



# STRATA

SKIN SCIENCES

**Driving Value to Dermatology Partners**

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Matching Patients with Clinics

**Investor Presentation**

August 2021

## Safe Harbor Statement

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## Large Market Opportunity

- 31 Million lives in the U.S.: \$6 Billion annual revenue<sup>1</sup>
- XTRAC is the market leader in excimer laser therapy
- Reimbursement: 3 unique CPT codes
- Q3 Acquisition of the U.S. Pharos dermatology business of Ra Medical – Positions Company as predominant provider of excimer laser treatments

## Unique and Proven Business Model

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

## A Win-Win-Win Company

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

## Acquired the U.S. Pharos Dermatology Business of Ra Medical Systems

- Provides STRATA with the opportunity to market its full business solution to Ra Medical's existing customer base of 400 dermatology practices
- Delivers added long-term recurring revenue growth potential and prospective customer base
- Positions STRATA as the predominant provider of excimer laser treatments in the U.S.

## Large Unmet Need in Common and Chronic Dermatologic Conditions



**PSORIASIS**



**VITILIGO**



**ATOPIC DERMATITIS**

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

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


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

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

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

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

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

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

\*Narrow band UVB Light Therapy

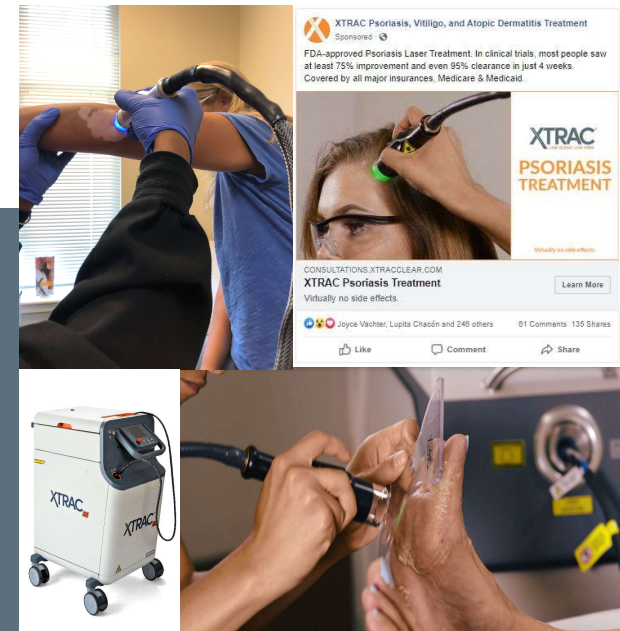
## XTRAC: A True Partnership – A Complete Business Solution



# #1 Targeted Laser Therapy Prescribed by Dermatologists

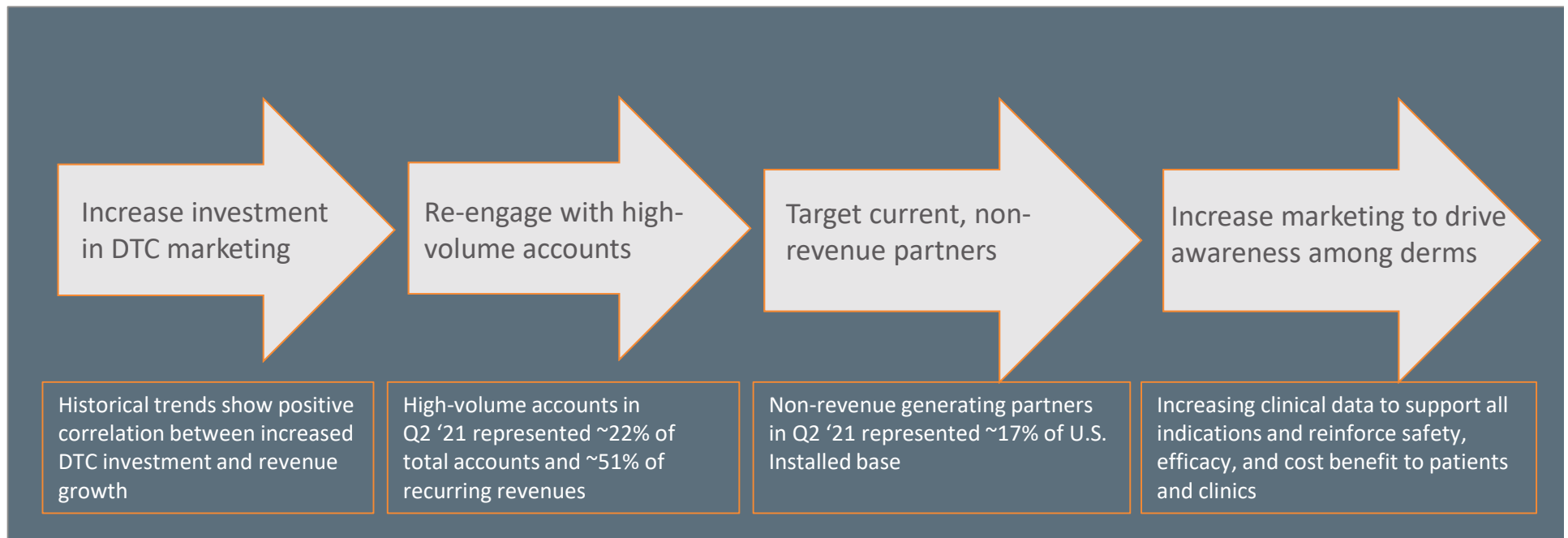
## BEST-IN-CLASS EXCIMER TREATMENT

- ✓ FDA approved + established CPT codes
- ✓ **150+** Peer-reviewed clinical studies
- ✓ **2000+** device installed base, WW
- ✓ **20+** million treatments performed WW





## Key Priority: Driving Commercial Execution



## XTRAC: Psoriasis

### XTRAC: The treatment for Psoriasis



### Clinical Protocol – 6.2 treatments to PASI 75

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

Beam of UVB light applied to the affected area

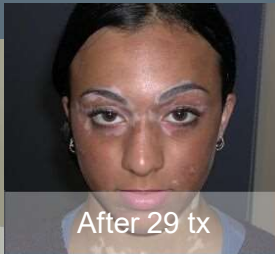
UVB light induces apoptosis of the keratinocytes and T cells in the dermis

Promotes immunosuppression

Induces alterations in cytokine profile

## XTRAC: Vitiligo

### XTRAC: The solution for Vitiligo



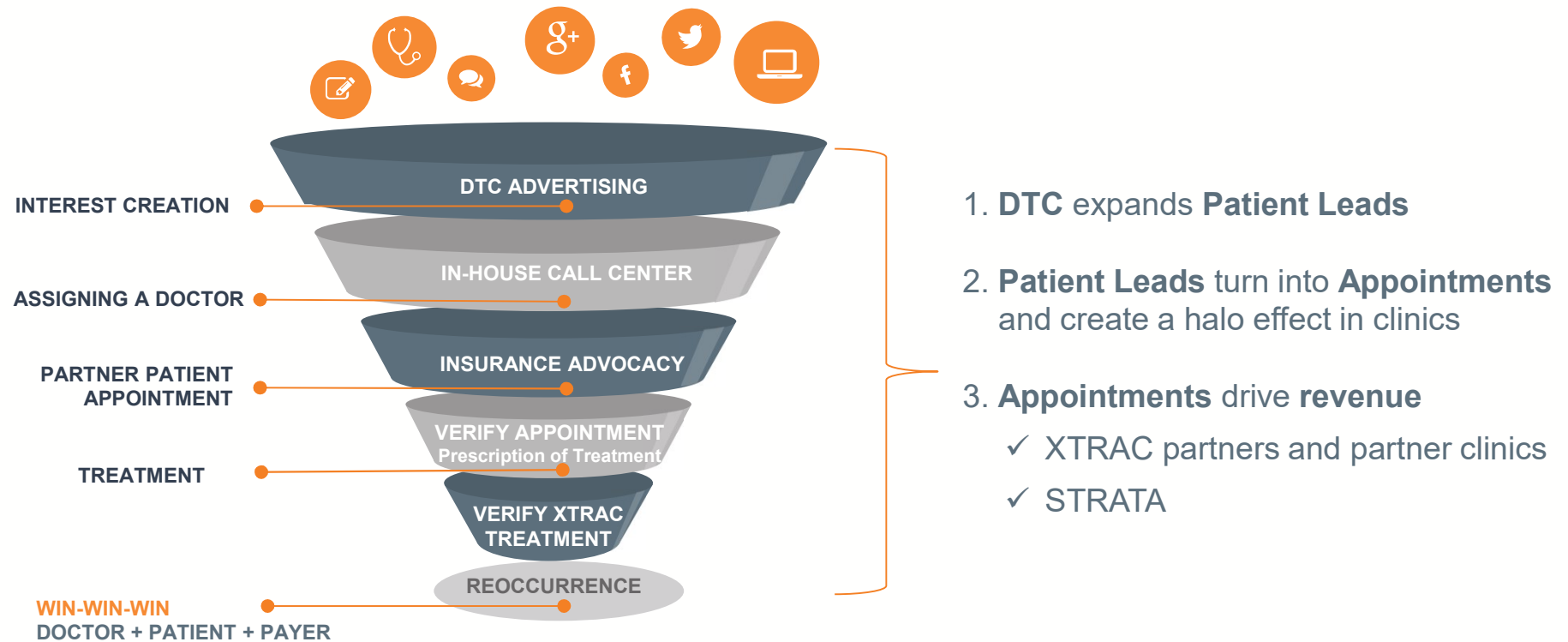
Beam of UVB light  
applied to the  
affected area

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

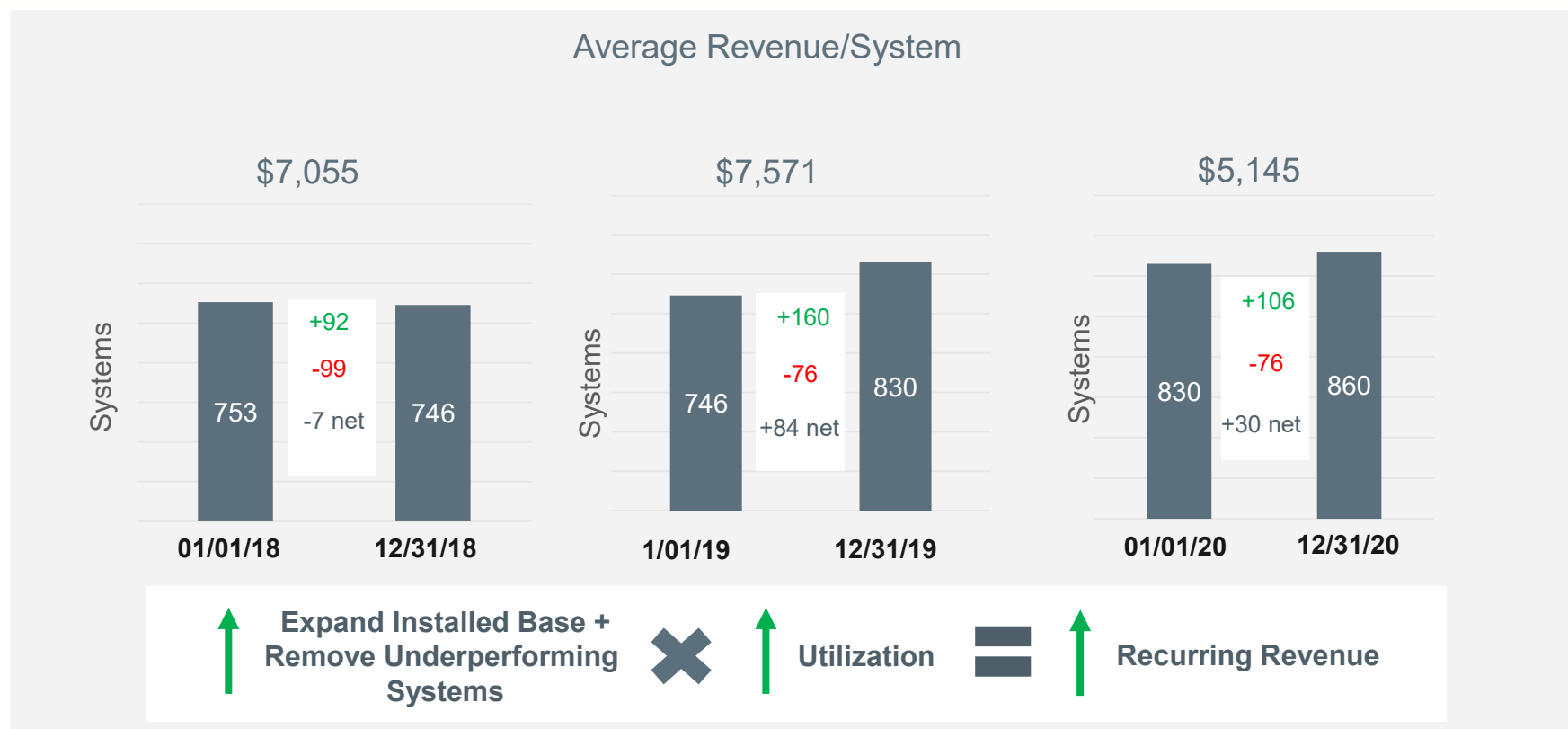
Results in  
re-pigmentation

Simple, safe, effective  
+ long-lasting

# Domestic XTRAC Revenue Funnel

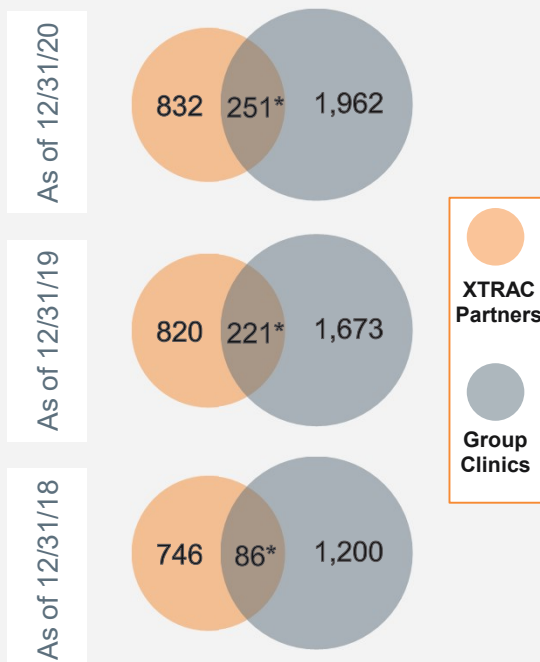


## Growing Installed Base Leads to Recurring Revenue Model



## Domestic Installed Base Growth Drivers

### XTRAC Growth in Groups



\* Combination of new XTRAC placements and Clinic acquisitions

### Expansion into group clinic roll ups

- 1,962 clinics owned by 49 roll-up groups at 12/30/2020
- 251 (13%) of which are XTRAC partners at 12/30/2020
- Signed strategic expansion agreements with major groups
- Increased from 251 at 12/30/2020 to 299 at 6/30/2021

### Comebacks

- 300-400 clinics own Excimer lasers
- Conversion to XTRAC partnership leads to immediate revenue
- 15 Comebacks in 2018 (4 in 2017)
- 19 Comebacks in 2019
- 23 Comebacks in 2020
- 18 Comebacks YTD 2021

## Domestic Market: Installed Base – Sales and Service Engine

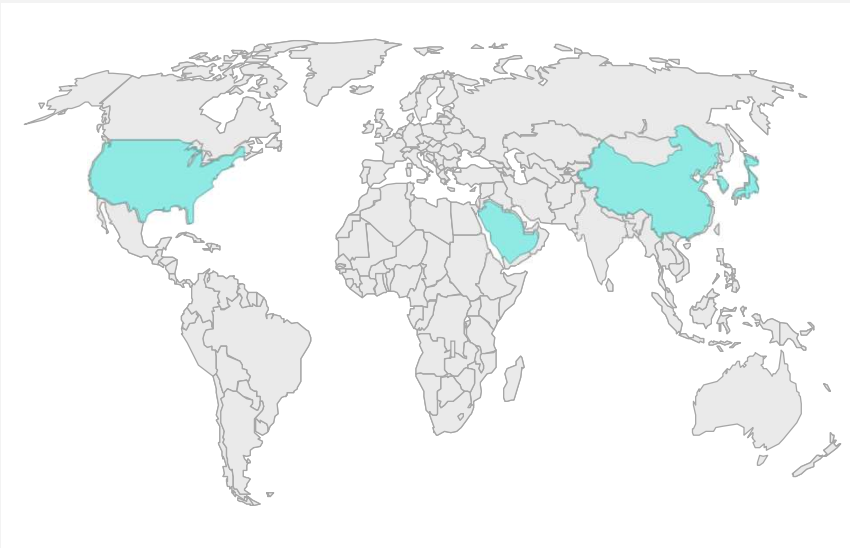


Territories color coded

### Overview

- 848 Partner XTRAC Clinics
- 160+ Sold XTRAC
- 4 Regions
- 30 Sales Territories
- 2 National Account Managers
- 15 Field Service Techs
- In-House Call Center to Qualify Leads
- Only One Competitor in U.S.

## International Market: Installed Base



### Strategic Growth Targets

- Current Markets: China, Japan, Saudi Arabia, S. Korea
- Insurance covered in most markets
- Usage/device higher than domestic market
- 1,300 OUS devices sold and in service
- Placement recurring revenue model agreements:
  - Executed for South Korea (July 2019)
  - Executed for Japan (October 2020)
  - Executed for China (January 2021)
- 41 International partner XTRAC clinics (up from 10 in 2019)



## Partner Academic Institutions



## Sample Studies from 150+ Clinical Studies

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

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

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

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

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

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

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

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

## Financial Metrics

|                                      | 2018     | Q1 '19  | Q2 '19  | Q3 '19  | Q4 '19  | 2019     | Q1 '20  | Q2 '20  | Q3 '20  | Q4 '20  | 2020     | Q1 '21  | Q2'21   |
|--------------------------------------|----------|---------|---------|---------|---------|----------|---------|---------|---------|---------|----------|---------|---------|
| Dermatology recurring revenue        | \$21,053 | \$5,312 | \$5,839 | \$5,991 | \$6,571 | \$23,713 | \$5,701 | \$2,796 | \$3,835 | \$5,077 | \$17,409 | \$4,679 | \$5,453 |
| Dermatology equipment revenue        | \$8,802  | \$2,171 | \$1,886 | \$1,489 | \$2,327 | \$7,873  | \$1,029 | \$1,234 | \$1,778 | \$1,640 | \$5,681  | \$1,148 | \$1,927 |
| Total revenue                        | \$29,855 | \$7,483 | \$7,725 | \$7,480 | \$8,898 | \$31,586 | \$6,730 | \$4,030 | \$5,613 | \$6,717 | \$23,090 | \$5,827 | \$7,382 |
| Domestic partner installed base      | 746      | 754     | 764     | 784     | 820     | 820      | 822     | 789     | 813     | 832     | 832      | 837     | 848     |
| International installed base         | -        | -       | -       | 2       | 10      | 12       | 16      | 17      | 24      | 28      | 28       | 34      | 41      |
| Average recurring revenue/device*    | \$7,055  | \$7,045 | \$7,643 | \$7,622 | \$7,916 | \$7,571  | \$6,803 | \$3,469 | \$4,582 | \$5,930 | \$5,145  | \$5,372 | \$6,133 |
| Dermatology recurring revenue margin | 65.0%    | 66.2%   | 70.3%   | 67.2%   | 76.5%   | 70.3%    | 68.4%   | 51.2%   | 64.3%   | 74.4%   | 66.5%    | 67.9%   | 70.0%   |
| Total Company margin                 | 57.3%    | 61.6%   | 63.6%   | 61.8%   | 73.8%   | 64.2%    | 65.4%   | 48.7%   | 57.5%   | 67.6%   | 61.2%    | 63.7%   | 64.5%   |

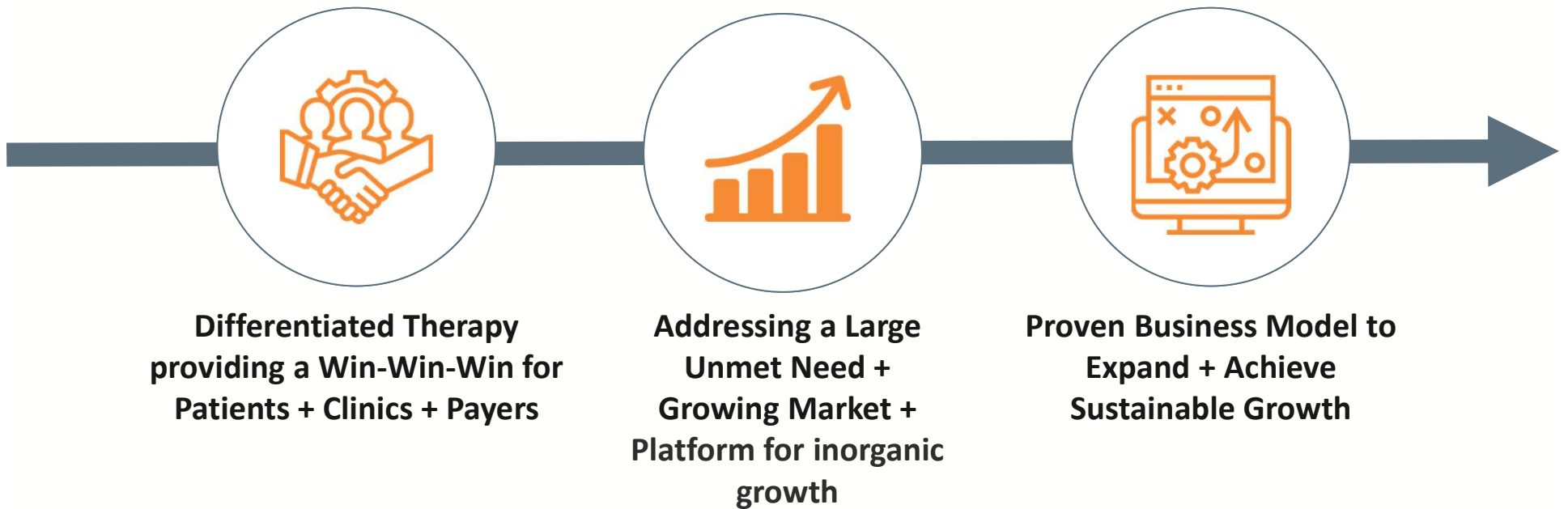
\* Total recurring revenue over total installed base

\*\* Company estimates not provided

Unaudited quarterly results

\* See press release dated August 16, 2021 for definitions of non-GAAP measures

## STRATA Key Investment Takeaways





Thank You



# Appendix

# Footnotes

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