

MASIMO CORP
Form DEF 14A
March 16, 2016

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
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MASIMO CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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No fee required.

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Notice of 2016 Annual Meeting
of Stockholders and Proxy Statement

April 20, 2016 at 2:00 p.m. Pacific Time
52 Discovery, Irvine, California 92618

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MASIMO CORPORATION
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Wednesday, April 20, 2016

2:00 p.m., Pacific Time

52 Discovery, Irvine, CA 92618

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders (the “Annual Meeting”) of Masimo Corporation, a Delaware corporation (the “Company”), or any adjournment or postponement thereof. The meeting will be held on Wednesday, April 20, 2016, at 2:00 p.m. Pacific Time at the principal executive offices of the Company at 52 Discovery, Irvine, California 92618, for the following purposes:

1. To elect the following nominee as a Class III director to serve until our 2019 Annual Meeting of Stockholders: Mr. Craig Reynolds;
2. To ratify the selection of Grant Thornton LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2016;
3. To vote on an advisory resolution to approve named executive officer compensation; and
4. To conduct any other business properly brought before the Annual Meeting and any adjournment or postponement thereof.

These items of business are more fully described in the Proxy Statement accompanying this Notice.

The record date for the Annual Meeting is March 7, 2016. Only stockholders of record at the close of business on that date may vote at the Annual Meeting or any adjournment or postponement thereof. This notice is being mailed to all stockholders of record entitled to vote at the Annual Meeting on or about March 17, 2016.

By Order of the Board of Directors

Chairman & Chief Executive Officer

Irvine, California

March 16, 2016

You are cordially invited to attend the meeting in person. Whether or not you expect to attend the meeting, please complete, date and sign and return the enclosed proxy or submit your proxy through the internet or by telephone as promptly as possible in order to ensure your representation at the meeting. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for your convenience if you choose to submit your proxy by mail. Even if you have voted by proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other agent and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.

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PROXY STATEMENT

QUESTIONS AND ANSWERS ABOUT THESE PROXY MATERIALS AND VOTING

Why am I receiving these materials?

We sent you this Proxy Statement and the enclosed proxy card because the Board of Directors (the “Board”) of Masimo Corporation (sometimes referred to as “we”, “Masimo” or the “Company”) is soliciting your proxy to vote at the 2016 Annual Meeting of Stockholders, or any adjournment or postponement thereof (the “Annual Meeting”). You are invited to attend the Annual Meeting and we request that you vote on the proposals described in this Proxy Statement. However, you do not need to attend the Annual Meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card or submit your proxy through the internet or by telephone according to the instructions contained in the enclosed proxy card.

We intend to mail this Proxy Statement and the accompanying proxy card on or about March 17, 2016 to all stockholders of record entitled to vote at the Annual Meeting.

When and where will the Annual Meeting be held?

The Annual Meeting will be held on April 20, 2016, at 2:00 p.m. Pacific Time at our offices located at 52 Discovery, Irvine, California 92618. Directions are set forth on the back of this Proxy Statement.

Who can vote at the Annual Meeting?

Only stockholders of record at the close of business on March 7, 2016 will be entitled to vote at the Annual Meeting. At the close of business on this record date, there were 50,056,278 shares of common stock outstanding and entitled to vote and no shares of preferred stock outstanding or entitled to vote. The holders of common stock will have one vote for each share of common stock they owned as of the close of business on March 7, 2016.

Stockholder of Record: Shares Registered in Your Name

If at the close of business on March 7, 2016, your shares of common stock were registered directly in your name with our transfer agent, Computershare Trust Company, N.A., then you are the stockholder of record for these shares. As a stockholder of record, you may vote either in person at the Annual Meeting or by proxy. Whether or not you plan to attend the Annual Meeting, we urge you to complete and return the enclosed proxy card or submit your proxy through the internet or by telephone by following the instructions provided in the proxy card to ensure that your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker, Bank or Other Agent

If at the close of business on March 7, 2016, your shares of common stock were held, not in your name, but rather in an account at a brokerage firm, bank, dealer or other similar organization, then you are the beneficial owner of shares held in “street name” and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker, bank or other agent regarding how to vote the shares in your account. Certain of these institutions offer the ability to direct your agent how to vote through the internet or by telephone. You are also invited to attend the Annual Meeting. However, because you are not the

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stockholder of record, you may not vote your shares in person at the Annual Meeting unless you request and obtain a valid proxy issued in your name from your broker, bank or other agent considered the stockholder of record of the shares.

What am I voting on?

There are three matters scheduled for a vote at the Annual Meeting:

- To elect the Class III nominee for director to serve until our 2019 Annual Meeting of Stockholders or until his successor is duly elected and qualified;
- To ratify the selection of Grant Thornton LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2016; and
- To vote on an advisory resolution to approve named executive officer compensation.

Will there be any other items of business on the agenda?

Aside from the election of the Class III director, ratification of the selection of our independent registered public accounting firm, and the advisory vote to approve the compensation of our named executive officers, the Board knows of no matters to be presented at the Annual Meeting. If any other matter should be presented at the Annual Meeting upon which a vote properly may be taken, shares represented by all proxies received by the Board will be voted with respect thereto in accordance with the judgment of the persons named as attorneys-in-fact in the proxies.

What is the Masimo Board's voting recommendation?

Masimo's Board recommends that you vote your shares:

- "For" the nominee to the Board;
- "For" the ratification of the selection of Grant Thornton LLP as Masimo's independent registered public accounting firm for the fiscal year ending December 31, 2016; and
- "For" the approval of our named executive officer compensation.

How do I vote?

For each proposal, you may vote "For" or "Against" or abstain from voting. The procedures for voting are described below, based upon your form of ownership.

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote in person at the Annual Meeting. We will give you a ballot when you arrive.

If you do not wish to vote in person or you will not be attending the Annual Meeting, you may vote by proxy. You may vote by proxy using the enclosed proxy card, vote by proxy on the internet or vote by proxy over the telephone. The procedures for voting by proxy are as follows:

- To vote by proxy using the enclosed proxy card, complete, sign and date your proxy card and return it promptly in the envelope provided.
- To vote by proxy on the internet, go to www.envisionreports.com/MASI and follow the instructions set forth on the internet site.
- To vote by proxy over the telephone, dial the toll-free telephone number listed on your proxy card under the heading "vote by telephone" using a touch-tone telephone and follow the recorded instructions.

If you vote by proxy, your vote must be received by 11:00 p.m. Pacific Time on April 19, 2016, to be counted.

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We provide internet and telephone proxy voting with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your internet and telephone access, such as usage charges from internet access providers and telephone companies.

Beneficial Owner: Shares Registered in the Name of Your Broker, Bank or Other Agent

If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from Masimo. To ensure that your vote is counted, simply complete and mail the proxy card or, if provided by your agent, follow the instructions for submitting your proxy through the internet or by telephone. To vote in person at the Annual Meeting, you must obtain a valid proxy from your broker, bank or other agent in whose name the shares are registered. Follow the instructions from your broker, bank or other agent included with these proxy materials, or contact your broker, bank or other agent to request a proxy card.

How do I vote my Masimo shares held through the Masimo Retirement Savings Plan?

If you hold shares of Masimo common stock through the Masimo Retirement Savings Plan (the “Savings Plan”) as of the record date, your proxy will also serve as a voting instruction for Principal Financial Group (“Principal”), which serves as the administrator of the Savings Plan, with respect to shares of Masimo common stock that you hold through the Savings Plan. You should sign the proxy card and return it in the enclosed envelope, or you may submit your proxy over the internet or by telephone by following the instructions on the enclosed proxy card. Principal will vote your Savings Plan shares as of the record date in the manner directed in the last timely voting instructions that are received from you. If voting instructions are not received from you by 11:00 p.m. Pacific Time on April 17, 2016, Principal will vote your Savings Plan shares as of the record date in the same manner, proportionally, as it votes the other shares of common stock for which proper and timely voting instructions of other Savings Plan participants have been received by Principal. You may change or revoke previously given voting instructions in any of the ways described under the question “Can I change my vote after submitting my proxy?”; however, your revocation or changed voting instructions must be received no later than 11:00 p.m. Pacific Time on April 17, 2016 or else we will not be able to timely notify Principal of your revoked or changed voting instructions.

How many votes do I have?

On each matter to be voted upon, holders of common stock will have one vote for each share of common stock they owned as of the close of business on March 7, 2016, the record date for the Annual Meeting.

Will my vote be kept confidential?

Proxies, ballots and voting tabulations are handled on a confidential basis to protect your voting privacy. This information will not be disclosed, except as required by law.

Who is paying for this proxy solicitation?

We will bear the cost of soliciting proxies for the Annual Meeting. We will ask banks, brokerage houses, fiduciaries and custodians holding shares of Masimo common stock in their names for others to send proxy materials to and obtain proxies from the beneficial owners of such shares, and we will reimburse them for their reasonable expenses in doing so. We and our directors, officers and regular employees may solicit proxies by mail, personally, by telephone or by other appropriate means. We may also decide to engage an outside proxy solicitor to assist us in these efforts. No additional compensation will be paid to directors, officers or other regular employees for such services.

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What does it mean if I receive more than one proxy card?

If you receive more than one proxy card, your shares are registered in more than one name or are registered in different accounts. Please complete, sign and return each proxy card to ensure that all of your shares are voted.

Can I change my vote after submitting my proxy?

Yes. You can revoke your proxy at any time before the final vote at the Annual Meeting. If you are a stockholder of record, you may revoke your proxy in any one of four ways:

- You may submit another properly completed and executed proxy card with a later date;
- You may submit a new proxy through the internet or by telephone (1-800-652-VOTE) (your latest internet or telephone instructions submitted prior to the deadline will be followed);
- You may send a written notice that you are revoking your proxy to our Corporate Secretary, c/o Masimo Corporation, 52 Discovery, Irvine, California 92618; or
- You may attend the Annual Meeting and vote in person. However, simply attending the Annual Meeting will not, by itself, revoke your proxy.

If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, follow the voting instructions from that organization included with these proxy materials, or contact that organization to determine how you may revoke your proxy.

Votes will be counted by the inspector of election appointed for the Annual Meeting.

How are my shares voted if I give no specific instruction?

We must vote your shares as you have instructed. If there is a matter on which a stockholder of record has given no specific instruction but has authorized us generally to vote the shares, they will be voted as follows:

- “For” the election of the Class III director nominee;
- “For” the ratification of the selection of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016; and
- “For” the approval of our named executive officer compensation.

This authorization would exist, for example, if a stockholder of record merely signs, dates and returns the proxy card but does not indicate how its shares are to be voted on one or more proposals. If other matters properly come before the Annual Meeting and you do not provide specific voting instructions, your shares will be voted at the discretion of the proxies.

If your shares are held in street name, see “What is a broker non-vote?” below regarding the ability of banks, brokers and other such holders of record to vote the uninstructed shares of their customers or other beneficial owners in their discretion and regarding broker non-votes.

What is a broker non-vote?

Under rules that govern banks, brokers and others who have record ownership of company stock held in brokerage accounts for their clients who beneficially own the shares, these banks, brokers and other such holders who do not receive voting instructions from their clients have the discretion to vote uninstructed shares on certain matters (“discretionary matters”) but do not have discretion to vote uninstructed shares as to certain other matters (“non-discretionary matters”). Only the ratification of auditors is considered a discretionary matter at the Annual Meeting under these rules. A broker may return a proxy card on behalf of a beneficial owner from whom the broker has not received voting instructions that casts a vote with regard to discretionary matters but expressly states that the broker is not voting as to non-discretionary matters. The broker’s inability to vote with respect to the non-

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discretionary matters with respect to which the broker has not received voting instructions from the beneficial owner is referred to as a “broker non-vote”.

What are the voting requirements that apply to the proposals discussed in this Proxy Statement?

Proposals	Vote Required	Discretionary Voting Allowed?
1. Election of Director	Majority Cast	No
2. Ratification of Auditors	Majority Cast	Yes
3. Advisory Vote to Approve the Compensation of our Named Executive Officers	Majority Cast	No

A “majority cast”, with regard to the election of director, means the number of votes cast “for” the nominee’s election must exceed the number of votes cast “against” the nominee’s election. A “majority cast”, with regard to the ratification of auditors and the advisory vote to approve our named executive compensation, means the number of votes cast “for” the proposal must exceed the number of votes cast “against” such proposal.

“Discretionary voting” occurs when a bank, broker, or other holder of record does not receive voting instructions from the beneficial owner and votes those shares at its discretion on any proposal as to which rules permit such bank, broker, or other holder of record to vote. As noted above, when banks, brokers, and other holders of record are not permitted under the rules to vote the beneficial owner’s shares, the affected shares are referred to as “broker non-votes”. Although the vote on Proposal No. 3 is advisory and non-binding, as provided by law, our Board will review the results of the votes and, consistent with our record of stockholder engagement, will consider the results in making future decisions concerning executive compensation.

What is the effect of abstentions and broker non-votes?

Abstentions: Under Delaware law (under which Masimo is incorporated), abstentions are counted as shares present and entitled to vote at the Annual Meeting, but they are not counted as shares cast. Our Bylaws provide that stockholder actions (other than the election of directors) shall be determined by a majority of the votes cast affirmatively or negatively. Therefore, abstentions will have no effect on Proposal No. 1—Election of Director; Proposal No. 2—Ratification of Auditors or Proposal No. 3—Advisory Vote to Approve the Compensation of our Named Executive Officers.

Broker Non-Votes: As a result of a change in rules related to discretionary voting and broker non-votes, banks, brokers, and other such record holders are no longer permitted to vote the uninstructed shares of their customers on a discretionary basis in the election of directors or on named executive officer compensation matters. Because broker non-votes are not considered under Delaware law to be entitled to vote at the Annual Meeting, they will have no effect on the outcome of the vote on: Proposal No. 1—Election of Director and Proposal No. 3—Advisory Vote to Approve the Compensation of our Named Executive Officers. As a result, if you hold your shares in street name and you do not instruct your bank, broker, or other such holder how to vote your shares in the election of director or the advisory vote related to the approval of our executive compensation program, no votes will be cast on your behalf on these proposals. Therefore, it is critical that you indicate your vote on these proposals if you want your vote to be counted. The proposal to ratify the selection of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016 should be considered a discretionary matter. Therefore, your bank, broker, or other such holder will be able to vote on this proposal even if it does not receive instructions from you, so long as it holds your shares in its name.

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What happens if an incumbent director nominee does not receive a majority of the votes cast for his re-election? Our Bylaws require that if an incumbent director nominee does not receive a majority of the votes cast for his re-election, such incumbent nominee is to promptly tender his resignation to the Board. Our Nominating, Compliance and Corporate Governance Committee will then make a recommendation to the full Board as to whether to accept or reject the tendered resignation, or whether other action should be taken. Our Board will then decide whether to accept or reject the resignation, taking into account the Nominating, Compliance and Corporate Governance Committee's recommendation. The determination of our Board and the rationale behind the decision will be publicly disclosed (by a press release, a filing with the Securities and Exchange Commission (the "SEC") or other broadly disseminated means of communication) within 90 days from the date of the certification of the election results of our Annual Meeting. If the incumbent director's resignation is not accepted by our Board, the director will continue to serve until his successor is duly elected, or his earlier resignation or removal. If a director's resignation is accepted by our Board, then our Board may fill any resulting vacancy or decrease the size of the Board.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if at least a majority of our outstanding shares of common stock are represented by votes at the Annual Meeting or by proxy. At the close of business on March 7, 2016, the record date for the Annual Meeting, there were 50,056,278 shares of common stock outstanding. Thus, a total of 50,056,278 shares are entitled to vote at the Annual Meeting and holders of common stock representing at least 25,028,140 votes must be represented at the Annual Meeting or by proxy to have a quorum. Your shares will be counted towards the quorum only if you submit a valid proxy (or if one is submitted on your behalf by your broker, bank or other agent) or if you vote in person at the Annual Meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, the chairman of the meeting or a majority of the shares present at the Annual Meeting may adjourn the Annual Meeting to another date.

Who will count the votes?

The votes will be counted, tabulated and certified by Computershare Trust Company, N.A., Masimo's transfer agent and registrar for the Company's common stock.

I also have received a copy of Masimo Corporation's Annual Report on Form 10-K. Is that a part of the proxy materials?

Our Annual Report on Form 10-K for the fiscal year ended January 2, 2016, as filed with the SEC on February 24, 2016, accompanies this Proxy Statement. This document constitutes our Annual Report to Stockholders, and is being made available to all stockholders entitled to receive notice of and to vote at the Annual Meeting. Except as otherwise stated, the Annual Report on Form 10-K is not incorporated into this Proxy Statement and should not be considered proxy solicitation material.

How can I find out the results of the voting at the Annual Meeting?

Voting results are expected to be announced at the Annual Meeting and will also be disclosed in a Current Report on Form 8-K (the "Form 8-K") that we will file with the SEC within four business days of the date of the Annual Meeting. In the event the results disclosed in our Form 8-K are preliminary, we will subsequently amend the Form 8-K to report the final voting results within four business days of the date that such results are known.

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When are stockholder proposals due for next year's annual meeting of stockholders?

Stockholders may submit proposals on matters appropriate for stockholder action at the 2017 Annual Meeting of the Company's Stockholders ("2017 Annual Meeting of Stockholders") consistent with Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). To be considered for inclusion in proxy materials for our 2017 Annual Meeting of Stockholders, a stockholder proposal must be submitted in writing no later than November 17, 2016 to our Corporate Secretary at 52 Discovery, Irvine, California 92618. However, if the date of the 2017 Annual Meeting of Stockholders is convened more than 30 days before, or delayed by more than 30 days after April 20, 2017, to be considered for inclusion in proxy materials for our 2017 Annual Meeting of Stockholders, a stockholder proposal must be submitted in writing to our Corporate Secretary at 52 Discovery, Irvine, California a reasonable time before we begin to print and send our proxy materials for our 2017 Annual Meeting of Stockholders. If you wish to submit a proposal that is not to be included in the proxy materials for our 2017 Annual Meeting of Stockholders, your proposal generally must be submitted in writing to the same address no later than January 31, 2017, but no earlier than January 1, 2017. However, if the date of the 2017 Annual Meeting of Stockholders is convened more than 30 days before, or delayed by more than 30 days after April 20, 2017, a stockholder proposal that is not to be included in the proxy materials for our 2017 Annual Meeting of Stockholders must be submitted in writing to our Corporate Secretary at 52 Discovery, Irvine, California 92618 not later than the close of business on the later of (1) the 90th day before the date of the 2017 Annual Meeting of Stockholders, or (2) the 10th day following the day on which we first publicly announce (by press release or disclosure in a filing with the SEC) the date of the 2017 Annual Meeting of Stockholders. Please review our Bylaws, which contain additional requirements regarding advance notice of stockholder proposals. You may view our Bylaws by visiting the SEC's internet website at www.sec.gov.

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EXECUTIVE OFFICERS

Our executive officers are appointed by and serve at the discretion of our Board. Our executive officers, their ages, respective positions and biographies are listed below:

Name	Age ⁽¹⁾	Position(s)
Joe Kiani	51	Chief Executive Officer & Chairman of the Board
Mark de Raad	56	Executive Vice President, Finance & Chief Financial Officer
Anand Sampath	49	Chief Operating Officer
Rick Fishel	58	President, Worldwide OEM Business & Strategic Development
Jon Coleman	52	President, Worldwide Sales, Professional Services & Medical Affairs
Yongsam Lee	51	Executive Vice President, Chief Information Officer
Tom McClenahan	43	Executive Vice President, General Counsel & Corporate Secretary
Paul Jansen	45	Executive Vice President, Business Development

⁽¹⁾ As of March 7, 2016.

Joe Kiani is the founder of Masimo and has served as Chief Executive Officer & Chairman of the Board since our inception in 1989. He is an inventor on more than 50 patents related to signal processing, sensors and patient monitoring, including patents for the invention of measure-through motion and low-perfusion pulse oximetry. From 1998 to March 2013, Mr. Kiani served on the Board of Directors of Saba Software, Inc., a publicly-traded software company focused on human capital development and management solutions. Mr. Kiani holds a B.S.E.E. and an M.S.E.E. from San Diego State University. As Masimo's founder, Chief Executive Officer and Chairman of the Board since our formation in 1989, Mr. Kiani has the deepest understanding of Masimo, our history, our culture and our technology. He has broad experience in a wide range of functional areas, including strategic planning, strategic investments, engineering and development, and legal and governmental affairs. Mr. Kiani is critical to the Company's continued development and growth.

Mark de Raad has served as our Executive Vice President, Finance & Chief Financial Officer since June 2006 and as our Corporate Secretary from December 2009 through August 2014. From November 2002 through May 2006, Mr. de Raad served as Vice President, Chief Financial Officer and Secretary for Avamar Technologies, Inc., a start-up enterprise software development company. He served as Chief Financial Officer, Quantum Storage Solutions Group, a division of Quantum Corporation from June 2001 through November 2002. From September 1997 through June 2001, Mr. de Raad was Vice President, Finance and Chief Financial Officer for ATL Products, Inc., a manufacturer of automated tape libraries. Mr. de Raad is a Certified Public Accountant (inactive) and holds a B.S. in Accounting from the University of Santa Clara.

Anand Sampath has served as our Chief Operating Officer since August 2014. Prior to that, he served as Executive Vice President, Engineering since March 2007. He is an inventor on more than ten patents relating to patient monitoring, wireless networks and communications. From April 2006 to March 2007, Mr. Sampath was our Director of Systems Engineering. From October 1995 to March 2006, he held various positions, including Program Manager, Engineering Manager and Distinguished Member of Technical Staff, at Motorola, Inc. Mr. Sampath holds a B.S. in Engineering from Bangalore University.

Rick Fishel has served as President, Worldwide OEM Business and Strategic Development since February 2016, was President, Worldwide OEM Business & Blood Management from January 2013 to February 2016 and was President, Worldwide OEM Business and Corporate Development from February 2011 to January 2013. From February 2009 to February 2011, he was our President, Americas and Worldwide OEM Business, and was President of Masimo Americas from June 2004 to February 2009. From January 2003 to June 2004, Mr. Fishel was Regional Vice President of Sales for the Information Solutions segment of the McKesson Corporation, a provider of supply,

information and care management products and services. From January 2001 to January 2003, he served as National Vice President of Sales for the Consulting Services division of GE Medical Systems, Inc., a provider of medical technology and productivity solutions. Mr. Fishel holds a B.S. in Marketing from Arizona State University.

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Jon Coleman has served as our President, Worldwide Sales, Professional Services & Medical Affairs since February 2011, and was our President, International from August 2008 to February 2011. From October 2007 to August 2008, Mr. Coleman was President and Chief Executive Officer of You Take Control, Inc., a healthcare information technology start-up company. He served as General Manager, Americas of Targus Group International, a supplier of mobile computing cases and accessories, from March 2006 to February 2007. From March 1994 to February 2006, he held progressive leadership positions with Pfizer, Inc., most recently Vice President and General Manager, Canada & Caribbean Region. Mr. Coleman holds a M.B.A. from Harvard Business School, and a B.A. in International Relations from Brigham Young University.

Yongsam Lee has served as our Executive Vice President, Chief Information Officer since August 2014. From March 1996 to October 2001 and from April 2002 to August 2014, Mr. Lee held various positions with us, including Vice President, IT, Chief Information Officer, Executive Vice President, Operations, Executive Vice President, Regulatory Affairs & Chief Information Officer. From October 2001 to April 2002, he served as Director of IT at SMC Networks, Inc., a provider of networking solutions. Mr. Lee holds a B.S. in Applied Physics from the University of California, Irvine.

Tom McClenahan has served as our Executive Vice President & General Counsel since April 2013 and as our Corporate Secretary since August 2014. From April 2011 to April 2013, Mr. McClenahan was our Vice President and Assistant General Counsel. From November 2002 to April 2011, he was an associate and then principal with the law firm of Fish & Richardson. From September 1999 to November 2002, he was an associate with the law firm of Knobbe, Martens, Olson & Bear. Mr. McClenahan holds a B.S. in Mechanical Engineering from Iowa State University and a J.D. from the University of Minnesota Law School.

Paul Jansen has served as our Executive Vice President, Business Development since January 2015, as our Executive Vice President, Marketing from April 2008 to January 2015, and was our Vice President of Marketing from January 2008 to April 2008. From August 1997 through December 2007, he held progressive positions with CardioDynamics, a cardiac monitoring and diagnostic company, last serving as Vice President, Marketing & Clinical Development. Mr. Jansen holds a B.S. in Planning from Iowa State University and an M.B.A. from Arizona State University. There are no family relationships between or among any of our executive officers or directors, except that Mr. McClenahan and Mr. Jansen are brothers-in-law.

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BOARD OF DIRECTORS

Our Board presently has six members and is divided into three classes, designated Class I, Class II and Class III. Each class currently consists of two directors and has a three-year term. Class I, Class II and Class III directors currently have a remaining term of office until the 2017, 2018 and 2016 Annual Meeting of Stockholders, respectively.

Vacancies on the Board may be filled only by persons elected by a majority of the remaining directors in office (even though the remaining directors may constitute less than a quorum). A director elected by our Board to fill a vacancy in a Class, including a vacancy created by an increase in the number of directors, will serve for the remainder of the full term of that Class and until the director's successor is elected and qualified or until the director's earlier death, resignation or removal.

The names of our current directors, their ages, director class and biographies are listed below. There are no family relationships between or among any of our directors.

Name	Age ⁽¹⁾	Director Class	Position(s)
Steven J. Barker, M.D., Ph.D.	71	Class I	Director
Sanford Fitch	75	Class I	Director
Thomas Harkin	76	Class II	Director
Joe Kiani ⁽²⁾	51	Class II	Chief Executive Officer & Chairman of the Board
Jack Lasersohn ⁽³⁾	62	Class III	Director
Craig Reynolds	67	Class III	Director

⁽¹⁾ As of March 7, 2016.

⁽²⁾ Please see "Executive Officers" on page 8 of this Proxy Statement for Mr. Kiani's biography.

⁽³⁾ Mr. Lasersohn's service on the Board will cease when his current term expires at the Annual Meeting.

Steven J. Barker, M.D., Ph.D., has served as a member of our Board since October 2005, has served as our Chief Science Officer and Chairman of our Scientific Advisory Board since March 2015, and previously served as our interim Chief Medical Officer from July 2013 to March 2015. Dr. Barker has also served as Professor Emeritus of Anesthesiology at the University of Arizona College of Medicine since July 2013. Prior to that, from October 1995 to July 2013, Dr. Barker served as Professor and Head of Anesthesiology, University of Arizona College of Medicine. From August 1990 to October 1995, Dr. Barker served as Chairman of Anesthesiology at the University of California, Irvine. He also holds a joint appointment as Professor of Mechanical and Aerospace Engineering at the University of California, Irvine. Dr. Barker is an oral examiner for the American Board of Anesthesiology, and is the Section Editor for Technology, Computing, and Simulation in the Journal of Anesthesia and Analgesia. He holds a B.S. in Physics from Harvey Mudd College, an M.S. and a Ph.D. in Mechanical Engineering from the California Institute of Technology and an M.D. from the University of Miami. Our Nominating, Compliance and Corporate Governance Committee believes Dr. Barker's academic and medical background, as well as his in-depth knowledge of the healthcare industry and hospital operations, academic administration and managed care industry, provide him with a critical perspective regarding Masimo's products, technologies and prospects. His medical background, including his expertise in anesthesiology, is particularly relevant to Masimo when the Company evaluates its products and technologies. In addition, Dr. Barker is able to provide us with the unique perspective of a physician.

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Sanford Fitch, has served as a member of our Board since November 2006. Mr. Fitch has served as a director, Audit Committee Chairman and member of the Compensation Committee of Iridex Corp., a public company that designs, develops, manufactures and sells medical laser systems since 2004. Mr. Fitch served as a director and Audit Committee Chairman of FoxHollow Technologies, Inc., a public company that designed, developed, manufactured and sold medical devices, from June 2004 until October 2007. He also served as a director and Audit Committee Chairman of Conceptus, Inc., a public medical device company, from December 1994 until April 2004, where he also served as its Chief Financial Officer and Senior Vice President of Operations from December 1994 through October 1998. Mr. Fitch has also served as the Chief Financial Officer of several start-up technology companies from 1998 until 2002 and of various public technology companies from 1983 to 2002. Mr. Fitch holds a B.S. in Chemistry and an M.B.A. from Stanford University. Our Nominating, Compliance and Corporate Governance Committee finds Mr. Fitch's financial background to be extremely helpful to the Board and suited to his role as Chairperson of our Audit Committee. Mr. Fitch brings to us previous experience as a Chief Financial Officer for multiple companies over his long career, and as audit committee chairperson of public companies, which uniquely qualifies him to serve as our Audit Committee Chairperson. In addition to Mr. Fitch's prior leadership and management experience working with medical technology companies, Mr. Fitch has considerable financial, auditing, risk management and corporate governance experience and he is an audit committee financial expert under the rules of the SEC, all of which enable him to make valuable contributions to the Board, the Audit, Compensation and Nominating, Compliance and Corporate Governance Committees.

Thomas Harkin, has served as a member of our Board since December 2015. Mr. Harkin, formerly a five-term U.S. Senator from the State of Iowa, retired from the U.S. Senate in January 2015. Senator Harkin was first elected to the U.S. House of Representatives in 1974, and 10 years later, he was elected to the U.S. Senate. Prior to his service in the House of Representatives, Mr. Harkin served in the U.S. Navy and achieved the rank of lieutenant commander. Mr. Harkin holds a B.S. from Iowa State, a J.D. from Catholic University of America and was admitted to the Iowa Bar in 1972. Mr. Harkin's experience in the Senate, and in particular his work on healthcare-related legislation, as well as his extensive understanding of the healthcare system in the U.S., bring a unique perspective and insight to the Board and the Audit, Compensation and Nominating, Compliance and Corporate Governance Committees.

Craig Reynolds, has served as a member of our Board since April 2014. Mr. Reynolds has served as a director of Symmetry Medical, Inc. since January 4, 2008, and is currently Chairman of the Board of Symmetry Surgical, Inc. He is currently Chief Executive Officer and a director of Cereve, Inc., a medical company engaged in resolving insomnia issues. Prior to joining Cereve, Mr. Reynolds served as Chief Operating Officer of Philips-Respironics Home Health Solutions ("Philips-Respironics"), a subsidiary of Philips, from 2008 to 2010. Prior to Philips-Respironics, Mr. Reynolds was the Chief Operating Officer and a board member of Respironics, Inc., a company that develops, manufactures and markets medical devices worldwide, from 1998 to 2008. From 1993 to 1998, Mr. Reynolds was with Healthdyne Technologies, Inc., a medical device company, serving for five years as Chief Executive Officer and director. From 1981 through 1992, Mr. Reynolds was with Healthdyne, Inc. in the positions of Executive V.P. (1981 to 1983), President of Healthdyne Cardiovascular Division (1984 to 1985) and President of Healthdyne Homecare Division (1986 to 1992). Mr. Reynolds earned his B.S. in Industrial Management from the Georgia Institute of Technology and his M.B.A. from Georgia State University. Our Nominating, Compliance and Corporate Governance Committee believes Mr. Reynolds' experience with other medical device companies allow him to provide additional insight to the Board on strategy decisions as well as make valuable contributions to the Audit, Compensation and Nominating, Compliance and Corporate Governance Committees.

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CORPORATE GOVERNANCE AND BOARD MATTERS

This section describes key corporate governance guidelines and practices that we have adopted. Complete copies of our Corporate Governance Guidelines, the charters of the committees of our Board and our Code of Business Conduct and Ethics described below may be viewed on our internet website at <http://ir.masimo.com> under “Corporate Governance”. Alternately, you can request a copy of any of these documents free of charge by writing to our Corporate Secretary, c/o Masimo Corporation, 52 Discovery, Irvine, California 92618.

Corporate Governance Guidelines

Our Board has adopted Corporate Governance Guidelines to ensure that our Board will have the necessary authority and practices in place to exercise its duties and responsibilities, review and evaluate our business operations as needed, to make decisions that are independent of our management and to serve the best interests of Masimo and our stockholders. These Corporate Governance Guidelines provide a framework for the conduct of the Board’s business, and provide that:

• except in unusual circumstances, the positions of the Chairman of our Board and our Chief Executive Officer be held by the same person;

• ordinarily, directors should not serve on more than four boards of publicly-traded companies, including our Board, and all our directors currently satisfy this requirement;

• outside directors must own a minimum number of shares of our common stock (see “Executive Compensation—Non-Employee Director Stock Ownership Policy” on page 21 of this Proxy Statement for additional information); and a non-employee director will not be nominated for re-election at the next annual meeting of stockholders for which his or her class of directors is up for election following his or her 15th anniversary of service on our Board, unless our Board waives this term limit with respect to such non-employee director as a result of its determination that such nomination is in the best interests of Masimo and its stockholders.

The Corporate Governance Guidelines also set forth the practices our Board will follow with respect to Board composition and selection, Board meetings and Board committees, and Chief Executive Officer performance evaluation and compensation. Our Board adopted the Corporate Governance Guidelines to, among other things, reflect changes to The NASDAQ Stock Market, LLC (“NASDAQ”) listing standards and SEC rules.

Independence of the Board of Directors

Our Board has the responsibility for establishing corporate policies and for the overall performance of the Company, although it is not involved in day-to-day operations. As required under the NASDAQ rules, a majority of the members of a listed company’s board of directors must qualify as “independent”, as affirmatively determined by our Board. Our Board consults with our counsel to ensure that the Board’s determinations are consistent with all relevant securities and other laws and regulations regarding the definition of “independent”, including those set forth in applicable NASDAQ rules, as in effect from time to time. Consistent with these considerations, after review of all relevant transactions or relationships between each director, or any of his family members, and Masimo, our senior management and our independent registered public accounting firm, our Board has determined that all of our directors other than Mr. Kiani and Dr. Barker are independent, as defined in NASDAQ Listing Rule 5605(a)(2).

Board Leadership Structure

Our Board believes that our Chief Executive Officer is best situated to serve as Chairman because he is the director who is most familiar with our business and industry, possesses detailed and in-depth knowledge of the issues, opportunities and challenges facing us and is therefore best positioned to develop agendas that ensure that the Board’s time and attention are focused on the most critical matters. Our independent directors bring experience, oversight and expertise from outside the Company and industry, while the Chief Executive Officer brings Company-specific experience and expertise. The Board believes that the combined role of Chairman and Chief Executive

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Officer facilitates information flow between management and the Board, which is essential to effective governance. The Company has no lead independent director.

Board's Role in Risk Oversight

Our Board has an active role, as a whole and also at the committee level, in overseeing management of our risks. The Board regularly reviews information regarding our credit, liquidity and operations, as well as the risks associated with each. Our Compensation Committee is responsible for overseeing the management of risks relating to our executive compensation plans and arrangements. Our Audit Committee oversees management of financial risks and our Nominating, Compliance and Corporate Governance Committee oversees management of risks associated with environmental, health, safety and other non-financial concerns and manages risks associated with the independence of the Board and potential conflicts of interest. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, our entire Board is informed about such risks by the committees.

Meetings and Executive Sessions

Our Board meets on a regular basis throughout the year to review significant developments affecting the Company and to act upon matters requiring its approval. Our Board also holds special meetings, as required from time to time, when important matters arise requiring Board action between scheduled meetings. During fiscal year 2015, our Board met eighteen times and acted by unanimous written consent once. None of our directors attended fewer than 75% of the total number of meetings held by the Board and the committees (on which and for the period during which the director served) during fiscal year 2015, except for Mr. Harkin, who was, due to scheduling conflicts and prior commitments, unable to attend the single meeting of the Board and the single meeting of the Compensation Committee held on the day following his appointment to the Board. These meetings were scheduled by the Board and the Compensation Committee prior to the date of Mr. Harkin's appointment.

As required under applicable NASDAQ listing standards, our independent directors periodically meet in executive sessions at which only they are present.

Policy Regarding Board Member Attendance at Annual Meetings

It is the policy of our Board to invite directors and nominees for director to attend annual meetings of our stockholders. We held one annual meeting of stockholders in fiscal year 2015, which was attended by Mr. Kiani.

Information Regarding Board Committees

Our Board has established a standing Audit Committee, Compensation Committee and Nominating, Compliance and Corporate Governance Committee to devote attention to specific subjects and to assist it in the discharge of its responsibilities. All three committees operate under a written charter adopted by our Board, each of which is available on our internet website at <http://ir.masimo.com> under "Corporate Governance". The following table provides membership and meeting information for fiscal year 2015 for the Audit Committee, Compensation Committee and Nominating, Compliance and Corporate Governance Committee.

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Name	Audit	Compensation	Nominating, Compliance and Corporate Governance
Employee Director: Joe Kiani	—	—	—
Non-Employee Directors: Steven J. Barker, Ph.D., M.D. ⁽¹⁾	—	—	—
Robert Coleman, Ph.D. ⁽²⁾	X	(2) X	X (2)
Sanford Fitch	X	(4) X	X (5) (6)
Thomas Harkin ⁽⁷⁾	X	(7) X	X (7) (4), (7), (8)
Jack Lasersohn	X	(9) X	X (10) (11)
Craig Reynolds	X	X	X (4), (12) (2), (13)
Total meetings in fiscal year 2015	—	—	—

Dr. Barker has provided consulting services to Masimo since July 2013. He currently serves as our Chief Science

(1) Officer and Chairman of our Scientific Advisory Board and previously served as our interim Chief Medical Officer from July 2013 to March 2015.

(2) Dr. Coleman's service on the Board and related committees ended when his term expired at the 2015 Annual Meeting of Stockholders on June 2, 2015.

(3) Dr. Coleman served as Chairperson of the Compensation Committee until May 4, 2015.

(4) Committee Chairperson.

(5) Mr. Fitch was appointed to the Compensation Committee on February 26, 2015.

(6) Mr. Fitch was appointed to the Nominating, Compliance and Corporate Governance Committee on May 4, 2015.

(7) Mr. Harkin was appointed to our Board on December 16, 2015, at which time he also joined the Audit Committee, the Compensation Committee and the Nominating, Compliance and Corporate Governance Committee.

(8) Mr. Harkin was appointed as Chairperson of the Nominating, Compliance and Corporate Governance Committee on February 11, 2016.

(9) Mr. Lasersohn served on the Audit Committee from September 11, 2015 through December 16, 2015.

(10) Mr. Lasersohn served on the Compensation Committee until February 26, 2016.

(11) Mr. Lasersohn served on the Nominating, Compliance and Corporate Governance Committee and as its Chairperson until March 20, 2015.

(12) Mr. Reynolds was appointed the Chairperson of the Compensation Committee on May 4, 2015.

(13) Mr. Reynolds was appointed as a member of the Nominating, Compliance and Corporate Governance Committee on March 20, 2015 and served as its Chairperson from March 20, 2015 until February 11, 2016.

Audit Committee

We have a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. Our Audit Committee is currently comprised of Mr. Fitch, Mr. Reynolds and Mr. Harkin. Mr. Fitch serves as the Chairperson of the Audit Committee. The functions of this Committee include, among others:

• appointing, retaining and determining the compensation of our independent registered public accounting firm;

• overseeing and approving any proposed audit and permissible non-audit services provided by our independent registered public accounting firm;

• reviewing at least annually the qualifications, performance and independence of our independent registered public accounting firm;

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overseeing the relationship with our independent registered public accounting firm, including the rotation of the audit partners, as well as reviewing and resolving any disagreements between our management and ensuring discussions with our management and our independent registered public accounting firm relating to financial controls over financial reporting;

• discussing with our management and our independent registered public accounting firm the design, implementation and effectiveness of our internal controls;

• reviewing and discussing with our management and our independent registered public accounting firm the results of the annual audit and the review of our quarterly financial statements;

• reviewing the quarterly earnings announcement and any other public announcements regarding our results of operations with our management;

• reviewing and discussing reports from our independent registered public accounting firm relating to our critical accounting policies and practices;

• establishing and overseeing the processes and procedures for the receipt, retention and treatment of any complaints regarding accounting, internal controls or audit matters, as well as the confidential and anonymous submissions by employees concerning questionable accounting, auditing and internal control matters;

• investigating any matter brought to its attention, with full access to our books, records, facilities and employees, and with sole authority to select, retain and terminate any consultants, legal counsel or advisors to advise the Audit Committee; and

• reviewing and evaluating, at least annually, the performance of the Audit Committee and its members, including compliance of the Audit Committee with its charter.

Typically, the Audit Committee meets at least quarterly and with greater frequency if necessary. Our Board has adopted a written charter of the Audit Committee that is available to stockholders on our internet website at <http://ir.masimo.com> under “Corporate Governance”.

Under the applicable rules and regulations of NASDAQ, each member of a company’s audit committee must be considered independent in accordance with NASDAQ Listing Rule 5605(c)(2)(A)(i) and (ii) and Rule 10A-3(b)(1) under the Exchange Act. Our Board reviews the NASDAQ listing rules and standards and Exchange Act definitions of independence for Audit Committee members on an annual basis and has determined that all members of the Company’s Audit Committee are independent (as independence is currently defined in NASDAQ Listing Rule 5605(c)(2)(A)(i) and (ii)). Our Board has determined that all members of our Audit Committee also meet the requirements for financial literacy under the NASDAQ Listing Rules.

Our Board has determined that Mr. Fitch, the Chairperson of our Audit Committee, is an audit committee financial expert, as defined under applicable SEC rules, and that Mr. Fitch meets the background and financial sophistication requirements under NASDAQ Listing Rule 5605(c)(2)(A). In making this determination, the Board made a qualitative assessment of Mr. Fitch’s level of knowledge and experience based on a number of factors, including his formal education and experience. Both our independent registered public accounting firm and internal financial personnel regularly meet privately with our Audit Committee and have unrestricted access to this committee.

Compensation Committee

Our Compensation Committee is currently comprised of Mr. Fitch, Mr. Harkin and Mr. Reynolds. Mr. Reynolds currently serves as the Chairperson of our Compensation Committee. The functions of this committee include, among others:

• reviewing and approving our general compensation strategy;

• establishing annual and long-term performance goals for our executive officers;

• conducting and reviewing with the Board an annual evaluation of the performance of our executive officers;

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• considering the competitiveness of the compensation of our executive officers;

• reviewing and approving all salaries, bonuses, equity awards, perquisites, post-service arrangements, and other compensation and benefit plans for our Chief Executive Officer and all other executive officers;

• reviewing and approving the terms of any offer letters, employment agreements, termination agreements or arrangements, change in control agreements and other material agreements between us, on the one hand, and any of our executive officers, on the other;

• acting as the administering committee of our Board for our executive compensation and cash incentive plans and for any equity incentive plans, including establishing performance metrics, determining bonus payouts and granting equity awards to employees and executive officers;

• providing oversight for our overall compensation plans and benefit programs;

• reviewing and approving compensation programs as well as salaries, fees, bonuses and equity awards for the non-employee members of our Board;

• reviewing and discussing with management the annual Compensation Discussion and Analysis disclosure and the related tabular presentations regarding named executive officer compensation;

• overseeing risks and exposures associated with executive compensation programs and arrangements, including incentive plans; and

• reviewing and evaluating, at least annually, the performance of the Compensation Committee and its members, including compliance of the Compensation Committee with its charter.

Our Board has adopted a written charter of the Compensation Committee that is available to stockholders on our internet website at <http://ir.masimo.com> under “Corporate Governance”. Our Board has determined that all members of our Compensation Committee are independent (as independence is currently defined in NASDAQ Listing Rule 5605(a)(2)). The Compensation Committee meets from time to time during the year. The agenda for each meeting is usually developed by the Chairperson of the Compensation Committee, in consultation with our Chief Executive Officer and other representatives of senior management and human resources as necessary. The Chief Executive Officer may not participate in or be present during any deliberations or determinations of the Compensation Committee regarding his compensation. The charter of the Compensation Committee grants the Compensation Committee full access to all of our books, records, facilities and personnel. The Compensation Committee has the authority, in its sole discretion, to retain and terminate (or obtain the advice of) any adviser to assist it in the performance of its duties, but only after taking into consideration factors relevant to the adviser’s independence specified in NASDAQ Listing Rule 5605(d)(3). The Compensation Committee will be directly responsible for the appointment, compensation and oversight of the work of any adviser retained by the Compensation Committee, and will have sole authority to approve the adviser’s fees and the other terms and conditions of the adviser’s retention. Since September 2012, Frederic W. Cook & Co., Inc. (“FW Cook”) has provided compensation consulting services to assist management and the Compensation Committee in assessing and determining competitive compensation packages. FW Cook is independent from Masimo and has received compensation from Masimo only for services provided to the Compensation Committee. For more information regarding the Compensation Committee’s engagement of FW Cook, see “Executive Compensation—Compensation Discussion and Analysis” below. The Compensation Committee meets outside the presence of all of our executive officers, including the named executive officers, in order to consider appropriate compensation for our Chief Executive Officer. For all other named executive officers, the Compensation Committee meets outside the presence of all executive officers except our Chief Executive Officer. The specific determinations of the Compensation Committee with respect to executive compensation for fiscal year 2015 are described in greater detail in the “Compensation Discussion and Analysis” section of this Proxy Statement.

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Nominating, Compliance and Corporate Governance Committee

Our Nominating, Compliance and Corporate Governance Committee is currently comprised of Mr. Reynolds, Mr. Fitch and Mr. Harkin. Mr. Harkin currently serves as the Chairperson of our Nominating, Compliance and Corporate Governance Committee. The functions of this committee include, among others:

- evaluating the composition, size, organization and governance of our Board and its committees, making recommendations to our Board about the appointment of directors to committees of our Board and recommending the selection of chairs of these committees to the Board;
- reviewing and recommending to our Board director independence determinations made with respect to continuing and prospective directors;
- reviewing and recommending to our Board “Section 16 officer” determinations with respect to our executive officers;
- developing and recommending to our Board policies for considering director nominees for election to the Board;
- identifying, reviewing, considering and evaluating candidates for election to the Board and recommending to the Board candidates to be nominated for election or incumbent directors to be nominated for re-election at each annual meeting of our stockholders or to fill any vacancies on the Board or any newly-created directorships;
- overseeing our Board’s performance and annual self-evaluation process and evaluating the participation of members of the Board in continuing education activities in accordance with NASDAQ rules;
- overseeing corporate governance;
- overseeing our corporate compliance programs;
- developing, and updating as necessary, a legal compliance and ethics program designed to evaluate, maintain and correct, when appropriate, our overall compliance with all federal and state rules and regulations and all of the Company’s codes of ethics and conduct;
- in consultation with the Audit Committee, reviewing and, if appropriate, updating or recommending to our Board updates to our existing procedures for the receipt, retention and treatment of reports or evidence of violations of any federal or state rules or regulations or of our codes of ethics and conduct; and
- reviewing and evaluating, at least annually, the performance of the Nominating, Compliance and Corporate Governance Committee and its members, including compliance of the Nominating, Compliance and Corporate Governance Committee with its charter.

Our Board has adopted a written charter of the Nominating, Compliance and Corporate Governance Committee that is available to stockholders on our internet website at <http://ir.masimo.com> under “Corporate Governance”. Our Board has determined that all members of our Nominating, Compliance and Corporate Governance Committee are independent (as independence is currently defined in NASDAQ Listing Rule 5605(a)(2)). The Nominating, Compliance and Corporate Governance Committee meets from time to time as it deems appropriate or necessary.

Consideration of Director Nominees

Director Qualifications

There are no specific minimum qualifications that the Board requires to be met by a director nominee recommended for a position on our Board, nor are there any specific qualities or skills that are necessary for one or more members of our Board to possess, other than as are necessary to meet the requirements of the rules and regulations applicable to us. The Nominating, Compliance and Corporate Governance Committee may consider a potential director candidate’s experience, areas of expertise and other factors relative to the overall composition of our Board and its committees, including the following characteristics:

- the highest ethical standards and integrity and a strong personal reputation;

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- a background that provides experience and achievement in business, finance, biotechnology or other activities relevant to our business and activities;
- a willingness to act on and be accountable for Board and, as applicable, committee decisions;
- an ability to provide reasoned, informed and thoughtful counsel to management on a range of issues affecting us and our stockholders;
- an ability to work effectively and collegially with other individuals;
- loyalty and commitment to driving our success and increasing long-term value for our stockholders;
- sufficient time to devote to Board and, as applicable, committee membership and matters; and
- the independence requirements imposed by the SEC and NASDAQ.

The Nominating, Compliance and Corporate Governance Committee retains the right to modify these criteria from time to time.

Security Holder Nominations

The Nominating, Compliance and Corporate Governance Committee will consider director candidates recommended by our stockholders of record. The Nominating, Compliance and Corporate Governance Committee does not intend to alter the manner in which it evaluates candidates, including the criteria set forth above, based on whether a candidate was recommended by a stockholder of record or not. Stockholders of record who wish to recommend individuals for consideration by the Nominating, Compliance and Corporate Governance Committee to become nominees for election to the Board at the 2017 Annual Meeting of Stockholders must do so by delivering a written recommendation to the Nominating, Compliance and Corporate Governance Committee, c/o Masimo Corporation, 52 Discovery, Irvine, California 92618, Attention: Corporate Secretary, no later than the close of business on January 31, 2017, and no earlier than January 1, 2017, unless the meeting date is more than 30 days before or after April 20, 2017, in which case the written recommendation must be received by our Corporate Secretary no later than the close of business on the later of (i) the 90th day before the 2017 Annual Meeting of Stockholders, or (ii) the 10th day following the day on which we first publicly announce the date of the 2017 Annual Meeting of Stockholders. Each written recommendation must set forth, among other information:

- the name and address of the stockholder of record and any beneficial owner on whose behalf the nomination is being made;
- the class, series and number of shares of Masimo, and any convertible securities of Masimo, that are beneficially owned by the stockholder of record and any beneficial owner on whose behalf the nomination is being made;
- any proxy, contract, arrangement, understanding or relationship pursuant to which the stockholder of record and any beneficial owner on whose behalf the nomination is being made has the right to vote any of Masimo's voting securities;
- any "short" interest in Masimo's securities held by the stockholder of record and any beneficial owner on whose behalf the nomination is being made;
- the proposed director candidate's full legal name, age, business address and residential address;
- complete biographical information for the proposed director candidate, including the proposed director candidate's principal occupation or employment and business experience for at least the previous five years;
- a description of the proposed candidate's qualifications as a director;
- the class and number of shares of Masimo that are beneficially owned by the proposed director candidate as of the date of the written recommendation; and
- any other information relating to the proposed director candidate that is required to be disclosed in solicitations for proxies for election of directors pursuant to Regulation 14A promulgated under the Exchange Act.

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Director candidate nominations from stockholders must include the written consent of each proposed nominee to serve as director if so elected. If a proposed director candidate is recommended by a stockholder in accordance with the procedural requirements discussed above, the Corporate Secretary will provide the foregoing information to the Nominating, Compliance and Corporate Governance Committee.

Evaluating Nominees for Director

Our Nominating, Compliance and Corporate Governance Committee will consider director candidates who are suggested by members of the committee, other members of our Board, members of management, advisors and our security holders who submit recommendations in accordance with the requirements set forth above. The Nominating, Compliance and Corporate Governance Committee may, in the future, also retain a third-party search firm to identify candidates on terms and conditions acceptable to the Nominating, Compliance and Corporate Governance Committee, but to date it has not paid a fee to any third party to assist in the process of identifying or evaluating director candidates. The Nominating, Compliance and Corporate Governance Committee will evaluate all nominees for director under the same approach whether they are recommended by security holders or other sources.

The Nominating, Compliance and Corporate Governance Committee will review candidates for director nominees in the context of the current composition of our Board and committees, the operating requirements of the Company and the long-term interests of our stockholders. In conducting this assessment, the Nominating, Compliance and Corporate Governance Committee may consider the director nominee's qualifications, diversity, age, skills and such other factors as it deems appropriate given the current needs of the Board, the committees and Masimo, to maintain a balance of knowledge, experience, diversity and capability. In the case of incumbent directors whose terms of office are set to expire, the Nominating, Compliance and Corporate Governance Committee may review such directors' overall service to the Board, the committees and Masimo during their term, including the number of meetings attended, level of participation, quality of performance and any other relationships and transactions that might impair such directors' independence. In the case of new director candidates, the Nominating, Compliance and Corporate Governance Committee will also determine whether the nominee must be independent for NASDAQ purposes, which determination will be based upon applicable NASDAQ listing standards and applicable SEC rules and regulations. Although we do not have a formal diversity policy, when considering diversity in evaluating director nominees, the Nominating, Compliance and Corporate Governance Committee will focus on whether the nominees can contribute varied perspectives, skills, experiences and expertise to the Board.

The Nominating, Compliance and Corporate Governance Committee will evaluate the proposed director's candidacy, including proposed candidates recommended by security holders, and recommend whether the Board should nominate the proposed director candidate for election by our stockholders.

Stockholder Communications with the Board of Directors

Our Board has adopted a formal process by which security holders may communicate with the Board or any of its directors. Stockholders of Masimo wishing to communicate with our Board or an individual director may send a written communication to the Board or such director, c/o Masimo Corporation, 52 Discovery, Irvine, California 92618, Attention: Compliance Officer. Each communication must set forth:

- the name and address of the Masimo security holder(s) on whose behalf the communication is sent; and
- the number of Masimo shares that are owned beneficially by the security holder(s) as of the date of the communication.

Each communication will be reviewed by Masimo's Compliance Officer to determine whether it is appropriate for presentation to the Board or the individual director. Examples of inappropriate communications include junk mail, spam, mass mailings, product complaints, product inquiries, new product suggestions, resumes, job inquiries, surveys, business solicitations and advertisements, as well as unduly hostile, threatening, illegal,

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unsuitable, frivolous, patently offensive or otherwise inappropriate material. These screening procedures have been approved by a majority of the independent members of our Board.

Communications determined by our Compliance Officer to be appropriate for presentation to the Board or such director will be submitted to the Board or the individual director on a periodic basis. All communications directed to the Audit Committee in accordance with our Open Door Policy for Reporting Accounting, Audit, and Other Compliance Concerns (the “Open Door Policy”) that relate to accounting topics, internal accounting controls or auditing matters involving the Company generally will be forwarded to a compliance officer designated by the Audit Committee to receive and review these communications and then promptly and directly forwarded by a compliance officer to the Audit Committee or the Board, as appropriate, in accordance with the terms of the Open Door Policy. All communications directed to the Nominating, Compliance and Corporate Governance Committee in accordance with our Open Door Policy that relate to non-financial matters (including without limitation purported or suspected violations of any law or regulation, our Code of Business Conduct and Ethics or other policies) will generally be forwarded to a Compliance Officer designated by the Nominating, Compliance and Corporate Governance Committee to receive and review these communications and then promptly and directly forwarded by a Compliance Officer to the Nominating, Compliance and Corporate Governance Committee or the Board, as appropriate, in accordance with the terms of the Open Door Policy.

Code of Business Conduct and Ethics

We have adopted the Masimo Corporation Code of Business Conduct and Ethics that applies to all of our employees, executive officers and directors. The Code of Business Conduct and Ethics is available to stockholders on our internet website at <http://ir.masimo.com> under “Corporate Governance.” If we make any substantive amendments to our Code of Business Conduct and Ethics or grant any waiver from a provision of the Code of Business Conduct and Ethics to any executive officer or director, we will promptly disclose the nature of the amendment or waiver on our internet website at <http://ir.masimo.com> under “Corporate Governance” and/or in our public filings with the SEC.

Hedging and Pledging Policies

As part of our insider trading policy, our employees, executives and directors are prohibited from engaging in short sales of our securities and from engaging in hedging transactions involving our securities. Our insider trading policy restricts pledges of Masimo securities other than those that are pre-cleared by an insider trading compliance officer. As of March 7, 2016, an aggregate of 1,432,209 shares of common stock owned by the Kiani Family Remainder Trust and beneficially owned by Mr. Kiani were pledged as collateral for a personal loan issued to the trustee of the Kiani Family Remainder Trust. In addition to obtaining pre-clearance from an insider trading compliance officer, Mr. Kiani also sought the approval of the Compensation Committee prior to entry into such pledge. He stated that, without the ability to pledge these shares, certain of his family’s financial planning objectives would need to be satisfied through the sale of shares of Masimo common stock held by the Kiani Family Remainder Trust and that he did not want to diminish his shareholdings. The Compensation Committee considered Mr. Kiani’s request and, as part of that consideration, noted that, as reported on page 67 of this Proxy Statement, his beneficial stock ownership is 13.7%, so that, even without taking into account the pledged shares, his stock ownership is greatly in excess of the number of shares Mr. Kiani would be required to hold under Masimo’s stock ownership policy. The Compensation Committee also concluded that continued ownership of the pledged shares by the Kiani Family Remainder Trust further aligned Mr. Kiani’s interests with the long term interests of stockholders. In light of these facts, the Compensation Committee concluded that approving the pledge was consistent with stockholder interests.

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NON-EMPLOYEE DIRECTOR COMPENSATION

Prior Non-Employee Director Compensation Policy

Our prior non-employee director compensation policy (the “Prior Non-Employee Director Compensation Policy”) provided that our Audit Committee Chairperson received an annual cash retainer of \$40,000, payable on a quarterly basis in arrears and that, except as otherwise provided by our Board or Compensation Committee, no other non-employee director was entitled to receive any cash compensation for his service on our Board or any committee thereof. In addition, the Prior Non-Employee Director Compensation Policy provided that our non-employee directors were entitled to reimbursement for their reasonable expenses incurred in connection with attending meetings of our Board and committees thereof and performing their functions and duties as directors.

The Prior Non-Employee Director Compensation Policy provided for the following with respect to granting stock options to non-employee directors:

Upon first becoming a member of our Board, our Audit Committee Chairperson received a stock option grant for 150,000 shares of common stock, which vested at a rate of 20% per year on each anniversary of the grant date.

Upon first becoming a member of our Board, unless otherwise determined by our Compensation Committee, each non-employee director other than our Audit Committee Chairperson was eligible to receive an option to purchase 50,000 to 100,000 shares of our common stock, which vested at a rate of 20% per year on each anniversary of the grant date. Our Compensation Committee was responsible for determining the size of the initial award to be made. Upon the vesting of 60% of the initial option award made to each of our non-employee directors, such non-employee director was eligible to receive an additional option grant to purchase 20,000 shares that vested at a rate of 20% per year on each anniversary of the grant date. All awards made to our non-employee directors were made under our 2007 Plan or a predecessor plan.

Except as described below with respect to the compensation payable to Mr. Harkin after joining our Board in December 2015, our Audit Committee Chairperson was the only non-employee director who was entitled to receive cash compensation for his Board and committee service in fiscal 2015. The Prior Non-Employee Director Compensation Policy was not a contractual commitment enforceable by any director and it could be modified by the Board in its discretion at any time.

New Non-Employee Director Compensation Policy

On February 11, 2016, after our Compensation Committee consulted with its independent compensation advisor, FW Cook, on market practices for other representative companies, our Board adopted a new non-employee director compensation policy (the “New Non-Employee Director Compensation Policy”). Under the New Non-Employee Director Compensation Policy, each non-employee director receives an annual cash retainer of \$50,000 for his or her Board service and an annual cash retainer of \$7,500 for each committee of the Board on which he or she serves. Our Audit Committee Chairperson receives an additional annual cash retainer of \$15,000, our Compensation Committee Chairperson receives an additional annual cash retainer of \$10,000, and our Nominating, Compliance and Corporate Governance Committee Chairperson receives an additional annual cash retainer of \$7,500. In addition, each director receives a \$1,000 per meeting cash fee for each committee meeting he or she attends in excess of the first eight meetings of each committee during the fiscal year. All cash retainers are payable on a quarterly basis in arrears. Each year on the date of our annual meeting of stockholders, each non-employee director will be also granted an award of restricted share units (“RSUs”) with respect to shares of our common stock having a grant date fair value of \$140,000, rounded down to the nearest whole share, which vest on the earlier of the first anniversary of the grant date or the date of the next annual meeting of stockholders. The New Non-Employee Director Compensation Policy also provides that all RSUs granted to the non-employee directors pursuant to the policy will vest in full in the event of a change in control of Masimo. As part of the transition to the New Non-Employee Director Compensation Policy, neither Mr. Reynolds nor Mr. Harkin will be eligible to receive any grants

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on the date of our 2016 Annual Meeting of Stockholders; and they will receive their first equity grants under this policy on the date of our 2017 Annual Meeting of Stockholders.

Mr. Harkin was appointed to our Board on December 16, 2015, during the transition from the Prior Non-Employee Director Compensation Policy to the New Non-Employee Director Compensation Policy. In connection with his appointment to our Board, Mr. Harkin was granted restricted stock units with respect to 3,385 shares of our common stock, which had a grant date fair value of \$139,970 and will vest on the one-year anniversary of the date of grant, subject to Mr. Harkin's continued service with Masimo through the vesting date. From December 16, 2015 through February 11, 2016, Mr. Harkin was entitled to receive cash compensation at a rate of \$50,000 per year for his service on our Board and \$7,500 per year for his service on each Board committee.

The following table sets forth summary information concerning compensation paid or accrued for services rendered to us in all capacities to the members of our Board for the fiscal year ended January 2, 2016.

Name ⁽¹⁾	Fees Earned or Paid in Cash	Stock Awards ⁽²⁾⁽³⁾	Option Awards ⁽³⁾⁽⁴⁾	All Other Compensation	Total
Steven J. Barker, Ph.D., M.D.	\$120,000 ⁽⁵⁾	\$—	\$297,974 ⁽⁶⁾	\$—	\$417,974
Robert Coleman, Ph.D. ⁽⁷⁾	—	—	294,861 ⁽⁸⁾	—	294,861
Sanford Fitch	40,000 ⁽⁹⁾	—	595,948 ⁽¹⁰⁾	—	635,948
Thomas Harkin ⁽¹¹⁾	3,575 ⁽¹²⁾	139,970 ⁽¹³⁾	—	—	143,545
Jack Lasersohn ⁽¹⁴⁾	—	—	297,974 ⁽⁶⁾	—	297,974
Craig Reynolds	—	—	—	—	—

Joe Kiani, our Chairman and Chief Executive Officer and a named executive officer, is not included in this table as

⁽¹⁾ he is an employee of ours and therefore receives no compensation for his service as a director. Mr. Kiani's compensation is included in the "Summary Compensation Table" on page 46 of this Proxy Statement.

⁽²⁾ As of January 2, 2016, Thomas Harkin held 3,385 RSUs and none of our other non-employee directors held any RSUs.

These amounts generally represent the aggregate grant date fair value of equity awards for grants of options and RSU awards to each listed director in fiscal 2015, computed in accordance with authoritative accounting guidance. These amounts do not represent the actual amounts paid to or realized by the directors during fiscal 2015. The

⁽³⁾ value as of the grant date for stock options is recognized over the number of days of service required for the stock option to vest in full. The value as of the grant date for the RSUs is calculated based on the number of restricted share units at the grant date market price and is recognized once the requisite service period for the restricted share unit is satisfied.

For a detailed description of the assumptions used for purposes of determining grant date fair value, see Note 14 to the Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Estimates-Share-Based Compensation", included in our Annual Report on Form 10-K for the year ended January 2, 2016 filed with the SEC on February 24, 2016.

As of January 2, 2016, each of our non-employee directors held the following number of options: Steven J. Barker, Ph.D., M.D.—140,000; Sanford Fitch—145,000; Jack Lasersohn—170,000; Craig Reynolds—100,000 and Thomas Harkin—0.

⁽⁵⁾ Consists of fees earned by Dr. Barker for non-employee consulting services provided to the Company.

⁽⁶⁾ Consists of the grant of an option on December 17, 2015 to purchase 20,000 shares of common stock under the Prior Non-Employee Director Compensation Policy with a grant date fair value of \$297,974.

⁽⁷⁾ Dr. Coleman's service on the Board and related committees ended when his term expired at our 2015 Annual Meeting of Stockholders held on June 2, 2015.

⁽⁸⁾ Consistent with Dr. Coleman's ceasing to serve as a Board Member, all future vesting of Dr. Coleman's existing stock options terminated. However, the Board extended the exercise date for Dr. Coleman's vested options by two

years to June 2, 2017. This extension of the exercise period was considered a stock option modification under accounting principles generally accepted in the United States (“GAAP”), and accordingly, the Company recorded the incremental fair value of these options resulting from such modification (in excess of the original grant date fair value) of \$294,861 as additional stock option expense in the second quarter of fiscal 2015.

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- (9) Consists of an annual retainer paid to our Audit Committee Chairperson pursuant to our Prior Non-Employee Director Compensation Policy.
Consists of the grant of an option on December 17, 2015 to purchase 20,000 shares of common stock under the Prior Non-Employee Director Compensation Policy with a grant date fair value of \$297,974, as well as a discretionary grant of an option on December 17, 2015 to purchase an additional 20,000 shares of common stock,
- (10) with a combined grant date fair value of \$595,948. The additional option was granted because the Compensation Committee became aware that Mr. Fitch was entitled to receive a grant of options to purchase 20,000 shares of common stock in February 2011 but was inadvertently omitted from the list of non-employee directors who received grants of options in February 2011.
- (11) Mr. Harkin was appointed to our Board effective December 16, 2015.
- (12) Consists of prorated amounts of the annual retainers earned by Mr. Harkin as a director and member of the Audit, Compensation and Nominating, Compliance and Corporate Governance Committees during fiscal 2015.
- (13) In connection Mr. Harkin's appointment to our Board, he received a grant of 3,385 RSUs on December 16, 2015 with a grant date fair value of \$139,970.
- (14) Mr. Lasersohn's service on the Board will cease when his current term expires at the Annual Meeting.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The following compensation discussion and analysis contains statements regarding future individual and Company performance targets and goals. These targets and goals are disclosed in the limited context of Masimo's compensation programs and should not be understood to be statements of management's expectations or estimates of results or other guidance. Masimo specifically cautions investors not to apply these statements to other contexts.

This Compensation Discussion and Analysis provides a description of our executive compensation philosophy and programs, the compensation decisions the Compensation Committee has made under those programs and the factors considered in making those decisions. This Compensation Discussion and Analysis focuses on the compensation of the Company's Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and the three most highly paid executive officers other than the CEO and the CFO. These executive officers are our "named executive officers" or "NEOs". For fiscal 2015, the NEOs were as follows:

Name	Position(s)
Joe Kiani	Chief Executive Officer & Chairman of the Board
Mark de Raad	Executive Vice President, Finance & Chief Financial Officer
Anand Sampath	Chief Operating Officer
Rick Fishel	President, Worldwide OEM Business & Strategic Development
Jon Coleman	President, Worldwide Sales, Professional Services & Medical Affairs

Executive Summary

The primary objective of our executive compensation program is to attract and retain a talented, entrepreneurial, and creative team of executives who will provide leadership for our success in driving Masimo's technologies and products to the broadest number of patients, and in turn, sustainable long-term value. We seek to accomplish this goal in a way that is aligned with the long-term interests of our stockholders. Our Compensation Committee oversees our executive compensation program and determines the compensation for our executive officers, including the NEOs. We believe that our executive compensation program effectively aligns the interests of our executive officers with our objective of creating sustainable long-term value.

Financial Performance

Fiscal 2015 was a year of strong financial performance for Masimo. Financial highlights included:

• Masimo's closing stock price of \$41.51 on the last trading day of fiscal 2015 represented a 60.4% increase from the closing stock price of \$25.88 on the last trading day of fiscal 2014.

Fiscal 2015 product revenues significantly exceeded the guidance we issued at the beginning of the year and increased by 7.6% to \$599.3 million, or 11.0% to \$618.0 million on a constant currency basis¹, as compared to product revenues of \$556.8 million in fiscal 2014.

Total fiscal 2015 revenues, including royalties, increased to \$630.1 million, up 7.4% from \$586.6 million in fiscal 2014. On a constant currency basis², total fiscal 2015 revenues, including royalties, increased to \$648.8 million, up 10.6% compared to fiscal 2014.

• Masimo rainbow[®] product revenues increased to \$61.8 million, up 19.5% from fiscal 2014.

• Masimo SET[®] and rainbow SET[™] shipments totaled 182,600 units, up from 171,600 in the prior year, setting a new Masimo record.

¹ Non-GAAP financial measure - please see reconciliation to GAAP amounts in Appendix A to this Proxy Statement.

² Non-GAAP financial measure - please see reconciliation to GAAP amounts in Appendix A to this Proxy Statement.

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Masimo's fiscal 2015 GAAP earnings per share was \$1.55, up 19.2% from \$1.30 in 2014. On a constant currency basis³, Masimo's 2015 adjusted earnings per share would have been \$1.69, up 30.0% from fiscal 2014.

Masimo executed and delivered on a key fiscal 2015 internal metric of delivering earnings per share growth of at least two times product revenue growth. As noted above, GAAP earnings per share grew by 19.2% as compared to GAAP product revenue growth of 7.6%, representing GAAP earnings per share growth of 2.5 times GAAP product revenue growth.

Product revenues have consistently grown in the last five years, rising from \$406.4 million in 2011 to \$599.3 million in 2015, a compound annual growth rate of 8.8%.

GAAP Earnings Per Share have accelerated in the last two fiscal years as part of the Company's focus on financial leverage.

³ Non-GAAP financial measure - please see reconciliation to GAAP amounts in Appendix A to this Proxy Statement.

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Several widely accepted measures of operating performance reflect the strength of Masimo's 2015 financial performance on both an absolute and relative basis versus other representative companies comprised of publicly-traded companies classified as health care equipment and supplies companies in the Global Industry Classification Standard Code, the same classification as Masimo (see "— The Compensation Setting Process" on page 31 of this Proxy Statement for a discussion of the other representative companies). Such operating performance measures based on the four fiscal quarters ended nearest to September 30, 2015, were as follows:

Measures of	Masimo	Percentile Ranking Versus
Operating Performance		Other Representative Companies
Earnings Per Share Growth	40.5%	100 th
Return on Equity	23.0%	100 th
Return on Capital	17.3%	89 th
Return on Assets	13.4%	87 th
Revenue Growth	11.1%	74 th
Operating Margin	18.4%	68 th

For fiscal 2015, cash generated from business operations was \$114.2 million. Also during fiscal 2015, the Company repurchased approximately 4.1 million shares totaling approximately \$155.0 million (and 8.6 million shares totaling approximately \$257.4 million over the past two years), returning approximately 135.7% of the cash generated from business operations to its stockholders during fiscal 2015. Over the last five years, the Company has returned approximately 106.2% of cash generated from business operations to its stockholders through a combination of dividends and stock repurchases.

Results of Stockholder Advisory Vote on Executive Compensation

Over the past three years, we received disappointing levels of support on our stockholder advisory vote on executive compensation. Based on discussions with many of our stockholders after these votes, we believe the low levels of support were primarily the result of concerns regarding our CEO's prior employment agreement. During this time period, our Compensation Committee, together with independent legal, tax, executive compensation and other financial advisors, considered a variety of alternative employment agreement arrangements for our CEO. However, despite considerable efforts by our CEO and our Compensation Committee, no mutually agreeable solution had been identified by the time of last year's proxy statement preparation. As a result, in last year's proxy statement, we noted the Compensation Committee's continued focus on this matter and its on-going effort to attempt to find a mutually agreeable solution.

After continued efforts by our CEO and Compensation Committee, including advice to the Compensation Committee from two nationally recognized law firms, as well as the Compensation Committee's compensation consultant, F.W. Cook & Co., Inc. ("FW Cook"), we reached an agreement on a new CEO employment agreement (the "Restated CEO Employment Agreement") on November 4, 2015. These discussions were very complex since the cost of any new employment agreement to Masimo depended on a variety of factors including (1) the potential future stock price; (2) when, if ever, there would be a change in control or a termination of the CEO without cause or by the CEO for Good Reason; and (3) the degree to which the provisions in the employment agreement would continue to apply to the stock option awards that the CEO received prior to any termination of his employment. At the conclusion of these negotiations, the Compensation Committee (comprising all of the members of the Board who were independent under the relevant SEC and NASDAQ requirements) unanimously concluded that the Restated CEO Employment Agreement represented a significant improvement from a stockholder perspective over the then-current agreement and that a more favorable modification to the employment agreement could not be obtained.

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The details of the Restated CEO Employment Agreement and the changes from the prior employment agreement are outlined in “— Employment Contract and Severance Arrangements — Employment Agreement with Joe Kiani” on page 52 of this Proxy Statement. The Restated CEO Employment Agreement eliminated many of the provisions of the prior employment agreement that stockholders had considered objectionable thereby significantly reducing the potential cost to Masimo (as noted on page 54 of this Proxy Statement, if a change in control had occurred December 31, 2015, the cost differential between the new employment agreement would have been approximately \$52 million). Specifically, the Restated CEO Employment Agreement has eliminated certain provisions of Mr. K