



# STRATA

SKIN SCIENCES

**Driving Value to Dermatology Partners**

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Matching Patients with Clinics

**Investor Presentation**

January 2021

# Safe Harbor Statement

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This presentation includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks, uncertainties and other factors. All statements other than statements of historical fact are statements that are deemed to be forward-looking statements, including any statements of the plans, strategies and objectives of management for future operations, any statements regarding revenue growth, ability to develop social media marketing campaigns, product development, product extensions, product integration or product marketing, the Company’s ability to develop a business for home-based treatment of skin diseases, any statements regarding continued compliance with government regulations, changing legislation, insurance or regulatory environments; any statements of expectation or belief and any statements of assumptions underlying any of the foregoing; any risks and uncertainties related to successfully integrating the products and employees of the Company, as well as the ability to ensure continued regulatory compliance, performance and/or market growth and any impact from the length and severity of the COVID-19 pandemic. These risks, uncertainties and other factors, and the general risks associated with the businesses of the Company described in the reports and other documents filed with the SEC, could cause actual results to differ materially from those referred to, implied or expressed in the forward-looking statements. The Company cautions readers not to rely on these forward-looking statements. All forward-looking statements are based on information currently available to the Company and are qualified in their entirety by this cautionary statement. The Company anticipates that subsequent events and developments will cause its views to change. The information contained in this presentation speaks as of the date hereof and the Company has and undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.



## A Win-Win-Win Company

- For patients: safest, most effective treatment, no side effects
- For clinics: stable increased revenue base
- For payers: the least expensive treatment available

## Large Market Opportunity

- 31 Million lives in the U.S.: \$6 Billion annual revenue<sup>1</sup>
- Excimer Treatment modality use growing > 25% per year<sup>2</sup>
- Reimbursement: 3 unique CPT codes

## Unique and Proven Business Model

- Providing “business in a box” for dermatology practices
- Growing Install base: low hanging fruit
- Driving domestic + OUS recurring revenue model

# Large Unmet Need in Common and Chronic Dermatologic Conditions



**PSORIASIS**



**VITILIGO**



**ATOPIC DERMATITIS**

**PSORIASIS:** Autoimmune disease that causes the skin to regenerate faster than normal rates characterized by red, itchy scaly patches (65% Mild; 25% Moderate; 10% Severe)

*~8 Million patients in the U.S.<sup>3</sup>*

**VITILIGO:** Autoimmune condition due to a loss of melanocytes characterized by patches of skin losing its pigment

*~5 Million patients in the U.S.<sup>4</sup>*

**ATOPIC DERMATITIS:** Inflammatory condition characterized by red and itchy skin that flares-up periodically

*~18 Million patients in the U.S.<sup>5</sup>*

# Treatment Options Addressing Chronic Dermatologic Conditions<sup>6</sup>

			NB-UVB*	Topical Steroids	Non-biologic Systemics	Biologics
Approximate Costs (\$)	<b>Cost competitive</b>	1K-3K	3K-9K	1K -7K	1K	32K-68K
Clinical Impact	<b>Better clinical outcomes (PASI%75)</b>	92%	71%	75%	48%	50-70%
Speed of Onset (in weeks)	<b>Very fast rate of response</b>	5	10	3	14	12
Days of Actual Care	<b>Least days of actual care</b>	18	80	294	52	12-65
Remission	<b>Remission without maintenance</b>	2.5 months	Continued with maintenance	Continued with maintenance	Continued with maintenance	Continued with maintenance
Adverse Events	<b>Least significant side effects</b>	Mild Temp	Mild Temp	Mild-Mod Temp-Lasting	Mild-Severe Temp-Lasting	Mild-Severe Temp-Lasting

\*Narrow band UVB Light Therapy

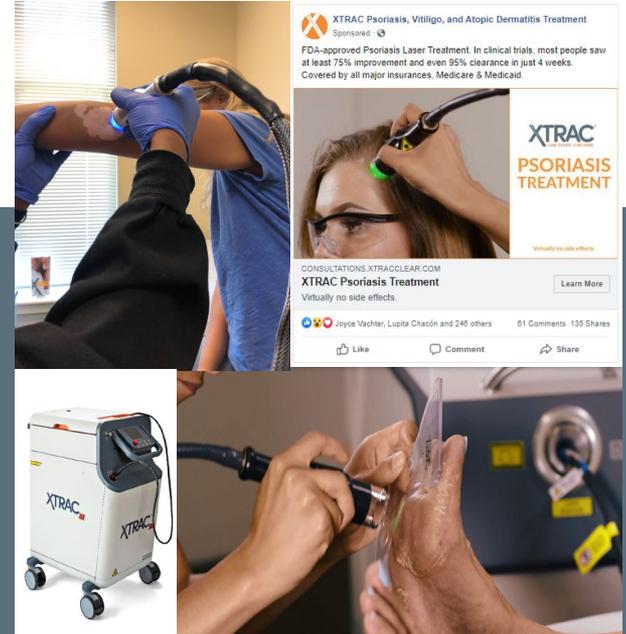
# XTRAC: A True Partnership – A Complete Business Solution



# #1 Targeted Therapy Prescribed by Dermatologists

## BEST-IN-CLASS EXCIMER TREATMENT

- ✓ FDA approved + established CPT codes
- ✓ **150+** Peer-reviewed clinical studies
- ✓ **2000+** device installed based, WW
- ✓ **20+** million treatments performed WW
- ✓ Exclusive license for treating Vitiligo





Re-established unique and proven strategic model to expand + drive sustainable growth



**Leveraging** a strong foundation to support fundamental growth initiatives



**Expanding** installed base with comebacks and new PE-backed derm clinic groups



**Executing** on direct-to-consumer strategy + recurring revenue model to drive growth



**Targeting** accretive acquisitions to grow platform portfolio

# XTRAC: Psoriasis

## XTRAC: The treatment for Psoriasis



## Clinical Protocol – 6.2 treatments to PASI 75

PASI - A 75% reduction in the Psoriasis Area and Severity Index (PASI) score (PASI 75) is the current benchmark of primary endpoints for most clinical trials of psoriasis

Beam of UVB light applied to the affected area

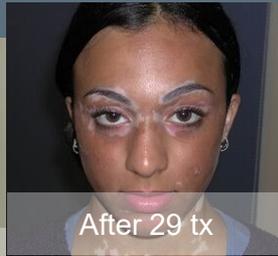
UVB light induces apoptosis of the keratinocytes and T cells in the dermis

Promotes immunosuppression

Induces alterations in cytokine profile

# XTRAC: Vitiligo

**XTRAC:** The solution for Vitiligo



**Exclusive license for treatment of Vitiligo using Excimer laser**

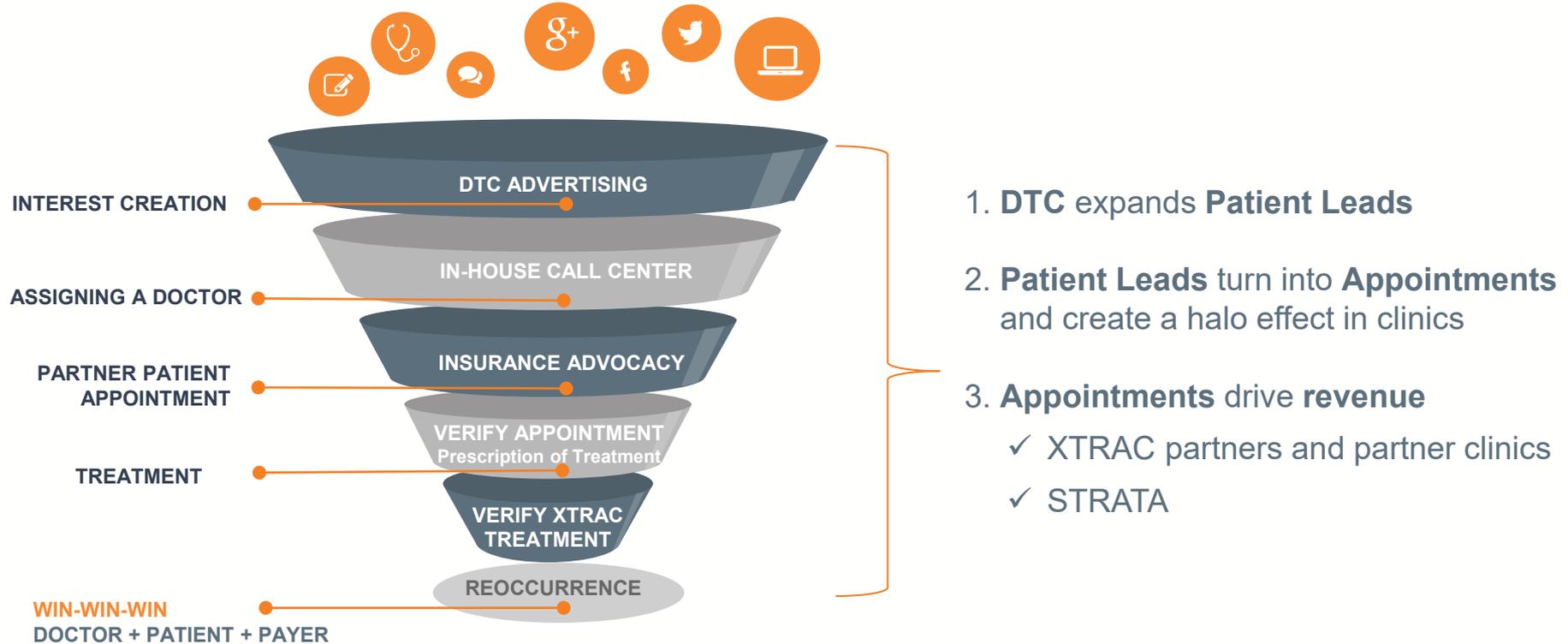
Beam of UVB light applied to the affected area

UVB light reduces the immune system's attack on the melanocytes

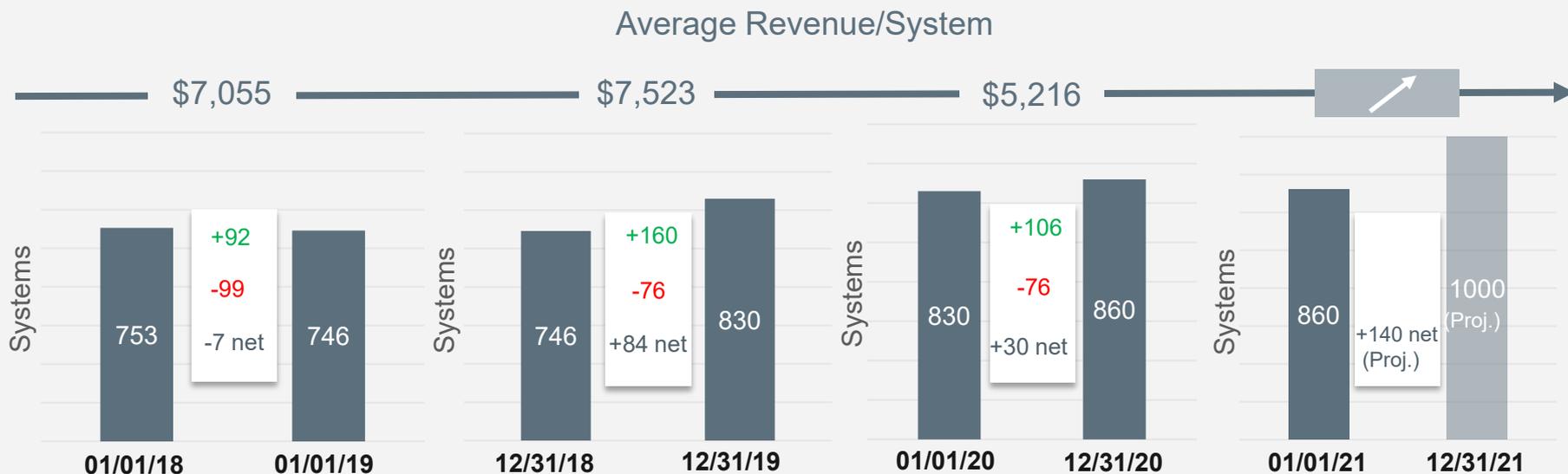
Results in re-pigmentation

Simple, safe, effective + long-lasting

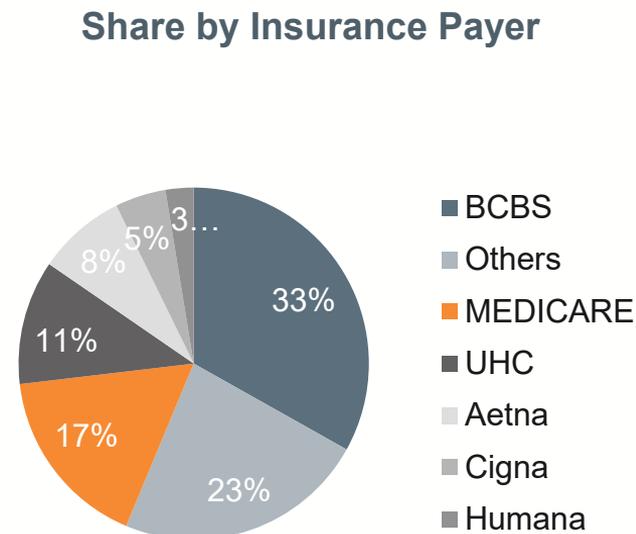
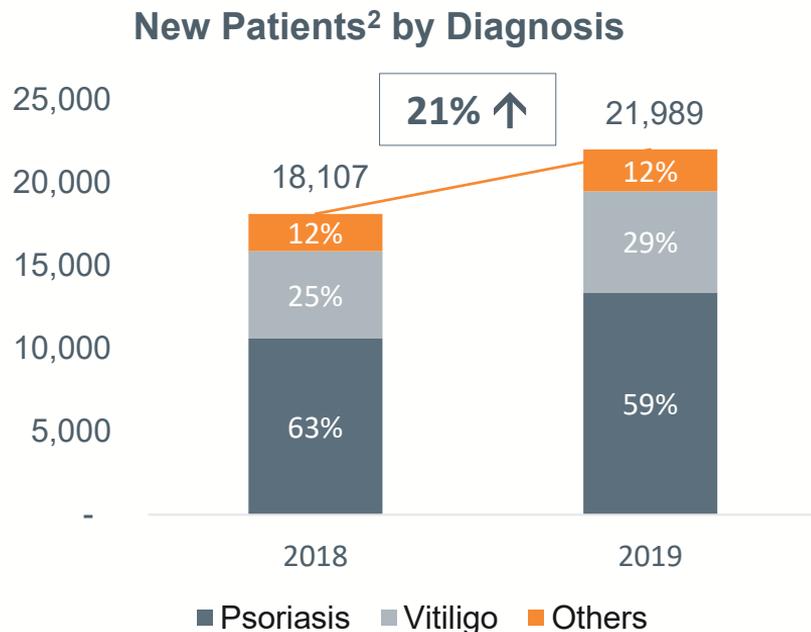
# Domestic XTRAC Revenue Funnel



# Growing Installed Base Leading to Recurring Revenue Model



# 21% New Patient Growth in 2019; 86% Covered by Insurance<sup>1</sup>

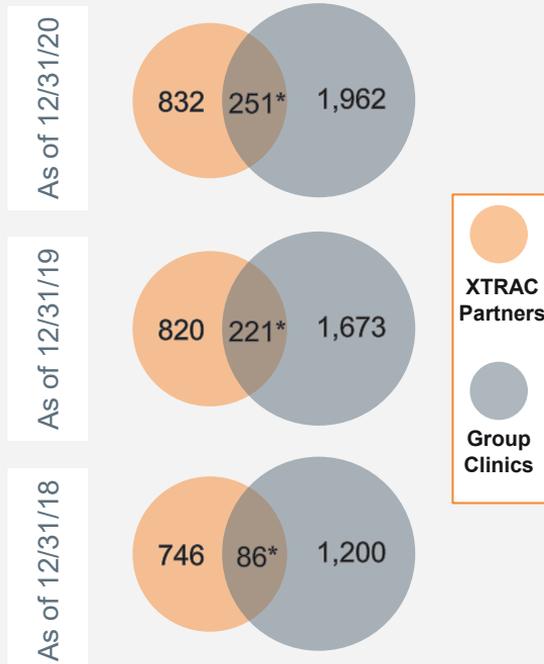


<sup>1</sup>96% of Psoriasis and 76% of Vitiligo patients had XTRAC as a covered insurance benefit

<sup>2</sup>New Patients captured in STRATA reimbursement system

# Domestic Install Base Growth Drivers

## XTRAC Growth in Groups



## Expansion into group clinic roll ups

- 1,962 clinics owned by 49 roll-up groups
- 251 (13%) of which are XTRAC partners
- Signed strategic expansion agreements with major groups

## Comebacks

- 300-400 clinics own Excimer lasers
- Conversion to XTRAC partnership leads to immediate revenue
- 15 Comebacks in 2018 (4 in 2017)
- 19 Comebacks in 2019
- 23 Comebacks in 2020

# Domestic Market: Installed Base – Sales and Service Engine



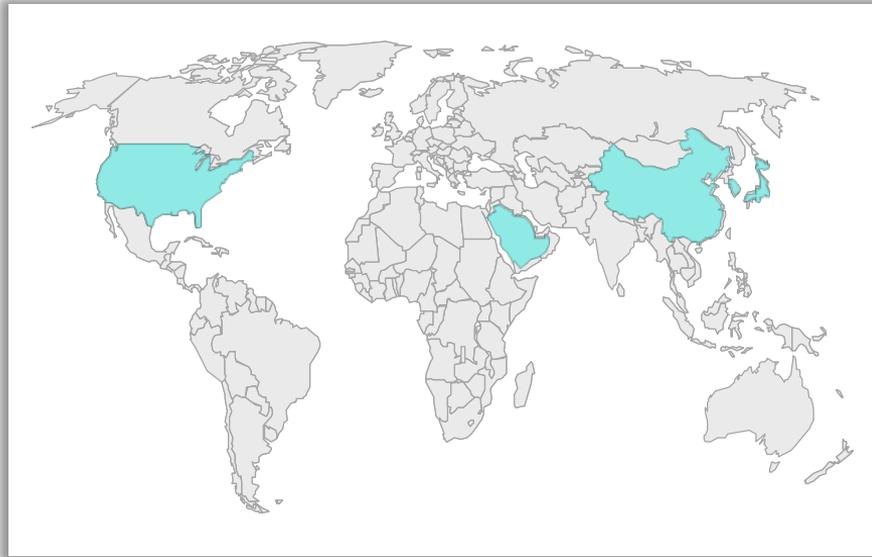
Territories color coded

## Overview

- 832 Partner XTRAC Clinics
- 160+ Sold XTRAC
- 5 Regions
- 26 Sales Territories
- 15 Field Service Techs
- In-House Call Center to Qualify Leads
- Only One Competitor in U.S.

# International Market: Installed Base

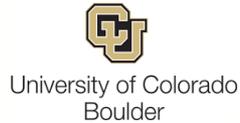
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## Strategic Growth Targets

- Major Markets: China, Japan, Saudi Arabia, S. Korea
- Insurance covered in most markets
- Usage/device higher than domestic market
- 1,300 OUS devices sold and in service
- Placement recurring revenue model agreement: Executed for South Korea (July 2019)
- Placement recurring revenue model agreement: Executed for Japan (October 2020)
- 28 International partner XTRAC clinics (up from 10 in 2019)

# Partner Academic Institutions



# Sample Studies from 150+ Clinical Studies

## Multicenter Psoriasis Study<sup>7</sup>

124 patients were enrolled and 80 completed the protocol. 72% achieved at least **75% clearing in an average of 6.2 treatments**. 84% of patients reached improvement of 75% or better after 10 or fewer treatments. 50% of patients reached improvement of 90% or better after 10 or fewer treatments. Common side effects included erythema, blisters, hyperpigmentation, and erosions, but were well tolerated.

## Scalp Study<sup>9</sup>

All patients improved. 17/35 (49%) of **patients cleared >95%** (mean: 21 treatments; range: 6-52) and 16/35 (45%) cleared 50-95%. **Conclusion** - The excimer laser is a successful approach to treatment of psoriasis of the scalp, being a simple treatment that can be performed in a short period of time and which has a high rate of effectiveness.

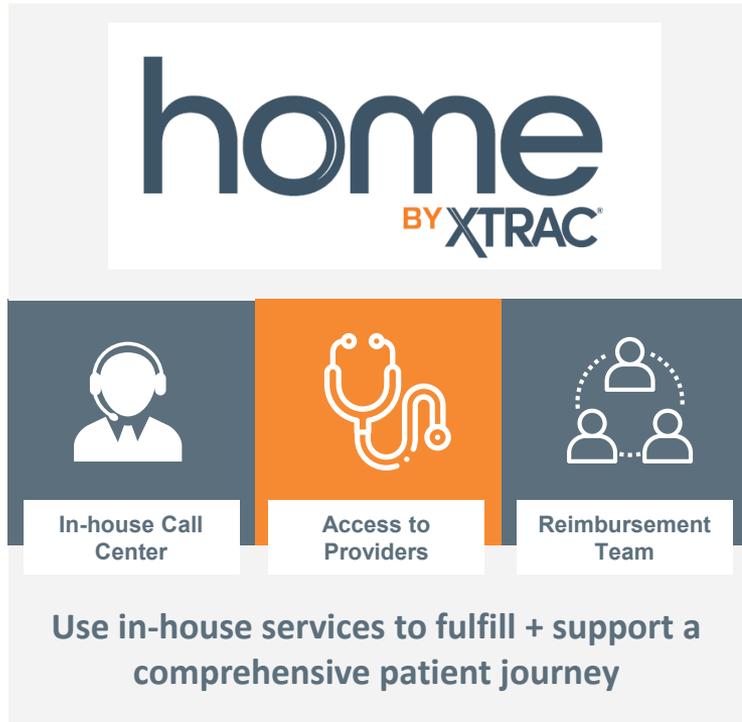
## Vitiligo Study<sup>8</sup>

Out of 221 vitiligo patches treated, 50.6% showed 75% pigmentation or more, 25.5% achieved 100% pigmentation of their patches, and 64.3% showed 50% pigmentation or more. Lesions on the face responded better than lesions elsewhere. **Conclusion:** The 308-nm xenon chloride excimer laser is an effective and safe modality for the treatment of vitiligo, with good results achieved in a relatively short duration of time.

## Pediatric Study<sup>10</sup>

4 children with a mean age of 11.0 years and 12 adults with a mean age of 48.8 years completed the protocol. Both the children and the adult groups yielded a significant decrease in psoriatic severity scores of their respective target lesions. The **children's group had a greater reduction (91.3% reduction)** as compared to the adult treatment group (61.6% reduction).

# Home by XTRAC Solution: At-home Treatment Option for Patients



*At-home, insurance-reimbursed treatment option for patients with Vitiligo, Psoriasis + Atopic Dermatitis who do not qualify for in-office treatments*

- Leverage existing DTC advertising
- Expand with existing leads
- Minimal cost to launch
- Expected to contribute to revenue and profitability in 2021

# Providing Comprehensive Services on Patient Journey



- 1 Identify patients with needs
- 2 Refer patients to medical providers for telehealth visits
- 3 Obtain a prescription for Home by XTRAC solution when appropriate
- 4 Confirm DME insurance benefits
- 5 Deliver Home by XTRAC, provide training
- 6 Collect payment from insurance payers

**2019 - 40,000+  
XTRAC DTC leads  
identified suitable  
for in-home  
treatment**

# Financial Metrics

	2018	Q1 '19	Q2 '19	Q3 '19	Q4 '19	2019	Q1 '20	Q2 '20	Q3 '20	Q4 '20
Dermatology recurring revenue	\$21,053	\$5,312	\$5,839	\$5,991	\$6,571	\$23,713	\$5,701	\$2,796	\$3,835	~\$5,100
Dermatology equipment revenue	\$8,802	\$2,171	\$1,886	\$1,489	\$2,327	\$7,873	\$1,029	\$1,234	\$1,778	~\$1,600
Total revenue	\$29,855	\$7,483	\$7,725	\$7,480	\$8,898	\$31,586	\$6,730	\$4,030	\$5,613	~\$6,700
Domestic partner installed base	746	754	764	784	820	820	822	789	813	832
International installed base	-	-	-	2	10	12	16	17	24	28
Average recurring revenue/device*	\$7,055	\$7,045	\$7,643	\$7,622	\$7,916	\$7,571	\$6,803	\$3,469	\$4,582	~\$5,900
Dermatology recurring revenue margin	65.00%	66.20%	70.30%	67.20%	76.50%	70.30%	68.40%	51.20%	64.30%	**
Total Company margin	57.30%	61.60%	63.60%	61.80%	73.80%	64.20%	65.40%	48.70%	57.50%	**
<b>(in thousands except for average recurring revenue/device and installed base)</b>										

\* Total recurring revenue over total installed base

\*\* Company estimates not provided

Unaudited quarterly results

\* See press release dated November 10, 2020 for definitions of non-GAAP measures

## Double-digit revenue growth achieved through:

- Renewed focus on initiatives to drive WW recurring revenue
- 2018 to 2019 Double-digit recurring revenue growth
- Migrated international capital equipment customers to recurring model
- Eliminated unprofitable U.S. capital equipment revenue
- Growing margins and generating cash flow from operations

# Recent Highlights

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## Q4 2020

- **Preliminary, unaudited total revenue expected \$6.6M to \$6.8M, compared to \$5.6M in third quarter 2020**
- **Gross domestic recurring billings\***
  - Q2 2020: 30% Q/Q
  - Q3 2020: 70% Q/Q
  - Q4 2020: ~ 78% Q/Q
- **Global recurring installed base 860 XTRAC devices**
  - Domestic recurring installed base: 832 (up 19 from Q3 2020)
  - International recurring installed base: 28 (up 4 from Q3 2020)
- **Cash management – lower cost structure**
  - Managing costs, inventory and vendors
  - Cash balance \$18.0 million
- **Cigna now insuring vitiligo treatments – 20M patients in the U.S.**
- **Peer reviewed economic study published in *Journal of Drugs and Dermatology*: XTRAC most effective, safest and most economical treatment for psoriasis**

\* Gross domestic billings: Unaudited and preliminary – see quarterly press releases for reconciliation of non-GAAP measurements

# STRATA Key Investment Takeaways



**Differentiated Therapy  
providing a Win-Win-Win for  
Patients + Clinics + Payers**



**Addressing a Large  
Unmet Need +  
Growing Market**



**Proven Business Model to  
Expand + Achieve  
Sustainable Growth**



Thank You



# Appendix

# Footnotes

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1. **Company estimates**
2. **Historical phototherapy utilization.** Trend in phototherapy utilization among *Medicare* beneficiaries by billing code across all providers, 2000 to 2015. *HCPCS, Healthcare Common Procedure Coding System; PUVA, psoralen plus ultraviolet A; UVB, ultraviolet B.*
3. **National Eczema Association**
4. **The Vitiligo Foundation**
5. **National Psoriasis Foundation**
6. **"Therapies for Psoriasis: Clinical and Economic Comparisons"** in the November 2020 issue of the *Journal of Drugs in Dermatology*
7. **Multicenter Psoriasis Study** - Feldman SR, Mellen BG, Housman TS, Fitzpatrick RE, Geronemus RG, Friedman PM, Vasily DB, Morison WL. *Efficacy of the 308-nm excimer laser for treatment of psoriasis: Results of a multicenter study. J Am Acad of Dermatol; vol. 46, no. 6, June 2002, pp. 900-906*
8. **Vitiligo Study** - Suhail Hadi, Patricia Tinio, Khalid Al-Ghaithi, Haitham Al-Qari, Mohammad Al-Helalat, Mark Lebwohl, and James Spencer. *Photomedicine and Laser Surgery. Treatment of Vitiligo Using the 308-nm Excimer Laser. Jun 2006.ahead of print<http://doi.org/10.1089/pho.2006.24.354>*
9. **Scalp Study** - Morison WL, Atkinson DF and Werthman L. *Effective treatment of scalp psoriasis using the excimer (308nm) laser. Photodermatol Photoimmunol Photomed 2006; 22: 181-183*
10. **Pediatric Study** - Pahlajani N, Katz BJ, Lonzano AM, Murphy F and Gottlieb A. *Comparison of the Efficacy and Safety of the 308nm Excimer laser for the Treatment of Localized Psoriasis in Adults and in Children: A Pilot Study. Pediatric Dermatology Vol. 22 No. 2, March/April 2005, pp. 161-165*

# Cap Table - Shares and Share Equivalents

(As of November 10, 2020)

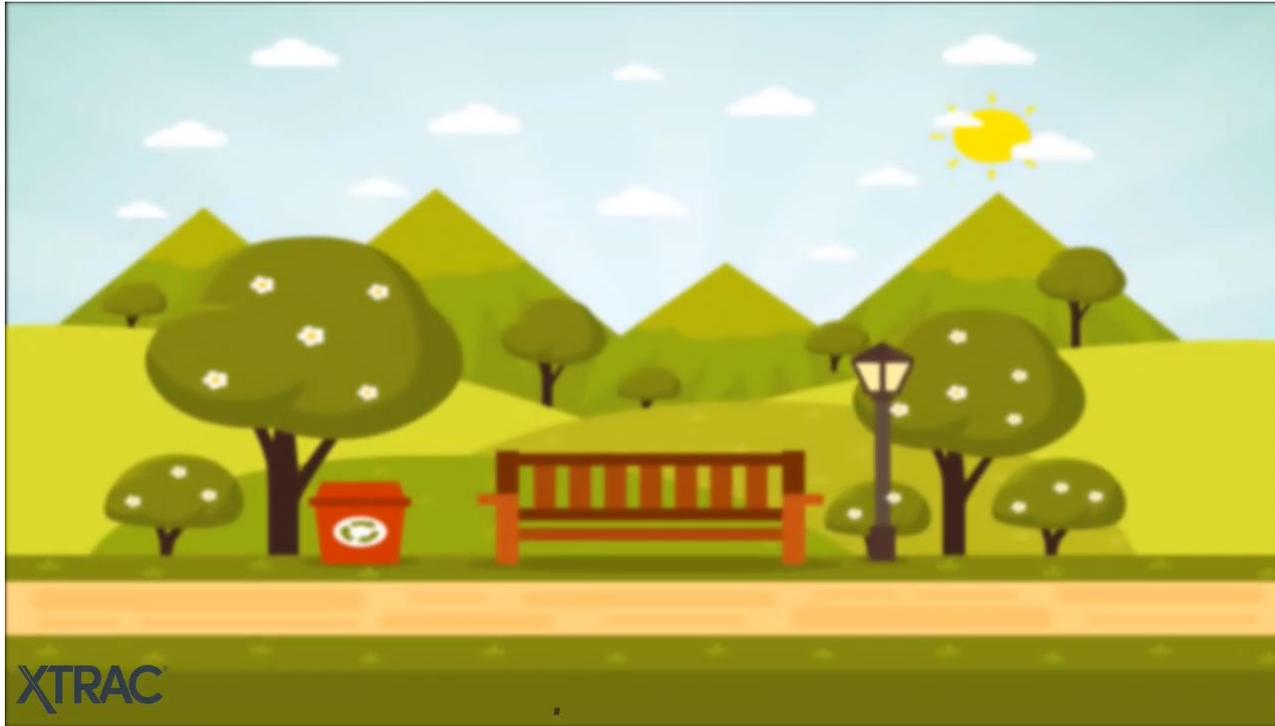
Common stock outstanding*	33.8M
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\* Does not include 150K warrants that have a weighted average exercise price of \$5.60 as of September 30, 2020 of which 130K expired December 2020

\* Does not include 4.9M options that have a weighted average exercise price of \$1.90 as of September 30, 2020

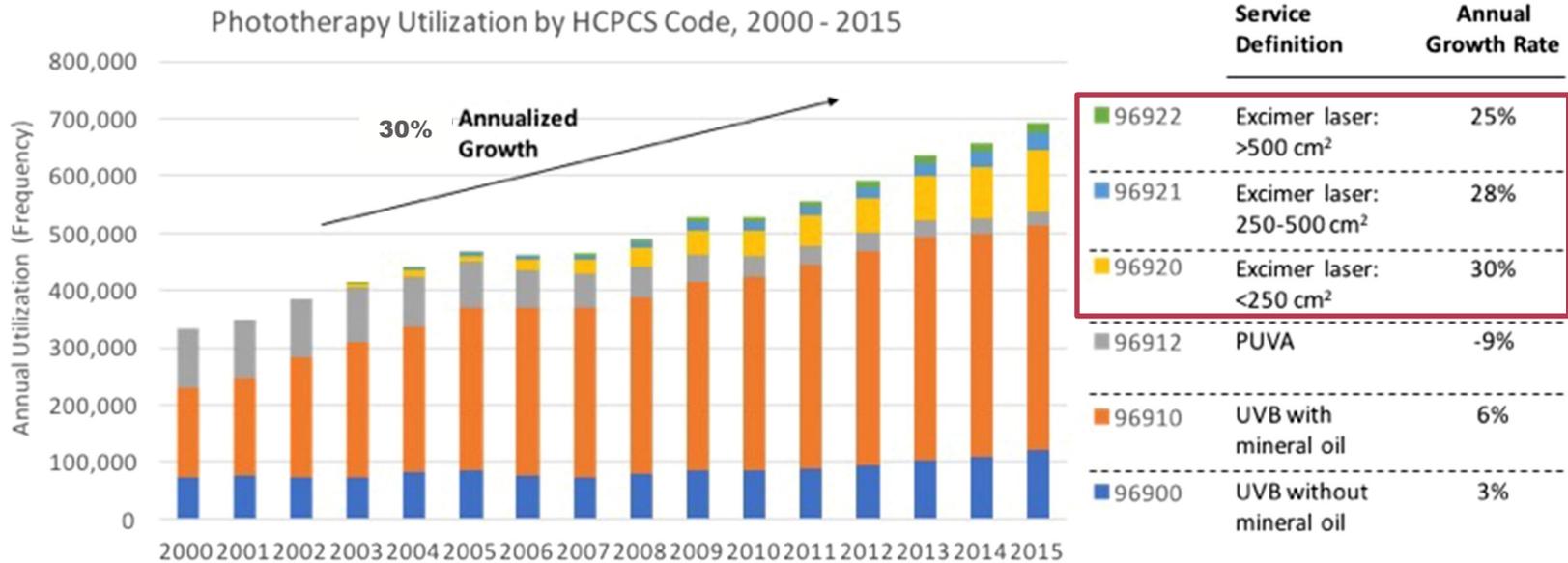
## Additional Creative

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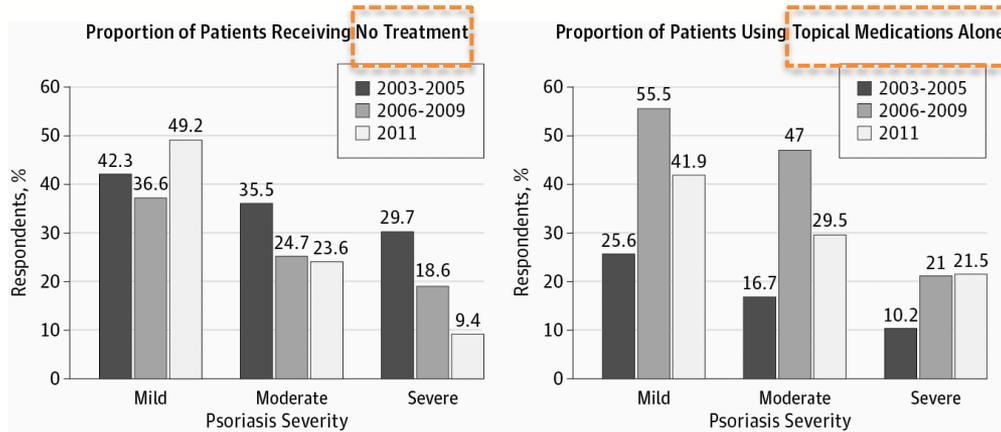
<https://youtu.be/LbmTKkN0Aq4>

# 30% Annual Growth in Excimer Laser Utilization in the U.S.



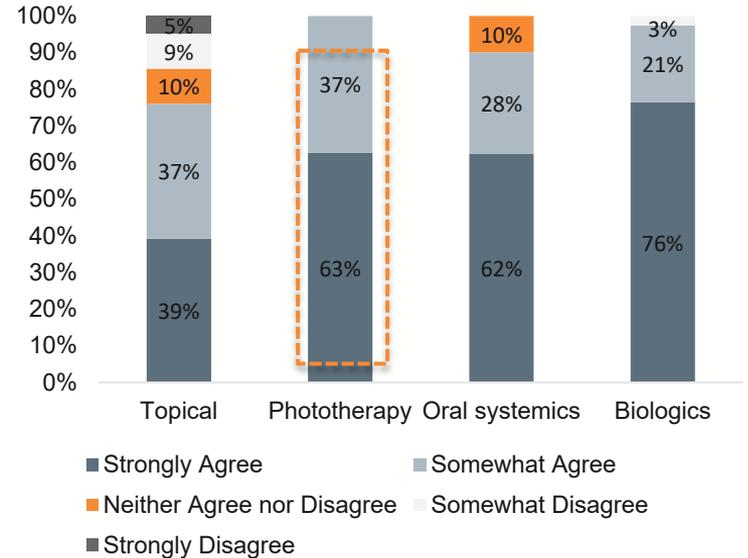
Historical phototherapy utilization. Trend in phototherapy utilization among Medicare beneficiaries by billing code across all providers, 2000 to 2015. HCPCS, Healthcare Common Procedure Coding System; PUVA, psoralen plus ultraviolet A; UVB, ultraviolet B.

# Phototherapy has Highest Patient Perceived Treatment Effectiveness



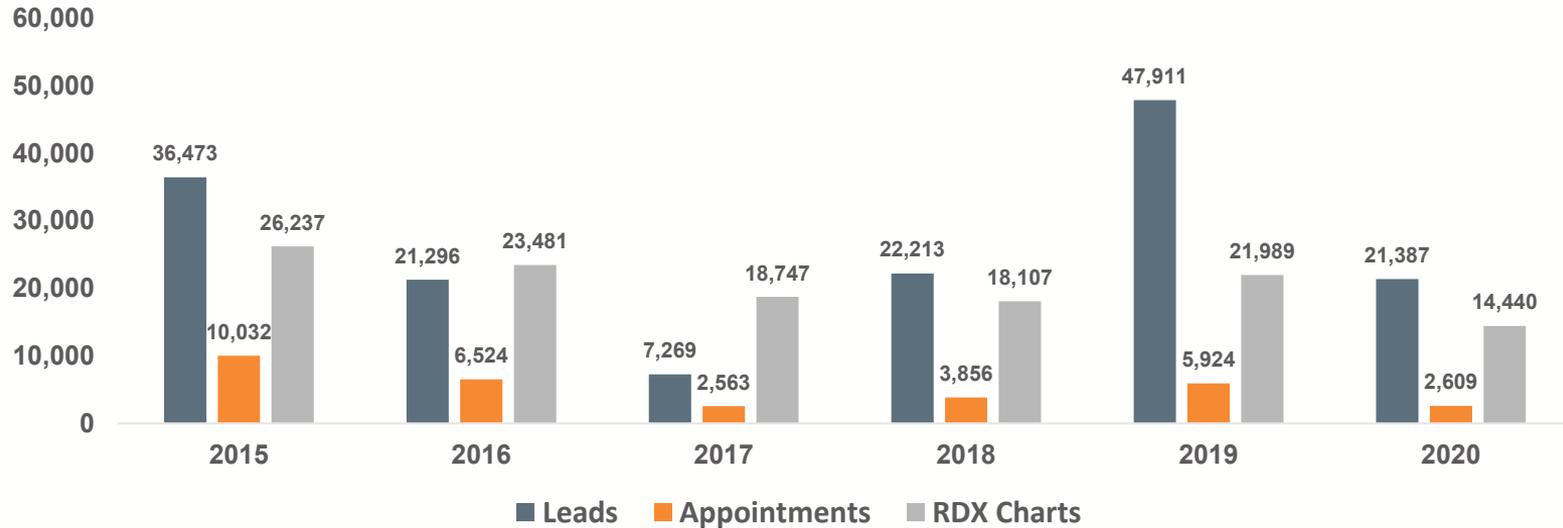
Source: Findings From the National Psoriasis Foundation Surveys, 2003-2011 (n=5604)

## Patient-perceived treatment effectiveness



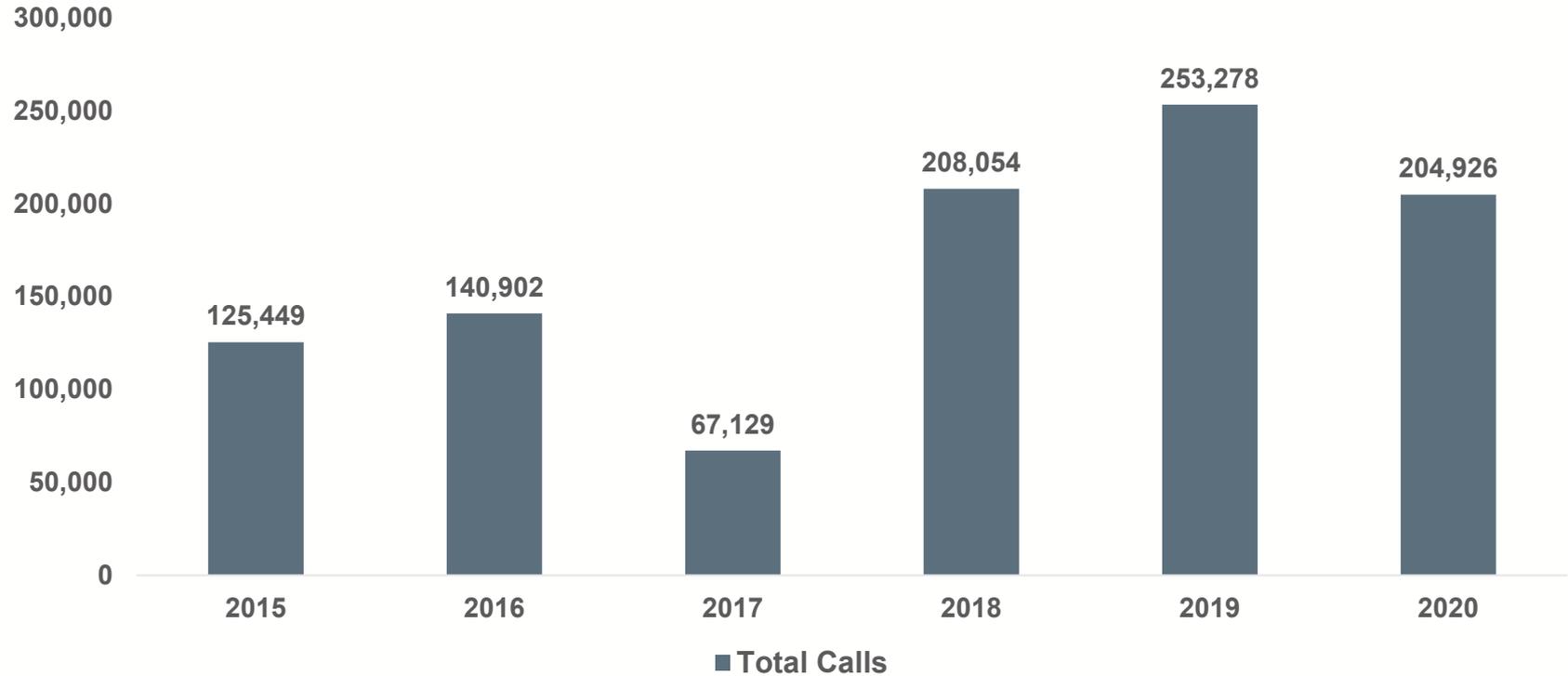
Source: Real-world health outcomes study sponsored by Eli Lilly (n=2200)

# Leads, Appointments, RDX Charts



	2015	2016	2017	2018	2019	2020
Leads	36,473	21,296	7,269	22,213	47,911	21,387
Appointments	10,032	6,524	2,563	3,856	5,924	2,609
RDX Charts	26,237	23,481	18,747	18,107	21,989	14,440

# Total Calls in Call Center



# XTRAC Adds (Delegated) Recurring Revenue Driver for its Partners

CPT CODE	Description	2019 National Average Medicare Payment Rate
96920	Laser treatment for inflammatory skin diseases, (psoriasis); total area less than 250 sq cm	\$167.22
96921	Laser treatment for inflammatory skin diseases, (psoriasis); total area between 250 – 500 sq cm	\$183.44
96922	Laser treatment for inflammatory skin diseases, (psoriasis); total area greater than 500 sq cm	\$249.03

Number of Treatments / Weeks	20	30
# of Weeks / Year	48	48
Total # of Treatments / Year	960	1,440
Average Revenue Per Treatment	\$186	\$186
<b>Physician Gross Revenue (Annual)</b>	<b>\$178,485</b>	<b>\$267,728</b>

Treatment	Patient Type	Reimbursement Details	Annual Revenue per Patient	Can be delegated**
<b>XTRAC</b>	Mild / moderate / severe	CPT Code 96920-96922 (\$168-\$251) average \$186; 16 tx/course (2/yr) and Office Visit -\$70 (2/Yr)	\$6,092	✓
<b>Phototherapy*</b>	Moderate / severe	Office visit - \$70 (2/yr)	\$140	X
<b>Biologics</b>	Moderate / severe	Office visit - \$70 (6/yr)	\$420	X
<b>Systemics</b>	Moderate / severe	Office visit - \$70 (3/yr)	\$210	X
<b>Topicals</b>	Mild / moderate	Office visit - \$70 (3/yr)	\$210	X

\*Phototherapy Center Revenue – CPT Code 96910 \$40 per tx; 30 tx/course (2/yr) - \$2,400

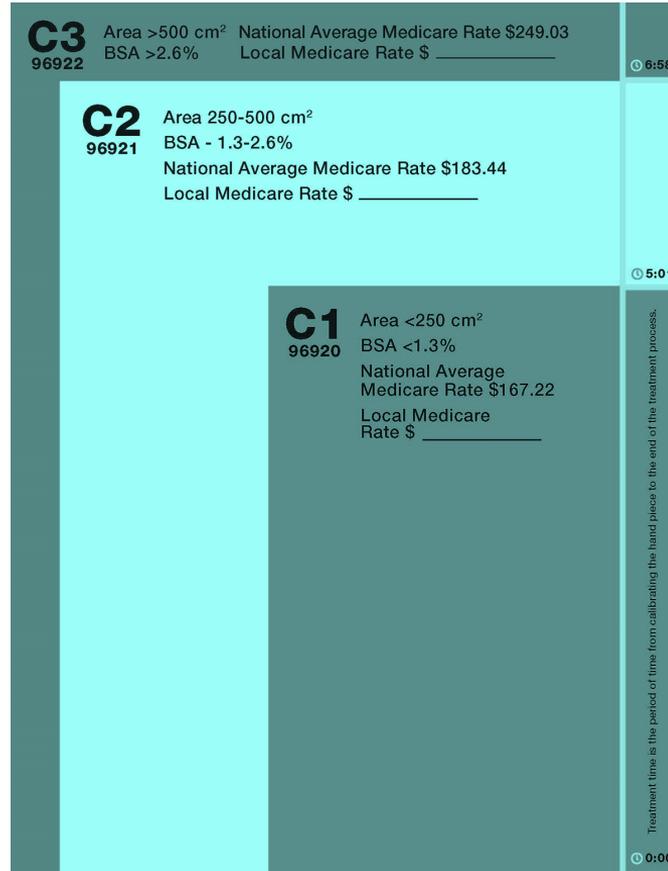
\*\*Subject to state legislation

# How XTRAC Works for Offices: \$250 Revenue in Less than 7 Minutes

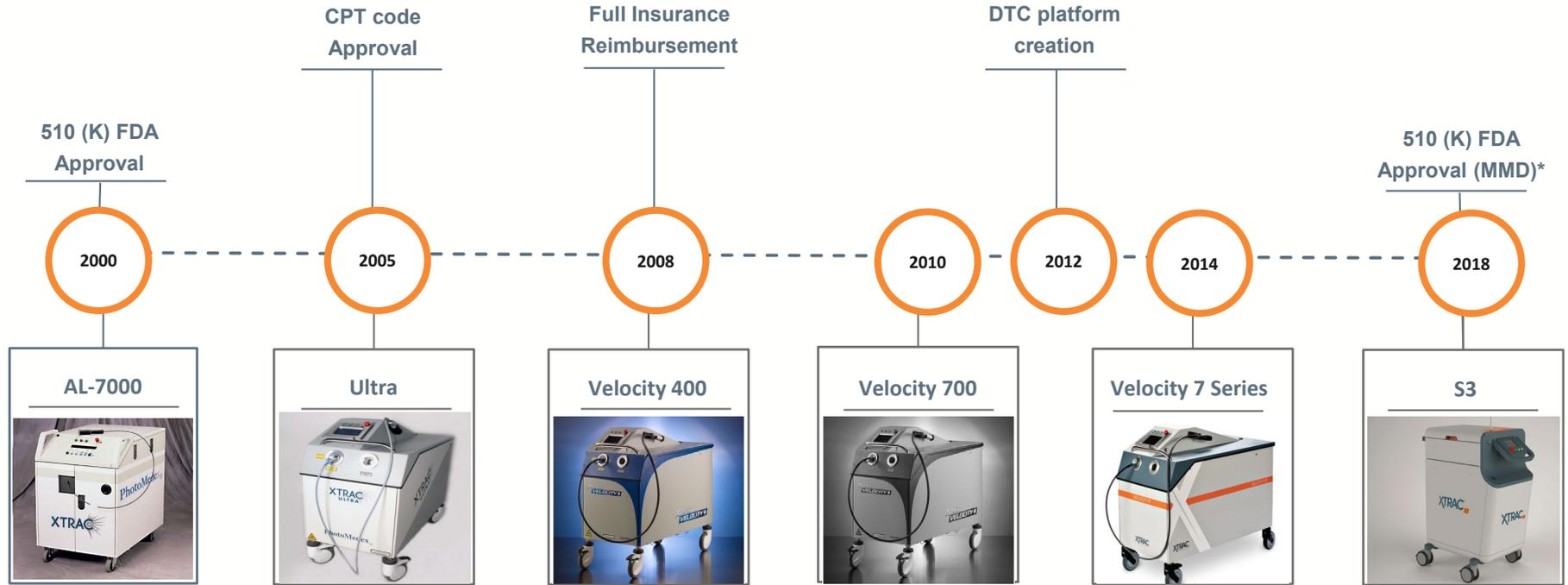
## Established CPT Codes

2019 National Medicare Average Rate

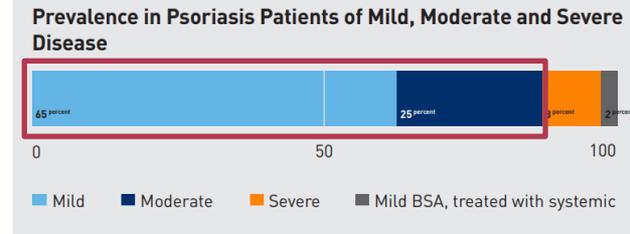
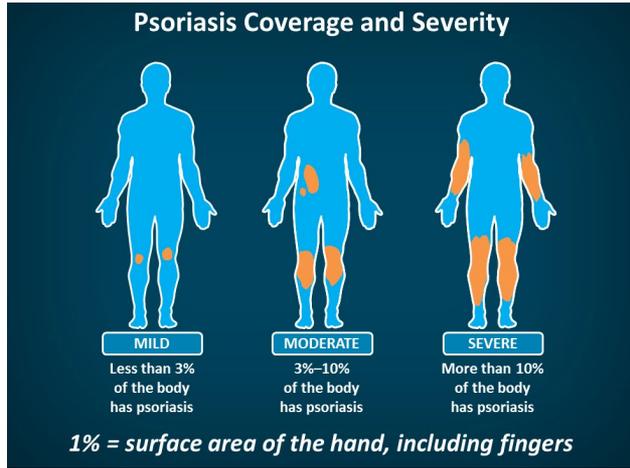
- 96920 - \$167.22
- 96921 - \$183.44
- 96922 - \$249.03



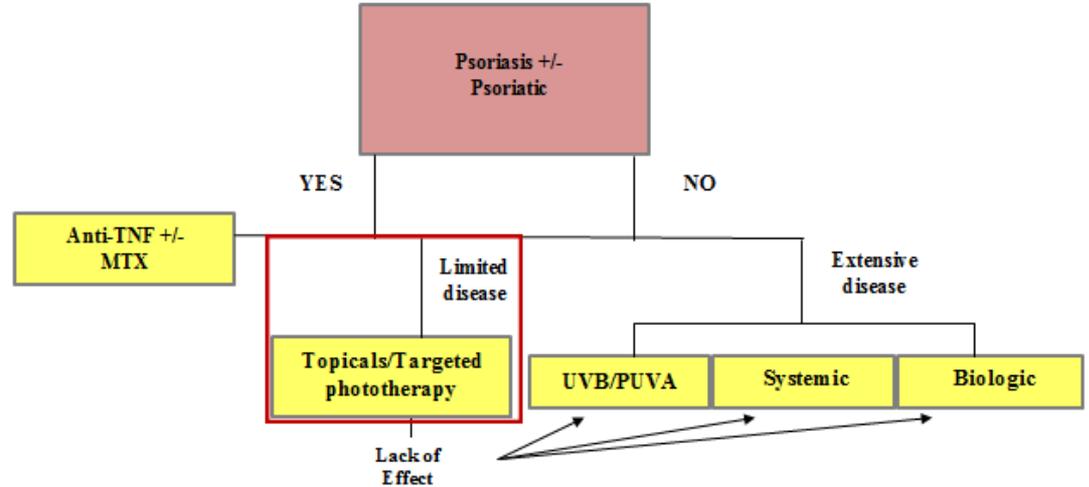
# Continuous Technology Investment and Business Growth



# XTRAC a Preferred Treatment for 90% of Psoriasis Patients (<10% BSA)



Source: National Psoriasis Foundation



**American Academy of Dermatology Psoriasis Clinical Guideline**