

**DexCom, Inc. (DXCM – \$76.00)**
**September 11, 2025\***

DexCom, Inc. (DXCM) is a medical device company focused on the design, development, and commercialization of continuous glucose monitoring (“CGM”) systems primarily for people with diabetes. The Company sells products through its direct sales force and distribution arrangements. DexCom was founded in 1999 and is headquartered in San Diego, CA. Its fiscal year ends on 12/31.

**Thesis Summary**

We are concerned about significant CGM saturation in the top two US insulin-dependent “core” markets in a competitive CGM space. Our concerns are heightened given the limited multi-year increase in CGM Type 1 market penetration. While we acknowledge Type 2 basal penetration expansion may provide an opportunity, we believe glucose monitoring is less critical in the Type 2 basal market and significant Abbott Type 2 basal monitoring share may limit the opportunity. We are concerned Abbott’s (1) “exclusive” CGM partnership with Medtronic and (2) impending dual analyte sensor launch may pressure DexCom market share. Our growth concerns are heightened given DexCom added new disclosure language on “emerging” China competition and FY 24 net user additions declined. In addition, we believe DexCom’s CGM opportunity in non-insulin dependent markets may be limited given minimal/no evidence of increased CGM penetration over multiple years, limited insurance coverage, GLP-1 proliferation may reduce diabetes progression (e.g. prediabetic to insulin dependence) and/or drive CGM customer churn, and health and wellness users drove Stelo demand despite DexCom initially targeting Type 2 non-insulin patients. Our Stelo concerns are heightened given FY 25 Stelo guidance was reiterated despite a “great” H1 25, evidence of certain discounting, and poor reviews. We are concerned historically elevated receivable levels highlight elevated channel inventory and back-end weighted revenue. Accordingly, we believe revenue may be pressured. In our view, reduced pharmacy channel commentary may obfuscate receivables analysis. We believe historically elevated payable levels may have provided an unsustainable cash flow benefit. Our earnings sustainability concerns are heightened given free cash flow declined, recent and impending executive turnover, a recent receiver recall, a recent FDA warning letter, and CMS proposed competitive bidding.

**Company Data**

Country/Exchange	US/NASDAQ
Shares Outstanding (mil)	390.8
Float (mil)	385.4
Short Interest (mil)	11.1
% of Float Short	2.9%
Average Volume (mil)	\$295.9
52 Week Range	\$57.52 – \$93.25
Dividend Yield	0.0%
Market Cap (bil)	\$29.9
Net Cash (bil)	\$0.5
Enterprise Value (bil)	\$29.4
FY 24 Rev (mil)/Rev Growth	\$4,033.0 / 11.3%
FY 24 Non-GAAP OI (mil)	\$757.1
FY 24 Non-GAAP GM %/Change	61.8% / (220 bps)
FY 24 Non-GAAP OM %/Chg	18.8% / (100 bps)

**Valuation (as of report date)**

NTM P/S	6.0x
NTM EV/ EBITDA	19.6x
NTM P/E	32.4x

**Consensus Estimate Drift**

	EST	1M Ago	6M Ago	1YR Ago
Q3 25 Rev	\$1,178.2	\$1,177.1	\$1,174.5	\$1,175.0
FY 25 Rev	\$4,628.2	\$4,628.1	\$4,605.9	\$4,639.3
FY 26 Rev	\$5,352.3	\$5,353.4	\$5,325.2	\$5,449.3
Q3 25 EPS	\$0.57	\$0.57	\$0.55	\$0.55
FY 25 EPS	\$2.05	\$2.06	\$2.02	\$2.01
FY 26 EPS	\$2.59	\$2.59	\$2.47	\$2.42

**Peers Mentioned In This Report**

Abbott Laboratories (ABT)
Medtronic plc (MDT)
Insulet Corporation (PODD)
Tandem Diabetes Care, Inc. (TNDM)

**Catalysts and Timing**

Growth slowdown amid highly saturated US “core” markets and increasing CGM competition
DexCom is unable to penetrate non-insulin markets given lower glucose monitoring needs and limited coverage
Channel destocking pressures revenue

\* All research is completed as of 4:00PM – 4:15PM Eastern Time unless otherwise noted. Please refer to the end of this report for an updated version of *The Short List*.  
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## Company Background

**Company description:** DexCom, Inc. (DXCM) is a medical device company focused on the design, development, and commercialization of continuous glucose monitoring (CGM) systems primarily for people with diabetes. The Company sells products through its direct sales force and distribution arrangements. DexCom was founded in 1999 and is headquartered in San Diego, CA. Its fiscal year ends on 12/31.

**Background on diabetes:** Diabetes is a group of diseases characterized by high blood sugar levels. If blood sugar builds up in the body and levels are not controlled, it can lead to serious health complications such as kidney failure, blindness, amputations, and stroke. Typically, the pancreas controls blood glucose levels by secreting the hormone insulin to reduce blood glucose levels when too high. Type 1 diabetes develops when insulin-producing beta cells in the pancreas are mistakenly destroyed by the immune system. While there is no known way to prevent Type 1 diabetes and Type 1 diabetes requires insulin injections to regulate and maintain blood glucose levels, scientists are researching drugs that trigger other pancreatic cells to behave like beta cells and produce insulin.<sup>1</sup> Type 2 diabetes develops when the body is unable to produce sufficient amounts of insulin or cannot process insulin effectively (i.e. insulin resistance) to properly regulate blood sugar levels. The risk of developing Type 2 diabetes is associated with obesity, family history, age, and lack of physical activity, among other factors. Individuals with Type 2 diabetes generally are not required to take insulin and can be treated with diet and exercise. However, around 17.2% (Voyant estimate) of individuals with Type 2 require insulin therapy to regulate glucose levels (e.g. intensive insulin and basal insulin therapy).

**Background on blood glucose monitoring:** Individuals with diabetes use a blood glucose meter to measure glucose levels to help manage diabetes. Glucose levels were historically monitored using a blood glucose meter that required a finger prick. Continuous glucose monitoring (CGM) systems were developed to reduce and/or eliminate the amount of finger pricks needed to monitor blood glucose levels and enable continuous monitoring as opposed to a point in time measurement. CGM systems generally consist of a sensor that is attached to the body and transmits glucose readings to a receiver and/or a compatible display device (e.g. mobile devices, smartwatches, tablets, etc.). Continuous glucose monitoring allows diabetic patients to make more informed health decisions, while reducing or eliminating the need for finger stick glucose readings.

**Background on current target market and total addressable market:** In its FY 24 10K, DexCom disclosed the International Diabetes Foundation (IDF) estimated 537.0 million adults (age 20-79) had diabetes globally as of 2021. Further, DexCom disclosed the 2024 Centers for Disease Control and Prevention (CDC) Report, as of 2021, highlighted 38.4 million people in the US had diabetes, with 29.7 million diagnosed (i.e. 8.7 million undiagnosed). Specifically, the CDC report highlighted 2.0 million (27.7 million) US patients with diagnosed diabetes were Type 1 (Type 2). In its FY 24 10K, the Company disclosed its “current target market” comprised Type 1 diabetes patients, insulin dependent Type 2 diabetes patients (intensive insulin therapy and basal), and non-insulin Type 2 diabetes patients with hypoglycemia (i.e. condition in which blood sugar level is lower than the standard range). Type 2 intensive insulin therapy (IIT) utilizes a basal (long acting)-bolus (short acting) insulin regimen, while Type 2 basal refers to Type 2 patients receiving only long-lasting basal insulin therapy. In addition, DexCom represented its CGM devices were beginning to positively impact the 25.0 million Type 2 diabetes patients who do not utilize insulin or have hypoglycemia risk. DexCom indicated it planned to expand future commercial efforts to people who are pregnant, prediabetic, obese, and in the hospital. In its Investor Day Presentation on 07/30/25, DexCom highlighted the US market size (lives in millions) for certain cohorts of its “core” US market. Specifically, DexCom highlighted Type 1 was 2.0 million lives, Type 2 intensive insulin therapy (IIT) was 2.4 million lives, Type 2 basal insulin therapy (long lasting insulin therapy) was 3.5 million lives at midpoint, and Type 2 hypoglycemia (hypo) risk was 3.5 million lives at midpoint.

Our current target market consists primarily of people with Type 1 and Type 2 diabetes who utilize insulin therapy as well as certain non-insulin using people with diabetes that struggle with hypoglycemia. We also believe that our CGM systems are beginning to have a positive impact on the broader Type 2 population that does not utilize insulin or have hypoglycemia risk, a group that we estimate to be greater than 25

<sup>1</sup> [Research shows promise to restore beta cells and offer type 1 diabetes treatment hope](#)

million people in the United States alone. We are extending our commercial efforts for this population through several channels, including through strategic partnerships. In the future, we plan to expand our product offering to people who are pregnant and cleared/approved indications to address people with pre-diabetes, people who are obese, and people in the hospital setting. (FY 24 10K)

DexCom Core US Market Analysis (lives in millions)	Lives
Type 1 (insulin)	2.0
Type 2 IIT (insulin)	2.4
Type 2 basal (insulin)	3.5
Type 2 hypo risk (non-insulin)	3.5
Total	11.4

**Background on insurance coverage:** In its FY 24 10K, DexCom disclosed Medicare provided CGM coverage for all patients using insulin (i.e. Type 1 and insulin-dependent Type 2), as well as non-insulin dependent Type 2 patients with a history of “problematic” hypoglycemia. DexCom highlighted coverage in certain international markets and Medicaid coverage in approximately 47 states. In addition, the Company highlighted as of FY 24 end, the eight largest private third-party payors in the US (per covered lives) had issued coverage policies for the CGM device category and DexCom had negotiated contracted rates with each for commercial insurance members to purchase DexCom CGM devices. DexCom highlighted “continued efforts” to expand commercial coverage policies, including obtaining reimbursement under pharmacy benefits (e.g. pharmacy benefit managers, PBMs). Based on our understanding of representations made to us by the Company, insurance coverage for Type 1, Type 2 IIT, Type 2 basal, and Type 2 hypo risk was “broad” while coverage for Type 2 non-insulin dependent/no hypoglycemia risk patients was “picking up.”<sup>2</sup>

DexCom Core US Market Analysis (lives in millions)	Lives	Insurance Coverage
Type 1 (insulin)	2.0	“Broad”
Type 2 IIT (insulin)	2.4	“Broad”
Type 2 basal (insulin)	3.5	“Broad”
Type 2 hypo risk (non-insulin)	3.5	“Broad”
Type 2 no insulin/no hypo risk (non-insulin)	25.0	“Picking up”
Total	36.4	--

**Background on latest generation G7 CGM and Stelo OTC offering:** In its FY 24 10K, DexCom disclosed it launched its next-generation integrated CGM, the G7, in the US in FY 23. DexCom highlighted the G7 was covered by Medicare and Medicaid in most states and by commercial insurers, dependent on Type 1 and Type 2 patients meeting certain eligibility and coverage criteria. DexCom indicated the G7 was “consistent” with prior CGM generations in technical capabilities and indications. However, DexCom highlighted certain “new or improved” features with the G7, including a more discreet profile, faster warm up, expanded sensor replacement grace period, new mobile app, improved alert settings, a receiver redesign, new indications, and less waste. DexCom launched its over-the-counter (OTC) biosensor for adults with prediabetes and non-insulin Type 2 diabetes, Stelo, in August 2024 (discussed herein).

<sup>2</sup> Throughout the course of our research, we communicated with the Company’s investor relations department. We appreciate their prompt and thorough response to our inquiries.

DexCom CGM Product Analysis	Launched	Patient Type	Market Access	Sensor Life
Stelo	FY 24	Prediabetes & Type 2	OTC	15.0 days
DexCom G7	FY 23	Type 1 & 2	Rx	10.0 & 15.0 days <sup>3</sup>
DexCom G6	FY 18	Type 1 & 2	Rx	10.0 days
DexCom ONE	FY 21	Type 1 & 2	Rx	10.0 days

**Revenue by component:** In FY 24, sensor and other revenue accounted for 94.8% of revenue, while hardware accounted for 5.2%. In its FY 24 10K, the Company disclosed G6 and G7 sensors were inserted by the user (typically into the back of the upper arm) and designed to be continuously worn for up to 15.0 days (10.0 days for G6 and original G7), wherein it can be replaced with a new disposable sensor. Further, DexCom highlighted its transmitter and receiver were reusable (i.e. reuseable hardware) and indicated it expected to generate an increasing share of revenue from recurring disposable sensor sales. The Company highlighted its “key” enabling sensor technology included biomaterials, membrane systems, electrochemistry, and low power microelectronics, which generate an electrical signal that is translated to glucose values.

Revenue By Component Analysis (as % of revenue)	FY 24
Sensor and other revenue	94.8%
Hardware revenue	5.2%
Total	100.0%

**Background on customers:** In FY 24, Customer A accounted for 42.0% of revenue excluding other entity rebates, Customer B accounted for 40.0%, and Customer C accounted for 35.0%. In its FY 24 10K, DexCom disclosed total customer revenue was net of fees, cash discounts and directly allocable customer rebates. However, rebates paid to “other entities” (e.g. pharmacy rebates) were excluded and the combined significant customer concentration may exceed 100.0%. We believe DexCom’s material customers are medical device distributors (discussed next).

Total revenue for each customer is net of fees, cash discounts, and rebates directly allocable to that customer. Rebates paid to other entities are excluded; therefore, the combined value may exceed 100%. (FY 24 10K)

Customer Analysis (as % of revenue ex. other entity rebates)	FY 24
Customer A	42.0%
Customer B	40.0%
Customer C	35.0%
Total	117.0%

**Revenue by channel:** In FY 24, distributors accounted for 85.1% of revenue, while direct sales accounted for 14.9%. In its FY 24 10K, the Company disclosed in addition to its direct sales force, it had distribution arrangements in North America and certain international markets for distributors (including wholesalers) to sell its products. In addition, direct sales included utilizing e-commerce resources in certain international markets without a sales presence.

<sup>3</sup> In its 04/10/25 Press Release, the Company announced G7 received FDA approval for 15.0 day wear time (initially launched with 10.0 day wear time). However, DexCom disclosed in a study assessing sensor life, only 73.9% of sensors lasted the full 15.0 day wear time. Therefore, 26.1% of sensors may not last for the full 15.0 days when used per package labeling. DexCom guided to launch its 15.0 day sensor in H2 25.

Revenue By Sales Channel Analysis (as % of revenue)	FY 24
Distributor	85.1%
Direct	14.9%
Total	100.0%

**Revenue by geography:** In FY 24, the US accounted for 71.7% of revenue, while international sales accounted for 28.3%. In its FY 24 10K, the Company disclosed it expanded operations to additional markets in North America, Africa, Asia Pacific, Europe, Latin America, and the Middle East.

Although the majority of our revenue has been generated in the United States, we have expanded our operations to include additional markets in North America, Africa, Asia Pacific, Europe, Latin America and the Middle East. (FY 24 10K)

Geography Analysis (as % of revenue)	FY 24
US	71.7%
International	28.3%
Total	100.0%

**Background on manufacturing:** In its FY 24 10K, the Company disclosed it manufactured its products at its manufacturing facilities in San Diego, CA, Mesa, AZ, and Penang, Malaysia. DexCom highlighted it was building a new manufacturing facility in Athenry, Ireland. The Company purchases certain components and materials used in manufacturing from outside suppliers, while certain components are manufactured internally. DexCom highlighted wire-based sensors were a “key” component manufactured internally.

**Seasonality:** Over the past three years, Q1 (Q4) accounted for 21.6% (28.1%) of revenue on average. In its FY 24 10K, the Company disclosed it had “lower” sales in Q1 periods relative to Q4. Specifically, the Company attributed seasonal sales patterns to US annual insurance deductible resets and unfunded flexible spending accounts (FSAs).

We typically experience seasonality, with lower sales in the first quarter of each year compared to the immediately preceding fourth quarter. This seasonal sales pattern relates to U.S. annual insurance deductible resets and unfunded flexible spending accounts. (FY 24 10K)

Seasonality Analysis (as % of total)	Q1	Q2	Q3	Q4
FY 24 quarterly revenue contribution	22.8%	24.9%	24.7%	27.6%
FY 23 quarterly revenue contribution	20.5%	24.1%	26.9%	28.6%
FY 22 quarterly revenue contribution	21.6%	23.9%	26.4%	28.0%
Three-year-average	21.6%	24.3%	26.0%	28.1%

**Competition:** In its FY 24 10K, DexCom disclosed the market for blood glucose monitoring devices was competitive, subject to rapid change, and affected by new product introductions. DexCom highlighted it competed with other continuous glucose monitoring developers including Abbott, Medtronic, Roche, LifeScan, and Ascensia (exclusive global distribution rights for Senseonics’ Eversense products), among others.<sup>4</sup> DexCom also competes with manufacturers of traditional blood glucose meters (i.e. finger prick glucose meters).

<sup>4</sup> Abbott Laboratories (ABT), Medtronic plc (MDT), Roche Holding AG (RO.S), LifeScan, Inc. (private), Ascensia Diabetes Care Holdings AG, subsidiary of PHC Holdings Corp. (6523.t), Senseonics Holdings, Inc. (SENS)

## Voyant's Earnings Risk Assessment

We are concerned about significant CGM saturation in the top two US insulin-dependent “core” markets in a competitive CGM space. Our concerns are heightened given the limited multi-year increase in CGM Type 1 market penetration. While we acknowledge Type 2 basal penetration expansion may provide an opportunity, we believe glucose monitoring is less critical in the Type 2 basal market and significant Abbott Type 2 basal monitoring share may limit the opportunity. We are concerned Abbott’s (1) “exclusive” CGM partnership with Medtronic and (2) impending dual analyte sensor launch may pressure DexCom market share. Our growth concerns are heightened given DexCom added new disclosure language on “emerging” China competition and FY 24 net user additions declined. In addition, we believe DexCom’s CGM opportunity in non-insulin dependent markets may be limited given minimal/no evidence of increased CGM penetration over multiple years, limited insurance coverage, GLP-1 proliferation may reduce diabetes progression (e.g. prediabetic to insulin dependence) and/or drive CGM customer churn, and health and wellness users drove Stelo demand despite DexCom initially targeting Type 2 non-insulin patients. Our Stelo concerns are heightened given FY 25 Stelo guidance was reiterated despite a “great” H1 25, evidence of certain discounting, and poor reviews. We are concerned historically elevated receivable levels highlight elevated channel inventory and back-end weighted revenue. Accordingly, we believe revenue may be pressured. In our view, reduced pharmacy channel commentary may obfuscate receivables analysis. We believe historically elevated payable levels may have provided an unsustainable cash flow benefit. Our earnings sustainability concerns are heightened given free cash flow declined, recent and impending executive turnover, a recent receiver recall, a recent FDA warning letter, and CMS proposed competitive bidding.

### US “Core” CGM TAM May Be Highly Saturated & Increasingly Competitive

**US CGM penetration may be highly saturated in insulin-dependent “core” market:** As mentioned, Medicare only covers Type 1, Type 2 insulin-dependent, and hypo risk (i.e. history of problematic hypoglycemia) patients and DexCom disclosed those categories comprised its “current target market.” In its Investor Day Presentation on 07/30/25, DexCom highlighted the US market size and CGM penetration for certain cohorts of its “core” US market. Specifically, DexCom highlighted Type 1 was 2.0 million lives (approximately 60.0% CGM penetration), Type 2 intensive insulin therapy, IIT, requiring basal and bolus injections was 2.4 million lives (approximately 52.5%), Type 2 basal insulin therapy was 3.5 million lives at midpoint (approximately 22.5%), and Type 2 hypo risk was 3.5 million lives at midpoint (less than 5.0%). Based on our understanding of representations made to us by the Company, the Company’s long-term target for CGM penetration was 80.0% for Type 1 and Type 2 IIT and 60.0% for Type 2 basal (the Company did not provide a long-term target for Type 2 hypo risk). Given Type 1 and Type 2 IIT patients require frequent delivery of insulin, we believe Type 1 and Type 2 IIT represent the most attractive/strongest use case for CGM devices. **In our view, CGM penetration over 50.0% in the two key insulin-dependent patient populations with the strongest use case for CGM devices suggests the “current target market” may be highly saturated and revenue sustainability risk may be elevated.**

Our current target market consists primarily of people with Type 1 and Type 2 diabetes who utilize insulin therapy as well as certain non-insulin using people with diabetes that struggle with hypoglycemia. (FY 24 10K)

DexCom Core US Market Analysis (lives in millions)	Total Lives	CGM Penetration	CGM Penetration Goal
Type 1 (insulin)	2.0	~60.0%	80.0%
Type 2 IIT (insulin)	2.4	~52.5%	80.0%
Type 2 basal (insulin)	3.5	~22.5%	60.0%
Type 2 hypo risk (non-insulin)	3.5	<5.0%	--
Total	11.4	30.0%	--

**Limited multi-year increase in overall CGM Type 1 market penetration heightens our saturation concerns:**

In its FY 24 10K, DexCom disclosed individuals with Type 1 diabetes require “frequent” insulin injections to regulate and maintain blood glucose levels. As such, we believe the Type 1 diabetic patient population is the strongest use case for CGM. Previously, in its Investor Presentation on 06/23/23, DexCom highlighted overall CGM Type 1 penetration was approximately 55.0%. In its Investor Presentation on 07/30/25, DexCom highlighted overall CGM Type 1 penetration was approximately 60.0%, a 500 basis point increase in over two years. **Our target market saturation concerns are heightened given the limited (in our view) overall CGM market penetration increase in the strongest use case patient population for CGM device utilization.**

Individuals with Type 1 diabetes must rely on frequent insulin injections in order to regulate and maintain blood glucose levels. (FY 24 10K)

DexCom Core US Market Penetration Analysis (lives in millions)	06/23/23 Investor Presentation	07/30/25 Investor Presentation
Type 1 (require regular insulin injections)	~55.0%	~60.0%
<i>Change</i>	--	500 bps

**Leading Abbott Type 2 basal market share suggests DexCom near-term growth may be challenging:** On its Q2 25 Conference Call on 07/17/25, Abbott highlighted the Type 2 basal segment was a “big” growth driver. In addition, Abbott represented it was the Type 2 basal CGM market leader with 70.0% global market share. While we acknowledge the near-term CGM penetration opportunity in the Type 2 basal market, we believe significant competitor share may limit DexCom’s ability to capitalize on near-term CGM penetration growth.

The basal segment is doing very well, a big growth driver for us, still market leader here. **Our view globally is we’ve got about a 70% share.** You know some of the markets that have kind of began reimbursing for basal, Robbie. We’re starting to see more markets go down this path and start reimbursing basal, whether it’s like specific tenders and regions or different parts of healthcare system. So, that’s good, and we see like sustainability to that growth rate and our position in those international markets. (ABT CEO Mr. Robert Ford, Q2 25 Conference Call, 07/17/25) [emphasis added]

**CGM may be less critical for Type 2 basal and long-term penetration may be muted:** As mentioned, DexCom’s long-term goal for Type 1 and Type 2 IIT CGM market penetration was 80.0%, however, its long-term goal for Type 2 basal CGM market penetration was only 60.0%. Per the American Diabetes Association’s The Role of Blood Glucose Monitoring in Diabetes Management, the frequency of blood glucose monitoring (BGM) can be reduced once a “stable” basal insulin dose was determined but patients should “always” keep a meter and glucose strips in case of hypoglycemia.<sup>5</sup> However, Type 2 IIT BGM should take place “at least” four times per day, similar to Type 1 diabetes patients. While we acknowledge CGM’s may be under penetrated in the Type 2 basal market, we believe the long-term Type 2 basal opportunity may be more muted given a lower long-term CGM penetration target and blood glucose monitoring is less critical for Type 2 basal-only patients relative to Type 1 and Type 2 IIT.

Because newer basal insulin formulations lead to less glucose variability, **the frequency of BGM may be reduced when a stable dose of basal insulin has been determined.** However, people using basal insulin should always have a meter and glucose strips available given the potential for hypoglycemia. If a person’s fasting glucose is within target range but the A1C value is still above goal, BGM before and after meals should be considered to check for postprandial hyperglycemia. For most people with type 2 diabetes using a basal-bolus regimen, BGM should occur at least 4 times/day, similar to people with type 1 diabetes. (American Diabetes Association, The Role of Blood Glucose Monitoring in Diabetes Management) [emphasis added]

**CGM penetration in non-insulin dependent “core” market may be challenging, in our view:** As mentioned, Medicare coverage includes Type 2 non-insulin patients with a history of “problematic” hypoglycemia (i.e. abnormally low blood glucose levels) and DexCom included the 3.5 million Type 2 non-insulin dependent “hypo risk” patients as a “core” US market cohort. Previously, in its Investor Presentation on 06/23/23, DexCom highlighted the overall current CGM penetration in the Type 2 hypo risk non-insulin market was less than 5.0%. In

<sup>5</sup> <https://www.ncbi.nlm.nih.gov/books/NBK566165/>

its Investor Presentation on 07/30/25, DexCom highlighted the Type 2 hypo risk CGM market penetration remained less than 5.0%. **In our view, limited penetration expansion in a “core” Type 2 non-insulin dependent cohort suggests in non-insulin dependent patient populations (e.g. Type 2, prediabetes, health and fitness conscious consumers, etc.) penetration may be difficult (discussed herein).**

DexCom Core US Market Penetration Analysis	06/23/23 Investor Presentation	07/30/25 Investor Presentation
Type 2 hypo risk (non-insulin) total CGM penetration rate	<5.0%	<5.0%
<i>Change</i>	--	<i>0 bps</i>

**Highly competitive CGM market amid saturated “core” markets heightens our DexCom growth concerns:** Throughout the course of our research, we identified significant CGM competition. For example, competing CGM device offerings include Simplera, Guardian, Libre, and Eversense, among other CGMs launched and in development. Given we believe the “core” US CGM target markets are saturated (discussed above), we are concerned material competition may make US “core” market growth difficult. Specifically, we believe Type 1 and Type 2 IIT growth may be more dependent on taking share in a highly competitive environment than penetration expansion. We included certain CGM competitive dynamics below:

CGM Device Offering Analysis	Manufacturer	Launched	Sensor Life
G6	DexCom	FY 18	10.0 days
G7	DexCom	FY 23	15.0 days
Simplera Sync	Medtronic	FY 20	7.0 days
Guardian 3	Medtronic	FY 18	7.0 days
Guardian 4	Medtronic	FY 23	7.0 days
Libre 2 Plus	Abbott	FY 24	15.0 days
Libre 3 Plus	Abbott	FY 24	15.0 days
Eversense E3	Senseonics	FY 22	180.0 days
Eversense 365	Senseonics	FY 24	365.0 days

- Abbott and Medtronic exclusive CGM and pump partnership may pressure DexCom share:** Throughout the course of our research, we identified certain partnerships between CGM device manufacturers and insulin pump manufacturers. For example, both Abbott and DexCom partner with Insulet Corporation (PODD), Tandem Diabetes Care, Inc. (TNDM), and Beta Bionics, Inc. (BBNX). However, only Abbott partnered with Medtronic. Specifically, in its Press Release on 08/07/24, Medtronic announced a global partnership with Abbott to “expand” its CGM options. Per the agreement, the companies will collaborate on an integrated CGM incorporating Abbott’s “most advanced” CGM sensor. The Abbott CGM device will work “exclusively” with Medtronic smart dosing devices (i.e. insulin pumps) and software across both AID and Smart MDI systems. In its Press Release on 09/02/25, Medtronic announced the FDA cleared its MiniMed 780G insulin pump system to enable integration with Abbott’s Instinct CGM sensor designed exclusively for Medtronic. Medtronic highlighted the Instinct sensor was the world’s smallest, thinnest, and most-discreet integrated CGM device with a wear time of up to 15.0 days. Medtronic guided for Instinct sensor and MiniMed 780G system ordering to commence in the “coming weeks.” **We believe Abbott’s Instinct sensor is a significant upgrade from Medtronic’s Guardian and Simplera sensors (e.g. Instinct has longer wear time and better accuracy) making Medtronic’s new integrated pump and CGM offering more competitive. Accordingly, we are concerned about DexCom market share pressure in insulin-dependent patients (i.e. Type 1 and Type 2 IIT).**

Medtronic is excited to announce a global partnership with Abbott to expand CGM options for people living with diabetes. Under this unique agreement, the companies will collaborate on an integrated CGM

based on Abbott's most advanced CGM platform. Abbott will supply Medtronic with a **CGM that will work exclusively with Medtronic smart dosing devices** and software across both automated insulin delivery and Smart MDI systems. These systems, including the Abbott-based CGM, will be sold exclusively by Medtronic. Medtronic expects this original equipment manufacturer (OEM) agreement to be accretive to Diabetes revenue and neutral to Diabetes gross margin. (MDT Press Release, 08/07/24) [emphasis added]

- **Abbott's dual analyte sensor guided to drive share gains heightens our competition concerns:** Previously, on its JPMorgan Healthcare Conference Call on 01/09/24, Abbott highlighted the development of its dual-analyte sensor to continuously measure glucose and ketone levels. Further, Abbott represented a dual glucose and ketone sensor integrated with a pump provided “a lot of value” to users. On its Q2 25 Conference Call on 07/17/25, in response to an analyst's question concerning whether the dual-analyte sensor may drive share gains in intensive insulin patients, Abbott responded “100.0%, yes.”<sup>6</sup> In addition, while Abbott would not comment on the launch “timing,” it highlighted that it would be the “first time” a sensor continuously monitored two different analytes and highlighted its five clinical trials were “already completed” and early conversations with insulin delivery pump companies ensured it would be available “as quick as possible” once approved. Abbott guidance for its impending dual analyte sensor to gain share in intensive insulin patients heightens our competition and DexCom share loss concerns.

**Analyst:** And just lastly, on the dual-ketone sensor, do you think that could drive share gains for you in intensive insulin patients where your share is lower?

**ABT CEO Mr. Robert Ford:** And then, I think your question was regarding **the continuous glucose-ketone sensor, do we think that that can accelerate our share gain? 100%, yes.** (ABT Q2 25 Conference Call, 07/17/25) [emphasis added]

- **New disclosure language highlights emerging Chinese competition:** In its FY 24 10K, DexCom added new disclosure language concerning “emerging” competition primarily located in China. In its Press Release on 06/19/25, PharmaSens AG (private), a Swiss insulin patch pump system developer, announced it was partnering with leading Chinese CGM developer Shenzhen Sionics Technology Co. Ltd. PharmaSens highlighted the two companies would jointly develop the next-generation niia signature to integrate insulin delivery and glucose monitoring into a single compact patch pump. PharmaSens highlighted the collaboration simplified diabetes management and guided for niia signature to offer “unprecedented” convenience and user experience by reducing the daily therapy burden. We are concerned new DexCom disclosure language on emerging Chinese competition and a recent collaboration with a Chinese CGM manufacturer highlight intensifying competitive pressure for DexCom.

In selling our G6, G7 and Dexcom One, we compete directly with the Diabetes Care division of Abbott Laboratories; Medtronic plc's Diabetes Group; Roche Diabetes Care, a division of Roche Diagnostics; privately-held LifeScan, Inc.; and Ascensia Diabetes Care, each of which manufactures and markets products for the single-point finger stick device market. In selling Stelo, we compete directly with the Diabetes Care division of Abbott Laboratories. Collectively with us, these companies currently account for the majority of the worldwide sales of self-monitored glucose testing systems. **We are also aware of emerging competitors primarily located in China.** (FY 24 10K) [emphasis added for new disclosure language]

- **Senseonics' longest duration CGM device approved and commercialization to shift in-house announced:** As mentioned, DexCom named Ascensia Diabetes Care as a competitor. Ascensia had exclusive global distribution rights for Senseonics' Eversense CGM products. In its Press Release on 09/17/24, Senseonics announced its Eversense 365 CGM implant received FDA clearance, becoming the first ever one-year CGM. Senseonics highlighted its single sensor provided one year of CGM for “minimal” life disruption. In its Press

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<sup>6</sup> On its Wells Fargo Healthcare Conference Call on 09/03/25, DexCom highlighted its next-generation G8 sensor would have dual analyte “capability” and represented G8 would launch in FY 27. DexCom represented there was “no” competitive threat from Abbott's dual analyte sensor launch in FY 26 and the G8 launch in FY 27 because the G7 Urgent Low Soon alert was a “critical” clinically proven feature which would prevent switching.

Release on 09/03/25, Senseonics announced it was transitioning commercial operations from Ascensia to Senseonics effective 01/01/26. While we acknowledge Eversense 365 needs to be implanted, we believe a CGM sensor that did not require replacement for a year may take share from sensors with 15.0 day lives.

**FY 24 customer addition slowdown heightens our core market concerns:** Previously, in its Q3 24 10Q, the Company disclosed it added 600,000 “net users” to its global customer base in FY 23. In its FY 24 10K, DexCom disclosed it added 550,000 “net users” at midpoint, excluding Stelo customers, to its global customer base in FY 24. Therefore, we estimate FY 24 net user additions declined 8.3%. The FY 24 global net user addition slowdown heightens our core market concerns.

The revenue increase was primarily driven by increased sales volume of our disposable sensors due to the continued growth of our worldwide customer base. We added approximately 500,000 - 600,000 net users, excluding Stelo customers, to our worldwide customer base in 2024. (FY 24 10K)

DexCom-Disclosed Net User Additions Analysis	FY 23	FY 24 (at midpoint)
Net users added worldwide	600,000	550,000
<i>Change</i>	--	<i>(8.3%)</i>

### **DexCom CGM Opportunity Outside Of Insulin-Dependent Patients May Be Limited**

**DexCom indicated it had a “massive” future opportunity primarily in non-insulin markets:** As mentioned, DexCom represented CGM systems were “beginning” to have a “positive” impact on the Type 2 diabetes patient population. In its Investor Presentation on 07/30/25, DexCom represented it had “massive opportunity” in future markets. DexCom represented US Type 2 non-insulin patients exceeded 25.0 million and was approximately 5.0% penetrated, while approximately 98.0 million US individuals were diagnosed as prediabetic with less than 1.0% CGM penetration.

We also believe that our CGM systems are beginning to have a positive impact on the broader Type 2 population that does not utilize insulin or have hypoglycemia risk, a group that we estimate to be greater than 25 million people in the United States alone. We are extending our commercial efforts for this population through several channels, including through strategic partnerships. In the future, we plan to expand our product offering to people who are pregnant and cleared/approved indications to address people with pre-diabetes, people who are obese, and people in the hospital setting. (FY 24 10K)

DexCom Future US Market Analysis (lives in millions)	Lives	CGM Penetration
Type 2 non-insulin	>25.0	~5.0%
Prediabetes	~98.0	<1.0%
Gestational diabetes	0.4	<1.0%
Hospital	14.0	<1.0%
Total	137.4	<8.0%

**GLP-1s may narrow the funnel and drive CGM customer attrition in certain diabetes cohorts, in our view:** Per the National Institute of Health (NIH), FDA-approved indications for glucagon-like peptide-1 (GLP-1) agonists include Type 2 diabetes and “in some cases” obesity. Further, the function of GLP-1 agonists is to lower serum glucose levels to manage metabolism. Per the NIH, GLP-1s mechanism of action stimulates insulin secretion via the incretin effect and pharmacological levels of GLP-1 can “revive” insulin secretion. In addition, the NIH highlighted a “decrease” in insulin dose may become necessary depending on the GLP-1 analog used.<sup>7</sup> In a May 2024 KFF

<sup>7</sup> [NIH - Glucagon-Like Peptide Receptor Agonists](#)

Health Tracking Poll, KFF reported 12.0% of adults had taken a GLP-1 agonist, with 6.0% currently taking the drug. In addition, 62.0% of adults who have taken a GLP-1 did so to treat a chronic condition including diabetes or heart disease. The survey indicated 45.0% of respondents diagnosed with diabetes reported hearing “a lot” about GLP-1 drugs, higher than heart disease (41.0%) or overweight/obese (42.0%) respondents.<sup>8</sup> Based on our understanding of representations made to us by the Company, CGMs “complement” GLP-1s and stronger A1C reduction was observed when GLP-1s were paired with CGM devices. **While we acknowledge the Company represented CGM devices were “complementary” to GLP-1s, given one of the main indications for GLP-1s is Type 2 diabetes treatment and evidence of strong GLP-1 uptake for diabetic patients, we are concerned over time GLP-1 treatments may (1) narrow the insulin-dependence diabetes funnel (i.e. fewer Type 2 and prediabetic patients eventually require insulin therapy) and/or (2) drive existing CGM customer attrition given GLP-1s can reduce or eliminate the need for insulin injections for certain Type 2 diabetes patients.**

GLP-1 agonists (also known as GLP-1 receptor agonists, incretin mimetics, or GLP-1 analogs) represent a class of medications **used to treat T2DM and, in some cases, obesity.** (NIH, GLP-1 FDA-Approved Indications) [emphasis added]

GLP-1 and glucose-dependent insulinotropic polypeptide (GIP), both incretin hormones inactivated by dipeptidyl peptidase-4 (DPP-4), **stimulate insulin secretion** after an oral glucose load via the incretin effect. In T2DM, this process can become blunted or absent; however, **pharmacological levels of GLP-1 can revive insulin excretion.** The benefits of this therapy to treat T2DM include delayed gastric emptying and inhibiting glucagon production from pancreatic  $\alpha$ -cells if blood sugar levels are high. (NIH, GLP-1 Mechanism of Action) [emphasis added]

**Background on over the counter offering, Stelo, product launch:** On its Q1 24 Conference Call on 04/05/24, DexCom highlighted its Stelo Glucose Biosensor System was the first glucose biosensor approved for use without prescription in the US. The Company indicated Stelo targeted the 25.0 million people with Type 2 diabetes who were not dependent on insulin or at risk of severe hypoglycemia. The Company highlighted Stelo orders would be “initially” fulfilled through its new e-commerce website due to (1) an “unconstrained opportunity” with it being over-the-counter, (2) positive experience with another product launch, and (3) tracking utilization patterns. In its Q2 25 10Q, the Company highlighted it launched its Stelo biosensor for adults with prediabetes and non-insulin dependent Type 2 diabetes in August 2024 as the “first” over-the-counter glucose biosensor. On its Wells Fargo Health Care Conference Call on 09/03/25, DexCom highlighted Stelo did \$100.0 million in the first twelve months post-launch (i.e. August 2024). In addition, DexCom indicated it expected Stelo to generate “hundreds” of millions in revenue under its long range plan (LRP).

In August 2024, we launched Stelo, our biosensor designed for adults with prediabetes and Type 2 diabetes who do not use insulin, as the first over-the-counter glucose biosensor in the U.S. In April 2025, we received FDA clearance for the Dexcom G7 15 Day CGM System for people over the age of 18 with diabetes in the United States. (Q2 25 10Q)

**Health and wellness users driving Stelo demand heightens our future market growth concerns:** Previously, on its Q1 24 Conference Call on 04/25/24, DexCom highlighted it developed Stelo as a “more tailored” option for the 25.0 million Type 2 patients not dependent on insulin or at risk of severe hypoglycemia. On its Q2 25 Conference Call, DexCom highlighted the biggest Stelo user group was health and wellness focused users, followed by prediabetes, and then Type 2 non-intensive insulin. **While we acknowledge health and wellness users represent a growth opportunity and certain Type 2 non-insulin insurance coverage recently increased (i.e. G7 may now be covered for certain initial Stelo target users), recent commentary highlighting health and wellness users drove Stelo demand despite DexCom initially targeting the 25.0 million Type 2 non-insulin dependent patient population heightens our growth concerns for DexCom’s “future markets.”**

Along those lines, we hit another significant milestone in our company's history with the FDA's clearance of our newest product, **Stelo**, the first glucose biosensor approved for use without a prescription in the US. Recognizing a significant unmet need **for the 25 million people with type 2 diabetes who are not on insulin or at risk of severe hypoglycemia, we developed Stelo as a more tailored solution for this**

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<sup>8</sup> [KFF GLP-1 Poll](#)

**population** and work closely with the FDA to simplify access to this product. (CEO Mr. Kevin Sayer, Q1 24 Conference Call, 04/25/24) [emphasis added]

So right now, I would tell you, **our biggest user group would be health and wellness** as far as numbers, pre-diabetes and type 2 non-intensive insulin after that. And we'll continue to design and develop and work with the app to make sure we hit the features of the user base that's going to be most relevant in what we're doing. (CEO Mr. Kevin Sayer, Q2 25 Conference Call, 07/30/25) [emphasis added]

**Stelo guidance reiteration despite “great” H1 25, discounting, and poor reviews highlight weak Stelo demand:**

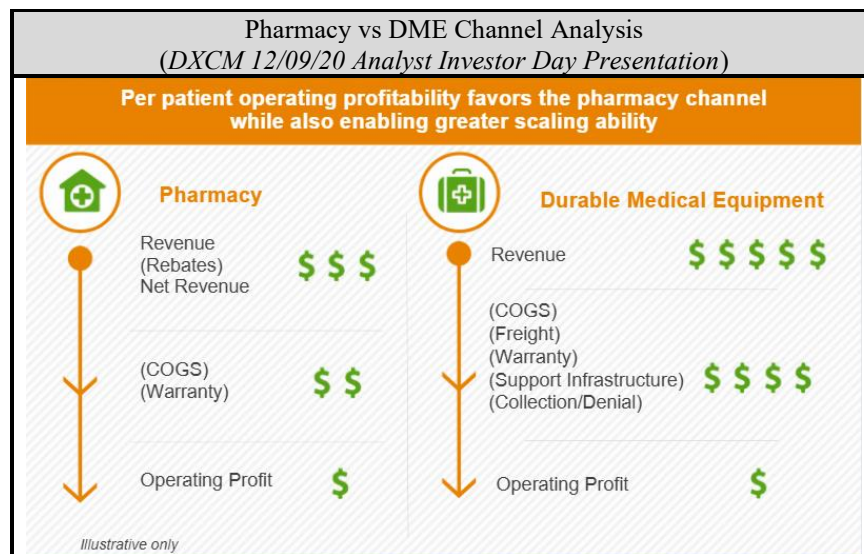
On its Q2 25 Conference Call, DexCom represented Stelo had a “great” H1 25 but reiterated FY 25 Stelo revenue contribution guidance of 2.0% to 3.0%, or \$115.4 million at midpoint. Throughout the course of our research, we identified certain days with Stelo discounting on Amazon. Stelo had over 1,400 Amazon ratings but was only rated 2.9 out of 5.0 stars. Per Amazon’s AI generated review summary, customer concerns included a shorter than advertised sensor life (i.e. sensors not lasting the full 15.0 day wear time), inaccurate glucose readings, and connectivity issues. Further, customers questioned the quality and value for the price, with customers describing the sensor as defective and not worth the cost. **While we acknowledge the Company represented Stelo had a “great” H1 25, we are concerned Stelo growth may be challenging given (1) we believe Stelo’s initial target audience (i.e. Type 2 non-insulin and prediabetic patients) are unlikely to invest in continuous glucose tracking as Stelo is OTC and not covered by insurance, (2) DexCom reiterated FY 25 Stelo revenue guidance despite a “great” H1 25, (3) evidence of discounting, and (4) Amazon reviews highlight significant concerns around product quality, accuracy, and cost.**



**Historically Elevated DSOs Highlight Overbuilt Channel Inventory & Revenue Pressure**

**Background on mix shift to pharmacy channel:** Previously, in its Analyst Investor Day Presentation on 12/09/20, DexCom highlighted a channel mix shift from the durable medical equipment (DME) channel to the pharmacy channel was a “strategic priority.” Specifically, the Company represented per patient operating profitability favored the pharmacy channel, while providing “greater” scaling ability. DexCom highlighted pharmacy channel revenue was net of rebates but costs only included cost of goods sold and warranty, while DME channel costs included cost of goods sold, freight, warranty, support infrastructure, and collection/denial. DexCom indicated its US commercial pharmacy channel target was 75.0%. On its Q4 22 Conference Call on 02/09/23, DexCom highlighted it ended FY 22 with 75.0% of its commercial prescriptions “going through” the pharmacy channel, marking the “endpoint” of its multi-year channel shift.

We were very encouraged by the prescribing trends we saw in the fourth quarter, and we closed the year with around **75% of our commercial scripts going through the pharmacy channel. This represents the endpoint of a multi-year channel journey.** (CFO Mr. Jeremy Sylvain, Q4 22 Conference Call, 02/09/23) [emphasis added]



**Background on pharmacy rebates:** In its FY 24 10K, the Company disclosed it typically recognized revenue net of certain variable consideration including rebates, chargebacks, product returns provision, and prompt pay discounts. DexCom classified variable consideration as a reduction of accounts receivable when “not required” to make a payment and as a liability when “required” to make a payment. In addition, DexCom disclosed pharmacy rebates were the “most significant” component of variable consideration and the “most at risk” for material adjustment due to the delay between recording an estimate and ultimate settlement, typically 30.0 days to 90.0 days but could take up to one year.

We estimate pharmacy rebates based on contractual arrangements, estimates of products sold subject to rebate, known events or trends, and channel inventory data. **Estimates associated with pharmacy rebates are the most significant component of our variable consideration estimates and most at risk for material adjustment because of the time delay between the recording of the pharmacy rebate and its ultimate settlement, an interval that generally ranges from 30 to 90 days, but can last up to one year.** Due to this time lag, in any given period, our adjustments to reflect actual amounts can incorporate changes of estimates related to prior periods. (FY 24 10K) [emphasis added]

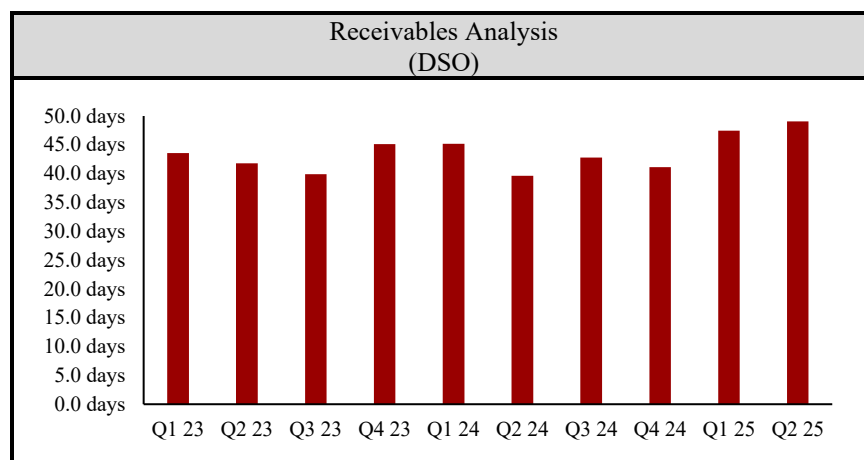
**Background on Voyant estimated DSOs:** Based on our understanding of representations made to us by the Company, accounts receivable are recorded gross of certain variable consideration (e.g. pharmacy rebates), while revenue was recorded net. Therefore, we analyzed receivable levels beginning in Q1 23 given Company commentary highlighted it concluded its commercial pharmacy channel shift in Q4 22 (discussed above). Further, we analyzed receivable levels as accounts receivable relative to gross revenue (calculated as quarterly revenue plus accrued rebates as of the period end). We believe our analysis is conservative given accrued rebates may have been incurred in prior quarters as rebate settlement could take up to one year (i.e. our gross revenue estimate may be high) while disclosed receivable payment terms were “generally” 30.0 to 90.0 days.

Payment terms vary by contract type and type of customer and generally range from 30 to 90 days. (FY 24 10K)

Baseline DSO Analysis (\$ in millions)	Q2 25
Receivables (as disclosed)	\$1,348.8
Revenue (as disclosed)	\$1,157.1
Plus: Accrued rebates at end of period (as disclosed)	\$1,344.5
Baseline gross revenue (Voyant estimate)	\$2,501.6
Baseline DSO (Voyant estimate)	49.1 days

**Receivable level surge to highest level since pharmacy channel shift “endpoint” suggests revenue risk:** In Q2 25, accounts receivable surged 42.7% year-over-year to \$1,348.8 million, while gross revenue (Voyant estimate) increased 15.3% to \$2,501.6 million. Accordingly, we estimate baseline days sales outstanding (DSO) surged 23.8% to 49.1 days, the highest level post-commercial pharmacy channel mix shift. In its Q2 25 10Q, the Company attributed the year-to-date accounts receivable cash flow impact to the “timing” of sales and customer collections. On its Q2 25 Conference Call, the Company indicated it “successfully” restored key channel partner inventory levels. In addition, DexCom represented it was “working hard” to get its durable medical equipment (DME) channel partners “enough inventory” to be “stocked up” to provide patients with the typical three-month supply. Based on our understanding of representations made to us by the Company, the Q2 25 receivable build was driven by (1) continued channel mix shift to the pharmacy channel (i.e. cash collected later relative to DME channel due to pharmacy rebate settlement timing) and (2) a back-end weighted quarter. **In our view, historically elevated receivable levels may highlight elevated channel inventory, back-end weighted sales, and/or longer pharmacy rebate settlement periods. In any scenario, we would be concerned about revenue sustainability risk.**

To accomplish this, we delivered multiple months of record production across our facilities and invested strategically in expedited shipping routes. This helped us to **successfully restore inventory levels with key channel partners** and allowed us to start rebuilding our own stock of finished goods internally. As a result, our supply dynamics today are in a much better position than they were even 90 days ago. (CEO Mr. Kevin Sayer, Q2 25 Conference Call, 07/30/25) [emphasis added]



**Reduced pharmacy channel visibility/commentary heightens our concerns:** Throughout the course of our research, we identified historical Company commentary quantifying certain channel mix shift dynamics. For example, on its Q4 22 Conference Call on 02/09/23, DexCom highlighted approximately 75.0% of its commercial scripts were in the pharmacy channel. On its Raymond James Institutional Investor Conference Call on 03/05/24, DexCom highlighted over 70.0% of its “new” prescriptions in FY 23 were fulfilled via the pharmacy channel. On its Q3 24 Conference Call on 10/24/24, DexCom highlighted a “major shift” in volumes to its pharmacy channel, particularly for commercial coverage. In addition, DexCom indicated the “majority” of its remaining DME channel was Medicare and government and guided for the DME business not to shift to the pharmacy channel “anytime soon.” Based on our review of subsequent conference call transcripts, we were unable to identify recent directional

pharmacy channel mix shift commentary. **Given historically the Company provided certain directional channel mix commentary and even occasionally quantified commercial pharmacy channel script volumes but recently has not provided visibility to channel mix dynamics, we believe channel mix and receivable analysis may be obfuscated. While we acknowledge new customers may be more weighted to the pharmacy channel, we believe it is unlikely there was a material shift in existing customers from the DME to pharmacy channel given (1) prior Company commentary highlighting it had reached the “endpoint” of its commercial pharmacy channel “journey” and (2) DexCom recently guided for the DME channel not to shift to pharmacy “anytime soon” due to its Medicare/government exposure. As such, our concerns about the DSO build are heightened.**

We were very encouraged by the prescribing trends we saw in the fourth quarter, and we closed the year with **around 75%** of our commercial scripts going through the pharmacy channel. (CFO Mr. Jereme Sylvain, Q4 22 Conference Call, 02/09/23) [emphasis added]

We saw **greater than 70% of our new prescriptions in 2023**, driven in primary care, **primarily fulfilled through the pharmacy channel**, which has been another strategic initiative of ours to open up really for the past five years, and now we have broad access there, and so we continue to invest. (VP Finance And Investor Relations Mr. Sean Christensen, Raymond James Institutional Investors Conference Call, 03/05/24) [emphasis added]

We've seen such a **major shift of our volumes to that pharmacy channel, particularly on the commercial side** where many of these pumpers reside. The DME commercial channel is not near as large a segment for us as it used to be. **The majority of our DME business certainly is in Medicare and in the government channel.** And so as others seek reimbursement and others seek distribution in the pharmacy channel, we're well-positioned to serve that. If we can get, again, as long as we're channel-agnostic and our users can get their product where they want to and get it in a manner that's efficacious for them and have a great experience, we will remain channel-neutral on that front. (CEO Mr. Kevin Sayer, Q3 24 Conference Call, 10/24/24) [emphasis added]

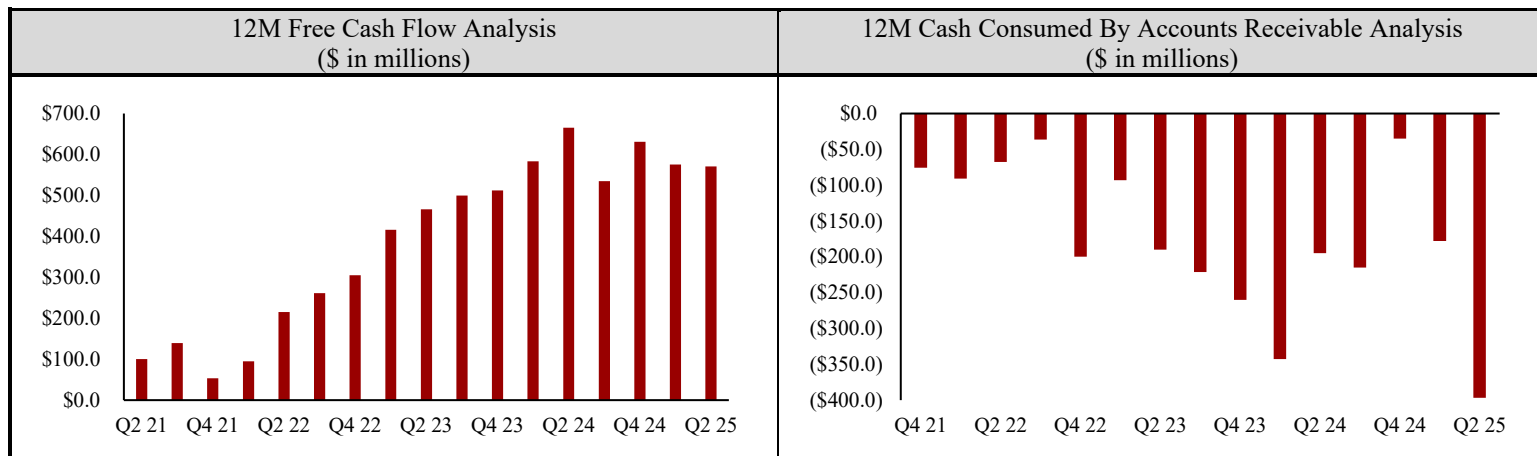
And just as a reminder, the Medicare Fee-for-Service channel, i.e. the non-Medicare Advantage channel, is reimbursed via Part B, i.e. **DME and so it won't necessarily shift to the pharmacy anytime soon.** So, there's a certain limitation on what you could expect even within the DME channels because of the reimbursement schemes as they exist today. So, hopefully, that's helpful at least in thinking about the persistence of any sort of change there. (CFO Mr. Jereme M. Sylvain, Q3 24 Conference Call, 10/24/24) [emphasis added]

## **Free Cash Flow Declined Despite Material Benefit From Payable Extensions**

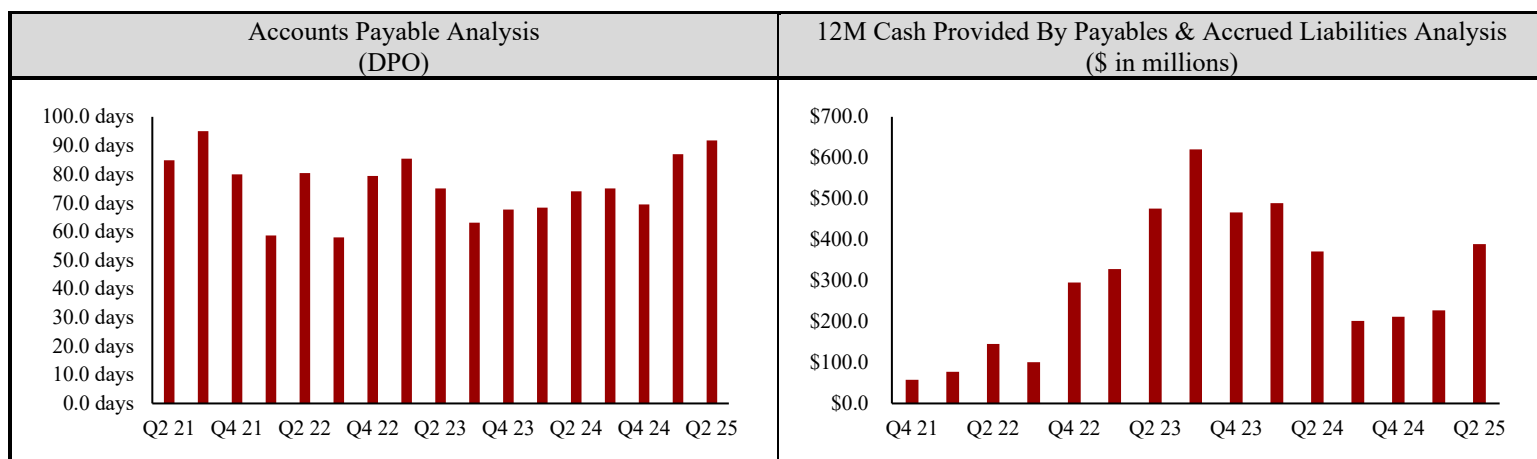
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**Free cash flow decline despite unsustainable payables benefit highlights earnings sustainability risk:** In the twelve months ended Q2 25, cash flow from operations (CFO) increased 10.8% year-over-year to \$987.7 million, while capital expenditures (capex) surged 84.6% to \$416.9 million. Accordingly, twelve-month free cash flow declined 14.2% year-over-year to \$570.8 million albeit from an elevated base (surged 42.8% in Q2 24). In addition, accounts receivable cash consumption increased \$201.5 million to \$396.5 million, the most in at least four years. In its Q2 25 10Q, the Company attributed the year-to-date \$68.3 million year-over-year decline in cash provided by operating assets and liabilities primarily to the “timing” of sales and accounts receivable collections, partially offset by accrued payroll “changes” amid “lower” variable compensation payments and the “timing” of payables. We believe recent free cash flow pressure amid material (in our view) accounts receivable cash consumption and despite a significant and unsustainable benefit from payables (discussed next) highlights earnings sustainability risk.

\$63.8 million decrease in net changes in operating assets and liabilities primarily due to the timing of sales and customer collections in accounts receivables, partially offset by changes in accrued payroll due to lower variable compensation payments and timing of payables. (Q2 25 10Q)



**Historically elevated payable levels may have provided an unsustainable cash flow benefit:** In Q2 25, accounts payable surged 53.7% year-over-year to \$472.0 million, while cost of goods sold increased 24.0% to \$468.3 million. Accordingly, days payable outstanding (DPO) increased 24.0% to 91.7 days, the highest level in over three years. In addition, in the twelve months ended Q2 25, cash provided by accounts payable and accrued liabilities increased \$17.8 million year-over-year to \$389.2 million. The Company did not discuss payable levels on its Q2 25 Conference Call or in its Q2 25 10Q. We believe the Q2 25 payable level surge provided an unsustainable cash flow benefit.



**Other Observations: Exec. Turnover, Recall, FDA Warning Letter, & Competitive Bidding**

**Recent and impending executive turnover may increase business disruption risk, in our view:** In its Press Release on 03/25/25, DexCom announced it was appointing Mr. Jon Coleman as CCO with responsibility for the global commercial organization, including global sales, marketing, and customer experience. Previously, Mr. Coleman served as an executive officer at Masimo Corporation (MASI). On its Q2 25 Conference Call, DexCom highlighted its “new commercial team” was spending “a great deal of time” with its DME partners. In its Q2 25 Earnings Release on 07/30/25, DexCom announced a CEO succession plan. Specifically, DexCom indicated COO Mr. Jake Leach would be promoted to CEO effective 01/01/26 and current CEO Mr. Kevin Sayer would “work closely” with Mr. Leach during the transition period and remain executive chairman of the board at the point of transition. We are concerned recent and impending executive turnover and evidence of a revamped commercial team may increase business disruption risk.

We've spent a lot of time with our DME partners to learn things that we can do better. I think those relationships, particularly with the large DME partners, are much stronger than they were before. We're working hard to get them enough inventory to keep everybody stocked up and to be able to serve patients with what is typically a three-month supply. We communicate regularly with them. **We have a new commercial team right now**, and they are spending a great deal of time on these relationships and understanding what goes on. (CEO Mr. Kevin Sayer, Q2 25 Conference Call, 07/30/25) [emphasis added]

Executive Turnover Analysis (per DexCom press releases)	Date Announced
New CCO Mr. Jon Coleman	03/25/25
CEO transition effective 01/01/26	07/30/25

**Recent receiver recall may highlight elevated product and revenue sustainability risk:** In its Medical Device Recalls Notice as of 07/17/25, the FDA highlighted DexCom's CGM receiver recall involved removing certain devices. Specifically, the FDA indicated DexCom removed certain G6, G7, ONE, and ONE+ receivers due to a speaker malfunction which may cause missed alerts for dangerous blood sugar levels as the speaker may fail to make an alert sound when blood sugar is dangerously high or low. The FDA identified the recall as the "most serious type" given devices with a malfunction may cause serious injury or death.<sup>9</sup> On its Q2 25 Conference Call, the Company highlighted it was "swapping" out certain receivers and represented it was "not a large impact" but it took the charge in Q2 25 which reduced gross margin by 100 basis points. We are concerned the recent CGM device recall due to a speaker malfunction may highlight increased product and revenue sustainability risk.

And one thing, just to remind you and kind of put in the back of your mind, Q2 also included – I think many of you have seen it, but **we had a receiver recall**. Effectively, **we'll be swapping out some receivers**. Not a large impact, but we took that charge here in the second quarter as well. So that was about a 100-basis point impact on the quarterly results. (CFO Mr. Jereme Sylvain, Q2 25 Conference Call, 07/30/25) [emphasis added]

**Recent FDA warning letter highlights manufacturing and product quality risk:** In its Q2 25 10Q, DexCom disclosed it received an FDA warning letter after its San Diego, CA and Mesa, AZ facilities were inspected. The Company indicated the warning letter cited "deficiencies" in DexCom's response letters sent following the FDA inspection of its San Diego facility in October and November 2024 and its Mesa facility in November 2024. Further, the warning letter highlighted "non-conformities" in DexCom's manufacturing processes and quality management system. DexCom indicated the warning letter did not restrict it from producing, marketing, manufacturing, or distributing its products and did not require a recall for any products. On its Q2 25 Conference Call, the Company represented it responded "rapidly" to the FDA warning letter concerns and made certain changes to its "processes and documentation" to address the FDA's concerns. DexCom represented it was making "fantastic" progress but highlighted there was still "work to do." We are concerned the recent FDA warning letter citing manufacturing process and quality management "non-conformities" highlights increased manufacturing and product quality risk.

In March 2025, we received an FDA warning letter following inspections of our facilities in San Diego, California, and Mesa, Arizona. In the warning letter, the FDA cited **deficiencies in the response letters** sent by us to the FDA following the Form 483, List of Investigational Observations that was delivered to us in connection with the inspection of our San Diego, California facility that occurred from October 2024 through November 2024, and the inspection of our Mesa, Arizona facility that occurred in June 2024. The warning letter describes **observed non-conformities in manufacturing processes and our quality management system**. (Q2 25 10Q) [emphasis added]

**Proposed competitive bidding may highlight certain FY 27 pricing pressure and/or disruption risk:** On its Q2 25 Conference Call, the Company represented it was "staying close" to the CMS proposal for competitive bidding

<sup>9</sup> <https://www.fda.gov/medical-devices/medical-device-recalls/continuous-glucose-monitor-receiver-recall-dexcom-inc-removes-certain-dexcom-g6-g7-one-and-one>

and highlighted only 15.0% of its business was fee-for-service Medicare.<sup>10</sup> Further, DexCom highlighted its “number one thing” with the competitive bidding was to ensure there was no interruption in supplying Medicare beneficiaries, which happened with prior versions of competitive bidding. In addition, the Company highlighted, if competitive bidding commenced, the earliest impact would be in FY 27. DexCom represented if there was “pricing compression” there would also be supplier compression. Specifically, on its Wells Fargo Healthcare Conference Call on 09/03/25, DexCom highlighted there were over 2,000 DME suppliers supplying CGM devices to Medicare beneficiaries and the proposal would reduce the supplier base. DexCom highlighted it recommended CMS “delay” this process as the supplier compression and proposed shift of CGM devices to a “rental type model” could be “quite disruptive” to supplying Medicare beneficiaries. While we acknowledge competitive bidding is currently a proposal, only impacts 15.0% of DexCom’s business, and likely would not be impactful until FY 27, we would be concerned about FY 27 pricing pressure and/or increased disruption risk if CMS moves forward with the competitive bidding proposal.

Today, there are thousands of DME suppliers, over 2,000 that supply CGM to beneficiaries that bill Medicare. And so part of this proposal is to reduce that number to a smaller set. And our goal there and thinking about that is how would you do that and not be disruptive, so we’ve actually recommended that CMS delay this process and think more about the supplier base as well as some of the changes in the categorization of CGM moving to the pay as you go, the rental type model, which we think is not a bad idea because it allows people access to the latest technologies. **But it's something that needs to be taken carefully because this is – could be quite disruptive.** And the last thing, CMS or Dexcom or anybody really wants this disruption to beneficiaries. (COO Mr. Jacob Leach, Wells Fargo Healthcare Conference Call, 09/03/25) [emphasis added]

## Conclusion

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We are concerned about significant CGM saturation in the top two US insulin-dependent “core” markets in a competitive CGM space. Our concerns are heightened given the limited multi-year increase in CGM Type 1 market penetration. While we acknowledge Type 2 basal penetration expansion may provide an opportunity, we believe glucose monitoring is less critical in the Type 2 basal market and significant Abbott Type 2 basal monitoring share may limit the opportunity. We are concerned Abbott’s (1) “exclusive” CGM partnership with Medtronic and (2) impending dual analyte sensor launch may pressure DexCom market share. Our growth concerns are heightened given DexCom added new disclosure language on “emerging” China competition and FY 24 net user additions declined. In addition, we believe DexCom’s CGM opportunity in non-insulin dependent markets may be limited given minimal/no evidence of increased CGM penetration over multiple years, limited insurance coverage, GLP-1 proliferation may reduce diabetes progression (e.g. prediabetic to insulin dependence) and/or drive CGM customer churn, and health and wellness users drove Stelo demand despite DexCom initially targeting Type 2 non-insulin patients. Our Stelo concerns are heightened given FY 25 Stelo guidance was reiterated despite a “great” H1 25, evidence of certain discounting, and poor reviews. We are concerned historically elevated receivable levels highlight elevated channel inventory and back-end weighted revenue. Accordingly, we believe revenue may be pressured. In our view, reduced pharmacy channel commentary may obfuscate receivables analysis. We believe historically elevated payable levels may have provided an unsustainable cash flow benefit. Our earnings sustainability concerns are heightened given free cash flow declined, recent and impending executive turnover, a recent receiver recall, a recent FDA warning letter, and CMS proposed competitive bidding.

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<sup>10</sup> [CMS CY 26 Proposed Rule](#)

## Risks to Our Thesis & Valuation

### Non-Insulin Market, G7 15 Day Launch, Stelo, & International Growth

**Non-insulin diabetes market coverage and penetration:** As mentioned, DexCom represented it had a “massive opportunity” in its future markets. Specifically, DexCom highlighted its future US markets included Type 2 non-insulin, prediabetes, gestational diabetes, and hospital patients representing a market opportunities of over 25.0 million lives, approximately 98.0 million lives, 0.4 million lives per year, and 14.0 million dysglycemia (abnormal blood sugar level) events per year, respectively. In addition, current CGM penetration was approximately 5.0% in Type 2 non-insulin diabetes and less than 1.0% in each of the other three categories. On its Wells Fargo Healthcare Conference Call on 09/03/25, DexCom represented its future plans included improving global market access for its CGM devices. DexCom highlighted there were “so many” people without CGM coverage globally. As mentioned, based on our understanding of representations made to us by the Company, CGM insurance coverage was “picking up” in the Type 2 non-insulin market. In addition, the three largest US pharmacy benefit managers (PBMs) recently added coverage for certain non-insulin users and DexCom was working with CMS to add certain non-insulin patient coverage. On its Q2 25 Conference Call, the Company highlighted in its history when it establishes coverage, it grows new markets “very quickly.”

As I look out a little farther, continuing to gain access for CGM pushing for more coverage globally. When I think about that opportunity, there are so many people that still don't have coverage for CGM around the world. That's going to be a big priority. The other priority is continue to look at how we've scaled our business. We've grown substantially, but we still have quite a bit to do. I've been very involved in much of the operations and manufacturing, and I look forward to continue to look at other parts of the business around our technical support, how we support customers. (COO Mr. Jacob Leach, Wells Fargo Healthcare Conference Call, 09/03/25)

DexCom Future US Market Analysis (lives in millions)	Lives	CGM Penetration
Type 2 non-insulin	>25.0	~5.0%
Prediabetes	~98.0	<1.0%
Gestational diabetes	0.4	<1.0%
Hospital	14.0	<1.0%
Total	137.4	<8.0%

**G7 15.0 day sensor launch:** In its Q2 25 10Q, DexCom disclosed it received FDA clearance for its G7 15.0 day CGM systems. On its Q2 25 Conference Call, the Company highlighted it was progressing through standard reimbursement contracting for the G7 15.0 day system and was “on track” to launch in H2 25. On its Wells Fargo Healthcare Conference Call on 09/03/25, the Company represented it made “significant enhancements” to the G7 platform since its initial launch in FY 23. In addition, DexCom highlighted the G7 15.0 day sensor was a “significant” gross margin opportunity. Based on our understanding of representations made to us by the Company, the G7 15.0 day sensor supports gross margin given the same revenue per month despite shipping one less sensor (i.e. patients will only need to consume two sensors per month versus three sensors for the legacy G7 system). However, certain near-term gross margin improvement may be muted amid investments in lower margin growth opportunities.

In April 2025, we received FDA clearance for the Dexcom G7 15 Day CGM System for people over the age of 18 with diabetes in the United States. (Q2 25 10Q)

**Stelo over-the-counter offering:** As mentioned, the Company highlighted it launched its Stelo biosensor for adults with prediabetes and non-insulin dependent Type 2 diabetes in August 2024 as the “first” over-the-counter (OTC)

glucose biosensor. In its Investor Day Presentation on 07/30/25, DexCom highlighted the Stelo sensor wear time was 15.0 days, the “majority” of customers sign-up for subscription, and reorder rates and utilization were “solid.” On its Q2 25 Conference Call, DexCom highlighted Stelo “continued” to grow and the Stelo app had over 400,000 downloads. DexCom indicated it had “enhanced” the customer experience via new software features, broader distribution, and digital health partnerships less than a year into the Stelo launch. The Company highlighted Stelo had a “great” H1 25 but reiterated its Stelo FY 25 revenue contribution guidance of 2.0% to 3.0%, or \$115.4 million at midpoint. On its Wells Fargo Health Care Conference Call on 09/03/25, DexCom highlighted it added an AI-powered food logging feature within the app to provide additional nutrition insights and represented it “broadly” viewed Stelo as an opportunity with nutrition.<sup>11</sup> In addition, DexCom guided for Stelo to generate revenue in the “hundreds” of millions in the context of its long range plan (LRP).

Physicians are also more broadly leveraging Stelo across their practices, as they now have a simple and easily accessible DexCom biosensor available for any patient that doesn't have coverage. While we are less than a year into Stelo's launch, we've already greatly enhanced the customer experience with new software features, broader distribution and digital health partnerships, steadily increasing the value of our features and providing more choice in how and where they engage with their glucose data. (CEO Mr. Kevin Sayer, Q2 25 Conference Call, 07/30/25)

Stelo Revenue Guidance Analysis (\$ in millions, guidance at midpoint)	FY 24G
Total revenue guidance	\$4,612.5
Stelo revenue contribution guidance	2.5%
Total Stelo revenue guidance	\$115.4

**International growth:** In Q2 25, international revenue as a percent of total increased 20 basis points to 27.3%. In its Investor Presentation on 07/30/25, DexCom highlighted it was “expanding” its international reach and was “well-positioned” to expand international growth. Specifically, the Company indicated it was entering new regions, going direct in one to two markets per year (e.g. Japan and Saudi Arabia in FY 24), and leveraging strategic distributors in certain markets. In addition, DexCom highlighted it drove increased G7 and DexCom ONE+ coverage globally as it added coverage for over 4.0 million people internationally in the past three years. The Company highlighted Type 2 IIT coverage was “still building” in core markets and two national health systems plus the largest province in Canada covered Type 2 basal insulin users. On its Wells Fargo Healthcare Conference Call on 09/03/25, DexCom highlighted volume growth in certain international markets outpaced revenue growth and represented there was “a lot” of opportunity for its international markets.

So one of the things that's important to think about as we move into the international markets and push harder there is we have a tiered pricing model in international markets. So, you have the sort of Dexcom G7 and then you've got our Dexcom ONE+ product that comes in at a different price point. The Dexcom ONE+ is in markets where we were not historically. And so all of that is incremental growth. And so if you look at volume growth, it is higher than that, that top-line revenue growth. The way I think about international markets is there's a lot of opportunity. (COO Mr. Jacob Leach, Wells Fargo Healthcare Conference Call, 09/03/25)

International Revenue Analysis (as % of total)	Q2 21	Q2 22	Q2 23	Q2 24	Q2 25
International revenue	22.5%	26.6%	29.2%	27.1%	27.3%
<i>Year-over-year</i>	--	410 bps	260 bps	(210bps)	20 bps

<sup>11</sup> DexCom’s Smart Food Logging feature for Stelo and G7 leverages AI to generate a detailed meal description and a post-meal glycemic impact analysis based on a photo.

## Valuation Analysis

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As of the date of this publication, DexCom's shares trade at 19.6 times next-twelve-month enterprise value-to-EBITDA, 1.4% below the peer group average.

Valuation Analysis	NTM EV/EBITDA
DexCom, Inc. (DXCM)	19.6x
Abbot Laboratories (ABT)	19.0x
Medtronic plc (MDT)	13.6x
Roche Holding AG (RO.S)	8.9x
Insulet Corporation (PODD)	36.6x
Tandem Diabetes Care, Inc. (TNDM)	21.1x
Peer average	19.9x
<i>DXCM above (below) peer average</i>	<i>(1.4%)</i>

## Disclaimer and Disclosure

This report was produced by Voyant Advisors, LLC (“Voyant”). The following Research Analysts employed by Voyant contributed to this report: Graeme Lazarus, Andrew Brown, Adam Yribarren, Nell Boyd, and Evan Babcock. Voyant’s home office is at 15373 Innovation Dr, Suite 365 San Diego, CA 92128. The firm’s home office is where information about the valuations herein are located, unless otherwise indicated in the report.

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