# OverStitch™

Endoscopic Suturing System

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September 2020

# Forward Looking Statements and Regulatory Advisory

Forward Looking Statements: Certain statements in this presentation are forward-looking statements that are subject to risks and uncertainties that could cause results to be materially different than expectations. In addition, there is uncertainty about the spread of the COVID-19 virus and the impact it may have on the Company's operations, the demand for the Company's products, global supply chains and economic activity in general. Important factors that could cause actual results to differ materially include: the advancement of Apollo products; development of new products and enhancements to Apollo's existing products and technologies and obtaining regulatory approvals; market acceptance of Apollo's products; the execution of our gross margin improvement projects; the ability to collect future payments from ReShape; to the availability of cash for Apollo's future operations; Apollo's ability to maintain regulatory approval for its products and to obtain regulatory approval for new products and Apollo's ability to support the adoption of its products and broaden its product portfolio as well as other factors detailed in Apollo's periodic reports filed with the Securities and Exchange Commission, or SEC, including its Form 10-K for the year ended December 31, 2019 and Form 10-Q for the quarter ended June 30, 2020. Copies of reports filed with the SEC are posted on Apollo's website and are available from Apollo without charge. These forward-looking statements are not guarantees of future performance and speak only as of the date hereof, and, except as required by law, Apollo disclaims any obligation to update these forward-looking statements to reflect future events or circumstances.

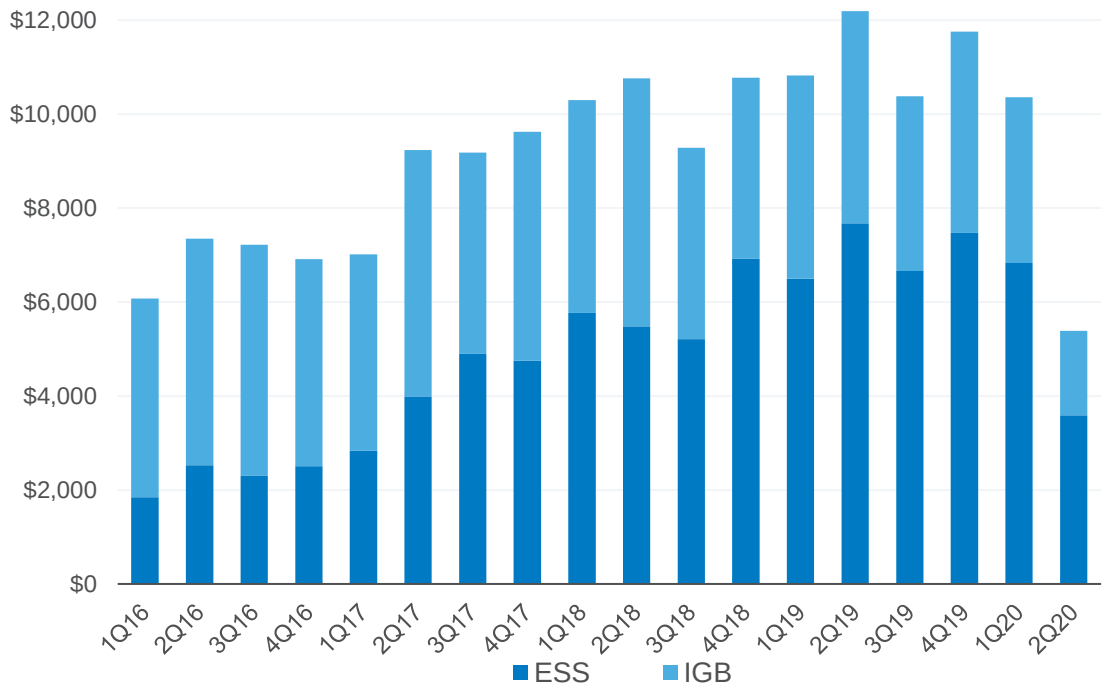
Product Regulatory Advisory: This presentation is intended for the investment and financial community and not for the promotion of Apollo products or related procedures. The Apollo Intragastric Balloon products are approved in the US as a weight loss aid for adults suffering from obesity, with a body mass index (BMI) ≥30 and ≤40 kg/m2, who have tried other weight loss programs, such as following supervised diet, exercise, and behavior modification programs, but who were unable to lose weight and keep it off. Outside of the US the indications for Apollo Intragastric Balloon products vary based on product version and local regulatory clearance. The Overstitch is cleared for the endoscopic placement of sutures and the approximation of soft tissue in the GI tract The Overstitch clearance does not include procedure-specific indications for use. Although Apollo has and continues to obtain clinical data on additional uses for its products, the safety and effectiveness of these uses has not been cleared or approved for commercial purposes by the U.S. Food and Drug Administration. The X-Tack System has not received regulatory clearance in any market.

# Apollo Endosurgery Overview

ENDOSCOPY PRODUCT ANNUALIZED CAGR 16%[1]

ESS ANNUALIZED CAGR 38%[1]

**ENDOSCOPY PRODUCT REVENUE $000s**




IGB product revenue excludes US ORBERA starter kit sales in 2016 and 2017

## Transforming Therapeutic Endoscopy

| | |
|---|---|
| **Products** | • Endoscopic Suturing Systems (ESS): OverStitch & OverStitch Sx<br>• Intragastric Balloon Systems (IGB): Orbera, BIB, and Orbera365<br>• ***Coming Soon***: X-Tack Helix Tacking System |
| **User** | • Gastroenterologist<br>• Bariatric surgeons |
| **Procedures** | • OverStitch: closure during core GI procedures; and, primary and revisional bariatric therapies<br>• Orbera: interventional weight loss<br>• ***Coming Soon***: X-Tack: closure during lower GI procedures |

1. CAGR rates reflect growth calculated through 4Q19 prior to the COVID pandemic onset in March 2020.



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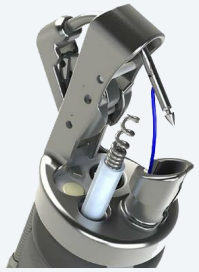
# Apollo Endosurgery: Growth Priorities

## 1. Mainstream ESG for Bariatrics



200,000 BARIATRIC PROCEDURES PER YEAR IN THE US

MERIT STUDY PRIMARY ENDPOINT READ-OUT IN FIRST HALF OF 2021

## 2. Enter Lower GI Procedure Market

20 MILLION COLONOSCOPIES PER YEAR IN THE US

X-TACK US PRODUCT LAUNCH TARGET Q1 2021

## 3. Leverage IGB Clinical Data

9.5+ MILLION ADULTS IN US WITH NASH AND BMI OF 30-40

PURSUE NASH and OTHER UNMET PATIENT NEEDS

## 4. Drive Margin Improvement

TARGET OPERATING MARGIN POSITIVE BY 2022

INCREASE GROSS MARGIN 12% BY 2023



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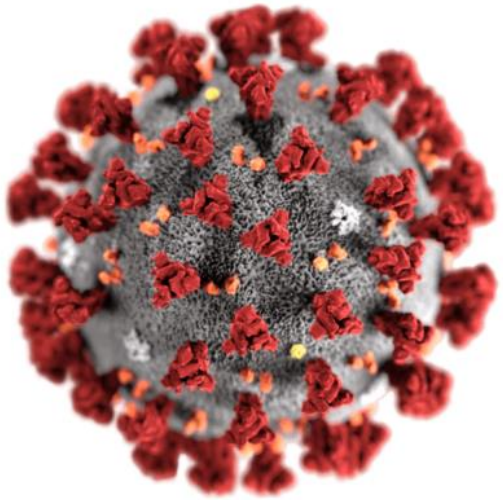
# Apollo Response to COVID-19 Pandemic

**Global Market Displacement**

- Jan – Feb: Strong start to case volumes
- March: Onset of pandemic impact, deferred elective and non-critical procedures
- April: Significant procedure reduction
- May: Steady recovery begins



## Update on Goals

**Preserve & Improve Liquidity**

- Cost reductions implemented in early Q2
- $25.0 million gross proceeds from July equity capital raise
- Loan Agreement covenants concurrently eased

**Respond As Demand Improves**

- 2Q revenue of $5.6 million
- June 2020 U.S. sales back to 90% of June 2019 levels
- July 2020 U.S. and OUS direct sales exceeded July 2019 levels



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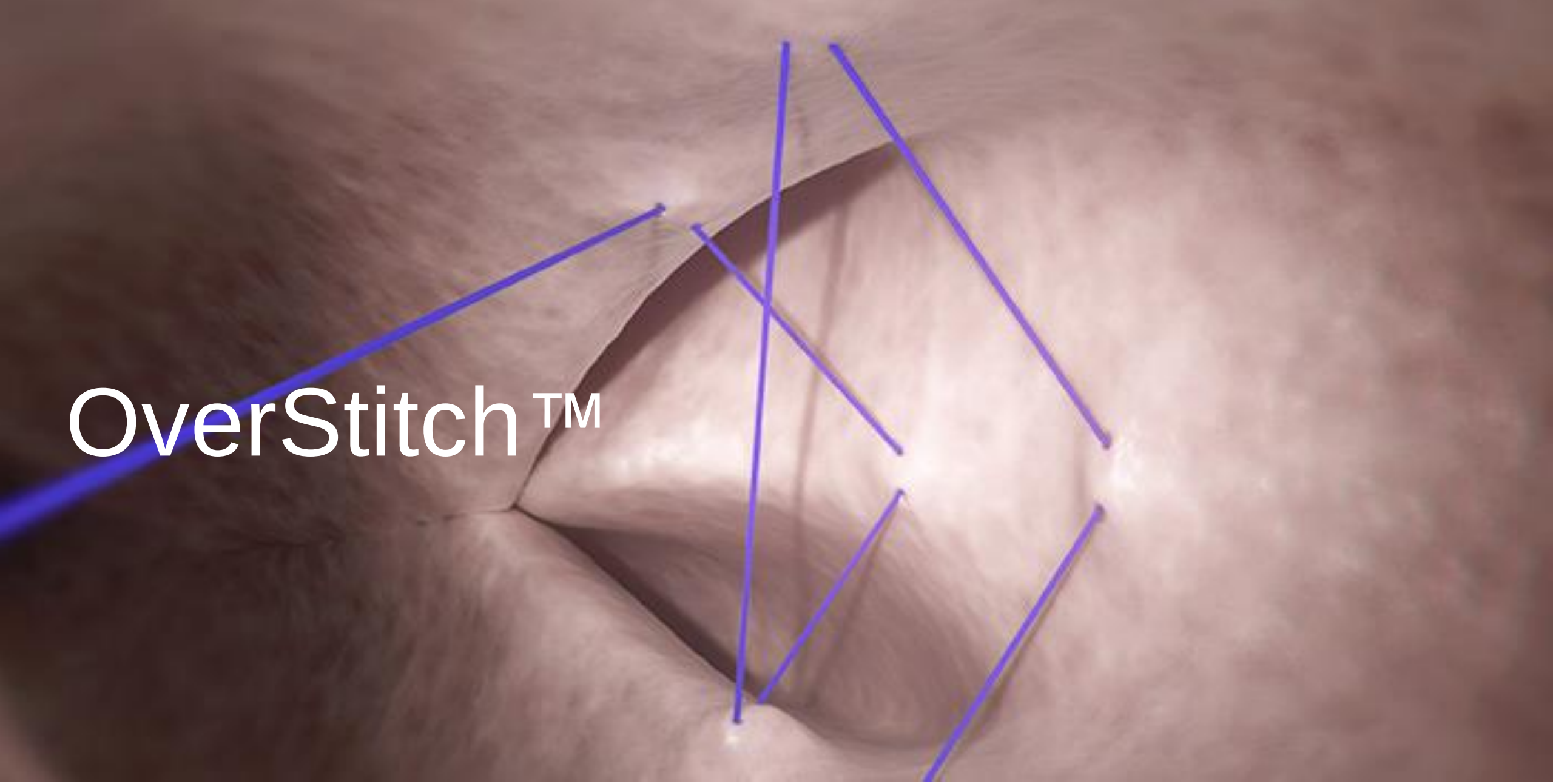




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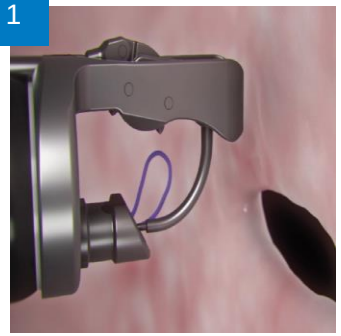
# OverStitch™ – How It Works

58 OVERSTITCH PATENTS GRANTED, 28 PENDING

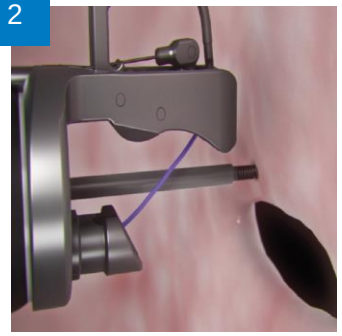
- Enables physicians to perform new and innovative endolumenal procedures
- Overstitch has broad current and future applications – upper and lower GI tract

1



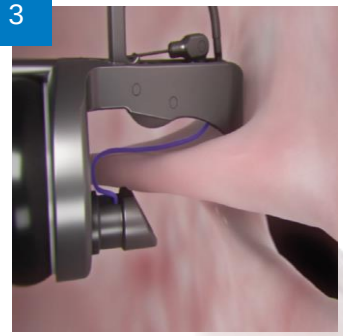
Load needle with suture

2



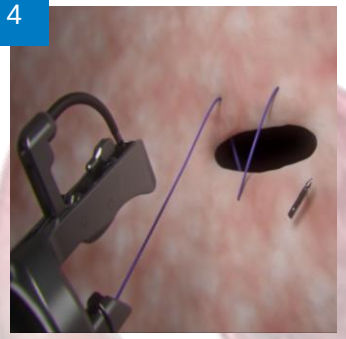
Grab tissue with helix

3



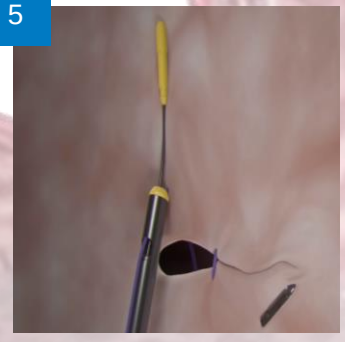
Pull tissue into device - pass needle and suture through tissue

4



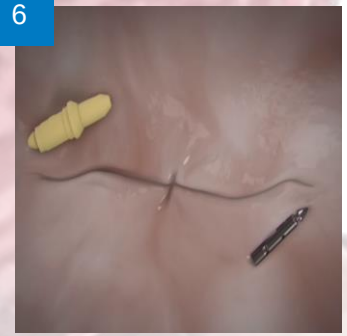
Repeat as needed. Drop needle

5



Pull suture to approximate tissue

6



Deploy cinch to complete suturing

## Key intellectual property beyond 2030.



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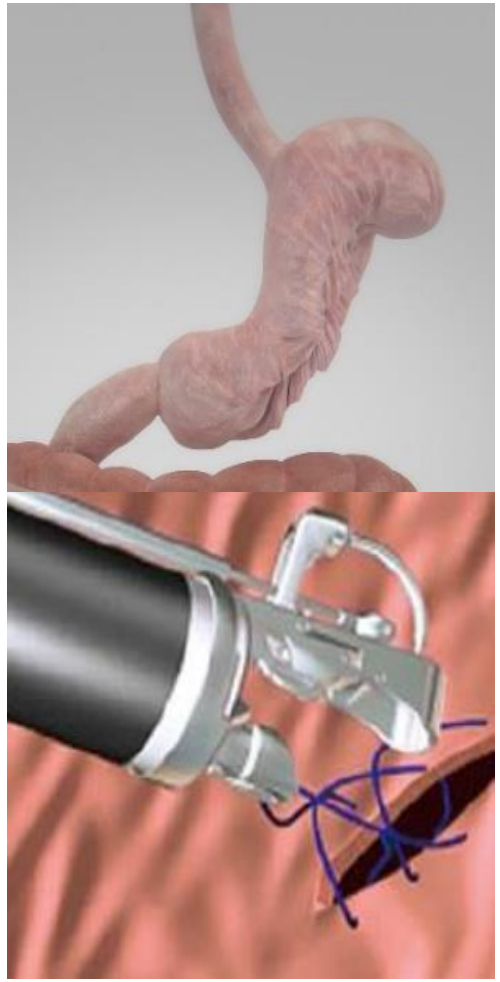
# OverStitch™ – Large Addressable Markets for Endolumenal Surgery



## Bariatrics

**$4.8B** GLOBAL ADDRESSABLE MARKET

## Upper GI

**$150M** … AND GROWING GLOBAL ADDRESSABLE MARKET

IN MARKET

- Primary (ESG)
- Revisions

- Stent Fixation
- ESD or EMR site closure
- POEM
- Fistula, perforation and other GI tract tissue closure
- Reflux (in development)



See Product Regulatory Advisory, slide 2

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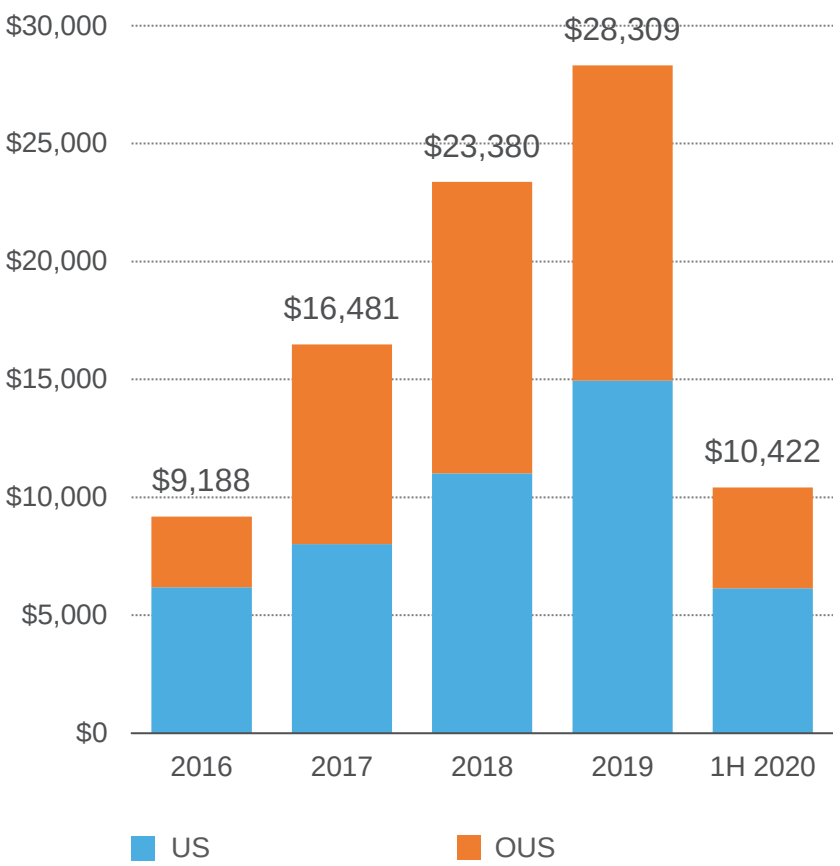
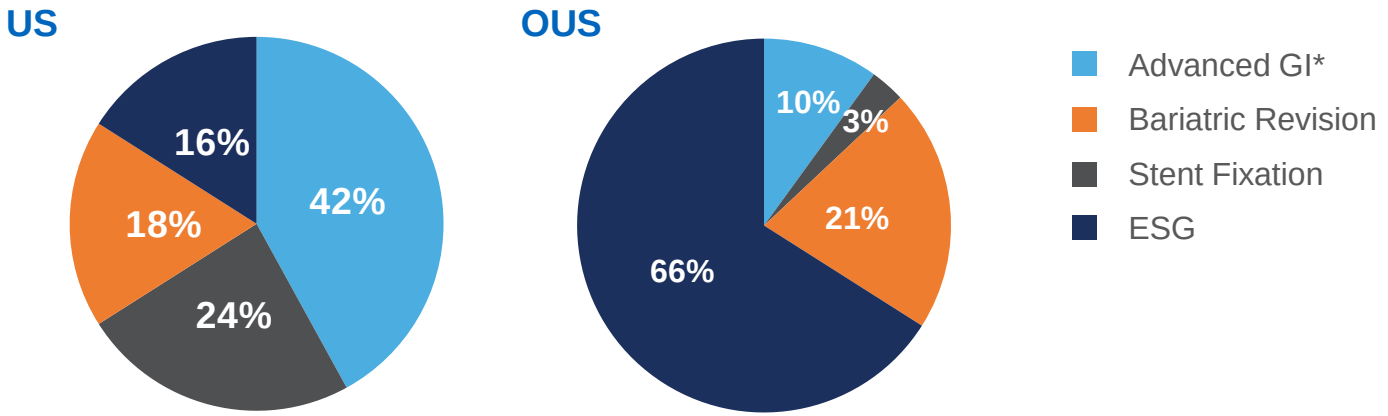
# ESS Market

## REVENUE $000s




## PROCEDURE MIX




## GROWTH DRIVERS

- Product innovation that removes capital equipment barriers
- Effective medical education for new and advancing users
- Support for procedure and clinical data development

See Product Regulatory Advisory, slide 2. Procedure mix reflects year-end 2019 results.
* Advanced GI includes: ESD, EMR, POEM, and other defect closure



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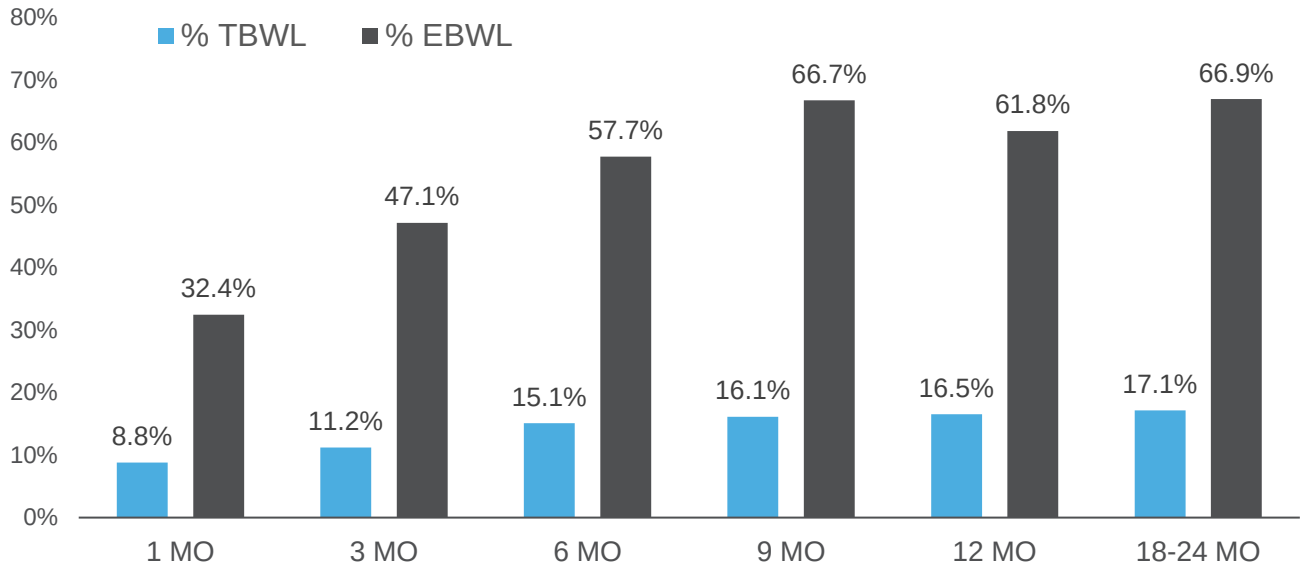
# ESG Outcomes for Patients

- ESG uses suturing to reduce the volume of the stomach, but without the invasiveness of surgery or removal of part of the stomach
- Endoscopic Sleeve Gastroplasty (ESG) demonstrates significant weight loss, low adverse events, and repeatable across various centers

## POOLED %WL REPORTED OVER TIME[1]

8 ESG STUDIES, 1,772 PATIENTS




## IMPROVED HEALTH RESULTS AT 24-MONTHS[2]

8 ESG STUDIES, 1,859 PATIENTS

- 238 patients with T2DM all reported improvement
- All patients with hypertension and dyslipidemia were improved at last visit
- Pooled SAE rate of 2.26%

## NEW DATA (8/20) – BRAZILIAN ESG CONSENSUS[3]

1,828 ESG CASES ACROSS 47 ENDOSCOPISTS

- Complications rate of 0.82%
- Mean TBWL 18.2% at 12 months
- Consensus on indications, contraindications, preparation, technique and post-case care



(1) Hedjoudje et al. (2019)
(2) Singh et al. (2019)
(3) Teixeira et al (2020)

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# X-Tack™ Endoscopic HeliX Tacking System



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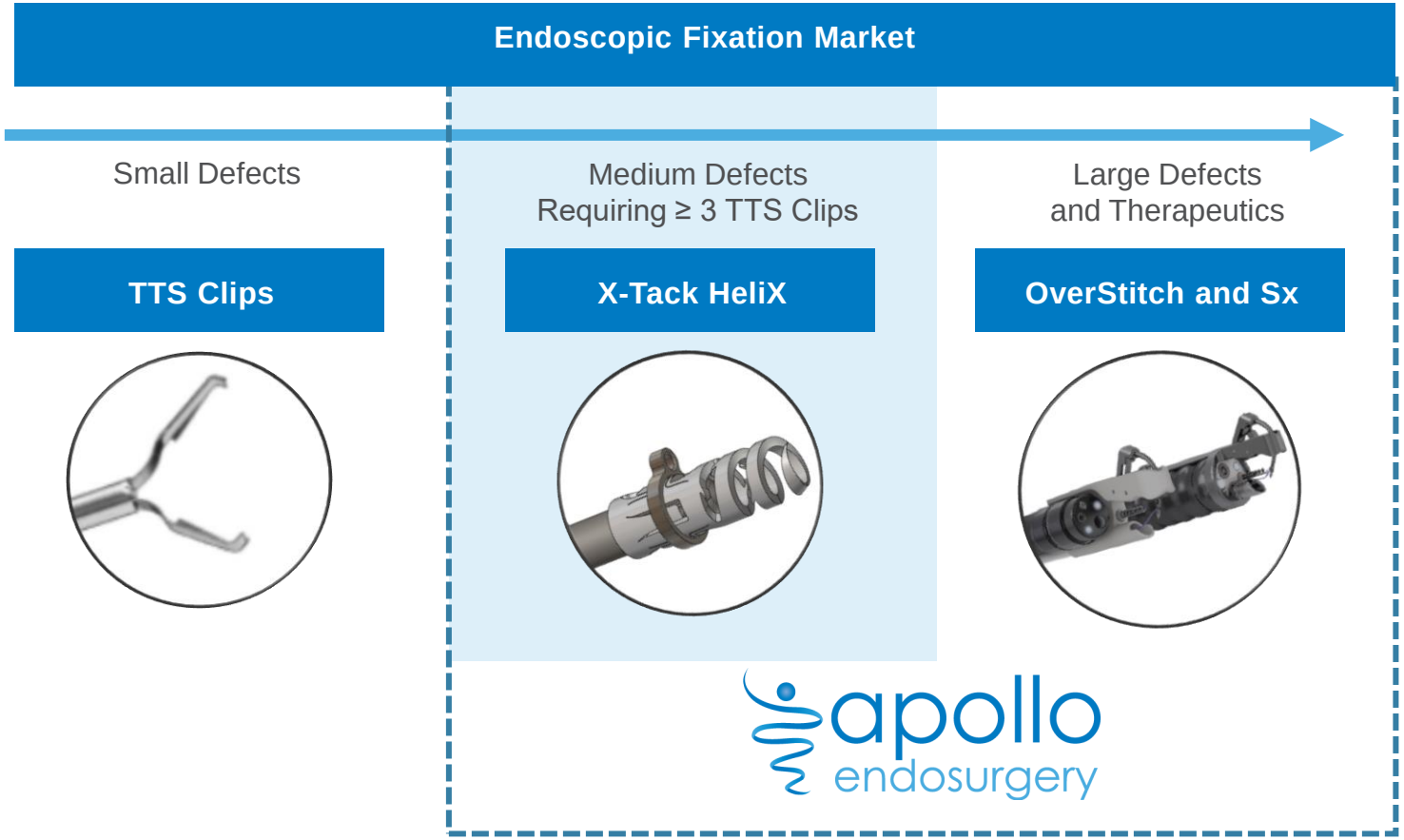
# X-Tack will expand Apollo's franchise in endoscopic fixation

510(k) for X-Tack is currently under review; submission announced July 7, 2020

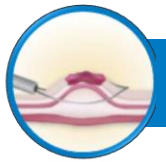



## X-Tack Benefits

- Readily available fixation (through-the-scope)
- Compatible with gastroscopes and colonoscopes
- Designed for defects created during resection or dissection procedures in the colon
- Provides multiple points of fixation to address difficult defects

# $1.7B Lower GI US Market Opportunity

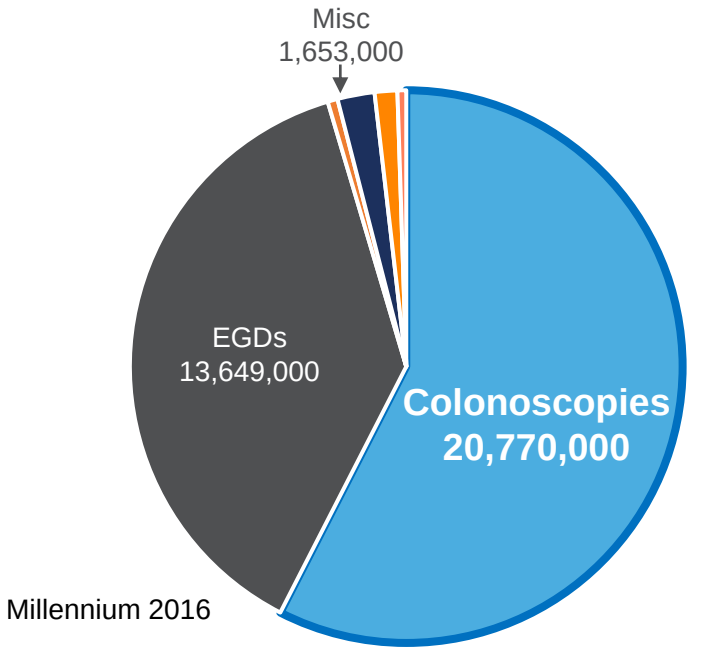
- Large addressable market
- Potential for US market clearance in late 2020
- Target users closely related to existing customers
- Expected to improve overall corporate gross margin profile



EMR Closure

ESD Closure

Perforation Closure




| | |
|---|---|
| Average number of polyps per colonoscopy[1] | 2.3 |
| Rate of polyps >2 cm[1] | 6% |
| Percentage of polyps that are benign[2] | 84% |

**2.5 million polyps >2 cm**



1. Am J Gastroenterol 2020;115:774–782. https://doi.org/10.14309/ajg.0000000000000585
2. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2875919/

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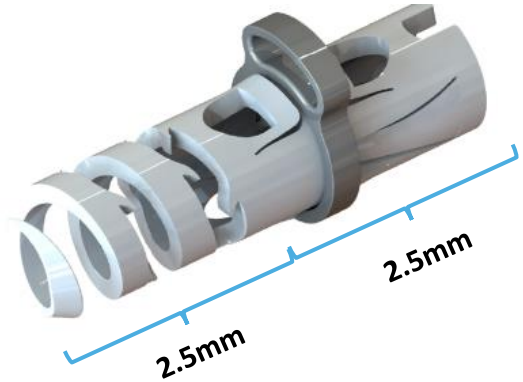
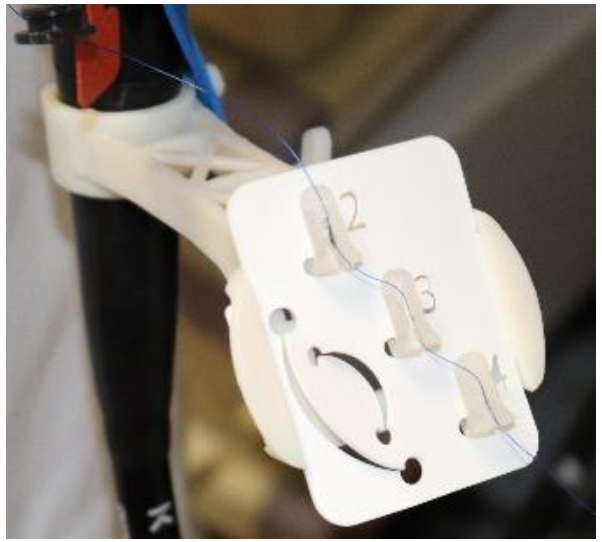
# X-Tack Key Design Features

**Ergonomic Handle** – Translates linear motion into rotational motion allowing for easy HeliX Tack placement or reversal




**HeliX Tack** – Barbed for increased pullout force and durability.

**2 initial offerings** - Gastric / Colonic Lengths
Compatible with 2.8mm and larger scope channels



**Re-loadable HeliX Tack** – Independent placement of fixation points around defect margin with tethered suture for closure

**Scope Mount** – Secures HeliX Tacks to scope allowing the physician or assistant easy access during re-loading process



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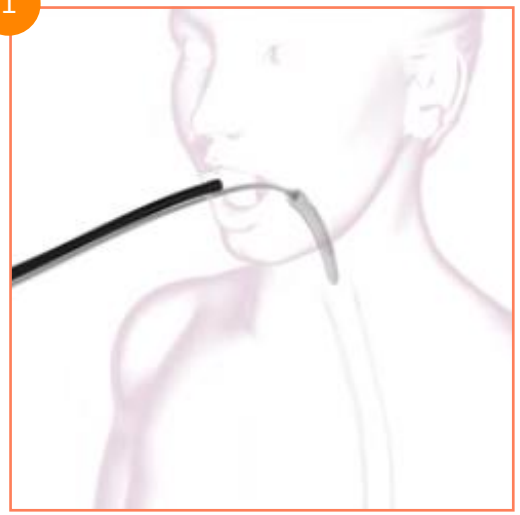
# Orbera®

# Orbera®: the #1 Gastric Balloon Worldwide

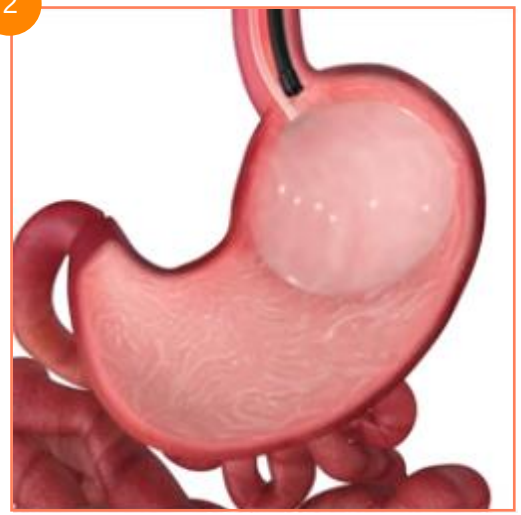
- CE marked in 1997, FDA approved in August 2015
- Only balloon currently meeting ASGE's threshold standards[1] for safety and efficacy
- More than 230 peer reviewed publications reporting weight loss results consistently >10% TBW
- FDA post approval study obligations complete

1



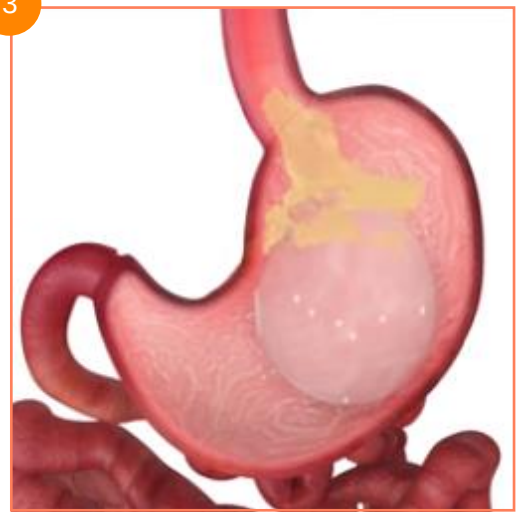
INSERTED THROUGH MOUTH

2



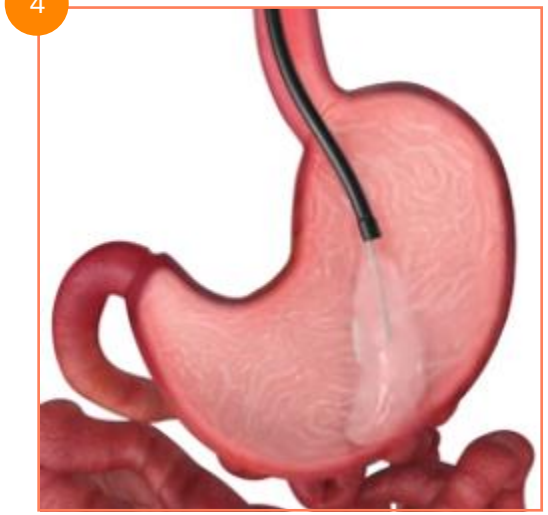
INFLATED WITH SALINE

3



ENCOURAGES PORTION CONTROL AND DELAYS GASTRIC EMPTYING

4



DEFLATED AND REMOVED



1. ASGE Bariatric Endoscopy Task Force and ASGE Technology Committee. Journal of Gastrointestinal Endoscopy. 2015 Sep; Epub 2015 Jul 29.

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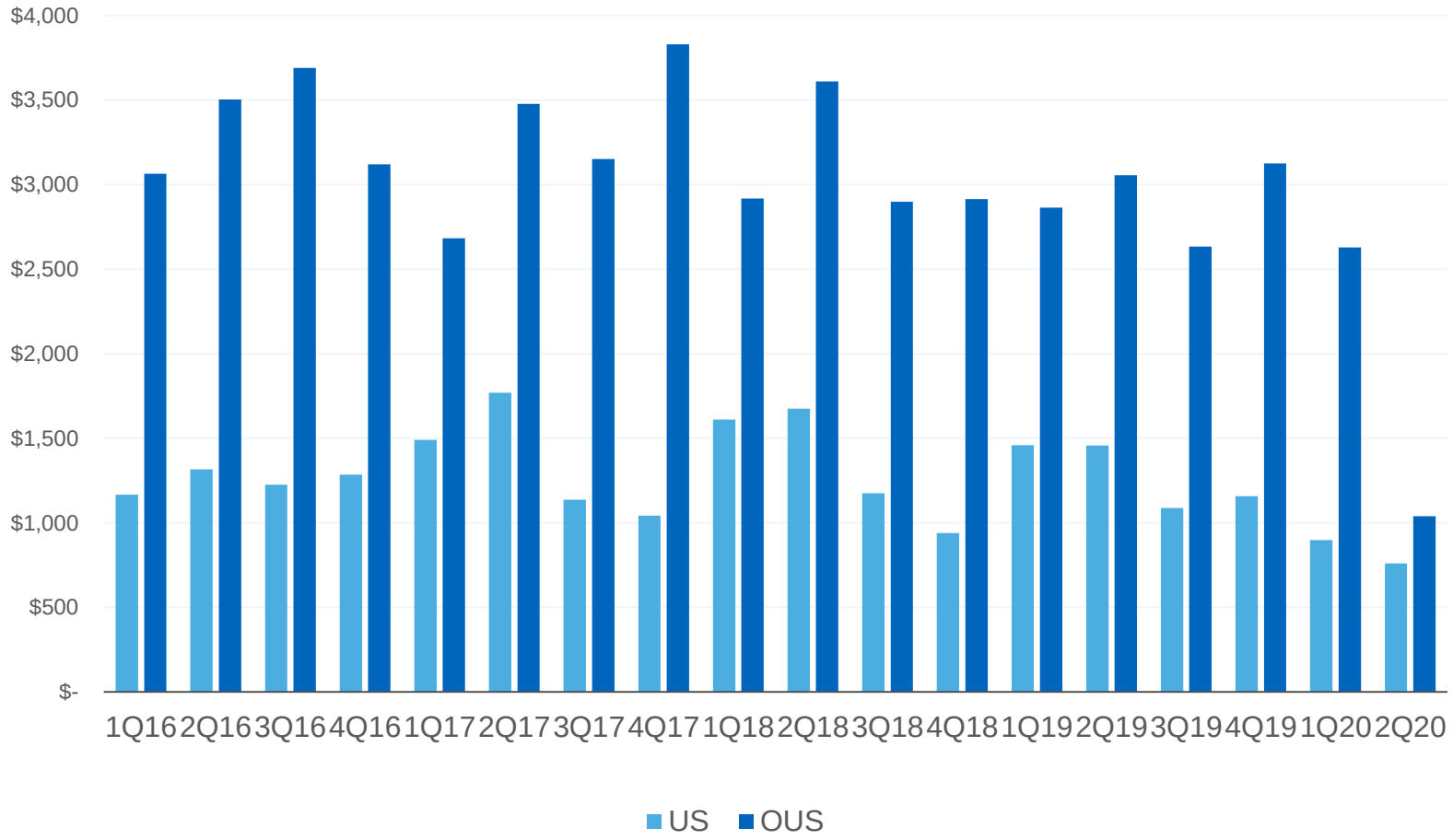
# Orbera® (IGB) Revenue

REVENUE $000s




- Strong market share in established OUS IGB market
- US Orbera post-approval study accepted by FDA in April 2020, fulfilling all post-approval study requirements
  - 11 sites, 258 patients
  - Primary safety endpoint met
  - Secondary efficacy endpoint met



IGB product revenue excludes US ORBERA starter kit sales in 2016 and 2017

ASGE Bariatric Endoscopy Task Force and ASGE Technology Committee. Journal of Gastrointestinal Endoscopy. 2015 Sep; Epub 2015 Jul 29.

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# IGB Market Expansion Potential

## CURRENT MARKET

**Aesthetic Weight Loss**

- 228,000 U.S. bariatric procedures annually(1)
- 1.8 million U.S. cosmetic surgical procedures annually(2)
- Diverse sites for aesthetic services:
  - Plastic surgery centers
  - Bariatric clinics
  - Endo-bariatric (GI) clinics

## IN DEVELOPMENT

**Patients with medical conditions that require Weight Loss**

- Non-cirrhotic NASH with fibrosis
- Bridge to Orthopedics or General Surgery
- Solid Organ Transplantation

Estimated 9.5 – 10M US adults with NASH and BMI of 30-40. 35% with fibrosis levels 2 or 3.

*Value Proposition: 10% weight loss produces high rate of NASH resolution and fibrosis regression.*

1.1M worldwide total joint replacements / year. Approximately 30% of adults are BMI 30-40.

*Value Proposition: Pre-operative weight loss decreases complications, operative time, length of rehab.*

121,500 in US currently on wait list for organ transplant. Just under 40% are with BMI >30. Long wait times.

*Value Proposition: Maintain or improve metabolic health during wait period, reduce operative complication risks.*

(1) ASMBS bariatric procedure data published June 2018
(2) American Society of Plastics Surgeons: 2018 National Plastic Surgery Statistics
* See Product Regulatory Advisory, Slide 2



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# Medical Relevance of 10% weight loss on Liver Disease

| % WEIGHT LOSS (WL)<br>Results over a 52-Week Period of Lifestyle Intervention (1) | | <5%> | <7%> | <10%> |
|---|---|---|---|---|
| NASH – Resolution | 10% | 26% | 64% | 90% |
| Fibrosis Regression | 45% | 38% | 50% | 81% |
| Steatosis Improvement | 35% | 65% | 76% | 100% |
| % of Patients Achieving WL | 70% | **12%** | **9%** | **10%** |

**Highest rates of NASH resolution, Fibrosis regression, and reduction in liver fat occur with >10% TBWL**

But patients experience a low success rate in meeting the meaningful weight loss thresholds



(1) Manuel Romero-Gomez, Shira Zelber-Sagi, Michael Trenell - Treatment of NAFLD with diet, physical activity and exercise; graphic included as modified from Vilar-Gomez E, Martinez-Perez Y, Calzadilla-Bertot L, Torres-Gonzalez A, GraOramas B, Gonzalez-Fabian L, et al. Weight loss through lifestyle modification significantly reduces features of nonalcoholic steatohepatitis. Gastroenterology 2015;149:367–378, [Quiz e314–e365].

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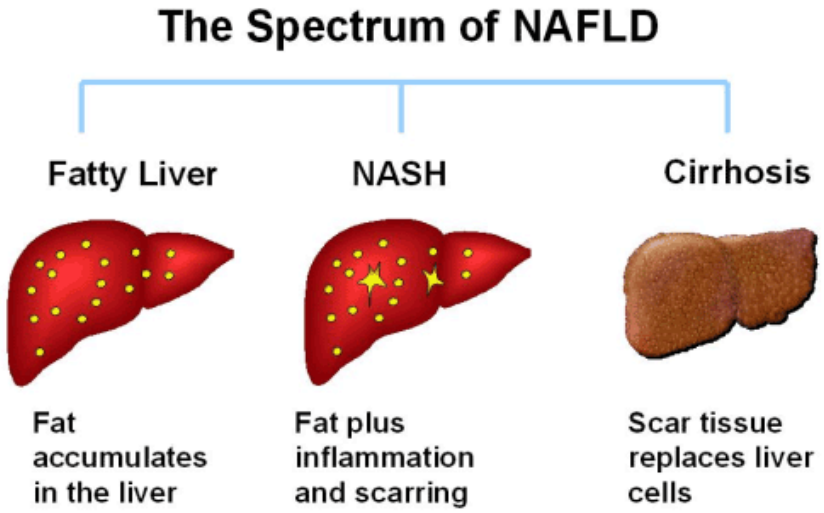
# New Publication in CGH: NASH Regression After Orbera Therapy

Single-center, open-label prospective study to evaluate the effects of Orbera placement on metabolic and histologic features of NASH.

**Published NASH Results:**

- Both NASH resolution rates and fibrosis regression surpassed those seen with investigated NASH pharmacotherapies
- **65%** of patients achieved resolution of NASH (NAFLD Activity Score ≤1)
- **80%** of patients had a **≥2** point improvement in NAFLD activity score
- **15%** improved fibrosis (scarring) by **1.17** stages
- **50%** of patients reached endpoint guidelines issued by the FDA for NASH resolution and fibrosis improvement.






Bazerbachi F, Vargas EJ, Rizk M, Masselli DB, Mounajjed T, Venkatesh SK, Watt KD, Port JD, Basu R, Acosta A, Hanouneh I, Gara N, Shah M, Mundi M, Clark M, Grothe K, Storm AC, Levy MJ, Abu Dayyeh BK; Clin Gastroenterol Hepatol 2020 Apr 30

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# 2020 Clinical Data Programs

OverStitch™
Endoscopic Suturing System

- MERIT for ESG
- AGA Endoscopic Suturing Registry
- European Bariatric Registry
- European GI Registry
- Various Investigator Initiated Studies

Orbera®
managed weight loss system

- European Post Market Study for Orbera365
- Various Investigator Initiated Studies



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# Gross Margin Improvement Programs

## 2023 GOAL

- Target an additional 12% improvement in total gross margin by 2023
- Driven by combination of sales growth and cost reduction projects
- 6 projects to resume after COVID-19
- Implementation: 4Q 2020 - 1Q 2022




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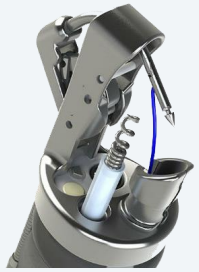
# Apollo Endosurgery: Growth Priorities

## Mainstream ESG for Bariatrics



200,000 BARIATRIC PROCEDURES PER YEAR IN THE US

MERIT STUDY PRIMARY ENDPOINT READ-OUT IN FIRST HALF OF 2021

## Enter Lower GI Procedure Market

20 MILLION COLONOSCOPIES PER YEAR IN THE US

X-TACK US PRODUCT LAUNCH TARGET Q1 2021

## Leverage IGB Clinical Data

9.5+ MILLION ADULTS IN US WITH NASH AND BMI OF 30-40

PURSUE NASH and OTHER UNMET PATIENT NEEDS

## Drive Margin Improvement

TARGET OPERATING MARGIN POSITIVE BY 2022, INCREASE GROSS MARGIN 12% BY 2023

6 PROJECTS TO RESUME AFTER COVID-19



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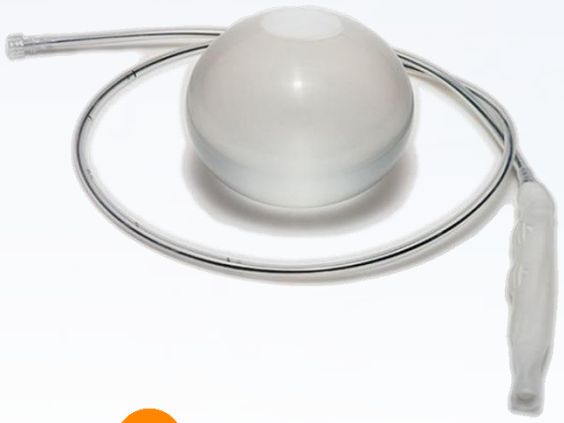
# Leading Products in Therapeutic Endoscopy



Orbera®
managed weight loss system

OverStitch™
Endoscopic Suturing System

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# Selected Financial Results

| *In 000s except percentages* | 2Q 2020 | 1Q 2020 | FY 2019 | 4Q 2019 | 3Q 2019 | 2Q 2019 | 1Q 2019 | FY 2018 |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | $5,644 | $10,718 | $50,713 | $11,989 | $11,259 | $14,254 | $13,211 | $60,854 |
| **Gross Margin** | 43.0% | 52.6% | 50.6% | 48.7% | 48.3% | 50.3% | 54.8% | 54.5% |
| *Endoscopy Revenue* | *$5,389* | *$10,358* | *$45,149* | *$11,755* | *$10,381* | *$12,193* | *$10,820* | *$41,119* |
| *Endoscopy Gross Margin* | *50.7%* | *51.9%* | *49.5%* | *48.6%* | *48.4%* | *50.1%* | *50.7%* | *44.2%* |
| Sales and marketing | $2,265 | $6,330 | $28,730 | $6,735 | $6,495 | $7,803 | $7,697 | $32,831 |
| General and administrative | $2,157 | $3,339 | $13,588 | $3,369 | $3,159 | $3,343 | $3,717 | $13,436 |
| Research and development | $1,815 | $2,147 | $10,384 | $2,139 | $2,128 | $2,689 | $3,428 | $12,176 |
| Amortization of intangible assets | $490 | $496 | $2,095 | $504 | $510 | $528 | $553 | $7,074 |
| **Total operating expenses** | $6,727 | $12,312 | $49,188 | $12,747 | $12,292 | $14,363 | $9,786[1] | $73,287[2] |
| **Loss from operations** | ($4,298) | ($6,675) | ($23,513) | ($6,912) | ($6,859) | ($7,197) | ($2,545) | ($40,093) |
| **Net Loss** | ($6,253) | ($10,256) | ($27,432) | ($7,196) | ($8,658) | ($8,774) | ($2,804) | ($45,787) |
| **Net Loss per Share** | ($0.30) | ($0.49) | ($1.27) | ($0.34) | ($0.40) | ($0.40) | ($0.13) | ($2.31) |
| **Shares used in computing Net Loss per Share (000s)** | 21,153 | 21,117 | 21,542 | 20,946 | 21,401 | 21,927 | 21,907 | 19,790 |

1. First quarter 2019 operating expense includes settlement gain of $5,609 from Allergan Inc.
2. FY 2018 operating expense includes $7,770 loss on divestiture of the Surgical product line in December 2018.



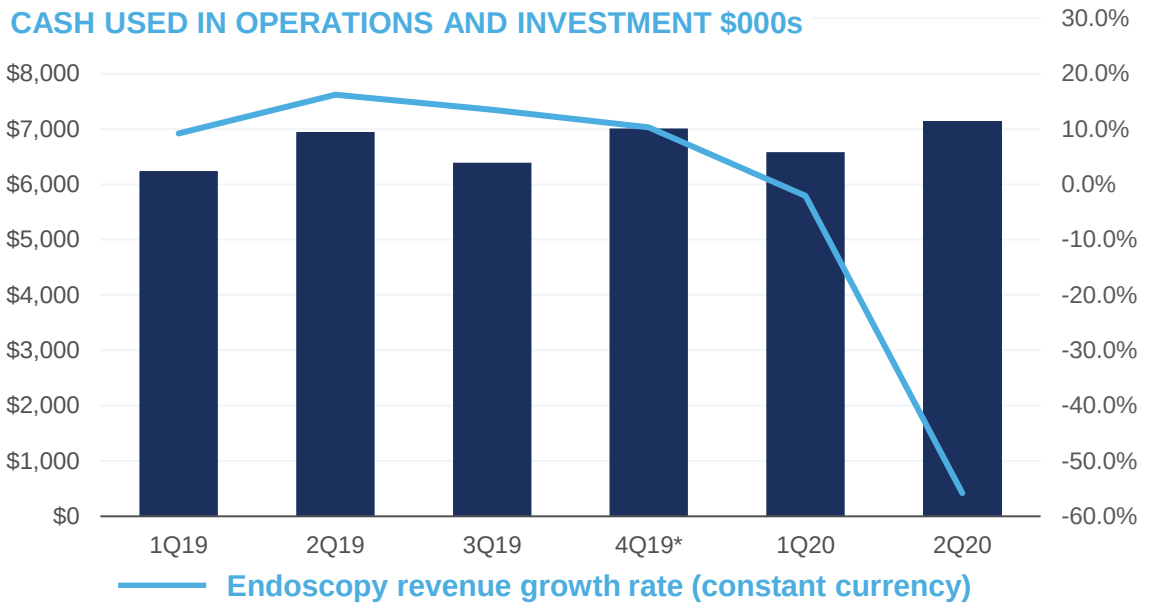
apollo endosurgery

# Balance Sheet and Cash Used in Operations

| SELECT BALANCE SHEET DATA $000s | June 30, 2020 |
|---|---|
| Cash, Cash Equivalents and Restricted Cash | $19,709 |
| Accounts Receivable | 5,664 |
| Inventory, net | 10,979 |
| Total Assets | $60,093 |
| Accounts Payable | $7,177 |
| Long-term Debt | 37,535 |
| Convertible Debt | 18,710 |
| Total Liabilities | $70,672 |
| Stockholders' Equity | $(10,579) |
| Liabilities and Shareholders' Equity | $60,093 |

**Equity Offering – July 2020**

- Raised $25 million gross proceeds via 2,480,000 common shares plus pre-funded warrants to purchase up to 17,520,000 common shares
- Reduced minimum liquidity requirement under Solar Capital agreement




**Term Loan – Matures September 2023**

- Interest at LIBOR plus 7.5%, interest only through March 2021

**Convertible Debt – Matures August 2024**

- Interest at 6%, payable in stock, Conversion price of $3.25

**PPP Loan – Received April 2020**

- $2.8 million loan, Interest at 1.0%



* 4Q19 excludes the effect of a $2.0 million installment cash payment received for the sale of the Surgical product line