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iRhythm Technologies First Quarter 2024 Results

May 2, 2024

Safe harbor statement

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This presentation and the accompanying oral presentation include forward-looking statements. All statements other than statements of historical facts, including statements regarding our future results of operations and financial position, clinical results, strategy and plans, market size and opportunity, competitive position, industry environment, potential growth opportunities, business model, reimbursement rates and coverage, and our expectations for future operations, are forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, strategy, short- and long-term business operations and objectives, and financial needs.

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The accompanying presentation contains non-GAAP financial measures. The appendix reconciles the non-GAAP financial measures to the most directly comparable financial measure prepared in accordance with Generally Accepted Accounting Principles (GAAP). These non-GAAP financial measure include non-GAAP operating expenses, non-GAAP net income (loss), non-GAAP net income (loss) per share, and adjusted EBITDA. iRhythm reports non-GAAP financial measures in addition to, and not as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. We believe that non-GAAP financial measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP financial measures. Other companies, including other companies in our industry, may not use this measure or may calculate this measures differently than as presented. We encourage investors to carefully consider our results under GAAP as well as our supplemental non-GAAP information and reconciliations between these presentations to more fully understand our business.

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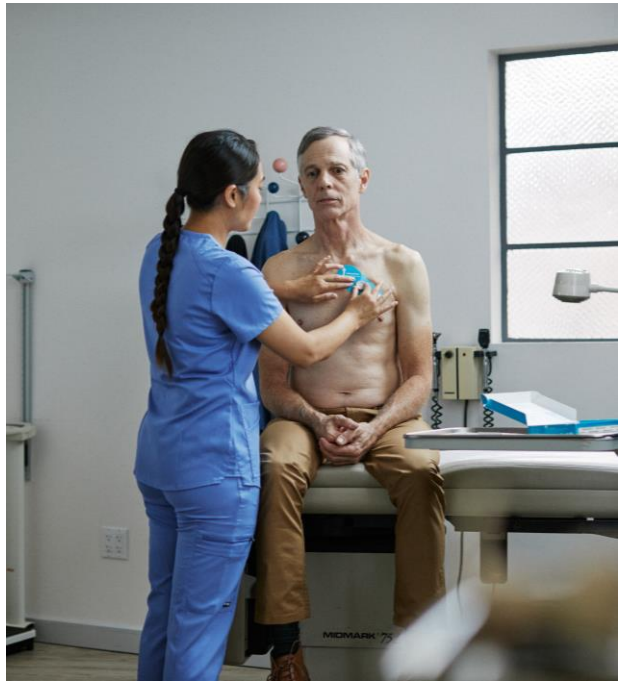
$131.9 million

First quarter 2024 revenue

24%

Registration growth in 2023 compared to 2022

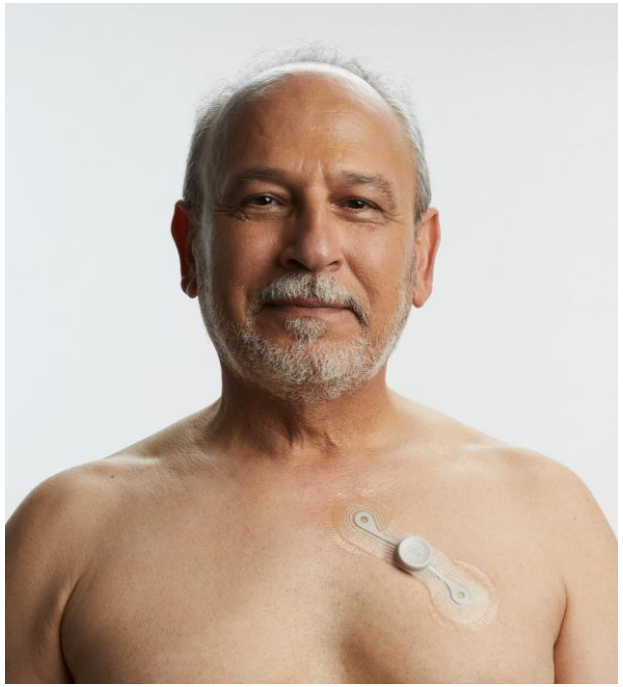


~25 - 30%

iRhythm penetration in core U.S. ambulatory cardiac monitoring market as of December 31, 2023

5+ million tests

Target market opportunity across prioritized EU and APAC countries*



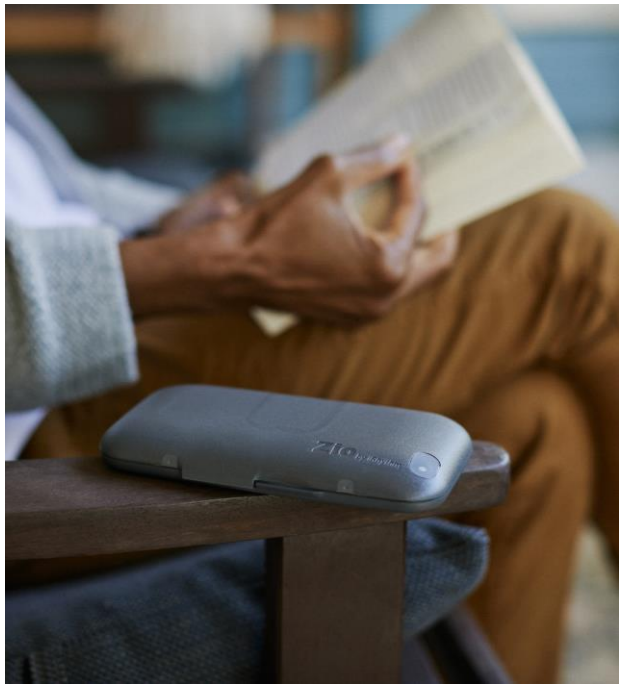


~1.9 million

Registrations per year

~8 million

Patient reports posted since company inception thru 2023



100+

Original scientific research manuscripts

1.8 billion

Hours of curated ECG data since company inception thru 2023

Data on file. iRhythm Technologies, May 2024. *See sources in appendix for 'International opportunity represents $1+ billion TAM with 5+ million tests in prioritized countries across EMEA and Asia Pacific'

Accelerating growth in PCP channels key to capturing U.S. opportunity

~21%

of 2023 US Zio XT and Zio monitor registrations written by PCPs

PCPs in integrated delivery networks and large national accounts driving penetration & TAM expansion

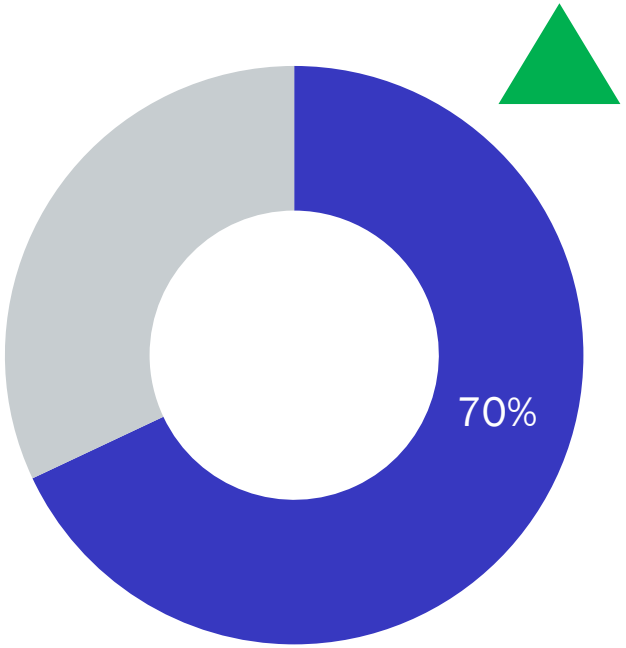
Registrations from PCPs and other physicians additive to those from cardiologists & EPs

Large national PCP players beginning to proactively monitor for arrhythmias aligned with mSToPs criteria



Leadership in long-term continuous monitoring with substantial room for upside in mobile cardiac telemetry market in the U.S.

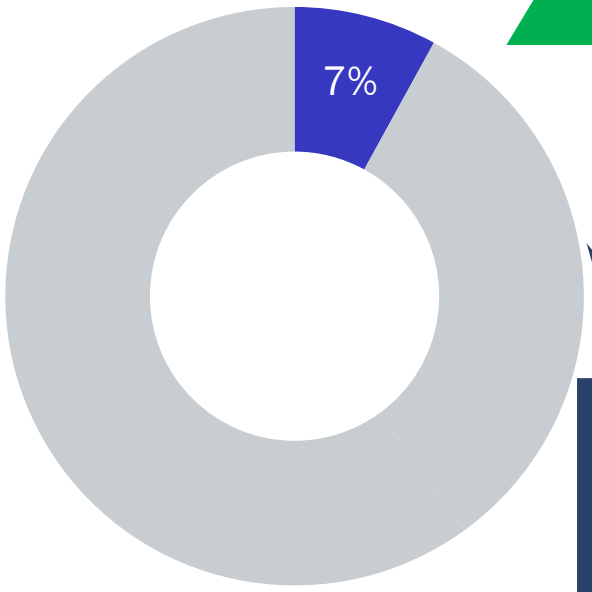
2023 LTCM MARKET SHARE IN THE U.S. (OF 2.5 MILLION ANNUAL TESTS)



Total LTCM market grew an estimated 17% during 2023

iRhythm current share

2023 MCT MARKET SHARE IN THE U.S. (OF 900,000 ANNUAL TESTS)



Total MCT market grew an estimated 7% during 2023

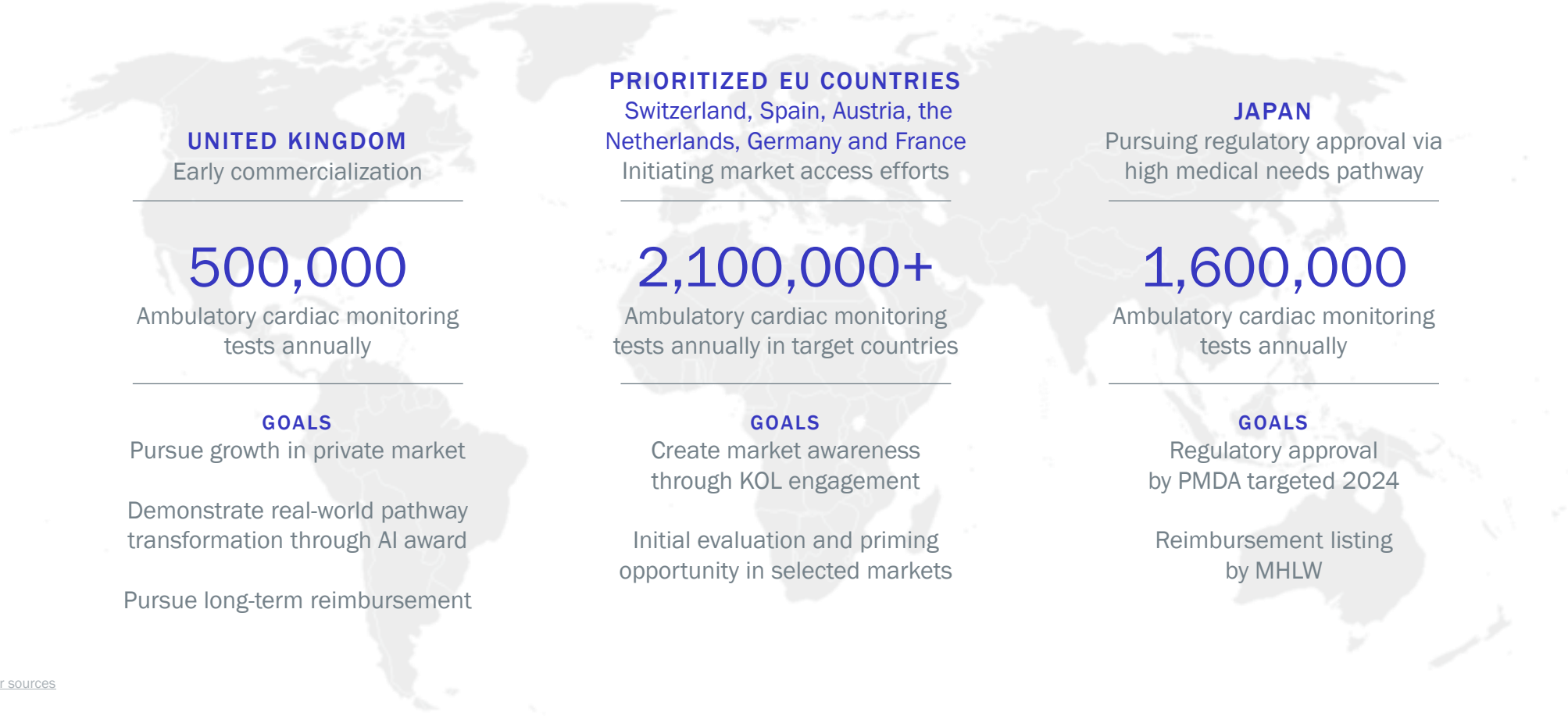
Every 10% gain in market share represents up to $80-100M in incremental revenue[1]

iRhythm current share

LTCM = long-term continuous monitoring; MCT = mobile cardiac telemetry. Estimates based off combination of Internal Data, 2021 Medicare Public-Use Files, IQVIA data, Definitive Healthcare data, Komodo Health data, and other publicly-available information.

1. Assumes mobile cardiac telemetry ASP of $1,000.

International opportunity represents $1+ billion TAM with 5+ million tests in prioritized countries across EMEA and Asia Pacific



UNITED KINGDOM

Early commercialization

500,000

Ambulatory cardiac monitoring tests annually

GOALS

Pursue growth in private market

Demonstrate real-world pathway transformation through AI award

Pursue long-term reimbursement

PRIORITIZED EU COUNTRIES

Switzerland, Spain, Austria, the Netherlands, Germany and France

Initiating market access efforts

2,100,000+

Ambulatory cardiac monitoring tests annually in target countries

GOALS

Create market awareness through KOL engagement

Initial evaluation and priming opportunity in selected markets

JAPAN

Pursuing regulatory approval via high medical needs pathway

1,600,000

Ambulatory cardiac monitoring tests annually

GOALS

Regulatory approval by PMDA targeted 2024

Reimbursement listing by MHLW

See appendix for sources

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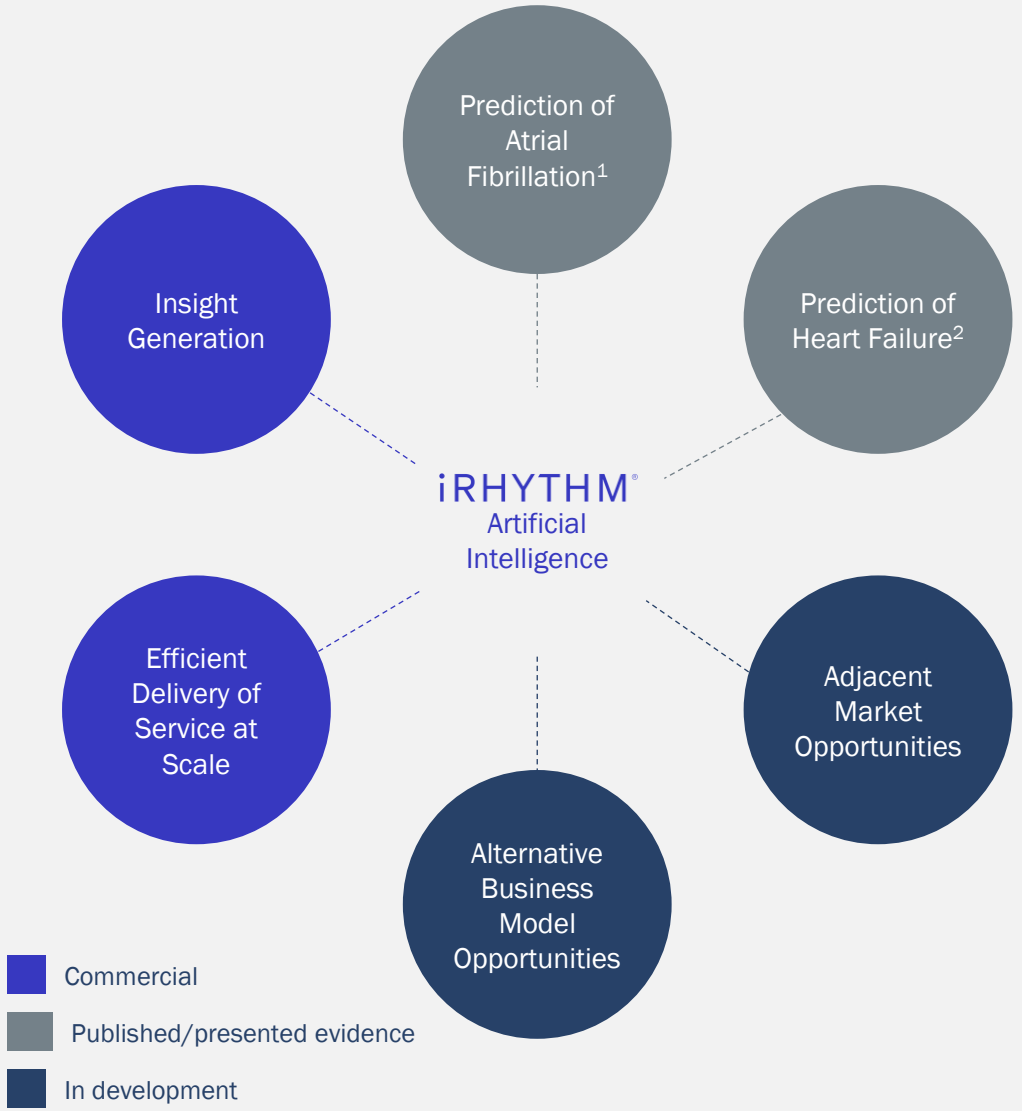
Artificial intelligence and deep learning underpins core capabilities

Curated heartbeat data and other data linkages opens opportunities for additional expansion

Evolving from diagnosis to diagnosis, prediction, & insights generation

AI continues to add significant clinical value to Zio and further differentiates Zio versus competition



1. Gadaleta, M., Harrington, P., Barnhill, E. et al. Prediction of atrial fibrillation from at-home single-lead ECG signals without arrhythmias. npj Digit. Med. 6, 229 (2023). 2. Schwennesen et al. Abstract 12649: Harnessing Ambulatory Monitoring Data to Improve Prediction of Heart Failure. Circulation. 2023;148:A12649.

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Significant adjacent market opportunities enabled by data linkages and artificial intelligence advantages



SLEEP APNEA

Prevalence of sleep disorders[1]: 40.1 million

Up to 80% of AFib patients have sleep apnea

Large prevalence of undiagnosed sleep apnea with poor convenient diagnostic pathway at PCP



HEART FAILURE

Prevalence[1]: 8.4 million

25% of heart failure patients have AFib

AFib begets heart failure, causing high readmission



HYPERTENSION

Prevalence[1]: 120.0 million

Up to 90% of AFib patients have hypertension and there is a large comorbid hypertension population

1. Estimated 2022 prevalence in the United States See appendix for sources.

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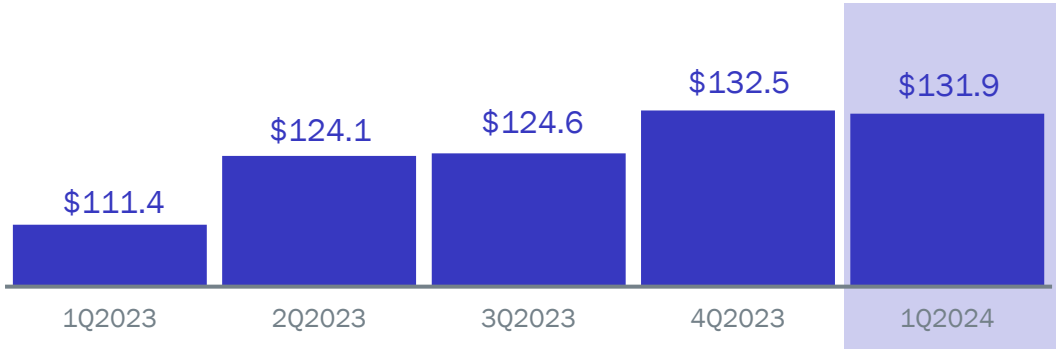
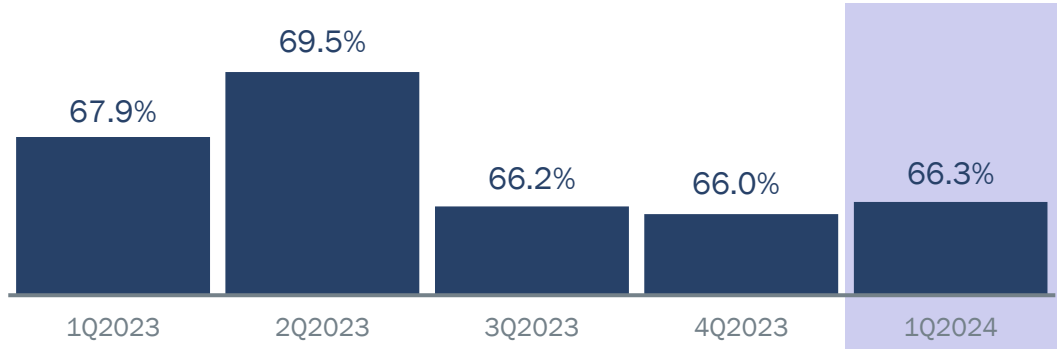
First quarter 2024 financial performance

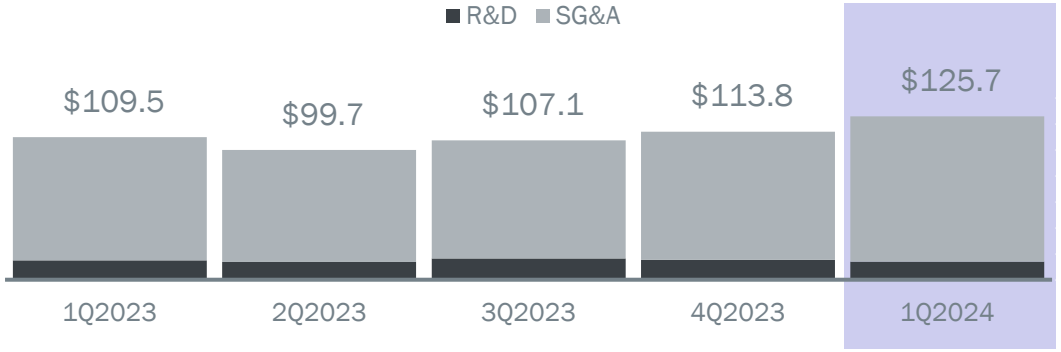
GLOBAL NET REVENUE (USD, MILLIONS)



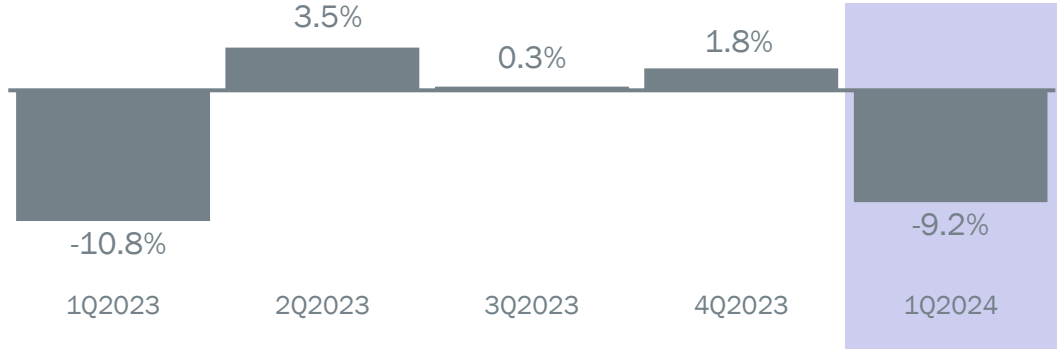
GROSS PROFIT MARGIN



ADJUSTED OPERATING EXPENSES (USD, MILLIONS)



ADJUSTED EBITDA MARGIN



Adjusted operating expenses exclude impact from non-GAAP business transformation and restructuring costs. Adjusted EBITDA calculated as net loss or income excluding interest, taxes, depreciation and amortization, stock-based compensation expense, impairment and restructuring charges, and business transformation costs.

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2024 annual revenue and profitability guidance

	NET REVENUE (USD, MILLIONS)	GROSS MARGIN	ADJUSTED EBITDA MARGIN
PRIOR	~$575 – $585 million	~ 68 % – 69% of revenues	~ 3%– 4% of revenues
UPDATED	~$578 – $588 million	~ 68 % – 69% of revenues	~ 3%– 4% of revenues

Adjusted operating expenses exclude impact from non-GAAP business transformation and restructuring costs. Adjusted EBITDA calculated as net loss or income excluding interest, taxes, depreciation and amortization, stock-based compensation expense, impairment and restructuring charges, and business transformation costs. Adjusted EBITDA will continue to exclude impairment and restructuring costs, business transformation costs, and stock-based compensation expense.

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Near-term opportunities can drive significant topline growth

U.S. CORE COMMERCIAL BUSINESS

- Further expansion into PCP channel
- Alternate use cases (e.g., PFA) to expand monitoring
- MCT market expansion with continued innovation

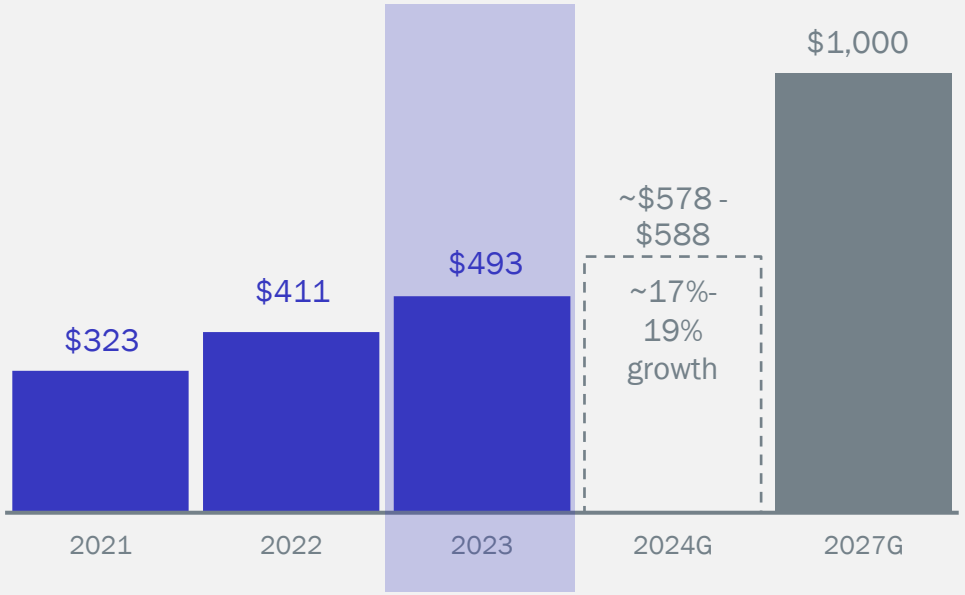
INTERNATIONAL EXPANSION

- Entry into Japan, the second largest global ACM market
- Continued penetration in the UK and national reimbursement
- Opening of additional European countries

ADJACENT MARKET OPPORTUNITIES

- Movement into proactive monitoring programs
- Implementation of Know Your Rhythm
- Addition of wellness insights into existing platform

Global net revenue
(USD millions)



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Levers for adjusted EBITDA margin expansion being driven by global scale and operational efficiencies

GROSS MARGIN LEVERAGE OPPORTUNITIES

UNIT COST REDUCTIONS

- Moving to a reduced product footprint and a unified hardware platform with Zio monitor commercial introduction
- Manufacturing and packaging automation will reduce labor costs while substantially increasing capacity
- Reduced unit costs also achieved through global scale, supply chain excellence, and expanded logistics network

SERVICE COST EFFICIENCIES

- Application of AI to improve clinical technician workflows and streamline report generation will increase productivity and reduce cost to produce report
- Globalization creating efficiency gains within clinical operations and customer care services

OPERATING EFFICIENCY OPPORTUNITIES

RESEARCH & DEVELOPMENT

- Anticipate long-term R&D remains ~12% of revenue
- Disciplined portfolio prioritization will allow for adjacent market research & development investments

SALES & MARKETING

- Net efficiency gains over the long-range planning horizon allow for reinvestments to support revenue growth
- Planning for incremental investments in marketing and EHR

GENERAL & ADMINISTRATIVE

- Expect long-term G&A will be ~30% of revenue
- Globalization, continuous process improvement, digital transformation, and scale will all drive significant efficiencies

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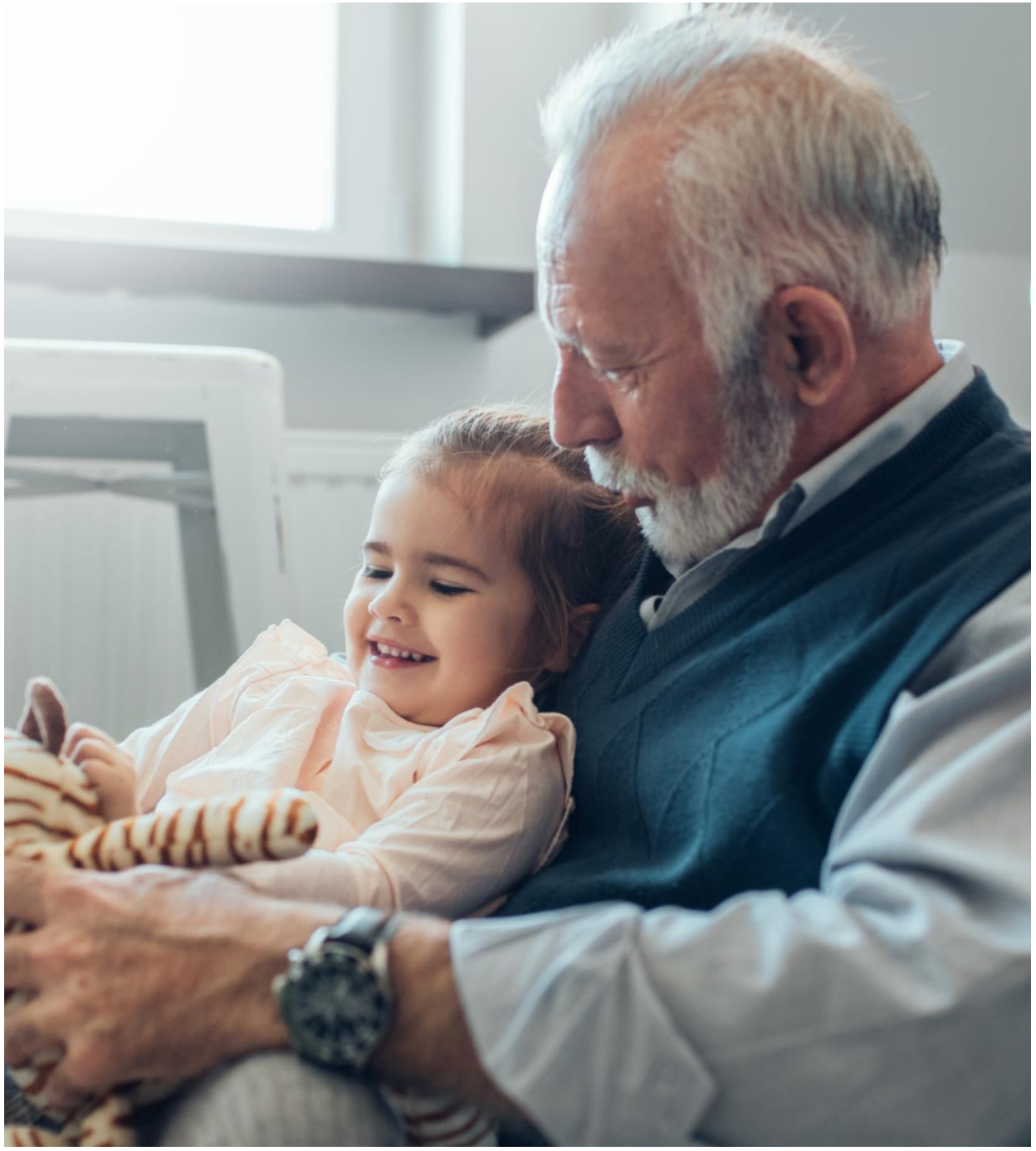

Addressing the future focus of healthcare

Expanding existing markets while extending into adjacent markets

Anticipated revenue growth from large underpenetrated markets on a global scale

Expect to deliver meaningful improvements in financial profile

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Appendix

Reconciliation of net loss to adjusted EBITDA

Adjusted EBITDA is a non-GAAP measurement of net loss or income excluding interest, taxes, depreciation and amortization, stock-based compensation expense, impairment and restructuring charges, and business transformation costs. We believe that adjusted EBITDA is a useful metric for investors in evaluating our operating performance because it helps compare the results of our operations between periods by removing the impact of earnings attributable to our capital structure, tax rate, and material non-cash items.

	THREE MONTHS ENDED MARCH 31,	
(USD, THOUSANDS)	**2024**	**2023**
Net loss	$ (45,667)	$ (39,109)
Interest expense	2,860	950
Interest income	(3,057)	(1,434)
Income tax provision	32	87
Depreciation and amortization	5,131	3,576
Stock-based compensation	20,991	18,251
Business transformation costs	—	5,686
Loss on extinguishment of debt	7,589	—
Adjusted EBITDA	**$ (12,121)**	**$ (11,993)**

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Reconciliation of quarterly adjusted EBITDA margin

Adjusted EBITDA is a non-GAAP measurement of net loss or income excluding interest, taxes, depreciation and amortization, stock-based compensation expense, impairment and restructuring charges, and business transformation costs. We believe that adjusted EBITDA is a useful metric for investors in evaluating our operating performance because it helps compare the results of our operations between periods by removing the impact of earnings attributable to our capital structure, tax rate, and material non-cash items.

	THREE MONTHS ENDED				
(USD, THOUSANDS)	**MARCH 31, 2024**	**DECEMBER 31, 2023**	**SEPTEMBER 31, 2023**	**JUNE 30, 2023**	**MARCH 31, 2023**
Net loss	$ (45,667)	$ (38,699)	$ (27,116)	$ (18,482)	$ (39,109)
Interest expense	2,860	941	927	832	950
Interest income	(3,057)	(1,734)	(1,717)	(1,468)	(1,434)
Income tax provision	32	255	195	213	87
Depreciation and amortization	5,131	4,914	4,067	3,791	3,576
Stock-based compensation	20,991	23,846	21,008	14,099	18,251
Impairment and restructuring charges	—	11,078	—	—	—
Business transformation costs	—	1,772	2,999	5,409	5,686
Loss on extinguishment of debt	7,589	—	—	—	—
Adjusted EBITDA	**$ (12,121)**	$ **2,373**	$ **363**	$ **4,394**	**$ (11,993)**
Revenue	$ 131,929	$ 132,511	$ 124,604	$ 124,130	$ 111,436
Adjusted EBITDA margin	**-9.2%**	**1.8%**	**0.3%**	**3.5%**	**-10.8%**

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Reconciliation of GAAP to non-GAAP financial information

ADJUSTED NET LOSS RECONCILIATION	THREE MONTHS ENDED MARCH 31, 2024	2023
Net loss, as reported	$ (45,667)	$ (39,109)
Business transformation costs	—	5,686
Loss on extinguishment of debt	7,589	—
Adjusted net loss	**$ (38,078)**	**$ (33,423)**

ADJUSTED NET LOSS PER SHARE RECONCILIATION	THREE MONTHS ENDED MARCH 31, 2024	2023
Net loss per share, as reported	$ (1.47)	$ (1.29)
Business transformation costs per share	—	0.19
Loss on extinguishment of debt per share	0.24	—
Adjusted net loss per share	**$ (1.23)**	**$ (1.10)**
Weight-average shares, basic and diluted	31,033	30,297

ADJUSTED OPERATING EXPENSE RECONCILIATION	THREE MONTHS ENDED MARCH 31, 2024	2023
Operating expenses, as reported	$ 125,654	$ 115,185
Business transformation costs	—	(5,686)
Adjusted operating expenses	**$ 125,654**	**$ 109,499**

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Sources

SLIDE	SOURCES
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Sources

SLIDE	SOURCES
International opportunity represents $1+ billion TAM with 5+ million tests in prioritized countries across EMEA and Asia Pacific	*UK:* iRhythm estimate. • UK Office for National Statistics; Hospital Episode Statistics, NHS Digital, 2019-2020 • UK Healthcare Market Review 33ed, LaingBuisson, 2021. Accessed 5 January 2022. • The UK private health market, Kings Fund, 2014. Accessed 5 January 2022. • NHS England and the Health and Social Care Information Centre, NHS Hospital Data and Datasets: A Consultation. Published July 22, 2013. • The Health and Social Care Information Centre, Hospital Episode Statistics (HES): Improving the quality and value of hospital data. Published 2011. *Prioritized EU countries:* iRhythm estimate. • Ohlrogge etc. Burden of Atrial Fibrillation and Flutter by National Income: Results From the Global Burden of Disease 2019 Database. *J Am Heart Assoc*. 2023;12:e030438; supplemental data tables https://www.ahajournals.org/doi/suppl/10.1161/JAHA.123.030438. • Global population and healthcare spend per capita, World Bank, 2019 and 2020. Accessed February 29, 2024. https://data.worldbank.org • The Burden of Cardiovascular Disease and Diabetes, OECD, 2011. Accessed 5 January 2022. • Federal Statistical Office of Germany and Gesundheitsberichterstattung; Dutch Healthcare Authority; Swedish ICD & Pacemaker Registry and Swedish Society for Clinical Physiology. *Japan:* • Irie, Shoichi and Hiroshi Tada. The Relationship between Holter Electrocardiography and Atrial Fibrillation Diagnosis Using Real-World Data in Japan: A Claims-Based Retrospective Study. *Int Heart J,* 2023; 64: 178-187. • Japan Ministry of Health Labor and Welfare.
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Sources

SLIDE	SOURCES
Significant adjacent market opportunities enabled by data linkages and artificial intelligence advantages (continued)	*Heart Failure Market Sizing* • Atrial fibrillation. (2020, September 9). Centers for Disease Control and Prevention. https://www.cdc.gov/heartdisease/atrial_fibrillation.htm • Dumitru, I. (2021, October 17). What is the mortality rate for heart failure? Latest Medical News, Clinical Trials, Guidelines - Today on Medscape. https://www.medscape.com/answers/163062-86190/what-is-the-mortality-rate-for-heart-failure • Gidding, S. S., Lloyd-Jones, D., Lima, J., Ambale-Venkatesh, B., Shah, S. J., Shah, R., Lewis, C. E., Jacobs, D. R., & Allen, N. B. (2019). Prevalence of American Heart Association heart failure stages in black and white young and middle-aged adults. Circulation: Heart Failure, 12(9). https://doi.org/10.1161/circheartfailure.118.005730 • Heart failure. (2020, September 9). Centers for Disease Control and Prevention. https://www.cdc.gov/heartdisease/heart_failure.htm • Ritchey, M. D., Wall, H. K., George, M. G., & Wright, J. S. (2020). US trends in premature heart disease mortality over the past 50 years: Where do we go from here? Trends in Cardiovascular Medicine, 30(6), 364-374. https://doi.org/10.1016/j.tcm.2019.09.005 • Savarese, G., & Lund, L. H. (2017). Global public health burden of heart failure. Cardiac failure review, 3(1), 7. https://doi.org/10.15420/cfr.2016:25:2 *Hypertension Market Sizing* • Bhalia, S., Pallangyo, P., Dalidali, A., Salum, S., Kawajika, R., Kajuna, E., Kusiima, H., Kifai, E., Kisenge, P., Waane, T., & Janabi, M. (2020). Burden and correlates of atrial fibrillation among hypertensive patients attending a tertiary hospital in Tanzania. BMC Cardiovascular Disorders, 20(1). https://doi.org/10.1186/s12872-020-01517-x • Facts about hypertension. (2020, September 8). Centers for Disease Control and Prevention. https://www.cdc.gov/bloodpressure/facts.htm • Hypertension prevalence in the U.S. tables | Million hearts®. (2021, March 22). Centers for Disease Control and Prevention. https://millionhearts.hhs.gov/data-reports/hypertension-prevalence-tables.html#Table1 • Krittayaphong, R., Rangsin, R., Thinkhamrop, B. et al. Prevalence and associating factors of atrial fibrillation in patients with hypertension: a nation-wide study. BMC Cardiovasc Disorders 16, 57 (2016). https://doi.org/10.1186/s12872-016-0232-4 • Lacruz, Maria E et al. “Prevalence and Incidence of Hypertension in the General Adult Population: Results of the CARLA-Cohort Study.” Medicine vol. 94,22 (2015): e952. doi:10.1097/MD.0000000000000952 • Rakicevic, M. (2020, December 17). 31 important sleep apnea statistics you should know in 2021. DisturbMeNot!. https://disturbmenot.co/sleep-apnea-statistics/ • Yotov, Y., Torbova, S., Ramshev, K., & Tisheva, S. (2016). Prevalence of atrial fibrillation in hypertensive subjects: what is more important – blood pressure values or duration of hypertension? Journal of Hypertension, 34, e204-e205. doi: 10.1097/01.hjh.0000491917.63899.23

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