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Large Market Opportunity

Platform Technology
NOVADAQ is the only company that provides proven comprehensive fluorescence imaging solutions that improve clinical outcomes and reduce healthcare costs in minimally invasive and open surgeries.

SPY Fluorescence Imaging
Enables precise real-time visualization of physiologic blood flow in vessels, tissue perfusion and critical anatomical structures.

U.S. Market – Annual Opportunity

$2.7B
SPY Imaging Technology

Breast Tissue
$400M
SPY Fluorescence Imaging

1. The surgeon positions the SPY technology over the area of interest.
2. ICG is injected intravenously and rapidly binds to proteins in circulating blood.
3. SPY Technology emits near infrared light causing ICG to fluoresce.
4. Real-time fluorescence is captured and images are displayed on a video monitor in the OR.
Since 2015, NOVADAQ is the exclusive worldwide distributor of LifeNet Health’s Dermacell tissue products.

Leverages clinical and call point synergy between the use of tissue matrices and the ability to assess the quality of tissue perfusion.
## Key Applications – U.S. Market

<table>
<thead>
<tr>
<th>Applications</th>
<th>Existing Procedures</th>
<th>Annual Opportunity</th>
<th>Emerging Procedures*</th>
<th>Annual Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cancer and Reconstructive Surgeries</strong></td>
<td>Breast Reconstruction</td>
<td>100,000</td>
<td>GYN Onc</td>
<td>200,000</td>
</tr>
<tr>
<td></td>
<td>Head and Neck Reconstruction</td>
<td>150,000</td>
<td>Breast Surgery</td>
<td>250,000</td>
</tr>
<tr>
<td></td>
<td>Gastrointestinal Surgery</td>
<td>450,000</td>
<td>Lymphedema</td>
<td>150,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Melanoma</td>
<td>150,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Gastric Cancer</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>Non-Cancer Surgeries</strong></td>
<td>Vascular Surgery</td>
<td>600,000+</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Laparoscopic Cholecystectomy</td>
<td>900,000+</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Coronary Artery Bypass Surgery</td>
<td>350,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Wound Care</strong></td>
<td>Diabetic, Arterial and Venous Stasis Ulcers</td>
<td>600,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*not yet cleared for market by the U.S. FDA
Visualizing physiologic blood flow in vessels, tissue perfusion and critical anatomy enables surgeons to take action in surgery that improves outcomes.

**ONE TECHNOLOGY**

**MULTIPLE APPLICATIONS**

- Breast Reconstruction
  - Visualize tissue perfusion
  - Poor perfusion
- Colorectal Surgery
  - Assess tissue perfusion, guide transection margins
  - Non-perfused colon
- Laparoscopic Cholecystectomy
  - Visualize critical anatomy
  - Cystic artery
- Gynecological Oncology*
  - Lymph node
  - Adequate perfusion
- Head and Neck Reconstruction
  - Visualize tissue perfusion, lymph nodes*
  - Non-perfused toe
- Vascular Surgery
  - Visualize blood flow and tissue perfusion

* Not yet cleared by U.S. FDA

Seeing the Formerly Unseen
Compelling Advantages

NOVADAQ offers the **ONLY** imaging technology that allows real time, visual physiologic assessment and objective analysis of blood flow in vessels and tissue perfusion in the operating room.

### Improved Patient Care

Point-of-Care imaging: vascular flow, perfusion, lymph nodes

- Improves outcomes
- Enables procedures

### Economic

-Reduces rates of post-op complications
- Avoidable post-op complication costs range from $10k – $100k

### Process & Workflow

- Supports critical decisions in operating room
- Reduces procedure time
SPY Benefits – Breast Reconstruction

*Mayo Clinic Study, Jacobson et al (n=942)*

Authors estimated the potential avoidance of 59 episodes of skin necrosis over 5 years through the use of SPY Technology.

Potential cost savings of ~$850K over 5-yrs

<table>
<thead>
<tr>
<th>Breast Reconstruction 2011-2013</th>
<th>Without SPY</th>
<th>With SPY</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Patients</td>
<td>590</td>
<td>352</td>
</tr>
<tr>
<td>Any Complications</td>
<td>100 (17%)</td>
<td>21 (6%)</td>
</tr>
<tr>
<td>Skin Necrosis</td>
<td>32 (6%)</td>
<td>2 (1%)</td>
</tr>
<tr>
<td>Nipple Sparing Procedures</td>
<td>28%</td>
<td>32%</td>
</tr>
<tr>
<td>Single Stage, Direct Implants</td>
<td>7%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Use of SPY enabled more nipple sparing and direct implant reconstruction procedures.
Results of Two Multi-Center Clinical Studies:

- US: Stamos, et al (n=139)
- Europe: Ris, et al (n=460)

**SPY Benefits – Colorectal Surgery**

Anastomotic Leak Rate in Colon Resections

- 3% - 15%
- Traditional

- 1% - 2%
- PINPOINT Imaging

Cost of complication

$29k - $95k

PINPOINT drove a change in surgical plan in 8% of patients. Anastomotic leak rates were 0% in those patients where a change was made.

SPY Technology provides ACTIONABLE images that enable surgeons to reduce anastomotic leaks and complications.
Lymphatic Mapping

Lymph Node Mapping in Gynecological Oncology
Memorial Sloan Kettering Study, Abu-Rustum et al (n=227)

Study Results:
Enabling Surgeons to Visualize Lymph Nodes More Efficiently

- **81%** Overall detection rate with Methylene Blue
- **95%** Overall detection rate with Indocyanine Green
- **61%** Bilateral detection rate with Methylene Blue
- **79%** Bilateral detection rate with Indocyanine Green
Goal is to obtain FDA approved label claim for Lymphatic Mapping

Randomized, controlled, multi-center North American study of 150 patients with gynecological cancer

Investigators are Society of Gynecological Oncology Leadership- Principles are Memorial Sloan Kettering and MD Anderson

Recruitment to be completed Q1-2017
Comparison of Different Acellular Dermal Matrix (ADM) in Breast Reconstruction: The 50/50 Study. Pittman et al. 100 consecutive patient study -- 50 patients with AlloDerm, 50 with Dermacell, 60 day minimum follow-up.

<table>
<thead>
<tr>
<th></th>
<th>DermACELL</th>
<th>AlloDerm</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Red Breast</td>
<td>0</td>
<td>13 (26%)</td>
<td>1x10^-4</td>
</tr>
<tr>
<td>Drain Duration (days)</td>
<td>15</td>
<td>21</td>
<td>0.001</td>
</tr>
<tr>
<td>Infection</td>
<td>0</td>
<td>2 (4%)</td>
<td>0.494</td>
</tr>
<tr>
<td>Seroma</td>
<td>5 (10%)</td>
<td>12 (24%)</td>
<td>0.108</td>
</tr>
<tr>
<td>Reconstructive Failure</td>
<td>0</td>
<td>4 (8%)</td>
<td>0.117</td>
</tr>
</tbody>
</table>

Patients reconstructed with Dermacell have **IMPROVED OUTCOMES** across several metrics.
Leadership and Validation in the Field

- 75+ Documented Applications
- 230+ Peer Reviewed Publications
- 260,000+ SPY Technology Procedures
- 930+ SPY Systems Installed Base*

>40% Growth in Recurring Revenue

* Data as of Dec 2016
Leveraging the Model

Large installed base
- Top 50 Cancer hospitals use SPY technology today

Call-point synergies
- One surgical call point, opportunity across multiple specialties
- Propagation across accounts and systems

Flexible acquisition models drive hospital sales
- Sales & service contracts
- Component sales, cameras, scopes, disposables, software, etc.

Product innovation and leadership
- Broadest portfolio for use across open and MIS applications
- On-going clinical studies
- 230+ peer-reviewed publications
- Superior medical and peer to peer education
Installed Base Opportunity

Hospital Setting

550 Teaching Hospitals
5,174 Community Hospitals
5,260 Ambulatory Surgery Centers

Systems per Hospital

6.0
2.5
2.0

Potential Installed Base

3K Systems
13K Systems
11K Systems

Expected recurring revenue of $100K per system drives $2.7B Annual Opportunity
Sales Process

- Physician Evaluation & Buy-in
- Clinical and Economic Benefit Analysis
- Hospital Administration (VAC committee)

Identify appropriate & available budget within hospital

- Consumables & Components
- Service Contracts
- Capital Equipment
- Combination of Capital & Recurring
### Background

1,183 beds  
>50K annual admissions  
>60K annual surgeries

### Situation

NOVADAQ was engaged in capital purchase discussions on 4 systems  
No capital budget at hospital  
Competitive trialing underway

### Solution

**Flexible model** enabled hospital to identify funding within service and operating budgets  
Closed a **4 system agreement** over **3 years** including service and consumables

### Benefits

- **Multiple system placements** ensure SPY Technology is readily available
- Multi-year agreement creates **barrier** to acquisition of competitive technology  
- **Fast** cycle time – acquisition occurred in <30 days  
- Long term committed **recurring revenue** for NOVADAQ
Continuous Innovation and Leadership

**NOVADAQ Development Efforts**
- Performance improvements to existing technologies
- Innovation designed to address gaps in continuum of care
- Functional innovation delivering additional clinical and economic benefit

**Clinical Investigations and Studies**
- Additional lymphatic studies
- Studies in collaboration with medical societies (i.e. lap chole/SAGES)

**Continuous Innovation Enables**
- Barriers of entry remain high
- Deeper penetration into hospitals with new indications and improved products
- Expanded market opportunities
- Drives recurring revenue
PINPOINT Growth Drivers – New Product Launches

**S1 Camera**
- Brilliant, high-definition, white light video
- Added benefit of SPY Fluorescence imaging

**Benefit**
Results in incremental revenue, increases competitiveness

**5mm Laparoscopes**
- Workhorse of surgery
- Supports ASC market entry and penetration

**Benefit**
Allows for increased penetration into lap chole, CRS, gynecological oncology, thyroid surgery

**SPYPHI – Portable Handheld Imager**
- Superior quality images and convenience
- Segue to re-enter CABG market with small footprint, convenience & superior image

**Benefit**
Enables entry into ASC market- focus on mastectomy, plastics and breast reconstruction and lymphatic mapping*

*Lymphatic mapping is not yet cleared for market by the U.S. FDA
## SPY Technology versus Competition

<table>
<thead>
<tr>
<th>Competitive Fluorescence</th>
<th>SPY Technology</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Image dark and noisy</td>
<td>Image vibrant and clear</td>
<td>Enables accurate, real-time Perfusion analysis</td>
</tr>
<tr>
<td>Arbitrary image adjustment compromises meaningful tissue perfusion assessment</td>
<td>Image adjustment stays true</td>
<td>Enables better tissue assessment</td>
</tr>
<tr>
<td>Intensity is highly dependent on distance to tissue</td>
<td>Intensity is maintained at any distance</td>
<td>Enables superior imaging</td>
</tr>
<tr>
<td>Single fluorescence mode</td>
<td>Multiple fluorescence modes</td>
<td>Enables broader potential application</td>
</tr>
</tbody>
</table>
# Recent Quarterly Results

## Q4 2016 Metrics

<table>
<thead>
<tr>
<th>Revenue (millions)</th>
<th>Q4-2016</th>
<th>Q4-2015</th>
<th>Change Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring</td>
<td>$9.6</td>
<td>$6.7</td>
<td>+ 43%</td>
</tr>
<tr>
<td>Capital</td>
<td>$4.8</td>
<td>$10.3</td>
<td>- 53%</td>
</tr>
<tr>
<td>Total Direct</td>
<td>$14.4</td>
<td>$17.0</td>
<td>- 15%</td>
</tr>
<tr>
<td>Indirect (Partners/Int’l)</td>
<td>$5.7</td>
<td>$3.0</td>
<td>+ 89%</td>
</tr>
<tr>
<td>Total</td>
<td>$20.1</td>
<td>$20.0</td>
<td>+ 1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Installed Base</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Systems</td>
<td>933</td>
<td>710</td>
<td>+ 31%</td>
</tr>
</tbody>
</table>

### Recurring Revenue
43% growth

### Installed Base
58 systems placed

### Revenue per System
$10,296

Data as of 4Q 2016
Financial Performance

Total Revenue ($mn)

Q1 2016: $17.7
Q2 2016: $21.1
Q3 2016: $22.2
Q4 2016: $20.1

Gross Margin: 71% 72% 72% 39%*

* Reflects impact of a one-time inventory write-off

Recurring Revenue ($mn)

Q1 2016: $7.0
Q2 2016: $7.8
Q3 2016: $8.6
Q4 2016: $9.6

Growth Rate: 41% 38% 42% 43%
Financial Objectives

2017 Financial Guidance

- Total Revenue: $98mn - $102mn
  Growth (y/y): 22% - 27%

- Recurring Revenue: $48mn - $50mn
  Growth (y/y): 45% - 51%

Long Term Objectives

- Shift revenue mix from capital to recurring revenue
  Manage opportunity vs. profitability

- Maintain gross profits in the 65%-70% range

- Maintain a strong cash position
Leading Fluorescence Imaging Technology

**Differentiated & Disruptive Technology**

- Leader in fluorescence imaging technology

**Large Untapped Market Opportunity**

- ~5% Penetration
- >3.5mn annual procedures

**Strategy focused on Recurring Revenue**

- More predictable, longer runway, better quality

**Meaningful Growth Drivers**

- Innovation, clinical data, IP, market leadership position; value proposition (clinical and economic)

**Clinical and Cost Benefits**

- Reduced costs benefitting healthcare system and patient

**Solid Growth Prospects**