



# Q4 2016 Financial Results

(unaudited)

Supplemental information to earnings release  
February 7, 2017

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# Forward-looking statements

Any statements in this presentation about future expectations, plans and prospects for Cynosure, Inc., including Cynosure's expectations with respect to timing and success of product launches and expansions, regulatory clearances and international registrations, as well as other statements containing the words, "believes," "looks forward," "anticipates," "plans," "expects," "will" and similar expressions, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by such forward-looking statements as a result of various important factors, including the market price of Cynosure's stock prevailing from time to time, the nature of other investment opportunities presented to the Company from time to time, the Company's cash flow from operations, levels of demand for procedures performed with Cynosure products and for Cynosure products themselves, competition in the aesthetic laser industry, general business and economic conditions, effects of acquisitions that Cynosure has made or may make, Cynosure's ability to develop and commercialize new products, Cynosure's reliance on sole source suppliers, the inability to accurately predict the timing or outcome of regulatory decisions, and economic, market, technological and other factors described in Item 1A of Part II (Risk Factors) of Cynosure's Quarterly Report on Form 10-Q for the three months ended September 30, 2016. In addition, the forward-looking statements included in this presentation represent Cynosure's views as of the date of this presentation. Cynosure anticipates that subsequent events and developments will cause its views to change. However, although Cynosure may elect to update these forward-looking statements at some point in the future, it specifically disclaims any obligation to do so. These forward-looking statements should not be relied upon as representing Cynosure's views as of any date after the date of this presentation.

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# Non-GAAP financial measures

To supplement our consolidated financial statements presented in accordance with GAAP, Cynosure uses non-GAAP gross profit, non-GAAP income from operations, non-GAAP net income and non-GAAP diluted net income per share. The presentation of this financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP. The non-GAAP financial measures included in this press release exclude costs associated with the acquisitions and amortization of intangible assets acquired, unrealized foreign exchange losses and the TCPA litigation settlement agreement for the three and twelve months ended December 31, 2016 and 2015. This exclusion may be different from, and therefore not comparable to, similar measures used by other companies.

Cynosure's management believes that the non-GAAP financial measures provide meaningful supplemental information regarding our performance by excluding the acquisition-related costs, amortization and foreign exchange costs that may not be indicative of our core business operating results. Cynosure believes that both management and investors benefit from referring to the non-GAAP financial measures in assessing Cynosure's performance and when planning, forecasting and analyzing future periods. The non-GAAP financial measures also facilitate management's internal comparisons to Cynosure's historical performance and our competitors' operating results. Cynosure believes that the non-GAAP measures are useful to investors in allowing for greater transparency with respect to supplemental information used by management in our financial and operational decision making.

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## Successfully executed on our growth strategy in Q4 2016

- > 28th consecutive quarter of year-over-year top-line growth
- > Increasing penetration in non-core aesthetic market
- > Record SculpSure placements and increasing PAC reorders in Q4
- > Second-highest number of MonaLisa Touch systems installed in Q4
- > \$25.2 million in net cash provided by operating activities

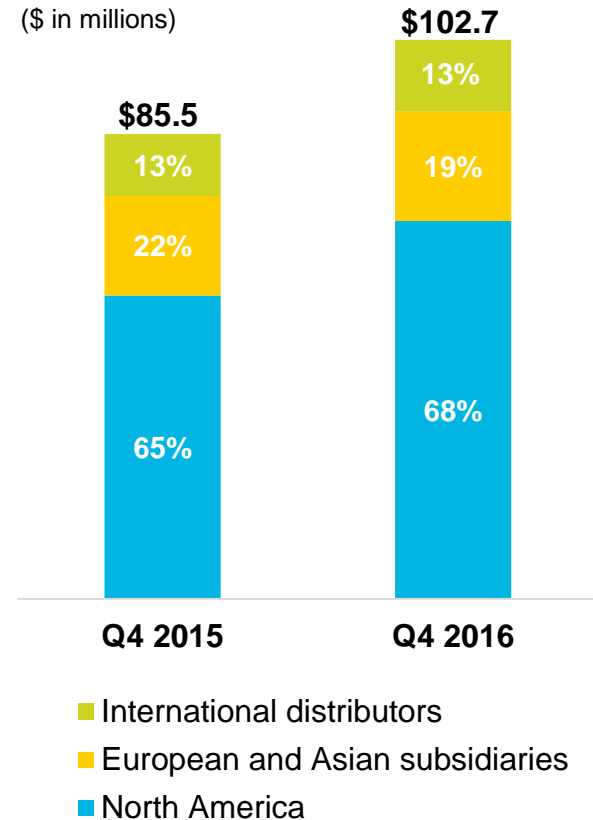
# Record revenue with contributions across multiple platforms

## Q4 2016 financial highlights

- > Record total revenue of \$122.1 million, up 19% YoY
- > Product revenue up 20% to \$102.7 million
- > GAAP gross profit up 22% to \$72.0 million
- > GAAP gross margin of 59.0%, +140 basis points year-on-year; Non-GAAP gross margin of 60.2%, +110 bps<sup>(1)</sup>
- > Diluted EPS of \$0.09; Non-GAAP EPS of \$0.44<sup>(1)</sup>

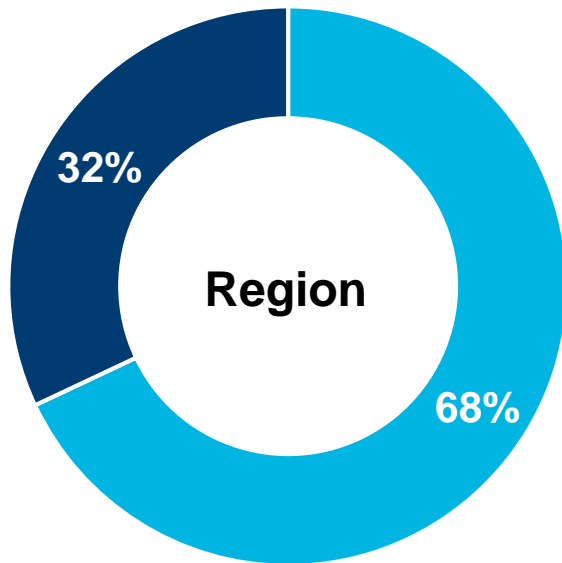
<sup>(1)</sup> Non-GAAP financial measure; please see presentation Appendix for reconciliation.

## Q4 product revenue (by region)



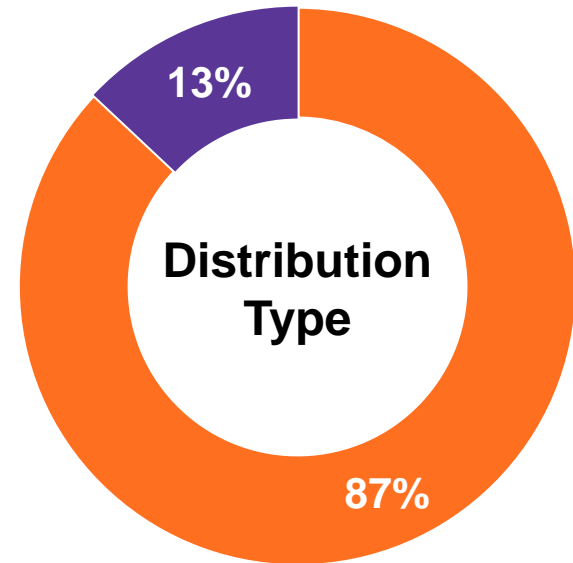
# Fourth-quarter 2016 product revenue \$102.7 million, up 20% year-over-year

**International**  
\$33.2 million



**North America**  
\$69.5 million

**Distributor**  
\$13.1 million



**Direct**  
\$89.6 million

# Fourth-quarter 2016 product revenue by channel

North America    European Subs    Asian Subs    International Distr.

\$69.5M

\$7.4M

\$12.8M

\$13.1M

Percentage changes from Q4 2015

+24%

+8%

+12%

+15%

## Key Performance Drivers

**SculpSure:** continued strong adoption in North America; EU rollout underway

**PicoSure:** further traction in Asia

**MonaLisa Touch:** good momentum in non-core market, with over 85% of sales to new customers

**Icon Aesthetic System:** another solid performance in Q4

Totals may not add due to rounding

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# What's driving the aesthetic market?

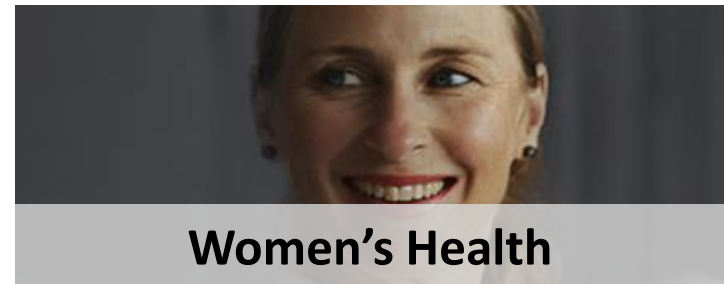
- > **Physicians are focused on expanding cash-pay procedures**
  - Reduces reliance on insurance-paid medicine
  - Creates new recurring revenue stream
  - Generates higher profitability and requires less overhead
  
- > **Aging population, baby boomers driving aesthetic procedures**
  - +\$13.5B spent in the US in 2015<sup>(1)</sup>
  - Non-invasive fat reduction is fastest-growing category

<sup>(1)</sup>American Society for Aesthetic Plastic Surgery



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# We are focused on significant and growing market categories



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# Growth strategy combines organic initiatives with disciplined M&A

## Organic Innovation

Launch new products and technologies

Target fast-growing, unmet aesthetic areas

Expand regulatory clearances

Pursue new indications

## Disciplined M&A

Complementary product offerings

Integrated distribution networks

Strong return on investment

# Full-year 2016 highlights

28% revenue growth year-over-year

**\$433.5M**

Revenue

**\$237.8M**

Cash and  
Investments

**\$45.0M**

Net Cash from  
Operations

**\$0**

Term  
Debt

*As of and for the 12 months ended December 31, 2016*

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## Our near-term business priorities

Submit 510(k) to the FDA in Q217 requesting expanded clearances for SculpSure

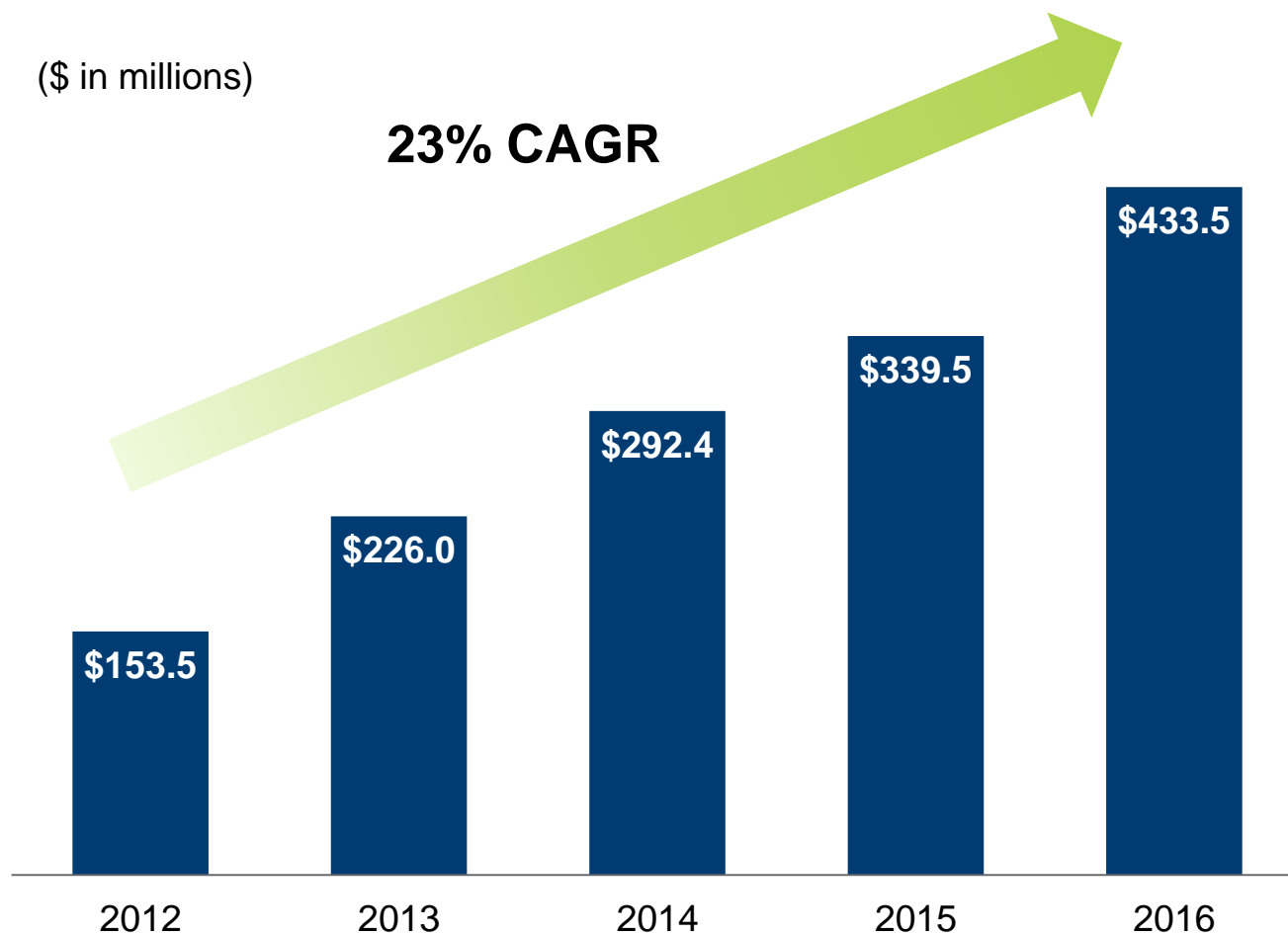
Continue international rollout of SculpSure

Expand clinical validation for MonaLisa Touch through ongoing work with medical centers and KOLs

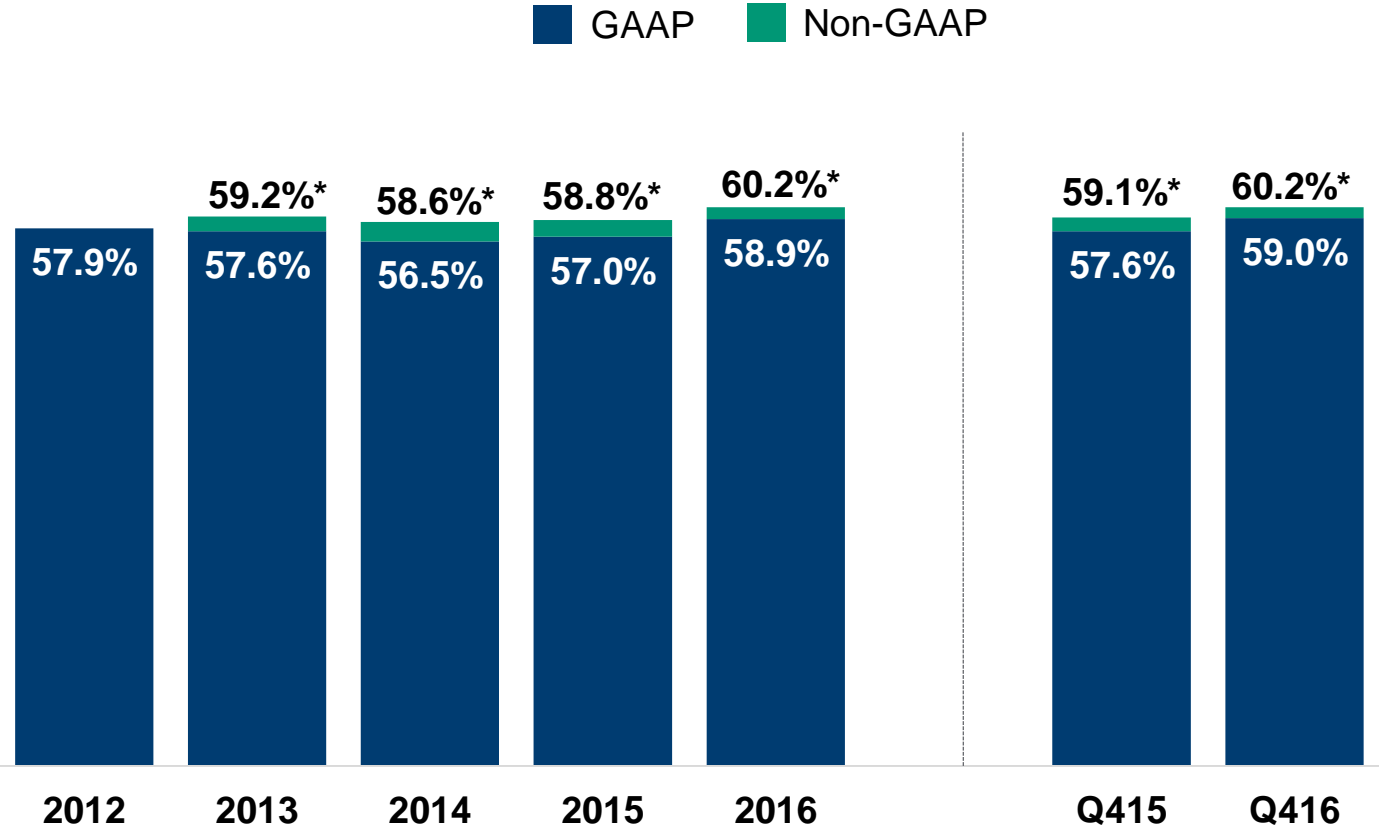
Secure new international regulatory clearances for our products

Launch new flagship product toward the end of 2017

# 5-year revenues



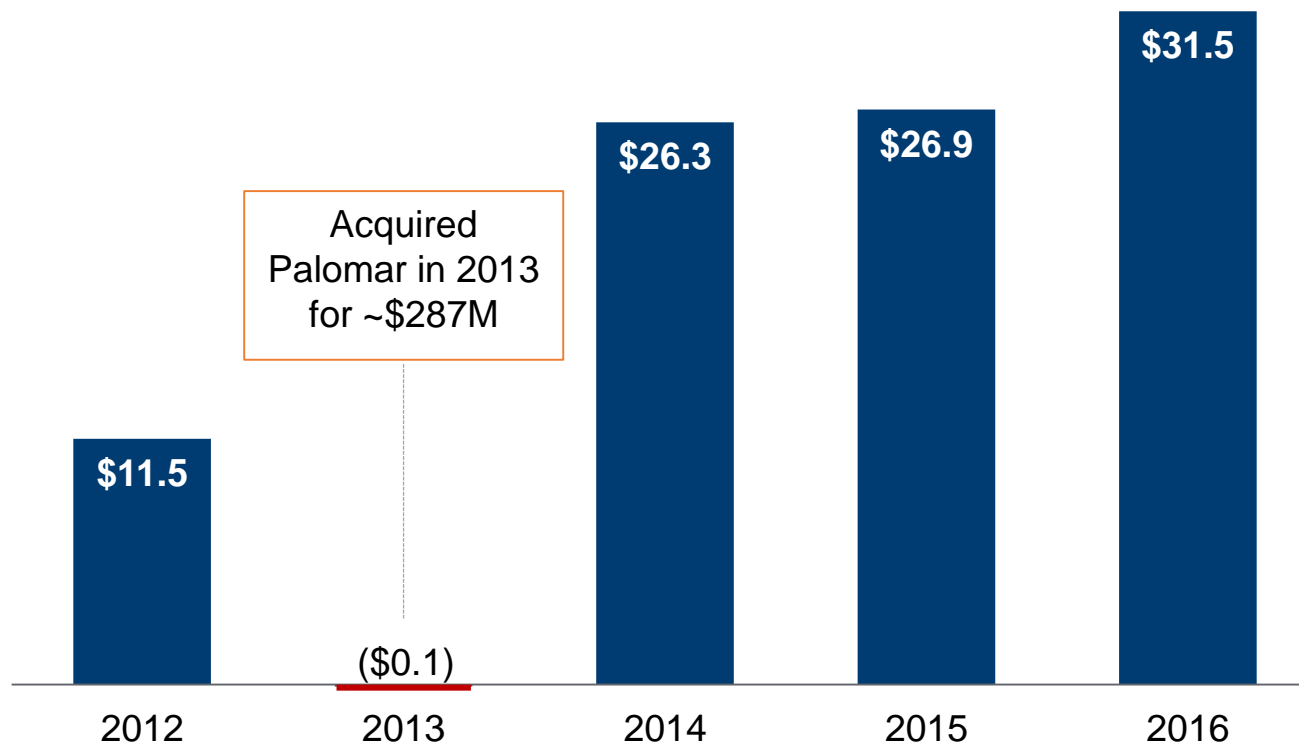
# 5-year gross margins



*\*Non-GAAP gross margin excludes costs associated with the acquisitions and intangible assets acquired, as well as unrealized foreign exchange gains or losses. Please refer to Appendix for reconciliation of gross margin to Non-GAAP gross profit/percentage.*

# 5-year free cash flows\*

(\$ in millions)



*\*Free cash flow is a non-GAAP measure defined as net cash from operating activities minus capital expenditures. Please refer to the Appendix (Slide 22) for reconciliation of net cash from operating activities to free cash flow.*

# Q4 2016 operating results (unaudited)

(in millions, except margin, shares outstanding and per share data)	Q4 2016 GAAP	y/y change	Q4 2016 Non-GAAP <sup>(1)</sup>	y/y change
Revenues	\$122.1	+19%	\$122.1	+19%
Gross profit	\$72.0	+22%	\$73.5	+21%
Gross margin %	59.0%	+1.4 pts	60.2%	+1.1 pts
Total operating expenses	\$65.8 <sup>(2)</sup>	+39%	\$57.9	+25%
Operating expenses as % of revenue	54% <sup>(2)</sup>	7.8 pts	47%	2.1 pts
Income from operations	\$6.2 <sup>(2)</sup>	(47%)	\$15.6	+10%
Operating margin %	5.1% <sup>(2)</sup>	(6.4 pts)	12.7%	(1.1 pts)
Net income	\$2.1 <sup>(2)</sup>	(71%)	\$10.6	+11%
Net income per share diluted	\$0.09 <sup>(2)</sup>	(72%)	\$0.44	+5%
Diluted weighted avg. shares o/s (000)	24,002	988	24,002	988

<sup>(1)</sup>Please see presentation Appendix for reconciliation.

<sup>(2)</sup>Q4 2016 GAAP results included \$7.2 million of expenses recorded in connection with the TCPA litigation settlement agreement described in Cynosure's Current Report on Form 8-K filed on January 27, 2017, intangible asset amortization and foreign exchange losses.



## Strong liquidity

\$45.0 million in cash flow from operations for full-year 2016

(\$ in millions)	12/31/2016	12/31/2015
Cash, cash equivalents, marketable securities and short-term investments	\$237.8	\$182.8
Total assets	585.7	534.6
Total liabilities	129.0	130.2
Stockholders' equity	\$456.7	\$404.4

# Strong and sustainable strategic advantages



**Innovation** rooted in clinical science of energy-based aesthetic systems



**Proven clinical results** across the industry's broadest product portfolio



**Unparalleled** global direct sales organization



Product breadth creates multiple **cross-selling opportunities**



Unique **SculpSure** infrastructure drives utilization and recurring revenue



Entry into **women's health** provides greenfield growth opportunity

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# Appendix

# Reconciliation of GAAP Income Statement Measures to Non-GAAP Income Statement Measures (Unaudited)

(In thousands, except per share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
<b>Gross profit</b>	\$ 72,024	\$ 59,000	\$ 255,311	\$ 193,534
Non-GAAP adjustments to gross profit:				
Costs associated with amortization	1,451	1,554	5,815	6,215
Total Non-GAAP adjustments to gross profit	1,451	1,554	5,815	6,215
<b>Non-GAAP Gross profit dollars</b>	\$ 73,475	\$ 60,554	\$ 261,126	\$ 199,749
<b>Non-GAAP Gross profit percentage</b>	60.2%	59.1%	60.2%	58.8%
	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
<b>Income from operations</b>	\$ 6,227	\$ 11,792	\$ 29,340	\$ 26,321
Non-GAAP adjustments to income from operations:				
Costs associated with acquisitions and amortization	2,134	2,336	8,554	9,962
Costs associated with TCPA litigation settlement agreement	7,209	-	7,209	-
Total Non-GAAP adjustments to income from operations	9,343	2,336	15,763	9,962
<b>Non-GAAP Income from operations</b>	\$ 15,570	\$ 14,128	\$ 45,103	\$ 36,283

# Reconciliation of GAAP Income Statement Measures to Non-GAAP Income Statement Measures (Unaudited)

(In thousands, except per share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
<b>Net income</b>	\$ 2,073	\$ 7,227	\$ 15,423	\$ 15,807
Non-GAAP adjustments to net income:				
Costs associated with acquisitions and amortization	2,134	2,336	8,554	9,962
Costs associated with TCPA litigation settlement agreement	7,209	-	7,209	-
Unrealized foreign exchange loss	1,465	48	798	1,770
Income tax effect of Non-GAAP adjustments	(2,247)	(15)	(1,532)	(3,087)
Total Non-GAAP adjustments to net income	8,561	2,369	15,029	8,645
<b>Non-GAAP net income</b>	\$ 10,634	\$ 9,596	\$ 30,452	\$ 24,452
	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
<b>Diluted net income per share</b>	\$ 0.09	\$ 0.31	\$ 0.65	\$ 0.70
Costs associated with acquisitions and amortization	0.08	0.10	0.36	0.44
Costs associated with TCPA litigation settlement agreement	0.30	-	0.30	-
Unrealized foreign exchange loss	0.06	0.01	0.03	0.08
Income tax effect of Non-GAAP adjustments	(0.09)	-	(0.06)	(0.14)
Total Non-GAAP adjustments to net income	0.35	0.11	0.63	0.38
<b>Non-GAAP diluted net income per share</b>	\$ 0.44	\$ 0.42	\$ 1.28	\$ 1.08
Weighted average shares used to compute GAAP diluted net income per share	24,002	23,014	23,706	22,658
Weighted average shares used to compute Non-GAAP diluted net income per share	24,002	23,014	23,706	22,658

## Reconciliation of GAAP Income Statement Measures to Non-GAAP Income Statement Measures (Unaudited)

(\$ in millions)	FY12	FY13	FY14	FY15	FY16
Net cash from operating activities	\$14.6	\$3.4	\$42.1	\$37.7	\$45.0
Capital expenditures	(3.1)	(3.5)	(15.8)	(10.8)	(13.5)
Free cash flow	\$11.5	\$(0.1)	\$26.3	\$26.9	\$31.5



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