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Close coverage of MASI, as of today's close, with the stock trading toward the high-end of our bull/bear valuation scenario

- For context, MASI shares returned ~50% (outperforming the S&P 500 and Russell 2000 indexes by ~18% and 24%, respectively) since our initial recommendation in August 2023.
- That said, with the shares trading toward the high-end of our bull/bear valuation scenario (and the primary management change and potential separation catalysts already announced) we prefer to maintain a disciplined approach and close coverage, as of today's market close (see Exhibit #1 on page 2).
- As always, we will continue to monitor shares for an opportunity to re-recommend if valuation shifts or incremental catalysts emerge, but we would note that if (and/or when) a tax-free spinoff of the consumer business is announced coverage will also be resumed by our colleagues at *The Spin-Off Report*.
- Just as an aside, while we will not continue to actively recommend MASI after today's market close we would point out, in the spirit of honest debate, that if core-MASI were to trade at its historical multiples post any potential separation (i.e., ~25x) and Sound United were simply worth its \$1.0575 billion purchase price one could reasonably calculate a fair value closer to ~\$185 per share (which is still well below its all-time highs north of ~\$300 per share and does not consider any potential legal settlements related to the on-going patent litigation regarding the Apple Watch or the potential impact from new product introductions).

UPDATE

Masimo Corporation NASDAQ: MASI

Publication Date:
November 22, 2024

Price: \$169.12/share

Market capitalization: ~\$9.2B

Healthcare: \$153 per share

Non-Healthcare: \$12.50 per share

Net Debt & Other: (\$8) per share

SOTP: \$158 per share*

*SOTP may not add due to rounding

(See the report dated 8/31/2023 and updates from 10/27/2023, 11/8/2023, 12/18/2023, 1/10/2024, 2/28/2024, 3/25/2024, 10/25/2024 and 11/6/2024 for more info.)

NOTE: This publication could be considered as advocating for corporate restructurings. Authors select companies for this report based on the potential for a future value-unlocking transaction. In many cases, these companies have or could come under activist investor pressure, media scrutiny, or general market speculation that a spin-off or asset sale is possible.



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Exhibit #1 Masimo Corporation: Sum-of-the-Parts Fair Value Estimate

(\$ in millions, except per share figures)

	<u>Healthcare</u>	<u>Non- Healthcare</u>	<u>Enterprise Value</u>	<u>Net Debt</u>	<u>Market Cap</u>
2024E Revenue	\$1,363.2	\$680.1			
Revenue growth est.	8.0%	0.0%			
2025E Revenue	\$1,472.2	\$680.1			
EBITDA margin	26.0%	11.4%			
2025E EBITDA	\$382.4	\$77.4		(\$430.5)	
Applied multiple	<u>22.5x</u>	<u>9.0x</u>		1.0x	
Enterprise value	\$8,603.7	\$696.7	\$9,300	(\$431)	\$8,870
Diluted shares	<u>56.2</u>	<u>56.2</u>		<u>56.2</u>	<u>56.2</u>
Per share basis	\$153.23	\$12.41		(\$7.67)	\$157.97
Bull	\$163.44	\$14.48		(\$7.67)	\$170.25
Base	\$153.23	\$12.41		(\$7.67)	\$157.97
Bear	\$143.01	\$10.34		(\$7.67)	\$145.68

Source: Company reports, Bloomberg, and Institutional Research Group estimates.