REFINITIV

DELTA REPORT

10-Q

MASI - MASIMO CORP

10-Q - MARCH 30, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	2328
CHANGES	373
DELETIONS	1170
ADDITIONS	785

REFINITIV

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September March 30, 2023 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 001-33642

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MASIMO CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware	33-0368882
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**
52 Discovery Irvine, California	92618
(Address of Principal Executive Offices)	**(Zip Code)**

(949) 297-7000

(Registrant's Telephone Number, Including Area Code)

Securities Registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value	MASI	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Number of Shares Outstanding as of September March 30, 2023 2024
Common stock, $0.001 par value	52,841,259 53,085,556

MASIMO CORPORATION
FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER MARCH 30, 2023 2024
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MASIMO CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited, in millions, except par values)

		September 30, 2023	December 31, 2022		March 30, 2024	December 30, 2023
ASSETS	**ASSETS**					
Current assets	Current assets					
Current assets						
Current assets						
Cash and cash equivalents						
Cash and cash equivalents						
Cash and cash equivalents	Cash and cash equivalents	$ 124.4	$ 202.9			
Trade accounts receivable, net of allowance for credit losses of $12.3 million and $7.7 million at September 30, 2023 and December 31, 2022, respectively		356.9	445.9			

Trade accounts receivable, net of allowance for credit losses of $4.7 million and $4.8 million at March 30, 2024 and December 30, 2023, respectively			
Trade accounts receivable, net of allowance for credit losses of $4.7 million and $4.8 million at March 30, 2024 and December 30, 2023, respectively			
Trade accounts receivable, net of allowance for credit losses of $4.7 million and $4.8 million at March 30, 2024 and December 30, 2023, respectively			
Inventories	Inventories	584.6	501.0
Assets held for sale			
Other current assets	Other current assets	171.6	158.8
Total current assets	Total current assets	1,237.5	1,308.6
Lease receivable, non-current	Lease receivable, non-current	79.9	73.1
Deferred costs and other contract assets	Deferred costs and other contract assets	44.7	41.9
Property and equipment, net	Property and equipment, net	415.0	402.5
Customer relationships, net - (Note 9)			
Customer relationships, net - (Note 9)			
Customer relationships, net - (Note 9)	Customer relationships, net - (Note 9)	175.5	201.6
Acquired technologies, net - (Note 9)	Acquired technologies, net - (Note 9)	129.3	160.1
Other intangible assets, net - (Note 9)	Other intangible assets, net - (Note 9)	100.7	98.9
Trademarks - (Note 9)	Trademarks - (Note 9)	224.5	262.0
Goodwill	Goodwill	400.1	445.4
Deferred tax assets	Deferred tax assets	88.2	102.5
Other non-current assets	Other non-current assets	100.5	114.0
Total assets	Total assets	$2,995.9	$3,210.6
LIABILITIES AND STOCKHOLDERS' EQUITY	**LIABILITIES AND STOCKHOLDERS' EQUITY**		
Current liabilities	Current liabilities		
Current liabilities			
Current liabilities			
Accounts payable			
Accounts payable			
Accounts payable	Accounts payable	$ 283.5	$ 276.8
Accrued compensation	Accrued compensation	55.9	89.3
Deferred revenue and other contract liabilities, current	Deferred revenue and other contract liabilities, current	73.1	80.6
Other current liabilities	Other current liabilities	166.3	183.3
Total current liabilities	Total current liabilities	578.8	630.0
Long-term debt	Long-term debt	910.1	941.6
Deferred tax liabilities	Deferred tax liabilities	112.1	163.6

Deferred tax liabilities			
Deferred tax liabilities			
Other non-current liabilities	Other non-current liabilities	119.3	136.5
Total liabilities	Total liabilities	1,720.3	1,871.7
Commitments and contingencies - (Note 24)	Commitments and contingencies - (Note 24)		Commitments and contingencies - (Note 24)
Stockholders' equity	Stockholders' equity		
Preferred stock, $0.001 par value; 5.0 million shares authorized; 0 shares issued and outstanding	Preferred stock, $0.001 par value; 5.0 million shares authorized; 0 shares issued and outstanding	—	—
Common stock, $0.001 par value; 100.0 million shares authorized; 52.8 million and 52.5 million shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively		0.1	0.1
Treasury stock, 19.5 million and 19.5 million shares at September 30, 2023 and December 31, 2022, respectively		(1,169.2)	(1,169.2)
Preferred stock, $0.001 par value; 5.0 million shares authorized; 0 shares issued and outstanding			
Preferred stock, $0.001 par value; 5.0 million shares authorized; 0 shares issued and outstanding			
Common stock, $0.001 par value; 100.0 million shares authorized; 53.1 million and 52.8 million shares issued and outstanding at March 30, 2024 and December 30, 2023, respectively			
Treasury stock, 19.5 million and 19.5 million shares at March 30, 2024 and December 30, 2023, respectively			
Additional paid-in capital	Additional paid-in capital	773.7	782.2
Accumulated other comprehensive (loss) income		(90.9)	11.5
Accumulated other comprehensive loss			
Retained earnings	Retained earnings	1,761.9	1,714.3
Total stockholders' equity	Total stockholders' equity	1,275.6	1,338.9
Total stockholders' equity			
Total stockholders' equity			
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	$2,995.9	$3,210.6

The accompanying notes are an integral part of these condensed consolidated financial statements.

MASIMO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in millions, except per share amounts)

		Three Months Ended		Nine Months Ended	
		September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Revenue	Revenue	$ 478.9	$549.3	$1,499.2	$1,418.8
Cost of goods sold	Cost of goods sold	244.1	266.8	758.4	673.4
Gross profit	Gross profit	234.8	282.5	740.8	745.4
Operating expenses:	Operating expenses:				
Selling, general and administrative	Selling, general and administrative	156.1	174.6	504.1	471.6
Research and development	Research and development	46.5	53.1	137.2	137.1
Impairment charge		7.0	—	7.0	—
Total operating expenses	Total operating expenses	209.6	227.7	648.3	608.7
Operating income	Operating income	25.2	54.8	92.5	136.7
Non-operating (loss) income		(11.2)	(2.8)	(27.5)	1.0
Income before provision for income taxes	Income before provision for income taxes	14.0	52.0	65.0	137.7
Provision for income taxes	Provision for income taxes	3.4	14.1	17.4	35.1
Net income	Net income	$ 10.6	$ 37.9	$ 47.6	$ 102.6
Net income per share:	Net income per share:				
Basic	Basic	$ 0.20	$ 0.72	$ 0.90	$ 1.90

Diluted	Diluted	$ 0.20	$ 0.70	$ 0.88	$ 1.85
Weighted-average shares used in per share calculations:	Weighted-average shares used in per share calculations:				
Weighted-average shares used in per share calculations:					
Weighted-average shares used in per share calculations:					
Basic					
Basic					
Basic	Basic	52.8	52.5	52.8	54.0
Diluted	Diluted	53.9	54.1	54.2	55.6

The accompanying notes are an integral part of these condensed consolidated financial statements.

MASIMO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME LOSS
(unaudited, in millions)

	Three Months Ended		
	Three Months Ended		
	Three Months Ended		
	March 30, 2024	March 30, 2024	April 1, 2023
Net income			
Other comprehensive loss, net of tax:			
Unrealized losses from foreign currency translation adjustments			
Unrealized losses from foreign currency translation adjustments			
Unrealized losses from foreign currency translation adjustments			
Change in pension benefits			
Unrealized gain (loss) on cash flow hedges			

	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Net income	$ 10.6	$37.9	$ 47.6	$102.6
Other comprehensive (loss) income, net of tax:				
Unrealized losses from foreign currency translation adjustments	(43.2)	(17.8)	(100.6)	(34.7)
Change in pension benefits	(0.5)	(0.7)	(3.5)	(1.4)
Unrealized gain on cash flow hedges	0.4	14.7	1.7	14.7
Total comprehensive loss				
Total comprehensive loss				
Total comprehensive (loss) income	$ (32.7)	$34.1	$ (54.8)	$ 81.2
Total comprehensive loss				

The accompanying notes are an integral part of these condensed consolidated financial statements.

MASIMO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions)

MASIMO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions)

MASIMO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions)

	Three Months Ended March 30, 2024				Three Months End
	Common Stock				
	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss)	Reta Earn

		Three and Nine Months Ended September 30, 2023								
		Common Stock		Treasury Stock						
		Shares	Amount	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity	Total Stockholders' Equity
Balance at December 31, 2022		52.5	$ 0.1	19.5	$(1,169.2)	$ 782.2	$ 11.5	$1,714.3	$ 1,338.9	
Balance at December 30, 2023										
Balance at December 30, 2023										
Balance at December 30, 2023										
Stock options exercised	Stock options exercised	0.1	—	—	—	4.3	—	—	4.3	
Restricted/Performance stock units vested	Restricted/Performance stock units vested	0.2	—	—	—	—	—	—	—	
Shares paid for tax withholding	Shares paid for tax withholding	—	—	—	—	(12.2)	—	—	(12.2)	
Stock-based compensation	Stock-based compensation	—	—	—	—	7.3	—	—	7.3	
Net income	Net income	—	—	—	—	—	—	21.3	21.3	
Foreign currency translation adjustment		—	—	—	—	—	(22.8)	—	(22.8)	
Change in pension benefits		—	—	—	—	—	(2.2)	—	(2.2)	
Unrealized loss on cash flow hedge		—	—	—	—	—	(4.3)	—	(4.3)	
Balance at April 1, 2023		52.8	0.1	19.5	(1,169.2)	781.6	(17.8)	1,735.6	1,330.3	
Stock options exercised		—	—	—	—	1.1	—	—	1.1	
Shares paid for tax withholding		—	—	—	—	(0.4)	—	—	(0.4)	
Stock-based compensation		—	—	—	—	(8.6)	—	—	(8.6)	
Net income										
Net income	Net income	—	—	—	—	—	—	15.7	15.7	
Foreign currency translation adjustment	Foreign currency translation adjustment	—	—	—	—	—	(34.6)	—	(34.6)	
Change in pension benefits	Change in pension benefits	—	—	—	—	—	(0.8)	—	(0.8)	
Unrealized gain on cash flow hedge		—	—	—	—	—	5.6	—	5.6	
Balance at July 1, 2023		52.8	0.1	19.5	(1,169.2)	773.7	(47.6)	1,751.3	1,308.3	
Stock options exercised		—	—	—	—	1.2	—	—	1.2	
Shares paid for tax withholding		—	—	—	—	(0.1)	—	—	(0.1)	
Stock-based compensation		—	—	—	—	(1.1)	—	—	(1.1)	
Net income		—	—	—	—	—	—	10.6	10.6	
Foreign currency translation adjustment		—	—	—	—	—	(43.2)	—	(43.2)	
Change in pension benefits										
Change in pension benefits	Change in pension benefits	—	—	—	—	—	(0.5)	—	(0.5)	
Unrealized gain on cash flow hedge	Unrealized gain on cash flow hedge	—	—	—	—	—	0.4	—	0.4	
Balance at September 30, 2023		52.8	$ 0.1	19.5	$(1,169.2)	$ 773.7	$ (90.9)	$1,761.9	$ 1,275.6	
Balance at March 30, 2024										

Three Months Ended April 1, 2023
Three Months Ended April 1, 2023
Three Months Ended April 1, 2023

Common Stock		Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity	Total Stockholders' Equity
		Three and Nine Months Ended October 1, 2022								
		Shares	Amount	Shares	Amount					
Balance at January 1, 2022		55.3	$ 0.1	16.5	$ (767.7)	$ 752.5	$ (5.5)	$1,570.9	$ 1,550.3	
Balance at December 31, 2022										
Balance at December 31, 2022										
Balance at December 31, 2022										
Stock options exercised	Stock options exercised	0.1	—	—	—	2.7	—	—	2.7	
Restricted/Performance stock units vested	Restricted/Performance stock units vested	0.2	—	—	—	—	—	—	—	
Shares paid for tax withholding	Shares paid for tax withholding	(0.1)	—	—	—	(25.4)	—	—	(25.4)	
Stock-based compensation	Stock-based compensation	—	—	—	—	10.9	—	—	10.9	
Net income	Net income	—	—	—	—	—	—	46.6	46.6	
Foreign currency translation adjustment		—	—	—	—	—	(2.9)	—	(2.9)	
Balance at April 2, 2022		55.5	0.1	16.5	(767.7)	740.7	(8.4)	1,617.5	1,582.2	
Stock options exercised		—	—	—	—	1.2	—	—	1.2	
Stock-based compensation		—	—	—	—	17.3	—	—	17.3	
Repurchases of common stock		(3.0)	—	3.0	(401.4)	—	—	—	(401.4)	
Net income										
Net income	Net income	—	—	—	—	—	—	18.1	18.1	
Foreign currency translation adjustment	Foreign currency translation adjustment	—	—	—	—	—	(14.0)	—	(14.0)	
Unrealized loss on pension plan		—	—	—	—	—	(0.7)	—	(0.7)	
Balance at July 2, 2022		52.5	0.1	19.5	(1,169.1)	759.2	(23.1)	1,635.6	1,202.7	
Stock options exercised		0.1	—	—	—	2.3	—	—	2.3	
Stock-based compensation		—	—	—	—	13.5	—	—	13.5	
Net income		—	—	—	—	—	—	37.9	37.9	
Foreign currency translation adjustment		—	—	—	—	—	(17.8)	—	(17.8)	
Unrealized loss on pension plan		—	—	—	—	—	(0.7)	—	(0.7)	
Unrealized gain on cash flow hedge		—	—	—	—	—	14.7	—	14.7	
Balance at October 1, 2022		52.6	$ 0.1	19.5	$(1,169.1)	$ 775.0	$ (26.9)	$1,673.5	$ 1,252.6	
Change in pension benefits										
Change in pension benefits										
Change in pension benefits										
Unrealized loss on cash flow hedge										
Balance at April 1, 2023										

The accompanying notes are an integral part of these condensed consolidated financial statements.

MASIMO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in millions)

	Three Months Ended March 30, 2024	Three Months Ended March 30, 2024	Three Months Ended March 30, 2024
Cash flows from operating activities:			
Cash flows from operating activities:			
Cash flows from operating activities:			
Net income			
Net income			
Net income			
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization			
Depreciation and amortization			
Depreciation and amortization			
Stock-based compensation expense			
Stock-based compensation expense			
Stock-based compensation expense			

	Nine Months Ended	
	September 30, 2023	October 1, 2022
Cash flows from operating activities:		
Net income	$ 47.6	$ 102.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	75.8	56.6
Stock-based compensation (benefit) expense	(2.4)	41.7
Gain on disposal of equipment, intangibles and other assets	0.6	0.1
Provision for credit losses		
Provision for credit losses / Provision for credit losses	1.1	1.2
Amortization of debt issuance cost / Amortization of debt issuance cost	1.4	0.9
Impairment charge	7.0	—
Amortization of debt issuance cost		
Amortization of debt issuance cost		
Changes in operating assets and liabilities: / Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	84.8	(66.7)
(Increase) decrease in inventories	(93.1)	(71.0)
(Increase) decrease in other current assets	(14.6)	11.7
(Increase) decrease in lease receivable, net	(6.8)	(5.9)

(Increase) decrease in deferred costs and other contract assets		(2.9)	(31.6)
(Increase) decrease in other non-current assets		(42.0)	(22.2)
Changes in operating assets and liabilities:			
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable			
Decrease (increase) in accounts receivable			
Decrease (increase) in accounts receivable			
Decrease (increase) in inventories			
Decrease (increase) in inventories			
Decrease (increase) in inventories			
Decrease (increase) in other current assets			
Decrease (increase) in other current assets			
Decrease (increase) in other current assets			
Decrease (increase) in lease receivable, net			
Decrease (increase) in lease receivable, net			
Decrease (increase) in lease receivable, net			
Decrease (increase) in deferred costs and other contract assets			
Decrease (increase) in deferred costs and other contract assets			
Decrease (increase) in deferred costs and other contract assets			
Decrease (increase) in other non-current assets			
Decrease (increase) in other non-current assets			
Decrease (increase) in other non-current assets			
Increase (decrease) in accounts payable			
Increase (decrease) in accounts payable			
Increase (decrease) in accounts payable	Increase (decrease) in accounts payable	3.6	69.6
Increase (decrease) in accrued compensation	Increase (decrease) in accrued compensation	(32.8)	(6.9)
Increase (decrease) in accrued compensation			
Increase (decrease) in accrued compensation			
Increase (decrease) in accrued liabilities			
Increase (decrease) in accrued liabilities			
Increase (decrease) in accrued liabilities	Increase (decrease) in accrued liabilities	(19.5)	(26.5)
Increase (decrease) in income tax payable	Increase (decrease) in income tax payable	(7.1)	(8.4)
Increase (decrease) in income tax payable			
Increase (decrease) in income tax payable			
Increase (decrease) in deferred revenue and other contract-related liabilities			
Increase (decrease) in deferred revenue and other contract-related liabilities			
Increase (decrease) in deferred revenue and other contract-related liabilities	Increase (decrease) in deferred revenue and other contract-related liabilities	(6.2)	19.7
Increase (decrease) in other non-current liabilities	Increase (decrease) in other non-current liabilities	22.5	(28.9)

Net cash provided by operating activities		17.0	36.0
Increase (decrease) in other non-current liabilities			
Increase (decrease) in other non-current liabilities			
Net cash provided by (used in) operating activities			
Net cash provided by (used in) operating activities			
Net cash provided by (used in) operating activities			
Cash flows from investing activities:			
Cash flows from investing activities:			
Cash flows from investing activities:	**Cash flows from investing activities:**		
Purchases of property and equipment, net	Purchases of property and equipment, net	(33.1)	(36.0)
Purchases of property and equipment, net			
Purchases of property and equipment, net			
Increase in intangible assets			
Increase in intangible assets			
Increase in intangible assets	Increase in intangible assets	(29.3)	(13.9)
Business combinations, net of cash acquired	Business combinations, net of cash acquired	7.5	(985.0)
Business combinations, net of cash acquired			
Business combinations, net of cash acquired			
Other strategic investing activities	Other strategic investing activities	(1.0)	—
Net cash used in investing activities		(55.9)	(1,034.9)
Other strategic investing activities			
Other strategic investing activities			
Net cash (used in) provided by investing activities			
Net cash (used in) provided by investing activities			
Net cash (used in) provided by investing activities			
Cash flows from financing activities:			
Cash flows from financing activities:			
Cash flows from financing activities:	**Cash flows from financing activities:**		
Borrowings under line of credit	Borrowings under line of credit	139.5	1,050.6
Borrowings under line of credit			
Borrowings under line of credit			
Repayments on line of credit			
Repayments on line of credit			
Repayments on line of credit	Repayments on line of credit	(154.3)	(96.3)
Debt issuance costs		—	(9.3)
Proceeds from issuance of common stock			
Proceeds from issuance of common stock			
Proceeds from issuance of common stock	Proceeds from issuance of common stock	6.7	6.9
Payroll tax withholdings on behalf of employees for vested equity awards	Payroll tax withholdings on behalf of employees for vested equity awards	(12.7)	(25.4)
Repurchases of common stock		—	(401.4)
Payroll tax withholdings on behalf of employees for vested equity awards			
Payroll tax withholdings on behalf of employees for vested equity awards			

Net cash (used in) provided by financing activities			
Net cash (used in) provided by financing activities			
Net cash (used in) provided by financing activities	**Net cash (used in) provided by financing activities**	(20.8)	525.1
Effect of foreign currency exchange rates on cash	Effect of foreign currency exchange rates on cash	(17.6)	(52.5)
Effect of foreign currency exchange rates on cash			
Effect of foreign currency exchange rates on cash			
Net decrease in cash, cash equivalents and restricted cash			
Net decrease in cash, cash equivalents and restricted cash			
Net decrease in cash, cash equivalents and restricted cash	Net decrease in cash, cash equivalents and restricted cash	(77.3)	(526.3)
Cash, cash equivalents and restricted cash at beginning of period	Cash, cash equivalents and restricted cash at beginning of period	209.6	748.4
Cash, cash equivalents and restricted cash at beginning of period			
Cash, cash equivalents and restricted cash at beginning of period			
Cash, cash equivalents and restricted cash at end of period	Cash, cash equivalents and restricted cash at end of period	$ 132.3	$ 222.1
Cash, cash equivalents and restricted cash at end of period			
Cash, cash equivalents and restricted cash at end of period			

The accompanying notes are an integral part of these condensed consolidated financial statements.

MASIMO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Description of the Company

Masimo Corporation is a global technology company that develops, manufactures and markets a wide array of patient monitoring technologies, as well as automation and connectivity solutions. The Company's mission is to improve patient outcomes, reduce the cost of care and take noninvasive monitoring to new sites and applications. The Company operates two business segments: healthcare and non-healthcare.

The Company's healthcare products and patient monitoring solutions generally incorporate a monitor or circuit board, proprietary single-patient use or reusable sensors, software and/or cables. The Company primarily sells its healthcare products to hospitals, emergency medical service providers, home care providers, physician offices, veterinarians, long-term care facilities and consumers through its direct sales force, distributors and original equipment manufacturer (OEM) partners.

On April 11, 2022, the Company acquired Viper Holdings Corporation, the parent company of DEI Sales, Inc., d/b/a Sound United (Sound United), via the Company's wholly-owned subsidiary, Sonic Boom Acquisition Corp (Sonic) (Sound United Acquisition). For additional information on the Company's acquisition of Sound United, see Note 18, "Business Combinations".

The Company's non-healthcare consumer products and home integration technologies are primarily sold or licensed direct-to-consumers, or through authorized retailers and wholesalers.

The terms "the Company" and "Masimo" refer to Masimo Corporation and, where applicable, its consolidated subsidiaries.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted pursuant to such rules and regulations. The accompanying condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, including normal recurring accruals, necessary to present fairly the Company's condensed consolidated financial statements. The accompanying condensed consolidated balance sheet as of December 31, 2022 December 30, 2023 was derived from the Company's audited consolidated financial statements at that date. The accompanying condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 30, 2023 (fiscal year 2022) 2023), filed with the SEC on March 1, 2023 February 28, 2024. The results for the three and nine months ended September 30, 2023 March 30, 2024 are not necessarily indicative of the results to be expected for the fiscal year ending December 30, 2023 December 28, 2024 (fiscal year 2023) 2024) or for any other interim period or for any future year.

Fiscal Periods

The Company follows a conventional 52/53 week fiscal year. Under a conventional 52/53 week fiscal year, a 52 week fiscal year includes four quarters of 13 weeks while a 53 week fiscal year includes three 13 week fiscal quarters and one 14 week fiscal quarter. The Company's last 53 week fiscal year was fiscal year 2020. Fiscal year 2023 2024 is a 52 week

fiscal year ending December 30, 2023 December 28, 2024. All references to years in these notes to condensed consolidated financial statements are fiscal years unless otherwise noted.

Reclassifications

Certain amounts in the accompanying condensed consolidated financial statements have been reclassified to conform to the current period presentation, including certain balance sheet asset accounts in the consolidated financial statements for the year ended December 31, 2022 December 30, 2023. There was no impact on previously reported total assets, liabilities, stockholders' equity or net income.

Use of Estimates

The Company prepares its financial statements in conformity with GAAP, which requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include the determination of standalone selling prices, variable consideration, total consideration allocated to each performance obligation within a contract, inventory valuation, valuation of the Company's equity awards, valuation of identifiable assets and liabilities connected with business combinations, impairment of long-lived assets, intangible assets and goodwill; derivative and equity instruments, deferred taxes and any associated valuation allowances, deferred revenue, accounting for pensions, uncertain income tax positions, litigation costs, and related accruals. See Note 24, "Commitments and Contingencies". Actual results could differ from such estimates.

Business Combinations

The Company accounts for business combinations using the acquisition method of accounting in accordance with Accounting Standards Codification (ASC) Topic 805, *Business Combinations*, which requires that once control is obtained, assets acquired, liabilities assumed and noncontrolling interests in the acquired entity, if applicable, are recorded at their respective fair values at the date of acquisition, with the exception of acquired contract assets and contract liabilities (i.e., deferred revenue) from contracts with customers. These are recognized and measured in accordance with ASC Topic 606, *Revenue from Contracts with Customers.* The excess of the purchase price over fair values of identifiable assets, liabilities and noncontrolling interests in the acquired entity, if applicable, is recorded as goodwill.

Fair Value Measurements

The Company accounts for certain financial instruments at their fair values as either assets or liabilities on the balance sheet. The Company determines the fair value of its financial instruments using the framework prescribed by ASC Topic 820, *Fair Value Measurements and Disclosures*, and considers the estimated amount the Company would receive or pay to transfer these instruments at the reporting date with respect to current currency exchange rates, interest rates, the creditworthiness of the counterparty for unrealized gain positions and the Company's creditworthiness for unrealized loss positions. In certain instances, the Company may utilize financial models to measure the fair value of its financial instruments. In doing so, the Company uses inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, other observable inputs for the asset or liability and inputs derived principally from, or corroborated by, observable market data by correlation or other means.

Recurring Fair Value Measurement

On a recurring basis, the Company measures certain financial assets and financial liabilities at fair value based upon quoted market prices. Where quoted market prices or other observable inputs are not available, the Company applies valuation techniques to estimate fair value. Authoritative guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value:

- Level 1—Quoted prices in active markets for *identical* assets or liabilities.
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for *similar* assets or liabilities, quoted prices in markets that are not active; or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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The following tables represent the Company's financial assets, measured at fair value on a recurring basis at September 30, 2023 March 30, 2024:

		Total Carrying Value	Fair Value Measurement Hierarchy		
(in millions)	(in millions)	Total Carrying Value	Total Carrying Value	Total Carrying Value	
(in millions)	(in millions)	Total Carrying	Level 1	Level 2	Level 3

Assets	Assets	Value			
Assets					
Assets					
Cash and cash equivalents					
Cash and cash equivalents					
Cash and cash equivalents	Cash and cash equivalents	$ 72.2	$ 72.2	$ —	$ —
Money market funds	Money market funds	52.2	52.2	—	—
Money market funds					
Money market funds					
Equity securities	Equity securities	2.0	2.0	—	—
Equity securities					
Equity securities					
Pension assets					
Pension assets					
Pension assets	Pension assets	22.2	14.8	7.4	—
Derivative instruments - cash flow hedges		21.8	—	21.8	—
Derivative instruments - cash flow hedges[1]					
Derivative instruments - cash flow hedges[1]					
Derivative instruments - cash flow hedges[1]					
Derivative instruments - warrants	Derivative instruments - warrants	1.1	—	—	1.1
Derivative instruments - warrants					
Derivative instruments - warrants					
Total assets					
Total assets					
Total assets	**Total assets**	$ 171.5	$ 141.2	$ 29.2	$ 1.1
Liabilities	***Liabilities***				
None		$ —	$ —	$ —	$ —
Liabilities					
Liabilities					
Derivative instruments - cash flow hedges					
Derivative instruments - cash flow hedges					
Derivative instruments - cash flow hedges					
Pension benefit obligation					
Pension benefit obligation					
Pension benefit obligation					
Total liabilities	**Total liabilities**	$ —	$ —	$ —	$ —
Total liabilities					
Total liabilities					

[1] Includes accrued interest.

The following tables represent the Company's financial assets, measured at fair value on a recurring basis at December 31, 2022 December 30, 2023:

(in millions)	Total Carrying Value	Fair Value Measurement Hierarchy		
		Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 148.5	$148.5	$ —	$—
Money market funds	54.4	54.4	—	—
Pension assets	22.2	14.8	7.4	—
Derivative instruments - cash flow hedges	19.7	—	19.7	—
Total assets	$ 244.8	$217.7	$27.1	$—
Liabilities				
None	$ —	$ —	$ —	$—
Total liabilities	$ —	$ —	$ —	$—

(1) Includes accrued interest.

The Company invests in checking, savings and money market fund accounts, which are classified within Level 1 of the fair value hierarchy as they are valued using quoted market prices. These investments are classified as cash and cash equivalents within the Company's accompanying condensed consolidated balance sheets, in accordance with GAAP and its accounting policies.

The Company has certain strategic investments in privately-held companies (non-marketable equity securities) and companies that have completed initial public offerings (marketable equity securities). The Company's marketable equity securities, whose price is based on quoted market price in an active market, are classified within Level 1 of the fair value hierarchy. Equity securities are classified as current, short-term investments, or non-current, recorded in other non-current assets, based on the nature of the securities and their availability for use in current operations. The changes in the fair value of those equity securities are measured at each reporting date and changes in the value of these investments between reporting dates are recorded within non-operating income (expense). loss.

The Company's pension assets consist of Level 1 and Level 2 investments. The fair value of Level 2 assets is based on observable inputs such as prices or quotes for similar assets, adjusted for any differences in terms or conditions that may affect the value of the instrument being valued. The valuation techniques used for Level 2 assets may include the use of models or other valuation techniques, but these methods are all based on observable market inputs.

The Company also has investments in certain derivative instruments, warrants, which are measured at fair value and classified within Level 3 1 of the fair value hierarchy. The warrants are included in the other non-current assets on the balance sheet. Changes in the fair value of warrants are measured at each reporting date and are recorded within non-operating income (expense).

Non-Recurring Fair Value Measurements

For certain other financial assets and liabilities, including restricted cash, accounts receivable, accounts payable and other current assets and liabilities, the carrying amounts approximate their fair value primarily due to the relatively short maturity of these balances. The Company also measures certain non-financial assets at fair value on a non-recurring basis, primarily goodwill, intangible assets and operating lease right-of-use assets, in connection with periodic evaluations for potential impairment.

Furthermore, the Company did not elect to apply the fair value option to specific assets or liabilities on a contract-by-contract basis. The Company did not have any transfers between Level 2 and Level 3 during the nine three months ended September 30, 2023 March 30, 2024.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity from the date of purchase of three months or less, or highly liquid investments that are readily convertible into known amounts of cash, to be cash equivalents. The Company carries cash and cash equivalents at cost, which approximates fair value, and they are Level 1 under the fair value hierarchy.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable consist of trade receivables recorded at the time of invoicing of product sales, reduced by reserves for estimated bad debts and returns. Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Credit is extended based on an evaluation of the customer's financial condition. Collateral is generally not required. The Company records an allowance for credit losses that it does not expect to collect based on relevant information, including historical experience, current conditions, and reasonable and supportable forecasts. Accounts are charged off against the allowance when the Company believes they are uncollectible. The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. Based on the risk characteristics, the Company has identified U.S. and international customers as separate portfolios for both segments, and measures expected credit losses on such receivables using an aging methodology.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using a standard cost method, which approximates the first in, first out method, and includes material, labor and overhead costs. Inventory valuation adjustments are recorded for inventory items that have become excess or obsolete or are no longer used in current production and for inventory items that have a market price less than the carrying value in inventory. The Company generally determines inventory valuation adjustments based on an evaluation of the expected future use of its inventory on an item by item basis and applies historical obsolescence rates to estimate the loss on inventory expected to have a recovery value below cost. The Company also records other specific inventory valuation adjustments when it becomes aware of unique events or circumstances that result in an expected recovery value below cost. For inventory items that have been written down, the reduced value becomes the new cost basis.

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Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over estimated useful lives as follows:

	Useful Lives
Buildings and building improvements	7 to 39 years
Computer equipment and software	2 to 12 years
Demonstration units	2 to 3 years
Furniture and office equipment	2 to 15 years
Leasehold improvements	Lesser of useful life or term of lease
Machinery, equipment and tooling	3 to 20 years
Operating lease assets	Lesser of useful life or term of lease
Transportation, vehicles and other	1 to 20 years

Land is not depreciated and construction-in-progress is not depreciated until placed in service. Normal repair and maintenance costs are expensed as incurred, whereas significant improvements that materially increase values or extend useful lives are capitalized and depreciated over the remaining estimated useful lives of the related assets. Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation or amortization are removed from the accounts and any gain or loss on the sale or retirement is recognized in income.

Lessee Right-of-Use (ROU) Assets and Lease Liabilities

The Company determines if an arrangement contains a lease at inception. ROU assets represent the Company's right to use an asset underlying an operating lease for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from an operating lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Company generally estimates the applicable discount rate used to determine the net present value of lease payments based on available information at the lease commencement date. Many of the Company's lessee agreements include options to extend the lease, which the Company does not include in its lease terms unless they are reasonably certain to be exercised. The Company utilizes a portfolio approach to account for the ROU assets and liabilities associated with certain equipment leases.

The Company has also made an accounting policy election not to separate lease and non-lease components for its real estate leases and to exclude short-term leases with a term of twelve months or less from its ROU assets and lease liabilities. Rental expense for lease payments related to operating leases is recognized on a straight-line basis over the lease term.

Intangible Assets

Intangible assets consist primarily of patents, trademarks, software development costs, customer relationships and acquired technology. Costs related to patents and trademarks, which include legal and application fees, are capitalized capitalized and amortized over the estimated useful lives using the straight-line method. Patent and trademark trademark amortization commences once final approval of the patent or trademark has been obtained. Patent costs are amortized over the lesser of 10 years or the patent's remaining legal life, which assumes renewals, and trademark costs are amortized over 17 years, and their associated amortization cost is included in selling, general and administrative expense in the accompanying condensed consolidated statements of operations. For intangibles purchased in an asset acquisition or business combination, which mainly include patents, trademarks, customer relationships and acquired technologies, the useful life is determined largely by valuation estimates of remaining economic life.

The Company's policy is to renew its patents and trademarks. Costs to renew patents and trademarks are capitalized and amortized over the remaining useful life of the intangible asset. The Company periodically evaluates the amortization period and carrying basis of patents and trademarks to determine whether any events or circumstances warrant a revised estimated useful life or reduction in value. Capitalized application costs are charged to operations when it is determined that the patent or trademark will not be obtained or is abandoned.

Software development costs are accounted for in accordance with ASC Topic 985-20, *Software - Costs of Software to be Sold, Leased, or Marketed.* Once technological feasibility has been established, qualifying costs incurred in development are capitalized until available for general release to customers, and subsequently reported at the lower of unamortized cost or net realizable value.

Intangibles purchased as part of an asset acquisition or business combination historically have included patents, trademarks, customer relationships, developed technologies and contractual licenses. In certain circumstances the Company has also acquired non-compete agreements tied to certain employment relationships. The useful life for all of these is largely determined by valuation estimates of remaining economic life. In connection with a prior the Sound United acquisition, the Company acquired certain trademarks/tradenames, which are intangible assets with indefinite useful lives. These brands are expected to maintain brand value for an indefinite period of time.

Impairment of Goodwill, Intangible Assets and Other Long-Lived Assets

Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the acquired net tangible and intangible assets. Goodwill is not amortized, but instead is tested annually for impairment, or more frequently when events or changes in circumstances indicate that goodwill might be impaired. In assessing goodwill impairment, the Company has the option to first assess the qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The Company has two reporting units, healthcare and non-healthcare. The Company's qualitative assessment of the recoverability of goodwill considers various macro-economic, industry-specific and Company-specific factors, including: (i) severe adverse industry or economic trends; (ii) significant Company-specific actions; (iii) current, historical or projected deterioration of the Company's financial performance; or (iv) a sustained decrease in the Company's market capitalization below its net book value. If the qualitative assessment indicates that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value, or if the Company elects to bypass the qualitative analysis, then the Company performs a quantitative analysis that compares the fair

value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered impaired; otherwise, a goodwill impairment loss is recognized for the lesser of: (a) the amount that the carrying amount of such reporting unit exceeds its fair value; or (b) the amount of the goodwill allocated to such reporting unit. The annual impairment test is performed during the fourth fiscal quarter.

Similar to goodwill, indefinite-lived intangible assets are not amortized but instead are subject to annual impairment testing, unless circumstances dictate more frequent testing, if impairment indicators exist. Impairment for indefinite-lived assets exists if the carrying value of the indefinite-lived intangible asset exceeds its fair value. Determining whether impairment indicators exist and estimating the fair value of the Company's indefinite-lived intangible assets if necessary for impairment testing require significant judgment. Qualitative factors considered in this assessment include industry and market conditions, overall financial performance, and other relevant events and factors.

The Company reviews finite lived intangible assets and long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted operating cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Employee Defined Benefit Plans

The Company maintains noncontributory defined benefit plans that cover certain employees in certain international locations. The Company recognizes the funded status, or the difference between the fair value of plan assets and the projected benefit obligations of the pension plan on the condensed consolidated balance sheet, with a corresponding adjustment to accumulated other comprehensive (loss) income. If the projected benefit obligation exceeds the fair value of plan assets, the difference or underfunded status represents the pension liability. The Company records a net periodic pension cost in the condensed consolidated statement of operations. The liabilities and annual income or expense are determined using methodologies that involve several actuarial assumptions, the most significant of which are the discount rate and the expected long-term rate of asset return. The Company's accounting policy includes an annual re-measurement of pension assets and obligations. In addition, the Company re-measures pension assets and obligations for significant events, as of the nearest month-end date on the calendar. The fair values of plan assets are determined based on prevailing market prices. See Note 21, "Employee Benefits", for further details.

Income Taxes

The Company accounts for income taxes using the asset and liability method, under which the Company recognizes deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for net operating loss and tax credit carryforwards. Tax positions that meet a more-likely-than-not recognition threshold are recognized in the first reporting period that it becomes more-likely-than-not such tax position will be sustained upon examination. A tax position that meets this more-likely-than-not recognition threshold is recorded at the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Previously recognized income tax positions that fail to meet the recognition threshold in a subsequent period are derecognized in that period. Differences between actual results and the Company's assumptions, or changes in the Company's assumptions in future periods, are recorded in the period they become known. The Company records potential accrued interest and penalties related to unrecognized tax benefits in income tax expense.

As a multinational corporation, the Company is subject to complex tax laws and regulations in various jurisdictions. The application of tax laws and regulations is subject to legal and factual interpretation, judgment and uncertainty. Tax laws themselves are subject to change as a result of changes in fiscal policy, changes in legislation, evolution of regulations and court rulings. Therefore, the actual liability for U.S. or foreign taxes may be materially different from the Company's estimates, which could result in the need to record additional liabilities or potentially to reverse previously recorded tax liabilities.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. A valuation allowance is recorded against any deferred tax assets when, in the judgment of management, it is more likely than not that all or part of a deferred tax asset will not be realized. In assessing the need for a valuation allowance, the Company considers all positive and negative evidence, including recent financial performance, scheduled reversals of temporary differences, projected future taxable income, availability of taxable income in carryback periods and tax planning strategies.

Income taxes are highly susceptible to changes from period to period, requiring management to make assumptions about the Company's future income over the lives of its deferred tax assets and the impact of changes in valuation allowances. Any difference in the assumptions, judgments and estimates mentioned above could result in changes to the Company's results of operations.

Revenue Recognition, Deferred Revenue and Other Contract Liabilities

The Company generally recognizes revenue following a single, principles-based five-step model to be applied to all contracts with customers and generally provides for the recognition of revenue in an amount that reflects the consideration to which the Company expects to be entitled, net of allowances for estimated returns, discounts or sales incentives, as well as taxes collected from customers that are remitted to government authorities, when control over the promised goods or services are transferred to the customer.

Healthcare segment

While the majority of the Company's healthcare segment revenue contracts and transactions contain standard business terms and conditions, there are some transactions that contain non-standard business terms and conditions. As a result, contract interpretation, judgment and analysis are required to determine the appropriate accounting, including: (i) the amount of the total consideration, as well as variable consideration, (ii) whether the arrangement contains an embedded lease, and if so, whether such embedded lease is a sales-type lease or an operating lease, (iii) the identification of the distinct performance obligations contained within the arrangement, (iv) how the arrangement consideration should be allocated to each performance obligation when multiple performance obligations exist, including the determination of standalone selling price, and (v) when to recognize revenue on the performance obligations. Changes in judgments on these assumptions and estimates could materially impact the timing of revenue recognition. Revenue from fixed lease payments related to equipment supplied under sales-type lease arrangements is recognized once control over the equipment is transferred to the customer, while revenue from

fixed lease payments related to equipment supplied under operating-type lease arrangements is generally recognized on a straight-line basis over the term of the lease and variable lease payments are recognized as they occur.

The Company derives the majority of its healthcare segment revenue from four primary sources: (i) direct sales under deferred equipment agreements with end-user hospitals where the Company provides up-front monitoring equipment at no up-front charge in exchange for a multi-year sensor purchase commitment; (ii) other direct sales of noninvasive monitoring solutions to end-user hospitals, emergency medical response organizations and other direct customers; (iii) sales of noninvasive monitoring solutions to distributors who then typically resell to end-user hospitals, emergency medical response organizations and other customers; and (iv) sales of integrated circuit boards to OEM customers who incorporate the Company's embedded software technology into their multiparameter monitoring devices. Subject to customer credit considerations, the majority of such sales are made on open accounts using industry standard payment terms based on the geography within which the specific customer is located.

The Company enters into agreements to sell its monitoring solutions and services, sometimes as a part of arrangements with multiple performance obligations that include various combinations of product sales, equipment leases, software and services. In the case of contracts with multiple performance obligations, the authoritative guidance provides that the total consideration be allocated to each performance obligation on the basis of relative standalone selling prices. When a standalone selling price is not readily observable, the Company estimates the standalone selling price by considering multiple factors including, but not limited to, features and functionality of the product, geographies, type of customer, contractual prices pursuant to Group Purchasing Organization (GPO) contracts, the Company's pricing and discount practices, and other market conditions.

Sales under deferred equipment agreements are generally structured such that the Company agrees to provide certain monitoring-related equipment, software, installation, training and/or warranty support at no up-front charge in exchange for the customer's commitment to purchase sensors over the term of the agreement, which generally ranges from three years to six years. The Company allocates contract consideration under deferred equipment agreements containing fixed annual sensor purchase commitments to the underlying lease and non-lease components at contract inception. In determining whether any underlying lease components are related to a sales-type lease or an operating lease, the Company evaluates the customer's rights and ability to control the use of the underlying equipment throughout the contract term, including any equipment substitution rights retained by the Company, as well as the Company's expectations surrounding potential contract/lease extensions or renewals and the customer's likelihood to exercise any purchase options. Beginning in 2022, for contracts that contain variable lease payments that are not dependent on an index or rate, the Company classifies as operating leases any lease components that would have otherwise been classified as sales-type leases that would result in a selling loss upon lease commencement. Revenue allocable to non-lease performance obligations is generally recognized as such non-lease performance obligations are satisfied. Revenue allocable to lease components under sales-type lease arrangements is generally recognized when control over the equipment is transferred to the customer. Revenue allocable to lease components under operating lease arrangements is generally recognized over the term of the operating lease. The Company generally does not expect to derive any significant value in excess of such asset's unamortized book value from equipment underlying its operating lease arrangements after the end of the agreement.

Revenue from the sale of products and software to end-user hospitals, emergency medical response organizations, other direct customers, distributors and OEM customers, is recognized by the Company when control of such products transfer the performance obligations thereunder transfers to the customer based upon the terms of the contract or underlying purchase order.

Revenue related to OEM rainbow® parameter software licenses is recognized by the Company upon the OEM's shipment of its product to its customer, as reported to the Company by the OEM.

The Company provides certain customers with various sales incentives that may take the form of discounts or rebates. The Company records estimates related to these programs as a reduction to revenue at the time of sale. In general, customers do not have a right of return for credit or refund. However, the Company allows returns under certain circumstances. At the end of each period, the Company estimates and accrues for these returns as a reduction to revenue. The Company estimates the revenue constraints related to these forms of variable consideration based on various factors, including expected purchasing volumes, prior sales and returns history, and specific contractual terms and limitations.

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Non-healthcare segment

Non-healthcare segment revenue is related to hardware and embedded software that is integrated into final products that are manufactured and sold by the Company. Products and related software are accounted for as a single performance obligation and all intended functionality is available to the customer upon purchase. Non-healthcare segment revenue is recognized upon transfer of control of promised products or service to customers, which is either upon shipment or upon delivery to the customers, depending on delivery terms.

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The Company offers sales incentives and has customer programs consisting primarily of discounts and market development fund programs, and records them as a contra revenue. Estimates for sales incentives are developed using the most likely amount and are included in the transaction price to the extent that a significant reversal of revenue would not result once the uncertainty is resolved. In developing its these estimates, the Company also considers the susceptibility of the incentive to outside influences, the length of time until the uncertainty is resolved and the Company's experience with similar contracts. Reductions in revenue related to discounts are allocated to products on a relative basis based on

their respective standard selling price if there are undelivered products in a contract. Judgement is required to determine the timing and amount of recognition of marketing funds which the Company estimates based on past practice of providing similar funds.

Payment terms and conditions vary among the Company's distribution channels although terms generally include a requirement of payment within 30 to 60 days of product shipment. Sales made directly to customers from the Company's website are paid at the time of product shipment. Prior to determining payment terms for each customer, an evaluation of such customer's credit risk is performed. Contractual allowances are an offset to accounts receivable.

Shipping and Handling Costs and Fees

All shipping and handling costs are expensed as incurred and are recorded as a component of cost of goods sold in the accompanying condensed consolidated statements of operations. Charges for shipping and handling billed to customers are included as a component of revenue.

Taxes Collected From Customers and Remitted to Governmental Authorities

The Company's policy is to present revenue net of taxes collected from customers and remitted to governmental authorities.

Deferred Costs and Other Contract Assets

The costs of monitoring-related equipment provided to customers under operating lease arrangements within the Company's deferred equipment agreements are generally deferred and amortized to cost of goods sold over the life of the underlying contracts. Some of the Company's deferred equipment agreements also contain provisions for certain allowances to be made directly to the end-user hospital customer at the inception of the arrangement. These allowances are generally allocated to the lease and non-lease components and recognized as a reduction to revenue as the underlying performance obligations are satisfied.

The Company generally invoices its customers under deferred equipment agreements as sensors are provided to the customer. However, the Company may recognize revenue for certain non-lease performance obligations under deferred equipment agreements with fixed annual commitments at the time such performance obligations are satisfied and prior to the customer being invoiced. When this occurs, the Company records an unbilled contract receivable related to such revenue until the customer has been invoiced pursuant to the terms of the underlying deferred equipment agreement.

The incremental costs of obtaining a contract with a customer are capitalized and deferred if the Company expects such costs to be recoverable over the life of the contract and the contract term is greater than one year. Such deferred costs generally relate to certain incentive sales commissions earned by the Company's internal sales team in connection with the execution of deferred equipment agreements and are amortized to expense over the expected term of the underlying contract.

The Company recognizes non-healthcare royalty revenue associated with certain prepaid license arrangements. The Company recognizes non-healthcare revenue from the prepaid license arrangements based upon sales-based royalties when a subsequent sale occurs.

Warranty

The Company generally provides a warranty against defects in material and workmanship for a period ranging from six months to forty-eight months, depending on the product type. In traditional sales activities, including direct and OEM sales, the Company establishes an accrued liability for the estimated warranty costs at the time of revenue recognition, with a corresponding provision to cost of goods sold. Customers may also purchase extended warranty coverage or service level upgrades separately or as part of a deferred equipment agreement. Revenue related to extended warranty coverage and service level upgrades is generally recognized over the life of the contract, which reasonably approximates the period over which such services will be provided. The related extended warranty and service level upgrade costs are expensed as incurred.

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Changes in the product warranty accrual were as follows:

	Nine Months Ended			Three Months Ended	
	Three Months Ended				
(in millions)	(in millions)	September 30, 2023	October 1, 2022	(in millions)	March 30, 2024	April 1, 2023
Product warranty accrual, beginning of period	Product warranty accrual, beginning of period	$ 10.6	$ 2.5			
Increase related to acquisition, net of reserve		—	8.0			

Accrual for warranties issued			
Accrual for warranties issued			
Accrual for warranties issued	Accrual for warranties issued	7.4	1.9
Changes in pre-existing warranties (including changes in estimates)	Changes in pre-existing warranties (including changes in estimates)	(8.3)	1.5
Settlements made	Settlements made	(1.0)	(4.5)
Product warranty accrual, end of period	Product warranty accrual, end of period	$ 8.7	$ 9.4

Advertising Costs

Advertising costs include certain advertising, marketing and endorsement licensing fee agreements. Advertising and marketing costs are expensed as incurred. Licensing fees associated with product endorsers are expensed on a straight-line basis over the term of the agreement. Advertising costs are included in selling, general and administrative expense in the accompanying condensed consolidated statements of operations. Advertising costs for the three months ended March 30, 2024 and April 1, 2023 were $11.9 million and $14.4 million, respectively.

Litigation Costs and Contingencies

The Company records a charge equal to at least the minimum estimated liability for a loss contingency or litigation settlement when both of the following conditions are met: (i) information available prior to issuance of the financial statements indicates that it is probable that a liability had been incurred at the date of the financial statements, and (ii) the range of loss can be reasonably estimated. The determination of whether a loss contingency, or litigation settlement or contingent fee is probable or reasonably possible involves a significant amount of management judgment, as does the estimation of the range of loss given the nature of contingencies. contingencies or any associated contingent fees related to a settlement of a legal matter. Liabilities related to litigation settlements with multiple elements are recorded based on the fair value of each element. Legal and other litigation related expenses are recognized as the services are provided. Contingent legal fee expenses are recognized when probable and reasonably estimable. The Company records insurance and other indemnity recoveries for litigation expenses when both of the following conditions are met: (a) the recovery is probable, and (b) collectability is reasonably assured. Insurance recoveries are only recorded to the extent the litigation costs to which they relate have been incurred and recognized in the financial statements.

Foreign Currency Translation

The Company's international headquarters is in Switzerland, and its functional currency is the U.S. Dollar. The Company has many other foreign subsidiaries, and the largest transactions in foreign currency translations occur in the Japanese Yen, the British Pound, the Chinese Yuan and the European Euro.

The Company records certain revenues and expenses in foreign currencies. These revenues and expenses are translated into U.S. Dollars based on the average exchange rate for the reporting period. Assets and liabilities denominated in foreign currencies are translated into U.S. Dollars at the exchange rate in effect as of the balance sheet date. Translation gains and losses related to foreign currency assets and liabilities of a subsidiary that are denominated in the functional currency of such subsidiary are included as a component of accumulated other comprehensive (loss) income within the accompanying condensed consolidated balance sheets. Realized and unrealized foreign currency gains and losses related to foreign currency assets and liabilities of the Company, or a subsidiary that are not denominated in the underlying functional currency are included as a component of non-operating (loss) income within the accompanying condensed consolidated statements of operations.

Derivatives Instruments and Hedging Activities

The Company addresses market risk from changes in interest rates risks through risk management programs, which include the use of derivative instruments. The Company's exposure to a counterparty's credit risk is generally limited to the amounts of the net obligation to the counterparty. The Company established policies to enter into contracts only with major investment-grade financial institutions to mitigate such counterparty credit risk. The Company also established a policy to further monitor the counterparty risks throughout the life of the instruments. None of the derivative instruments currently held by the Company were entered into for speculative trading purposes.

All derivative financial instruments are recognized as either assets or liabilities at fair value in the condensed consolidated balance sheets and are classified as short-term or long-term based on the tenor of the instrument. The Company has elected not to separate a derivative instrument into current and long-term portions. A derivative instrument whose fair value is a net liability is classified as current in total. A derivative instrument whose fair value is a net asset and whose current portion is an asset is classified as non-current in total. For a derivative instrument that meets the criteria to qualify for hedge accounting, the Company marks the fair value of the derivative instrument to market periodically through other

comprehensive (loss) income. When the hedged items are recorded to income (expense) (loss), the associated deferred gains (losses) of the derivatives in accumulated other comprehensive (loss) income will be reclassified into earnings. Any fluctuation in the fair value of a derivative instrument that does not meet the criteria for hedge accounting is recorded to earnings (expense) in the period it occurs.

Comprehensive (Loss) Income

Comprehensive (loss) income includes foreign currency translation adjustments, changes to pension benefits, unrealized gains (losses) on cash flow hedges and any related tax benefits (expenses) that have been excluded from net income and reflected in stockholders' equity.

Net Income Per Share

A computation of basic and diluted net income per share is as follows:

		Three Months Ended		Nine Months Ended				
		Three Months Ended						
		Three Months Ended						
		Three Months Ended						
(in millions, except per share amounts)	(in millions, except per share amounts)	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022	(in millions, except per share amounts)	March 30, 2024	April 1, 2023
Net income								
Net income								
Net income	**Net income**	$ 10.6	$37.9	$ 47.6	$102.6			
Basic net income per share:	**Basic net income per share:**							
Basic net income per share:								
Basic net income per share:								
Weighted-average shares outstanding - basic								
Weighted-average shares outstanding - basic								
Weighted-average shares outstanding - basic	Weighted-average shares outstanding - basic	52.8	52.5	52.8	54.0			
Net income per basic share	Net income per basic share	**$ 0.20**	**$0.72**	**$ 0.90**	**$ 1.90**			
Diluted net income per share:	**Diluted net income per share:**							
Weighted-average shares outstanding - basic	Weighted-average shares outstanding - basic	52.8	52.5	52.8	54.0			
Weighted-average shares outstanding - basic								

Weighted-average shares outstanding - basic					
Diluted share equivalents: stock options, RSUs and PSUs	Diluted share equivalents: stock options, RSUs and PSUs	1.1	1.6	1.4	1.6
Weighted-average shares outstanding - diluted	Weighted-average shares outstanding - diluted	53.9	54.1	54.2	55.6
Net income per diluted share	Net income per diluted share	**$ 0.20**	**$0.70**	**$ 0.88**	**$ 1.85**

Basic net income per share is computed by dividing net income by the weighted-average number of shares outstanding during the period. Net income per diluted share is computed by dividing the net income by the weighted-average number of shares and potential shares outstanding during the period, if the effect of potential shares is dilutive. Potential shares include incremental shares of stock issuable upon the exercise of stock options and the vesting of both restricted share units (RSUs) and performance stock units (PSUs). For each of the three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023, weighted options to purchase 1.3 million 1.4 million and 1.0 million shares of common stock, respectively, were outstanding but not included in the computation of diluted net income per share because the effect of including such shares would have been antidilutive in the applicable period. For the nine months ended September 30, 2023 and October 1, 2022, weighted options to purchase 0.9 million and 0.8 million shares of common stock, respectively, were outstanding but not included in the computation of diluted net income per share because the effect of including such shares would have been antidilutive in the applicable period. Certain RSUs are were considered contingently issuable shares as their vesting is contingent upon the occurrence of certain future events. Since such events had not occurred and were not considered probable of occurring as of each of September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023, 2.7 million weighted-average shares related to such RSUs have been excluded from the calculation of potential shares for the three and nine month periods then ended. For additional information with respect to these RSUs, please see “Employment and Severance Agreements” in Note 24, “Commitments and Contingencies”.

Supplemental Cash Flow Information

Supplemental cash flow information includes the following:

		Nine Months Ended			
		Three Months Ended			Three Months Ended
(in millions)	(in millions)	September 30, 2023	October 1, 2022	(in millions)	March 30, 2024	April 1, 2023
Cash paid during the year for:	**Cash paid during the year for:**					
Interest expense	Interest expense					
Interest expense	Interest expense	$ 35.8	$ 11.9			
Income taxes	Income taxes	39.4	71.1			
Operating lease liabilities	Operating lease liabilities	16.0	12.0			
Non-cash operating activities:	**Non-cash operating activities:**					
Non-cash operating activities:						
Non-cash operating activities:						
ROU assets obtained in exchange for lease liabilities						

ROU assets obtained in exchange for lease liabilities			
ROU assets obtained in exchange for lease liabilities	ROU assets obtained in exchange for lease liabilities	$ 2.4	$ 9.8
Non-cash investing activities:	**Non-cash investing activities:**		
Non-cash investing activities:			
Non-cash investing activities:			
Unpaid purchases of property and equipment			
Unpaid purchases of property and equipment			
Unpaid purchases of property and equipment	Unpaid purchases of property and equipment	$ 1.2	$ 4.8
Unpaid strategic investments	Unpaid strategic investments	0.6	1.5
Unpaid strategic investments			
Unpaid strategic investments			
Non-cash financing activities:	**Non-cash financing activities:**		
Non-cash financing activities:			
Non-cash financing activities:			
Unsettled common stock proceeds from option exercises			
Unsettled common stock proceeds from option exercises			
Unsettled common stock proceeds from option exercises	Unsettled common stock proceeds from option exercises	$ 0.5	$ —
Reconciliation of cash, cash equivalents and restricted cash:	**Reconciliation of cash, cash equivalents and restricted cash:**		
Reconciliation of cash, cash equivalents and restricted cash:			
Reconciliation of cash, cash equivalents and restricted cash:			
Cash and cash equivalents			
Cash and cash equivalents			
Cash and cash equivalents	Cash and cash equivalents	$ 124.4	$219.5
Restricted cash	Restricted cash	7.9	2.6

Total cash, cash equivalents and restricted cash shown in the condensed consolidated statements of cash flows	Total cash, cash equivalents and restricted cash shown in the condensed consolidated statements of cash flows	$ 132.3	$222.1

Recently Adopted and Recently Announced Accounting Pronouncements

There have been no material changes to the accounting policies discussed in Note 2 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 30, 2023, filed with the SEC on March 1, 2023 February 28, 2024. There are no recently announced, but not yet other than the following update:

In November 2023, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The new standard is intended to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. ASU No. 2023-07 is effective accounting pronouncements that are expected for annual reporting periods beginning after December 15, 2023 and interim periods in fiscal years beginning after December 15, 2024. Early adoption is permitted with retrospective application to have a material all prior periods presented. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The Company is continuing to evaluate the impact to the Company as of September 30, 2023. this standard on its consolidated financial statements upon adoption.

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3. Related Party Transactions

The Company's Chairman and Chief Executive Officer (CEO) is also the Chairman and CEO of Cercacor Willow Laboratories, Inc. (Cercacor) (Willow). The Company is a party to the following agreements with Cercacor: Willow:

- *Cross-Licensing Agreement* - The Company and Cercacor Willow are parties to a cross-licensing agreement (Cross-Licensing Agreement), which governs each party's rights to certain intellectual property held by the two companies. The Company is subject to certain annual minimum aggregate royalty obligations for use of the rainbow® licensed technology. The current annual minimum royalty obligation is $5.0 million. Aggregate liabilities payable to Cercacor Willow arising under the Cross-Licensing Agreement were $5.2 million $4.8 million and $4.5 million $5.6 million for the three months ended September 30, 2023 March 30, 2024 and October 1, 2022, respectively. Aggregate liabilities payable to Cercacor arising under the Cross-Licensing Agreement were $15.1 million and $13.1 million for the nine months ended September 30, 2023 and October 1, 2022 April 1, 2023, respectively.
- *Administrative Services Agreement* - The Company is a party to an administrative services agreement with Cercacor Willow (G&A Services Agreement), which governs certain general and administrative services that the Company provides to Cercacor. Willow. Amounts charged by the Company pursuant to the G&A Services Agreement were $0.1 $0.1 million for each of the three months ended September 30, 2023 March 30, 2024 and October 1, 2022. Amounts charged by the Company pursuant to the G&A Services Agreement were $0.3 million for each of the nine months ended September 30, 2023 and October 1, 2022 April 1, 2023.

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- *Lease Agreement* - Effective December 2019, the Company entered into a lease agreement with Cercacor Willow for approximately 34,000 square feet of office, research and development space at one of the Company's owned facilities in Irvine (Cercacor (Willow Lease). The term of the Cercacor Willow Lease expires on December 31, 2024. The Company recognized approximately $0.3 million of lease income for each of the three months ended September 30, 2023 March 30, 2024 and October 1, 2022. The Company recognized approximately $0.9 million of lease income for each of the nine months ended September 30, 2023 and October 1, 2022 April 1, 2023.

Net amounts due to Cercacor Willow at September 30, 2023 March 30, 2024 and December 31, 2022 December 30, 2023 were approximately $5.6 million $4.9 million and $3.8 million $4.1 million, respectively.

The Company's CEO is also the Chairman of the Masimo Foundation for Ethics, Innovation and Competition in Healthcare (Masimo Foundation), a non-profit organization that was founded in 2010 to provide a platform for encouraging ethics, innovation, and competition in healthcare. In addition, the Company's Executive Vice President (EVP), Chief Financial Officer (CFO) serves as the Treasurer of the Masimo Foundation and the Company's EVP, General Counsel and Corporate Secretary serves as the Secretary for the Masimo Foundation. During each of the three months ended September 30, 2023 March 30, 2024 and October 1, 2022, the Company made no cash contributions to the Masimo Foundation. During each of the nine months ended September 30, 2023 and October 1, 2022 April 1, 2023, the Company made cash contributions of approximately $1.0 million to

the Masimo Foundation. During each of the three months ended March 30, 2024 and nine months ended September 30, 2023 and October 1, 2022 April 1, 2023, the Company made various in-kind contributions to the Masimo Foundation, mainly in the form of donated administrative services.

The Company's CEO is also a co-founder and a member of the board of directors of Like Minded Media Ventures (LMMV), a team of storytellers that create content focused in the areas of true stories, social causes and science**.** LMMV creates stories with a multi-platform strategy, bridging the gap between film, television, digital and social media. The Company entered into a marketing service agreement with LMMV for audiovisual production services promoting brand awareness, including television commercials and digital advertising, during the second quarter of 2020. During each of the three months ended September 30, 2023 March 30, 2024, the Company incurred $0.4 million in marketing expenses to LMMV under the marketing service agreement. During the three months ended October 1, 2022 and April 1, 2023, the Company incurred no marketing expenses to LMMV under the marketing service agreement. During the nine months ended September 30, 2023 and October 1, 2022, the Company incurred $1.2 million and $0.6 million in marketing expenses to LMMV under the marketing service agreement, respectively. At each of September 30, 2023 March 30, 2024 and December 31, 2022 December 30, 2023, there was were no amount amounts due to LMMV for services rendered.

The During the second quarter of 2021, the Company entered into a software license and professional services agreement with Like Minded Labs (LML), a subsidiary of LMMV, during the second quarter of 2021. LMMV. Pursuant to the software license agreement, LML granted the Company a perpetual, non-exclusive and fully paid-up right and license to integrate LML's software into the Company's products in exchange for a $3.0 million one-time license fee. Pursuant to the professional services agreement, LML will provide professional services to the Company, including the development of custom software intended to support the integration of the licensed software into the Company's products, as well as future support services upon the Company's acceptance of deliverables.

In July 2021, the Company entered into a patent purchase and option agreement with Vantrix Corporation (Vantrix), an acquiree of LML, for certain patents for $0.5 million, and the right to purchase two pools of additional patents from Vantrix for an exercise fee of up to $1.1 million. The agreements with LML and Vantrix include sublicensing provisions whereby the software and patents are licensed back to LML or Vantrix, respectively, for further advancement of the technologies.

The Company maintains an aircraft time share agreement, pursuant to which the Company has agreed from time to time to make its aircraft available to the Company's CEO for lease on a time-sharing basis. The Company charges the Company's CEO for personal use based on agreed upon reimbursement rates. For each of the three months and nine ended March 30, 2024, the Company's CEO did not incur charges pursuant to this agreement. For the three months ended September 30, 2023 April 1, 2023, the Company charged the Company's CEO less than $0.1 million pursuant to this agreement. For the three months and nine months ended October 1, 2022, the Company's CEO did not incur charges pursuant to this agreement.

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4. Inventories

Inventories consist of the following:

(in millions)	(in millions)	September 30, 2023	December 31, 2022	(in millions)	March 30, 2024	December 30, 2023
Raw materials	Raw materials	$ 257.9	$ 209.9			
Work-in-process	Work-in-process	28.5	30.4			
Finished goods	Finished goods	298.2	260.7			
Total inventories	Total inventories	$ 584.6	$ 501.0			

5. Other Current Assets

Other current assets consist of the following:

(in millions)	(in millions)	September 30, 2023	December 31, 2022	(in millions)	March 30, 2024	December 30, 2023
Prepaid expenses	Prepaid expenses	$ 68.7	$ 60.7			
Lease receivable, current	Lease receivable, current	32.1	28.5			

Prepaid income taxes			
Indirect taxes receivable	Indirect taxes receivable	26.8	26.8
Prepaid income taxes		25.9	29.2
Other current assets		6.6	3.6
Other receivables			
Contract assets, current	Contract assets, current	4.7	3.9
Prepaid rebates and royalties, current	Prepaid rebates and royalties, current	4.4	3.7
Restricted cash[1]			
Restricted cash[1]	Restricted cash[1]	2.4	2.4
Restricted cash[1]			
Other current assets			
Total other current assets	Total other current assets	$ 171.6	$ 158.8

(1) Restricted cash includes funds received from the Bill and Melinda Gates Foundation. As the Company incurs costs associated with research and development related to this project, on a quarterly basis, the Company reclasses amounts from the grant to offset costs incurred.

6. Lease Receivable

For deferred equipment agreements that contain embedded operating leases, upon lease commencement, the Company defers and records the equipment cost of operating lease assets within property, plant and equipment, net of accumulated depreciation. These operating lease assets are subsequently amortized to cost of goods sold over the lease term on a straight-line basis.

For deferred equipment agreements that contain embedded sales-type leases, the Company recognizes lease revenue and costs, as well as a lease receivable, at the time the lease commences. Lease revenue related to both operating-type and sales-type leases are included within revenue in the accompanying condensed consolidated statements of operations. For the three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023, lease revenue was approximately $21.0 million $16.0 million and $16.0 million, respectively. For the nine months ended September 30, 2023 and October 1, 2022, lease revenue was approximately $53.0 million and $40.0 $20.0 million, respectively. Costs related to embedded leases within the Company's deferred equipment agreements are included in cost of goods sold in the accompanying condensed consolidated statements of operations.

Lease receivable from sales-type leases consists of the following:

(in millions)	September 30, 2023	December 31, 2022
Lease receivable	$ 112.2	$ 101.8
Allowance for credit loss	(0.2)	(0.2)
Lease receivable, net	112.0	101.6
Less: current portion of lease receivable	(32.1)	(28.5)
Lease receivable, non-current	$ 79.9	$ 73.1

Lease receivable from sales-type leases consists of the following:

(in millions)	March 30, 2024	December 30, 2023
Lease receivable	$ 100.3	$ 101.9
Allowance for credit loss	(0.3)	(0.3)
Lease receivable, net	100.0	101.6
Less: current portion of lease receivable	(29.7)	(30.2)
Lease receivable, non-current	$ 70.3	$ 71.4

As of September 30, 2023 March 30, 2024, estimated future maturities of customer sales-type lease receivables and operating lease payments for each of the following fiscal years are as follows:

Fiscal year	Future Lease Receivables/Payments (in millions) Sales-Type Leases	Future Lease Receivables/Payments (in millions) Operating Leases
2023 (balance of year)	$ 9.7	$ 2.9
2024	31.1	8.8
2024 (balance of year)		
2024 (balance of year)		
2024 (balance of year)		
2025	25.9	7.6
2026	19.5	6.8
2027	13.4	5.3
2028		
Thereafter	12.4	7.0
Total	$ 112.0	$ 38.4
Less: imputed interest(1)	—	
Present value of total lease payments	$ 112.0	
Present value of total lease payments		
Present value of total lease payments		

(1) The calculation of the rates implicit in the leases resulted in negative discount rates. Therefore, the Company as a lessor used a 0% discount rate to measure the net investment in the lease.

7. Deferred Costs and Other Contract Assets

Deferred costs and other contract assets consist of the following:

(in millions)	September 30, 2023	December 31, 2022	(in millions)	March 30, 2024	December 30, 2023

Deferred commissions	Deferred commissions	$ 19.1	$ 17.1
Unbilled contract receivables			
Prepaid contract allowances	Prepaid contract allowances	13.6	13.7
Unbilled contract receivables		10.4	9.4
Deferred equipment agreements, net			
Deferred equipment agreements, net			
Deferred equipment agreements, net	Deferred equipment agreements, net	1.6	1.7
Deferred costs and other contract assets	Deferred costs and other contract assets	$ 44.7	$ 41.9

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8. Property and Equipment, net

Property and equipment, net, consists of the following:

(in millions)	(in millions)	September 30, 2023	December 31, 2022
(in millions)			
(in millions)			
Machinery, equipment and tooling			
Machinery, equipment and tooling			
Machinery, equipment and tooling	Machinery, equipment and tooling	$ 161.2	$ 149.4
Building and building improvements	Building and building improvements	150.4	151.0
Building and building improvements			
Building and building improvements			
Operating lease assets	Operating lease assets	77.6	50.2
Land		65.5	65.1
Construction-in-progress (CIP)		60.6	50.6
Operating lease assets			
Operating lease assets			
Land(1)			
Land(1)			
Land(1)			
Computer equipment and software	Computer equipment and software	45.4	42.1
Computer equipment and software			
Computer equipment and software			

Leasehold improvements					
Leasehold improvements					
Leasehold improvements	Leasehold improvements	34.7		32.3	
Transportation, vehicles and other	Transportation, vehicles and other	33.2		32.7	
Transportation, vehicles and other					
Transportation, vehicles and other					
Furniture and office equipment					
Furniture and office equipment					
Furniture and office equipment	Furniture and office equipment	20.7		19.4	
Demonstration units	Demonstration units	10.9		11.2	
Demonstration units					
Demonstration units					
Construction-in-progress (CIP)					
Construction-in-progress (CIP)					
Construction-in-progress (CIP)					
Total property and equipment					
Total property and equipment					
Total property and equipment	Total property and equipment	660.2		604.0	
Accumulated depreciation	Accumulated depreciation	(245.2)		(201.5)	
Property and equipment, net		$ 415.0		$ 402.5	
Accumulated depreciation					
Accumulated depreciation					
Property and equipment, net[1]					
Property and equipment, net[1]					
Property and equipment, net[1]					

[1] At March 30, 2024, property, plant and equipment, net, excluded $11.4 million of idle undeveloped land classified as held for sale within the healthcare segment. The sale of land is expected to be completed within the earlier of the next 12 months or upon the closing of customary escrow and due diligence procedures. Any gain on the sale of land transaction will be recorded at the time of disposal.

For the three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023, depreciation expense of property and equipment was $10.7 million $10.5 million and $12.6 million, respectively. For the nine months ended September 30, 2023 and October 1, 2022, depreciation expense of property and equipment was $33.2 million and $31.1 million $11.8 million, respectively.

For the three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023, depreciation expense of operating lease assets was $5.2 $6.4 million and $0.9 $3.0 million of equipment leased to customers was amortized to cost of goods sold, respectively. For the nine months ended September 30, 2023 As of March 30, 2024 and October 1, 2022 December 30, 2023, depreciation expense accumulated amortization of operating lease assets equipment leased to customers was $12.4 $0.4 million and $1.0 $1.5 million, respectively.

The balance in CIP at September 30, 2023 March 30, 2024 and December 31, 2022 December 30, 2023 related primarily to the capitalized implementation costs related to a new enterprise resource planning software system, costs related to facility improvements, the expansion of certain key manufacturing facilities globally, machinery and equipment at the Company's corporate headquarters, as well as on-going development costs associated with a new research and development facility, the underlying assets for which have not been completed or placed into service.

On February 14, 2022, the Company's wholly owned subsidiary, Masimo Canada ULC, entered into a Purchase and Sale Agreement (Purchase Agreement) with Keltic (Prior) Development Limited Partnership (Vendor) for the purchase of a property in Vancouver, British Columbia, Canada for a purchase price of CAD 123.0 CAD123.0 million, plus GST (Purchase Price), subject to certain adjustments. The Company paid CAD 21.0 CAD21.0 million as a deposit towards the purchase during the year ended December 31, 2022. The balance of the Purchase Price will be due and payable upon the closing of the transaction, which is currently expected to occur during the first half of 2025. in mid-2025.

9. Intangible Assets, net

Intangible assets, net, consist of the following:

(in millions)	September 30, 2023 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	As Adjusted, December 31, 2022[1] Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:						
Customer relationships	$ 204.0	$ (28.5)	$ 175.5	$ 220.9	$ (19.3)	$ 201.6
Acquired technologies	169.6	(40.3)	129.3	185.3	(25.2)	160.1
Licenses	38.0	(6.6)	31.4	39.0	(4.4)	34.6
Capitalized software development costs	41.0	(13.6)	27.4	25.0	(2.9)	22.1
Patents	38.2	(14.7)	23.5	35.2	(13.9)	21.3
Trademarks	20.0	(6.9)	13.1	19.8	(5.8)	14.0
Non-compete agreements	6.3	(2.2)	4.1	6.3	(1.1)	5.2
Licenses-related party	7.5	(6.6)	0.9	7.5	(6.3)	1.2
Other	1.6	(1.3)	0.3	1.6	(1.1)	0.5
Total intangible assets subject to amortization, net	$ 526.2	$ (120.7)	$ 405.5	$ 540.6	$ (80.0)	$ 460.6
Intangible assets not subject to amortization:						
Trademarks			$ 231.5			$ 262.0
Impairment charge			(7.0)			—
Total trademarks			224.5			262.0
Intangible assets, net			$ 630.0			$ 722.6

The following intangible assets reclassification adjustments were made as of September 30, 2023[1]:

(in millions)	As Adjusted, December 31, 2022 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	As Previously Filed, December 31, 2022 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:						
Capitalized software development costs	25.0	(2.9)	22.1	5.5	(2.9)	2.6
Trademarks	19.8	(5.8)	14.0	39.3	(5.8)	33.5

[1]The Company recorded an immaterial reclassification adjustment between the intangible assets balances in Trademarks and Capitalized Software Development Costs in the amount of $19.5 million, for the year ended December 31, 2022. The adjusted balances are reflected as of September 30, 2023. There was no impact on total intangible assets, net as of December 31, 2022.

(in millions)	March 30, 2024 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	December 30, 2023 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:						
Customer relationships	$ 184.4	$ (15.1)	$ 169.3	$ 209.2	$ (31.5)	$ 177.7
Acquired technologies	138.5	(18.6)	119.9	174.7	(45.3)	129.4
Licenses	45.3	(5.0)	40.3	39.7	(7.4)	32.3
Capitalized software development costs	48.7	(6.9)	41.8	53.9	(15.2)	38.7
Patents	40.8	(15.8)	25.0	39.2	(15.2)	24.0
Trademarks	19.1	(6.8)	12.3	20.1	(7.4)	12.7
Non-compete agreements	3.8	(0.4)	3.4	6.3	(2.6)	3.7
Licenses-related party	7.5	(6.8)	0.7	7.5	(6.7)	0.8
Other	1.6	(1.1)	0.5	1.7	(1.1)	0.6
Total intangible assets subject to amortization, net	$ 489.7	$ (76.5)	$ 413.2	$ 552.3	$ (132.4)	$ 419.9
Intangible assets not subject to amortization:						
Trademarks			$ 222.7			$ 242.4
Impairment charge			—			(10.0)
Total trademarks			222.7			232.4

Intangible assets, net	$ 635.9	$ 652.3

Finite lived intangible assets have a weighted-average amortization period ranging from twelve years to fourteen years. Total amortization expense for the three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023 was $13.8 million and $10.3 million, respectively. Total amortization expense for the nine months ended September 30, 2023 and October 1, 2022 was $42.6 million and $25.5 million $14.3 million, respectively.

Total renewal costs for patents and trademarks for each of the three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023 were $0.2 million and $0.3 million, respectively. Total renewal costs for patents and trademarks for the nine months ended September 30, 2023 and October 1, 2022 were $0.8 million and $1.0 million, respectively. $0.3 million. As of September 30, 2023 March 30, 2024, the weighted-average number of years until the next renewal was two years for patents and six years for trademarks.

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Estimated amortization expense for each of the next fiscal years is as follows:

Fiscal year	Fiscal year	Amount (in millions)	Fiscal year	Amount (in millions)
2023 (balance of year)		$ 15.7		
2024		54.5		
2024 (balance of year)				
2025	2025	43.7		
2026	2026	41.1		
2027	2027	40.8		
2028				
Thereafter	Thereafter	209.7		
Total	Total	$405.5		

Indefinite-lived intangible assets are subject to annual impairment testing, unless circumstances dictate more frequent testing, if impairment indicators exist. Impairment for indefinite-lived assets exists if the carrying value of the indefinite-lived intangible asset exceeds its fair value. Determining whether impairment indicators exist and estimating the fair value of the Company's indefinite-lived intangible assets if necessary for impairment testing require significant judgment. Qualitative factors considered in this assessment include industry and market conditions, overall financial performance, and other relevant events and factors.

The Company performs its annual impairment analysis during the fourth quarter, or more frequently if an event occurs indicating the potential for impairment.

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In the third quarter of 2023, continued declines in the Company's stock price and certain worsening macro-economic market conditions, including continued slowing in demand for consumer audio products, contributed to a significant decline in the Company's market capitalization, which led the Company to conclude a trigger event had occurred. As a result, the Company performed a quantitative impairment assessment, which resulted in recording a $7.0 million impairment charge for indefinite-lived trademarks in the non-healthcare reporting unit. In conjunction with this third quarter interim impairment quantitative assessment, the Company concluded that both the healthcare reporting unit's and non-healthcare reporting unit's respective estimated fair values exceeded their carrying values of goodwill. values. Furthermore, recoverability tests performed for other long-lived assets with finite lives indicated no recoverability issues.

The During the fourth quarter of 2023, the Company performed its interim annual impairment analysis by first electing to complete a qualitative assessment of its indefinite-lived intangible assets. Based on this assessment, the Company determined it was not more likely than not that the fair value of the indefinite lived intangibles within the non-healthcare reporting unit exceeded their carrying values. Accordingly, the Company proceeded to perform a quantitative impairment assessment, which resulted in recording a $3.0 million impairment charge for indefinite-lived trademarks. For purposes of the impairment test, the fair value of indefinite-lived assets were determined using the same methodology as described in Note 18, "Business Combinations." The estimates and assumptions applied represent a Level 3 measurement because they are supported by limited or no market activity and reflect the Company's assumptions in measuring fair value.

During the fourth quarter of 2023, the Company also performed its annual goodwill impairment analysis by first electing to complete a qualitative assessment for its healthcare and non-healthcare reporting units. Based on this assessment, the Company concluded that it was more likely than not that the fair value of the healthcare reporting unit was greater than its carrying value. Accordingly, no further testing was required for the healthcare reporting unit. However, the Company concluded that it was not more likely than not that the fair value of the non-healthcare reporting unit was greater than its carrying value. Therefore, the Company proceeded to perform a quantitative assessment for its non-healthcare reporting unit.

When a quantitative assessment is required for the impairment test for goodwill, using the Company uses a combination of both an income and a market approach to determine the fair value of each the reporting unit. The income approach utilized the estimated discounted cash flows for each the reporting unit, while the market approach utilized comparable company information. Estimates and assumptions used in the income approach to calculate projected future discounted cash flows included revenue growth rates, operating margins and a discount rate for each the reporting unit. Discount rates were determined using a weighted average cost of capital for risk factors specific to each the reporting segment unit and other market and industry data. The assumptions used are inherently subject to uncertainty and the Company noted that slight changes in these assumptions could have a significant impact on the concluded value. For purposes of the impairment test, the fair value of indefinite-lived assets were determined using the same methodology as described in Note 18, "Business Combinations."

The estimates and assumptions applied represent a Level 3 measurement because they are supported by limited or no market activity and reflect the Company's assumptions in measuring fair value.

10. Goodwill

Changes in goodwill were as follows:

	Three Months Ended March 30, 2024	Three Months Ended March 30, 2024	Three Months Ended March 30, 2024
(in millions)			
(in millions)			
(in millions)			
Goodwill, beginning of period			
Goodwill, beginning of period			
Goodwill, beginning of period			

		Nine Months Ended September 30, 2023		
(in millions)		Healthcare	Non-healthcare	Total
Goodwill, beginning of period		$ 97.6	$ 347.8	$ 445.4
Foreign currency translation adjustment				
Adjustments to goodwill from purchase price allocation		—	(10.4)	(10.4)
Foreign currency translation adjustment				
Foreign currency translation adjustment	Foreign currency translation adjustment	(0.7)	(34.2)	(34.9)
Goodwill, end of period	Goodwill, end of period	$ 96.9	$ 303.2	$ 400.1
Goodwill, end of period				
Goodwill, end of period				

11. Lessee ROU Assets and Lease Liabilities

The Company leases certain facilities in North and South America, Europe, the Middle East and Asia-Pacific regions under operating lease agreements expiring at various dates through January 2032. In addition, the Company leases equipment in the U.S. and Europe pursuant to leases that are classified as operating leases and expire at various dates through April November 2028. The majority of these leases are non-cancellable and generally do not contain any material restrictive covenants, material residual value guarantees, or other material guarantees. The Company recognizes lease costs under these agreements using a straight-line method based on total lease payments. Certain facility leases contain predetermined price escalations and in some cases renewal options, the longest of which is for five years.

The Company generally estimates the applicable discount rate used to determine the net present value of lease payments based on available information at the lease commencement date. As of September 30, 2023 March 30, 2024, the weighted-average discount rate used by the Company for all operating leases was approximately 3.9% 4.2%.

The balance sheet classifications for amounts related to the Company's operating leases for which it is the lessee are as follows:

(in millions)	(in millions)	Balance sheet classification	September 30, 2023	December 31, 2022

(in millions)				
(in millions)				
Lessee ROU assets				
Lessee ROU assets				
Lessee ROU assets	Lessee ROU assets	Other non-current assets	$ 55.7	$ 69.6
Lessee current lease liabilities	Lessee current lease liabilities	Other current liabilities	17.0	18.7
Lessee current lease liabilities				
Lessee current lease liabilities				
Lessee non-current lease liabilities				
Lessee non-current lease liabilities				
Lessee non-current lease liabilities	Lessee non-current lease liabilities	Other non-current liabilities	43.0	53.4
Total operating lease liabilities	Total operating lease liabilities		$ 60.0	$ 72.1
Total operating lease liabilities				
Total operating lease liabilities				

As of September 30, 2023 March 30, 2024 and December 31, 2022 December 30, 2023, accumulated amortization for lessee ROU assets was $46.5 million $53.8 million and $36.6 million $48.9 million, respectively. The weighted-average remaining lease term for the Company's operating leases was 5.7 5.4 years as of September 30, 2023 March 30, 2024.

As of September 30, 2023 March 30, 2024, estimated future operating lease payments for each of the following fiscal years were as follows:

Fiscal year	Fiscal year	Amount (in millions)	Fiscal year	Amount (in millions)
2023 (balance of year)		$ 4.6		
2024		17.9		
2024 (balance of year)				
2025	2025	13.9		
2026	2026	9.4		
2027	2027	4.8		
2028				
Thereafter[1]	Thereafter[1]	17.3		
Total	Total	67.9		
Imputed interest	Imputed interest	(7.9)		
Present value	Present value	$ 60.0		

(1) Includes optional renewal period for certain leases.

During the three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023, operating lease costs were approximately $8.2 million $5.8 million and $4.8 million $5.1 million, respectively.

During the nine three months ended September 30, 2023 and October 1, 2022 March 30, 2024, as part of the Company's on-going rationalization of its operational footprint of the non-healthcare business, one operating lease costs were was identified as under-utilized and considered temporarily idled due to the inability to sublease the property timely while having three years remaining on the lease term. The ROU asset had a net carrying value of approximately $18.6 million $5.8 million and $12.6 million the undiscounted future expected cash flows total $1.5 million. The recoverability test failed due to the undiscounted cash flows being less than the carrying value of the ROU asset. As a result, the Company recorded an impairment charge of approximately $3.9 million during the three months ended March 30, 2024, respectively. which was recorded in selling, general, and administrative expenses in the condensed consolidated statement of operations.

12. Other Non-Current Assets

Other non-current assets consist of the following:

(in millions)	(in millions)	September 30, 2023	December 31, 2022	(in millions)	March 30, 2024	December 30, 2023
Lessee ROU assets, net	Lessee ROU assets, net	$ 55.7	$ 69.6			
Derivative assets - non-current		21.5	19.3			
Derivative assets - non-current[1]						
Prepaid deposits and other	Prepaid deposits and other	7.7	11.0			
Strategic investments	Strategic investments	7.2	13.8			
Restricted cash[2]						
Equity investments - fair value	Equity investments - fair value	2.0	—			
Derivative instruments - warrants		1.1	—			
Equity investments - fair value						
Equity investments - fair value						
Other non-current assets	Other non-current assets	5.3	0.3			
Total non-current assets	Total non-current assets	$ 100.5	$ 114.0			

(1) Excludes accrued interest.

(2) Restricted cash includes cash held in certain subsidiaries in jurisdictions outside of the U.S. such as China, which may be subject to transfer restrictions depending on jurisdictions.

13. Deferred Revenue and Other Contract Liabilities, Current

Deferred revenue and other contract liabilities, current, consist of the following:

(in millions)	(in millions)	September 30, 2023	December 31, 2022	(in millions)	March 30, 2024	December 30, 2023
Deferred revenue	Deferred revenue	$ 56.9	$ 61.0			
Accrued rebates and allowances	Accrued rebates and allowances	34.8	38.5			
Accrued customer reimbursements	Accrued customer reimbursements	7.6	6.1			

Total deferred revenue and other contract liabilities	Total deferred revenue and other contract liabilities	99.3	105.6
Total deferred revenue and other contract liabilities			
Total deferred revenue and other contract liabilities			
Less: Non-current portion of deferred revenue	Less: Non-current portion of deferred revenue	(26.2)	(25.0)
Deferred revenue and other contract liabilities, current	Deferred revenue and other contract liabilities, current	$ 73.1	$ 80.6

Deferred revenue relates to contracted amounts that have been invoiced to customers for which remaining performance obligations must be completed before the Company can recognize revenue. Generally, both healthcare and non-healthcare segments record deferred revenue when revenue is to be recognized subsequent to invoicing.

Healthcare Deferred Revenue

Healthcare deferred revenue primarily relates to undelivered equipment, sensors and services under deferred equipment agreements, extended warranty agreements, and maintenance agreements. Expected revenue from remaining contractual performance obligations (Unrecognized Contract Revenue) includes deferred revenue, as well as other amounts that will be invoiced and recognized as revenue in future periods when the Company completes its performance obligations. Unrecognized Contract Revenue excludes revenue allocable to monitoring-related equipment that is effectively leased to customers under deferred equipment agreements and other contractual obligations for which neither party has performed. The estimated timing of this revenue is based, in part, on management's estimates and assumptions about when its performance obligations will be completed. As a result, the actual timing of this revenue in future periods may vary, possibly materially. As of September 30, 2023 March 30, 2024, the Company had approximately $1,434.6 million $1,508.3 million of Unrecognized Contract Revenue related to executed contracts with an original duration of one year or more. The Company expects to recognize approximately $375.9 million $395.8 million of this amount as revenue within the next twelve months and the remaining balance thereafter.

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Non-Healthcare Deferred Revenue

In October 2020, the Company's subsidiary, B&W Group Ltd. (B&W), entered into an amendment to a licensing agreement, whereby B&W received a $20.0 million royalty prepayment in relation to sound system units manufactured under the Bowers & Wilkins brand for various high-end car manufacturers with a total commitment of $35.0 million to be received by September 30, 2028. As of September 30, 2023 March 30, 2024, deferred revenue was $15.8 $14.6 million.

Changes in deferred revenue were as follows:

(in millions)	Nine Three Months Ended September March 30, 2023 2024
Deferred revenue, beginning of the period	$ 61.0 63.8
Revenue deferred during the period	15.8 8.4
Recognition of revenue deferred in prior periods	(19.9) (9.1)
Deferred revenue, end of the period	$ 56.9 63.1

14. Other Current Liabilities

Other current liabilities consist of the following:

(in millions)	(in millions)	September 30, 2023	December 31, 2022	(in millions)	March 30, 2024	December 30, 2023

Long-term debt, current			
Long-term debt, current			
Long-term debt, current			
Accrued indirect taxes payable			
Accrued expenses	Accrued expenses	$ 30.1	$ 39.9
Current portion of long-term debt		29.3	15.1
Lessee lease liabilities, current			
Income tax payable	Income tax payable	23.3	32.1
Accrued indirect taxes payable		22.5	28.2
Lessee lease liabilities, current		17.0	18.7
Other current liabilities[1]			
Accrued property taxes	Accrued property taxes	10.6	12.1
Accrued warranty			
Accrued legal fees	Accrued legal fees	8.8	11.4
Accrued warranty		8.7	10.6
Other current liabilities		6.8	6.1
Related party payables	Related party payables	5.8	4.0
Accrued donations	Accrued donations	3.4	5.1
Accrued donations			
Accrued donations			
Licensing agreement, current			
Total other current liabilities	Total other current liabilities	$ 166.3	$ 183.3
Total other current liabilities			
Total other current liabilities			

(1) At March 30, 2024, other current liabilities included approximately $0.5 million of refundable deposits during the due diligence period related to certain assets held for sale.

15. Debt

(in millions)	(in millions)	September 30, 2023	December 31, 2022	(in millions)	March 30, 2024	December 30, 2023
Term loan - current portion	Term loan - current portion	$ 7.5	$ 7.5			
Japanese loans - current portion	Japanese loans - current portion	21.8	7.6			
Short-term debt		29.3	15.1			
				Japanese loans - current portion		
				Japanese loans - current portion		
				Debt, current portion		
				Term loan - long-term		
				Term loan - long-term		
Term loan - long-term	Term loan - long-term	274.7	278.9			
Revolver - long-term	Revolver - long-term	626.7	651.0			
Japanese loans - long-term	Japanese loans - long-term	8.7	11.7			
Long-term debt		910.1	941.6			
				Debt, long-term		
Total debt	Total debt	$ 939.4	$ 956.7			

Credit Facility

On April 11, 2022, the Company entered into a credit agreement (Credit Facility) with financial institutions party thereto as initial lenders (collectively, the Initial Lenders), Citibank, N.A., as Administrative Agent, Citibank, N.A., JPMorgan Chase Bank, N.A., Bank of the West and BofA Securities, Inc., as joint lead arrangers and joint bookrunners, and JPMorgan Chase Bank, N.A., Bank of the West and BofA Securities, Inc., as co-syndication agents.

The Credit Facility provides for an unsecured term loan of $300.0 million (Term Loan) and $500.0 million of ongoing unsecured revolving commitments (Revolver), with an option, subject to certain conditions, for the Company to increase the aggregate borrowing capacity by an additional $400.0 million (plus additional unlimited amounts if certain incurrence tests are met) in the future with the Initial Lenders and additional lenders, as required. Debt issuance costs of $8.4 million were recorded as a reduction to the carrying amount of the Credit Facility and are being amortized to interest expense using the effective interest method.

The Credit Facility also provides for a sublimit of up to $50.0 million for the issuance of letters of credit.

Borrowings under the Credit Facility will be deemed, at the Company's election, either: (a) an Alternate Base Rate (ABR) Loan, which bears interest at the ABR, plus a spread of 0.000% to 0.750% based upon a Company leverage ratio, or (b) a Term SOFR Loan, which bears interest at the Adjusted Term SOFR Rate (as defined below), plus a spread of 1.000% to 1.750% based upon a Company net leverage ratio. Pursuant to the terms of the Credit Facility, the ABR is equal to the greatest of (i) the prime rate, (ii) the Federal Reserve Bank of New York effective rate plus 0.50%, and (iii) the one-month Adjusted Term SOFR plus 1.0%. The Adjusted Term SOFR Rate is equal to the Term SOFR Rate (as

defined in the Credit Facility) for the applicable interest period plus a spread adjustment of 0.10%, 0.15% and 0.25% for the interest periods ending one, three and six months, respectively.

The Company is also obligated under the Credit Facility to pay an unused fee ranging from 0.150% to 0.275% per annum, based upon a Company leverage ratio, with respect to any non-utilized portion of the Credit Facility.

The Company is subject to certain covenants, including financial covenants related to a net leverage ratio and an interest charge coverage ratio, and other customary negative covenants. The Credit Facility also includes customary events of default which, upon the occurrence of any such event of default, provide the Initial Lenders (and any additional lenders) with the right to take either or both of the following actions: (a) immediately terminate the commitments, and (b) declare the loans then outstanding immediately due and payable in full. All unpaid principal under the Credit Facility will become due and payable on April 12, 2027.

On May 16, 2022, the Company entered into the First Amendment to the Credit Agreement (First Amendment) with the Initial Lenders and Citibank, N.A., as the administrative agent, which amended the Credit Facility. The First Amendment provides for an additional $205 million of unsecured revolving commitments, increasing the aggregate amount of the Revolver from $500 million to $705 million.

Borrowing rates, financial covenants, affirmative and negative covenants and other restricted terms remain unchanged from the Credit Facility. All unpaid principal under the First Amendment will become due and payable on April 12, 2027. The Company was in full compliance with the financial all covenants contained in its debt or agreements and Credit Facility agreements as of September 30, 2023 March 30, 2024.

For the three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023, the Company incurred total interest expense of $12.1$11.2 million and $9.0$10.9 million under the Credit Facility, respectively. For the nine months ended September 30, 2023 and October 1, 2022, the Company incurred total interest expense of $34.1 million and $13.0 million under the Credit Facility, respectively.

Furthermore, in connection with the Sound United acquisition, the Company assumed three outstanding loans as follows:

Japanese Revolving Loan

In March 2020, the Company entered into a secured revolving loan (Japanese Revolving Loan) with Mizuho bank, which allows the Company to borrow up to ¥800 million (approximately $5.4 $5.3 million). The Japanese Revolving Loan is an evergreen agreement that terminates upon request by either the financial institution or the borrower and is collateralized with land and buildings in Shirakawa-Shi owned by the borrower. Interest accrues at a rate equal to the Mizuho Tokyo Interbank Offered Rate (TIBOR) plus a fixed spread of 0.50% per annum. In connection with the execution of the Japanese Revolving Loan, the Company incurred debt issuance costs of ¥7.2 million (approximately $0.1 $0.05 million).

On February 28, 2023, the Company and Mizuho Bank executed an amendment to the Japanese Revolving Loan, to increase the maximum aggregate revolving loan to ¥3.00 billion (approximately $20.1 $19.8 million). Under the amendment, the facility accrues interest at a rate equal to the TIBOR plus a fixed spread of 0.75% per annum. The Company also paid an upfront fee of ¥22.0 million (approximately $0.2 $0.1 million) on the incremental amount of the revolving Credit Facility.

The Japanese Revolving Loan agreement contains customary affirmative and negative covenants, such as financial reporting requirements and customary covenants that restrict the borrower's ability to, among other things, provide collateral for obligations borne by the borrower, and determine the eligibility to declare, and amount of potential dividends to be paid during a given fiscal year. As of September 30, 2023 March 30, 2024, the Company was in compliance with all covenants under the Japanese Revolving Loan agreements.

Japanese Government Loans

In May and June 2020, the Company received ¥1.48 billion (approximately $9.9 $9.8 million) in non-collateralized Japanese Government Loan facilities (Japanese Government Loans) as part of its local Japanese stimulus program. Interest accrues at a weighted average rate of 1.33% and is repayable in installments with various maturities through June 2035. The non-current portion of the Japanese Government Loans is presented under long-term debt and the current portion is presented under short-term debt on the accompanying condensed consolidated balance sheets. The Company incurred no debt issuance costs in connection with the Japanese Government Loans.

Japanese Equipment Loans

In April and May 2021, the Company entered into collateralized Japanese Equipment Loans of ¥150 million (approximately $1.0 million), payable in installments through March 2031 with an interest of 0.58%, and ¥80 million (approximately $0.5 million) payable in installments through April 2028 with interest of 1.2%. The non-current portion of the Japanese Equipment Loans is presented under long-term debt and the current portion is presented under short-term debt on the accompanying condensed consolidated balance sheets. The Company incurred no debt issuance costs in connection with these Japanese Equipment Loans.

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As of September 30, 2023 March 30, 2024, the aggregate maturities of principal on all debt for each of the next five years and thereafter are as follows:

Fiscal year	Fiscal year	Amount (in millions)	Fiscal year	Amount (in millions)
2023 (balance of the year)		$ 20.6		

2024		12.8
2024 (balance of year)		
2025	2025	16.6
2026	2026	16.6
2027	2027	869.2
2028		
Thereafter	Thereafter	3.6
Total	Total	$939.4

16. Other Non-Current Liabilities

Other non-current liabilities consist of the following:

(in millions)	(in millions)	September 30, 2023	December 31, 2022
Lessee non-current lease liabilities	Lessee non-current lease liabilities	$ 43.0	$ 53.4
Lessee non-current lease liabilities			
Lessee non-current lease liabilities			
Unrecognized tax benefits			
Deferred revenue, non-current	Deferred revenue, non-current	26.2	25.0
Unrecognized tax benefits		23.3	18.0
Indirect tax payable, non-current		8.1	8.2
Defined benefit obligation		7.7	10.1
Projected benefit obligation			
Income tax payable, non-current	Income tax payable, non-current	7.1	12.7
Income tax payable, non-current			
Income tax payable, non-current			
Licensing agreement, non-current			
Indirect tax payable, non-current			
Other	Other	3.9	9.1

(in millions)	March 30, 2024	December 30, 2023

Total other non-current liabilities	Total other non-current liabilities	$ 119.3	$ 136.5

Unrecognized tax benefits relate to the Company's long-term portion of tax liability associated with uncertain tax positions. Authoritative guidance prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. See Note 23, "Income Taxes", for further details.

17. Derivative Instruments and Hedging Activities

Derivative Instruments - Cash Flow Hedges

The Company's cash flow hedges are designed to mitigate the risk of exposure to variability in expected future cash flows of recognized assets, liabilities or any unrecognized forecasted transactions. Since July 2022, the Company has entered into various interest rate swaps that are designated as cash flow hedges on a substantial portion of the Company's outstanding debt. The interest rate swaps reduce the variability of cash flow payments for the Company by converting the variable interest rate on the Company's long-term debt to an average fixed interest rate of 2.87% 3.22%. These contracts, carried at fair value, have maturities of approximately four three years. All hedging relationships were highly effective at achieving offsetting changes in cash flows attributable to the risk being hedged. The Company used a regression analysis at hedge inception to assess the effectiveness of cash flow hedge and periodically hereafter. thereafter.

The Company records gains and losses from the changes in the fair value of these instruments as a component of other comprehensive (loss) income. Deferred gains or losses from these designated cash flow hedges are reclassified into earnings in the period that the hedged items affect earnings. The Company does not offset fair value amounts recognized for derivative instruments in its condensed consolidated balance sheets for presentation purposes. The following table summarizes the fair value of the hedging instruments, presented on a gross basis, as of September 30, 2023 March 30, 2024 and December 31, 2022 December 30, 2023.

			Condensed Consolidated Balance Sheets	
			Condensed Consolidated Balance Sheets	
			Condensed Consolidated Balance Sheets	
			Condensed Consolidated Balance Sheets	
(in millions)	**(in millions)**	**Balance sheet classification**	**September 30, 2023**	**December 31, 2022**
Interest rate contracts, inclusive of accrued interest	Interest rate contracts, inclusive of accrued interest	Other non-current assets	$ 21.8	$ 19.7
Interest rate contracts, inclusive of accrued interest				
Interest rate contracts, inclusive of accrued interest				
Interest rate contracts, inclusive of accrued interest				
Interest rate contracts, inclusive of accrued interest				
Interest rate contracts, inclusive of accrued interest				
Total	Total		$ 21.8	$ 19.7
Total				
Total				

The following table summarizes the gains (losses) reclassified from accumulated other comprehensive (loss) income to the condensed consolidated financial statements for the three months ended March 30, 2024 and nine months ended September 30, 2023 and October 1, 2022 April 1, 2023.

Cash flow hedges	**Cash flow hedges**	**Condensed Consolidated Statement of Operations**

			Three Months Ended		Nine Months Ended	
Cash flow hedges						

Cash flow hedges			Condensed Consolidated Statement of Operations			
			Three Months Ended			
(in millions)	(in millions)	Location of gains (losses)	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Interest rate contracts	Interest rate contracts	Non-operating (loss) income	$ 4.1	$ 0.8	$ 10.9	$ 0.8
Interest rate contracts						
Interest rate contracts						
Total	Total		$ 4.1	$ 0.8	$ 10.9	$ 0.8
Total						
Total						

The following tables summarize the changes in accumulated other comprehensive income (loss) income related to the hedging instruments for the three months and nine three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023.

		Three Months Ended		Nine Months Ended	
		Three Months Ended			
		Three Months Ended			
		Three Months Ended			
(in millions)	(in millions)				
(in millions)	(in millions)	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Beginning balance	Beginning balance	$ 21.1	$ —	$ 19.3	$ —
Amount recognized in other comprehensive income		4.5	18.6	13.1	18.6
Beginning balance					
Beginning balance					
Amount recognized in other comprehensive income (loss)					
Amount recognized in other comprehensive income (loss)					
Amount recognized in other comprehensive income (loss)					
Amount reclassified into earnings					
Amount reclassified into earnings					
Amount reclassified into earnings	Amount reclassified into earnings	(4.1)	0.8	(10.9)	0.8
Ending balance	Ending balance	$ 21.5	$ 19.4	$ 21.5	$ 19.4
Ending balance					
Ending balance					

For the three months ended September 30, 2023 March 30, 2024, the unrealized gain, net of tax was $0.4 $4.9 million. For the nine three months ended September 30, 2023 April 1, 2023, the unrealized gain, loss, net of tax was $1.7 million. $4.3 million.

The Company expects to reclassify a net amount of gains of $13.7 $11.8 million from accumulated other comprehensive (loss) income gain to non-operating (loss) income within the next 12 months.

18. Business Combinations

Sound United Acquisition

On April 11, 2022, the Company completed the previously announced acquisition of Sound United, pursuant to a Merger Agreement dated as of February 15, 2022, by and among the Company, Sonic Boom Acquisition Corp., a wholly-owned subsidiary of the Company (Merger Sub), Viper Holdings Corporation (Sound United), and, solely in its capacity as the Seller Representative, Viper Holdings, LLC, pursuant to which Merger Sub merged with and into Sound United, with Sound United continuing as a wholly-owned subsidiary of the Company (Merger).

Sound United is a leading innovator of premium, high-performance audio products for consumers around the world, which operates iconic consumer brands: Bowers & Wilkins®, Denon™, Marantz™, HEOS™, Classé™, Polk Audio™, Boston Acoustics™ and Definitive Technology™. The brands are linked by a commitment to the highest production standards and a focus on unparalleled audio quality and audio performance. Sound United delivers significant competitive benefits through its platform advantages including global distribution across online, retail, and custom installation channels; a cloud-connected home ecosystem; and a state-of-the-art research and development function focused on creating the highest-quality consumer products with world-class industrial design.

The Company acquired 100% of the equity interests of Sound United for $1.0575 billion in cash, subject to adjustments based on Sound United's net working capital, transaction expenses, cash and debt as of the closing of the Merger, payable by the Company in cash. The transaction was primarily funded with the proceeds from the Credit Facility. See Note 15, "Debt", for additional information about the Credit Facility. There was no contingent consideration resulting from the transaction.

The results of operations of Sound United subsequent to the acquisition date and the acquired assets and assumed liabilities, including the allocation of goodwill and intangible assets, are included in the non-healthcare segment. For the period of April 11, 2022 to October 1, 2022 three months ended April 1, 2023, the Company recorded revenue of $430.3 $216.6 million and a net loss of $26.7 $3.3 million from Sound United. United, respectively. For the period of January 1, 2023 to September 30, 2023 three months ended March 30, 2024, the Company recorded revenue of $562.1 $152.4 million and a net loss of $21.2 million $11.6 million from Sound United. United, respectively.

Acquisitions Acquisition Costs

The Company recognized transaction costs related to the Sound United acquisition of $16.6 million for the nine months ended October 1, 2022. The Company recognized no transaction costs related to the Sound United Acquisition acquisition for the three and nine months ended September 30, 2023. March 30, 2024 and April 1, 2023, respectively.

Purchase Price Allocations

The purchase price allocation for the Sound United Acquisition acquisition is final. Goodwill was calculated as the excess of the consideration transferred over the fair value of the identifiable net assets acquired in a business combination and represents the future economic benefits expected to arise from intangible assets acquired that do not qualify for separate recognition, including the assembled workforce. Goodwill is not expected to be deductible for tax purposes.

The measurement period adjustments resulted primarily from valuation inputs pertaining to certain acquired assets based on facts and circumstances that existed as of the acquisition date and did not result from events subsequent to the acquisition date.

The table below summarizes the final allocation of fair value of assets acquired and liabilities assumed.

(in millions)	Sound United
Cash consideration[1]	$ 1,057.5
Purchase price	$ 1,057.5
Assets acquired:	
Cash and cash equivalents	$ 82.6
Accounts receivables	108.5
Inventories	238.6
Prepaid expenses and other current assets	30.0
Property, plant and equipment	113.2
Intangible assetassets	649.0
Goodwill	Goodwill 318.0 325.8
Long-term other assets	7.4
Total assets acquired	$ 1,555.1 1,547.3
Liabilities assumed:	
Accounts payable	$ (118.8)
Accrued liabilities and other current liabilities	(148.9)
Deferred tax liabilities	(152.9) (145.1)
Other long-term liabilities	(77.0)
Total liabilities assumed	$ (497.6) (489.8)

[1] The purchase price allocation for the Sound United Acquisition is final.

Identifiable Intangible Assets

The following table sets forth the components of identifiable intangible assets acquired and the weighted average amortization period as of the acquisition date:

	Weighted average amortization period (in years)	April 11, 2022 (in millions)
Trademarks/tradenames	10	$ 6.0
Customer relationships	17	196.0
Developed technology	8	156.0
Contractual license agreements	15	29.0
Subtotal	14 years	$ 387.0
Indefinite trademarks/tradenames	N/A	262.0
Total		$ 649.0

In determining the fair value of the identifiable intangible assets, the Company utilized various forms of the income approach, depending on the asset being valued. The estimation of fair value requires significant judgment related to cash flow forecasts, discount rates reflecting the risk inherent in each cash flow stream, competitive trends, market comparables and other factors. Other inputs included historical data, current and anticipated market conditions, and growth rates. Contractual license agreements have a weighted-average amortization period of five years until the next renewal term.

The intangible assets were valued using the following valuation approaches:

Customer relationships

The fair value of customer relationships was determined using the multi-period excess earnings method. The multi-period excess earnings method involves forecasting the net earnings expected to be generated by the asset, reducing them by appropriate returns on contributory assets, and then discounting the resulting net cash flows to a present value using an appropriate discount rate.

Trademarks/tradenames

The fair values of the trademark/tradenames were determined using the relief-from-royalty method under the income approach. This involves forecasting avoided royalties, reducing them by taxes, and discounting the resulting net cash flows to a present value using an appropriate discount rate. Judgment was applied for a number of assumptions in valuing the identified intangible assets, including revenue and cash flow forecasts, survival rates, technology life, royalty rate, obsolescence and discount rate.

Developed technology

The fair values of the developed technology were determined using the relief-from-royalty method under the income approach. This involves forecasting avoided royalties, reducing them by taxes, and discounting the resulting net cash flows to a present value using an appropriate discount rate. Judgment was applied for a number of assumptions in valuing the identified intangible assets including revenue and cash flow forecasts, survival rates, technology life, royalty rate, obsolescence and discount rate.

Contractual licensing agreements

The fair value of the contractual license agreements was determined using a variation of the multi-period excess earnings method. This method involves forecasting the net earnings expected to be generated by the asset and then discounting the resulting net cash flows to a present value using an appropriate discount rate.

19. Equity

Series A Junior Participating Preferred Stock and Stockholder Rights Plan

In September 2022, the Company authorized and declared a dividend of one preferred stock purchase right (Right) for each outstanding share of its common stock to stockholders of record at the close of business on September 20, 2022 (the Record Date) pursuant to a Rights Agreement, dated as of September 9, 2022 (Rights Agreement), with Broadridge Corporate Issuer Solutions, Inc. as Rights Agent. In addition, one Right was issued with each share of common stock that became outstanding after the Record Date. Each Right entitled the registered holder to purchase from the Company one thousandth of one share of the Company's Series A junior participating preferred stock, par value $0.001 per share, at a purchase price equal to $1,000.00 per Right, subject to adjustment. Generally, the Rights were to become exercisable in the event any person or group of affiliated or associated persons acquires beneficial ownership of 10% (20% in the case of a passive institutional investor), subject to certain exceptions.

On March 22, 2023, the Company and the Rights Agent entered into an amendment (Rights Agreement Amendment) to the Rights Agreement. The Rights Agreement Amendment accelerated the expiration of the Rights to 5:00 P.M., New York time, on March 22, 2023, and the Rights Agreement terminated at such time. At the time of the termination of the Rights Agreement, all Rights distributed to holders of the Company's common stock pursuant to the Rights Agreement expired.

Stock Repurchase Programs

In October 2021, the Board approved a stock repurchase program, authorizing the Company to purchase up to 3.0 million shares of its common stock over a period of up to three years (2021 Repurchase Program). The 2021 Repurchase Program became effective in October 2021 upon the expiration of the Company's prior repurchase program approved in 2018. The 2021 Repurchase Program was completed in May 2022.

In June 2022, the Board approved a stock repurchase program, authorizing the Company to purchase up to 5.0 million shares of its common stock on or before December 31, 2027 (2022 Repurchase Program). The 2022 Repurchase Program became effective in July 2022. The Company expects to fund the 2022 Repurchase Program through its available cash, cash expected to be generated from future operations, the Credit Facility and other potential sources of capital. The 2022 Repurchase Program can be carried out at the discretion of a committee comprised of the Company's CEO and CFO through open market purchases, one or more Rule 10b5-1 trading plans, block trades and privately negotiated transactions. No shares were repurchased pursuant to the 2022 Repurchase Program during each of the three months and nine months ended September 30, 2023 March 30, 2024. As of September 30, 2023 March 30, 2024, 5.0 million shares remained available for repurchase pursuant to the 2022 Repurchase Program.
The following table provides a summary of the Company's stock repurchase activities:

	Three Months Ended		Nine Months Ended	
(in millions, except per share amounts)	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Shares repurchased[1]	—	—	—	3.0
Average cost per share	$ —	$ —	$ —	$ 133.82
Value of shares repurchased	$ —	$ —	$ —	$ 401.4

(1) Excludes shares withheld from the shares of its common stock actually issued in connection with the vesting of PSU or RSU awards to satisfy certain U.S. federal and state tax withholding obligations.

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20. Stock-Based Compensation

Total stock-based compensation (benefit) expense for the three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023 was $(1.1) million $9.6 million and $13.5 million, respectively. Total stock-based compensation (benefit) expense for the nine months ended September 30, 2023 and October 1, 2022 was $(2.4) million and $41.7

million $7.3 million, respectively. The stock-based compensation benefit expense amounts for the three month and nine months ended September 30, 2023 March 30, 2024 reflect adjustments for the expected life-to-date achievement of certain PSUs. The Company reassesses the expected achievement of such PSU awards based upon the achievement of certain pre-established multi-year performance criteria approved by the Board at the date of grant.

As of September 30, 2023 March 30, 2024, an aggregate of 10.0 million 9.7 million shares of common stock were reserved for future issuance under the Company's equity plans, of which 3.6 million 3.1 million shares were available for future grant under the Masimo Corporation 2017 Equity Incentive Plan (2017 Equity Plan). Additional information related to the Company's current equity incentive plans, stock-based award activity and valuation of stock-based awards is included below.

Equity Incentive Plans

2017 Equity Incentive Plan

On June 1, 2017, the Company's stockholders ratified and approved the 2017 Equity Plan. The 2017 Equity Plan permits the grant of stock options, restricted stock, RSUs, stock appreciation rights, PSUs, performance shares, performance bonus awards and other stock or cash awards to employees, directors and consultants of the Company and employees and consultants of any parent or subsidiary of the Company. Upon effectiveness, an aggregate of 5.0 million shares were available for issuance under the 2017 Equity Plan. In May 2020, the Company's stockholders approved an increase of 2.5 million shares to the 2017 Equity Plan. The aggregate number of shares that may be awarded under the 2017 Equity Plan is 7.5 million shares. The 2017 Equity Plan provides that at least 95% of the equity awards issued under the 2017 Equity Plan must vest over a period of not less than one year following the date of grant. The exercise price per share of each option granted under the 2017 Equity Plan may not be less than the fair market value of a share of the Company's common stock on the date of grant, which is generally equal to the closing price of the Company's common stock on the Nasdaq Global Select Market on the grant date.

2007 Stock Incentive Plan

Effective June 1, 2017, upon the approval and ratification of the 2017 Equity Plan, the Company's 2007 Stock Incentive Plan (2007 Equity Plan) terminated, provided that awards outstanding under the 2007 Equity Plan will continue to be governed by the terms of that plan. In addition, upon the effectiveness of the 2017 Equity Plan, an aggregate of 5.0 million 5.0 million shares of the Company's common stock registered under prior registration statements for issuance pursuant to the 2007 Equity Plan were deregistered and concurrently registered under the 2017 Equity Plan.

Stock-Based Award Activity

Stock Options

The number and weighted-average exercise price of options issued and outstanding under all of the Company's equity plans are as follows:

	Nine Months Ended September 30, 2023	
(in millions, except for weighted-average exercise prices)	Shares	Weighted-Average Exercise Price
Options outstanding, beginning of period	2.9	$ 83.85
Granted	0.1	177.29
Canceled	—	172.15
Exercised	(0.2)	43.57
Options outstanding, end of period	2.8	$ 88.24
Options exercisable, end of period	2.4	$ 73.68

	Three Months Ended March 30, 2024	
(in millions, except for weighted-average exercise prices)	Shares	Weighted-Average Exercise Price
Options outstanding, beginning of period	2.8	$ 87.79
Granted	0.1	126.49
Canceled	—	162.00
Exercised	(0.2)	44.11
Options outstanding, end of period	2.7	$ 91.51
Options exercisable, end of period	2.3	$ 80.43

Total stock option expense for the three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023 was $2.2 million $2.1 million and $2.7 million $2.4 million, respectively. Total stock option expense for the nine months ended September 30, 2023 and October 1, 2022 was $6.8 million and $9.1 million, respectively. As of September 30, 2023 March 30, 2024, the Company had $17.7 million $19.6 million of unrecognized compensation cost related to non-vested stock options that are expected to vest over a weighted-average period of approximately 2.5 years. The weighted-average remaining contractual term of options outstanding with an exercise price less than the closing price of the Company's common stock as of September 30, 2023 was 3.8 3.1 years.

RSUs

The number of RSUs issued and outstanding under all of the Company's equity plans are as follows:

		Nine Months Ended September 30, 2023		
		Three Months Ended March 30, 2024	Three Months Ended March 30, 2024	Three Months Ended March 30, 2024
(in millions, except for weighted-average grant date fair value amounts)	(in millions, except for weighted-average grant date fair value amounts)	Units		Weighted-Average Grant Date Fair Value
RSUs outstanding, beginning of period	RSUs outstanding, beginning of period	3.1		$ 105.65
RSUs outstanding, beginning of period	RSUs outstanding, beginning of period			
Granted	Granted	0.2		172.34
Expired	Expired	(0.1)		171.52
Expired				
Expired				
Vested	Vested	(0.1)		170.42
RSUs outstanding, end of period	RSUs outstanding, end of period	3.1		$ 107.66
RSUs outstanding, end of period	RSUs outstanding, end of period			

Total RSU expense for the three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023 was $5.0 million $7.2 million and $3.6 million $4.2 million, respectively. Total RSU expense for the nine months ended September 30, 2023 and October 1, 2022 was $14.4 million and $10.7 million, respectively. As of September 30, 2023 March 30, 2024, the Company had $69.3 million $106.4 million of unrecognized compensation cost related to non-vested RSU awards expected to be recognized and vest over a weighted-average period of approximately 3.7 years.

PSUs

The number of PSUs outstanding under all of the Company's equity plans are as follows:

Nine Months Ended September 30, 2023		
Three Months Ended March 30, 2024		Three Months Ended March 30, 2024

(in millions, except for weighted-average grant date fair value amounts)	(in millions, except for weighted-average grant date fair value amounts)	Units	Weighted-Average Grant Date Fair Value	(in millions, except for weighted-average grant date fair value amounts)	Units	Weighted-Average Grant Date Fair Value
PSUs outstanding, beginning of period	PSUs outstanding, beginning of period	0.3	$180.04			
Granted[1]	Granted[1]	0.1	204.67			
Expired	Expired	—	139.73			
Expired	Expired					
Vested	Vested	(0.1)	179.42			
PSUs outstanding, end of period	PSUs outstanding, end of period	0.3	$190.11			

(1) On February 27, 2023 February 28, 2024, the Audit Committee approved the weighted payout percentage of 28% for the 2020 2021 PSU awards (three-year (three-year performance period), which were based upon the actual fiscal 2022 2023 performance against pre-established performance objectives. Included in the granted amount are those additional PSUs earned based on actual performance achieved. These PSUs were originally awarded at target.

During the nine three months ended September 30, 2023 March 30, 2024, the Company awarded 103,803 155,156 PSUs that will vest three years from the award date, based on the achievement of certain pre-established multi-year performance criteria approved by the Board. Estimates of stock-based compensation expense for an award with performance conditions are based on the probable outcome of the performance conditions and the cumulative effect of any changes in the probability outcomes is recorded in the period in which the changes occur. If earned, the PSUs granted will vest upon achievement of the performance criteria, which include a relative total shareholder return (TSR) component, in the year following the evaluation and confirmation of the performance achievement criteria. The Company's TSR is based on the Company's common stock percentile ranking relative to the constituents of the Nasdaq Composite Index for the performance period beginning on January 1, 2023 January 1, 2024 and ending on December 31, 2025 December 31, 2026. The number of shares that may be earned can range from 0% to 200% of the target amount. The fair value of market-based RSUs is determined using a Monte Carlo simulation model, which uses multiple input variables to determine the probability of satisfying the market condition requirements. The fair value of performance-based PSUs is determined using the closing price of the Company's common stock on the grant date. Based on management's estimate of the number of units expected to vest, total PSU (benefit) expense for the three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023 was $(8.3) million $0.3 million and $7.2 million $0.7 million, respectively. Total PSU (benefit) expense for the nine months ended September 30, 2023 and October 1, 2022 was $(23.6) million and $21.9 million, respectively. The PSU benefit expense amounts for the three months ended September 30, 2023 March 30, 2024 relate to adjustments for the expected life-to-date performance of the PSU. As of September 30, 2023 March 30, 2024, the Company had $10.3 million $40.4 million of unrecognized compensation cost related to non-vested PSU awards expected to be recognized and vest over a weighted-average period of approximately 1.5 1.9 years.

Valuation of Stock-Based Award Activity

The fair value of each RSU and PSU is determined based on the closing price of the Company's common stock on the grant date.

The Black-Scholes option pricing model is used to estimate the fair value of options granted under the Company's stock-based compensation plans. The range of assumptions used and the resulting weighted-average fair value of options granted at the date of grant were as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2023[1]	October 1, 2022[1]	September 30, 2023	October 1, 2022
Risk-free interest rate	—%	—%	4.2%	1.0% to 1.9%
Expected term (in years)	—	—	5.9	5.7
Estimated volatility	—%	—%	36.7%	31.2% to 38.9%
Expected dividends	—%	—%	—%	—%
Weighted-average fair value of options granted	$—	$—	$75.08	$49.69

	Three Months Ended	
	March 30, 2024	April 1, 2023
Risk-free interest rate	4.2%	4.2%
Expected term (in years)	5.9	5.9
Estimated volatility	42.6%	36.7%
Expected dividends	—%	—%
Weighted-average fair value of options granted	$59.60	$75.08

(1) No stock options were granted during the three months ended September 30, 2023 and October 1, 2022.

The aggregate intrinsic value of options is calculated as the positive difference, if any, between the market value of the Company's common stock on the date of exercise or the respective period end, as appropriate, and the exercise price of the options. The aggregate intrinsic value of options outstanding with an exercise price less than the closing price of the Company's common stock as of September 30, 2023 March 30, 2024 was $67.1 million $169.8 million. The aggregate intrinsic value of options exercisable with an exercise price less than the closing price of the Company's common stock as of September 30, 2023 March 30, 2024 was $67.1 million $167.4 million.

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21. Employee Benefits

Defined Contribution Plans

In the U.S. the Company sponsors one qualified defined contribution plan or 401(k) plan, the Masimo Retirement Savings Plan (MRSP), covering the Company's full-time U.S. employees who meet certain eligibility requirements. On April 11, 2022, participation in connection with the Sound United acquisition, the MRSP was amended to allow for participation by eligible employees in connection with the Sound United acquisition. employees.

The MRSP matches 100% of a participant's salary deferral, up to 3% of each participant's compensation for the pay period, subject to a maximum amount. The Company may also contribute to the MRSP on a discretionary basis. The Company contributed $1.1 million $1.3 million and $1.8 million $2.3 million to the MRSP for the three months ended September 30, 2023 March 30, 2024 and October 1, 2022, respectively, all in the form of matching contributions. The Company contributed $3.8 million and $4.5 million to the MRSP for the nine months ended September 30, 2023 and October 1, 2022 April 1, 2023, respectively, all in the form of matching contributions.

In addition, some of the Company's international subsidiaries also have defined contribution plans to which both the employees employee and the employers are eligible to make contributions. The Company contributed $1.3 $1.6 million and $4.1 million $0.8 million to these plans for the three months ended March 30, 2024 and nine months ended September 30, 2023. The Company made no contributions to any of these plans for the three and nine months ended October 1, 2022. April 1, 2023, respectively.

Defined Benefit Plans

The Company sponsors several international noncontributory defined benefit plans. In connection with the Sound United acquisition, the Company assumed sponsorship of several international defined benefit plans and post-retirement benefit plans. All defined benefit plans and post-retirement benefit plans assumed by the Company were closed to new participants prior to the Sound United acquisition.

The service cost component for the defined benefit plans are recorded in operating expenses in the condensed consolidated statement of operations. All other cost components are recorded in other income (expense), net in the condensed consolidated statement of operations.

The Company's net periodic defined benefit costs for each of the three and nine months ended September 30, 2023 March 30, 2024, and October 1, 2022 April 1, 2023 were immaterial.

22. Non-operating (Loss) Income Loss

Non-operating (loss) income loss consists of the following:

Three Months Ended	Nine Months Ended
Three Months Ended	
Three Months Ended	
Three Months Ended	

(in millions)	(in millions)	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022	(in millions)	March 30, 2024	April 1, 2023
Realized and unrealized foreign currency gains (losses)								
Interest income	Interest income	$ 0.7	$ 0.5	$ 2.2	$ 1.0			
Interest expense	Interest expense	(12.8)	(9.7)	(36.5)	(14.3)			
Realized and unrealized foreign currency gains		0.9	6.4	6.8	14.3			
Total non-operating (loss) income		$ (11.2)	$ (2.8)	$ (27.5)	$ 1.0			
Other								
Total non-operating loss								

23. Income Taxes

The Company has provided for income taxes in fiscal year 2023 2024 interim periods based on the estimated effective income tax rate for the complete fiscal year, as adjusted for discrete tax events, including excess tax benefits or deficiencies related to stock-based compensation, in the period such events occur. The estimated annual effective tax rate is computed based on the expected annual pretax income of the consolidated entities located within each taxing jurisdiction based on legislation enacted as of the balance sheet date. For the three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023, the Company recorded discrete tax benefits of approximately $0.2 million $1.3 million and $0.3 million, respectively, related to excess tax benefits realized from stock-based compensation. For the nine months ended September 30, 2023 and October 1, 2022, the Company recorded discrete tax benefits of approximately $3.1 million and $2.2 million $2.4 million, respectively, related to excess tax benefits realized from stock-based compensation.

Deferred tax assets and liabilities are determined based on the future tax consequences associated with temporary differences between income and expenses reported for accounting and tax purposes. A valuation allowance for deferred tax assets is recorded to the extent that the Company cannot determine that the ultimate realization of the net deferred tax assets is more likely than not. Realization of deferred tax assets is principally dependent upon the achievement of future taxable income, the estimation of which requires significant judgment by the Company's management. The judgment of the Company's management regarding future profitability may change due to many factors, including future market conditions and the Company's ability to successfully execute its business plans or tax planning strategies. These changes, if any, may require material adjustments to these deferred tax asset balances.

As of September 30, 2023 March 30, 2024, the liability for income taxes associated with uncertain tax positions was approximately $31.1 million $35.3 million. If fully recognized, approximately $28.7 million $32.7 million (net of federal benefit on state taxes) would impact the Company's effective tax rate. It is reasonably possible that the amount of unrecognized tax benefits in various jurisdictions may change in the next twelve months due to the expiration of statutes of limitation and audit settlements. However, due to the uncertainty surrounding the timing of these events, an estimate of the change within the next twelve months cannot currently be made.

The Company conducts business in multiple jurisdictions and, as a result, one or more of the Company's subsidiaries files income tax returns in U.S. federal, various state, local and foreign jurisdictions. The Company has concluded all U.S. federal income tax matters through fiscal year 2018. 2019. All material state, local and foreign income tax matters have been concluded through fiscal year 2015. 2016. The Company does not believe that the results of any tax authority examination would have a significant impact on its consolidated financial statements.

24. Commitments and Contingencies

Employment and Severance Agreements

In July 2017, the Company entered into the First Amendment to that certain Amended and Restated Employment Agreement entered into between the Company and Mr. Kiani on November 4, 2015 (as amended, the Amended Employment Agreement). Pursuant to the terms of the Amended Employment Agreement, upon a "Qualifying Termination" (as defined in the Amended Employment Agreement), Mr. Kiani will be entitled to receive a cash severance benefit equal to two times the sum of his then-current base salary and the

average annual bonus paid to Mr. Kiani during the immediately preceding three years, the full amount of the “Award Shares” (as defined in the Amended Employment Agreement) and the full amount of the “Cash Payment” (as defined in the Amended Employment Agreement). In addition, in the event of a “Change-in-Control” (as defined in the Amended Employment Agreement) prior to a Qualifying Termination, on each of the first and second anniversaries of the Change-in-Control, 50% of the Cash Payment and 50% of the Award Shares will vest, subject in each case to Mr. Kiani’s continuous employment through each such anniversary date; however, in the event of a Qualifying Termination or a termination of Mr. Kiani’s employment due to death or disability prior to either of such anniversaries, any unvested amount of the Cash Payment and all of the unvested Award Shares shall vest and be paid in full. Additionally, in the event of a Change-in-Control prior to a Qualifying Termination, Mr. Kiani’s stock options and any other equity awards will vest in accordance with their terms, but in no event later than in two equal installments on each of the one year and two year anniversaries of the Change-in- Control, subject in each case to Mr. Kiani’s continuous employment through each such anniversary date.

On January 14, 2022, the Company entered into the Second Amendment to the Amended Employment Agreement (Second Amendment) with Mr. Kiani. The Second Amendment provides that the RSUs granted to Mr. Kiani pursuant to the Amended Employment Agreement will vest in full upon the termination of Mr. Kiani’s employment with the Company pursuant to Mr. Kiani’s death or disability.

On February 8, 2023, Mr. Kiani agreed that the valid election to the Company’s Board of Directors (Board) at the Company’s 2023 Annual Meeting of Stockholders (2023 Annual Meeting) of any two individuals nominated by the Company’s stockholders in lieu of two of the Company’s then-current Board members would not be deemed to constitute a “Change in Control” for purposes of Section 9(iii) of the Amended Employment Agreement.

On March 22, 2023, in connection with the Board’s unanimous selection of H Michael Cohen as Lead Independent Director, Mr. Kiani voluntarily irrevocably and permanently waived his right to treat the appointment of any lead independent director as “Good Reason”, to terminate his employment under his the Amended Employment Agreement, to terminate employment, and his right to receive contractual separation payments on this basis.

On June 5, 2023, Mr. Kiani, pursuant to a Limited Waiver (Waiver), unconditionally, irrevocably and permanently waived his right, pursuant to Mr. Kiani’s the Amended Employment Agreement, to assert that a “Change in Control” has occurred pursuant to Section 9(iii) of the Amended Employment Agreement unless the individuals who constituted the Board at the beginning of the twelve (12) month period immediately preceding such change, as defined in Section 9(iii) of the Amended Employment Agreement, cease for any reason to constitute one-half or more of the directors then in office. In addition, Mr. Kiani agreed that, for purposes of determining whether such a “Change in Control” has occurred, any individual elected to the Board at the Company’s 2023 Annual Meeting will be treated as a member of the Board at the beginning of the twelve (12) month period.

As a result of Mr. Kiani’s execution of the Waiver on June 5, 2023, which waived certain of the “Change in Control” provisions in the Amended Employment Agreement, the Company remeasured the expense related to the Award Shares and Cash Payment that would be recognized in the Company’s condensed consolidated financial statements upon the occurrence of a Qualifying Termination under the Amended Employment Agreement, as amended by the Second Amendment, and the expense was determined to be approximately $479.7 million.

As of September 30, 2023 March 30, 2024, the Company had severance plan participation agreements with five six executive officers. The participation agreements (the Agreements) are governed by the terms and conditions of the Company’s 2007 Severance Protection Plan (the Severance Plan), which became effective on July 19, 2007 and which was amended effective December 31, 2008.

Under each of the Agreements, the applicable executive officer may be entitled to receive certain salary, equity, medical and life insurance benefits if he is terminated by the Company without cause or if he terminates his employment for good reason under certain circumstances. Each executive officer is also required to give the Company six months’ advance notice of his resignation under certain circumstances.

Cercacor Willow Cross-Licensing Agreement Provisions

The Company’s Cross-Licensing Agreement with Cercacor Willow contains annual minimum aggregate royalty obligations for use of the rainbow® licensed technology. The current annual minimum royalty obligation is $5.0 million. Upon a change in control (as defined in the Cross-Licensing Willow Licensing Agreement) of the Company or Cercacor: Willow: (i) all rights to the “Masimo” trademark will be assigned to Cercacor Willow if the surviving or acquiring entity ceases to use “Masimo” as a company name and trademark; (ii) the option to license technology developed by Cercacor Willow for use in blood glucose monitoring will be deemed automatically exercised and a $2.5 million license fee for this technology will become immediately payable to Cercacor; Willow; and (iii) the minimum aggregate annual royalties payable to Cercacor Willow for carbon monoxide, methemoglobin, fractional arterial oxygen saturation, hemoglobin and/or glucose measurements will increase to $15.0 million per year until the exclusivity period of the agreement ends, plus up to $2.0 million for each additional vital sign measurement with no maximum ceiling for non-vital sign measurements.

Purchase Commitments

Pursuant to contractual obligations with vendors, the Company had $171.6 million $267.2 million of purchase commitments as of September 30, 2023 March 30, 2024 that are expected to be purchased within one year. These purchase commitments have been made for certain inventory items in order to secure sufficient levels of those items, other critical inventory and manufacturing supplies, and to achieve better pricing.

Other Contractual Commitments

In the normal course of business, the Company may provide bank guarantees to support government hospital tenders in certain foreign jurisdictions. As of September 30, 2023 March 30, 2024, the Company had approximately $4.5 million $5.1 million in outstanding unsecured bank guarantees.

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In certain circumstances, the Company also provides limited indemnification within its various customer contracts whereby the Company indemnifies the parties to whom it sells its products with respect to potential infringement of intellectual property, and against bodily injury caused by a defective Company product. It is not possible to predict the maximum potential amount of future payments under these or similar agreements, due to the conditional nature of the Company's obligations and the unique facts and circumstances involved. As of September 30, 2023 March 30, 2024, the Company had not incurred any significant costs related to contractual indemnification of its customers.

Fee Agreements

On January 1, 2024, the Company entered into a one year alternative fee agreement (Fee Agreement) with respect to certain on-going legal fees and costs charged by a vendor. The Fee Agreement imposes certain limits on a quarterly and annual basis for actual legal fees incurred by the vendor that are payable based on work performed related to litigation matters against Apple (see Note 24, "Litigation" for further details). If the vendor is successful in obtaining a favorable judgement for the Company on any claim or counterclaim after exhaustion or dismissal of any appeals, or upon settlement resulting in monetary consideration to the Company, the vendor will be paid a success fee equal to three times the amount of the excess of the annual legal fee limit within 60 days after entry of a judgement or the effective date of any settlement. Amounts due to the vendor under this Fee Agreement will be recognized when probable and reasonably estimable.

In connection with the potential separation of the Company's consumer business, the Company entered into contingent or discretionary fee agreements with various service providers, advisors and consultants. The Company is unable to reasonably estimate the contingent fees due under these agreements at this time. Amounts due will be recognized when probable and reasonably estimable.

Licensing Agreement

On February 1, 2024, the Company entered into a three-year licensing agreement for approximately $9.0 million, plus applicable taxes. As of March 30, 2024, the outstanding obligation under the licensing agreement was $7.5 million, with $3.0 million payable within 12 months.

Concentrations of Risk

The Company is exposed to credit loss for the amount of its cash deposits with financial institutions in excess of federally insured limits. The Company invests a portion of its excess cash with major financial institutions. As of September 30, 2023 March 30, 2024, the Company had $124.4 million $157.6 million of bank balances, of which $7.2 million $8.1 million was covered by either the U.S. Federal Deposit Insurance Corporation limit or foreign countries' deposit insurance organizations.

The Company's ability to sell its healthcare products to U.S. hospitals depends in part on its relationships with GPOs. Many existing and potential healthcare customers for the Company's products become members of GPOs. GPOs negotiate pricing arrangements and contracts, sometimes exclusively, with medical supply manufacturers and distributors, and these negotiated prices are made available to a GPO's affiliated hospitals and other members. During the three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023, revenue from the sale of the Company's healthcare products to customers that are members of GPOs approximated 50.5% 55.7% and 54.0% of healthcare revenue, respectively. During the nine months ended September 30, 2023 and October 1, 2022, revenue from the sale of the Company's healthcare products to customers that are members of GPOs approximated 52.9% and 52.9% 51.0% of healthcare revenue, respectively.

For each of the three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023, the Company had sales through one just-in-time healthcare distributor that represented 16.8% 16.1% and 8.9% of consolidated revenue, respectively.

For each of the nine months ended September 30, 2023 and October 1, 2022, the Company had sales through one just-in-time healthcare distributor that represented 16.8% and 10.5% of consolidated revenue, respectively.

During the three and nine months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023, there were no revenue concentrations for the Company's non-healthcare business.

As of September 30, 2023 March 30, 2024 and December 31, 2022 December 30, 2023, one healthcare customer represented 11.4% 11.3% and 9.1% 18.1%, respectively, of the Company's consolidated accounts receivable balance. The receivable balance related to such healthcare customer is fully secured by a letter of credit.

As of September 30, 2023 March 30, 2024 and December 31, 2022 December 30, 2023, there were no customer concentrations concentration risks associated with the Company's non-healthcare business.

Litigation

On January 9, 2020, the Company filed a complaint against Apple Inc. (Apple) in the United States District Court for the Central District of California for infringement of a number of patents, for trade secret misappropriation, and for ownership and correction of inventorship of a number of Apple patents listing one of its former employees as an inventor. The Company is seeking damages, injunctive relief, and declaratory judgment regarding ownership of the Apple patents. Apple filed petitions for Inter Partes review (IPR) of the asserted patents in the U.S. Patent and Trademark Office (PTO). The PTO instituted IPR of the asserted patents. On October 13, 2020, the District Court stayed the patent infringement claims pending completion of the IPR proceedings. In the IPR proceedings, one or more of the challenged claims of three of the asserted patents were found valid. The challenged claims of nine of the asserted patents were found invalid. The Company and Apple filed notices of On appeal, and appeal briefs with the U.S. Court of Appeals for the Federal Circuit seeking review of affirmed all the IPR decisions on all asserted patents. Oral arguments except it reversed a finding of invalidity for three consolidated appeals and for nine asserted patents were held on August 10, 2023. The decision on September 12, 2023 reversed the IPR decision on five certain dependent claims and affirmed it on all other claims. The Federal Court arguments for the additional asserted patents are scheduled for December 6, 2023. of one Masimo patent. From April 4, 2023 through May 1, 2023, the District Court held a jury trial on the trade secret, ownership, and inventorship claims. The District Court granted Apple's motion for judgment as a matter of law on certain trade secrets and denied the remainder of Apple's motion. On May 1, 2023, the District Court declared a mistrial because the jury was unable to reach a unanimous verdict. The stay of the patent infringement claims has been lifted and the District Court has not yet scheduled a new trial, but has indicated it is prepared to start trial on October 31, 2024 all remaining claims beginning on November 5, 2024.

On June 30, 2021, the Company filed a complaint with the U.S. International Trade Commission (ITC) against Apple for infringement of a number of other patents. The Company filed an amended complaint on July 12, 2021. On August 13, 2021, the ITC issued a Notice of Institution of Investigation on the asserted patents. From June 6, 2022 to June 10, 2022, the ITC conducted an evidentiary hearing. In July and August 2022, Apple filed petitions for IPR of the asserted patents in the PTO. On January 10, 2023, a United States Administrative Law Judge in Washington, D.C. ruled that Apple violated Section 337 of the Tariff Act of 1930 (Section 337), as amended, by importing and selling within the United States certain Apple Watches with light-based pulse oximetry functionality and components, which infringe one of the Company's pulse oximeter patents. On January 24, 2023, the United States Administrative Law Judge further recommended that the ITC issue an exclusion order and a cease and desist order on certain Apple Watches. On October 26, 2023, the ITC issued a Notice of Final Determination finding a violation of Section 337 by Apple. The ITC determined that the appropriate form of relief is a Limited Exclusion Order (LEO) prohibiting the unlicensed entry of infringing wearable electronic devices with light-based pulse oximetry functionality manufactured by or on behalf of Apple, and a Cease and Desist Order (CDO). The LEO and CDO are scheduled to go went into effect after a the 60-day Presidential review period. period expired. The LEO and CDO are currently in effect. Apple's appeal to the Federal Circuit is pending. On January 30, 2023, the PTO denied institution of IPR proceedings for the Company's pulse oximeter patents that the ITC ruled were infringed. With respect to the other patents asserted at the ITC, the PTO denied institution of IPR proceedings for two patents and instituted IPR proceedings for two patents in January and February 2023. The instituted In the IPR proceedings, on one or more of the two patents are challenged claims were found valid, while others were found invalid. The time period for the appeal is pending.

On October 20, 2022, Apple filed two complaints against the Company in the U.S. District Court for the District of Delaware alleging that the Masimo W1™ watch infringes six utility and four design patents. Apple is seeking damages and injunctive relief. On December 12, 2022, the Company counterclaimed for monopolization, attempted monopolization, false advertising (and related causes of action) and infringement of ten patents. The Company is seeking damages and injunctive relief. On May 5, 2023, the Court ordered that the two cases be coordinated through the pre-trial stage. The Court is scheduled to hold held a case management conference in March 2024, but has not yet issued an order to address the scope of claims and counterclaims for trial and or to set a trial date. The Company intends to vigorously pursue all of its claims against Apple and believes the Company has good and substantial defenses to Apple's claims, but there is no guarantee that the Company will be successful in these efforts.

On October 21, 2022 August 22, 2023, a putative class action complaint was filed in the Delaware Court of Chancery by Sergio Vazquez against the Company and members of its management alleging violations of the Company's Board (Director Defendants) by Politan Capital Management LP federal securities laws. On November 14, 2023, the court appointed Boston Retirement System, Central Pennsylvania Teamsters Pension Fund-Defined Benefit Plan, and Politan Capital NY LLC (Activist Plaintiffs) Central Pennsylvania Teamsters Pension Fund-Retirement Income Plan 1987 as lead plaintiffs. The lead plaintiffs filed an amended complaint on February 12, 2024. The Activist Plaintiffs are managed by Quentin Koffey, who is a member of the Board. The amended complaint sought to (i) declare certain amendments to the Company's bylaws alleges that became effective on September 9, 2022 (Bylaw Amendments) unenforceable, (ii) find that the Director Defendants breached their fiduciary duties by approving and implementing the Bylaw Amendments and the shareholder rights plan adopted by the Company on September 9, 2022, and refusing to invalidate certain change of control provisions in the Company's employment agreement with Joe Kiani, the Company's Chief Executive Officer (CEO), (iii) invalidate certain change of control provisions in Mr. Kiani's employment agreement, (iv) permanently enjoin the Company and members of its Board management, from taking any actions to prevent the Activist Plaintiffs from exercising their rights in accordance with the Company's prior bylaws to nominate directors, May 4, 2022 through August 8, 2023, disseminated materially false and (v) award the Activist Plaintiffs their fees, costs and expenses in connection with the action covered by the complaint.

On February 5, 2023, the Board approved and adopted amended and restated bylaws (the Amended and Restated Bylaws) which reverted misleading statements and/or concealed material adverse facts relating to the Second Amended performance of its healthcare business and Restated Bylaws of the Corporation, dated as of October 24, 2019 (included as Exhibit 3.1 to the Current Report on Form 8-K, filed by the Corporation with the U.S. Securities and Exchange Commission on October 30, 2019), except that the Amended and Restated Bylaws continued to provide that the period for stockholders to give notice of their intention to nominate directors to stand for election and to submit stockholder proposals for consideration at the 2023 annual meeting of stockholders would begin on March 24, 2023 and remain open for one month (later extended to May 1, 2023). In addition, effective February 8, 2023, Mr. Kiani agreed that the valid election to the Board at the 2023 Annual Meeting of any two individuals nominated by the Company stockholders in lieu of two success of the Company's current Board members would not be deemed to constitute a "Change in Control" for purposes of Section 9(iii) of his employment agreement. On February 8, 2023, the Court informed the parties that the Amended and Restated Bylaws mooted the Bylaw Amendments dispute and continued trial on the change in control provisions. On May 1, 2023, Politan filed a motion for an interim fee award of attorneys' fees and expenses.

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On March 3, 2023, Politan filed a motion for leave to file a second amended and supplemented verified complaint (the Second Amended Complaint), which the Court granted on March 15, 2023. legacy Sound United business. The Second Amended Complaint added the California State Teachers' Retirement System (CalSTRS) as a co-plaintiff and added several former members of the Company's Board as additional co-defendants. On July 18, 2023, the Court granted a stipulation to dismiss some of the former Board members. On August 7, 2023**,** Politan filed a third amended and supplemented complaint. On September 7, 2023, the Court granted the plaintiffs' motion Company moved to dismiss the case without prejudice. Politan is seeking an award of attorneys' fees and expenses amounting to approximately $18 million. A hearing amended complaint on Politan's request for attorney's fees and expenses April 29, 2024. Briefing on the motion is scheduled for November 17, 2023 to conclude by July 26, 2024. The Company believes it has good and substantial defenses to the claims in the amended complaint, but there is no guarantee that the Company will be successful in these efforts. The Company is unable to determine whether any loss ultimately will occur or to estimate the range of such loss; therefore, no amount of loss has been accrued by the Company in the accompanying condensed consolidated financial statements.

MASIMO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

On August 22, 2023 May 1, 2024, a putative class purported stockholder, Linda McClellan filed a derivative action complaint was filed by Sergio Vazquez in the U.S. District Court for the Southern District of California against certain of the Company's current and former executives and directors, and the Company and members of its management alleging violations of the federal securities laws. as nominal defendant. The complaint alleges, among other things, that the defendants breached their fiduciary duties owed to the Company and members of its management disseminated materially by allowing or permitting false and or misleading statements and/or concealed material adverse facts relating to its second quarter 2023 revenue be disseminated regarding the performance of the Company's healthcare business and sales the success of the Company's legacy Sound United business. The complaint also asserts causes of action for violations of Section 10(b) of the Securities Exchange Act of 1934 (15 U.S.C.§ 78j(b)) and expected full-year 2023 revenue. Rule 10b-5 promulgated thereunder, aiding and abetting breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets. The Company believes it has good and substantial defenses to the claims in the complaint, but there is no guarantee that the Company will be successful in these efforts. The Company is unable to determine whether any loss ultimately will occur or to estimate the range of such loss; therefore, no amount of loss has been accrued by the Company in the accompanying condensed consolidated financial statements.

The Company received a subpoena from the Department of Justice (DOJ) dated February 21, 2024 seeking documents and information related to the Company's Rad-G® and Rad-97® products, including information relating to complaints surrounding the products and the Company's decision to recall select Rad-G® products in 2024.

The Company received a civil investigative demand from the DOJ pursuant to the False Claims Act, 31 U.S.C. §§ 3729-3733, dated March 25, 2024, seeking documents and information related to customer returns of the Company's Rad-G® and Rad-97® products, including returns related to the Company's recall of select Rad-G® products in 2024.

The Company received a subpoena from the Securities and Exchange Commission dated March 26, 2024 seeking documents and information relating to allegations of potential accounting irregularities and internal control deficiencies from employees within the Company's accounting department.

With respect to each of the subpoenas and the investigative demand described above, the Company is cooperating with the government and may expend significant financial and managerial resources in connection with responding to the subpoenas and investigative demand and any related investigation or any other future requests for information.

From time to time, the Company may be involved in other litigation and investigations relating to claims and matters arising out of its operations in the normal course of business. The Company believes that it currently is not a party to any other legal proceedings which, individually or in the aggregate, would have a material adverse effect on its consolidated financial position, results of operations or cash flows.

25. Segment and Enterprise Reporting

The Company's reportable segments are determined based upon the Company's organizational structure and the way in which the Company's Chief Operating Decision Maker (CODM), the CEO, makes operating decisions and assesses financial performance. The CODM considered several factors including, but not limited to, customer base, technology, and homogeneity of products. The two segments are:

- Healthcare - develops, manufactures, and markets a variety of noninvasive monitoring technologies and hospital automation solutions and therapeutics. This segment includes the Company's core legacy hospital business and new Masimo-technology-enabled consumer products that are distributed through many channels including e-commerce sites, leading national retailers and specialty chains globally.
- Non-healthcare - designs, develops, manufactures, markets and sells a broad portfolio of premium, high-performance audio products and services.

Income from operations for each segment includes all geographic revenues, related cost of net revenues and operating expenses directly attributable to the segment. The Company uses gross profit, as presented in the Company's financial reports, as the primary measure of segment profitability. The Company uses the same accounting policies to generate segment results as the Company does for consolidated results. Segment information presented herein reflects the impact of these changes for all periods presented. For each of the three and nine months ended September 30, 2023 March 30, 2024, intercompany revenues between the Healthcare and Non-healthcare segments were $5.0 $0.6 million. For each of the three and nine months ended October 1, 2022 April 1, 2023, there were was no intercompany revenues revenue between the Healthcare healthcare and Non-healthcare segments. non-healthcare. All inter-segment transactions and balances are eliminated in consolidation for all periods presented below.

Selected information by reportable segment is presented below for each of the three and nine months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023:

		Three Months Ended		Nine Months Ended	
		Three Months Ended			
		Three Months Ended			
		Three Months Ended			
(in millions)					
(in millions)					
(in millions)	(in millions)	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Revenues by segment:	Revenues by segment:				
Revenues by segment:					

Revenues by segment:					
Healthcare					
Healthcare					
Healthcare	Healthcare	$ 307.8	$ 327.2	$ 935.6	$ 988.5
Non-healthcare	Non-healthcare	171.1	222.1	563.6	430.3
Non-healthcare					
Non-healthcare					
Total revenue by segment					
Total revenue by segment					
Total revenue by segment	Total revenue by segment	$ 478.9	$ 549.3	$ 1,499.2	$ 1,418.8
Gross profit:	Gross profit:				
Gross profit:					
Gross profit:					
Healthcare	Healthcare	$ 185.6	$ 211.4	$ 569.4	$ 653.5
Healthcare					
Healthcare					
Non-healthcare					
Non-healthcare					
Non-healthcare	Non-healthcare	55.8	77.7	192.2	150.3
Other[1]	Other[1]	(6.6)	(6.6)	(20.8)	(58.4)
Other[1]					
Other[1]					
Gross profit					
Gross profit					
Gross profit	Gross profit	$ 234.8	$ 282.5	$ 740.8	$ 745.4

(1) Management excludes certain corporate expenses from segment gross profit. In addition, certain amounts that management considers to be non-recurring or non-operational are excluded from segment gross profit because management evaluates the operating results of the segments excluding such items.

The Company's depreciation and amortization by segment are as follows:

		Three Months Ended		Nine Months Ended	
		Three Months Ended			
		Three Months Ended			
		Three Months Ended			
(in millions)	(in millions)	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Depreciation and amortization by segment:					
(in millions)					
(in millions)					
Total depreciation and amortization by segment:					
Total depreciation and amortization by segment:					
Total depreciation and amortization by segment:					
Healthcare					
Healthcare					
Healthcare	Healthcare	$ 9.8	$ 9.0	$ 28.1	$ 27.1
Non-healthcare	Non-healthcare	14.7	13.9	47.7	29.5
Total depreciation and amortization		$ 24.5	$ 22.9	$ 75.8	$ 56.6
Non-healthcare					
Non-healthcare					

Total depreciation and amortization by segment
Total depreciation and amortization by segment
Total depreciation and amortization by segment

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains "forward-looking statements" as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, in connection with the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially and adversely from those expressed or implied by such forward-looking statements. Such forward-looking statements include any expectation of earnings, revenues or other financial items; any statements of the plans, strategies and objectives of management for future operations; factors that may affect our operating results or financial condition; statements concerning new products, technologies or services; statements related to future capital expenditures; statements related to future economic conditions or performance; statements related to our stock repurchase program; statements as to industry trends and other matters that do not relate strictly to historical facts or statements of assumptions underlying any of the foregoing. These statements are often identified by the use of words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may" or "will," the negative versions of these terms and similar expressions or variations. These statements are based on the beliefs and assumptions of our management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially and adversely from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included elsewhere in this Quarterly Report on Form 10-Q and in our other Securities and Exchange Commission (SEC) filings, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 30, 2023, which we filed with the SEC on March 1, 2023 February 28, 2024. Furthermore, such forward-looking statements speak only as of the date of this report. We undertake no obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Executive Overview

We are a global technology company dedicated to improving lives. We seek to accelerate our growth strategies and strengthen our focus on patient care via two business segments: healthcare and non-healthcare.

Healthcare

Our healthcare business develops, manufactures and markets a variety of noninvasive patient monitoring technologies, hospital automation and connectivity solutions, remote monitoring devices and consumer health products. Our healthcare products and patient monitoring solutions generally incorporate a monitor or circuit board, proprietary single-patient use or reusable sensors, software, cables and other services. We primarily sell our healthcare products to hospitals, emergency medical service (EMS) providers, home care providers, physician offices, veterinarians, long-term care facilities and consumers through our direct sales force, distributors and original equipment manufacturer (OEM) partners, such as GE Healthcare, Hillrom, Mindray, Philips, Physio-Control, and Zoll, etc. among others.

Our core measurement technologies are our breakthrough Measure-through Motion and Low Perfusion™ pulse oximetry, known as Masimo Signal Extraction Technology® (SET®) pulse oximetry, and advanced rainbow® Pulse CO-Oximetry parameters such as noninvasive hemoglobin (SpHb®), alongside many other modalities, including brain function monitoring, hemodynamic monitoring, regional oximetry, acoustic respiration rate monitoring, capnography and gas monitoring, nasal high-flow respiratory support therapy, patient position and activity tracking, and neuromodulation technology, an opioid overdose prevention and alert solution, and telehealth solutions.

Our measurement technologies are available on many types of devices, from bedside hospital monitors like the Root® Patient Monitoring and Connectivity Hub, to various handheld and portable devices, and to the tetherless Radius-PPG®, Radius-VSM® and Masimo SafetyNet™ remote patient surveillance solution. The Masimo Hospital Automation™ Platform facilitates data integration, connectivity, and interoperability through solutions like Patient SafetyNet™, Iris™, iSirona™, Replica® and UniView™ to facilitate more efficient clinical workflows and to help clinicians provide the best possible care, both in-person and remotely. Leveraging our expertise in hospital-grade technologies, we are also expanding have expanded our suite of products intended for use outside the hospital and products for consumers, including home wellness, to include Masimo Sleep™, a sleep quality solution, solution; the Masimo Radius T°®, a wireless wearable continuous thermometer, thermometer; Radius Capnography PCG™®, a wireless tetherless capnograph, and the capnograph; Masimo W1™ and upcoming Masimo Freedom™ biosensing health and smart watches. watches; Masimo Opioid Halo™, an opioid overdose prevention and alert system, and the Masimo Stork™ a baby monitoring system.

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Non-healthcare

Our non-healthcare business develops, manufactures, markets, sells and licenses premium sound and home integration technologies and accessories along with complete high performance in-vehicle audio systems under iconic consumer brands such as Bowers & Wilkins™, Denon™, Marantz™, HEOS™, Classé™, Polk Audio™, Boston Acoustics™ and Definitive Technology™, which offer products with unparalleled quality and performance to consumers, professional sound studios and audiophiles worldwide. Our products are sold direct-to-consumers, or through authorized retailer retailers, distributors and wholesalers. We also license our audio technology to select luxury automotive manufacturers such as Aston Martin®, BMW®, Maserati®, McLaren®, Polestar® and Volvo®. We continue to expand our collaborations and brand partnerships, which include certain airlines for bespoke

headphones allowing for the best in-flight audio experience; certain computer and laptop manufacturers by delivering a new experience within computer audio; and certain high-performance TV manufacturers, by delivering allowing for delivery of a range of integrated discreet audio devices and enclosures.

While we seek to increase sales through our direct-to-consumer sales channel, we expect that our partnerships with third-party retailers and custom installers will continue to be an important part of our ecosystem. We will continue to seek retail partners that can deliver differentiated in-store experiences to support customer demand for product demonstrations. Our physical retail distribution relies on third-party retailers and our ability to maintain our efficiency in our manufacturing processes.

Recent Product Developments and Releases by Segment

Healthcare

In January 2023, February 2024, we announced the limited market release FDA 510(k) clearance of Masimo's Visual Clinical Activity Monitoring (VCAM™), a video analysis system that uses artificial intelligence to help facilitate compliance with hospital hand hygiene protocols. The Masimo VCAM™, integrates seamlessly with the Masimo Hospital Automation™ platform of solutions, including Masimo Patient SafetyNet™, Replica MightySat®, and Root®, and is designed to help hospitals and other care facilities optimize protocol adherence, with real-time notifications at the point-of-care about current hand hygiene status and powerful analytics around protocol compliance, and the ultimate goal of helping institutions decrease incidences of hospital-acquired infections.

In March 2023, we unveiled the Masimo Freedom™ smartwatch and health tracker. The Masimo Freedom™ device continuously monitors arterial blood oxygen saturation (SpO2), hydration index (Hi™), pulse rate, heart rate and respiration rate. The Masimo Freedom™ smartwatch also features functionality such as calling, texting, music, and contains other third-party application compatibility.

In April 2023, we announced that Masimo Opioid Halo™ was granted de novo classification by the FDA, Medical, making it the first and only FDA-authorized opioid overdose prevention and alert system for detecting opioid-induced respiratory depression.

Also in April 2023, we announced that FDA-cleared medical fingertip pulse oximeter available Over-The-Counter (OTC) direct to consumers without a prescription. This clearance brings consumers a pulse oximeter medical device powered by Masimo Rad-G® with Temperature had received FDA 510(k) clearance. The Rad-G® with Temperature is a rugged, versatile, handheld monitor that provides clinically proven SET® pulse oximetry, respiration rate from the pleth (RRp®) same technology relied on by hospitals and other parameters alongside non-contact infrared clinical thermometry. clinics around the world to monitor more than 200 million patients every year.

In May 2023, we launched Masimo Stork™, a revolutionary home baby monitoring system. This innovative system offers parents insight into their baby's health data, helping them learn more about and be better connected to their baby. The Masimo Stork™ monitoring ecosystem system, which comprises several components, will be available in multiple configurations, including Masimo Stork™ Vitals+, the flagship solution, which consists of a boot with sensor, video camera and a mobile app.

In June 2023, we announced that Masimo Radius VSM™ had received FDA 510(k) clearance. The Radius VSM™ is a patient worn, continuous multi-parameter vital signs monitor that allows ambulation and movement while ensuring patients remain continuously monitored.

In August 2023, we announced the full U.S. market release of the Masimo Stork™ smart home baby monitoring system. Stork Vitals+, Vitals, and Camera combinations are now available for purchase online and on shelves at major retailers and specialty retailers.

Non-Healthcare

In January 2023, we unleashed the Denon™ AVR-A1H Flagship with 15 channels of power, delivering up to 150W per channel. Users can easily share content to HEOS™-enabled devices, such as Denon™ home speakers, in other rooms throughout the home. The AVR-A1H has been meticulously engineered and constructed using the finest components at Denon™facilities in Japan, representing the ultimate example of the Company's signature sound.

In February 2023, we introduced the Definitive Dymension® Series high-performance loudspeakers, building on Definitive Technology™'s quarter-of-a-century leading sound lineage in bipolar speakers.

In March 2023, we announced the release of Dirac Live® for the home audio market. Dirac Live® is a powerful, professional-grade room correction software update that helps consumers achieve the best from their home entertainment system. The software update is available via an over-the-air update to your receiver.

In April 2023, we announced the planned integration of Nura, the makers of self-learning hearables, into the Denon™ brand's product pipeline to deliver enhanced listening experiences for consumers. In adding Nura's award-winning otoacoustic emission measuring technology into the Denon™ family, consumers will be able to enjoy their favorite music as if they are there in the front row thanks to custom sound implementation. The addition of Nura's technology into the Masimo Adaptive Acoustic Technology (AAT™) platform, combines Masimo's 30-year expertise in signal processing with the world-class acoustic engineering from Masimo's non-healthcare consumer audio businesses, and will be able to address unique hearing complexities that vary from person to person.

In May 2023, we expanded the capabilities of our HEOS® platform by providing our customers with health tracking capabilities integrated into their favorite audio solutions. The global expansion of the HEOS® platform enables an always-on connection to the Masimo Health secure cloud device, thereby empowering consumers with an enhanced health tracking experience. This software upgrade allows Masimo's devices and solutions to seamlessly integrate with HEOS® enabled sound bars, wireless speakers, amplifiers and receivers from Denon™, Marantz™ and Definitive Technology™ worldwide.

Also in May 2023, we announced the launch of the Denon™ DNP-2000NE Network Player, a state of the art music player that delivers superior sound quality and versatile connectivity. This product was designed to work perfectly with the Denon™ PMA-1700NE Amplifier, Denon™ DCD- 1700NE CD Player and the Denon™DNP-2000NE, and is packed with advanced features to provide an immersive music experience like no other.

Additionally, in May 2023, Bowers & Wilkins™ (B&W) commemorated the 30 year anniversary of the ultra-high-end loudspeaker Nautilus. To mark this milestone, B&W created a unique pair of Nautilus finished in an Abalone Pearl paint, a finish that perfectly commemorates this landmark anniversary.

Furthermore, in May 2023, we announced a new audio partnership with Aston Martin®, which will showcase an all new B&W Surround Sound System. The Aston Martin® DB12 will debut the new 15-speaker, double amplified 1,170W surround sound system in tune with Aston Martin® DB12's core values of high-performance and ultra-luxury.

In June 2023, we launched the Denon PerL™ and PerL Pro™ True Wireless Earbuds powered by Masimo AAT™, allowing users to create a personal audio profile to optimize the sound quality of the headphones.

Also in June 2023, we announced the launch of the new B&W 801 D4 Signature and 805 D4 Signature loudspeaker. They are built on the heritage that stretches back to the acclaimed Silver Signature loudspeaker of 1991, which was originally developed as a posthumous tribute to the founder of the company, John Bowers. The new B&W 801 D4 Signature and 805 D4 Signature represent the pinnacle of current B&W thinking and design and are viewed as the new flagships our loudspeaker portfolio.

In July 2023, we announced the launch of two Denon™ 8K audio/video receivers (AVRs) ideal for small to mid-sized home cinema applications. The Denon™ 7.2-channel AVR-S770H and the Denon™ 5.2-channel AVR-S670H provide the latest features, resulting in outstanding performance, and making them the ideal solution for discerning music and movie enthusiasts. These latest Denon™ additions help listeners make their first steps into the realm of immersive home entertainment.

In August 2023, we announced the new B&W 600 Series S3 speaker, in its eighth generation. The B&W 600 Series S3 speaker represents the first step to experiencing the "True Sound" of the artist's intent, making it the ideal entry point into the B&W brand. The new range includes four distinct models: the floorstanding 603 S3, the 606 S3 standmount, the 607 S3 bookshelf speaker, plus the HTM6 S3, a dedicated center channel for home theater. Each model is available in a choice of finishes, including Oak, White, Black and Cherry. A new B&W FS-600 floorstand is available in Silver or Black to complete the range. All of the new B&W models have been designed to work optimally together in various combinations as part of a B&W 600 Series S3 Home Theater System, integrating perfectly with the dedicated B&W HTM6 S3 center channel and one of the existing B&W ASW608 or B&W ASW610 active subwoofers.

Economic Trends and Developments Effecting Our Business

Business Outlook Economic Trends

The healthcare and non-healthcare markets we operate in are highly competitive and dynamic, and have experienced a number of headwinds in 2023, including but not limited to inflationary pressures, interest rates volatility, rising energy costs, recessionary outlook, trends, and foreign currency fluctuations, all fluctuations. All of which these have affected the global economic environment, along with the healthcare facility spending trends and consumer spending behaviors. behaviors which ultimately affect the Company's performance. While we anticipate have experienced some short-term volatility in both our healthcare and non-healthcare segments, we are optimistic about long-term growth across both segments due to our new product launches, our continued investment in expanding markets and embedding our improved technologies into our product portfolio.

In an effort to bolster our long-term financial position, during the first quarter of 2023, we initiated various cost reduction actions to better optimize our cost structure with near-term revenue to enhance our operating cash flow, and improve our profitability for both segments going forward. Our initial focus was on a reduction of variable costs, with specific attention to eliminating cost inefficiencies in our supply chain and reducing variable labor spend and overhead costs in our production facilities by shifting manufacturing of certain products to lower cost locations. We are continuing to pursue severalThrough the second and third quarter of 2023, we expanded these actions by streamlining operations, including the consolidation and rationalization of business activities and facilities, workforce reductions, suspension of incentive bonus compensation and annual salary adjustments, transfers of product lines between manufacturing facilities, and the transfer of other initiatives designed to support our growth strategy and to increase our efficiency. business activities between sites. At the same we time, we also revisited our revenue forecasts to reflect the current economic environment lower than expected U.S. hospital inpatient census, elevated sensor inventory levels at some customers due to discounting in prior quarters, and made appropriate adjustments based on softening other factors that negatively affected revenues.

Compared to the prior year period, healthcare revenues were close to flat. Encouragingly, unrecognized contract revenue grew 11% over the same period, and grew 1% sequentially over fourth quarter 2023. Our success in winning new customers is apparent and these contracts are expected to translate into a meaningful source of revenue growth this year.

Non-healthcare revenues were in-line with our guidance as this business has stabilized despite difficult conditions that are affecting discretionary consumer spending.

Global Supply Chain and Logistics

Our global supply chain continues to be challenged by inefficiencies, component shortages, increased lead times, material cost fluctuations and logistics constraints, and labor strikes from third-party transportation carriers. Recently, we saw improvements in our supply chain, including recovery of supply for certain raw materials, component costs, and ocean freight costs. We continue to take preventive steps to mitigate the effects caused by these factors, including validated multiple vendors, advanced purchasing of long-lead time components and higher safety stock inventory levels.

Seasonality

Each of our business segments is individually influenced by many factors, including but not limited to: new product releases, acquisitions, regulatory approvals, patient holiday schedules, hospital census, clinicians, nurses and hospital personnel, the timing of the influenza season, holiday seasons, consumer pressures, fluctuations in interest rates, inflationary and recessionary pressures, consumer demand and preferences, competitors' marketing promotions and sales incentives; among many other factors.
Our healthcare revenues in the third quarter of our fiscal years have generally historically represented a lower percentage of segment revenues due to the seasonality of the U.S., European and Japanese markets, where summer vacation schedules normally result in fewer elective procedures utilizing our healthcare products.

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Our non-healthcare revenues in the fourth quarter of a fiscal year generally historically produce a higher percentage of our segment revenues than the other quarters of our fiscal year due to the holiday shopping season and our corresponding promotional activities. Our promotional discounting activity may negatively impact our gross margin during the holiday periods.

Inpatient Census

The 2023 flu season concluded abnormally early periods and faded quickly in into the first quarter this year, resulting in reduced inpatient census. Healthcare facilities and hospitals experienced fewer flu-related hospitalizations and medical office visits, which decreased consumption of our single-patient use sensors and consumables. The corresponding delays in reordering for our single-patient use sensors and consumables had an adverse impact trailing period (depending on our second and third quarter 2023 healthcare revenue. Looking forward to the fourth quarter of 2023, despite sequential improvements in the third quarter from the second quarter, sensor utilization remains below historical trends and slower than our expected pace of recovery. Further, the pace of equipment installations from new hospital conversions remains slower than expected, which may impact our fourth quarter healthcare revenue.

COVID-19 Inventory Stockpiling

During the COVID-19 pandemic period, we observed a broad increase in sensors purchased. The uncertainties and supply chain disruptions during COVID-19 contributed to our customers' elevated inventory levels in an attempt to ensure a stable supply of single-patient use sensors and consumables. During the second quarter 2023, we discontinued certain discounting programs; and some customers maintained elevated levels of single-patient use sensors and consumables in inventory due to the softer demand and lower hospital census, which had an adverse impact on our second and third quarter 2023 healthcare revenue.

Contract Conversions and Installations

During the second quarter and continuing into the third quarter of 2023, we achieved substantial market share gains through contract acquisitions as new hospital customers continue to switch to Masimo technology at rapid rates. However, conversions of new customers who have contracted to switch to Masimo were less than expected due to continued labor shortages in hospitals and our OEM partners not being able to provide the patient monitoring equipment needed to complete the installations in a timely manner; thereby impacting our second and third quarter 2023 healthcare revenues. Looking forward to the fourth quarter of 2023, initial trends indicate the installation slowing we experienced in the second and third quarter will most likely continue through the fourth quarter.

Despite these obstacles, we continue to be vigilant in our efforts to address the labor shortages, including engaging third-party installation service providers. Our hospital business continued to be strong, as our growth in contracting shows. We believe sensor utilization and sensor revenue growth rates will return to normal levels. annual 52/53 week fiscal year end calendar).

On-Going Russian-Ukraine Conflict, and Israel-Hamas Israel-Palestine-Iran War

We continue to monitor the uncertainty from conflicts and wars in Russia, the Ukraine, Israel and Israel, Iran, with respect to ongoing business in such regions, and are continuing to support existing patient populations while remaining compliant with all applicable U.S. and EU sanctions and regulations, where applicable. While none of Russia, the Ukraine or Israel constitute a material portion of our business, a significant escalation or expansion of economic disruption or the current scope of the conflicts in either geographic region, including the Middle East, could have an impact on our business. In the interim, order acceptance for Russia has been halted. For the three and nine three months ended September 30, 2023 March 30, 2024, sales derived from customers based in Russia represented an immaterial percentage of our total revenue.

Related Party Transactions

Cercacor Willow Laboratories, Inc.

Willow Laboratories, Inc. (Willow), formerly known as Cercacor Laboratories, Inc. (Cercacor), is an independent entity spun off from us to our stockholders in 1998. Joe Kiani, our Chairman and Chief Executive Officer (CEO), is also the Chairman and CEO of Cercacor. Willow. We are a party to a cross-licensing agreement with Cercacor, Willow, which was amended and restated effective January 1, 2007 (the Cross-Licensing Agreement), which governs each party's rights to certain intellectual property held by the two companies. See Note 3, "Related Party Transactions", to our accompanying condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information related to Cercacor. Willow.

Results of Operations

The following table sets forth, for the periods indicated, our results of operations expressed as U.S. Dollar amounts and as a percentage of revenue.

	Three Months Ended (in millions, except percentages)		Three Months Ended (in millions, except percentages)		Three Months Ended (in millions, except percentages)			
	March 30, 2024						March 30, 2024	
	Three Months Ended (in million, except percentages)				Nine Months Ended (in millions, except percentages)			
	September 30, 2023	Percentage of Revenue	October 1, 2022	Percentage of Revenue	September 30, 2023	Percentage of Revenue	October 1, 2022	Percentage of Revenue
Revenue								

Revenue																			
Revenue	Revenue	$ 478.9	100.0	%	$549.3	100.0	%	$1,499.2	100.0	%	$1,418.8	100.0	%	$492.8	100.0	100.0	%	$565.0	100.0
Cost of goods sold	Cost of goods sold	244.1	51.0		266.8	48.6		758.4	50.6		673.4	47.5							
Gross profit	Gross profit	234.8	49.0		282.5	51.4		740.8	49.4		745.4	52.5							
Operating expenses:	Operating expenses:																		
Selling, general and administrative	Selling, general and administrative	156.1	32.6		174.6	31.8		504.1	33.6		471.6	33.2							
Selling, general and administrative																			
Selling, general and administrative																			
Research and development	Research and development	46.5	9.7		53.1	9.7		137.2	9.2		137.1	9.7							
Impairment charge		7.0	1.5		—	—		7.0	0.5		—	—							
Total operating expenses																			
Total operating expenses																			
Total operating expenses	Total operating expenses	209.6	43.8		227.7	41.5		648.3	43.2		608.7	42.9							
Operating income	Operating income	25.2	5.3		54.8	10.0		92.5	6.2		136.7	9.6							
Non-operating (loss) income		(11.2)	(2.3)		(2.8)	(0.5)		(27.5)	(1.8)		1.0	0.1							
Non-operating loss																			
Income before provision for income taxes	Income before provision for income taxes	14.0	2.9		52.0	9.5		65.0	4.3		137.7	9.6							
Provision for income taxes	Provision for income taxes	3.4	0.7		14.1	2.6		17.4	1.2		35.1	2.5							
Net income	Net income	$ 10.6	2.2	%	$ 37.9	6.8	%	$ 47.6	3.2	%	$ 102.6	7.1	%	Net income	$18.9	3.8	%	$21.3	3.7

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Comparison of the Three Months ended September 30, 2023 March 30, 2024 to the Three Months ended October 1, 2022 April 1, 2023

Revenue. Revenue decreased $70.4 million $72.2 million, or 12.8%, to $478.9 million $492.8 million for the three months ended September 30, 2023 March 30, 2024 from $549.3 million $565.0 million for the three months ended October 1, 2022 April 1, 2023.

Revenue by segment: Revenue by segment is comprised of healthcare and non-healthcare segments. The healthcare segment consists of hospital products and services. The non-healthcare segment consists of consumer audio visual and sound related products. The following table details our revenues by segment for each of the three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023:

	Three Months Ended (in millions, except percentage)			
	September 30, 2023	October 1, 2022	Increase/ (Decrease)	Percentage Change
	Three Months Ended (in millions, except percentage)			
	Three Months Ended (in millions, except percentage)			
	Three Months Ended (in millions, except percentage)			

	March 30, 2024							March 30, 2024				April 1, 2023			Increase/ (Decrease)		Perce Cha
Healthcare	Healthcare	$307.8	64.3 %	$327.2	59.6 %	$ (19.4)	(5.9) %	Healthcare	$339.6	68.9	68.9 %	$346.7	61.4	61.4 %	$ (7.1)	(2.0)	(2.0)%
Non-healthcare	Non-healthcare	171.1	35.7	222.1	40.4	(51.0)	(23.0)										
Revenue by segment	Revenue by segment	$478.9	100.0 %	$549.3	100.0 %	$ (70.4)	(12.8) %	Revenue by segment	$492.8	100.0	100.0 %	$565.0	100.0	100.0 %	$(72.2)	(12.8)	(12.8)%

The decrease in healthcare Healthcare segment revenue was driven by for the combined negative effects of lower sensor utilization and hospital inventory management, which continue three months ended March 30, 2024 decreased slightly year over year due to suppress growth from our record level of new customer conversions. In addition, a challenging comparison to the elevated backlog of new equipment installations by our OEM partners and constrained capital budgets at hospitals also impacted sales. three months ended April 1, 2023. Revenues were favorably unfavorably impacted by approximately $0.7 million $1.5 million of foreign exchange rate movements from the prior year period that increased decreased the U.S. Dollar translation of foreign sales that were denominated in various foreign currencies.

Revenue generated through our direct and distribution sales channels decreased $16.8 million $4.0 million, or 5.7% 1.3%, to $275.6 million $310.9 million for the three months ended September 30, 2023 March 30, 2024 compared to $292.4 million $314.9 million for the three months ended October 1, 2022 April 1, 2023. Revenues from our OEM channel decreased $2.6 $3.1 million, or 7.5% 9.7%, to $32.2 million $28.7 million for the three months ended September 30, 2023 March 30, 2024 as compared to $34.8 million $31.8 million for the three months ended October 1, 2022 April 1, 2023.

During the three months ended September 30, 2023 March 30, 2024, we shipped approximately 63,100 50,400 noninvasive technology boards and instruments instruments. Unrecognized Contract Revenues grew 11% over the prior year and also increased by 1% sequentially to reach $1.5 billion. Our success in winning new customers is apparent and these contracts are expected to translate into a meaningful source of revenue growth this year.

For the three months ended March 30, 2024, non-healthcare revenue decreased $65.1 million, or 29.8%, compared to the three months ended April 1, 2023. We believe Non-healthcare revenues were in-line with our guidance as this business has stabilized despite difficult conditions that orders for replacement monitors have slowed as hospitals facing budget pressures have delayed purchases and our OEM partners continue to monitor and manage their order backlog and inventories levels accordingly. As of the end of the third quarter of 2023, we estimated that our installed base grew by approximately 6% over our installed base at the end of the third quarter of 2022. However, as a result of strong new hospital contracts, we expect our future sensor sales to grow, driving future revenues.

The non-healthcare segment saw continued slowing in demand for are affecting discretionary consumer audio products. A difficult environment for consumer discretionary purchases is adversely affecting the market for high-end audio systems. While non-healthcare overall is suffering from the negative macro environment, we again realized strong growth for our hearables category, which increased by more than 140% year-over-year and now represents 10% of segment sales. The positive momentum in hearables has helped to partially offset the macro conditions weighing on the market for high-end audio systems. spending.

Gross Profit. Gross profit consists of revenue less cost of goods sold. Cost of goods sold includes labor, material, overhead and other similar costs related to the production, supply, distribution and support of our products. Our gross profit for the three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023 was as follows:

Gross Profit (in millions, except percentages)					
Three Months Ended September 30, 2023	Percentage of Net Revenues	Three Months Ended October 1, 2022	Percentage of Net Revenues	Increase/ (Decrease)	Percentage Change
$234.8	49.0%	$282.5	51.4%	$(47.7)	(16.9)%

Gross Profit (in millions, except percentages)					
Three Months Ended March 30, 2024	Percentage of Net Revenues	Three Months Ended April 1, 2023	Percentage of Net Revenues	Increase/ (Decrease)	Percentage Change
$241.7	49.0%	$284.8	50.4%	$(43.1)	(15.1)%

Cost of goods sold decreased $22.7 million $29.1 million for the three months ended September 30, 2023 March 30, 2024, compared to the three months ended October 1, 2022 April 1, 2023, primarily due to decreased sales volumes in both the healthcare and non-healthcare segments. Gross profit decreased to 49.0% for the three months ended September 30, 2023 March 30, 2024, compared to 51.4% 50.4% for the three months ended October 1, 2022 April 1, 2023, primarily due to product mix volumes and various certain manufacturing expense inefficiencies.

transition expenses. Additionally, cost of goods sold for the three months ended March 30, 2024 includes approximately $3.1 million for certain product recall expenses.

Selling, General and Administrative. Selling, general and administrative expenses consist primarily of salaries, stock-based compensation and related expenses for sales, marketing and administrative personnel, sales commissions, advertising, and marketing, promotion costs, licensing fees, professional fees related to legal, accounting and other outside services, public company costs and other corporate expenses. Selling, general and administrative expenses for the three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023 were as follows:

Selling, General and Administrative (in millions, except percentages)					
Three Months Ended September 30, 2023	Percentage of Net Revenues	Three Months Ended October 1, 2022	Percentage of Net Revenues	Increase/ (Decrease)	Percentage Change
$156.1	32.6%	$174.6	31.8%	$(18.5)	(10.6)%

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Selling, General and Administrative (in millions, except percentages)					
Three Months Ended March 30, 2024	Percentage of Net Revenues	Three Months Ended April 1, 2023	Percentage of Net Revenues	Increase/ (Decrease)	Percentage Change
$159.9	32.4%	$196.3	34.7%	$(36.4)	(18.5)%

Selling, general and administrative expenses decreased $18.5 million $36.4 million, or 10.6% 18.5%, for the three months ended September 30, 2023 March 30, 2024, compared to the three months ended October 1, 2022 April 1, 2023. The decrease was primarily attributable to lower legal and professional fees of approximately $23.4 million, lower compensation and other employee-related costs of approximately $15.2 million $6.4 million, of which $11.7 million was attributable to a stock-based compensation life-to-date performance achievement adjustment, lower transaction-related costs insurance recoveries of approximately $4.6 million $5.0 million, lower amortization expense of approximately $1.3 million and lower occupancy and other office-related costs of approximately $0.6 million, which were offset by higher legal and professional fees of approximately $1.7 million, which was net of a $5.0 million insurance recovery; and higher advertising and marketing-related costs of approximately $1.4 million $3.4 million and lower amortization expense of approximately $0.2 million, which were offset by an ROU asset impairment charge of approximately $3.9 million and higher other office-related costs of approximately $1.9 million.

Research and Development. Research and development expenses consist primarily of salaries, stock-based compensation and related expenses for engineers and other personnel engaged in the design and development of our products. These expenses also include third-party fees paid to consultants, prototype and engineering supply expenses and the costs of clinical trials. Research and development expenses for the three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023 were as follows:

Research and Development (in millions, except percentages)					
Three Months Ended September 30, 2023	Percentage of Net Revenues	Three Months Ended October 1, 2022	Percentage of Net Revenues	Increase/ (Decrease)	Percentage Change
$46.5	9.7%	$53.1	9.7%	$(6.6)	(12.4)%

Research and Development (in millions, except percentages)					
Three Months Ended March 30, 2024	Percentage of Net Revenues	Three Months Ended April 1, 2023	Percentage of Net Revenues	Increase/ (Decrease)	Percentage Change
$47.8	9.7%	$50.5	8.9%	$(2.7)	(5.3)%

Research and development expenses decreased $6.6 million $2.7 million, or 12.4% 5.3%, for the three months ended September 30, 2023 March 30, 2024, compared to the three months ended October 1, 2022 April 1, 2023. The decrease was primarily attributable to lower compensation and other employee-related costs of approximately $8.6 million $1.8 million, of which $2.9 million was attributable to a stock-based compensation life-to-date performance achievement adjustment, lower professional fees of approximately $0.7 million and lower engineering project costs of approximately $0.1 million $0.9 million, lower amortization expense of approximately $0.4 million and lower professional fees of approximately $0.3 million, which were offset by higher other office-related costs of approximately $1.3 million and higher amortization expense of approximately $1.1 million $0.8 million.

Impairment Charge (in millions, except percentages)					
Three Months Ended September 30, 2023	Percentage of Net Revenues	Three Months Ended October 1, 2022	Percentage of Net Revenues	Increase/ (Decrease)	Percentage Change
$7.0	1.5%	$—	—%	$7.0	700.0%

Impairment charge consists of charges or writedowns of the carrying value of goodwill or other intangibles that exceed their estimated fair value, or recoverability, as applicable. During the third quarter of 2023, we experienced continued declines in our stock price and certain worsening macro-economic market conditions, which contributed to a significant decline in the our market capitalization. Based on these factors, we determined that there was a triggering event for the three months ended September 30, 2023, which required an interim impairment assessment. Accordingly, we performed an interim impairment test of goodwill and indefinite-lived intangibles, and a recoverability test for other long lived assets with finite lives. This quantitative assessment indicated that the carrying value of certain trademarks in the non-healthcare reporting unit were impaired by approximately $7.0 million. No impairment of goodwill was identified, as the fair value of each reporting unit exceeded its carrying value as of September 30, 2023.

For indefinite-lived intangibles, the fair values were estimated using the relief-from-royalty method under the income approach, which involves forecasting avoided royalties, reducing them by taxes, and discounting the resulting net cash flows to a present value using an appropriate discount rate. For certain of these intangibles, the discount rate assumed in the analysis was 15.0%, and a 1.0% change would equate to approximately $14.0 million in fair value, all other variables remaining constant.

For the goodwill impairment assessment, the fair value of our healthcare reporting unit was substantially in excess of its carrying value. For our non-healthcare reporting unit, the fair value exceeded its carrying value by approximately 12%. Determining the fair value of a reporting unit is judgmental and involves the use of significant estimates and assumptions, which include the discount rate and forecasted revenue growth rates and operating margins, to calculate projected future discounted cash flows. The forecasted revenue growth rates and operating margins assume recovery from the current business downturn while also employing strategies to expand in key market segments. The discount rate assumed in the analysis was 13.0% and considered certain factors such as company specific risks. A 1.0% change in the discount rate would equate to approximately $140.0 million in fair value, all other variables remaining constant. If future actual results adversely deviate from the forecast in the analysis, there will be a materially different assessment. As such, we will continue to monitor events occurring or circumstances changing which may necessitate further impairment assessments for goodwill, intangibles and other long-lived assets.

We review goodwill, other intangibles and other long-lived assets with finite lives for impairment at least annually in the fourth quarter of the year or more frequently if an event occurs indicating the potential for impairment, and should our stock price, macro-economic market conditions or related forecast revisions market conditions continue to deteriorate, the result of such review may indicate additional declines in the fair value of goodwill or intangible assets, requiring additional impairment charges in the future.

Non-operating (Loss)/Income. Loss. Non-operating (loss)/income loss consists primarily of interest income, interest expense and foreign exchange gains and losses. Non-operating (loss)/income loss for the three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023 was as follows:

Non-operating Loss
(in millions, except percentages)

Three Months Ended September 30, 2023	Percentage of Net Revenues	Three Months Ended October 1, 2022	Percentage of Net Revenues	Increase/ (Decrease)	Percentage Change
$(11.2)	(2.3)%	$(2.8)	(0.5)%	$(8.4)	300.0%

Non-operating Loss
(in millions, except percentages)

Three Months Ended March 30, 2024	Percentage of Net Revenues	Three Months Ended April 1, 2023	Percentage of Net Revenues	Increase/ (Decrease)	Percentage Change
$(9.1)	(1.8)%	$(11.8)	(2.1)%	$2.7	(22.9)%

Non-operating loss was $11.2 million $9.1 million for the three months ended September 30, 2023 March 30, 2024, as compared to $2.8 $11.8 million of non-operating loss for the three months ended October 1, 2022, April 1, 2023. This net increase of approximately $2.7 million was primarily due to interest expense incurred under our credit facility of approximately $12.8 million and $12.0 million, offset by the net impact of realized and unrealized foreign currency denominated transactions incurred during the period of approximately $0.9 million $1.9 million and interest income on cash deposits of approximately $1.2 million.

Provision for Income Taxes. Our provision for income taxes for the three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023 was as follows:

Provision for Income Taxes
(in millions, except percentages)

Three Months Ended September 30, 2023	Percentage of Net Revenues	Three Months Ended October 1, 2022	Percentage of Net Revenues	Increase/ (Decrease)	Percentage Change
$3.4	0.7%	$14.1	2.6%	$(10.7)	(75.9)%

Provision for Income Taxes
(in millions, except percentages)

Three Months Ended March 30, 2024	Percentage of Net Revenues	Three Months Ended April 1, 2023	Percentage of Net Revenues	Increase/ (Decrease)	Percentage Change
$6.0	1.2%	$4.9	0.9%	$1.1	22.4%

For the three months ended September 30, 2023 March 30, 2024, we recorded a provision for income taxes of approximately $3.4 million $6.0 million, or an effective tax provision rate of 24.3% 24.1%, as compared to a provision for income taxes of approximately $14.1 million $4.9 million, or an effective tax provision rate of 27.1% 18.7%, for the three months ended October 1, 2022 April 1, 2023. The decrease increase in our income tax rate for the three months ended September 30, 2023 March 30, 2024 resulted primarily from a decrease in the amount of excess tax impact on impairment charge and reversal of benefits realized from stock-based compensation expense, offset by changes in geographic composition of income.

Comparison of the Nine Months ended September 30, 2023 to the Nine Months ended October 1, 2022

Revenue.Revenue increased $80.4 million, or 5.7%, to $1,499.2 million for the nine months ended September 30, 2023 from $1,418.8 million for the nine months ended October 1, 2022.

Revenue by segment: Revenue by segment is comprised of healthcare and non-healthcare segments. The healthcare segment consists of hospital products and services. The non-healthcare segment consists of consumer audio visual and sound related products. The following table details our revenues by segment for each of the nine months ended September 30, 2023 and October 1, 2022:

	Nine Months Ended (in millions, except percentages)					
	September 30, 2023		October 1, 2022		Increase/ (Decrease)	Percentage Change
Healthcare	$ 935.6	62.4 %	$ 988.5	69.7 %	$ (52.9)	(5.4)%
Non-healthcare	563.6	37.6	430.3	30.3	133.3	100.0
Revenue by segment	$ 1,499.2	100.0 %	$ 1,418.8	100.0 %	$ 80.4	5.7 %

The decrease in healthcare segment revenue was driven by the combined negative effects of lower sensor utilization and hospital inventory management, which continue to suppress growth from our record level of new customer conversions. In addition, the elevated backlog of new equipment installations by our OEM partners and constrained capital budgets at hospitals also impacted sales. Revenues were also unfavorably impacted by approximately $6.6 million of foreign exchange rate movements from the prior year period that decreased the U.S. Dollar translation of foreign sales that were denominated in various foreign currencies.

Revenue generated through our direct and distribution sales channels decreased $45.0 million, or 5.1%, to $838.1 million for the nine months ended September 30, 2023, $1.1 million compared to $883.1 million for the nine months ended October 1, 2022. Revenues from our OEM channel decreased $7.9 million, or 7.5%, to $97.5 million for the nine months ended September 30, 2023 as compared to $105.4 million for the nine months ended October 1, 2022.

During the nine months ended September 30, 2023, we shipped approximately 204,500 noninvasive technology boards and instruments. The non-healthcare segment saw slower than expected demand for consumer audio products, which were also impacted by unfavorable foreign exchange rate movements from the prior year period that decreased the U.S. Dollar translation of foreign sales that were denominated in various foreign currencies.

The non-healthcare segment saw continued slowing in demand for consumer audio products. A difficult environment for consumer discretionary purchases is adversely affecting the market for high-end audio systems. While non-healthcare overall is suffering from the negative macro environment, we again realized strong growth for our hearables category. The positive momentum in hearables has helped to partially offset the macro conditions weighing on the market for high-end audio systems.

Gross Profit. Gross profit consists of total revenue less cost of goods sold. Our gross profit for the nine months ended September 30, 2023 and October 1, 2022 was as follows:

Gross Profit (in millions, except percentages)					
Nine Months Ended September 30, 2023	Percentage of Net Revenues	Nine Months Ended October 1, 2022	Percentage of Net Revenues	Increase/ (Decrease)	Percentage Change
$740.8	49.4%	$745.4	52.5%	$(4.6)	(0.6)%

Cost of goods sold increased $85.0 million for the nine months ended September 30, 2023 compared to the nine months ended October 1, 2022, primarily due to decreased sales volumes in both the healthcare and non-healthcare segments. Gross profit decreased to 49.4% for the nine months ended September 30, 2023 compared to 52.5% for the nine months ended October 1, 2022, primarily due to product mix volumes and various manufacturing expense inefficiencies.

Selling, General and Administrative. Selling, general and administrative expenses for the nine months ended September 30, 2023 and October 1, 2022 were as follows:

Selling, General and Administrative (in millions, except percentages)					
Nine Months Ended September 30, 2023	Percentage of Net Revenues	Nine Months Ended October 1, 2022	Percentage of Net Revenues	Increase/ (Decrease)	Percentage Change
$504.1	33.6%	$471.6	33.2%	$32.5	6.9%

Selling, general and administrative expenses increased $32.5 million, or 6.9%, for the nine months ended September 30, 2023, compared to the nine months ended October 1, 2022. The increase was primarily due to higher legal and professional fees of approximately $38.5 million, which was net of a $10.0 million insurance recovery; higher advertising and marketing-related costs of approximately $15.5 million, higher occupancy and other office-related costs of approximately $11.6 million and higher amortization expense of approximately $4.7 million, which were offset by lower transaction-related costs of approximately $19.7 million and lower other employee-related costs of approximately $17.3 million, which included a stock-based compensation life-to-date performance achievement adjustment of approximately $36.6 million.

Research and Development. Research and development expenses for the nine months ended September 30, 2023 and October 1, 2022 were as follows:

Research and Development (in millions, except percentages)					
Nine Months Ended September 30, 2023	Percentage of Net Revenues	Nine Months Ended October 1, 2022	Percentage of Net Revenues	Increase/ (Decrease)	Percentage Change
$137.2	9.2%	$137.1	9.7%	$0.1	0.1%

Research and development expenses increased $0.1 million, or 0.1%, for the nine months ended September 30, 2023 compared to the nine months ended October 1, 2022, primarily due to higher amortization expense of approximately $3.2 million, higher occupancy and other office-related costs of approximately $2.8 million, which were offset by lower compensation-related costs of approximately $5.4 million, which included a stock-based compensation life-to-date performance achievement adjustment of approximately $7.6 million; lower professional fees of approximately $0.9 million and lower engineering project costs of approximately $0.3 million.

Impairment Charge (in millions, except percentages)

Nine Months Ended September 30, 2023	Percentage of Net Revenues	Nine Months Ended October 1, 2022	Percentage of Net Revenues	Increase/ (Decrease)	Percentage Change
$7.0	0.5%	$—	—%	$7.0	700.0%

Impairment charge consists of charges or writedowns of the carrying value of goodwill or other intangibles that exceed their estimated fair value, or recoverability, as applicable. During the third quarter of 2023, we experienced continued declines in our stock price and certain worsening macro-economic market conditions, which contributed to a significant decline in the our market capitalization. Based on these factors, we determined that there was a triggering event for the three months ended September 30, 2023, which required an interim impairment assessment. Accordingly, we performed an interim impairment test of goodwill and indefinite-lived intangibles, and a recoverability test for other long lived assets with finite lives. This quantitative assessment indicated that the carrying value of certain trademarks in the non-healthcare reporting unit were impaired by approximately $7.0 million. No impairment of goodwill was identified, as the fair value of each reporting unit exceeded its carrying value as of September 30, 2023 April 1, 2023.

For indefinite-lived intangibles, the fair values were estimated using the relief-from-royalty method under the income approach, which involves forecasting avoided royalties, reducing them by taxes, and discounting the resulting net cash flows to a present value using an appropriate discount rate. For certain of these intangibles, the discount rate assumed in the analysis was 15.0%, and a 1.0% change would equate to approximately $14.0 million in fair value, all other variables remaining constant.

For the goodwill impairment assessment, the fair value of our healthcare reporting unit was substantially in excess of its carrying value. For our non-healthcare reporting unit, the fair value exceeded its carrying value by approximately 12%. Determining the fair value of a reporting unit is judgmental and involves the use of significant estimates and assumptions, which include the discount rate and forecasted revenue growth rates and operating margins, to calculate projected future discounted cash flows. The forecasted revenue growth rates and operating margins assume recovery from the current business downturn while also employing strategies to expand in key market segments. The discount rate assumed in the analysis was 13.0% and considered certain factors such as company specific risks. A 1.0% change in the discount rate would equate to approximately $140.0 million in fair value, all other variables remaining constant. If future actual results adversely deviate from the forecast in the analysis, there will be a materially different assessment. As such, we will continue to monitor events occurring or circumstances changing which may necessitate further impairment assessments for goodwill, intangibles and other long-lived assets.

We review goodwill, other intangibles and other long-lived assets with finite lives for impairment at least annually in the fourth quarter of the year or more frequently if an event occurs indicating the potential for impairment, and should our stock price, macro-economic market conditions or related forecast revisions market conditions continue to deteriorate, the result of such review may indicate additional declines in the fair value of goodwill or intangible assets, requiring additional impairment charges in the future.

Non-operating (Loss)/Income. Non-operating (loss)/income consists primarily of interest income, interest expense and foreign exchange gains and losses. Non-operating (loss)/income for the nine months ended September 30, 2023 and October 1, 2022 was as follows:

Non-operating (Loss)/Income (in millions, except percentages)					
Nine Months Ended September 30, 2023	Percentage of Net Revenues	Nine Months Ended October 1, 2022	Percentage of Net Revenues	Increase/ (Decrease)	Percentage Change
$(27.5)	(1.8)%	$1.0	0.1%	$(28.5)	(2,850.0)%

Non-operating loss was $27.5 million for the nine months ended September 30, 2023, compared to $1.0 million Table of non-operating income for the nine months ended October 1, 2022, primarily due to interest expense incurred of approximately $36.5 million and the net impact of realized and unrealized foreign currency transactions incurred during the period of approximately $6.8 million.

Provision for Income Taxes. Our provision for income taxes for the nine months ended September 30, 2023 and October 1, 2022 was as follows: Contents

Provision for Income Taxes (in millions, except percentages)					
Nine Months Ended September 30, 2023	Percentage of Net Revenues	Nine Months Ended October 1, 2022	Percentage of Net Revenues	Increase/ (Decrease)	Percentage Change
$17.4	1.2%	$35.1	2.5%	$(17.7)	(50.4)%

For the nine months ended September 30, 2023, we recorded a provision for income taxes of approximately $17.4 million, or an effective tax rate of 26.8%, as compared to a provision for income taxes of approximately $35.1 million, or an effective tax rate of 25.5%, for the nine months ended October 1, 2022. The increase in our income tax rate for the nine months ended September 30, 2023 resulted primarily from changes in geographic composition of income and certain non-deductible items, offset by the tax impact on impairment charge and reversal of stock-based compensation expense.

Liquidity and Capital Resources

Our principal sources of liquidity consist of our existing cash and cash equivalent balances, future funds expected to be generated from operations and available borrowing capacity under our Credit Facility. As of September 30, 2023 March 30, 2024, we had approximately $658.7 million $661.4 million in working capital, of which approximately $124.4 million $157.6 million was in cash and cash equivalents. In addition to net working capital, as of March 30, 2024, we had approximately $135.8 million of available borrowing capacity (net of outstanding letters of credit) under our Credit Facility.

We currently maintain a Credit Facility which provides for $705.0 million of unsecured borrowings. The Credit Facility also provides for a sublimit of up to $50.0 million for the issuance of letters of credit. As of September 30, 2023, we had approximately $74.7 million of available borrowing capacity (net of outstanding letters of credit) under our Credit Facility. Proceeds from the Credit Facility are being used for general corporate, capital investment and expenditures and working capital needs. For additional information regarding the Credit Facility, see Note 15, “Debt”, to our accompanying condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

In managing our day-to-day liquidity and capital structure, we generally do not rely on foreign earnings as a source of funds. As of September 30, 2023 March 30, 2024, we had cash totaling $52.0 million $62.4 million held outside of the U.S., of which approximately $6.7 million $25.5 million was accessible without additional tax cost and approximately $20.6

million $36.9 million was accessible at an incremental estimated tax cost of up to $0.2 million $0.3 million. The tax cost on the remaining $24.7 million is not determinable at this time. We currently have sufficient funds on-hand and cash held outside the U.S. that is available without additional tax cost to fund our global operations. In the event funds that are treated as permanently reinvested are repatriated, we may be required to accrue and pay additional U.S. taxes to repatriate these funds.

Our cash requirements depend on numerous factors, including, but not limited to, market acceptance of our technologies, our continued ability to commercialize new products and to create or improve our technologies and applications, expansion of our global footprint through acquisitions and/or strategic investments in technologies or technology companies, hedging and derivative activities, investments in property and equipment, the renewal of our Credit Facility, the impact of disruptions to the manufacturing industry supply chain for key components, inflation, repurchases of our stock under our authorized stock repurchase program, costs related to our domestic and international regulatory requirements and other long-term commitment and contingencies. For further details regarding our commitment and contingencies, see Note 24 to our accompanying condensed consolidated financial statements included in Part IV, Item 15(a) of this Quarterly Report on Form 10-Q.

Our total cash and cash equivalents and related cash flows may be affected by certain discretionary actions we may take with customers and suppliers to accelerate or delay certain cash receipts or payments to manage liquidity for our strategic business requirements. These actions can include, among others, negotiating with suppliers to optimize our payment terms and conditions, adjusting the timing of cash flows associated with customer sales programs and collections, managing inventory levels and purchasing practices, and selling certain of our accounts receivables on a non-recourse basis to third party financial institutions.

Despite recent acquisitions and strategic investment expenditures, we anticipate that our existing cash and cash equivalents, amounts available under our Credit Facility, and cash provided by operations, and access to the equity capital markets, taken together, provide adequate resources to fund ongoing operating and capital expenditures, working capital requirements, and other operational funding needs for the next 12 months. We may

Should we require additional funds in the future to support our working capital requirements or for other purposes, and we may seek to raise such additional funds through debt financing, as well as from other sources such as through our effective automatic shelf registration statement on Form S-3 (File No. 333-262770) on file with the SEC, pursuant to which we may offer an unspecified amount of debt, equity, and other securities. No assurance can be given that additional financing will be available in the future or that if available, such financing will be obtainable on terms favorable when required.

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Cash Flows

The following table summarizes our cash flows:

	Nine Months Ended September 30, 2023			Three Months Ended March 30, 2024		Three Months Ended March 30, 2024
(in millions)	(in millions)	September 30, 2023	October 1, 2022	(in millions)	March 30, 2024	April 1, 2023
Net cash provided by (used in):	Net cash provided by (used in):					
Operating activities	Operating activities					
Operating activities	Operating activities	$ 17.0	$ 36.0			
Investing activities	Investing activities	(55.9)	(1,034.9)			
Financing activities	Financing activities	(20.8)	525.1			
Effect of foreign currency exchange rates on cash	Effect of foreign currency exchange rates on cash	(17.6)	(52.5)			

Decrease in cash, cash equivalents and restricted cash	Decrease in cash, cash equivalents and restricted cash	$ (77.3)	$ (526.3)

Operating Activities. Cash provided by operating activities was approximately $17.0 million $45.8 million for the nine three months ended September 30, 2023 March 30, 2024, generated primarily from net income from operations of $47.6 million $18.9 million. Non-cash activity included depreciation and amortization of approximately $75.8 million, $24.3 million and stock-based benefit of approximately $2.4 million and an impairment charge of $7.0 million. $9.6 million.

Other major changes in operating assets and liabilities include a decrease in accounts payable, inventories, accounts receivable, accrued compensation, accrued liabilities, income taxes payable and deferred costs revenue and other contract assets contract-related liabilities and other non-current liabilities of approximately $84.8 approximately$40.6 million, $32.8 $23.9 million, $22.4 million, $19.5 million, $7.1 million $13.9 million and $6.2 million $5.4 million, respectively, primarily due to the timing of payments and Company's costs reduction strategies; inventory build-up; an increase in net, inventories, other non-current assets, other non-current accrued compensation and accrued liabilities and other current assets, of approximately $93.1 million, $42.0 million, $22.5 million, $14.6 million, $3.2 million and $2.3 million, respectively, primarily due to the timing of payments and inventory build-up. the Company's costs reduction strategies.

For the nine three months ended October 1, 2022 April 1, 2023, cash provided by operating activities was approximately $36.0 million $0.4 million, generated primarily from net income from operations of $102.6 million $21.3 million. Non-cash activity included stock-based compensation of $41.7 million and depreciation and amortization of $56.6 million. An additional source of cash included an increase in accounts payable approximately $26.1 million and stock-based compensation of approximately $69.6 million and deferred revenue and other contract-related liabilities of approximately $19.7 million, offset by other $7.3 million. Other changes in operating assets and liabilities including include a decrease in accounts payable, accrued liabilities, accrued compensation and accrued liabilities income tax payables of approximately $6.9 million $27.1 million, $21.8 million, $16.5 million and $26.5 million $8.3 million, respectively, primarily due to the timing of payments; an increase in lease receivables, net, inventories, of approximately $71.0 million and other current assets, deferred cost costs and other contract assets and inventories of approximately $31.6 million. $8.8 million, $7.1 million, $5.9 million and $1.0 million, respectively.

*Investing Activities***.** Cash used in investing activities for the nine three months ended September 30, 2023 March 30, 2024 was approximately $55.9 million $18.9 million, consisting primarily of approximately $33.1 million $8.2 million for purchases of property and equipment, approximately $29.3 million $10.6 million of capitalized intangible asset costs related primarily to patent and trademark costs and license fees, and approximately $1.0 million $0.1 million of strategic investments, which were offset by approximately $7.5 million from escrow funds associated with a business combination. investments.

For the nine three months ended October 1, 2022 April 1, 2023, cash used in investing activities was approximately $1,034.9 million $11.1 million, consisting primarily of approximately $985.0 million for business combinations, net of cash acquired, approximately $36.0 million for purchases of property and equipment, and approximately $13.9 million $9.7 million of capitalized intangible asset costs related primarily to patent and trademark costs. costs and license fees, approximately $8.5 million for purchases of property and equipment, approximately $0.4 million of strategic investments which were offset by approximately $7.5 million from return of escrow funds associated with a business combination.

Financing Activities. Cash used in financing activities for the nine three months ended September 30, 2023 March 30, 2024 was approximately $20.8 million $26.5 million, consisting primarily of repayment on the line of credit of approximately $154.3 $92.3 million, and withholding of shares for employee payroll taxes for vested equity awards of approximately $12.7 million $5.3 million, which were offset by proceeds from borrowings under the line of credit of approximately $139.5 million $64.0 million and the issuance of common stock related to employee equity awards of approximately $6.7 million $7.1 million.

For the nine three months ended October 1, 2022 April 1, 2023, cash used in financing activities was approximately $525.1 million $35.2 million, consisting primarily of proceeds from borrowings under repayment on the line of credit of approximately $1,050.6 million and proceeds from the issuance of common stock related to employee equity awards of approximately $6.9 million $72.4 million, which were partially offset by withholding of shares for employee payroll taxes for vested equity awards of approximately $25.4 million $12.1 million, which were offset by proceeds from borrowings under the line of credit of approximately $44.4 million and the issuance of common stock related to employee equity awards of approximately $4.9 million.

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Capital Resources and Prospective Capital Requirements

We expect to fund our future operating, investing and financing activities through our available cash, future cash from operations, our Credit Facility and other potential sources of capital. In addition to funding our working capital requirements, we anticipate additional capital expenditures primarily related to investments in infrastructure growth. Possible additional uses of cash may include acquisitions of and/or strategic investments in technologies or technology companies, investments in property, repurchases of common stock under our authorized stock repurchase program and continued legal defense of our intellectual property. However, any repurchases of common stock will be subject to numerous factors, including the availability of our common stock, general market conditions, the trading price of our common stock, availability of capital, alternative uses for capital and our financial performance. In addition, the amount and timing of our actual investing activities will vary significantly depending on numerous factors, including the timing and amount of capital expenditures, costs of product development efforts, our timetable for infrastructure expansion, any stock repurchase activity and costs related to our domestic and international regulatory requirements. Despite these strategic investment requirements and potential expenditures, we anticipate that our existing cash and cash equivalents, amounts available under our Credit Facility and access to the equity capital markets, and cash provided by operations, taken together, provide adequate resources to fund ongoing operating and capital expenditures, working capital requirements, and other operational funding needs for the next 12 months.We may require additional funds in the future to support our working capital requirements or for other purposes and may seek to raise such additional funds through debt financing, as well as from other sources. No assurance can be given that additional financing will be available in the future or that if available, such financing will be obtainable on terms favorable when required. For additional information related to our Credit Facility, please see Note 15, "Debt", to our accompanying condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these condensed consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of net revenues, expenses, assets and liabilities. We regularly evaluate our estimates and assumptions related to our critical accounting policies, including revenue recognition, inventory valuation, stock-based compensation, impairment of long-lived assets, intangible assets and goodwill; business combinations, deferred taxes and related valuation allowances, uncertain tax positions, tax contingencies, litigation costs and loss contingencies.

These estimates and judgments are based on historical experience and on various other factors that we believe to be reasonable under the circumstances, and form the basis for making management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. Although we regularly evaluate these estimates and assumptions, changes in judgments and uncertainties relating to these estimates could potentially result in materially different results under different assumptions and conditions. If these estimates differ significantly from actual results, the impact on the condensed consolidated financial statements may be material.

There have been no material changes to any of our critical accounting policies during the nine three months ended September 30, 2023, except for impairment of long-lived assets, intangible assets and goodwill, as discussed belowMarch 30, 2024.

Goodwill

Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the acquired net tangible and intangible assets. Goodwill is not amortized, but instead is tested annually for impairment, or more frequently when events or changes in circumstances indicate that goodwill might be impaired. In assessing goodwill impairment, we have the option to first assess the qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount. We have two reporting units, healthcare and non-healthcare. Our qualitative assessment of the recoverability of goodwill considers various macro-economic, industry-specific and Company-specific factors, including: (i) severe adverse industry or economic trends; (ii) significant Company-specific actions; (iii) current, historical or projected deterioration of the our financial performance; or (iv) a sustained decrease in the our market capitalization below its net book value. If the qualitative assessment indicates that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value, or if the we elect to bypass the qualitative analysis, then the we perform a quantitative analysis that compares the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered impaired; otherwise, a goodwill impairment loss is recognized for the lesser of: (a) the amount that the carrying amount of such reporting unit exceeds its fair value; or (b) the amount of the goodwill allocated to such reporting unit. The annual impairment test is performed during the fourth fiscal quarter.

Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue forecast projections, expected growth rates, future product launches and operating margins used to calculate projected future cash flows and risk-adjusted discount rates. In addition, we make certain judgments and assumptions in determining our reporting units. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates.

Indefinite-lived intangible assets and long-lived assets

Indefinite-lived intangible assets are not amortized but instead are subject to annual impairment testing, unless circumstances dictate more frequent testing, if impairment indicators exist. Impairment for indefinite-lived assets exists if the carrying value of the indefinite-lived intangible asset exceeds its fair value. Determining whether impairment indicators exist and estimating the fair value of the our indefinite-lived intangible assets if necessary for impairment testing require significant judgment. Qualitative factors considered in this assessment include industry and market conditions, overall financial performance, and other relevant events and factors.

We review finite-lived intangible assets and long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted operating cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Determining the recoverability of finite-lived intangible assets and long-lived assets is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue forecast projections, expected growth rates, future product launches and operating margins used to calculate projected future cash flows and the future market value of our asset group. In addition, we make certain judgments and assumptions in determining our asset group. We base our recoverability estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates.

For a description of our critical accounting policies, please refer to “Critical Accounting Estimates” in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 30, 2023, which was filed with the SEC on March 1, 2023 February 28, 2024.

Recent Accounting Pronouncements

For details regarding any recently adopted and recently issued accounting standards, see Note 2, “Summary of Significant Accounting Policies”, to our accompanying condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various market risks that may arise from adverse changes in market rates and prices, such as interest rates, foreign exchange fluctuations and inflation. We do maintain a derivative instrument for cash flow hedging, but do not enter into derivatives or other financial instruments for trading or speculative purposes.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates to the increase or decrease in the amount of interest income we can earn on our cash and cash equivalents and on the increase or decrease in the amount of interest expense we must pay with respect to our various outstanding debt instruments. As of September 30, 2023 March 30, 2024, the carrying value of our cash equivalents

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approximated fair value. We manage our risk associated with interest rates fluctuations related to interest expenses under our Credit Facility by engaging in hedging activities. Since July 2022, we entered into various interest rate swap contracts to hedge our exposure to changes in cash flows associated with our outstanding debt with variable interest rates. The interest rate swap contracts have maturities averaging five years or less. See Note 17, “Derivative Instruments and Hedging Activities”, to our accompanying condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further details.

A hypothetical 100 basis point change in interest rates along the entire interest rate yield curve would increase or decrease our interest rate yields on our investments, interest income and credit facilities by approximately $0.1 million for each $10.0 million in interest-bearing investments and by $0.1 million for each additional $10.0 million of debt.

Our ultimate realized gain or loss with respect to interest rate fluctuations will depend on interest rates, the exposures that arise during the period and our hedging strategies at that time. A hypothetical 100 basis point change in interest rates would increase or decrease our annual interest expense by approximately $0.6 $0.2 million based on average debt outstanding, after consideration of our interest rate swap contracts, for the quarter ended September 30, 2023 March 30, 2024 and approximately $2.2 $2.0 million based on average debt outstanding, after consideration of our interest rate swap contracts, for the nine three months ended September 30, 2023 March 30, 2024.

We sponsor multiple defined benefit pension plans covering certain international employees. The aggregate fair value of the plans’ investments was $22.2 million $22.9 million as of September 30, 2023 March 30, 2024. The plans’ assets may be subject to market risk, interest rate risk, and credit risk, which may affect the value of the plans’ assets and the funding of the plans.

Increases in interest rates globally may impact the value of pension plan assets held by us. When interest rates increase, the value of fixed income securities, such as bonds, may decrease, which can negatively impact the fair value of the pension plan assets. However, interest rate increases may also improve the funded status of plan by increasing the discount rate used to measure the present value of the pension obligations and potentially decreasing our requirement to make contributions to the plan. The most significant actuarial assumption affecting pension expense and pension obligations is discount rates. A hypothetical increase of 100 basis point in discount rates would result in a decrease of approximately $0.3 million in the projected benefit obligation. The impact of interest rate increases on the pension plan assets and funded status may not be predictable and may vary from period to period.

Foreign Currency Exchange Rate Risk

A majority of our assets and liabilities are maintained in the United States in U.S. Dollars and a majority of our sales and expenditures are transacted in U.S. Dollars. However, we also transact with foreign customers in currencies other than the U.S. Dollar. These foreign currency revenues, when converted into U.S. Dollars, can vary depending on average exchange rates during a respective period. In addition, certain of our foreign subsidiaries transact in their respective country’s local currency, which is also their functional currency. As a result, expenses of these foreign subsidiaries, when converted into U.S. Dollars can also vary depending on average monthly exchange rates during a respective period.

We are exposed to foreign currency gains or losses on outstanding foreign currency denominated receivables and payables, as well as our foreign currency denominated cash balances and certain intercompany transactions. In addition, other transactions between us or our subsidiaries and a third-party, denominated in a currency different from the functional currency, are foreign currency transactions. Realized and unrealized foreign currency gains or losses on these transactions are also included in our statements of operations as incurred.

The balance sheets of each of our foreign subsidiaries whose functional currency is not the U.S. Dollar are translated into U.S. Dollars at the rate of exchange at the balance sheet date and the statements of comprehensive income and cash flows are translated into U.S. Dollars using an approximation of the average monthly exchange rates applicable during the period. Any foreign exchange gain or loss as a result of translating the balance sheets of our foreign subsidiaries whose functional currency is not the U.S. Dollar is included in equity as a component of accumulated other comprehensive income Our foreign currency exchange rate exposures are primarily with the Canadian Dollar, Euro, Japanese Yen, Swedish Krona, the British Pound, Mexican Peso, Turkish Lira, Australian Dollar and the Chinese Yuan. Foreign currency exchange rates may experience significant volatility from one period to the next.

We do not use derivatives or financial instruments for trading or speculative purposes. The effect of additional changes in foreign currency exchange rates could have a material effect on our future operating results or cash flows, depending on which foreign currency exchange rates change and depending on the directional change (either a strengthening or weakening against the U.S. Dollar). We estimate that the potential impact of a hypothetical 10% adverse change in all applicable foreign currency exchange rates from the rates in effect as of September 30, 2023 March 30, 2024 would have resulted in an estimated reduction of $9.9 million $9.7 million in

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reported pre-tax income for the nine three months ended September 30, 2023 March 30, 2024. As our foreign operations continue to grow, our exposure to foreign currency exchange rate risk may become more significant.

Inflation Risk

Inflation has continued to increase in 2023 the first quarter of 2024 and is expected to continue to increase for the near future. Consumer demand and discretionary spending continue to be impacted by inflationary pressures, which could materially impact our financial results, in particular, our consumer products and non-healthcare business segment.

We are unable to determine the exact impact of inflation on our global business, financial condition or results of operations during the periods presented.

If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could have a material adverse effect on our business, financial condition and results of operations.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended (the Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's (SEC) regulations, rules and forms and that such information is accumulated and communicated to our management, including our CEO and Chief Financial Officer (CFO), as appropriate, to allow for timely decisions regarding required disclosure.

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. As required by Rule 13a-15(b) or Rule 15d-15(b) promulgated by the SEC under the Exchange Act, we carried out an evaluation, under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on the foregoing, our CEO and CFO concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

The Sound United acquisition was completed on April 11, 2022. The financial results of Sound United are included in our unaudited condensed consolidated financial statements for the quarter ended September 30, 2023. The Sound United business represented approximately $171.1 million of revenue and $17.9 million of net loss for the third quarter of fiscal year 2023. As this acquisition occurred in the second quarter of fiscal year 2022, the scope of our assessment of our internal control over financial reporting does not include Sound United. This exclusion is in accordance with the SEC's general guidance that an assessment of a recently acquired business may be omitted from our scope during the first year following the date of acquisition.

During the three months ended September 30, 2023 March 30, 2024, there were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth in Note 24, "Commitments and Contingencies", to our accompanying condensed consolidated financial statements under the caption "Litigation" included in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors

The following risk factors and other information included in this Quarterly Report on Form 10-Q should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we presently deem less significant may also impair our business operations. If any of the following risks come to fruition, our business, financial condition, results of operations and future growth prospects would likely be materially and adversely affected. In these circumstances, the market price of our common stock could decline, and you could lose all or part of your investment. Risk factors marked with an asterisk (*) below include a substantive change from or an update to the risk factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 30, 2023, filed with the SEC on March 1, 2023 February 28, 2024.

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Summary of Material Risk Factors

Below is a summary of the principal factors that make an investment in our securities speculative or risky. This summary does not address all of the risks that we face. Additional discussion of the risks summarized in this summary, and other risks that we face, can be found following this summary and should be carefully considered together with all of the other information appearing in this Quarterly Report on Form 10-Q.

- We currently derive a significant portion of our revenue from our Masimo SET® platform, Masimo rainbow SET® platform and related products. If these technologies and related products do not continue to achieve market acceptance, our business, financial condition and results of operations would be adversely affected.
- Some of our products are in development or have been recently introduced into the market and may not achieve market acceptance, which could limit our growth and adversely affect our business, financial condition and results of operations.
- If we are not able to maintain and enhance the value and reputation of our non-healthcare brands, or if our reputation is otherwise damaged, our business and operating results could be harmed.
- Our ability to commercialize new products, new or improved technologies and additional applications for Masimo SET® and our licensed rainbow® technology is limited to certain markets by our Cross-Licensing Agreement with Willow Laboratories, Inc. (Willow), formerly known as Cercacor Laboratories, Inc. (Cercacor), which may impair our growth and adversely affect our business, financial condition and results of operations.
- We face competition from other companies, many of which have substantially greater resources than we do. If we do not successfully develop and commercialize enhanced or new products that remain competitive with products or alternative technologies developed by others, we could lose revenue opportunities and customers, and our ability to grow our business would be impaired, adversely affecting our financial condition and results of operations.
- We depend on our domestic and international OEM original equipment manufacturer (OEM) partners for a portion of our revenue. If they do not devote sufficient resources to the promotion of products that use our technologies, our business would be harmed.

- If we fail to maintain or develop relationships with GPOs, sales of our healthcare products would decline.
- Inadequate levels of coverage or reimbursement from governmental or other third-party payers for our healthcare products, or for procedures using our healthcare products, may cause our revenue to decline or prevent us from realizing revenues from future products.
- Consolidation in the healthcare industry could lead to demands for price concessions or to the exclusion of existing market participants from certain markets, which could have an adverse effect on our business, results of operations or financial condition.
- *The loss of any large customer or distributor, or any cancellation or delay of a significant purchase by a large customer, could reduce our net sales and harm our operating results.
- Counterfeit Masimo sensors and third-party reprocessed single-patient-use Masimo sensors may harm our reputation and adversely affect our business, financial condition and results of operations.
- Competition and other conflicts with our non-healthcare distribution partners could harm our business and operating results.
- *Certain of our non-healthcare products are dependent on integrations with third-party technology.
- *If the patents we own or license, or our other intellectual property rights, do not adequately protect our technologies, we may lose market share to our competitors and be unable to operate our business profitably.
- If third-parties claim that we infringe their intellectual property rights, we may incur liabilities and costs and may have to redesign or discontinue selling certain products.
- *We believe competitors may currently be violating and may in the future violate our intellectual property rights. As a result, we may initiate litigation to protect and enforce our intellectual property rights, which may result in substantial expense and may divert management's attention from implementing our business strategy.
- The laws of foreign countries may not adequately protect our intellectual property rights.
- Our failure to obtain and maintain FDA clearances or approvals on a timely basis, or at all, would prevent us from commercializing our current, upgraded or new healthcare products in the U.S., which could severely harm our business.
- If we or our suppliers fail to comply with ongoing regulatory requirements, or if we experience unanticipated problems with our products, these products could be subject to restrictions or withdrawal from the market.
- *Regulatory reforms may impact our ability to develop and commercialize our healthcare products and technologies.

- If our healthcare products cause or contribute to a death or serious injury, or malfunction in a way that would likely cause or contribute to a death or serious injury, we will be subject to medical device reporting regulations and other applicable laws, and may need to initiate voluntary or mandatory corrective actions, such as the recall of our healthcare products.
- Promotion of our healthcare products using claims that are off-label, unsubstantiated, false or misleading could subject us to substantial penalties.
- *The regulatory environment governing information, data security and privacy is increasingly demanding and evolving. Many of the laws and regulations in this area are subject to uncertain interpretation, and our failure to comply could result in claims, penalties or increased costs or otherwise harm our business.
- We may be subject to or otherwise affected by federal and state healthcare laws, including fraud and abuse laws, and could face substantial penalties if we are unable to fully comply with these laws.
- U.S. and international legislative and regulatory changes in the healthcare industry could have a negative impact on our financial performance.
- We may experience conflicts of interest with Cercacor Willow with respect to business opportunities and other matters.

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- We will be required to assign to Cercacor Willow and pay Cercacor Willow for the right to use certain products and technologies we develop that relate to the monitoring of non-vital sign parameters, including improvements to Masimo SET®.
- In the event that the Cross-Licensing Agreement is terminated for any reason, or Cercacor Willow grants a license to rainbow® technology to a third-party, our business would be adversely affected.
- Rights provided to Cercacor Willow in the Cross-Licensing Agreement may impede a change in control of our company.
- If we are unable to obtain key materials and components from sole or limited source suppliers, we will not be able to deliver our products to customers.
- Future strategic initiatives, including acquisitions of businesses and strategic investments, could negatively affect our business, financial condition and results of operations if we fail to integrate the acquired businesses and their employees successfully into our existing operations or achieve the desired results of our initiatives.
- Our new products and changes to existing products, including as a result of our acquisition of Sound United could fail to attract or retain users or generate revenue and profits. Further, we may not be successful in our non-healthcare expansion, which could adversely affect our business, reputation or financial results.
- Our Credit Facility contains certain covenants and restrictions that may limit our flexibility in operating our business.
- *We have incurred impairment charges for other intangible assets, and may incur further impairment charges in the future, which would negatively impact our operating results.
- *We may need additional capital and failure to raise additional capital on terms favorable to us, or at all, could limit our ability to grow our business and develop or enhance our service offerings to respond to market demand or competitive challenges.

- *Concentration of ownership of our stock among our existing directors, executive officers and principal stockholders may prevent new investors from influencing significant corporate decisions.
- *We may be unable to accurately forecast our financial and operating results and appropriately plan our expenses in the future or we may fail to meet our publicly announced guidance about our business and future operating results.
- *Our corporate documents, and Delaware law contain provisions that could discourage, delay or prevent a change in control of our company, prevent attempts to replace or remove current management and reduce the market price of our stock.
- *Shareholder activism could cause us to incur significant expense, disrupt our business, result in a proxy contest or litigation and impact our stock price.
- Exclusive forum provisions in our bylaws could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

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Risks Related to Our Revenues

We currently derive a significant portion of our revenue from our Masimo SET® platform, Masimo rainbow SET® platform and related products. If these technologies and related products do not continue to achieve market acceptance, our business, financial condition and results of operations would be adversely affected.

Our healthcare business is highly dependent upon the continued success and market acceptance of our proprietary Masimo SET® and Masimo rainbow SET® technologies that serve as the basis of our primary healthcare product offerings. Continued market acceptance of products incorporating these technologies will depend upon us continuing to provide evidence to the medical community that our products are cost-effective and offer significantly improved performance compared to conventional pulse oximeters. Healthcare providers that currently have significant investments in competitive pulse oximetry products may be reluctant to purchase our products. If hospitals and other healthcare providers do not believe our Masimo SET® and Masimo rainbow SET® platforms are cost-effective, safe or more accurate or reliable than competitive pulse oximetry products, they may not buy our healthcare products in sufficient quantities to enable us to generate revenue growth from the sale of these products. In addition, allegations regarding the safety and effectiveness of our products, whether or not substantiated, may impair or impede the acceptance of our products.

Some of our products are in development or have been recently introduced into the market and may not achieve market acceptance, which could limit our growth and adversely affect our business, financial condition and results of operations.

Many of our noninvasive measurement technologies are considered disruptive. These technologies have performance levels that we believe are acceptable for many clinical environments but may be insufficient in others. In addition, these technologies may perform better in some patients and settings than others. Over time, we hope to continue to improve the performance of these technologies and educate the clinical community on how to properly evaluate them. If we are successful in these endeavors, we expect these technologies will become more useful in more environments and will become more widely adopted. Our product portfolio continues to expand, and we are investing significant resources to enter into, and in some cases create, new markets for our products. For example, our acquisition of Sound United expanded our business and product strategy to additionally focus on non-healthcare products to integrate with our successful medical technology. See the risk factor with the heading "Our new products and changes to existing products, including as a result of our acquisition of Sound United could fail to attract or retain users or generate revenue and profits. Further, we may not be successful in our non-healthcare expansion, which could adversely affect our business, reputation or financial results" for additional risks related to this expansion of our business.

We are continuing to invest in sales and marketing resources to achieve market acceptance of our products, but are unable to guarantee that our technologies will achieve general market acceptance.

The degree of market acceptance of our healthcare products will depend on a number of factors, including but not limited to:

- perceived clinical benefits from our products;
- perceived cost effectiveness of our products;
- perceived safety and effectiveness of our products;
- reimbursement available through government and private healthcare programs for using some of our products; and
- introduction and acceptance of competing products or technologies.

Further, market acceptance of our non-healthcare products will depend on certain additional factors, including but not limited to:

- perceived quality of our non-healthcare brands and technology;
- our ability to accurately forecast consumer demand and maintain manufacturing capacity to meet such demand;
- our ability to introduce new innovative products that align with rapidly changing consumer tastes; and
- implementation of pricing and marketing strategies that drive consumer adoption without eroding our premium market position.

If our products do not gain market acceptance or if our customers prefer our competitors' products, our potential revenue growth would be limited, which would adversely affect our business, financial condition and results of operations.

If we are not Table to maintain and enhance the value and reputation of our non-healthcare brands, or if our reputation is otherwise damaged, our business and operating results could be harmed.

Our non-healthcare business in the premium audio market depends on the reputation associated with our brands, including Bowers & Wilkins™, Denon™, Marantz™, HEOS™, Classé™, Polk Audio™, Boston Acoustics™ and Definitive Technology™, for providing high-quality products and consumer experiences.The reputation of our brands is dependent on a number of factors, including product quality, research and development, trademark protection and sales and marketing initiatives, each of which requires a wide variety of talented professionals and significant expenditures. Contents

The value of our brands could be damaged by a number of factors, including defects or other quality issues, perceived lack of innovation, evolving consumer tastes, or ineffective marketing strategies. Further, certain third-parties, such as installers of home audio systems or independent retailers over which we exert no control may damage our reputation if their services or business practices negatively impact the consumer experience with our products.Damage to our brands' reputation or other negative consumer perceptions may adversely affect our business, financial condition and results of operations.

Our ability to commercialize new products, new or improved technologies and additional applications for Masimo SET® and our licensed rainbow® technology is limited to certain markets by our Cross-Licensing Agreement with Willow Laboratories, Inc. (Willow), formerly known as Cercacor Laboratories, Inc. (Cercacor), which may impair our growth and adversely affect our business, financial condition and results of operations.

Since 1998, we have been a party to a cross-licensing agreement with Cercacor Willow (as amended, the Cross-Licensing Agreement), under which we granted Cercacor: Willow:

- an exclusive, perpetual and worldwide license, with sublicense rights, to use all Masimo SET® technology owned by us, including all improvements to this technology, for the monitoring of non-vital signs parameters and to develop and sell devices incorporating Masimo SET® for monitoring non-vital signs parameters in any product market in which a product is intended to be used by a patient or pharmacist rather than by a professional medical caregiver, which we refer to as the "Cercacor "Willow Market"; and
- a non-exclusive, perpetual and worldwide license, with sublicense rights, to use all Masimo SET® technology owned by us for measurement of vital signs in the "Cercacor "Willow Market".

Non-vital signs measurements consist of body fluid constituents other than vital signs measurements, including, but not limited to, carbon monoxide, methemoglobin, blood glucose, hemoglobin and bilirubin. Under the Cross-Licensing Agreement, we are only permitted to sell devices utilizing Masimo SET® for the monitoring of non-vital signs parameters in markets where the product is intended to be used by a professional medical caregiver, including, but not limited to, hospital caregivers and alternate care facility caregivers, rather than by a patient or pharmacist, which we refer to as the "Masimo Market". Accordingly, our ability to commercialize new products, new or improved technologies and additional applications for Masimo SET® is limited. In particular, our inability to expand beyond the "Masimo Market" may limit our ability to maintain or increase our revenue and impair our growth.

Pursuant to the Cross-Licensing Agreement, we have licensed from Cercacor Willow the right to make and distribute products in the "Masimo Market" that utilize rainbow® technology for certain noninvasive measurements. As a result, the opportunity to expand the market for our products incorporating rainbow® technology is also limited, which could limit our ability to maintain or increase our revenue and impair our growth.

We face competition from other companies, many of which have substantially greater resources than we do. If we do not successfully develop and commercialize enhanced or new products that remain competitive with products or alternative technologies developed by others, we could lose revenue opportunities and customers, and our ability to grow our business would be impaired, adversely affecting our financial condition and results of operations.

The industries in which we compete are intensely competitive and significantly affected by new product introductions and other market activities of industry participants. A number of our competitors have substantially greater capital resources, larger product portfolios, larger customer bases, larger sales forces and greater geographic presence, have established stronger reputations with specific customers, and have built relationships with Group Purchasing Organizations and other hospital purchasing groups (collectively, GPOs) that may be more effective than ours. Our Masimo SET® platform faces additional competition from companies developing products for use with third-party monitoring systems, as well as from companies that currently market their own pulse oximetry monitors. In addition, competitors with larger product portfolios than ours are engaging in bundling practices, whereby they offer increased discounts to hospitals that purchase their requirements for a variety of different products from the competitor, including products that we do not offer, effectively pricing their competing products at a loss.

Continuing technological advances and new product introductions in the industries in which we compete place our products at risk of obsolescence. Our long-term success depends upon the development and successful commercialization of new products, new or improved technologies and additional applications for our existing technologies. In our non-healthcare business, we face significant risks associated with new product introductions, including accurately forecasting initial consumer demand, effectively managing any third-party strategic alliances related to manufacturing and commercialization, as well as the risk that new products may not achieve market acceptance or, if acceptance is achieved, may negatively impact the sales of older products. Accordingly, if we cannot properly manage the introduction of new products, our operating results and financial condition may be adversely impacted. In addition, the research and development process is time-consuming and costly and may not result in products or applications that we can successfully commercialize. In particular, we may not be able to successfully commercialize our healthcare products for applications other than arterial blood oxygen saturation and pulse rate monitoring, such as for respiration rate, hemoglobin, carboxyhemoglobin and methemoglobin monitoring.

If we do not successfully adapt our products and applications, we could lose revenue opportunities and customers. Furthermore, one or more of our competitors may develop products that are substantially equivalent to those of our healthcare products that are cleared or approved for use, or those of our original equipment manufacturer (OEM) partners, in which case a competitor of ours may use our products or those of our OEM partners as predicate devices to more quickly obtain regulatory clearance or approval of their competing products. Competition could result in pressure from our customers to reduce the price of our products and could cause them to place fewer orders for our products, which could, in turn, cause a reduction in our revenues and product gross margins, thereby adversely impacting our business, financial condition and results of operations.

Some of the world's largest technology companies that have not historically operated in the healthcare or medical device space, such as Alphabet Inc., Amazon.com, Inc., Apple Inc., Samsung Electronics Co., Ltd. and others, have developed or may develop products and technologies that may compete with our current or future products and technologies. For example, in September 2021, Apple, Inc. announced that its Apple Watch Series 7 includes a blood oxygen level monitoring feature and a sleep tracking function, both of which compete with our existing products. In August 2022, Apple, Inc. announced that its Apple Watch Series 8 includes an ECG app, as well as fall detection and temperature sensing

capabilities, which may compete with certain of our existing products and products in development. In September 2022, Apple, Inc. announced that its Apple watchOS9 will include expanded workout enhancements, medication reminders, sleep reporting, temperature tracking and atrial fibrillation history, which may compete with certain of our existing products and products in development. In our non-healthcare business, our competition includes the technology companies referenced above as well as sellers of consumer audio products, such as Bang & Olufsen®, Bose®, Harman International®, JBL®, Sonos® and Sony®. Many of these companies have substantially greater capital, research and development, and sales resources than we have. To effectively compete, we may need to expand our product offerings and distribution channels, which in the interim could increase our research and development costs and decrease our operating margins, thereby adversely impacting our business, financial condition and results of operations.

We depend on our domestic and international OEM original equipment manufacturer (OEM) partners for a portion of our revenue. If they do not devote sufficient resources to the promotion of products that use our technologies, our business would be harmed.

We are, and will continue to be, dependent upon our domestic and international OEM partners for a portion of our revenue through their marketing, selling and distribution of certain of their products that incorporate our technologies. Although we expect that our OEM partners will accept and actively market, sell and distribute products that incorporate our technologies, they may not do so. Because products that incorporate our technologies may represent a relatively small percentage of business for some of our OEM partners, they may have less incentive to promote these products over other products that do not incorporate these technologies.

In addition, some of our OEM partners offer products that compete with ours and also may be involved in intellectual property disputes with us. Therefore, we cannot guarantee that our OEM partners, or any company that may acquire any of our OEM partners, will vigorously promote products incorporating our technologies. The failure of our OEM partners to successfully market, sell or distribute products incorporating our technologies, the termination of OEM agreements, the loss of OEM partners or the inability to enter into future OEM partnership agreements would have a material adverse effect on our business, financial condition and results of operations.

If we fail to maintain or develop relationships with GPOs, sales of our healthcare products would decline.

Our ability to sell our healthcare products to hospitals depends, in part, on our relationships with GPOs. Many existing and potential customers for our products are members of GPOs. GPOs negotiate pricing arrangements and contracts with medical supply manufacturers and distributors that may include provisions for sole sourcing and bundling, which generally reduce the choices available to member hospitals.

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These negotiated prices are made available to a GPO's members. If we are not one of the providers selected by a GPO, the GPO's members may be less likely or unlikely to purchase our products. If a GPO has negotiated a strict sole source, market share compliance or bundling contract for another manufacturer's products, we may be prohibited from making sales to members of such GPO for the duration of such contractual arrangement. Shipments of our pulse oximetry products to customers that are members of GPOs represent approximately 98% 94% of our U.S. healthcare product sales. Our failure to renew our contracts with GPOs may cause us to lose market share in our healthcare business and could have a material adverse effect on our business, financial condition and results of operations. In addition, if we are unable to develop new relationships with GPOs, our competitive position would likely suffer and our opportunities to grow our revenues and business would be harmed.

Inadequate levels of coverage or reimbursement from governmental or other third-party payers for our healthcare products, or for procedures using our healthcare products, may cause our revenue to decline or prevent us from realizing revenues from future products.

Sales of our healthcare products depend in part on the reimbursement and coverage policies of governmental and private healthcare payers. The lack of adequate coverage and reimbursement for our healthcare products or the procedures in which our healthcare products are used may deter customers from purchasing our products.

We cannot guarantee that governmental or third-party payers will reimburse or begin reimbursing a customer for the cost of our healthcare products or the procedures in which our healthcare products are used. For example, some insurance carriers have issued policies denying coverage for transcutaneous hemoglobin measurement on the grounds that the technology is investigational in the outpatient setting. Other payers are continuing to investigate our products to determine if they will provide reimbursement for the use of such products. In addition, we may incur significant expenses to generate clinical data to demonstrate not only the safety and efficacy, but also the cost-effectiveness of our products in order to obtain favorable reimbursement policies from payers.

These trends could lead to pressure to reduce prices for our current and future healthcare products, hinder our ability to obtain market adoption, cause a decrease in the size of the market or potentially increase competition, any of which could have a material adverse effect on our business, financial condition and results of operations.

We do not control payer decision-making with respect to coverage and payment levels for our products. Additionally, we expect many payers to continue to explore cost-containment strategies (e.g., comparative and cost-effectiveness analyses, so-called "pay-for-performance" programs implemented by various public government healthcare programs and private third-party payers, and expansion of payment bundling initiatives, and other such methods that shift medical cost risk to providers) that may potentially impact coverage and/or payment levels for our current products or products we develop in the future.
Outside of the U.S., reimbursement systems vary by country. These systems are often subject to the same pressures to curb rising healthcare costs and control healthcare expenditures as those in the U.S. In addition, as economies of emerging markets develop, these countries may implement changes in their healthcare delivery and payment systems. If adequate levels of reimbursement from third-party payers outside of the U.S. are not obtained, sales of our products outside of the U.S. may be adversely affected.

Consolidation in the healthcare industry could lead to demands for price concessions or to the exclusion of existing market participants from certain markets, which could have an adverse effect on our business, results of operations or financial condition.

Because healthcare costs have risen significantly over the past decade, numerous initiatives and reforms initiated by legislators, regulators and third-party payers to curb these costs have resulted in a consolidation trend in the healthcare industry to aggregate purchasing power. As the healthcare industry consolidates, competition to provide products and services to industry participants has become, and will continue to become, more intense. This has resulted in, and will likely continue to result in, greater pricing pressures and the exclusion of certain existing market participants from important market segments as GPOs, independent delivery networks and large single accounts continue to use their market power to consolidate purchasing decisions for hospitals.

We expect that market demand, government regulation, third-party coverage and reimbursement policies and societal pressures will continue to impact the worldwide healthcare industry, resulting in further business consolidations and alliances among our customers, which may reduce competition, exert further downward pressure on the prices of our healthcare products and adversely impact our business, financial condition and results of operations.

***Our healthcare customers may reduce, delay or cancel purchases due to a variety of factors, such as lower hospital census levels or third-party guidelines, which could adversely affect our business, financial condition and results of operations.**

Our healthcare customers are facing growing levels of uncertainties, including variations in overall hospital census for paying patients and the impact of such census variations on hospital budgets. As a result, many hospitals are reevaluating their entire cost structure, including the amount of capital they allocate to medical device technologies and products. In addition, certain of our products, including our rainbow® measurements such as carbon monoxide, methemoglobin and hemoglobin, that are sold with upfront license fees and more complex and expensive sensors, could also be impacted by hospital budget reductions. Any reductions in capital spending budgets by hospitals could have a significant negative impact on our OEM customers who, due to their traditionally larger capital equipment sales model, could see declines in purchases from their hospital customers. This, in turn, could reduce our board sales to our OEM customers.

From time to time, states and other local regulatory authorities may issue guidelines regarding the appropriate scope and use of our products. For example, some of our noninvasive monitoring devices may be subject to authorization by individual states as part of the Emergency Medical Services (EMS) scope of practice procedures. A lack of inclusion into scope of practice procedures may limit adoption of our products.

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Additionally, increases in demand resulting from global medical crises, such as the increase in demand we experienced during the COVID-19 pandemic, may be short lived. If the increased demand results in a stockpiling of our healthcare products by, or excess inventory at, our customers, future orders may be delayed or canceled until such on-hand inventory is consumed. We may be unable to accurately forecast our financial and operating results and appropriately plan our expenses in the future or we may fail to meet our publicly announced guidance about our business and future operating results. For example, during the second and third quarters half of 2023, customers maintained elevated levels of single-patient use sensors and consumables in inventory due to the softer demand and lower hospital census, which had an adverse impact on our second and third quarter half of 2023 healthcare revenue. Continued stockpiling or excess inventory as a result of lower hospital census in future quarters could also negatively impact our healthcare revenue.

***The loss of any large customer or distributor, or any cancellation or delay of a significant purchase by a large customer, could reduce our net sales and harm our operating results.**

Our healthcare business has a concentration of OEM, distributor and direct customers. customers. For example, sales to one just-in-time distributor represented 10% or more of our healthcare product sa consolidated revenueles for the third first quarter of 2023. 2024. There were no Similarly, within revenue concentrations for our non-healthcare business, we sell products through distributors, resellers, direct-to-consumer and to large retailers. No individual retailer which represented 10% or more than 10% of our non-healthcare product sales consolidated revenue for the third first quarter of 2023. 2024.

We cannot provide any assurances that we will retain our current customers, groups of customers or distributors, that they will maintain their current or forecasted demand for our products, or that we will be able to attract and retain additional customers in the future. If for any reason we were to lose our ability to sell to a specific group or class of customers or through a distributor, we could experience a significant reduction in revenue or loss of market share, which would adversely impact our operating results.

Our revenues could also be negatively affected by any rebates, discounts or fees that are required by, or offered to, GPOs and customers, including wholesalers or distributors. Additionally, some one just-in-time distributors distributor of our healthcare products have been demanding has demanded higher fees, which we may be obligated to pay in order to continue to offer products to our customers through these distributors this distributor or which may obligate us to distribute our products directly to our customers. Specifically, in February 2024, we were notified by this just-in-time distributor of its intent to terminate our distribution agreement as a result of our refusal to increase distribution fees. The loss of this or any large customer or distributor, an increase in distributor fees, or the risks associated with selling directly to our customers could have a material adverse effect on our business, financial condition and results of operations.

Counterfeit Masimo sensors and third-party reprocessed single-patient-use Masimo sensors may harm our reputation and adversely affect our business, financial condition and results of operations.

We believe that other entities are manufacturing and selling counterfeit Masimo sensors. In addition, certain medical device reprocessors have been collecting our used single-patient-use sensors from hospitals and then reprocessing, repackaging and reselling those sensors to hospitals. These counterfeit and third-party reprocessed sensors are sold at lower prices than new Masimo sensors. Our experience with both these counterfeit sensors and third-party reprocessed sensors is that they provide inferior performance, increased sensor consumption, reduced comfort and a number of monitoring problems. Notwithstanding these limitations, some of our customers have indicated a willingness to purchase some of their sensor requirements from these counterfeit manufacturers and third-party reprocessors in an effort to reduce their sensor costs.

These counterfeit and reprocessed sensors have led and may continue to lead to confusion with our genuine Masimo products, have reduced and may continue to reduce our revenue, and, in some cases, have harmed and may continue to harm our reputation if customers conclude incorrectly that these counterfeit or reprocessed sensors are original Masimo sensors.

In addition, we have expended a significant amount of time and expense investigating issues caused by counterfeit and reprocessed sensors, troubleshooting problems stemming from such sensors, educating customers about why counterfeit and reprocessed sensors do not perform to their expectations, enforcing our proprietary rights against the counterfeit manufacturers and reprocessors, and enforcing our contractual rights.

In response to these counterfeit sensors and third-party reprocessors, we have incorporated X-Cal® technology into certain products to ensure our customers get the performance they expect by using genuine Masimo sensors and that such sensors do not continue to be used beyond their useful life. However, some customers may object to the X-Cal® technology, potentially resulting in the loss of customers and revenues.

We also offer our own Masimo reprocessed sensors, which meet the same performance specifications as our new Masimo sensors, to our customers. Reprocessed sensors sold by us are also offered at a lower price and, therefore, may reduce certain customer demand for our new sensors. As a result, increased sales of our own Masimo reprocessed sensors may result in lower revenues, which could negatively impact our business, financial condition and results of operations.

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Competition and other conflicts with our non-healthcare distribution partners could harm our business and operating results.

Several of our existing non-healthcare products compete, and future products may compete, with the product offerings of some of our significant channel and distribution partners. These partners may choose to market and promote their own products over ours or could cease or reduce selling or promoting our products. Any reduction in our ability to place and promote our non-healthcare products, or increased competition from our distribution partners for available shelf or website placement, especially during peak retail sales periods, could adversely affect our non-healthcare business. In addition, the expansion of our direct-to-consumer channel in our non-healthcare business through our brand websites could increase our competition with our channel partners and cause these partners to reduce their purchases of our non-healthcare products. Conflicts in our sales channels could arise and cause channel partners to divert resources away from the promotion and sale of our products. Any of these situations could adversely impact our business, financial condition and results of operations.

*Certain of our non-healthcare products are dependent on integrations with third-party technology.

We integrate our non-healthcare products with technologies from third-parties, some of which have developed or may develop and sell competitive products. For example, the Masimo Freedom™ smartwatch is intended to operate with Wear OS by Google. If these third-parties view us as a competitive threat, they may refuse to give us access to their technologies, refuse to do business with us or cease to do business with us or disable (or require us to disable) their technologies. If one or more of these third-parties do not maintain their integration with our products or seek to adversely modify the terms under which they provide integration in a manner that is unacceptable to us, our products may lose important functionality, our reputation may be harmed, and our business, financial condition and results of operations may be damaged.

Risks Related to Our Intellectual Property

***If the patents we own or license, or our other intellectual property rights, do not adequately protect our technologies, we may lose market share to our competitors and be unable to operate our business profitably.**

Our success depends significantly on our ability to protect our rights to the technologies used in our products. Our utilization of patent protection, trade secrets and a combination of copyright and trademark laws, as well as nondisclosure, confidentiality and other contractual arrangements, to protect our intellectual property afford us only limited protection and may not adequately protect our rights or permit us to gain or maintain any competitive advantage.

Certain of our patents related to our technologies have begun to expire. Upon the expiration of our issued or licensed patents, we generally lose some of our rights to exclude competitors from making, using, selling or importing products using the technology based on the expired patents.

Furthermore, in recent years, the U.S. Supreme Court has ruled on several patent cases and several laws have been enacted that, in certain situations, potentially narrow the scope of patent protection available and weaken the rights of patent owners. As a result, we believe large technology companies may be pursuing an “efficient infringement” strategy, having concluded that it is cheaper to infringe third-party intellectual property rights than to acquire, license or otherwise respect them. There can be no assurance that we will be successful in securing additional patents on commercially desirable improvements, that such additional patents will adequately protect our innovations or offset the effect of expiring patents, or that competitors will not be able to design around our patents.

In addition, third-parties have challenged, and may continue to challenge, our issued patents through procedures such as Inter-Partes Review (IPR). In many IPR challenges, the U.S. Patent and Trademark Office (PTO) cancels or significantly narrows issued patent claims. IPR challenges could increase the uncertainties and costs associated with the maintenance, enforcement and defense of our issued and future patents and could have a material adverse effect on our business, financial condition and results of operations. Similarly, changes in patent law and regulations in other countries or jurisdictions or changes in the governmental bodies that enforce them or changes in how the relevant governmental authority enforces patent laws or regulations may weaken our ability to obtain new patents or to enforce patents that we have licensed or that we may obtain in the future. For example, the complexity and uncertainty of European patent laws have also increased in recent years. In Europe, in June 2023, a new unitary patent system was introduced, which will significantly impact European patents, including those granted before the introduction of the system. Under the unitary patent system, after a European patent is granted, the patent proprietor can request unitary effect, thereby getting a European patent with unitary effect (Unitary Patent). Each Unitary Patent is subject to the jurisdiction of the Unitary Patent Court (UPC). As the UPC is a new court system, there is no precedent for the court, increasing the uncertainty of any litigation. Patents granted before the implementation of the UPC will have the option of opting out of the jurisdiction of the UPC and remaining as national patents in the UPC countries. Patents that remain under the jurisdiction of the UPC may be potentially vulnerable to a single UPC-based revocation challenge that, if successful, could invalidate the patent in all countries who are signatories to the UPC. We cannot predict with certainty the long-term effects of the new unitary patent system.

We also utilize unpatented proprietary technology and know-how and often rely on confidentiality agreements and intellectual property assignment agreements with our employees, OEM partners, independent distributors and consultants to protect such unpatented proprietary technology and know-how. However, such agreements may not be enforceable or may not provide meaningful protection for our proprietary information in the event of unauthorized use or disclosure or other breaches of the agreements, or in the event that our competitors discover or independently develop similar or identical designs or other proprietary information.

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We rely on the use of registered and common law trademarks with respect to our brands and the names of some of our products. Common law trademarks provide less protection than registered trademarks. Loss of rights in our trademarks could adversely affect our business, financial condition and results of operations.

If third-parties claim that we infringe their intellectual property rights, we may incur liabilities and costs and may have to redesign or discontinue selling certain products.

Searching for existing intellectual property rights may not reveal important intellectual property and our competitors may also have filed for patent protection, which may not be publicly-available information, or claimed trademark rights that have not been revealed through our searches. In addition, some of our employees were previously employed at our competitors. We may be subject to claims that our employees have disclosed, or that we have used, trade secrets or other proprietary information of our employees' former employers. Our efforts to identify and avoid infringing on third-parties' intellectual property rights may not always be successful. Any claims of patent or other intellectual property infringement against us, even those without merit, could:

- be expensive and time-consuming to defend and result in payment of significant damages to third-parties;
- force us to stop making or selling products that incorporate the intellectual property;
- require us to redesign, reengineer or rebrand our products, product candidates and technologies;
- require us to enter into royalty agreements that would increase the costs of our products;
- require us to indemnify third-parties pursuant to contracts in which we have agreed to provide indemnification for intellectual property infringement claims;
- divert the attention of our management and other key employees; and
- result in our customers or potential customers deferring or limiting their purchase or use of the affected products impacted by the claims until the claims are resolved;

any of which could have a material adverse effect on our business, financial condition and results of operations. In addition, new patents obtained by our competitors could threaten the continued commercialization of our products in the market even after they have already been introduced.

***We believe competitors may currently be violating and may in the future violate our intellectual property rights. As a result, we may initiate litigation to protect and enforce our intellectual property rights, which may result in substantial expense and may divert management's attention from implementing our business strategy.**

We believe that the success of our business depends, in part, on obtaining patent protection for our products and technologies, defending our patents and preserving our trade secrets. We were previously involved in significant litigation to protect our patent positions related to some of our pulse oximetry signal processing patents that resulted in various settlements. We believe some of the new market entrants in the healthcare and monitoring space, including some of the world's largest technology companies, and some consumer audio companies may be infringing our intellectual property, and we may be required to engage in additional litigation to protect our intellectual property in the future. In addition, we believe that certain individuals who previously held high level technical and clinical positions with us misappropriated our intellectual property for the benefit of themselves and other companies. For example, on January 9, 2020, we initiated litigation against Apple Inc. for infringement of a number of patents, for trade secret misappropriation and for ownership and correction of inventorship of a number of Apple Inc. patents that list one of our former employees as an inventor. A trial on the trade secret, ownership, and inventorship claims was held from April 4, 2023 through May 1, 2023. On May 1, 2023, the court declared a mistrial because the jury was unable to reach a unanimous verdict. A new trial has not yet been scheduled. In addition, on June 30, 2021, we filed a complaint with the ITC against Apple Inc. for infringement of a number of other patents. On October 20, 2022, Apple filed two complaints against us and Sound United alleging that the Masimo W1™ watch infringes a number of patents. On January 10, 2023, an Administrative Law Judge ruled that Apple Inc. violated Section 337 of the Tariff Act of 1930, as amended, by importing and selling within the United States certain Apple Watches with light-based pulse oximetry functionality and components, which infringe one of our pulse oximeter patents. On January 24, 2023, the United States Administrative Law Judge further recommended that the ITC issue an exclusion order and a cease and desist order on certain Apple Watches. On October 26, 2023, the ITC issued a Notice of Final Determination finding a violation of Section 337 by Apple Inc. The ITC determined that the appropriate form of relief is a Limited Exclusion Order (LEO) prohibiting the unlicensed entry of infringing wearable electronic devices with light-based pulse oximetry functionality manufactured by or on behalf of Apple Inc., and a Cease and Desist Order (CDO). The LEO and CDO are scheduled to go into effect after a 60-day Presidential review period. For additional information related to these litigations, on the current status of our litigation with Apple Inc., please see Note 24, "Commitments and Contingencies", to our accompanying condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. Our ongoing and future litigation could result in significant additional costs and further divert the attention of our management and key personnel from our business operations and the implementation of our business strategy and may not be successful or adequate to protect our intellectual property rights.

Furthermore, in January 2024, we entered into a one year alternative fee agreement (Fee Agreement) with respect to certain on-going legal fees and costs incurred by a vendor. The laws Fee Agreement imposes certain limits on a quarterly and annual basis for actual legal fees incurred by the vendor that are payable based on work performed related to litigation matters against Apple. If the vendor is successful in obtaining a favorable judgement for us on any claim or counterclaim after exhaustion or dismissal of foreign countries may not adequately protect our intellectual property rights.

Intellectual property protection laws any appeals, or upon settlement resulting in foreign countries differ substantially from those in monetary consideration to us, the U.S. If vendor will be paid a success fee equal to three times the amount of the excess of the annual legal fee limit within 60 days after entry of a judgement or the effective date of any settlement. Therefore, to the extent that we fail to apply for intellectual property protection in foreign countries, or if we cannot adequately protect our intellectual property rights in these foreign countries, our competitors may be successful in our litigation against Apple, we could be required to make a payments to this vendor in excess of the actual amount of fees incurred in connection with our litigation against Apple.

Table to compete more effectively against us, which could adversely affect our competitive position, as well as our business, financial condition and results of operations. Contents

Risks Related to Our Regulatory Environment

Our failure to obtain and maintain FDA clearances or approvals on a timely basis, or at all, would prevent us from commercializing our current, upgraded or new healthcare products in the U.S., which could severely harm our business.

Unless an exemption applies, each medical device that we market in the U.S. must first undergo premarket review pursuant to the Federal Food, Drug, and Cosmetic Act (FDCA) by receiving clearance of a 510(k) premarket notification, receiving clearance through the *de novo* classification review process or obtaining approval of a premarket approval (PMA) application. Even if regulatory clearance or approval of a product is granted, the U.S. Food and Drug Administration (FDA) may clear or approve our products only for limited indications for use. Additionally, the FDA may not grant 510(k) clearance on a timely basis, if at all, for new products or new uses that we propose for Masimo SET® or licensed rainbow® technology.

The traditional FDA 510(k) clearance process for our medical devices has generally taken between four to nine months. However, our more recent experience and interactions with the FDA, along with information we have received from other medical device manufacturers, suggests that, in some cases, the FDA is requiring applicants to provide additional or different information and data for 510(k) clearance than it had previously required, and that the FDA may not rely on approaches that it had previously accepted to support 510(k) clearance. As a result, FDA 510(k) clearance can be delayed for our products in some cases.

To support our product applications to the FDA, we frequently are required to conduct clinical testing of our products. Such clinical testing must be conducted in compliance with FDA requirements pertaining to human research. Among other requirements, we must obtain informed consent from study subjects and approval by institutional review boards before such studies may begin. We must also comply with other FDA requirements such as monitoring, record-keeping, reporting and the submission of information regarding certain clinical trials to a public database maintained by the National Institutes of Health. In addition, if the study involves a significant risk device, we are required to obtain the FDA's approval of the study under an Investigational Device Exemption (IDE). Compliance with these requirements can require significant time and resources. In addition, public health emergencies and other extraordinary circumstances may disrupt the conduct of our clinical trials. If the FDA determines that we have not complied with such requirements, the FDA may refuse to consider the data to support our applications or may initiate enforcement actions.

Even though 510(k) clearances have been obtained, if safety or effectiveness problems are identified with our products, we may need to initiate a recall of such products. Furthermore, our new products or significantly modified marketed products could be denied 510(k) clearance and be required to undergo the more burdensome PMA or *de novo* classification review processes. The process of obtaining a *de novo* classification or PMA approval is much more costly, lengthy and uncertain than the process for obtaining 510(k) clearance.

De novo classification review generally takes six months to one year from the time of submission of the *de novo* request, although it can take longer. Approval of a PMA generally takes one year from the time of submission of the PMA, but may be longer.

We sell consumer versions of our iSpO2® and MightySat® pulse oximeters, as well as our W1™ Health Watch and Stork™ baby monitor, that are not intended for medical use. Some of our products or product features may not be subject to the 510(k) process and/or other regulatory requirements in accordance with specific FDA guidance and policies, such as the FDA guidance related to mobile medical applications. In additions, some of our products or product features may not be subject to device regulation pursuant to Section 520(o) of the FDCA, which excludes certain software functions from the statutory definition of a device. If the FDA changes its policies or concludes that our marketing of these products is not in accordance with its current policies and/or Section 520(o) of the FDCA, we may be required to seek clearance or approval of these devices through the 510(k), *de novo* classification review or PMA processes.

The failure of our OEM partners to obtain required FDA clearances or approvals for products that incorporate our healthcare technologies could have a negative impact on our revenue.

Our healthcare OEM partners are required to obtain their own FDA clearances in the U.S. for most products incorporating our technologies. The FDA clearances we have obtained may not make it easier for our OEM partners to obtain clearances of products incorporating these technologies, or the FDA may not grant clearances on a timely basis, if at all, for any future products incorporating our technologies that our OEM partners propose to market.

If we or our suppliers fail to comply with ongoing regulatory requirements, or if we experience unanticipated problems with our products, these products could be subject to restrictions or withdrawal from the market.

Our healthcare products, along with the manufacturing processes, labeling and promotional activities for those products, are subject to continual review and periodic inspections by the FDA and other regulatory bodies. Among other requirements, we and certain of our suppliers are required to comply with the FDA's Quality System Regulation (QSR), which governs the methods and documentation of the design, control testing, production, component suppliers control, quality assurance, complaint handling, labeling control, packaging, storage and shipping of our healthcare products. The FDA enforces the QSR through announced and unannounced inspections. We are also subject to similar state requirements and licenses.

In addition to the FDA, from time to time we are subject to inspections by the California Food and Drug Branch, international regulatory authorities and other similar governmental agencies. The standards used by these regulatory authorities are complex and may differ from those used by the FDA.

Failure by us or one Table of our suppliers to comply with statutes and regulations administered by the FDA and other regulatory bodies or failure to adequately respond to any FDA Form 483 observations, any California Food and Drug Branch notices of violation or any similar reports could result in, among other things, any of the following:

- warning letters or untitled letters issued by the FDA; Contents
- fines, civil penalties, in rem forfeiture proceedings, injunctions, consent decrees and criminal prosecution;
- import alerts;
- unanticipated expenditures to address or defend such actions;

- delays in clearing or approving, or refusal to clear or approve, our products;
- withdrawals or suspensions of clearance or approval of our products or those of our third-party suppliers by the FDA or other regulatory bodies;
- product recalls or seizures;
- orders for physician notification or device repair, replacement or refund;
- interruptions of production or inability to export to certain foreign countries; and
- operating restrictions.

In addition, many of our healthcare and non-healthcare products are subject to various laws, regulations and legal requirements, including those governing consumer protection, product import and export, hazardous materials usage and discharge, product related energy consumption,electrical safety, wireless emissions, e-commerce,packaging and recycling.Compliance with these requirements, which vary widely depending on jurisdiction, is time consuming and expensive.

If we fail to comply with applicable legal requirements, it would harm our reputation and adversely affect our business, financial condition and results of operations.

Failure to obtain regulatory authorizations in foreign jurisdictions may prevent us from marketing our products abroad.

We currently market and intend to continue to market our products internationally. Outside of the U.S., we can generally market our healthcare products only if we receive a marketing authorization (and/or meet certain pre-marketing requirements) and, in some cases, pricing approval, from the appropriate regulatory authorities. The regulatory registration/licensing process varies among international jurisdictions and may require additional or different product testing than required to obtain FDA clearance. FDA clearance does not ensure new product registration/licensing by foreign regulatory authorities, and we may be unable to obtain foreign regulatory registration/licensing on a timely basis, if at all.

In addition, clearance by one foreign regulatory authority does not ensure clearance by any other foreign regulatory authority or by the FDA. If we fail to receive necessary approvals to commercialize our products in foreign jurisdictions on a timely basis, or at all, our business, financial condition and results of operations could be adversely affected.

Furthermore, foreign regulatory requirements may change from time to time, which could adversely affect our ability to market new products, and/or continue to market existing products, internationally. Certain significant changes in the international regulatory landscape have recently taken place or will take place in the near future. These include the new EU Medical Devices Regulation (EU) 2017/745 (MDR), which came into effect on May 26, 2021 and a regulatory regime in the UK effective since January 1, 2021 as a result of the UK's exit from the EU (Brexit).

Modifications to our marketed medical devices may require new regulatory clearances or premarket approvals, or may require us to cease marketing or to recall the modified devices until clearances or approvals are obtained.

We have made modifications to our medical devices in the past and we may make additional modifications in the future. Any modification to a medical device that is cleared by the FDA that could significantly affect its safety or effectiveness or that could constitute a major change in its intended use would require a new clearance or approval and certain modifications to devices cleared or approved by foreign regulatory authorities may also require a new clearance or approval.

We may not be able to obtain such clearances or approvals in a timely fashion, or at all. Delays in obtaining future clearances would adversely affect our ability to introduce new or enhanced products in a timely manner, which in turn would have an adverse effect on our business, financial condition and results of operations.

For device modifications that we conclude do not require a new regulatory clearance or approval, we may be required to recall and to stop marketing the modified devices if the government agency disagrees with our conclusion and requires new clearances or approvals for the modifications. This could have an adverse effect on our business, financial condition and results of operations.

***Regulatory reforms may impact our ability to develop and commercialize our healthcare products and technologies.**

From time to time, legislation is drafted and introduced by governments that could significantly change the statutory provisions governing the clearance or approval, manufacture and marketing of medical devices. For example, in December 2022, Congress enacted the Food and Drug Omnibus Reform Act of 2022 (FDORA). FDORA reauthorized the FDA to collect device user fees and contained substantive amendments to the device provisions of the FDCA. Among other changes, FDORA requires premarket submissions for "cyber devices" to include plans to address postmarket cybersecurity vulnerabilities and exploits and other cybersecurity-related information. FDORA also imposes a new requirement for sponsors of medical device clinical trials to develop diversity action plans that must be submitted to the FDA with an IDE application, if an IDE is required for the study, or in the marketing application for the device if an IDE application is not required. The statute also authorizes the FDA to approve or clear predetermined change control plans in PMAs or 510(k) premarket notifications, and once such a plan is approved or cleared, then a supplemental PMA or a new 510(k) is not required for a change to a device that is consistent with such approved or cleared plan.

In addition, regulations and guidance are often revised or reinterpreted by the government agency in ways that may significantly affect our business or products. Future regulatory changes could make it more difficult for us to obtain or maintain approval to develop and commercialize our products and technologies. Public health emergencies may also prompt temporary or permanent regulatory reforms that could change the processes governing the clearance or approval, manufacture and marketing of medical devices.

In the EU, for example, the new MDR became applicable to our medical devices on May 26, 2021. The MDR requires medical devices and their manufacturers to comply with more stringent standards than before. The MDR also imposes new and enhanced obligations on importers and distributors of medical devices in the EU. Although the MDR is subject to certain transitional periods, both we and others involved in the distribution and commercialization of our medical devices in the EU will need to comply with more stringent EU rules.

Due to Brexit, from January 1, 2021, a new regulatory framework applies to medical devices commercialized in Great Britain (England, Scotland and Wales). This is now separate from the regime in the EU. Although certain transition periods apply, the medical devices we intend to commercialize in Great Britain may in the future need to conform to different requirements than the requirements in the EU. These factors are likely to add more complexity to our regulatory compliance obligations in Europe and our ability to commercialize medical devices in European markets.

If our healthcare products cause or contribute to a death or serious injury, or malfunction in a way that would likely cause or contribute to a death or serious injury, we will be subject to medical device reporting regulations and other applicable laws, and may need to initiate voluntary or mandatory corrective actions, such as the recall of our healthcare products.

Regulatory agencies in many countries require us to report anytime our healthcare products cause or contribute to a death or serious injury, or malfunction in a way that would likely cause or contribute to a death or serious injury. For example, under the FDA medical device reporting regulations, we are required to report to the FDA any incident in which a product of ours may have caused or contributed to a death or serious injury or in which a product of ours malfunctioned and, if the malfunction were to recur, would be likely to cause or contribute to death or serious injury. In addition, all manufacturers placing medical devices on the market in the EU are legally required to report any serious or potentially serious incidents involving devices produced or sold by the manufacturer to the relevant authority in those jurisdictions where any such incident occurred.

The FDA and similar foreign regulatory authorities have the authority to require the recall of our commercialized healthcare products in the event of material deficiencies or defects in, for example, design, labeling or manufacture. The FDA must find that there is a reasonable probability that the device would cause serious adverse health consequences or death in order to require a recall. The standard for recalling deficient products may be different in foreign jurisdictions. Manufacturers may, under their own initiative, recall a product if any material deficiency is found in a device or they become aware of a safety issue involving a marketed product. A government-mandated or voluntary recall by us or by one of our distributors could occur as a result of component failures, manufacturing errors, design or labeling defects or other deficiencies and issues.

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We may initiate certain field actions, such as a product correction or removal of our products in the future. In addition, third- parties that commercialize products incorporating our technologies may initiate similar actions or product corrections. Any correction or removal initiated by us to reduce a health risk posed by our device, or to remedy a violation of the FDCA or other regulations caused by the device that may present a risk to health, must be reported to the FDA. If the FDA subsequently determines that a report was required for a correction or removal of our products that we did not believe required a report, we could be subject to enforcement actions.

In addition, our non-healthcare products, including components we source from third parties, may be found to have design or manufacturing defects. Such defects may result in additional costs for product modifications, voluntary or mandated product recalls or other liabilities resulting from product malfunctions. For example, defects in our audio products may result in overheating or electrical shock, creating a risk of personal injury or property damage.

Any recalls or corrections of our products or third-party products that incorporate our technologies, or enforcement actions would divert managerial and financial resources and could have an adverse effect on our financial condition and results of operations. In addition, given our dependence upon patient, physician and consumer perceptions, any negative publicity associated with any recalls could materially and adversely affect our business, financial condition, results of operations and growth prospects.

In August 2023, we determined to initiate a voluntary recall of select Rad-G® products in connection with an issue that can result in an unintentional change in the power state of the device. On February 14, 2024, we initiated the voluntary recall. On February 21, 2024, we received a subpoena from the Department of Justice (DOJ) seeking documents and information related to our Rad-G® and Rad-97® products, including information relating to complaints surrounding the products and our decision to recall the Rad-G®. Additionally, on March 25, 2024, we received a civil investigative demand from the DOJ seeking documents and information related to customer returns of our Rad-G® and Rad-97® products, including returns related our recall of select Rad-G® products in 2024. We are investigating the reasons for the delay between August 2023 and February 2024 when the recall was initiated. We are cooperating with the government and may expend significant financial and managerial resources in connection with responding to the subpoena and the investigative demand and any related investigation or any other future requests for information.

Promotion of our healthcare products using claims that are off-label, unsubstantiated, false or misleading could subject us to substantial penalties.

Obtaining 510(k) clearance permits us to promote our products for the uses cleared by the FDA. Use of a device outside its cleared or approved indications is known as “off-label” use. Physicians may use our products off-label because the FDA does not restrict or regulate a physician’s choice of treatment within the practice of medicine, but we may not promote our products “off-label”. While we may request additional cleared indications for our current products, the FDA may deny those requests, require additional expensive clinical data to support any additional indications or impose limitations on the intended use of any cleared product as a condition of clearance. If the FDA determines that our products were promoted for off-label use or that false, misleading or inadequately substantiated promotional claims have been made by us or our OEM partners, it could request that we or our OEM partners modify those promotional materials or it could take regulatory or enforcement actions, including the issuance of an untitled letter, warning letter, injunction, seizure, civil fine and criminal penalties. While certain U.S. courts have held that truthful, non-misleading, off-label information is protected under the First Amendment under certain circumstances, the FDA continues to take the position that off-label promotion is subject to enforcement action.

It is also possible that other federal, state or foreign enforcement authorities may take action if they consider our communications, including promotional or training materials, to constitute promotion of an uncleared or unapproved use. If not successfully defended, enforcement actions related to off-label promotion could result in significant fines or penalties under other statutory authorities, such as laws prohibiting false claims for reimbursement. In any such event, our reputation could be damaged, adoption of our products could be impaired and we could be subject to extensive fines and penalties.

Additionally, we must have adequate substantiation for the claims we make for our products. If any of our claims are determined to be false, misleading or deceptive, our products could be considered misbranded under the FDCA or in violation of the Federal Trade Commission Act. We could also face lawsuits from our competitors under the Lanham Act alleging that our marketing materials are false or misleading.

Government agencies in the EU, UK, Japan and other countries and jurisdictions have similar regulations on the advertising and promotion of medical devices. If we fail to comply with any of these regulations, our reputation could be damaged, adoption of our products could be impaired and we could be subject to extensive fines and penalties.

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The regulatory environment governing information, data security and privacy is increasingly demanding and evolving. Many of the laws and regulations in this area are subject to uncertain interpretation, and our failure to comply could result in claims, penalties or increased costs or otherwise harm our business.

Personal privacy and data security have become significant issues in the U.S., Europe, the Middle East, Canada, China and many other jurisdictions where we offer our products. The regulatory framework for privacy and security issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future.

Several U.S. states have passed comprehensive privacy laws. For example, the California Consumer Privacy Rights Act (CPRA) amended and expanded the California Consumer Privacy Act (CCPA) effective January 1, 2023. Other states have also enacted data privacy laws that took effect in 2023, including the Virginia Consumer Data Protection Act, the Colorado Privacy Act, Utah's Consumer Privacy Act, and the Connecticut Data Privacy Act, all of Act. Further, Delaware, Florida, Indiana, Iowa, Montana, Oregon, Tennessee and Texas also adopted privacy laws, which became effective in 2023. The Iowa Consumer Data Protection Act will go into take effect on January 1, 2025. On May 1, 2023, Indiana became the seventh state to pass similar data privacy legislation, the Indiana Data Privacy Law, which will become effective January 1, 2026. The Tennessee Information Protection Act, enacted on May 11, 2023, will go into effect on from July 1, 2024. On May 19, 2023, Montana became the ninth state to enact a comprehensive consumer privacy law, the Montana Consumer Data Privacy Act, which goes into effect October 1, 2024. through 2026. These state laws govern the processing of residents' personal information. Among many new requirements, some of the state privacy laws expand consumers' rights (such as opting out of certain data sales to third parties and targeted advertising, restricting certain uses and disclosures of sensitive data, and requesting access, deletion, or correction of personal information). These state laws also minimize what data that can be collected from consumers and how businesses may use and disclose it. These state privacy laws also require businesses to make disclosures to consumers about data collection, use and sharing practices. In addition, some of these laws (including the CPRA) subject health-related information to additional safeguards and disclosures and some specifically regulate consumer health data, such as the Washington My Health My Data Act, which will become effective in 2024. There is significant uncertainty regarding how regulators will interpret and enforce this patchwork of new laws, particularly to the extent there are inconsistencies or differences in their requirements.

We continue to be subject to federal privacy laws such as the Health Insurance Portability and Accountability Act of 1996 (HIPAA), in certain circumstances, in connection with any personal health information or medical information that we may obtain or have access to in connection with the operation of our business. Moreover, a comprehensive federal data privacy legislation has been proposed and, if passed, will further change the privacy and data security compliance landscape. In addition, on July 26, 2023, the SEC adopted rules requiring registrants to disclose material cybersecurity incidents they experience and to disclose on an annual basis material information regarding their cybersecurity risk management, strategy and governance.

All 50 U.S. states have data breach notification laws that, if violated, could result in penalties, fines and litigation. In addition, many states have implemented or are in the process of implementing related legislation, including state-specific biometric privacy laws that have resulted in class-action lawsuits against businesses. The full impact of these laws on our business is yet to be determined, but it could result in increased operating expenses as well as additional exposure to the risk of litigation by or on behalf of consumers.

Internationally, in 2022, the European Data Protection Board released new continues to release guidelines on enforcement for industries and impose fines related to the General Data Protection Regulation (GDPR). The , some of which have been very significant. To improve coordination among EU supervisory authorities, the European Commission has proposed a new guidelines suggest a tougher stance on regulation that would help to streamline enforcement and stiffer fines for companies that violate of the GDPR. This is GDPR in addition cross-border cases. Meanwhile, there continues to the continued complexities involving be persistent uncertainty relating to the transfer of personal data from Europe to the U.S., or other non-adequate countries, following the Schrems II decision. On July 10, 2023, the European Commission adopted its adequacy decision on the EU-U.S. Data Privacy Framework (DPF). The decision, which took effect on the day of its adoption, concludes that the United States ensures an adequate level of protection for personal data transferred from the EEA to companies certified to the DPF. However, it is remains too soon to tell how the future of Privacy Shield 2.0 will evolve and what impact it will have on our international activities. The new framework At least one challenge to the DPF is expected to be challenged in pending before the EU now that is has been approved. Court of Justice of the European Union.

Further, Brexit has led and could also lead to legislative and regulatory changes that may increase our compliance costs. As of January 1, 2021 and the expiry of transitional arrangements agreed to between the UK and the EU, data processing in the UK is governed by a UK version of the GDPR (combining the GDPR and the Data Protection Act 2018), exposing us to two parallel regimes, each of which authorizes similar fines and other potentially divergent enforcement actions for certain violations. On June 28, 2021, the European Commission adopted an Adequacy Decision for the UK, allowing for the relatively free exchange of personal information between the EU and the UK, (as the UK correspondingly allows transfers back to the EU). However, the European Commission may suspend the Adequacy Decision if it considers that the UK no longer provides for an adequate level of data protection. A bill to amend the existing UK framework is now pending, but is not expected to be passed before the new UK election.

Other international jurisdictions, including Canada, China, India, Saudi Arabia, South Africa, the UAE, Singapore, South Korea, Mexico, Australia, Argentina, India and Brazil, among others, have also implemented, or are in the process of implementing laws relating to data privacy and protection that are all already in effect or are anticipated to go into effect in 2023. In 2023, we anticipate Australia, Argentina and India to propose new data privacy and protection soon,

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or are amending existing laws. In addition, several jurisdictions such as South Korea have shown increased enforcement of their existing data privacy and security laws. Although we believe that we are complying with the GDPR and similar laws, these laws are still relatively new. Therefore, as international data privacy and protection laws continue to evolve, and as new regulations, interpretive guidance and enforcement information become available, we may incur additional costs to modify our business practices to comply with these requirements.

We may be required to make costly system modifications to comply with applicable data privacy and security laws. Violations of these laws, or allegations of such violations, could subject us to criminal or civil, monetary or and non-monetary penalties, disrupt our operations, involve significant management distraction, negatively impact our brand image, subject us to class action lawsuits and result in a material adverse effect on our business, financial condition and results of operations.

We may be subject to or otherwise affected by federal and state healthcare laws, including fraud and abuse laws, and could face substantial penalties if we are unable to fully comply with these laws.

Healthcare fraud and abuse laws potentially applicable to our operations include, but are not limited to:

- the federal Anti-Kickback Statute, which prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving any bribe, kickback or other remuneration intended to induce the purchase, order or recommendation of an item or service reimbursable under a federal healthcare program (such as the Medicare or Medicaid programs);
- the federal False Claims Act and other federal laws which prohibit, among other things, knowingly and willfully presenting, or causing to be presented, claims for payment from Medicare, Medicaid, other government payers or other third-party payers that are false or fraudulent;
- the Physician Payments Sunshine Act, which requires medical device companies to track and publicly report, with limited exceptions, all payments and transfers of value to certain healthcare professionals and teaching hospitals in the U.S.; and
- state laws analogous to each of the above federal laws, such as state anti-kickback and false claims laws that may apply to items or services reimbursed by governmental programs and non-governmental third-party payers, including commercial insurers.

If we are found to have violated any such laws or other similar governmental regulations, including their foreign counterparts, that are directly or indirectly applicable to us, we may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion of our products from reimbursement under Medicare, Medicaid and other federal healthcare programs, and the curtailment or restructuring of our operations. Any penalties could adversely affect our ability to operate our business and our financial results. Any action against us for violation of these laws, even if we successfully defend against such action, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business.

U.S. and international legislative and regulatory changes in the healthcare industry could have a negative impact on our financial performance.

Our medical devices and business activities are subject to rigorous regulation by the FDA and other federal, state and international governmental authorities. These authorities and members of Congress have been increasing their scrutiny over the medical device industry. In recent years, Congress, the Department of Justice, the Office of Inspector General of the Department of Health and Human Services and the Department of Defense have issued subpoenas and other requests for information to medical device manufacturers, primarily related to financial arrangements with healthcare providers, regulatory compliance and marketing and product promotional practices. Furthermore, certain state governments have enacted legislation to limit and/or increase transparency of interactions with healthcare providers, pursuant to which we are required by law to disclose payments and other transfers of value to healthcare providers licensed by certain states.

We anticipate that the government will continue to scrutinize the healthcare industry closely, and any new regulations or statutory provisions could result in delays or increased costs during the periods of product development, clinical trials and regulatory review and approval, as well as increased costs to assure compliance.

Risks Related to Our Business and Operations

We may experience conflicts of interest with Cercacor Willow with respect to business opportunities and other matters.

Prior to our initial public offering in August 2007, our stockholders owned 99% of the outstanding shares of capital stock of Cercacor, Willow, and we believe that a number of our stockholders, including certain of our directors and executive officers, continue to own shares of Cercacor Willow stock. Joe Kiani, our Chairman and Chief Executive Officer (CEO), is also the Chairman and CEO of Cercacor.

Willow.

Due to the interrelated nature of Cercacor Willow with us, conflicts of interest may arise with respect to transactions involving business dealings between us and Cercacor, Willow, potential acquisitions of businesses or products, the development and ownership of technologies and products, the sale of products, markets and other matters in which our best interests and the best interests of our stockholders may conflict with the best interests of the stockholders of Cercacor. Willow. In addition, we and Cercacor Willow may disagree regarding the interpretation of certain terms in the Cross-Licensing Agreement. We cannot guarantee that any conflict of interest will be resolved in our favor, or that, with respect to our transactions with Cercacor, Willow, we will negotiate terms that are as favorable to us as if such transactions were with another third-party.

We will be required to assign to Cercacor Willow and pay Cercacor Willow for the right to use certain products and technologies we develop that relate to the monitoring of non-vital sign parameters, including improvements to Masimo SET®.

Under the Cross-Licensing Agreement, if we develop certain products or technologies that relate to the noninvasive monitoring of non-vital sign parameters, including improvements to Masimo SET® for the noninvasive monitoring of non-vital sign parameters, we would be required to assign these developments to Cercacor Willow and then license the technology back from Cercacor Willow in consideration for upfront payments and royalty obligations to Cercacor. Willow. Therefore, these products and technologies would be deemed to have been developed or improved exclusively by Cercacor. Willow.

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In addition, we will not be reimbursed by Cercacor Willow for our expenses relating to the development or improvement of any such products or technologies, which expenses may be significant. As a result of these terms, we may not generate any revenue from the further development of certain products and technologies for the monitoring of non-vital sign parameters, including improvements to Masimo SET®, which could adversely affect our business, financial condition and results of operations.

In the event that the Cross-Licensing Agreement is terminated for any reason, or Cercacor Willow grants a license to rainbow® technology to a third-party, our business would be adversely affected.

Cercacor Willow owns all of the proprietary rights to certain rainbow® technology developed with our proprietary Masimo SET® for products intended to be used in the "Cercacor "Willow Market", and all rights to any non-vital signs measurement for which we do not exercise an option pursuant to the Cross-Licensing Agreement. In addition,

Cercacor Willow has the right to terminate the Cross-Licensing Agreement or grant licenses covering rainbow® technology to third-parties if we breach certain terms of the agreement, including any failure to meet our minimum royalty payment obligations or failure to use commercially reasonable efforts to develop or market products incorporating licensed rainbow® technology. If we lose our exclusive license to rainbow® technology, we would lose the ability to prevent others from making, using, selling or importing products using rainbow® technology in our market. As a result, we would likely be subject to increased competition within our market, and Cercacor Willow or competitors who obtain a license to rainbow® technology from Cercacor Willow would be able to offer related products.

We may not be able to commercialize our products incorporating licensed rainbow® technology cost-effectively or successfully.

As a result of the royalties that we must pay to Cercacor, Willow, it is generally more expensive for us to make products that incorporate licensed rainbow® technology than products that do not include licensed rainbow® technology.

Accordingly, we may not be able to sell products incorporating licensed rainbow® technology at a price the market is willing to accept. If we cannot commercialize our products incorporating licensed rainbow® technology successfully, we may not be able to generate sufficient revenue from these products to be profitable, which could adversely affect our business, financial condition and results of operations.

Rights provided to Cercacor Willow in the Cross-Licensing Agreement may impede a change in control of our company.

Under the Cross-Licensing Agreement, a change in control includes the resignation or termination of Joe Kiani from his position as CEO of either Masimo or Cercacor. Willow. A change in control also includes other customary events, such as the sale or merger of Masimo or Cercacor Willow to a non-affiliated third-party or the acquisition of 50% or more of the voting power of Masimo or Cercacor Willow by a non-affiliated third-party.

Among other things, the Cross-Licensing Agreement provides that if the surviving or acquiring entity ceases to use “Masimo” as a company name and trademark following a change in control, all rights to the “Masimo” trademark will automatically be assigned to Cercacor. Willow. This could delay or discourage transactions involving an actual or potential change in control of us, including transactions in which our stockholders might otherwise receive a premium for their shares over our then-current trading price. In addition, our requirement to assign all future improvements for non-vital signs to Cercacor Willow could impede a change in control of our company.

If we are unable to obtain key materials and components from sole or limited source suppliers, we will not be able to deliver our products to customers.

We depend on certain sole or limited source suppliers for certain key materials and components, including digital signal processor chips and analog-to-digital converter chips for certain products. These suppliers are located around the world, and the production and shipment of such materials and components may be constrained globally due to freight carrier delays and other disruptions to the supply chain. We may experience manufacturing problems related to these suppliers and other outside sources if such suppliers fail to develop, manufacture or ship products and components to us on a timely basis, or provide us with products and components that do not meet our quality standards and required quantities. We previously experienced supply constraints with regard to certain digital signal processor chips and other components during the COVID-19 pandemic, which affected our sales during 2022. In addition, from time to time there have been industry-wide shortages of certain components that we use in certain products. We may also experience price increases for materials, components and shipping with no guarantee that such increases can be passed along to our customers, which could adversely impact our gross margins.

If any of these problems occur, we may be unable to obtain substitute sources for these products and components on a timely basis or on terms acceptable to us, which could harm our ability to manufacture our own products and components profitably or on time.

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Future strategic initiatives, including acquisitions of businesses and strategic investments, could negatively affect our business, financial condition and results of operations if we fail to integrate the acquired businesses and their employees successfully into our existing operations or achieve the desired results of our initiatives.

We have acquired several businesses since our inception and we may acquire additional businesses in the future. For example, on April 11, 2022, we completed our acquisition of Sound United. In connection with the Sound United acquisition, on April 11, 2022, we entered into a Credit Facility to partially fund the acquisition. Future acquisitions may require additional debt or equity financing, which could be dilutive to our existing stockholders or reduce our earnings per share or other financial metrics. Even if we complete acquisitions, there are many factors that could affect whether such acquisition, including our acquisition of Sound United, will be beneficial to our business, including, without limitation:

- payment of above-market prices for acquisitions and higher than anticipated acquisition costs;
- issuance of common stock as part of the acquisition price or a need to issue stock options or other equity-based compensation to newly-hired employees of target companies, resulting in dilution of ownership to our existing stockholders;
- reduced profitability if an acquisition is not accretive to our business over either the short-term or the long-term;
- difficulties in integrating any acquired companies, personnel, products and other assets into our existing business;
- delays in realizing the benefits of the acquired company, products or other assets;
- regulatory challenges and becoming subject to additional regulatory requirements;
- cybersecurity and compliance-related issues;
- diversion of our management’s time and attention from other business concerns;
- limited or no direct prior experience in new markets or countries we may enter;
- unanticipated issues dealing with unfamiliar suppliers, service providers or other collaborators of the acquired company;
- higher costs of integration than we anticipated;

- write-downs or impairments of goodwill or other intangible assets associated with the acquired company;
- difficulties in retaining key employees of the acquired business who are necessary to manage these acquisitions;
- negative impacts on our relationships with our employees, clients, customers or collaborators;
- intellectual property and other litigation, other claims or liabilities in connection with the acquisition; and
- changes in the overall financial model as certain acquired companies may have a different revenue, gross profit margin or operating expense profile.

Further, our ability to benefit from future acquisitions and/or external strategic investments depends on our ability to successfully conduct due diligence, negotiate acceptable terms, evaluate prospective opportunities and bring acquired technologies and/or products to market at acceptable margins and operating expense levels.

We may also discover deficiencies in internal controls, data adequacy and integrity, product quality, regulatory compliance, product liabilities or other undisclosed liabilities that we did not uncover prior to our acquisition or investment, which could result in us becoming subject to penalties, other liabilities or asset impairments. In addition, if we do not achieve the anticipated benefits of an acquisition or other external investment as rapidly as expected, or at all, investors or analysts may downgrade our stock.

We also expect to continue to carry out internal strategic initiatives that we believe are necessary to grow our revenues and expand our business, both in the U.S. and abroad. For example, we have continued to invest in international expansion programs designed to increase our worldwide presence and take advantage of market expansion opportunities around the world. Although we believe our investments in these initiatives continue to be in the long-term best interests of Masimo and our stockholders, there are no assurances that such initiatives will yield favorable results for us. Accordingly, if these initiatives are not successful, our business, financial condition and results of operations could be adversely affected.

If these risks materialize, our stock price could be materially adversely affected. Any difficulties in the integration of acquired businesses or unexpected penalties, liabilities or asset impairments in connection with such acquisitions or investments could have a material adverse effect on our business, financial condition and results of operations.

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Our new products and changes to existing products, including as a result of our acquisition of Sound United could fail to attract or retain users or generate revenue and profits. Further, we may not be successful in our non-healthcare expansion, which could adversely affect our business, reputation or financial results.

In connection with the Sound United Acquisition, acquisition, we have expanded our business and product strategy to additionally focus on non-healthcare consumer products to integrate with our successful medical technology businesses. Further, we may introduce certain changes to our existing healthcare products or introduce new and unproven products. Prior to the Sound United Acquisition, acquisition, we did not have significant experience with consumer hardware products, and Sound United does not have experience with healthcare products, which may adversely affect our ability to successfully develop and market these products and technologies and integrate them with our existing products and platforms. We expect this will be a complex, evolving, and long-term strategic initiative that will involve the development of new and emerging technologies, continued investment in medical technology and consumer products, and collaboration with other companies, developers, partners and other participants. However, our non-healthcare business may not develop in accordance with our vision and expectations, and market acceptance of features, products or services we build for our consumer business may be uncertain. We may be unsuccessful in our research and product development efforts, including if we are unable to develop relationships with key participants in the consumer products business. Our new strategic efforts may also divert resources and management attention from other areas of our business. In addition, as our non-healthcare business continues to evolve, we may be subject to a variety of laws and regulations in the U.S. and international jurisdictions, which we were not previously affected by, including in the areas of privacy, which may delay or impede the development of our products and services, increase our operating costs, require significant management time and attention, or otherwise harm our business. As a result of these or other factors, our non-healthcare expansion and investments may not be successful in the foreseeable future, or at all, which could adversely affect our business, reputation, or financial results.

Our Credit Facility contains certain covenants and restrictions that may limit our flexibility in operating our business.

Our Credit Facility contains various affirmative covenants and restrictions that limit our ability to engage in specified types of transactions, including:

- incurring specified types of additional indebtedness, there can be no assurance that we will be able to obtain any additional debt or equity financing at the time needed or that such financing will be available on terms that are favorable or acceptable to us (including guarantees or other contingent obligations);
- paying dividends on, repurchasing or making distributions in respect of our common stock or making other restricted payments, subject to specified exceptions;
- making specified investments (including loans and advances);
- selling or transferring certain assets;
- creating certain liens;
- consolidating, merging, selling or otherwise disposing of all or substantially all of our assets; and
- entering into certain transactions with any of our affiliates.

In addition, under our Credit Facility, we are required to satisfy and maintain specified financial ratios and other customary affirmative and negative covenants. Our ability to meet those financial ratios and affirmative and negative covenants could be affected by events beyond our control and, therefore, we cannot be assured that we will be able to continue to

satisfy these requirements. A breach of any of these ratios or covenants could result in a default under our Credit Facility. Upon the occurrence of an event of default, the Lenders could elect to declare all amounts outstanding under our Credit Facility immediately due and payable, terminate all commitments to extend further credit and pursue legal remedies for recovery, all of which could adversely affect our business and financial condition. See Note 15, “Debt”, to our accompanying condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information on our Credit Facility.

Further, if we do not achieve the anticipated benefits from the Sound United Acquisition, acquisition, our ability to service our indebtedness may be adversely impacted. Even if we achieve the anticipated benefits from the acquisition, we may be required to raise substantial additional financing to fund working capital, capital expenditures, acquisitions, or other general corporate purposes. Our ability to arrange additional financing and make payments of principal and interest on our indebtedness will depend on our future performance, which will be subject to general economic, financial, and business conditions as well as other factors affecting our operations, many of which are beyond our control.
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We have incurred impairment charges for other intangible assets, and may incur further impairment charges in the future, which would negatively impact our operating results.

During the third quarter of 2023, we experienced continued declines in the our stock price and certain worsening macro-economic market conditions, including continued slowing in demand for consumer audio products, which contributed to a significant decline in the our market capitalization. Based on these factors, we determined that there was a triggering event for the three months ended September 30, 2023, which required an interim impairment assessment. Accordingly, we performed an interim impairment test of goodwill and indefinite-lived intangibles, and a recoverability test for other long lived assets with finite lives. This quantitative assessment indicated that the carrying value of certain trademarks in the non-healthcare reporting unit were impaired by approximately $7.0 million. $7.0 million. No impairment of goodwill was identified, as the fair value of each reporting unit exceeded its carrying value as of September 30, 2023.

During the fourth quarter of 2023, although we experienced a recovery in our stock price and stabilization in our market capitalization, we also experienced continued softening in customer demand for our non-healthcare core audio products and additional supply chain inefficiencies. Based on these factors and further quantitative assessment, we determined the carrying value of certain trademarks in the non-healthcare reporting unit were impaired by approximately $3.0 million.

We review goodwill, other intangibles and other long-lived assets with finite lives for impairment at least annually in the fourth quarter of the year or more frequently if an event occurs indicating the potential for impairment, and should our stock price, macro-economic market conditions or related forecast revisions market conditions continue to deteriorate, the result of such review may indicate additional declines in the fair value of goodwill, other intangibles and other long-lived assets with finite lives, requiring additional impairment charges in the future. impairment. In the event we are required to record additional non-cash impairment charges to our goodwill, other intangibles and other long-lived assets with finite lives in the future, such a non-cash charge could have a material adverse effect on our consolidated statements of operations and balance sheets in the reporting period in which we record the charge. For additional information, see the discussion of “Impairment Charge” in Part I, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

***We may need additional capital and failure to raise additional capital on terms favorable to us, or at all, could limit our ability to grow our business and develop or enhance our service offerings to respond to market demand or competitive challenges.**

We anticipate that our existing cash and cash equivalents, amounts available under our Credit Facility, and cash provided by operations, and access to the equity capital markets, taken together, provide adequate resources to fund ongoing operating and capital expenditures, working capital requirements, and other operational funding needs for the next 12 months. However, we may require additional cash resources due to changed business conditions or other future developments. If our existing resources are insufficient to satisfy cash requirements, we may seek to obtain one or more additional credit facilities, sell equity or debt securities or pursue other forms of financing. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financing covenants that could potentially restrict our operations. The sale of additional equity securities, or securities convertible into equity securities, could result in dilution to stockholders. In addition, actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems and could increase our costs of borrowing.

Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including investors’ perception of, and demand for, our securities, conditions in the capital markets in which we may seek to raise funds, our future results of operations and financial condition, and general economic, macro-economic, political and geopolitical conditions. In addition, even if debt financing is available, the cost of additional financing may be significantly higher than those provided for in our current Credit Facility. Moreover, financing may not be available in amounts or on terms acceptable to us, or at all, or at times when we require it, each of which could limit our ability to grow and expand our business and operations and develop or enhance our products and offerings to respond to market demand or competitive or other business challenges.

***The potential separation of our consumer business is subject to various risks and uncertainties, and may not be completed on the terms currently contemplated, if at all, and, if completed, may not achieve the intended benefits.**

On March 22, 2024, we announced that our Board has authorized management to evaluate a proposed separation of our consumer business. Our Board and management are currently evaluating the proposed structure of the proposed separation, but we currently expect the proposed separation will include our consumer audio and consumer health products, including the Stork baby monitor and the Freedom smart watch and band. The proposed separation is complex, and completion of the proposed separation and the timing of its completion will be subject to a number of factors and conditions, including the finalization of the structure of the proposed separation and final approval by our Board, as well as the satisfaction of conditions to completing the proposed separation, among other things. The uncertainties associated with this process, foreseen and unforeseen costs incurred, and efforts involved, may negatively affect our operating results, business and our relationships with employees, customers, suppliers and vendors. Unanticipated developments could delay, prevent or otherwise adversely affect the proposed separation, including, but not limited to, changes in general economic and financial market conditions and material adverse

changes in business or industry conditions. There can be no assurances that we will be able to complete the proposed separation or that the proposed separation will maximize shareholder value or be the best path for success. In addition, we cannot assure that we will be able to complete the proposed separation within any specified timeline, or at all. Delays or failure to consummate the proposed separation could negatively affect our business, financial condition and results of operations. The execution of the proposed separation has required and may continue to require significant time and attention from our senior management and employees, which could cause disruption in business processes and adversely affect our financial results and our results of operations, and our employees may be distracted due to uncertainty regarding the future state of our company. Additionally, foreseen and unforeseen costs may be incurred with the proposed separation, including fees such as advisory, accounting, tax, legal, reorganization, restructuring, and various other fees, some of which may be incurred regardless if the proposed separation occurs. Furthermore, if the proposed separation is completed, we may not be able to achieve the full strategic and financial benefits that are expected to result from the proposed separation.

Risks Related to Our Stock

***Concentration of ownership of our stock among our existing directors, executive officers and principal stockholders may prevent new investors from influencing significant corporate decisions.**

As of September 30, 2023 March 30, 2024, our current directors and executive officers and their affiliates, in the aggregate, beneficially owned approximately 18.6% of our outstanding stock. Subject to any fiduciary duties owed to our other stockholders under Delaware law, these stockholders may be able to exercise significant influence over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, and will have some control over our management and policies in their roles as stockholders. Some of these persons or entities may have interests that are different from yours. For example, these stockholders may support proposals and actions with which you may disagree or which are not in your best interests.

The concentration of ownership could delay or prevent a change in control of us, or otherwise discourage a potential acquirer from attempting to obtain control of us, which in turn could reduce the price of our stock.

In addition, these stockholders could use their voting influence to maintain our existing management and directors in office or support or reject other management and Board proposals that are subject to stockholder approval, such as amendments to our employee stock plans and approvals of significant financing transactions.

***We may be unable to accurately forecast our financial and operating results and appropriately plan our expenses in the future or we may fail to meet our publicly announced guidance about our business and future operating results.**

From time to time, we release earnings guidance or other financial guidance in our quarterly and annual earnings conference calls or otherwise, regarding our future performance that represents our management's estimates as of the date of release. Our guidance includes forward-looking statements based on projections prepared by our management. Projections are based upon a number of assumptions and estimates that are based on information known when they are issued, and, while presented with numerical specificity, are inherently subject to significant business, economic, and competitive uncertainties and contingencies relating to our business, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. Some of those key assumptions include broader macro-economic conditions and the resulting impact of these factors on future consumer spending patterns and our business. These assumptions are inherently difficult to predict, particularly in the long term. Additionally, forecasted financial and operating results may differ materially from actual results, which may materially adversely affect our financial condition and stock price. For example, if certain of our assumptions or estimates prove to be wrong, including any of the economic trends and developments affecting our business discussed in Part I, Item 2 of this Quarterly Report on Form 10-Q, this could cause us to miss our earnings guidance or negatively impact the results we report, either of which could negatively impact our stock price and expose us to potential shareholder litigation.

We generally state possible outcomes as high and low ranges which are intended to provide a sensitivity analysis as variables are changed but are not intended to imply that actual results could not fall outside of the suggested ranges. Furthermore, analysts and investors may develop and publish their own projections of our business, which may form a consensus about our future performance. Our actual business results may vary significantly from such guidance or estimates or that consensus due to a number of factors, many of which are outside of our control, including global economic uncertainty and financial market conditions, geopolitical events, rising inflation, and rising interest rates, potential recessionary factors, and foreign exchange rate volatility, which could adversely affect our business and future operating results. We use the reports and models of economic experts in making assumptions relating to consumer discretionary spending and predictions as to timing and pace of any future economic impacts. If these models are incorrect or incomplete, or if we fail to accurately predict the full impact of certain factors, such as macro-economic factors, the guidance and other forward-looking statements we provide may also be

incorrect or incomplete. Furthermore, if we make downward revisions of our previously announced guidance, or if our publicly announced guidance of future operating results fails to meet expectations of analysts, investors, or other interested parties, the price of our common stock could decline. Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the guidance furnished by us will not materialize or will vary significantly from actual results. In light of the foregoing, investors are urged not to rely upon our guidance in making an investment decision regarding our common stock.

***Our corporate documents, and Delaware law contain provisions that could discourage, delay or prevent a change in control of our company, prevent attempts to replace or remove current management and reduce the market price of our stock.**

Provisions in our certificate of incorporation and bylaws may discourage, delay or prevent a merger or acquisition involving us that our stockholders may consider favorable. For example, our certificate of incorporation authorizes our Board to issue up to 5.0 million shares of "blank check" preferred stock. As a result, without further stockholder approval, our

Board has the authority to attach special rights, including voting and dividend rights, to this preferred stock, including pursuant to a stockholder rights plan, such as those underlying the Rights Agreement we previously adopted on September 9, 2022, which we terminated in accordance with the terms of the Amendment to the Rights Agreement we entered into effective as of March 22, 2023. However, we may implement a new stockholder rights plan in the future, which may have the effect of discouraging or preventing a change in control by, among other things, making it uneconomical for a third party to acquire us without the consent of our Board. With such rights, preferred stockholders could make it more difficult for a third-party to acquire us.

In addition, our certificate of incorporation previously provided for a staggered Board, whereby directors serve for three-year terms, with one-third of the directors coming up for reelection each year. However, at our 2023 annual meeting of stockholders held on June 26, 2023, our stockholders approved an amendment to our certificate of incorporation, pursuant to which we will phase-in the declassification of our Board over four years, whereby all members of our Board that are elected after our 2023 annual meeting of stockholders would be elected for annual terms. Accordingly, the three-year term for the Class I directors elected at our 2023 annual meeting of stockholders will expire at our 2026 annual meeting of stockholders, the three-year term for the Class II directors elected at our 2021 annual meeting of stockholders will expire as originally scheduled at our 2024 annual meeting of stockholders and the three-year term for the Class III directors elected at our 2022 annual meeting of stockholders will expire as originally scheduled at our 2025 annual meeting of stockholders. The implementation of the declassification of our Board will commence at our 2024 annual meeting of stockholders. Director nominees standing for election at our 2024 annual meeting of stockholders and each annual meeting of stockholders thereafter will be elected to serve a one-year term. Beginning with our 2026 annual meeting of stockholders, all directors would stand for annual elections.

We are also subject to anti-takeover provisions under the General Corporation Law of the State of Delaware (DGCL). Under these provisions, if anyone becomes an “interested stockholder,” we may not enter into a “business combination” with that person for three years without special approval, which could discourage a third-party from making a takeover offer and could delay or prevent a change in control of us. For purposes of these provisions, an “interested stockholder” generally means someone owning 15% or more of our outstanding voting stock or an affiliate of ours that owned 15% or more of our outstanding voting stock during the past three years, subject to certain exceptions as described in the DGCL.

***Shareholder activism could cause us to incur significant expense, disrupt our business, result in a proxy contest or litigation and impact our stock price.**

We have been subject to shareholder activism and may be subject to such activism in the future, which as before could result in substantial costs and divert management’s and our Board’s attention and resources from our business. Such shareholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with our employees, customers, suppliers, or suppliers, business partners, make it more difficult to attract and retain key personnel, and result in a change in control pursuant to the employment agreement between us and Joe Kiani, our Chairman and CEO.

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We value input from investors and regularly engage in dialogue with our stockholders regarding strategy and performance. Activist shareholders who disagree with the composition of our Board, our strategy or the way our Company is managed may seek to effect change through various strategies and channels, such as through commencing another proxy contest, making public statements critical of our performance or business or engaging in other similar activities. Responding to shareholder activism can be costly and time-consuming, disrupt our operations, and divert the attention of management and our employees from our strategic initiatives, and we may be required to incur significant fees and other expenses related to activist shareholder matters, including for third-party advisors. For example, in 2022, Politan Capital Management LP and Politan Capital NY LLC and certain of their affiliates (Politan), acquired a material portion of our outstanding shares and filed a proxy statement with the SEC seeking an election of two of its nominees to our Board at our 2023 Annual Meeting. At the 2023 Annual Meeting held on June 26, 2023, our stockholders voted to elect both nominees designated by Politan to serve on our Board. As a result of the contested director election, we incurred significant costs, and delays in business relationships, as well as Board and management distraction during the fourth quarter of 2022 and majority of the 2023 fiscal year. In March 2024, Politan nominated two additional persons for election to our Board at our upcoming 2024 Annual Meeting. As a result of the contested director election, we expect to again incur significant costs, as well as endure Board and management distractions during the first half and second quarters of 2023. 2024 and possibly through the remainder of 2024.

Politan may encourage others or on its own Responding to conduct an additional the upcoming proxy contest in connection with our 2024 Annual Meeting of Stockholders. Responding to any future from Politan or proxy contests from Politan or any other activist shareholders is likely to will be costly and time-consuming and could will again divert management’s and our Board’s attention and resources from our business. business activities. This could have a material adverse effect on us for at least the following reasons:

- shareholders may attempt to effect changes in our strategic direction and governance or to acquire control over our Board or our Company;
- while we welcome the opinions of all shareholders, responding to proxy contests and related litigation by shareholders is likely to be costly and time-consuming, disrupt our operations, and potentially divert the attention of our Board, management team and other employees away from their regular duties and the pursuit of business opportunities to enhance shareholder value;
- perceived uncertainties as to our future direction as a result of potential changes to the composition of our Board may lead to the perception of a change in the strategic direction of the business, the loss of key employees, including our executive officers, instability or lack of continuity, particularly if the activism campaign results in the appointment of one or more activist shareholders on the Board, which may cause concern to our existing or potential collaboration partners, employees and shareholders; may be exploited by our competitors; may result in the loss of potential business opportunities or limit our ability to timely initiate or advance clinical trials; and may make it more difficult to attract and retain qualified personnel and business partners;
- if additional individuals are elected to our board of directors Board who may have a specific agenda, including a plan to terminate our Chief Executive Officer or other executive officers, initiate a hostile takeover, or sell our healthcare or non-healthcare business, it may result in operational disruption disruptions and adversely affect our ability to effectively implement our strategic plan plans in a timely manner and create additional value for our shareholders; and
- the election of activist directors, including in the current instance where Politan, an affiliate of an activist director Quentin Koffey, has sued other members of our current Board, may create disruption at Board meetings and in Board deliberations and discussions;
- activist directors may make overly burdensome demands of Company management and materially and unnecessarily increase management’s workload; and
- proxy contests and related litigation by shareholders could cause significant fluctuations in our share price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

The occurrence of any of the foregoing could adversely affect our business, financial condition and results of operations.

Exclusive forum provisions in our bylaws could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our bylaws provide that the state or federal courts located within the State of Delaware are the sole and exclusive forum for: (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees or stockholders to our stockholders, (iii) any action asserting a claim against us arising pursuant to the DGCL, our certificate of incorporation or our bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware, or (iv) any action asserting a claim governed by the internal affairs doctrine. However, this choice of forum provision does not apply to (a) actions in which the Court of Chancery in the State of Delaware concludes that an indispensable party is not subject to the jurisdiction of Delaware courts, or (b) actions in which a federal court has assumed exclusive jurisdiction to a proceeding. This choice of forum provision is not intended to apply to any actions brought under the Securities Act of 1933, as amended (the Securities Act), or the Securities Exchange Act of 1934, as amended (the Exchange Act). Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. As a result, the exclusive forum provision will not apply to suits brought to enforce any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees or stockholders, which may discourage such lawsuits against us and our directors, officers and other employees or stockholders.

Furthermore, the enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be inapplicable or unenforceable. If a court were to find the choice of forum provision in our bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business, financial condition and results of operations.

General Risk Factors

***We may experience significant fluctuations in our periodic financial results and may not maintain our current levels of profitability in the future.**

Our operating results have fluctuated in the past and are likely to fluctuate in the future. Many of the countries in which we operate, including the U.S. and several of the members of the EU, have experienced and continue to experience uncertain economic conditions resulting from global as well as local factors. In addition, continuing uncertainty in the U.S. economy may result in continued inflationary pressures globally and in the U.S. in particular, which may contribute to future interest rate volatility.

Our business or financial results may be adversely impacted by these uncertain economic conditions, including: adverse changes in interest rates, foreign currency exchange rates, tax laws or tax rates; inflation; contraction in the availability of credit in the marketplace due to legislation or other economic conditions, which may potentially impair our ability to access the capital markets on terms acceptable to us or at all; changes in consumer spending during a recession; and the effects of government initiatives to manage economic conditions.

We are also unable to predict how changing global economic conditions or potential global health concerns will affect our critical customers, suppliers and distributors. Any negative impact of such matters on our critical customers, suppliers or distributors may also have an adverse impact on our results of operations or financial condition. Our expense levels are based, in part, on our expectations regarding future revenue levels and are relatively fixed in the short-term.

As a result, if our revenue for a particular period was below our expectations, we would not be able to proportionately reduce our operating expenses for that period. Any revenue shortfall would have a disproportionately negative effect on our operating results for the period.

In addition, the methods, estimates and judgments that we use in applying our accounting policies are, by their nature, subject to substantial risks, uncertainties and assumptions. Factors may arise over time that lead us to change our methods, estimates and judgments, the impact of which could significantly affect our results of operations. See "Critical Accounting Policies and Estimates" contained in Part I, Item 2 of this Quarterly Report on Form 10-Q.

Recent accounting changes related to our embedded leases within certain deferred equipment agreements have also resulted in the acceleration of the timing related to our recognition of revenue and expenses associated with certain equipment provided to healthcare customers at no up-front charge. Since we cannot control the timing of when our customers will request us to deliver such equipment, our revenue and costs with respect to leased equipment could vary substantially in any given quarter or year, which could further increase quarterly or annual fluctuations within our financial results.

Due to these and other factors, you should not rely on our results for any one quarter as an indication of our future performance. If our operating results fail to meet or exceed the expectations of securities analysts or investors, our stock price could drop suddenly and significantly.

***Adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults or non-performance by financial institutions or transactional counterparties, could adversely affect our current and projected business operations and its financial condition and results of operations.**

Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. For example, on March 10, 2023, Silicon Valley Bank (SVB) was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation (FDIC) as receiver. Similarly, on March 12, 2023, Signature Bank and Silvergate Capital Corp. were each swept into receivership. Although a statement by the Department of the Treasury, the Federal Reserve and the FDIC stated all depositors of SVB would have access to all of their money after only one business day of closure, including funds held in uninsured deposit accounts, borrowers under credit agreements, letters of credit and certain other financial instruments with SVB, Signature Bank or any other financial institution that is placed into receivership by the FDIC may be unable to access undrawn amounts thereunder. Although we are not a borrower or party to any such instruments with SVB, Signature or any other financial institution currently in receivership, if any of our lenders or counterparties to any

such instruments were to be placed into receivership, we may be unable to access such funds. In addition, counterparties to SVB credit agreements and arrangements, and third parties such as beneficiaries of letters of credit (among others), may experience direct impacts from the closure of SVB and uncertainty remains over liquidity concerns in the broader financial services industry. Similar impacts have occurred in the past, such as during the 2008-2010 financial crisis.

Although we assess our banking relationships as we believe necessary or appropriate, our access to funding sources and other credit arrangements in amounts adequate to finance or capitalize our current and projected future business operations could be significantly impaired by factors that affect us, the financial institutions with which we have credit agreements or arrangements directly, or the financial services industry or economy in general. These factors could include, among others, events such as liquidity constraints or failures, the ability to perform obligations under various types of financial, credit or liquidity agreements or arrangements, disruptions or instability in the financial services industry or financial markets, or concerns or negative expectations about the prospects for companies in the financial services industry. These factors could involve financial institutions or financial services industry companies with which we have financial or business relationships, but could also include factors involving financial markets or the financial services industry generally.

The results of events or concerns that involve one or more of these factors could include a variety of material and adverse impacts on our current and projected business operations and our financial condition and results of operations. These could include, but may not be limited to, the following:

- delayed access to deposits or other financial assets or the uninsured loss of deposits or other financial assets;
- loss of access to revolving existing credit facilities or other working capital sources and/or the inability to refund, roll over or extend the maturity of, or enter into new credit facilities or other working capital resources;
- potential or actual breach of contractual obligations that require us to maintain letters or credit or other credit support arrangements;
- potential or actual breach of financial covenants in our credit agreements or credit arrangements;
- potential or actual cross-defaults in other credit agreements, credit arrangements or operating or financing agreements; or
- termination of cash management arrangements and/or delays in accessing or actual loss of funds subject to cash management arrangements.

Any decline in available funding or access to our cash and liquidity resources could, among other risks, adversely impact our ability to meet our operating expenses, financial obligations or fulfill our other obligations, result in breaches of our financial and/or contractual obligations or result in violations of federal or state wage and hour laws. Any of these impacts, or any other impacts resulting from the factors described above or other related or similar factors not described above, could have material adverse impacts on our liquidity and our current and/or projected business operations and financial condition and results of operations.

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In addition, any further deterioration in the macro-economic economy or financial services industry could lead to losses or defaults by our customers or suppliers, which in turn, could have a material adverse effect on our current and/or projected business operations and results of operations and financial condition. For example, a customer may fail to make payments when due, default under their agreements with us, become insolvent or declare bankruptcy, or a supplier may determine that it will no longer deal with us as a customer. In addition, a customer or supplier could be adversely affected by any of the liquidity or other risks that are described above as factors that could result in material adverse impacts on our company, including but not limited to delayed access or loss of access to uninsured deposits or loss of the ability to draw on existing credit facilities involving a troubled or failed financial institution. Any customer or supplier bankruptcy or insolvency, or the failure of any customer to make payments when due, or any breach or default by a customer or supplier, or the loss of any significant supplier relationships, could result in material losses to our company and may have material adverse impacts on our business.

A regional or global recession and other negative macro-economic trends could adversely affect our consumer business.

Our consumer products are generally considered non-essential, discretionary products. As such, many of these products can be especially sensitive to general downturns in the economy. Negative macro-economic conditions, such as high inflation, recession, changes to monetary policy, increasing interest rates and decreasing consumer confidence can adversely impact demand for these products, which could negatively impact our business, financial condition and results of operations.

Future changes in accounting pronouncements and tax laws, or the interpretation thereof, could have a significant impact on our reported results, and may affect our historical reporting of previous transactions.

New accounting pronouncements or taxation rules, and evolving interpretations thereof, have occurred and are likely to occur in the future. Future changes made by new accounting standards may apply prospectively or retrospectively, depending on the method of adoption, and may recast previously reported results. For additional information related to the impact of new accounting pronouncements, please see Note 2, “Summary of Significant Accounting Policies”, to our accompanying condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

In addition, future changes to the U.S. tax code and its regulations could have a material impact on our effective tax rate and the implementation of these changes could require us to make substantial changes to our business practices, allocate resources, and increase our costs, which could negatively affect our business, results of operations and financial condition.

The OECD (Organization for Economic Co-operation and Development) has proposed a global minimum tax of 15% of reported profits (Pillar Two) that has been agreed upon in principle by over 140 countries. The OECD continues to release additional guidance, including administrative guidance on how Pillar Two rules should be interpreted and applied by jurisdictions as they adopt Pillar Two. A number of countries have utilized the administrative guidance as a starting point for legislation that is effective January 1, 2024. The Company is continuing to evaluate the potential impact on future periods of Pillar Two, pending legislative adoption by individual countries.

Our retirement and post-retirement pension benefit plans are subject to financial market risks that could adversely affect our future results of operations and cash flows.

We sponsor several defined benefit plans with post-retirement benefits to certain employees in certain international markets. These defined benefit plans are funded with trust assets invested in a diversified portfolio of securities and other investments. Changes in interest rates, mortality rates, early retirement rates, investment returns, discount rates and the market value of plan assets could affect the funded status of our defined benefit plan and post-retirement benefit obligations, causing volatility in the net periodic benefit cost and future funding requirements of the plans. A significant increase in our obligations or future funding requirements could have a negative impact on our results of operations and cash flows from operations.

If we lose the services of our key personnel, or if we are unable to attract and retain other key personnel, we may not be able to manage our operations or meet our growth objectives.

We are highly dependent on our senior management, especially Joe Kiani, our CEO, and other key officers. We are also heavily dependent on our engineers and field sales team, including sales representatives and clinical specialists. We believe certain of our competitors with greater financial resources than us have targeted our key personnel for recruitment and will likely continue to do so in the future. To the extent that key personnel depart, we may be required to bring on new hires that require training and take time before they achieve full productivity. New employees may not become as productive as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals. The loss of the services of members of our key personnel or the inability to attract and retain qualified personnel in the future could prevent the implementation and completion of our objectives, including the development and introduction of our products. In general, our key personnel may terminate their employment at any time and for any reason without notice, unless the individual is a participant in our 2007 Severance Protection Plan, in which case the individual has agreed to provide us with six months' notice if such individual decides to voluntarily resign. In addition, Politan Capital Management LP and Politan Capital NY LLC, which are managed by Quentin Koffey, a member of our Board, previously filed a lawsuit against us and members of our Board seeking to invalidate the employment agreement of Mr. Kiani, our Chief Executive Officer. Although Politan subsequently filed a motion to dismiss the complaint without prejudice, which was approved by the court in September 2023, Politan can refile this or any other complaint against us, our Board or any individual director at any time. We do not maintain any "key person" life insurance policies with respect to any of our key personnel.

In addition, regulation or legislation impacting the workforce, such as the proposed rule published by the Federal Trade Commission which would, if issued, generally prevent employers from entering into non-compete non-competition agreements with employees and require employers to rescind existing non-competes, non-competition agreements, may lead to increased uncertainty in hiring and competition for talent.

***We are involved, and may become involved in the future, in disputes and other legal or regulatory proceedings that, if adversely decided or settled, could materially and adversely affect our business, financial condition and results of operations.**

We are, and may in the future become, party to litigation, regulatory proceedings or other disputes. In general, claims made by or against us in disputes and other legal or regulatory proceedings can be expensive and time-consuming to bring or defend against, requiring us to expend significant resources and divert the efforts and attention of our management and other personnel from our business operations. These potential claims may include, but are not limited to personal injury and class action lawsuits, intellectual property claims and regulatory investigations relating to the advertising and promotional claims about our products and employee claims against us based on, among other things, discrimination, harassment or wrongful termination. In addition, we may become subject to claims against companies we acquire based on circumstances arising prior to the acquisition, and the sellers of the acquired company may have no obligation to reimburse us for any resulting damages or expenses.

For example, on October 21, 2022, a complaint was filed in Due to the Delaware Court of Chancery against us and certain members complexity of our Board by Politan Capital Management LP and Politan Capital NY LLC (Activist Plaintiffs). The Activist Plaintiffs are managed by Quentin Koffey, who is a member of our Board. The complaint sought to (i) declare certain amendments to our bylaws that became effective on September 9, 2022 (Bylaw Amendments) unenforceable, (ii) find that our Board breached their fiduciary duties by approving and implementing the Bylaw Amendments business and the shareholder rights plan adopted by us on September 9, 2022, and refusing to invalidate certain change in control provisions in our employment agreement with Joe Kiani, our CEO (iii) invalidate certain change in control provisions in Mr. Kiani's employment agreement, (iv) permanently enjoin us and our Board from taking any actions to prevent the Activist Plaintiffs from exercising their rights in accordance with our prior bylaws to nominate directors, and (v) award the Activist Plaintiffs their fees, costs and expenses in connection with the action covered by the complaint. On March 3, 2023, the Activist Plaintiffs filed a motion for leave to file a second amended and supplemented verified complaint (the Second Amended Complaint), which the Court granted on March 15, 2023. The Second Amended Complaint added the California State Teachers' Retirement System (CalSTRS) as a co-plaintiff and added several former members variety of our Board as additional co-defendants. The Second Amended Complaint seeks to invalidate the employment agreement of Mr. Kiani, our Chief Executive Officer, and challenges Mr. Kiani's February 8, 2023 waiver. The Activist Plaintiffs subsequently filed a motion to dismiss the complaint without prejudice, which was approved by the Delaware Court of Chancery in September 2023. The Activist Plaintiffs can file a new complaint covering the matters that were the subject of the Second Amended Complaint or other matters against us, our Board or any individual director at any time. We believe risks that we face, our internal risk mitigation policies and the members of procedures may not always be sufficient to allow us to identify issues and take corrective action before a claim, lawsuit or regulatory action is initiated against us. Failure to detect and remediate issues at an early stage could have a material adverse effect on our Board have good business and substantial defenses to the Activist Plaintiffs' previous claims, but if the Activist Plaintiffs file a similar complaint, there is no guarantee that we and the members of our Board who are named as defendants result in increased liability in any such litigation will prevail. Our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties related to any lawsuit. ensuing proceeding.

Any litigation, proceedings or dispute, even those without merit, may divert our financial and management resources that would otherwise be used to benefit the future performance of our operations. Any adverse determination against us in these proceedings, or even the allegations contained in the claims, regardless of whether they are ultimately found to be without merit, may also result in settlements, injunctions or damages that could have a material adverse effect on our business, financial condition and results of operations.

Changes to government immigration regulations may materially affect our workforce and limit our supply of qualified professionals, or increase our cost of securing workers.

We recruit professionals on a global basis and must comply with the immigration laws in the countries in which we operate, including the U.S. Some of our employees are working under Masimo-sponsored temporary work visas, including H1-B visas. Statutory law limits the number of new H1-B temporary work permit petitions that may be approved in a fiscal year. Furthermore, there is a possibility that the current U.S. immigration visa program may be significantly overhauled, and the number of H1-B visas available, as well as the process to obtain them, may be subject to significant change. Any resulting changes to this visa program could impact our ability to recruit, hire and retain qualified skilled personnel. If we are unable to obtain work visas in sufficient quantities or at a sufficient rate for a significant period of time, our business, operating results and financial condition could be adversely affected.

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***The risks inherent in operating internationally, including the purchase, sale and shipment of our components and products across international borders, may adversely impact our business, financial condition and results of operations.**

We currently derive approximately 48% 45% of our net sales from international operations. In addition, we purchase a portion of our raw materials and components from international sources. The sale and shipment of our products across international borders, as well as the purchase of materials and components from international sources, subject us to extensive U.S. and foreign governmental trade regulations, including those related to duties, tariffs and conflict minerals. Compliance with such regulations is costly and we could be exposed to potentially significant penalties, fines and interest if we are found not to be in compliance with such regulations. Any failure to comply with applicable legal and regulatory obligations could impact us in a variety of ways that include, but are not limited to, significant criminal, civil and administrative penalties, including imprisonment of individuals, fines and penalties, denial of export privileges, seizure of shipments, restrictions on certain business activities, and exclusion or debarment from government contracting. We have historically engaged in transactions with entities related to or located in countries subject to certain U.S. export restrictions. For example, we have had sales of medical products destined for Iran.

In addition, changes in policy in the U.S. and other countries regarding international trade, including import and export regulation and international trade agreements, could negatively impact our business. In recent years, the U.S. has imposed tariffs on goods imported from China and certain other countries, which has resulted in retaliatory tariffs by China and other countries. Changes or uncertainty in tariffs or further retaliatory trade measures taken by China or other countries in response could affect the demand for our products and services, impact the competitive position of our products, prevent us from being able to sell products in certain countries or otherwise adversely impact our results of operations. The implementation of more restrictive trade policies, such as more detailed inspections, higher tariffs or new barriers to entry, could negatively impact our business, results of operations and financial condition.

In addition, our international operations expose us and our representatives, agents and distributors to risks inherent in operating in foreign jurisdictions. These risks include, but are not limited to:

- the imposition of additional U.S. and foreign governmental controls or regulations;
- the imposition of costly and lengthy new export licensing requirements;
- a shortage of high-quality sales people and distributors;
- the loss of any key personnel who possess proprietary knowledge, or who are otherwise important to our success in certain international markets;
- changes in duties and tariffs, license obligations and other non-tariff barriers to trade;
- the imposition of new trade restrictions;
- the imposition of restrictions on the activities of foreign agents, representatives and distributors;
- compliance with foreign tax laws, regulations and requirements;
- pricing pressure;
- changes in foreign currency exchange rates;
- laws and business practices favoring local companies;
- political instability and actual or anticipated military or political conflicts, including the ongoing conflict between Ukraine and Russia, the global impact of restrictions and sanctions imposed on Russia and the Israel-Hamas Israel-Palestine-Iran war;
- financial and civil unrest worldwide;
- outbreaks of illnesses, pandemics or other local or global health issues;
- the inability to collect amounts paid by foreign government customers to our appointed foreign agents;
- longer payment cycles, increased credit risk and different collection remedies with respect to receivables; and
- difficulties in enforcing or defending intellectual property rights.

The U.S. government initiated substantial changes in U.S. trade policy and U.S. trade agreements, including tariffs on certain foreign goods. In response to these tariffs, certain foreign governments instituted or are considering imposing tariffs on certain U.S. goods. In addition, the U.S. has negotiated new trade agreements that could impact us, including the United States-Mexico-Canada Agreement (USMCA), which went into force on July 1, 2020 and replaced the North American Free Trade Agreement. A trade war, trade barriers or other governmental actions related to tariffs, international trade agreements, import or export restrictions or other trade policies could adversely impact demand for our products, our costs, customers, suppliers and/or the U.S. economy or certain sectors thereof and, therefore, adversely affect our business, financial condition and results of operations.

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The U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws in non-U.S. jurisdictions generally prohibit companies and their intermediaries from promising or making improper payments to foreign officials for the purpose of obtaining an advantage to secure or retain business. Because of the predominance of government-sponsored healthcare systems around the world, many of our customer relationships outside of the U.S. are with governmental entities and are therefore subject to such anti-bribery laws. We have adopted policies and practices that help us ensure compliance with these anti-bribery laws. However, such policies and practice may require us to invest in additional monitoring resources or forgo certain business opportunities in order to ensure global compliance with these laws. Additionally, any alleged or actual violation could subject us to government scrutiny, severe criminal or civil fines, or sanctions on our ability to export product outside the U.S., which could adversely affect our reputation and financial condition.

Although these activities have not been financially material to our business, financial condition or results of operations, and were undertaken in accordance with general licenses authorizing such activities issued by the U.S. Treasury Department's Office of Foreign Assets Control, we may not be successful in ensuring compliance with limitations or

restrictions on business in Iran or any other countries subject to economic sanctions and embargoes imposed by the U.S. Additionally, the export of U.S. technology or goods manufactured in the U.S. to some jurisdictions requires special U.S. export authorization or local market controls that may be influenced by factors, including political dynamics, outside our control. Also, the failure to comply with applicable legal and regulatory obligations could result in the disruption of our shipping, manufacturing and sales activities. Any material decrease in our international sales would adversely affect our business, financial condition and results of operations.

The laws of foreign countries may not adequately protect our intellectual property rights.

Intellectual property protection laws in foreign countries differ substantially from those in the U.S. If we fail to apply for intellectual property protection in foreign countries, or if we cannot adequately protect our intellectual property rights in these foreign countries, our competitors may be able to compete more effectively against us, which could adversely affect our competitive position, as well as our business, financial condition and results of operations.

Our operations may be adversely impacted by our exposure to risks related to foreign currency exchange rates.

We market our products in certain foreign markets through our subsidiaries and other international distributors. As a result, events that result in global economic uncertainty could significantly affect our results of operations in the form of gains and losses on foreign currency transactions and potential devaluation of the local currencies of our customers relative to the U.S. Dollar.

While a majority of our sales are transacted in U.S. Dollars, some of our sales agreements with foreign customers provide for payment in currencies other than the U.S. Dollar. These foreign currency revenues, when converted into U.S. Dollars, can vary depending on the approximation of the exchange rates applied during a respective period. Similarly, certain of our foreign subsidiaries transact business in their respective country's local currency, which is also their functional currency. In addition, certain production costs related to our manufacturing operations are denominated in local currency. As a result, expenses of these foreign subsidiaries and certain production costs, when converted into U.S. Dollars, can vary depending on average monthly exchange rates during a respective period.

We are also exposed to foreign currency gains or losses on outstanding foreign currency denominated receivables and payables, as well as cash deposits. When converted to U.S. Dollars, these receivables, payables and cash deposits can vary depending on the monthly exchange rates at the end of the period. In addition, certain intercompany transactions may give rise to realized and unrealized foreign currency gains or losses based on the currency underlying such intercompany transactions. Accordingly, our operating results are subject to fluctuations in foreign currency exchange rates.

The balance sheets of our foreign subsidiaries whose functional currency is not the U.S. Dollar are translated into U.S. Dollars at the rate of exchange at the balance sheet date and the statements of operations and cash flows are translated into U.S. Dollars using an approximation of the average monthly exchange rates applicable during the period. Any foreign currency exchange gain or loss as a result of translating the balance sheets of our foreign subsidiaries whose functional currency is not the U.S. Dollar is included in equity as a component of accumulated other comprehensive income (loss).

We currently do not hedge our foreign currency exchange rate risk. As a result, changes in foreign exchange rates could have a material adverse effect on our business, financial condition and results of operations. For additional information related to our foreign currency exchange rate risk, please see "Quantitative and Qualitative Disclosures about Market Risk" in Part I, Item 3 of this Quarterly Report on Form 10-Q.

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We currently manufacture our products at a limited number of locations and any disruption to, expansion of, or changes in trade programs related to such manufacturing operations could adversely affect our business, financial condition and results of operations.

We rely on manufacturing facilities in the U.S., Mexico, Asia and Europe that may be affected by natural or man-made disasters. Earthquakes are of particular significance since some of our facilities are located in earthquake-prone areas. We are also vulnerable to damage from other types of disasters, including power loss, attacks from extremist or terrorist organizations, epidemics, communication failures, fire, floods, hurricanes and similar events. Our facilities and the manufacturing equipment we use to produce our products would be difficult to replace and could require substantial time to repair if significant damage were to result from any of these occurrences.

If one of our manufacturing facilities was affected by a natural or man-made disaster, we would be forced to rely on third-party manufacturers if we could not shift production to our other manufacturing facilities. Furthermore, our insurance for damage to our property and the disruption of our business from casualties may not be sufficient to cover all of our potential losses and may not continue to be available to us on acceptable terms, or at all. If the lease for any of our leased facilities is terminated, we are unable to renew any of our leases or we are otherwise forced to seek alternative facilities, or if we voluntarily expand one or more of our manufacturing operations to new locations, we may incur additional transition costs and experience a disruption in the supply of our products until the new facilities are available and operating. Additionally, we have occasionally experienced seasonality and other shortages among our manufacturing workforce, and if we continue to experience such seasonality or other workforce shortages or otherwise have issues retaining employees or contractors at our manufacturing facilities, we may not be able to meet our customers' demands.

Our global manufacturing and distribution are dependent upon our manufacturing facilities in multiple countries, and the expedient importation of raw materials and exportation of finished goods between these facilities. Undue delays and/or closures of cross-border transit facilities, or any restrictions by local governments related to the movement of goods to or from the U.S., may adversely affect our ability to fulfill orders and supply our customers, as well as adversely impact our business, operating results and financial condition.

In addition, delays and closures of shipping ports, or ports of entry into and out of the U.S., including as a result of labor strikes or shortages, may delay our ability to fulfill order and supply of our non-healthcare consumer products, which could also adversely impact our business, operating results and financial condition.

Our manufacturing facilities in Mexico are authorized to operate under the Mexican Maquiladora (IMMEX) program. The IMMEX program allows us to import certain items from the U.S. into Mexico duty-free, provided that such items, after processing, are exported from Mexico within a stipulated timeframe. Maquiladora status, which is renewed periodically, is subject to various restrictions and requirements, including compliance with the terms of the IMMEX program and other local regulations. Failure to comply with the IMMEX program regulations, including any changes thereto, could increase our manufacturing costs and adversely affect our business, operating results and financial condition.

***If we do not accurately forecast customer demand, we may hold suboptimal inventory levels that could adversely affect our business, financial condition and results of operations.**

If we are unable to meet the demand of our customers, our customers may cancel orders or purchase products from our competitors, which could reduce our revenue and gross profit margin. Conversely, if product demand decreases, we may be unable to timely adjust our manufacturing cost structure, resulting in excess capacity, which would lower gross product margins. Similarly, if we are unable to forecast demand accurately, we could be required to record charges related to excess or obsolete inventory, which would also lower our gross margin. Each of our business segments is individually influenced by many factors, including but not limited to: new product releases, acquisitions, regulatory approvals, patient holiday schedules, hospital census, the timing of the influenza season, holiday seasons, consumer pressures, inflationary and recessionary pressures, consumer demand and preferences, and competitors' marketing promotions and sales incentives; among many other factors.

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In addition, we may experience seasonal demand for our products and demand for such products could decrease significantly during a recession. For example, healthcare revenues in the third quarter of our fiscal years have generally historically represented a lower percentage of segment revenues due to the seasonality of the U.S., European and Japanese markets, where summer vacation schedules normally result in fewer elective procedures utilizing our healthcare products. The 2023 flu season concluded abnormally early and faded quickly in the first quarter this year, of 2023, resulting in reduced inpatient census. In addition, some customers held elevated sensor inventory levels due to discounting in prior quarters, which was discontinued during the second quarter. Healthcare facilities and hospitals experienced fewer flu-related hospitalizations and medical office visits, which decreased consumption of our single-patient use sensors and consumables. The corresponding delays in reordering for our single-patient use sensors and consumables had an adverse impact on our second,third and third fourth quarter 2023 healthcare revenue. Similarly, our non-healthcare revenues in the fourth quarter of a fiscal year generally produce a higher percentage of our segment revenues than the other quarters of our fiscal year due to the holiday shopping season and our corresponding promotional activities. Our promotional discounting activity may negatively impact our gross margin during the holiday periods. Any shortfalls in expected revenue due to a mismatch in supply of and demand for our products, could cause our operating results to suffer significantly, and seasonal or similar variances may also result in fluctuations in our revenues.

If we fail to comply with the reporting obligations of the Exchange Act or if we fail to maintain adequate internal control over financial reporting, our business, results of operations and financial condition and investors' confidence in us could be adversely affected.

We are required to prepare and disclose certain information under the Exchange Act, in a timely manner and meet our reporting obligations in their entirety, and our failure to do so could subject us to penalties under federal securities laws and regulations of The Nasdaq Stock Market LLC, expose us to lawsuits and restrict our ability to access financing on favorable terms, or at all.

If we fail to maintain adequate internal controls over financial reporting, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with the Sarbanes-Oxley Act. Moreover, any material weakness in our internal control environment could result in the loss of investor confidence in the reliability of our financial statements, which in turn could harm our business, negatively impact the trading price of our stock, and adversely affect investors' confidence in our company and our ability to access capital markets for financing.

Changing laws and increasingly complex corporate governance and public disclosure requirements could have an adverse effect on our business and operating results.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the California Transparency in Supply Chains Act, the UK Modern Slavery Act and new regulations issued by the SEC and The Nasdaq Stock Market LLC, have created, and will create, additional compliance requirements for us. For example, the Dodd-Frank Act includes provisions regarding, among other things, advisory votes on named executive officer compensation and "conflict minerals" reporting. Complying with these rules and regulations has increased and will increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources. As a result, management's attention may be diverted from other business concerns, which could adversely affect our business, financial condition and results of operations.

We may also need to hire additional employees or engage outside consultants to comply with these requirements, which will increase our costs and expenses. To maintain high standards of corporate governance and public disclosure, we have invested in, and intend to continue to invest in, reasonably necessary resources to comply with evolving standards.

In addition, stockholder litigation surrounding executive compensation and disclosure of executive compensation has increased with the passage of the Dodd-Frank Act. Furthermore, our stockholders in certain instances have not approved our advisory vote on named executive officer compensation that is being voted on by our stockholders annually pursuant to the Dodd-Frank Act. If we are involved in a lawsuit related to compensation matters or any other matters not covered by our directors' and officers' liability insurance, we may incur significant expenses in defending against such lawsuits, or be subject to significant fines or required to take significant remedial actions, each of which could adversely affect our business, financial condition and results of operations.

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If product liability claims are brought against us, we could face substantial liability and costs.

Our products expose us to product liability claims and product recalls, including, but not limited to, those that may arise from unauthorized off-label use, malfunctions, design flaws or manufacturing defects related to our products or the use of our products with incompatible components or systems. In addition, as we continue to expand our product portfolio, we may enter or create new markets, including consumer markets, which may expose us to additional product liability risks. For example, with our previous acquisition of TNI®, we

added softFlow® technology to our product portfolio. While this technology provides efficient, quiet and comfortable respiratory support to patients, it may present increased risk of infection to caregivers. In addition, with the Sound United Acquisition, we added multiple broadly distributed premium audio brands to our product portfolio and significantly expanded our consumer base worldwide, which could expose us to increased product liability claims.

We cannot be certain that our product liability insurance will be sufficient to cover any or all damages for product liability claims that may be brought against us in the future. Furthermore, we may not be able to obtain or maintain insurance in the future at satisfactory rates or in adequate amounts to protect us against any product liability claims.

Additionally, the laws and regulations regarding product liability are constantly evolving, both through the passage of new legislation at the state and federal levels and through new interpretations of existing legislation. For example, in February 2017, the Washington Supreme Court determined that, under the Washington Product Liability Act, medical device manufacturers have a duty to warn hospitals of any potential risks posed by their products. As the legal and regulatory landscape surrounding product liability change, we may become exposed to greater liability than currently anticipated.

Any losses that we may suffer from product liability claims, and the effect that any product liability litigation may have upon the reputation and marketability of our technology and products, together with the corresponding diversion of the attention of our key employees, may subject us to significant damages and could adversely affect our business, financial condition and results of operations.

We may incur environmental and personal injury liabilities related to certain hazardous materials used in our operations.

Certain manufacturing processes for our products may involve the storage, use, generation and disposal of certain hazardous materials and wastes, including silicone adhesives, solder and solder paste, sealants, epoxies and various solvents such as methyl ethyl ketone, acetone and isopropyl alcohol. As a result, we are subject to certain environmental laws, as well as certain other laws and regulations, that restrict the materials that can be used in our products or in our manufacturing processes. For example, products that we sell in Europe are subject to regulation in the EU markets under the Restriction of the Use of Hazardous Substances Directive (RoHS). RoHS prohibits companies from selling products that contain certain hazardous materials in EU member states. In addition, the EU's Registration, Evaluation, Authorization, and Restriction of Chemicals Directive also restricts substances of very high concern in products. Compliance with such regulations may be costly and, therefore, we may incur significant costs to comply with these laws and regulations.

In addition, new environmental laws may further affect how we manufacture our products, how we use, generate or dispose of hazardous materials and waste, or further affect what materials can be used in our products. Any required changes to our operations or products may increase our manufacturing costs, detrimentally impact the performance of our products, add greater testing lead-times for product introductions or have other similar effects.

In connection with our research and manufacturing activities, we use, and our employees may be exposed to, materials that are hazardous to human health, safety or the environment. The risk of accidental injury to our employees or contamination from these materials cannot be eliminated, and we could be held liable for any resulting damages, the related liability for which could exceed our reserves. We do not specifically insure against environmental liabilities. If an enforcement action were to occur, our reputation and our business and financial condition may be harmed, even if we were to prevail or settle the action on terms favorable to us.

We rely significantly on information technology and any failure, inadequacy, interruption or security lapse of that technology, including any cybersecurity incidents, could harm our ability to operate our business effectively.

Increased global cybersecurity vulnerabilities, cybersecurity threats and sophisticated and targeted cybersecurity attacks pose a risk to the security of our systems and networks, including the confidentiality, availability and integrity of any underlying information and data, and those of our customers, partners, suppliers and third-party service providers. Our ability to effectively manage and maintain our internal business information, and to ship products to customers and invoice them on a timely basis, depends significantly on our enterprise resource planning system and other information systems.

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Portions of our information technology systems may experience interruptions, delays or cessations of service or produce errors in connection with ongoing systems implementation work. In addition, interfaces between our products and our customers' computer networks could provide additional opportunities for cybersecurity attacks on us and our customers. The techniques used to attack computer systems are sophisticated, change frequently and may originate from less regulated and remote areas of the world. We have experienced cybersecurity incidents in the past and expect that we will continue to be subject to cybersecurity attacks in the future. Cybersecurity attacks in particular are evolving and include, but are not limited to: threats, malicious software, ransomware, attempts to gain unauthorized access to data and other electronic security breaches that could lead to disruptions in systems, misappropriation of confidential or otherwise protected information and corruption of data. As a result, there can be no assurance that our protective measures will prevent or detect security breaches that could have a significant impact on our business, reputation, financial condition and results of operations.

The failure of these systems to operate or integrate effectively with other internal, customer, supplier or third-party service provider systems and to protect the underlying information technology system and data integrity, including from cyber-attacks, intrusions or other breaches or unauthorized access of these systems, or any failure by us to remediate any such attacks or breaches, may also result in damage to our reputation or competitiveness, delays in product fulfillment and reduced efficiency of our operations, and could require significant capital investments to remediate any such failure, problem or breach, all of which could adversely affect our business, financial condition and results of operations.

The impact of the Russian invasion of Ukraine, and the war in Israel, on the global economy, energy supplies and raw materials is uncertain, but may prove to negatively impact our business and operations.

The short and long-term implications of Russia's invasion of Ukraine, and the war in Israel are difficult to predict at this time. We continue to monitor any adverse impact that the outbreak of war in Ukraine and the subsequent institution of sanctions against Russia by the U.S. and several European and Asian countries; along with the war in Israel, may have on the global economy in general, on our business and operations and on the businesses and operations of our suppliers and customers. For example, a prolonged conflict may result in challenges associated with timely receipt of customer payments and banking transactions in Russia, increased inflation, escalating energy prices and constrained availability, and thus increasing costs, of raw materials. In addition, as a result of the current conflict, we have stopped selling non-healthcare products in Russia indefinitely. Furthermore, the Israel-Hamas Israel-Palestine-Iran war could result in disruption in the Middle East more broadly and negatively impact our operations in that region. We will continue to monitor these fluid situations and develop contingency plans as necessary to address any disruptions to our business operations as they develop. To the extent the wars in Ukraine or Israel may adversely affect our business as discussed above, it may also have the effect of heightening many of the other risks described herein. Such risks include, but are not limited to, adverse effects on macro-economic conditions, including inflation; disruptions to our global technology infrastructure, including through cyberattack, ransom attack, or cyber-intrusion; adverse changes in international trade policies and relations; our ability to maintain or increase our product prices; disruptions in global supply chains; our exposure to foreign currency fluctuations; and constraints, volatility, or disruption in the capital markets, any of which could negatively affect our business and financial condition.

***Our stock price may be volatile, and your investment in our stock could suffer a decline in value.**

There has been and could continue to be significant volatility in the market price and trading volume of equity securities. For example, our closing stock price ranged from $84.17 $109.17 to $196.47 $146.85 per share from January 1, 2023 December 31, 2023 to September 30, 2023 March 30, 2024. Factors contributing to our stock price volatility may include our financial performance, as well as broader economic, political and market factors. In addition to the other risk factors previously discussed in this Quarterly Report on Form 10-Q, there are many other factors that we may not be able to control that could have a significant effect on our stock price. These include, but are not limited to:

- actual or anticipated fluctuations in our operating results or future prospects;
- our announcements or our competitors' announcements of new products;
- the public's reaction to our press releases, including those relating to our earnings or financial guidance, our other public announcements and our filings with the SEC;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidance, interpretations or principles;
- changes in our growth rates or our competitors' growth rates;
- developments regarding our patents or proprietary rights or those of our competitors;
- ongoing legal proceedings;

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- our inability to raise additional capital as needed;
- concerns or allegations as to the safety or efficacy of our products;
- changes in financial markets or general economic conditions, including the effects of recession or slow economic growth in the U.S. and abroad;
- effects of public health crises, epidemics and pandemics, such as the COVID-19 pandemic;
- sales of stock by us or members of our management team, our Board or certain institutional stockholders;
- shareholder activism;
- changes in stock market analyst recommendations or earnings estimates regarding our stock, other comparable companies or our industry generally; and
- short selling or other hedging activity in our stock.

Therefore, you may not be able to resell your shares at or above the price you paid for them.

***Our investors could experience substantial dilution of their investments as a result of subsequent exercises of our outstanding options, vesting of outstanding restricted stock units (RSUs) and performance stock units (PSUs), or the grant of future equity awards by us.**

As of September 30, 2023 March 30, 2024, approximately 10.0 million 9.7 million shares of our common stock were reserved for issuance under our equity incentive plans, of which approximately 2.8 million 2.7 million shares were subject to options outstanding at such date at a weighted-average exercise price of $88.24 $91.51 per share, approximately 3.1 million 3.6 million shares were subject to outstanding RSUs, approximately 0.3 million 0.4 million shares were subject to outstanding PSUs and approximately 3.6 million 3.1 million shares were available for future awards under our 2017 Equity Incentive Plan. Over the past 48 months, we have experienced higher rates of stock option exercises compared to many earlier periods, and this trend may continue. To the extent outstanding options are exercised or outstanding RSUs or PSUs vest, our existing stockholders may incur dilution.

We rely on equity awards to motivate current employees and to attract new employees. The grant of future equity awards by us to our employees and other service providers may further dilute our stockholders.

Future resales of our stock, including those by our insiders and a few investment funds, may cause our stock price to decline.

A significant portion of our outstanding shares are held by our directors, our executive officers and a few investment funds. Resales by these stockholders of a substantial number of such shares, announcements of any proposed resale of substantial amounts of our stock or the perception that substantial resales may be made, could significantly reduce the market price of our stock. Some of our directors and executive officers have entered into Rule 10b5-1 trading plans pursuant to which they have arranged to sell shares of our stock from time to time in the future. Generally, these sales require public filings. Actual or potential sales by these insiders, including those under a pre-arranged Rule 10b5-1 trading plan, could be interpreted by the market as an indication that the insider has lost confidence in our stock and reduce the market price of our stock.

We have registered and expect to continue to register shares reserved under our incentive equity plans pursuant to Registration Statements on Form S-8. All shares issued pursuant to a Registration Statement on Form S-8 can be freely sold in the public market upon issuance, subject to restrictions on our affiliates under Rule 144. If a large number of these shares are sold in the public market, the sales could reduce the trading price of our stock.

We may elect not to declare cash dividends on our stock, may elect to only pay dividends on an infrequent or irregular basis, or may elect not to make any additional stock repurchases. As a result, any return on your investment may be limited to the value of our stock. In addition, the payment of any future dividends or the repurchase of our stock might limit our ability to pursue other growth opportunities.

Our Board may from time to time declare, and we may pay, dividends on our outstanding shares in the manner and upon the terms and conditions permitted under applicable law. However, we may elect to retain all future earnings for the operation and expansion of our business, rather than paying cash dividends on our stock. In addition, under certain circumstances, our Credit Facility may limit our ability to pay cash dividends, repurchase our common stock or make other distributions to stockholders. Any payment of cash dividends on our stock will be at the discretion of our Board and will depend upon our results of operations, earnings, capital requirements, financial condition, business prospects, contractual restrictions and other factors deemed relevant by our Board. In addition, our Credit Facility places limitations on our ability to pay dividends. In the event our Board declares any dividends, there is no assurance with respect to the amount, timing or frequency of any such dividends.

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Any repurchase of our common stock under the stock repurchase plan authorized by our Board in June 2022 (Repurchase Program) will be at the discretion of a committee comprised of our CEO and Chief Financial Officer, and will depend on several factors, including, but not limited to, results of operations, capital requirements, financial conditions, available capital from operations or other sources, including debt, and the market price of our common stock. In addition, on August 16, 2022, the U.S. enacted the Inflation Reduction Act of 2022, which, among other things, imposes an excise tax of 1% tax on the fair market value of net stock repurchases made after December 31, 2022. Therefore, there is no assurance with respect to the amount, price or timing of any such repurchases. We may elect to retain all future earnings for the operation and expansion of our business, rather than repurchasing additional outstanding shares. For additional information related to our Repurchase Program, please see Note 19, “Equity”, to our accompanying condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

In the event we pay dividends, or make any stock repurchases in the future, our ability to finance any material expansion of our business, including through acquisitions, investments or increased capital spending, or to fund our operations, may be limited. In addition, any repurchases we may make in the future may not prove to be at optimal prices. Our Board may modify or amend the Repurchase Program, or adopt a new stock repurchase program, at any time at its discretion without stockholder approval.

Environmental, social and corporate governance (ESG) regulations, global climate change, corporate citizenship and related matters may adversely affect our business.

There is an increasing focus on ESG risks. Our customers, including distributors and retail partners have adopted, or may adopt, procurement policies that include ESG provisions that their suppliers or manufacturers must comply with, or they may seek to include such provisions in their terms and conditions. An increasing number of participants in our industries are also joining voluntary ESG groups or organizations. These ESG provisions and initiatives are subject to change, can be unpredictable, and may be difficult and expensive for us to comply with, given the complexity of our supply chain and the outsourced manufacturing of certain components of our products. If we are unable to comply, or are unable to cause our suppliers to comply, with such policies or provisions, a customer may cease purchasing products from us, and may take legal action against us, which could harm our reputation, revenue and results of operations.

Further, increased public awareness and concern regarding global climate change may result in new or enhanced legal requirements. There continues to be a lack of consistent climate legislation, which creates economic and regulatory uncertainty. Such uncertainty may have an impact on our business, from the demand for our products to our costs of compliance in the manufacturing and servicing of our products, all of which may impact our results of operations. In addition, climate change initiatives and legislation could also disrupt our operations by impacting the availability and cost of materials within our supply chain, and could also increase insurance and other operating costs. In addition, on March 6, 2024, the SEC has announced proposed finalized new rules for public companies that will require extensive climate-related disclosures and significant analysis of the impact of climate-related issues on our business strategy, results of operations, and financial condition (the SEC Climate Disclosure Rules), and extensive attestation requirements. The new rules require disclosure of, among other matters, will establish things, our material climate-related risks and opportunities, greenhouse gas emissions inventory, climate-related targets and goals, and financial impacts of physical and transition risks. Subsequently, in April 2024, the SEC issued an order staying implementation of the SEC Climate Disclosure Rules pending the resolution of certain challenges. Nonetheless, our legal, accounting, and other compliance expenses may increase significantly, and compliance efforts may divert management time and attention as we prepare for the potential implementation of the SEC Climate Disclosure Rules, and such expenses, efforts and diversions of management time and attention may be even greater if the SEC Climate Disclosure Rules ultimately go into effect. We may also be exposed to legal or regulatory action or claims as a framework for reporting climate related risks. To the extent that any proposed rules impose additional reporting obligations, we could face increased costs. result of these new regulations. Separately, the SEC has also announced that it is scrutinizing existing climate change climate-change related disclosures in public filings, increasing the potential for enforcement if the SEC were to allege our existing climate disclosures are misleading or deficient. All of these risks could have a material adverse effect on our business, financial position, and/or stock price.

Investors, stockholders, consumers, customers, suppliers and other third-parties are increasingly focusing on ESG and corporate social responsibility endeavors and reporting and transparency. Certain institutional investors, investment funds, other influential investors, customers, suppliers and other third-parties are also increasingly focused on ESG practices. If we do not adapt to or comply with evolving investor or stakeholder expectations and standards, or if we are perceived to have not responded appropriately, we may suffer from reputational damage and our business, financial condition and/or stock price may be materially and adversely affected. Further, this increased focus on ESG issues may

result in new regulations and/or third-party requirements that could adversely impact our business, or certain shareholders reducing or eliminating their holdings of our stock, causing our stock price to decline.

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***Loss of or inability to continue to obtain or maintain high-quality endorsers of our consumer audio products could harm our business.**

From time to time, we have established, and expect to continue to establish, relationships with public figures, music artists, automotive designers, sound studios, social media influencers and other endorsers, to develop, evaluate and promote our consumer audio products, as well as establish product authenticity with consumers. However, as competition in our consumer segment has increased, the costs associated with establishing and retaining such relationships have increased, and competition to attract and retain high-quality endorsers has also increased. If we are unable to maintain our current associations with public figures, music artists, automotive designers, sound studios, social media influencers or other endorsers, or to do so at a reasonable cost, we could lose the high visibility associated with our products, and we may be required to modify and substantially increase our marketing investments. As a result, our brands, consumer product revenues, expenses and profitability could be harmed. Furthermore, if certain public figures, music artists, automotive designers, sound studios, social media influencers or other endorsers, were to stop using our products contrary to their agreements, our business could be adversely affected. In addition, certain negative actions taken or statements made by those associated with our products or brands, could impact or harm the reputations of our consumer products, and our decisions to cease collaborating with certain endorsers in light of actions that may be taken or statements that may be made by them, could impact have an adverse effect on our sales and financial condition. Poor or non-performance by those associated with our products, a failure to continue to correctly identify promising public figures, music artists, automotive designers, sound studios, social media influencers or other endorsers to use our products and brands or a failure to enter into cost-effective fee arrangements with any of such endorsers could adversely affect our brands, reputation, sales and profitability.

Item 5. Other Information

During the fiscal quarter ended September 30, 2023 March 30, 2024, none of our directors or officers (as defined in Section 16 of the Securities Exchange Act of 1934, as amended) adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement,” as defined in Item 408(a) of Regulation S-K ." S-K.

On May 3, 2024, Rolf Classon notified our Board of Directors (the “Board”) of his decision to resign from the Board and the Audit Committee of the Board, effective as of May 10, 2024.

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Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number		Description of Document
3.1	(1)	Amended and Restated Certificate of Incorporation (Exhibit 3.2)
3.2	(2)	Certificate of Amendment to Amended and Restated Certificate of Incorporation, dated June 28, 2023 (Exhibit 3.1)
3.3	(3)	Fifth Amended and Restated Bylaws adopted on February 5, 2023 (Exhibit 3.1)
3.4	(4)	Amendment to Fifth Amended and Restated Bylaws adopted on April 20, 2023 (Exhibit 3.1)
4.1	(5)	Amended Form of Common Stock Certificate (Exhibit 4.1)
4.2#*+	(6)	Masimo Retirement Savings Plan (Exhibit 4.3)
21.1*		List of Registrant’s Subsidiaries
31.1*		Certification of Joe Kiani, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended
31.2*		Certification of Micah Young, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended
32.1**		Certification of Joe Kiani, Chief Executive Officer, and Micah Young, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended
101.INS*		XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.INS*		XBRL Taxonomy Extension Schema Document
101.SCH*		XBRL Taxonomy Extension Calculation Linkbase Document
101.CAL*		XBRL Taxonomy Extension Definition Linkbase Document
101.DEF*		XBRL Taxonomy Extension Label Linkbase Document
101.LAB*		XBRL Taxonomy Extension Presentation Linkbase Document
101.PRE*		Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)
104		Cover Page Interactive Data File (embedded within the inline XBRL document)

EXHIBIT INDEX

Exhibit Number	Description of Document
3.1	Amended and Restated Certificate of Incorporation ((incorporated herein by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form S-1 (No. 333-142171) originally filed with the Securities and Exchange Commission on April 17, 2007))
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation, dated June 28, 2023 (incorporated herein by reference Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 28, 2023)
3.3	Fifth Amended and Restated Bylaws adopted on February 5, 2023 (incorporated herein by reference toExhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 28, 2023)
3.4	Amendment to Fifth Amended and Restated Bylaws adopted on April 20, 2023 (incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 20, 2023)
4.1	Amended Form of Common Stock Certificate (incorporated herein by reference to Exhibit 4.1to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 16, 2022)
4.2#+	Masimo Retirement Savings Plan (incorporated herein by reference to Exhibit 4.3 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 10, 2022)
31.1*	Certification of Joe Kiani, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended
31.2*	Certification of Micah Young, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended
32.1**	Certification of Joe Kiani, Chief Executive Officer, and Micah Young, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended
101.INS*	Inline XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
104	Cover Page Interactive Data File (embedded within the inline XBRL document)

Attached as Exhibit 101 to this report are the following formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of September 30, 2023 March 30, 2024 and December 31, 2022 December 30, 2023, (ii) Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023, respectively, (iii) Condensed Consolidated Statements of Comprehensive (Loss)Income for the three and nine months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023, respectively, (iv) Condensed Consolidated Statements of Cash Flows for the nine three months ended September 30, 2023 March 30, 2024 and October 1, 2022 April 1, 2023, respectively, and (v) Notes to Condensed Consolidated Financial Statements.

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(1) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-1 (No. 333-142171), originally filed on April 17, 2007. The number given in parentheses indicates the corresponding exhibit number in such Form S-1, as amended.

(2) Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K filed on June 28, 2023. The number given in parentheses indicates the corresponding exhibit number in such Form 8-K.

(3) Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K filed on February 16, 2022. The number given in parentheses indicates the corresponding exhibit number in such Form 8-K.

(4) Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K filed on April 20, 2023. The number given in parentheses indicates the corresponding exhibit number in such Form 8-K.

(5) Incorporated by reference to the exhibit to the Registrant's Annual Report on Form 10-K, filed on February 16, 2022. The number given in parentheses indicates the corresponding exhibit number in such Form 10-K.

(6) Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q filed on August 10, 2022. The number given in parentheses indicates the corresponding exhibit number in such Form 10-Q.

# Indicates management or compensatory plan.

* Filed herewith.

** Furnished herewith.

+ Non-material schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Registrant hereby undertakes to furnish supplemental copies of any of the omitted schedules and exhibits upon request by the SEC.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MASIMO CORPORATION

Date: November 7, 2023 May 7, 2024

By: /s/ JOE KIANI

Joe Kiani

Chief Executive Officer and Chairman

Date: November 7, 2023 May 7, 2024

By: /s/ MICAH YOUNG

Micah Young

Executive Vice President and Chief Financial Officer

Exhibit 21.1

Subsidiaries of the Registrant - 2023

The following are wholly-owned subsidiaries of the registrant, Masimo Corporation, a Delaware corporation:

Name of Subsidiary	State or Jurisdiction of Incorporation or Organization
Masimo Americas, Inc.	Delaware
Masimo de Mexico Holdings I LLC	Delaware
Masimo de Mexico Holdings II LLC	Delaware
Masimo Holdings LLC	Delaware
SpO2.com, Inc.	Delaware
SEDLine, Inc.	Delaware
Masimo Australia Pty Ltd	Australia
Masimo Öesterreich GmbH	Austria
Masimo Importacao e Distribuicao de Produtos Medicos Ltda	Brazil
Masimo Holdings LP	Cayman
Masimo (China) Medical Technology Co., Ltd.	China
Masimo Europe Ltd.	England and Wales
Masimo Hong Kong Limited	Hong Kong
Masimo Medical Technologies India Private Limited	India
Masimo Japan Kabushiki Kaisha	Japan
Masimo Mexico, S. de R.L. de C.V.	Mexico
Masimo Canada ULC - Vancouver Office	Nova Scotia
Masimo Asia Pacific PTE. Ltd.	Singapore
Masimo International SARL	Switzerland
Masimo International Technologies SARL	Switzerland
Masimo Medical Technologies (Spain) SL	Spain
Masimo Medikal Ürünler Ticaret Limited Şirketi	Turkey
Masimo Semiconductor, Inc.	Delaware
Masimo Sweden AB	Sweden
52 Discovery, LLC	California
Masimo 25 Sagamore, LLC	New Hampshire
Masimo Korea, LLC	South Korea
Masimo Europe Ltd Niederlassung Deutschland	Germany
Masimo 17, LLC	California
Masimo (Shanghai) Industrial Co., Ltd.	China
Patient Doctor Technologies, Inc.	Delaware

Name of Subsidiary	State or Jurisdiction of Incorporation or Organization
Alton Office Property, LLC	Delaware
Alton Office Holdings, LLC	Delaware
OC Property Ventures LLC	Delaware
OC Property Shelter LLC	Delaware
Masimo Saudi Arabia for Trading, LLC	Saudi Arabia
Masimo International SARL - Dubai, U.A.E.	United Arab Emirates (UAE)
Masimo International Sarl – Jordan	Jordan
Masimo International Sarl (filiaal Nederlands)	The Netherlands
Masimo International SARL Regional Headquarter	Saudi Arabia
VCCB Holdings, Inc.	Delaware
TNI medical AG	Germany
Masimo Technology Café LLC	California
Masimo LHC, Limited	United Kingdom
LiDCO Group Limited, Plc	United Kingdom
LiDCO Limited	United Kingdom
Cassette Analytical Systems Limited	United Kingdom
LiDCO Netherlands B.V.	Netherlands
Masimo Deutschland GmbH	Germany
Masimo Gulf, LLC	Qatar
Masimo Medical Technologies (Malaysia) Sdn Bhd.	Malaysia
Viper Holdings Corporation	Delaware
DEI Holdings, Inc.	Florida
DEI Sales, Inc.	Florida
D&M Holdings U.S. Inc.	Delaware
Sound United, LLC	Delaware
Sound United Hong Kong Limited	Hong Kong
DEI China Holding, Limited	Hong Kong
Equity International LLC	Massachusetts
D&M Holdings Inc.	Japan
D&M Sales and Marketing Korea Ltd.	Korea
D&M Sales and Marketing Taiwan Ltd.	Taiwan
D&M Digital Audio Trading (Shanghai) Ltd.	China
D&M Shanghai Electronics, Ltd.	China

Name of Subsidiary	State or Jurisdiction of Incorporation or Organization
Company Masimo for Manufacturing	Saudi Arabia
D&M Sales & Marketing (H.K.) Limited	Hong Kong
D&M Europe B.V.	Netherlands
D&M Audiovisual Ltd	United Kingdom
D&M France SAS	France
D&M Germany GmbH	Germany
Digital Networks North America Inc.	Delaware
D&M Sales & Marketing Americas LLC	Delaware
D&M Premium Sound Solutions, LLC	Delaware
Sound United Sales & Marketing Australia (Pty) Limited	Australia
Sound United Canada Inc.	Canada
Sound United Australia Pty Ltd	Australia
Sound Electronics (Shenzhen) Co Ltd	China
Polk Audio, LLC	Delaware
Definitive Technology, LLC	Delaware
Masimo Corporation	Delaware
The Speaker Company	Delaware
Denon Electronics (USA), LLC	Delaware
Boston Acoustics, Inc.	Delaware
B&W Group Asia Limited	Hong Kong
B&W Group Ltd.	United Kingdom
Bowers & Wilkins Korea Ltd.	Korea
B&W Group Germany GmbH	Germany
B&W Loudspeakers Group Espana S.A.	Spain
B&W Group France SARL	France
B&W Loudspeakers Nederland B.V.	Netherlands
B&W Group (Schweiz) GmbH	Switzerland
B&W Group Belgium NV	Belgium
B&W Group Finland Oy	Finland
B & W Group (Logistics) Ltd	United Kingdom
Bowers & Wilkins Trading Zhuhai Company Ltd	China
B & W Loudspeakers Ltd	United Kingdom

Name of Subsidiary	State or Jurisdiction of Incorporation or Organization
Marantz Shanghai Trading Ltd.	China
Marantz America LLC	Delaware
Marantz Italy Srl	Italy
Nura Holdings Pty Ltd	Australia
Nura Operations Pty Ltd	Australia
Nura International Limited Company	United Kingdom
Nura USA Operations Inc.	Delaware
Shenzhen Nura Electroacoustic Technology Ltd	China
Masimo Medikal Ürünler Ticaret Limited Şirketi İstanbul Şubesi	Turkey
Masimo Polska Spółka z ograniczoną odpowiedzialnością	Poland
Masimo Europe Limited, Sucursal en España	Spain

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Joe Kiani, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Masimo Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JOE KIANI

Date: November 7, 2023 May 7, 2024

Joe Kiani

Chairman of the Board and Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Micah Young, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Masimo Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023 May 7, 2024

/s/ MICAH YOUNG
Micah Young
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATIONS OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Joe Kiani, Chief Executive Officer of Masimo Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2023 March 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2023 May 7, 2024

/s/ JOE KIANI
Joe Kiani
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

I, Micah Young, Executive Vice President and Chief Financial Officer of Masimo Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2023 March 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2023 May 7, 2024

/s/ MICAH YOUNG
Micah Young
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

A signed original of these certifications has been provided to Masimo Corporation and will be retained by Masimo Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

These certifications are being furnished solely to accompany this Quarterly Report pursuant to 18 U.S.C. Section 1350, and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 and are not to be incorporated by reference into any filing of Masimo Corporation, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

DISCLAIMER

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