



May 9, 2017

## **NxStage Reports First Quarter Financial Results**

- **Revenue Increases to \$96.8 million, up 9% from Q1'FY16**
- **Company Reaffirms Total Revenue Guidance and Profitability for 2017**
- **Company Continues to Advance NxGen Hemodialysis System and Innovative Pipeline**

LAWRENCE, Mass., May 9, 2017 /PRNewswire/ -- [NxStage Medical, Inc.](#) (Nasdaq: NXTM), a leading medical technology company focused on advancing renal care, today reported financial results for the first quarter of 2017, reviewed recent progress on its product pipeline, and updated its outlook for 2017.



Total revenue for the first quarter of 2017 increased 9 percent to \$96.8 million, at the high end of its guidance range of \$95 to \$97 million, compared with revenue of \$89.2 million for the first quarter of 2016.

The Company's revenue performance was driven by the Products Business, and more specifically, the System One segment, which consists of the Home and Critical Care markets. Home revenue increased 10 percent to \$54.6 million for the first quarter of 2017 compared with revenue of \$49.5 million for the first quarter of 2016. Critical Care revenue increased 2 percent to \$20.1 million for the first quarter of 2017 compared with revenue of \$19.8 million for the first quarter of 2016.

Net loss attributable to NxStage Medical, Inc.'s stockholders improved to \$1.2 million for the first quarter of 2017 compared with a net loss of \$1.3 million for the first quarter of 2016. The net loss for the first quarter of 2017 included \$3.9 million of income from operations from the Products Business.

The Company also announced that early customer and patient feedback in the UK on its recently launched next generation hemodialysis system has been very positive, validating many of the benefits it expected. This innovative system consists of new features and capabilities, including a new touchscreen user interface and integrated blood pressure monitor designed to enhance ease of use for patients performing home hemodialysis.

"We believe we are well positioned with tremendous growth opportunities. We continue to execute at a high level and advance our product pipeline at an impressive pace," stated Jeffrey H. Burbank, Founder and CEO of NxStage. "I believe that we have one of the most exciting product pipelines in the industry. Our primary objective is to deliver innovative solutions that have the potential to give ESRD patients the ability to live longer and fuller lives while on dialysis. We don't underestimate the hard work it will take to bring these innovations to market, but we remain confident in our capabilities. We believe our products and track record speak for themselves."

Burbank continued, "We expect our peritoneal dialysis (PD) system to be transformative in the existing \$3 billion worldwide PD market because of its unique design which eliminates bagged fluid and provides greater clinical flexibility for patients and their care teams. We believe, but can't know with certainty, that we will likely be first to market. It won't be by the end of this year as we originally targeted over 18 months ago, but we're targeting to be there before anyone else. More importantly, we're targeting to be the best technology on the market."

### **Guidance:**

"Given the strength of the overall business, we continue to expect total company revenue in a range of \$400 to \$405 million and total company profitability for 2017. However, with a slower start in the Home market than we anticipated, we are revising our annual Home revenue growth target to be between 10 to 13% for 2017 versus our previous 15% target," stated

Matthew Towse, Chief Financial Officer of NxStage. "Although the year isn't building in line with our original expectations, we continue to believe we are in a great position to drive long term growth, advance our product pipeline, and make further improvements within our key financial metrics."

For the second quarter of 2017, the Company expects revenue to be in a range of \$95 to \$97 million, and a net loss in the range of \$1 to \$3 million.

#### **Conference Call:**

NxStage will host a conference call today, Tuesday, May 9, 2017, at 9:00 a.m. Eastern Time to discuss its first quarter financial results. To listen to the conference call, please dial 877-392-9886 (domestic) or 707-287-9329 (international). The call will also be webcast LIVE and can be accessed via the investor relations section of the Company's website at <http://ir.nxstage.com>.

A replay of the conference call will be available two hours after the completion of the call through May 17, 2017. To access the replay, dial 855-859-2056 (domestic) or 404-537-3406 (international) and reference conference ID 3317702. An online archive of the conference call can be accessed via the investor relations section of the Company's website at <http://ir.nxstage.com>.

#### **About NxStage**

NxStage Medical, Inc. (Nasdaq: NXTM) is a leading medical technology company, headquartered in Lawrence, Massachusetts, USA, that develops, manufactures and markets innovative products for the treatment of end-stage renal disease (ESRD) and acute kidney failure. NxStage has also established a small number of dialysis clinics committed to the development of innovative care delivery models for patients with ESRD. For more information on NxStage and its products and services, please visit the Company's website at <http://www.nxstage.com> and [www.nxstagekidneycare.com](http://www.nxstagekidneycare.com).

#### **About the NxStage System One**

The NxStage System One is the first and only truly portable hemodialysis system cleared specifically by the FDA for home hemodialysis and home nocturnal hemodialysis. Its simplicity and revolutionary size (just over a foot tall) are intended to allow convenient use in patients' homes and give patients the freedom to travel with their therapy. When combined with the NxStage PureFlow™ SL Dialysis Preparation System, patients are able to further simplify, using ordinary tap water to create dialysis fluid on-site on-demand. Unlike conventional hemodialysis systems, the System One requires no special infrastructure to operate. Under the guidance of their physician, patients can use the NxStage System One, with their trained partners, where, how and when it best meets their needs, including while they are sleeping - at home or on vacation and at a medically appropriate treatment frequency. In addition, NxStage's Nx2me Connected Health® platform collects important NxStage System One and patient information for flexible viewing, monitoring and reporting that may improve patient management and patient retention, as well as simplify alternative site care. The System One is also used to provide a range of flexible therapy options in more traditional care settings such as hospitals and dialysis centers. Its safety and performance have been demonstrated by experience with more than 14 million treatments with over 30 thousand patients around the world. <http://www.nxstage.com/>.

#### **Forward-Looking Statements**

This release contains forward-looking statements concerning our business, operations and financial condition. All statements contained in this release that are not clearly historical in nature are forward-looking, and the words "anticipate," "believe," "expect," "estimate," "plan," and similar expressions are generally intended to identify forward-looking statements. Examples of these forward-looking statements include statements as to the anticipated demand for the Company's products, market opportunities, timing of our new product launches, and our financial guidance for 2017 and beyond, including anticipated revenues, net loss and profitability. All forward-looking statements involve risks, uncertainties and contingencies, many of which are beyond NxStage's control, which may cause actual results, performance, or achievements to differ materially from anticipated results, performance or achievements, including market acceptance and demand for NxStage's products domestically and internationally, growth in home and/or more frequent hemodialysis, regulatory approvals, competition, unanticipated difficulties in achieving development timelines, operational efficiencies or cost reductions, changes in reimbursement for home and more frequent hemodialysis, changes in the regulatory environment, changes in the historical purchasing patterns and preferences of our customers, including DaVita Healthcare Partners Inc. and Fresenius Medical Care, including in response to NxStage Kidney Care, and certain other factors that may affect future operating results and which are detailed in NxStage's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2016.

In addition, the statements in this press release represent NxStage's expectations and beliefs as of the date of this press release. NxStage anticipates that subsequent events and developments may cause these expectations and beliefs to change. However, while NxStage may elect to update these forward-looking statements at some point in the future, it specifically disclaims any obligation to do so, whether as a result of new information, future events, or otherwise. These forward-looking statements should not be relied upon as representing NxStage's expectations or beliefs as of any date subsequent to the date of this press release.

**Contact:**

Kristen K. Sheppard, Esq.  
 VP, Investor Relations  
[ksheppard@nxstage.com](mailto:ksheppard@nxstage.com)

**NxStage Medical, Inc.**  
**Condensed Consolidated Statements of Comprehensive Loss**  
 (in thousands, except per share data)  
 (unaudited)

|   | Three Months Ended<br>March 31, |            |
|---|---------------------------------|------------|
|   | 2017                            | 2016       |
| Revenues  | \$ 96,829                       | \$ 89,207  |
| Cost of revenues  | 55,639                          | 52,690     |
| Gross profit  | 41,190                          | 36,517     |
| Operating expenses:   |                                 |            |
| Selling and marketing   | 16,770                          | 15,254     |
| Research and development  | 9,508                           | 7,154      |
| Distribution  | 7,643                           | 7,053      |
| General and administrative  | 8,950                           | 8,031      |
| Total operating expenses  | 42,871                          | 37,492     |
| Loss from operations  | (1,681)                         | (975)      |
| Other expense:  |                                 |            |
| Interest expense, net   | (203)                           | (241)      |
| Other expense, net  | (270)                           | (232)      |
| Total other expense   | (473)                           | (473)      |
| Net loss before income taxes  | (2,154)                         | (1,448)    |
| (Benefit from) provision for income taxes   | (613)                           | 335        |
| Net loss  | (1,541)                         | (1,783)    |
| Less: Net loss attributable to noncontrolling interests                                 | (352)                           | (507)      |
| Net loss attributable to stockholders of NxStage Medical, Inc.                          | \$ (1,189)                      | \$ (1,276) |
| Net loss per share, basic and diluted   | \$ (0.02)                       | \$ (0.02)  |
| Weighted-average shares outstanding, basic and diluted                                  | 65,275                          | 64,179     |
| Other comprehensive income:   |                                 |            |
| Unrealized gain on derivative instruments, net of income taxes                          | 2,184                           | 871        |
| Other gain  | 721                             | 190        |
| Total other comprehensive income  | 2,905                           | 1,061      |
| Total comprehensive income (loss)   | 1,364                           | (722)      |
| Less: Comprehensive loss attributable to noncontrolling interests                       | (352)                           | (507)      |
| Total comprehensive income (loss) attributable to stockholders of NxStage Medical, Inc. | \$ 1,716                        | \$ (215)   |

**NxStage Medical, Inc.**  
**Condensed Consolidated Balance Sheets**  
 (in thousands, except share data)  
 (unaudited)

|                           | March 31,<br>2017 | December 31,<br>2016 |
|---------------------------|-------------------|----------------------|
| <b>ASSETS</b>             |                   |                      |
| Current assets:           |                   |                      |
| Cash and cash equivalents | \$ 55,455         | \$ 59,632            |
| Accounts receivable, net  | 39,260            | 32,286               |

|  |                   |                   |
|--|-------------------|-------------------|
| Inventory  | 48,514            | 46,845            |
| Prepaid expenses and other current assets  | 7,999             | 6,136             |
| Total current assets   | 151,228           | 144,899           |
| Property and equipment, net  | 61,323            | 61,561            |
| Field equipment, net   | 24,395            | 22,309            |
| Deferred cost of revenues  | 32,027            | 33,165            |
| Intangible assets, net   | 9,180             | 9,688             |
| Goodwill   | 42,648            | 42,648            |
| Other assets   | 2,975             | 2,937             |
| Total assets   | <u>\$ 323,776</u> | <u>\$ 317,207</u> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                   |                   |
| Current liabilities:   |                   |                   |
| Accounts payable   | \$ 18,490         | \$ 14,177         |
| Accrued expenses   | 24,762            | 30,985            |
| Current portion of long-term debt  | 334               | 328               |
| Other current liabilities  | 4,111             | 3,770             |
| Total current liabilities  | 47,697            | 49,260            |
| Deferred revenues  | 47,773            | 49,001            |
| Long-term debt   | 1,240             | 1,305             |
| Other long-term liabilities  | 16,235            | 15,568            |
| Total liabilities  | 112,945           | 115,134           |
| Commitments and contingencies  |                   |                   |
| Noncontrolling interests subject to put provisions   | 26                | 50                |
| Stockholders' equity:  |                   |                   |
| Undesignated preferred stock: par value \$0.001, 5,000,000 shares authorized; no shares issued and outstanding as of March 31, 2017 and December 31, 2016        | —                 | —                 |
| Common stock: par value \$0.001, 100,000,000 shares authorized; 66,724,350 and 65,883,026 shares issued as of March 31, 2017 and December 31, 2016, respectively | 66                | 65                |
| Additional paid-in capital   | 640,907           | 631,219           |
| Accumulated deficit  | (408,790)         | (407,601)         |
| Accumulated other comprehensive loss   | (3,196)           | (6,101)           |
| Treasury stock, at cost: 1,017,640 and 936,360 shares as of March 31, 2017 and December 31, 2016, respectively   | (18,479)          | (16,184)          |
| Total NxStage Medical, Inc. stockholders' equity   | 210,508           | 201,398           |
| Noncontrolling interests not subject to put provisions   | 297               | 625               |
| Total stockholders' equity   | 210,805           | 202,023           |
| Total liabilities and stockholders' equity   | <u>\$ 323,776</u> | <u>\$ 317,207</u> |

**NxStage Medical, Inc.**  
**Cash Flows from Operating Activities**  
(in thousands)  
(unaudited)

|   | <u>Three Months Ended March 31,</u> |                 |
|---|-------------------------------------|-----------------|
|   | <u>2017</u>                         | <u>2016</u>     |
| Cash flows from operating activities:   |                                     |                 |
| Net loss  | \$ (1,541)                          | \$ (1,783)      |
| Adjustments to reconcile net loss to net cash flow from operating activities: |                                     |                 |
| Depreciation and amortization   | 8,467                               | 7,736           |
| Stock-based compensation  | 2,574                               | 2,614           |
| Other   | (623)                               | (37)            |
| Changes in operating assets and liabilities:                                  |                                     |                 |
| Accounts receivable   | (6,911)                             | (3,849)         |
| Inventory   | (7,848)                             | (5,480)         |
| Prepaid expenses and other assets   | (7)                                 | 681             |
| Accounts payable  | 4,200                               | 3,184           |
| Accrued expenses and other liabilities  | (4,579)                             | (1,553)         |
| Deferred revenues   | (1,026)                             | 979             |
| Net cash (used in) provided by operating activities                           | <u>\$ (7,294)</u>                   | <u>\$ 2,492</u> |

**NxStage Medical, Inc.**  
**Revenues by Segment**  
(in thousands)  
(unaudited)

|                                      | Three Months Ended<br>March 31, |           |
|--------------------------------------|---------------------------------|-----------|
|                                      | 2017                            | 2016      |
| System One segment                   |                                 |           |
| Home                                 | \$ 54,561                       | \$ 49,536 |
| Critical Care                        | 20,100                          | 19,767    |
| Total System One segment             | 74,661                          | 69,303    |
| In-Center segment                    | 15,606                          | 16,766    |
| Other                                | 2,899                           | 2,181     |
| Products subtotal                    | 93,166                          | 88,250    |
| Services segment                     | 5,050                           | 2,687     |
| Elimination of intersegment revenues | (1,387)                         | (1,730)   |
| Total                                | \$ 96,829                       | \$ 89,207 |

**NxStage Medical, Inc.**  
**Segment Financial Performance**  
(in thousands)  
(unaudited)

|  | Three Months Ended<br>March 31, |            |
|--|---------------------------------|------------|
|  | 2017                            | 2016       |
| <b>Products Business (System One Segment, In-Center Segment &amp; Other)</b> |                                 |            |
| Revenues   | \$ 93,166                       | \$ 88,250  |
| Gross profit   | \$ 44,650                       | \$ 41,336  |
| Gross margin percentage  | 48 %                            | 47 %       |
| Income from operations   | \$ 3,946                        | \$ 6,216   |
| <b>Services Segment</b>  |                                 |            |
| Revenues   | \$ 5,050                        | \$ 2,687   |
| Gross profit   | \$ (3,438)                      | \$ (4,649) |
| Gross margin percentage  | n/a                             | n/a        |
| Loss from operations   | \$ (5,605)                      | \$ (7,021) |
| <b>Eliminations</b>  |                                 |            |
| Elimination of intersegment revenues   | \$ (1,387)                      | \$ (1,730) |
| Elimination of intersegment gross profit                                     | \$ (22)                         | \$ (170)   |
| <b>Total Company</b>   |                                 |            |
| Revenues   | \$ 96,829                       | \$ 89,207  |
| Gross profit   | \$ 41,190                       | \$ 36,517  |
| Gross margin percentage  | 43 %                            | 41 %       |
| Income (loss) from operations  | \$ (1,681)                      | \$ (975)   |

To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/nxstage-reports-first-quarter-financial-results-300454101.html>

SOURCE NxStage Medical, Inc.

