



**MASIMO CORPORATION**  
**SUPPLEMENTAL NON-GAAP INFORMATION**  
(unaudited in thousands, except per share amounts)

**RECONCILIATION OF GAAP NET INCOME TO NON-GAAP NET INCOME:**

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	YTD 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	YTD 2017	Q1 2018
GAAP net income, as previously reported	\$ 27,577	\$ 30,023	\$ 27,773	\$ 215,293	\$ 300,666	\$ 45,334	\$ 46,680	\$ 39,235	\$ 367	\$ 131,616	\$ 45,630
ASC 606 adjustments	2,102	(194)	2,473	6,050	10,431	6,199	(1,542)	(3,381)	(8,103)	(6,827)	-
GAAP net income, as adjusted <sup>(1)</sup>	29,679	29,829	30,246	221,343	311,097	51,533	45,138	35,854	(7,736)	124,789	45,630
Non-GAAP adjustments:											
Acquisition-related depreciation and amortization:											
Cost of goods sold	159	159	159	159	636	152	116	116	116	500	114
Operating expenses	274	274	274	275	1,097	275	274	274	274	1,097	246
Subtotal - acquisition-related depreciation and amortization	433	433	433	434	1,733	427	390	390	390	1,597	360
Litigation awards and damages:											
Operating expenses	-	-	-	(270,000)	(270,000)	-	-	-	-	-	-
Non-operating other (income) expense:											
Realized and unrealized foreign currency gains or losses	(891)	(1,456)	(293)	2,537	(103)	(557)	348	448	31	270	(1,113)
Tax impact of non-GAAP adjustments	(95)	(11)	(82)	84,002	83,814	(102)	(135)	(137)	(82)	(456)	120
Excess tax benefits from stock-based compensation	(1,010)	(4,091)	(2,638)	(5,263)	(13,002)	(15,147)	(15,079)	(4,867)	(4,148)	(39,241)	(3,148)
2017 U.S. Tax Reform <sup>(2)(3)</sup>	-	-	-	-	-	-	-	-	41,392	41,392	16
Total Tax Impact	(1,105)	(4,101)	(2,719)	78,740	70,812	(15,249)	(15,214)	(5,004)	37,161	1,694	(3,012)
Total non-GAAP net income adjustments	(1,563)	(5,125)	(2,580)	(188,290)	(197,558)	(15,379)	(14,476)	(4,166)	37,583	3,562	(3,765)
Non-GAAP net income	\$ 28,116	\$ 24,704	\$ 27,666	\$ 33,053	\$ 113,539	\$ 36,154	\$ 30,662	\$ 31,688	\$ 29,847	\$ 128,351	\$ 41,865
Net income per diluted share:											
GAAP net income per diluted share	\$ 0.57	\$ 0.57	\$ 0.56	\$ 4.09	\$ 5.85	\$ 0.93	\$ 0.80	\$ 0.64	\$ (0.15)	\$ 2.23	\$ 0.82
Non-GAAP net income per diluted share <sup>(4)</sup>	\$ 0.54	\$ 0.47	\$ 0.52	\$ 0.61	\$ 2.13	\$ 0.65	\$ 0.55	\$ 0.56	\$ 0.54	\$ 2.30	\$ 0.75

**RECONCILIATION OF GAAP NET INCOME PER DILUTED SHARE TO NON-GAAP NET INCOME PER DILUTED SHARE:**

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	YTD 2016 <sup>(5)(6)</sup>	Q1 2017	Q2 2017	Q3 2017	Q4 2017	YTD 2017 <sup>(6)</sup>	Q1 2018
GAAP net income per diluted share, as previously reported	\$ 0.53	\$ 0.57	\$ 0.52	\$ 3.97	\$ 5.65	\$ 0.82	\$ 0.83	\$ 0.70	\$ 0.01	\$ 2.36	\$ 0.82
ASC 606 adjustments	0.04	(0.00)	0.04	0.12	0.20	0.11	(0.03)	(0.06)	(0.16)	(0.13)	-
GAAP net income, as adjusted <sup>(1)</sup>	0.57	0.57	0.56	4.09	5.85	0.93	0.80	0.64	(0.15)	2.23	0.82
Non-GAAP adjustments:											
Acquisition-related depreciation and amortization	0.01	0.01	0.01	0.01	0.03	(0.00)	0.01	(0.00)	0.01	0.03	0.01
Realized and unrealized foreign currency gains or losses	(0.02)	(0.03)	(0.00)	0.04	(0.01)	(0.01)	0.01	0.01	0.00	0.01	(0.02)
Litigation awards and damages	-	-	-	(4.98)	(5.08)	-	-	-	-	-	-
Tax Impact of Pre-Tax Non-GAAP Adjustment	(0.00)	(0.00)	(0.00)	1.55	1.58	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	0.00
Excess tax benefits from stock-based compensation	(0.02)	(0.08)	(0.05)	(0.10)	(0.24)	(0.27)	(0.27)	(0.09)	(0.07)	(0.70)	(0.06)
2017 U.S. Tax Reform <sup>(2)(3)</sup>	-	-	-	-	-	-	-	-	0.74	0.74	0.00
Total non-GAAP net income per diluted share adjustments	(0.03)	(0.10)	(0.04)	(3.48)	(3.72)	(0.28)	(0.25)	(0.08)	0.68	0.07	(0.07)
Anti-dilutive effect given the net loss (basic and diluted EPS are the same) in the period	-	-	-	-	-	-	-	-	0.01	-	-
Non-GAAP net income per diluted share	\$ 0.54	\$ 0.47	\$ 0.52	\$ 0.61	\$ 2.13	\$ 0.65	\$ 0.55	\$ 0.56	\$ 0.54	\$ 2.30	\$ 0.75

**RECONCILIATION OF GAAP PRODUCT REVENUE TO NON-GAAP PRODUCT REVENUE:**

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	YTD 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	YTD 2017	Q1 2018
GAAP product revenue	\$ 163,290	\$ 164,607	\$ 160,286	\$ 175,663	\$ 663,846	\$ 178,097	\$ 182,802	\$ 181,271	\$ 199,154	\$ 741,324	\$ 204,389
ASC 606 adjustments	4,872	395	4,839	10	10,116	4,369	(3,075)	(1,575)	(2,801)	(3,082)	-
GAAP product revenue, as adjusted <sup>(1)</sup>	168,162	165,002	165,125	175,673	673,962	182,466	179,727	179,696	196,353	738,242	204,389
Non-GAAP adjustments:											
None	-	-	-	-	-	-	-	-	-	-	-
Total non-GAAP product revenue adjustments	-	-	-	-	-	-	-	-	-	-	-
Non-GAAP Product revenue	\$ 168,162	\$ 165,002	\$ 165,125	\$ 175,673	\$ 673,962	\$ 182,466	\$ 179,727	\$ 179,696	\$ 196,353	\$ 738,242	\$ 204,389

**RECONCILIATION OF GAAP TOTAL REVENUE TO NON-GAAP TOTAL REVENUE:**

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	YTD 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	YTD 2017	Q1 2018
GAAP total revenue	\$ 171,167	\$ 172,636	\$ 167,621	\$ 183,201	\$ 694,625	\$ 186,302	\$ 192,933	\$ 193,692	\$ 225,181	\$ 798,108	212,953
ASC 606 adjustments	4,872	395	4,839	8,167	18,273	10,341	(628)	(332)	(17,241)	(7,860)	-
GAAP total revenue, as adjusted <sup>(1)</sup>	176,039	173,031	172,460	191,368	712,898	196,643	192,305	193,360	207,940	790,248	212,953
Non-GAAP adjustments:											
None	-	-	-	-	-	-	-	-	-	-	-
Total non-GAAP revenue adjustments	-	-	-	-	-	-	-	-	-	-	-
Non-GAAP revenue	\$ 176,039	\$ 173,031	\$ 172,460	\$ 191,368	\$ 712,898	\$ 196,643	\$ 192,305	\$ 193,360	\$ 207,940	\$ 790,248	\$ 212,953

**RECONCILIATION OF GAAP GROSS PROFIT TO NON-GAAP GROSS PROFIT:**

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	YTD 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	YTD 2017	Q1 2018
GAAP gross profit, as previously reported:											
Product gross profit	\$ 106,336	\$ 107,106	\$ 102,787	\$ 116,791	\$ 433,020	\$ 115,929	\$ 118,372	\$ 116,890	\$ 130,006	\$ 481,197	\$ 135,271
Royalty and other revenue gross profit	7,877	8,029	7,335	7,538	30,779	8,205	10,065	11,775	23,858	53,903	8,390
Total GAAP gross profit	114,213	115,135	110,122	124,329	463,799	124,134	128,437	128,665	153,864	535,100	143,661
ASC 606 adjustments:											
Product gross profit	3,983	169	3,873	33	8,058	3,499	(3,258)	(5,514)	(2,277)	(7,550)	-
Royalty & other revenue gross profit	-	-	-	6,481	6,481	4,781	1,721	915	(12,935)	(5,518)	-
GAAP gross profit, as adjusted <sup>(1)</sup>	118,196	115,304	113,995	130,843	478,338	132,414	126,900	124,066	138,652	522,032	143,661
GAAP product gross profit %	65.6%	65.0%	64.6%	66.5%	65.4%	65.5%	64.0%	62.0%	65.1%	64.2%	66.2%
GAAP total gross profit %	67.1%	66.6%	66.1%	68.4%	67.1%	67.3%	66.0%	64.2%	66.7%	66.1%	67.5%
Non-GAAP product gross profit adjustments:											
Acquisition-related depreciation and amortization	159	159	159	159	636	152	116	116	116	500	115
Non-GAAP gross profit											
Product gross profit	110,478	107,434	106,819	116,983	441,714	119,580	115,230	111,492	127,845	474,147	135,386
Royalty and other revenue gross profit	7,877	8,029	7,335	14,019	37,260	12,986	11,786	12,690	10,923	48,385	8,390
Total Non-GAAP gross profit	\$ 118,355	\$ 115,463	\$ 114,154	\$ 131,002	\$ 478,974	\$ 132,566	\$ 127,016	\$ 124,182	\$ 138,768	\$ 522,532	\$ 143,776
Non-GAAP product gross profit %	65.7%	65.1%	64.7%	66.6%	65.5%	65.5%	64.1%	62.0%	65.1%	64.2%	66.2%
Non-GAAP total gross profit %	67.2%	66.7%	66.2%	68.5%	67.2%	67.4%	66.0%	64.2%	66.7%	66.1%	67.5%

**RECONCILIATION OF GAAP OPERATING INCOME TO NON-GAAP OPERATING INCOME:**

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	YTD 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	YTD 2017	Q1 2018
GAAP operating income, as previously reported	\$ 37,337	\$ 36,429	\$ 36,604	\$ 310,400	\$ 420,770	\$ 43,195	\$ 46,868	\$ 47,975	\$ 59,323	\$ 197,361	\$ 53,885
ASC 606 adjustments	3,256	(323)	3,861	8,381	15,175	8,956	(3,019)	(4,913)	(14,597)	(13,573)	-
GAAP operating income, as adjusted <sup>(1)</sup>	40,593	36,106	40,465	318,781	435,945	52,151	43,849	43,062	44,726	183,788	53,885
Non-GAAP adjustments:											
Acquisition-related depreciation and amortization	433	433	433	434	1,733	427	390	390	390	1,597	360
Litigation awards and damages	-	-	-	(270,000)	(270,000)	-	-	-	-	-	-
Total non-GAAP operating income adjustments	433	433	433	(269,566)	(268,267)	427	390	390	390	1,597	360
Non-GAAP operating income	\$ 41,026	\$ 36,539	\$ 40,898	\$ 49,215	\$ 167,678	\$ 52,578	\$ 44,239	\$ 43,452	\$ 45,116	\$ 185,385	\$ 54,245

**RECONCILIATION OF GAAP OPERATING EXPENSES TO NON-GAAP OPERATING EXPENSES:**

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	YTD 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	YTD 2017	Q1 2018
GAAP selling, general and administrative operating expenses, as previously reported	\$ 62,511	\$ 63,888	\$ 57,845	\$ 69,423	\$ 253,667	\$ 65,572	\$ 66,377	\$ 65,390	\$ 78,447	\$ 275,786	\$ 71,175
ASC 606 adjustments	728	492	12	(192)	1,040	515	292	314	(614)	507	-
GAAP selling, general and administrative operating expenses, as adjusted <sup>(1)</sup>	63,239	64,380	57,857	69,231	254,707	66,087	66,669	65,704	77,833	276,293	71,175
Non-GAAP adjustments:											
Acquisition-related depreciation and amortization	(274)	(274)	(274)	(274)	(1,096)	(275)	(274)	(274)	(274)	(1,097)	(246)
Non-GAAP selling, general and administrative operating expenses	\$ 62,965	\$ 64,106	\$ 57,583	\$ 68,957	\$ 253,611	\$ 65,812	\$ 66,395	\$ 65,430	\$ 77,559	\$ 275,196	\$ 70,929
GAAP research and development operating expenses, as previously reported	\$ 14,365	\$ 14,818	\$ 15,673	\$ 14,506	\$ 59,362	\$ 15,367	\$ 15,192	\$ 15,300	\$ 16,094	\$ 61,953	\$ 18,601
ASC 606 adjustments	-	-	-	(1,676)	(1,676)	(1,191)	1,191	-	-	-	-
GAAP research and development operating expenses, as adjusted <sup>(1)</sup>	14,365	14,818	15,673	12,830	57,686	14,176	16,383	15,300	16,094	61,953	18,601
Non-GAAP adjustments:											
Acquisition-related depreciation and amortization	(0)	(0)	(0)	(1)	(1)	(0)	(0)	(0)	(0)	(0)	-
Non-GAAP research and development operating expenses	\$ 14,365	\$ 14,818	\$ 15,673	\$ 12,829	\$ 57,685	\$ 14,176	\$ 16,383	\$ 15,300	\$ 16,094	\$ 61,953	\$ 18,601
GAAP litigation settlement, award and/or defense costs	\$ -	\$ -	\$ -	\$ (270,000)	\$ (270,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-GAAP adjustments:											
Litigation awards and damages	-	-	-	270,000	270,000	-	-	-	-	-	-
Non-GAAP litigation settlement, award and/or defense costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total non-GAAP operating expenses	\$ 77,330	\$ 78,924	\$ 73,256	\$ 81,786	\$ 311,296	\$ 79,988	\$ 82,778	\$ 80,730	\$ 93,653	\$ 337,149	\$ 89,530

**RECONCILIATION OF GAAP NON-OPERATING INCOME (EXPENSE) TO NON-GAAP NON-OPERATING INCOME (EXPENSE):**

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	YTD 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	YTD 2017	Q1 2018
GAAP non-operating income (expense), as previously reported	\$ 498	\$ 471	\$ (546)	\$ (2,852)	\$ (2,429)	\$ 874	\$ 158	\$ 287	\$ 694	\$ 2,013	\$ 1,647
Non-GAAP adjustments:											
Realized and unrealized foreign currency gains or losses	(891)	(1,456)	(293)	2,537	(103)	(557)	348	448	31	270	(1,113)
Non-GAAP non-operating income (expense)	\$ (393)	\$ (985)	\$ (839)	\$ (315)	\$ (2,532)	\$ 317	\$ 506	\$ 735	\$ 725	\$ 2,283	\$ 534

**RECONCILIATION OF GAAP PROVISION FOR INCOME TAXES TO NON-GAAP PROVISION FOR INCOME TAXES:**

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	YTD 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	YTD 2017	Q1 2018
GAAP provision for income taxes, as previously reported	\$ 10,258	\$ 6,877	\$ 8,285	\$ 92,255	\$ 117,675	\$ (1,265)	\$ 346	\$ 9,027	\$ 59,650	\$ 67,758	\$ 9,902
ASC 606 adjustments	1,154	(129)	1,388	2,331	4,744	2,757	(1,477)	(1,532)	(6,495)	(6,747)	-
GAAP provision for income taxes, as adjusted <sup>(1)</sup>	11,412	6,748	9,673	94,586	122,419	1,492	(1,131)	7,495	53,155	61,011	9,902
Non-GAAP adjustments:											
Excess tax benefits from stock-based compensation	1,010	4,091	2,638	5,263	13,002	15,147	15,079	4,867	4,148	39,241	3,148
Tax impact of pre-tax non-GAAP adjustments	95	11	82	(84,002)	(83,814)	102	135	137	82	456	(120)
2017 U.S. Tax Reform <sup>(2)(3)</sup>	-	-	-	-	-	-	-	-	(41,392)	(41,392)	(16)
Total non-GAAP provision for income tax adjustments	1,105	4,102	2,720	(78,739)	(70,812)	15,249	15,214	5,004	(37,162)	(1,695)	3,012
Non-GAAP provision for income taxes	\$ 12,517	\$ 10,850	\$ 12,393	\$ 15,847	\$ 51,607	\$ 16,741	\$ 14,083	\$ 12,499	\$ 15,993	\$ 59,316	\$ 12,914

**RECONCILIATION OF EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION TO ADJUSTED EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION:**

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	YTD 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	YTD 2017	Q1 2018
GAAP net income, as previously reported	\$ 27,577	\$ 30,023	\$ 27,773	\$ 215,293	\$ 300,666	\$ 45,334	\$ 46,680	\$ 39,235	\$ 367	\$ 131,616	\$ 45,630
ASC 606 adjustments	2,102	(194)	2,473	6,050	10,431	6,199	(1,542)	(3,381)	(8,103)	(6,827)	-
GAAP net income, as adjusted <sup>(1)</sup>	29,679	29,829	30,246	221,343	311,097	51,533	45,138	35,854	(7,736)	124,789	45,630
Other (income) expense	(498)	(471)	546	2,852	2,429	(874)	(158)	(287)	(694)	(2,013)	(1,647)
Provision for income taxes	11,412	6,748	9,673	94,586	122,419	1,492	(1,131)	7,495	53,155	61,011	9,902
Depreciation and amortization	4,051	4,081	4,223	4,462	16,817	4,736	4,726	4,922	5,677	20,061	5,241
Earnings before interest, tax, depreciation and amortization	44,644	40,187	44,688	323,243	452,762	56,887	48,575	47,984	50,402	203,848	59,126
Litigation awards and damages	-	-	-	(270,000)	(270,000)	-	-	-	-	-	-
Non-cash stock based compensation	3,026	3,178	3,489	2,810	12,503	2,889	3,253	5,052	5,993	17,187	5,332
Adjusted earnings before interest, tax, depreciation and amortization	\$ 47,670	\$ 43,365	\$ 48,177	\$ 56,053	\$ 195,265	\$ 59,776	\$ 51,828	\$ 53,036	\$ 56,395	\$ 221,035	\$ 64,458
Adjusted earnings before interest, tax, depreciation and amortization %	27.1%	25.1%	27.9%	29.3%	27.4%	30.4%	27.0%	27.4%	27.1%	28.0%	30.3%

**RECONCILIATION OF EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION TO ADJUSTED EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION AS A PERCENTAGE:**

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	YTD 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	YTD 2017	Q1 2018
GAAP net income as a percentage, as previously reported	15.7%	17.4%	16.1%	112.5%	42.2%	23.1%	24.3%	20.3%	0.2%	16.7%	21.4%
ASC 606 adjustments	1.2%	1.2%	1.2%	1.2%	1.5%	3.1%	(0.8%)	(1.7%)	(3.9%)	(0.9%)	0.0%
GAAP net income, as adjusted <sup>(1)</sup>	16.9%	17.3%	17.5%	115.7%	43.7%	26.2%	23.5%	18.6%	(3.7%)	15.8%	21.4%
Other (income) expense	(0.3%)	(0.3%)	0.3%	1.5%	0.3%	(0.4%)	(0.1%)	(0.1%)	(0.3%)	(0.3%)	(0.8%)
Provision for income taxes	6.5%	3.9%	5.6%	49.4%	17.2%	0.8%	(0.6%)	3.9%	25.6%	7.7%	4.6%
Depreciation and amortization	2.3%	2.4%	2.4%	2.3%	2.4%	2.4%	2.5%	2.5%	2.6%	2.5%	2.4%
Earnings before interest, tax, depreciation and amortization	25.4%	23.3%	25.8%	168.9%	63.6%	29.0%	25.4%	24.9%	24.1%	25.8%	27.7%
Litigation awards and damages	0.0%	0.0%	0.0%	(141.1%)	(37.9%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-cash stock based compensation	1.7%	1.7%	2.1%	1.5%	1.7%	1.4%	1.6%	2.5%	2.9%	2.2%	2.6%
Adjusted earnings before interest, tax, depreciation and amortization	27.1%	25.1%	27.9%	29.3%	27.4%	30.4%	27.0%	27.4%	27.1%	28.0%	30.3%

<sup>(1)</sup> Certain information presented for periods ending prior to December 31, 2017 have been adjusted to reflect the full retrospective application of the new revenue accounting standard, Accounting Standards Update (ASU) No. 2014-09, Revenue (Topic 606): Revenue from Contracts with Customers (ASU 2014-09).

<sup>(2)</sup> As previously reported in February 2018, the 2017 Tax Act resulted in an unfavorable charge of \$43.5 million in the fourth quarter of 2017. The amount recognized was a provisional estimate and subject to change, possibly materially, due to, among other things, refinements of the Company's calculations, changes in interpretations and assumptions the Company has made or additional guidance issued by the U.S. Treasury, Securities and Exchange Commission or Financial Accounting Standards Board.

<sup>(3)</sup> Includes adjustments related to the full retrospective application of ASC 606 of \$2.1 million, or \$0.4 per diluted share.

<sup>(4)</sup> In the period of a net loss, diluted net loss per share excludes the effects of common stock equivalents that are anti-dilutive.

<sup>(5)</sup> Due to the significant impact of the Philips Settlement Agreement on the fourth quarter results, the sum of the diluted earnings per share numbers for each quarter will not equal the diluted earnings per share number for the entire year.

<sup>(6)</sup> The sum of each quarter may not equal the entire year due to rounding.