
OverStitch

- World’s first and only suturing device that enables full-thickness suturing with a flexible endoscope
- Enables a physician to do things endolumenally that could not previously be done without surgery
- OverStitch has broad current and future applications – upper and lower GI tract.

2016 US Procedure Mix Estimate\(^1\)

- Advanced GI 36%
- Bariatric Revisions 35%
- Stent Fixation 23%
- ESG 6%

Advanced GI Applications
- ESD/EMR
- POEM
- GI Defect closure

\(^1\) Source: Company data
OverStitch and ESG for Primary Obesity, tremendous potential

- **New** Endo-bariatric procedure that requires OverStitch to deliver full thickness suturing

- Uses suturing to reduce the volume of the stomach, similar to a surgical sleeve gastrectomy procedure without the invasiveness and need for amputation of the gastric remnant

- *Recent* data released in April 2017 from a single center study and a multicenter study demonstrated **20.9%** and **18.6%** total body weight loss at **24 months**, respectively

- Potential to expand the market
  - Recruits GI’s into obesity market (grows capacity to serve)
  - Non-surgical procedure that is much more attractive for patients than surgery

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**Q1 2017 User Status**

- 24 active sites U.S. (54% GI / 46% Surgeon)
- 41 active sites OUS (63% GI / 37% Surgeon)
- 10 in U.S. and 11 OUS performed 1st procedure during Q1
New 24 Month Study Results for ESG – Multicenter Study

- **Endoscopic Sleeve Gastroplasty, enabled by OverStitch, reduces total body weight loss of 18.6% at 24 months**

<table>
<thead>
<tr>
<th>Table 1 Comparison of %TBWL between the three centers in the study at 6 and 24 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>N total</td>
</tr>
<tr>
<td>---</td>
</tr>
</tbody>
</table>

Baseline BMI = 37.8 ± 5.6 kg/m²

**Key Points:**

1. %TBWL was 18.6% at 24 months
2. %TBWL was statistically consistent between the three centers (using three different techniques and patient population)
3. Serious adverse events were 2% - most associated with reducing the fundus*

* Reducing the fundus is no longer part of the standard technique

Key Points:

1. %TBWL was 20.9% after 24 months
2. ESG reduced markers of hypertension (SBP: 129.02 -> 122.23 mmHg), diabetes (HbA1c: 6.1 -> 5.5 %), hyperlipidemia (LDL: 121.62 -> 124.27 mg/dL and TG: 131.84 -> 92.36 mg/dL), and steatohepatitis (ALT: 32.28 -> 20.68 mg/dL)
3. Serious adverse events of 1.1% compared to > 18% from surgical bariatric procedures
ESG Recent Media Coverage

- High level of public interest on potential new minimally invasive procedures for Obesity

**NBC Nightly News**

500M+ Impressions in first week

Replayed on multiple local affiliates

**Today Show**

Active social media sharing
<table>
<thead>
<tr>
<th></th>
<th>ESG</th>
<th>Balloon</th>
<th>Gastric Band</th>
<th>Laparoscopic Sleeve</th>
<th>Gastric Bypass</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Surgical</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Reversible</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Durability (2+ Years)</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Performed by both</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surgeons &amp; G.I.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short Procedure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>(&lt; 1 hr)</td>
<td></td>
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</tbody>
</table>
ORBERA Intragastric Balloon System

- The ORBERA Balloon is the #1 gastric balloon in the world

1. Inserted through the mouth
2. Inflated with saline
3. Encourages portion control and delays gastric emptying
4. Deflated and removed

Device encourages portion control and delays gastric emptying

Comprehensive diet and exercise program to encourage weight loss and maintain a healthy lifestyle long-term

6-Months

12-Months
**ORBERRA – Worldwide Market Share Leader**

- Over 850 U.S. physicians trained for use of ORBERA at end of Q1 2017

**#1 GASTRIC BALLOON**
ORBERRA® is the global leading weight loss balloon and has helped thousands meet their weight loss goals

**REAL WORLD RESULTS**
Since 2006, there have been 277,000 ORBERA® gastric balloons distributed worldwide

**PROVEN WEIGHT LOSS TOOL**
3x more weight loss with ORBERA® than diet and exercise alone

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1) Sources: FDA.gov for Orbera US Pivotal Study; 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 OUS Meta-analysis

2) Through Q1 2017
ORBERA – Weight Loss Results

- 47% greater weight loss than other approved intragastric balloons at end of respective indwell times
- Over 230 peer reviewed publications establishing ORBERA’s safety and efficacy
- ORBERA is the only balloon recognized by the American Society for Gastrointestinal Endoscopy (ASGE) as meeting their PIVI\(^2\) threshold standards for the treatment of obesity

Note: The data shown is based upon the respective pivotal study data results and not a head to head comparison. Source: FDA.gov for respective US Pivotal studies of ORBERA, Obalon and ReShape balloon products.

Addressable US “cash pay” market

~190 Million U.S. Adults
56 Million with BMI of 30 – 40
~25% with likely household income > $100,000

If 1.6% have interest in balloon therapy
$400+ million

If 2.5% have interest in balloon therapy
$650+ million

Payor-directed market development activity

**STRATEGY:** Identify patient populations and healthcare costs where there is short-term economic benefit for payors versus the cost of the ORBERA procedure. Examples:

- Pre-operative therapy for high-BMI “at risk” patients
- Risk-sharing partial reimbursement models

*Census Sources:
Centers for Disease Control
American Society for Metabolic and Bariatric Surgery
United States Census Bureau
National Center for Health Statistics
*Adults defined as between the ages of 20 and 64*
Key Points:
1. 45-year-old male with familial dilated cardiomyopathy developed end-stage heart failure (HF)
2. After placement of Orbera IGB, BMI decreased 8.4 kg/m² from 41.7 kg.m² to 33.3kg/m² over 6 months
3. Successful heart transplant was performed 2 weeks after Orbera IGB removal
Exiting 2016 ORBERA strategy begins to shift; commercial priorities and resource allocations change.

### 2016 Launch Year

1. Install Customer Base through Med Ed
   - 2. Develop and Pilot marketing programs

### 2017 Focus

1. Increase Account Throughput
   - Improve Practice readiness Build Patient awareness
   - 2. Continue to offer training to interested new users
   - 3. Payor-directed market development efforts
Lap-Band – a Durable Value Proposition

- High margin, proven product with leverage-able distribution network in place

**HIGH-MARGIN PRODUCT**
The Lap-Band is a solid, high-margin product that helps sustain and fund the endo-bariatric product distribution network

**PROVEN WEIGHT LOSS**
Medically relevant long-term weight loss in a reversible laparoscopic surgical procedure

**CLINICALLY SIGNIFICANT IMPACT**
Resolution or improvement in comorbid conditions can have a significant impact on quality of life

**SAFE**
Over 800,000 implanted worldwide with lower complication rates and severity compared to alternative surgical procedures

**Proven Long-Term Effectiveness**

<table>
<thead>
<tr>
<th></th>
<th>O’Brien et. al.</th>
<th>Michelson et. al.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess Weight Loss</td>
<td>47%</td>
<td>70%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>15 Years</th>
<th>2 Years</th>
</tr>
</thead>
</table>

**Resolution or Improvement in Comorbidities**

<table>
<thead>
<tr>
<th>Condition</th>
<th>O’Brien et. al.</th>
<th>Michelson et. al.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypertension</td>
<td>44% Resolved</td>
<td>64% Improved</td>
</tr>
<tr>
<td>T2DM</td>
<td>35% Resolved</td>
<td>26% Improved</td>
</tr>
</tbody>
</table>

**Complication Comparison vs other procedures**

<table>
<thead>
<tr>
<th></th>
<th>LAGB</th>
<th>RYGB</th>
<th>Sleeve</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Complications</td>
<td>6%</td>
<td>18%</td>
<td>24%</td>
</tr>
<tr>
<td>Reoperation Rate</td>
<td>1%</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td>30-Day Morbidity</td>
<td>1%</td>
<td>6%</td>
<td>6%</td>
</tr>
</tbody>
</table>
Lap-Band Remains a Core Product for a Dedicated Group of U.S. Bariatric Surgeons

- Segmentation of US Surgical revenue showing signs of stabilization in Q1
- Focus is on the dedicated surgeon users of Lap Band
- Apollo’s Lab-Band remains a core product for approximately 100 U.S. bariatric surgeons

![Pie charts showing US Bariatric Surgeons revenue In Q1 2016 and Q1 2017](chart.png)
New Product Developments

**Product Extensions**

- **ORBERA365**
  - Increases Orbera’s patient indwell time from 6 months to 12 months
  - Timing: CE mark expected by end of 2017 with European market introduction thereafter
  - Other direct market regulatory clearance efforts to follow receipt of CE mark

- **OverStitch Sx**
  - A single-channel scope compatible version of OverStitch
Worldwide Direct Sales and Distribution Status

- 80 person direct Apollo global sales team
- Indirect Markets supported by distributors in 60 markets globally

HQ and R&D Facility – Austin, TX
Manufacturing Facility – San Jose, Costa Rica
Total Revenue and Gross Profit

- Total revenue for Q2 2017 (June 30th) was $17.1 million
  - Up 4% worldwide vs. Q2 2016, excluding U.S. Orbera starter kit sales which were $0.3 million in Q2 2017 and $1.1 million in Q2 2016

(1) Excludes an inventory impairment charge in 2016 of ~$3.8M related to an acquisition
Apollo – Additional Revenue Data

**Endo-Bariatric Revenue**

- Q2 endo-bariatric revenue was $9.5 million – an increase of 13% - and 56% of total revenue
- Excluding U.S. Orbera starter kit sales, Q2 endo-bariatric revenue was:
  - Up 26% worldwide
  - Up 31% in the United States / 22% outside the United States
- Excluding U.S. Orbera starter kit sales, first half 2017 endo-bariatric worldwide revenue was up 21% year-over-year

**Surgical Revenue**

- Slower decline rates

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(1) Excludes US ORBERA starter kit sales of ~$2.1 million and ~$1.1 million in Q1 and Q2 2016, respectively, and ~$0.3 million and ~$0.3 million in Q1 and Q2 2017, respectively
## Capitalization and Balance Sheet Summary

### Capitalization Table

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic shares outstanding (6/30/2017)</td>
<td>10,702,627</td>
</tr>
<tr>
<td>Follow-On Offering</td>
<td>6,542,453</td>
</tr>
<tr>
<td>Options</td>
<td>487,587</td>
</tr>
<tr>
<td><strong>Diluted Shares Outstanding</strong></td>
<td>17,732,667</td>
</tr>
</tbody>
</table>

(1) Shares issued 7/25/17 including the over-allotment option for net proceeds of $33.6 million  
(2) Treasury stock method based on stock price of $6.95;  
1,598,457 options outstanding with weighted avg. exercise price of $4.83  
(3) Excludes 251,943 shares issuable upon exercise of outstanding warrants with weighted avg. exercise price of $64.91

### Balance Sheet ($ in ‘000s)

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; equivalents</td>
<td>$6,240</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>$33,034</td>
</tr>
<tr>
<td><strong>Net Debt</strong></td>
<td>$26,794</td>
</tr>
</tbody>
</table>

(1) Includes $938k of restricted cash  
(2) $50M Senior Secured Credit Facility with Athryium  
- Matures in February 2020  
- Interest: 10.5% annually
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