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A On September 26, 2024, the Company entered into an Exchange Agreement, A by and among the Company, Venus USA, and Madryn (the "Second 2024 Exchange Agreement") whereby the Company exchanged \$17,662 of the balance outstanding under the MSLP Loan Agreement for \$2,662 in aggregate principal amount outstanding under the MSLP Loan Agreement and 203,583 shares of Series Y Convertible Preferred Stock. A As part of the extinguishment of principal, the Company recognized a \$0.5 million non-cash loss. Also, on September 26, 2024 the Loan Parties entered into a Third Loan Amendment which, among other things, (i) modify the October 2024 interest payment to be payable-in-kind, (ii) delete the net loss covenant, and (iii) grant relief from minimum liquidity requirements. A As of September 30, 2024 and December 31, 2023, the Company was in compliance with all required covenants. A The scheduled payments, inclusive of principal and estimated interest, on the outstanding borrowings as of September 30, 2024 are as follows: A A A As of September 30, 2024 A \$ 238 A 2025 A 2,679 A Total A \$ 2,917 A A 11. MADRYN DEBT AND CONVERTIBLE NOTES A Convertible Notes A On October 11, 2016, Venus Ltd. A entered into a credit agreement as a guarantor with Madryn, as amended (the "Madryn Credit Agreement"), pursuant to which Madryn agreed to make certain loans to certain of Venus Concept's subsidiaries. A On December 9, 2020, contemporaneously with the MSLP Loan Agreement (Note 10), the Company and its subsidiaries, Venus USA, Venus Ltd., A Venus Canada, and the Madryn Noteholders (as defined below), entered into a securities exchange agreement (the "Exchange Agreement") A dated as of December 8, 2020, pursuant to which the Company on December 9, 2020 (i) repaid A \$42.5 million A aggregate principal amount owed under the Madryn Credit Agreement, and (ii) issued A to A Madryn Health Partners (Cayman Master), LP and Madryn Health Partners, LP (together, the "Madryn Noteholders") secured subordinated A convertible notes in the aggregate principal amount of \$26.7 million (the "Notes"). The Madryn Credit Agreement was terminated effective December 9, 2020 upon the funding and closing of the MSLP Loan and the issuance of the Notes. A On October 4, 2023, A the Company entered into a securities exchange agreement (the "2023 Exchange Agreement") with the Madryn Noteholders. Pursuant to the 2023 Exchange Agreement, the A Madryn Noteholders agreed to exchange (the "Exchange") \$26,695 million A in aggregate principal amount of outstanding secured convertible notes of the Company for (i) secured subordinated convertible notes in aggregate principal amount of \$22,792 million A (the "New Convertible Notes") A and (ii) 248,755 shares of newly-created convertible preferred stock of the Company, par value \$0.0001 per share designated as "Series X Convertible Preferred Stock" (the "Series X Preferred Stock"). The Series X Preferred Stock is priced at \$20.10 per share, being equal to the "Minimum Price" as set forth in Nasdaq Listing Rule 5635(d), multiplied by ten. The New Convertible Notes accrue interest at a rate of 3-month adjusted term Secured Overnight Financing Rate (SOFR) plus 8.50% per annum. In the case of an event of default under the New Convertible Notes, the then-applicable interest rate will increase by four percent (4.00%) per annum. Interest is payable in kind in arrears on the last business day of each calendar quarter of each year after the original issuance date, beginning on December 31, 2023. The New Convertible Notes mature on December 9, 2025, unless earlier redeemed or converted. As part of the extinguishment of principal, the Company recognized a \$2.0 million loss. A On May 24, 2024, as required by the 2024 Exchange Agreement (Note 10), the New Convertible Notes were amended to, among other things, align the covenant protections in favor of the Madryn Noteholders with the MSLP Loan Agreement, as amended by the MSLP Loan Amendment. A As of September 30, 2024, the Company had approximately \$26.2 A million principal and interest of convertible notes outstanding that were issued pursuant to the 2024 Exchange Agreement. A In connection with the New Convertible Notes and Notes, the Company recognized interest expense of \$903 A and \$557 A during the three months ended September 30, 2024 A and A 2023, respectively, and recognized interest expense of \$2,598 A and \$1,631 A during the nine months ended September 30, 2024 and 2023, respectively. The conversion feature, providing the Madryn Noteholders with a right to receive the Company's shares upon conversion of the New Convertible Notes and Notes, was qualified for a scope exception in ASC 815-10-15 A and did not require bifurcation. The New Convertible Notes and Notes also contained embedded redemption features that provided multiple redemption alternatives. Certain redemption features provided the Madryn Noteholders with a right to receive cash and a variable number of shares upon change of control and an event of default (as defined in the New Notes and A Notes). The Company evaluated redemption upon change of control and an event of default under ASC 815, A Derivatives and Hedging, and determined that these A two A redemption features required bifurcation. These embedded derivatives were accounted for as liabilities at their estimated fair value as of the date of issuance, and then subsequently remeasured to fair value as of each balance sheet date, with the related remeasurement adjustment being recognized as a component of change in fair value of derivative liabilities in the unaudited condensed consolidated statements of operations. The Company determined the likelihood of an event of default and change of control as remote as of September 30, 2024, and December 31, 2023, therefore a nominal value was allocated to the underlying embedded derivative liabilities as of September 30, 2024, and December 31, 2023. A The scheduled payments, inclusive of principal and interest, on the outstanding borrowings of the Notes and New Convertible Notes A as of September 30, 2024 are as follows: A A A As of September 30, 2024 A A \$ A 2025 A A 30,917 A Total A \$30,917 A A For the three and nine months ended September 30, 2024, the Company did not make any principal repayments. A Bridge Financing A On April 23, 2024, the Company A entered into a Loan and Security Agreement (the "Loan and Security Agreement"), by and among Venus USA, (the "Bridge Borrower"), Venus Canada, Venus Ltd. (Venus Ltd., together with the Company and Venus Canada, the "2024 Guarantors"), A and together with the Bridge Borrower, the "Bridge Financing Loan Parties") and, each lender party thereto (collectively, the "2024 Lenders") and Madryn Health Partners, LP, as administrative agent. A Pursuant to the Loan and Security Agreement, the 2024 Lenders agreed to provide the Bridge Borrower with bridge financing in the form of a term loan in the original principal amount of \$2,238 A and one or more delayed draw term loans of up to an additional principal amount of \$2,762 A (the "Bridge Financing"). The Bridge Financing originally had a maturity date of May 26, 2024. Pursuant to the Loan and Security Agreement, each of the 2024 Guarantors, jointly and severally, guarantee, that the Obligations (as defined in the Loan and Security Agreement) will be performed and paid in full when due and payable. A Borrowings under the Loan and Security Agreement will bear interest at a rate per annum equal to 12%, due at maturity. The Loan and Security Agreement also provides that all present and future indebtedness and the obligations of the Bridge Borrower to Madryn Health Partners, LP shall be secured by a priority security interest in all real and personal property collateral of the Bridge Financing Loan Parties. A The Loan and Security Agreement contains customary representations, warranties and affirmative and negative covenants. In addition, the Loan and Security Agreement contains customary events of default that entitle Madryn Health Partners, LP to cause the Bridge Borrower's A indebtedness under the Loan and Security Agreement to become immediately due and payable, and to exercise remedies against the Bridge Financing Loan Parties and the collateral securing the Bridge Financing. Under the Loan and Security Agreement, an event of default will occur if, among other things, any of the Bridge Financing Loan Parties fails to make payments under the Loan and Security Agreement, any of the Bridge Financing Loan Parties breaches any of the covenants under the Loan and Security Agreement, a Change of Control (as defined in the Loan and Security Agreement) occurs, any of the Bridge Financing Loan Parties, or its assets, become subject to certain legal proceedings, such as bankruptcy proceedings. Upon the occurrence and for the duration of an event of default, a default interest rate equal to 15.0% per annum will apply to all obligations owed under the Loan and Security Agreement. A On May 24, 2024, as required by the 2024 Exchange Agreement (Note 10), the Loan and Security Agreement was amended to extend the maturity date from May 26, 2024 to June 7, 2024. On June 7, 2024, the Loan Parties entered into a Second Bridge Loan Amendment Agreement which further extended the maturity date of the Bridge Financing from June 7, 2024 to June 21, 2024. On June 21, 2024, the Bridge Financing Loan Parties entered into a Third Bridge Loan Amendment Agreement with the 2024 Lenders which further extended the maturity date of the Bridge Financing from June 21, 2024 to July 8, 2024. A A On July 8, 2024, the Bridge Financing Loan Parties entered into a Fourth Bridge Loan Amendment Agreement (the "Fourth Bridge Loan Amendment"). The Fourth Bridge Loan Amendment amended that certain Loan and Security Agreement, dated April 23, 2024, among the Bridge Financing Loan Parties and the 2024 Lenders to extend the maturity date of the bridge loan from July 8, 2024 to August 2, 2024. A A On July 26, 2024, the 2024 Lenders agreed to provide the Bridge Borrower with a subsequent drawdown under the Loan and Security Agreement in the principal amount of \$1,000 (the "July Drawdown"). A The July Drawdown was fully funded on July 26, 2024. A A On July 29, 2024, the Bridge Financing Loan Parties entered into a Fifth Bridge Loan Amendment Agreement (the "Fifth Bridge Loan Amendment"). The Fifth Bridge Loan Amendment amended the Loan and Security Agreement to, among other things, (i) modify the availability period for subsequent drawdowns under the Bridge Financing from ten days to two days prior to the maturity date, (ii) increase the Delayed Draw Commitment, as defined in the Loan and Security Agreement, from \$2,762 to \$3,000, and (iii) extend the maturity date of the Bridge Financing from August 2, 2024 to August 30, 2024. A On August 30, 2024, the Bridge Financing Loan Parties entered into a Sixth Bridge Loan Amendment Agreement which extended the maturity date of the Bridge Financing from August 30, 2024 to September 30, 2024. A On September 11, 2024, the 2024 Lenders agreed to provide the Bridge Borrower with a subsequent drawdown under the Loan and Security Agreement in the principal amount of \$1,000, which was fully funded on September 11, 2024. A A On September 26, 2024, the Bridge Financing Loan Parties entered into a Seventh Bridge Loan Amendment Agreement which extended the maturity date of the Bridge Financing from September 30, 2024 to October 31, 2024. A The scheduled payments, inclusive of principal and interest of \$4.4 A million will be paid at maturity. A For the three and nine months ended September 30, 2024, the Company did not A make any principal payments. A A 14 Table of Contents A A 12. CREDIT FACILITY A On August 29, 2018, Venus Ltd. entered into an Amended and Restated Loan Agreement as a guarantor with CNB, as amended on March 20, 2020, December 9, 2020 and August 26, 2021 (the "CNB Loan Agreement"), pursuant to which CNB agreed to make certain loans and other financial accommodations to certain of Venus Ltd.'s subsidiaries to be used to finance working capital requirements. In connection with the CNB Loan Agreement, Venus Ltd. also entered into a guaranty agreement with CNB dated as of August 29, 2018, as amended on March 20, 2020, December 9, 2020 and August 26, 2021 (the "CNB Guaranty"), pursuant to which Venus Ltd. agreed to guaranty the obligations of its subsidiaries under the CNB Loan Agreement. On March 20, 2020, the Company also entered into a Security Agreement with CNB (the "CNB Security Agreement"), as amended on December 9, 2020 and August 26, 2021, pursuant to which it agreed to grant CNB a security interest in substantially all of our assets to secure the obligations under the CNB Loan Agreement. A On A August 26, 2021, A the Company, Venus USA and Venus Canada entered into a Fourth Amended and Restated Loan Agreement (the "Amended CNB Loan Agreement") with CNB, pursuant to which, among other things, (i) the maximum principal amount the revolving credit facility was reduced from \$10,000 A to \$5,000 A at the LIBOR A 30-day rate plus A 3.25%, subject to a minimum LIBOR rate floor of A 0.50%, and (ii) beginning A December 10, 2021, A the cash deposit requirement was reduced from \$3,000 A to \$1,500, to be maintained with CNB at all times during the term of the Amended CNB Loan Agreement. In connection with the Amended CNB Loan Agreement, the Company, Venus USA and Venus Canada issued a promissory note dated August 26, 2021, in favor of CNB (the "CNB Note"), in the amount of \$5,000 A with a maturity date of A July 24, 2023 A and the obligations of the Company pursuant to certain of the Company's outstanding promissory notes were reaffirmed as subordinated to the indebtedness of the Company owing to CNB pursuant to a Supplement to Subordination of Debt Agreements dated as of August 26, 2021 A by and among Madryn Health Partners, LP, Madryn Health Partners (Cayman Master), LP, the Company and CNB. The CNB Note and A Amended CNB Loan Agreement A expired at its maturity date. A As of A the expiration of the credit facility, A the Company was in compliance with all required covenants. A An event of default under this agreement prior to expiration in July 2023 would have caused A a default under the MSLP Loan (see Note 10). A A 15 Table of Contents A A 13. A EW CONVERTIBLE NOTES A On January 18, 2024, the Company, Venus USA, Venus Canada and Venus Ltd. (the "Guarantors") entered into a Note Purchase and Registration Rights Agreement (the "Note Purchase Agreement") with EW Healthcare Partners, L.P. (the "EW A and EW Healthcare Partners-A, L.P. (the "EW Investors") and together with EW, the "EW Investors"). Pursuant to the Note Purchase Agreement, the Company issued and sold to the EW Investors \$2.0 million in aggregate principal amount of secured subordinated convertible notes (the "2024 Notes"). A The 2024 Notes accrue interest at a rate equal to the 90-day adjusted term Secured Overnight Financing Rate (SOFR) plus 8.50% per annum; A provided, however, A that if there is an Event of Default (as defined below), the then-applicable interest rate will increase by 4.00% per annum. Interest is payable in kind in arrears on the last business day of each calendar quarter of each year after the original issuance date, beginning on March 31, 2024. The 2024 Notes mature on December 9, 2025, unless earlier redeemed or converted, at which time all outstanding principal and interest is payable in cash, except as described below. At any time prior to the maturity date, a holder may convert the 2024 Notes at their option into shares of common stock at the then-applicable conversion rate. The initial conversion rate is 799.3605 shares of common stock per one-thousand A principal amount of 2024 Notes, which represents an initial conversion price of approximately \$1.251 per share of common stock. A The conversion rate is subject to customary anti-dilution adjustments. The 2024 Notes are redeemable, in whole and not in part, at the Company's option at any time, at a redemption price equal to the principal amount of the 2024 Notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date, plus a redemption premium. The Company's redemption option is subject to satisfaction of the conditions set forth in the 2024 Notes, including that a registration statement covering the resale of the shares of common stock issuable upon conversion of the 2024 Notes is effective and available for use. A The 2024 Notes have customary provisions relating to the occurrence of A Events of Default, A as defined in the 2024 Notes. A If an Event of Default occurs, then the EW Investors may, subject to the terms of the CNB Subordination Agreement (as defined below), (i) declare the outstanding principal amount of the 2024 Notes, all accrued and unpaid interest and all other amounts owing under the 2024 Notes and other transaction documents entered into in connection therewith to be immediately due and payable, without any further action or notice by any person, and (ii) exercise all rights and remedies available to them under the 2024 Notes, the EW Security Agreement (as defined below) and any other document entered into in connection with the foregoing. The 2024 Notes constitute the Company's secured, subordinated obligations and are (i) equal in right of payment with the Company's existing and future senior unsecured indebtedness; (ii) senior in right of payment to the Company's existing and future indebtedness that is expressly subordinated to the 2024 Notes; and (iii) subordinated to the Company's existing secured indebtedness in a manner consistent with the Existing Subordination Agreements (as defined below). A On January 18, 2024, the Company and the Guarantors entered into a Guaranty and Security Agreement (the "EW Security Agreement") with EW, as collateral agent. Pursuant to the EW Security Agreement, the Guarantors jointly and severally guaranteed to the EW Investors the prompt payment of all outstanding amounts under the 2024 Notes when due. The Guarantors also granted to the EW Investors a security interest in substantially all of their assets to secure the obligations under the 2024 Notes. A Pursuant to the EW Security Agreement, during the continuance of an Event of Default under the 2024 Notes, if the Company is unable to repay all outstanding amounts under the 2024 Notes, the EW Investors may, subject to the terms of the CNB Subordination Agreement (as defined below), foreclose on the collateral to collateralize such indebtedness. Any such foreclosure could significantly affect the Company's ability to operate its business. A The EW Security Agreement contains various covenants that limit the Company's ability to incur, create or permit to exist additional indebtedness, or liens, and to make certain changes to its ownership structure, in each case without the Investor's consent. A On January 18, 2024, the Company and the Guarantors entered into a Subordination of Debt Agreement (the "CNB Subordination Agreement") with CNB and the EW Investors. The CNB Subordination Agreement provides that the 2024 Notes are subordinated to the Company's existing secured indebtedness with CNB, in a manner consistent with the subordination of the Secured Subordinated Convertible Notes, dated October 4, 2023 (the "Madryn Notes"), issued to Madryn pursuant to those certain existing Subordination of Debt Agreements, dated as of December 8, 2020 entered into by the Company and the Guarantors, CNB, and Madryn (the "Existing Subordination Agreements"). The 2024 Notes and the Madryn Notes are secured by the same collateral, except that the 2024 Notes also receive a first priority perfected security interest and lien on the Company's right to receive certain amounts from the Internal Revenue Service in respect of certain employee retention credits claimed by the Company (defined in the Notes as the "ERC Claimant"). A As of September 30, 2024, the Company had approximately \$2.2 A million principal and interest of the 2024 convertible notes outstanding that were issued pursuant to the Note Purchase Agreement (as defined below). A In connection with the 2024 Notes, the Company recognized interest expense of \$74 A and \$0.2 A million A during the three and nine A months ended September 30, 2024, respectively. The 2024 Notes contained a conversion option, redemption right upon an event of default, change of control scenario, and interest rate penalty upon an event of default which were evaluated under ASC 815, A Derivatives and Hedging, and determined that these A features required bifurcation. These embedded derivatives were accounted for as liabilities at their estimated fair value as of the date of issuance, and then subsequently remeasured to fair value as of each balance sheet date, with the related remeasurement adjustment being recognized as a component of change in fair value of derivative liabilities in the unaudited condensed consolidated statements of operations. The fair value of the embedded derivative liability at issuance and as of September 30, 2024

were \$0.94 million and \$0.34 million, respectively. As of September 30, 2024 and December 31, 2023, the Company was in compliance with all required covenants. The scheduled payments, inclusive of principal and interest, on the outstanding borrowings as of September 30, 2024 are as follows: As of September 30, 2024 \$2,590. Total \$2,590. For the three and nine months ended September 30, 2024, the Company did not make any principal repayments. 16 Table of Contents A A 14. COMMON STOCK RESERVED FOR ISSUANCE The Company is required to reserve and keep available out of its authorized but unissued shares of common stock a number of shares sufficient to affect the exercise of all classes of preferred stock, convertible promissory notes, options granted and available for grant under the incentive plans and warrants to purchase common stock. As of September 30, 2024 A December 31, 2023 Outstanding common stock warrants A 1,936,920 A A 1,061,930 A Outstanding stock options and RSUs A 993,327 A A 981,834 A Preferred shares A 86,294,014 A A 8,889,221 A Shares reserved for conversion of future voting preferred share issuance A 5,596,273 A A 5,844,213 A Shares reserved for future option grants and RSUs A 308,878 A A 99,580 A Shares reserved for Lincoln Park A A 711,180 A Shares reserved for Madry Noteholders A A 1,300,000 A A 1,300,000 A Shares reserved for EW Noteholders A A 2,100,000 A A 6 Total common stock reserved for issuance A 98,529,412 A A 18,887,958 A A 15. STOCKHOLDERS' EQUITY A Common Stock A The Company's common stock confers upon its holders the following rights: The right to participate and vote in the Company's stockholder meetings, whether annual or special. Each share will entitle its holder, when attending and participating in the voting in person or via proxy, to one vote; The right to a share in the distribution of dividends, whether in cash or in the form of bonus shares, the distribution of assets or any other distribution pro rata to the par value of the shares held by them; and The right to a share in the distribution of the Company's excess assets upon liquidation pro rata to the par value of the shares held by them. A Reverse Stock Split A At the annual and special meeting of the Company's shareholders held on May 10, 2023, the Company's shareholders granted the Company's Board of Directors discretionary authority to implement the Reverse Stock Split and to fix the specific consolidation ratio within a range of a one-for-five (1-for-5) to one-for-fifteen (1-for-15). On May 11, 2023, the Company filed an amendment to the Company's Certificate of Incorporation to implement the Reverse Stock Split based on a one-for-fifteen (1-for-15) consolidation ratio. A The Company's common shares began trading on the Nasdaq Capital Market on a reverse split-adjusted basis under the Company's existing trade symbol VERO at the opening of the market on May 12, 2023. A Equity Purchase Agreement with Lincoln Park A On June 16, 2020, the Company entered into a purchase agreement (the "Equity Purchase Agreement") with Lincoln Park Capital Fund LLC (the "Lincoln Park"), which provides that, upon the terms and subject to the conditions and limitations set forth therein, the Company may sell to Lincoln Park up to \$31,000 worth of shares of its common stock, par value \$0.0001 per share, pursuant to its shelf registration statement. The purchase price of shares of common stock related to a future sale will be based on the then prevailing market prices of such shares at the time of sales as described in the Equity Purchase Agreement. The aggregate number of shares that the Company can sell to Lincoln Park under the Equity Purchase Agreement may in no case exceed 517,560 shares (subject to adjustment) of common stock (which is equal to approximately 19.99% of the shares of the common stock outstanding immediately prior to the execution of the Equity Purchase Agreement) (the "Exchange Cap"), unless (i) stockholder approval is obtained to issue shares above the Exchange Cap, in which case the Exchange Cap will no longer apply, or (ii) with Equity Purchase Agreement equals or exceeds \$59,6325 per share (subject to adjustment) (which represents the minimum price, as defined under Nasdaq Stock Market LLC ("Nasdaq") Listing Rule 5635(d), on the Nasdaq Global Market immediately preceding the signing of the Equity Purchase Agreement, such that the transactions contemplated by the Equity Purchase Agreement are exempt from the Exchange Cap limitation under applicable Nasdaq rules.) Also, at no time may Lincoln Park (together with its affiliates) beneficially own more than 9.99% of the Company's issued and outstanding common stock. Concurrently with entering into the Equity Purchase Agreement, the Company also entered into a registration rights agreement with Lincoln Park, pursuant to which it agreed to provide Lincoln Park with certain registration rights related to the shares of common stock issued under the Equity Purchase Agreement (the "Registration Rights Agreement"). A From commencement to expiry on July 1, 2022, the Company issued and sold to Lincoln Park 229,139 shares of its common stock at an average price of \$40.50 per share, and 13,971 of these shares were issued to Lincoln Park as a commitment fee in connection with entering into the Equity Purchase Agreement (the "Commitment Shares"). The total value of the Commitment Shares of \$620 together with the issuance costs of \$123 were recorded as deferred issuance costs in the consolidated balance sheet at inception and were amortized into consolidated statements of stockholders' equity proportionally based on proceeds received during the term of the Equity Purchase Agreement. A In 2022, the Company issued 26,666 shares of its common stock and the proceeds from common stock issuances as of December 31, 2022 were \$272, with no issuance costs. The proceeds in the amount of \$272 were recorded in the condensed consolidated statements of cash flows as net cash proceeds from issuance of common stock. A The Equity Purchase Agreement expired on July 1, 2022, and was replaced with the 2022 LPC Purchase Agreement discussed below. A 2022 LPC Purchase Agreement with Lincoln Park A On July 12, 2022, the Company entered into a purchase agreement (the "2022 LPC Purchase Agreement") with Lincoln Park, as the Equity Purchase Agreement expired on July 1, 2022. The 2022 LPC Purchase Agreement provides that, upon the terms and subject to the conditions and limitations set forth therein, the Company may sell to Lincoln Park up to \$11,000 of shares (the "Purchase Shares") of its common stock, par value \$0.0001 per share. Concurrently with entering into the 2022 LPC Purchase Agreement, the Company also entered into a registration rights agreement (the "2022 LPC Registration Rights Agreement") with Lincoln Park, pursuant to which it agreed to provide Lincoln Park with certain registration rights related to the shares issued under the 2022 LPC Purchase Agreement. A The aggregate number of shares that the Company can issue to Lincoln Park under the 2022 LPC Purchase Agreement may not exceed 858,224 shares of common stock, which is equal to 19.99% of the shares of common stock outstanding immediately prior to the execution of the 2022 LPC Purchase Agreement (the "2022 Exchange Cap"), unless (i) stockholder approval is obtained to issue shares of common stock in excess of the 2022 Exchange Cap, in which case the 2022 Exchange Cap will no longer apply, or (ii) the average price of all applicable sales of common stock to Lincoln Park under the 2022 LPC Purchase Agreement equals or exceeds the lower of (i) the Nasdaq official closing price immediately preceding the execution of the 2022 LPC Purchase Agreement or (ii) the arithmetic average of the five Nasdaq official closing prices for the common stock immediately preceding the execution of the 2022 LPC Purchase Agreement, plus an incremental amount to take into account the issuance of the Commitment Shares to Lincoln Park under the 2022 LPC Purchase Agreement, such that the transactions contemplated by the 2022 LPC Purchase Agreement are exempt from the 2022 Exchange Cap limitation under applicable Nasdaq rules. In all instances, the Company may not sell shares of its common stock to Lincoln Park under the 2022 LPC Purchase Agreement if it would result in Lincoln Park beneficially owning more than 9.99% of the outstanding shares of common stock. Upon execution of the 2022 LPC Purchase Agreement, the Company issued 45,701 shares of common stock to Lincoln Park as a commitment fee in connection with entering into the 2022 LPC Purchase Agreement at the total amount of \$330. Through December 31, 2023, the Company issued an additional 776,452 shares of common stock to Lincoln Park at an average price of \$3.966 per share for a total value of \$3,080. During the nine months ended September 30, 2024, the Company issued an additional 8,333 shares of common stock to Lincoln Park at an average price of \$1.16 per share, for a total value of \$10. The 2022 LPC Purchase Agreement expired on August 1, 2024. A 17 Table of Contents A The 2022 Private Placement In November 2022, we entered into a securities purchase agreement with certain investors (collectively, the "2022 Investors") pursuant to which the Company issued and sold to the 2022 Investors an aggregate of 116,668 shares of common stock, par value \$0.0001 per share, and 3,185,000 shares of voting convertible preferred stock, par value \$0.0001 per share (the "Voting Preferred Stock"), which are convertible into 2,123,443 shares of common stock upon receipt of a valid conversion notice from a 2022 Investor or at the option of the Company within 30 days following the occurrence of certain events (the "2022 Private Placement"). The 2022 Private Placement was completed on November 18, 2022. The gross proceeds from the securities sold in the 2022 Private Placement was \$6,720. The costs incurred with respect to the 2022 Private Placement totaled \$202 and were recorded as a reduction of the 2022 Private Placement proceeds in the consolidated statements of stockholders' equity. A Voting Preferred Stock issued in November 2022 A As noted above, in November 2022, the Company issued and sold to certain 2022 Investors an aggregate of 3,185,000 shares of Voting Preferred Stock. The terms of the Voting Preferred Stock are governed by a Certificate of Designation filed by the Company with the Secretary of State of the State of Delaware on November 17, 2022. The following is a summary of the material terms of the Voting Preferred Stock: A a Voting Rights. A The Voting Preferred Stock votes with the common stock on an as-converted basis. A a Liquidation. A Each share of Voting Preferred Stock carries a liquidation preference, senior to the common stock in an amount equal to the greater of (a) \$30.00 (being the issuance price) and (b) the amount that would be distributed in respect of such share of Voting Preferred Stock if it were converted into common stock and participated in such liquidating distribution with the other shares of common stock. A a Conversion. A The Voting Preferred Stock will convert into shares of common stock on a one for 0.6667 basis (i) at the option of a 2022 Investor upon delivery of a valid conversion notice to the Company or (ii) at the option of the Company within 30 days following the earlier to occur of (a) the date on which the volume-weighted average price of the common stock has been greater than or equal to \$18.75A for 30 consecutive trading days and (b) the date on which the Company has reported two consecutive fiscal quarters of positive cash flow. A a Dividends. Each share of Voting Preferred Stock is entitled to participate in dividends and other non-liquidating distributions (if, as and when declared by the Board of the Company) on an as-converted basis, pari passu with the common stock. A a Redemption. A The Voting Preferred Stock is not redeemable at the election of the Company or at the election of the holder. A a Maturity. A The Voting Preferred Stock shall be perpetual unless converted. A The 2023 Multi-Tranche Private Placement A In May 2023, we entered into a securities purchase agreement (the "2023 Multi-Tranche Private Placement Stock Purchase Agreement") with certain investors (collectively, the "2023 Investors") pursuant to which the Company may issue and sell to the 2023 Investors up to \$9,000,000 in shares (the "2023 Multi-Tranche Private Placement") of newly-created senior convertible preferred stock, par value \$0.0001 per share (the "Senior Preferred Stock"), in multiple tranches from time to time until December 31, 2025, subject to a minimum aggregate purchase amount of \$0.5 million in each tranche. A The initial sale in the 2023 Multi-Tranche Private Placement occurred on May 15, 2023, under which the Company sold the 2023 Investors 280,899 shares of Senior Preferred Stock for an aggregate purchase price of \$2.0 million (the "Initial Placement"). The Company used the proceeds of the Initial Placement, after the payment of transaction expenses, for general working capital purposes. A The following is a summary of the material terms of the Senior Preferred Stock: A a Voting Rights. A The Senior Preferred Stock has aggregate number of votes equal to the product of (a) the quotient of (i) the aggregate purchase price paid under the Stock Purchase Agreement for all shares of Senior Preferred Stock issued and outstanding as of such time, divided by (ii) the highest purchase price paid by a holder for a share of Senior Preferred Stock prior to or as of such time, multiplied by (b) two. Such formula ensures that no share of senior preferred stock will ever have more than two votes per share, with such number of votes subject to reduction (but not increase) depending on the pricing of future sales of Senior Preferred Stock in the Private Placement. The Senior Preferred Stock votes with the Company's common stock on all matters submitted to holders of common stock and does not vote as a separate class. A a Liquidation. A Each share of Senior Preferred Stock carries a liquidation preference, senior to the common stock and Voting Preferred Stock, in an amount equal to the product of the Purchase Price for such share, multiplied by 2.50. A a Conversion. A The Senior Preferred Stock will convert into shares of common stock on a one for 2.6667 basis at the option of (a) the investors at any time or (b) the Company within 30 days following the date on which the 30-day volume-weighted average price of the common stock exceeds the product of (i) the Purchase Price for the shares of senior preferred stock to be converted, multiplied by (ii) 2.75. A a Dividends. A Each share of Senior Preferred Stock is entitled to participate in dividends and other non-liquidating distributions (if, as and when declared by the Board of the Company) on an as-converted basis, pari passu with the common stock and Voting Preferred Stock. A a Redemption. A The Senior Preferred Stock is not redeemable at the election of the Company or at the election of the holder. A a Maturity. A The Senior Preferred Stock shall be perpetual unless converted. A On July 6, 2023, the Company and the 2023 Investors entered into an amendment to the 2023 Multi-Tranche Private Placement Stock Purchase Agreement (the "Multi-Tranche Amendment"). The Multi-Tranche Amendment (a) clarifies the appropriate date pursuant to which the purchase price for each share of Senior Preferred Stock to be sold in the Private Placement is determined (such that the purchase price shall be equal to the minimum price as set forth in Nasdaq Listing Rule 5635(d)) and (b) permits the Company to specify a desired closing date (subject to approval by the 2023 Investors) for each sale in the 2023 Multi-Tranche Private Placement. A On July 12, 2023, the Company and the 2023 Investors consummated the second tranche in the 2023 Multi-Tranche Private Placement, under which the Company sold the 2023 Investors 500,000 shares of Senior Preferred Stock for an aggregate purchase price of \$2.0 million (the "Second Placement"). The Company used the proceeds of the Second Placement, after the payment of transaction expenses, for general working capital purposes. A On September 8, 2023, the Company and the 2023 Investors consummated the third tranche in the 2023 Multi-Tranche Private Placement, under which the Company sold the 2023 Investors 292,398 shares of Senior Preferred Stock for an aggregate purchase price of \$1.0 million (the "Third Placement," and together with the First Placement and Second Placement, the "Placements"). The Company used the proceeds of the Third Placement, after the payment of transaction expenses, for general working capital purposes. A On October 20, 2023, the Company and the 2023 Investors consummated the fourth tranche in the 2023 Multi-Tranche Private Placement, under which the Company sold the 2023 Investors 502,513 shares of Senior Preferred Stock for an aggregate purchase price of \$2.0 million (the "Fourth Placement"). The Company used the proceeds of the Fourth Placement, after the payment of transaction expenses, for general working capital purposes. A 18 Table of Contents A Series X A Convertible Preferred Stock A On October 4, 2023, the Company filed a Certificate of Designations with respect to the Series X Preferred Stock with the Secretary of State of the State of Delaware, thereby creating the Series X Preferred Stock. The Certificate of Designations authorizes the issuance of up to 400,000 shares of Series X Preferred Stock. The Series X Preferred Stock is convertible into shares of common stock on a one-for-ten basis, in whole or in part, at the option of the holder at any time upon delivery of a valid conversion notice of the Company; provided, however, that the Series X Preferred Stock is subject to limitations on convertibility to the extent necessary to comply with the rules and regulations of Nasdaq. A The following is a summary of the material terms of the Series X Preferred Stock: A a Voting Rights. A The holders of the Series X Preferred Stock shall be entitled to vote on all matters on which holders of common stock shall be entitled to vote, and shall be entitled to a number of votes equal to the Converted Stock Equivalent, which is 10 common shares per 1 Series X Preferred Stock. A a Liquidation. A Each share of Series X Preferred Stock carries a liquidation preference, senior to the common stock and Voting Preferred Stock, in an amount equal to the Unpaid Liquidation Preference (as defined in the Certificate of Designations with respect to the Series X Preferred Stock) at that time. A a Conversion. A The Series X Preferred Stock will convert into shares of common stock on a 1-for-10 basis at the option of the holders of Series X Preferred Stock at any time. A a Dividends. A The Series X Preferred Stock accrues a dividend at a rate of 12.5% per annum, payable on a quarterly basis in cash or additional shares of Series X Preferred Stock, at the Company's election. In addition, each share of Series X Preferred Stock is entitled to participate in dividends and other non-liquidating distributions, if, as and when declared by the Board, on a pari passu basis with the common stock, Senior Preferred Stock and Junior Preferred Stock. A a Redemption. A The Series X Preferred Stock is not redeemable at the election of the Company or at the election of the holder. A a Maturity. A The Series X Preferred Stock shall be perpetual unless converted, however dividends will stop accruing on December 31, 2026. A Series Y Convertible Preferred Stock A On May 24, 2024, the Company filed a Certificate of Designations with respect to the Series Y Preferred Stock with the Secretary of State of the State of Delaware, thereby creating the Series Y Preferred Stock. The Certificate of Designations authorizes the issuance of up to 600,000 shares of Series Y Preferred Stock. The Series Y Preferred Stock is convertible into shares of common stock on a 1-for-100A basis, at the option of the holder, in whole or in part, at any time upon delivery of a valid conversion notice of the Company; or (ii) automatically upon the Company completing an equity financing for common stock (or convertible preferred stock, provided that under such circumstances such financing will not be deemed completed until such preferred stock has been fully converted into common stock) that raises no less than \$30.0 million in gross proceeds, among other requirements as set forth in the Certificate of Designations. Notwithstanding the foregoing, the Series Y Preferred Stock is subject to limitations on convertibility to the extent necessary to comply with the rules and regulations of Nasdaq. On September 26, 2024 the Company filed a Certificate of Amendment which increased the authorized number of shares of Series Y Preferred Stock from 600,000 shares to 900,000 shares. 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A Each share of Series Y Preferred Stock is convertible into shares of common stock on a 1-for-100A basis, at the option of the holder, in whole or in part, at any time upon delivery of a valid conversion notice of the Company; or (ii) automatically upon the Company completing an equity financing for common stock (or convertible preferred stock, provided that under such circumstances such financing will not be deemed completed until such preferred stock has been fully converted into common stock) that raises no less than \$30.0 million in gross proceeds, among other requirements as set forth in the Certificate of Designations. Notwithstanding the foregoing, the Series Y Preferred Stock is subject to limitations on convertibility to the extent necessary to comply with the rules and regulations of Nasdaq. On September 26, 2024 the Company filed a Certificate of Amendment which increased the authorized number of shares of Series





Australia,Â China, Hong Kong, and Israel.Â Our revenues for the threeÂ months ended September 30, 2024, and 2023 were \$15.0Â million and \$17.6Â million, respectively.Â Our revenues for the nineÂ months ended September 30, 2024, and 2023 were \$49.1Â million and \$58.2Â million, respectively. We had a net loss attributable to the Company of \$9.3Â million and \$9.1Â million in the three months ended September 30, 2024, and 2023, respectively. We had a net loss attributable to the Company of \$39.0Â million and \$26.4Â million in the nine months ended September 30, 2024, and 2023, respectively. We had an Adjusted EBITDA loss of \$5.9Â million and \$4.6Â million for the three months ended September 30, 2024, and 2023, respectively. We had an Adjusted EBITDA loss of \$15.1Â million and \$14.3Â million for the nineÂ months ended September 30, 2024, and 2023, respectively.Â 27 Table of Contents Â Use of Non-GAAP Financial Measures A Adjusted EBITDA is a non-GAAP measure defined as net income (loss) before foreign exchange (gain) loss, financial expenses, income tax expense (benefit), depreciation and amortization, stock-based compensation and non-recurring items for a given period. Adjusted EBITDA is not a measure of our financial performance under U.S. GAAP and should not be considered an alternative to net income or any other performance measures derived in accordance with U.S. GAAP. Accordingly, you should consider Adjusted EBITDA along with other financial performance measures, including net income, and our financial results presented in accordance with U.S. GAAP. Other companies, including companies in our industry, may calculate Adjusted EBITDA differently or not at all, which reduces its usefulness as a comparative measure. We understand that although Adjusted EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies, Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations are: Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments; Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs; and although depreciation and amortization are non-cash charges, the assets being depreciated will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements.Â We believe that Adjusted EBITDA is a useful measure for analyzing the performance of our core business because it facilitates operating performance comparisons from period to period and company to company by backing out potential differences caused by changes in foreign exchange rates that impact financial assets and liabilities denominated in currencies other than the U.S. dollar, tax positions (such as the impact on periods or companies of changes in effective tax rates), the age and book depreciation of fixed assets (affecting relative depreciation expense), amortization of intangible assets, stock-based compensation expense (because it is a non-cash expense) and non-recurring items as explained below.Â The following is a reconciliation of net loss to Adjusted EBITDA for the periods presented:Â A Â Three Months Ended September 30, Â A Nine Months Ended September 30, 2024 Â A 2023 Reconciliation of net loss to adjusted EBITDA Â (in thousands) Â A (in thousands) Net loss Â \$ (9,302) Â \$ (8,956) Â \$ (38,955) Â \$ (25,900) Foreign exchange loss Â 57 Â A 909 Â A 1,155 Â A 379 Loss on disposal of subsidiaries Â A 67 Â A 1,141 Â A 67 Â A 77 Loss on debt extinguishment Â A 454 Â A 67 Â A 11,355 Â A 67 Â A 1,665 Â A 1,605 Â A 5,785 Â A 4,666 Income tax (benefit) expense Â A 31) Â A (321) Â A 147 Â A 103 Depreciation and amortization Â A 971 Â A 1,010 Â A 2,924 Â A 3,042 Stock-based compensation expense Â A 239 Â A 364 Â A 817 Â A 1,214 CEWS (1) Â A 67 Â A 67 Â A 418 Â A 67 Other adjustments (2) Â A 73 Â A 752 Â A 1,220 Â A 2,082 Adjusted EBITDA Â \$ (5,874) Â \$ (4,636) Â \$ (15,134) Â \$ (14,337) Â A 1)Â In April 2022, the Canada Revenue Agency (â€œCRAâ€) initiated an audit of the Canada Emergency Wage Subsidy Claim (â€œCEWSâ€) that the Company filed between 2020-2021. The CRA has currently assessed a denial of CEWS claims made by the Company in 2020 and requesting repayment of \$418. The Company disputes the CRA assessment and intends to challenge this matter through the Tax Court or Judicial Review. (2) For the three and nineÂ months ended September 30, 2024 and September 30, 2023 the other adjustments are represented by restructuring activities designed to improve the Company's operations and cost structure.Â 28 Table of Contents A Key Factors Impacting Our Results of Operations Â Our results of operations are impacted by several factors, but we consider the following to be particularly significant to our business:Â Number of systems delivered. The majority of our revenue is generated from the delivery of systems, both under traditional sales contracts and internal financing programs. The following table sets forth the number of systems we have delivered in the geographic regions indicated:Â A Â Three Months Ended September 30, Â A Nine Months Ended September 30, 2024 Â A 2023 A 2024\* Â A 2023 A United States Â A 88 A 104 A 317 A 325 A International Â A 165 A 150 A 472 A 584 A Total systems delivered Â A 253 A 254 A 254 A 789 A 909 A Mix between traditional sales, distributor sales, and sales made under our internal financing programs.Â We deliver systems through (1) traditional direct system sales contracts to customers, (2) our internal lease programs, and (3) system sales through distribution agreements. Unit deliveries under direct system sales contracts andÂ internally financedÂ sales have higher per unit revenues and gross margins, while revenues and gross margins on systems sold through distributors are lower. However, distributor sales do not require significant sales and marketing support as these expenses are borne by the distributors. In addition, while traditional system sales and internally financedÂ salesÂ have similar gross margins, cash collections onÂ sales financed under our internal financing programs generally occur over a three-year period, with approximately 40%Â to 45%Â collected in the first year and the balance collected evenly over the remaining two years of theÂ agreement. In the third quarter of 2022 we commenced an initiative to reduce our reliance on system sales sold under our internal financing programs in the United States.Â This strategic shift is designed to improve cash generation and reduce our exposure to defaults and increased bad debt expense given the increasingly challenging economic environment caused by the coexistence of high inflation and high interest rates.Â Investment in Sales, Marketing and Operations.Â In previous years, we made a strategic decision to penetrate the global market by investing in sales and marketing expenses across all geographic segments. This included the opening of direct offices and hiring experienced sales, marketing, and operational staff. While we generated incremental product sales in these new markets, these revenues and the related margins did not fully offset the startup investments made in certain countries. We continue to evaluate our profitability and growth prospects in these countries and have taken and will continue to take steps to exit countries which we do not believe will produce sustainable results. Since June 2020 we have ceased direct sales operations in 14A countriesÂ across Europe, Asia Pacific, Latin America and Africa and have increased our investment in, and focus on, the United StatesÂ market.Â In theÂ three and nine months ended September 30, 2024, andÂ 2023, respectively, we did notÂ openÂ any direct sales offices.Â Bad Debt Expense.Â We maintain an allowance for expected credit lossesÂ for estimated losses that may primarily arise from customers who purchased our products under our internal financing programs who are unable to make the remaining payments required under their agreements. We continue to focus our selling effortsÂ on cash sales and internal financingÂ customers with a stronger credit profile, thereby reducing our exposure to credit losses. We incurredÂ a bad debt expense of \$0.4Â million and \$0.9Â million during theÂ three and nine months ended September 30, 2024. This compares to \$0.3Â million and \$1.2Â million for the three and nineÂ months ended September 30, 2023.Â As of September 30, 2024, our allowance for expected credit losses was \$4.1Â million which represents 16.4%Â of the gross outstanding accounts receivable as of this date. As of September 30, 2023, our allowance for expected credit losses was \$12.8Â million which represented 27.3%Â of the gross outstanding accounts receivable as of this date.Â 29 Table of Contents Â Outlook A The global economy, including the financial and credit markets, has recently experienced extreme volatility and disruption, including increases to inflation rates, rising interest rates, foreign currency impacts, declines in consumer confidence, and a challenging growth environment. All these factors point to uncertainty about economic stability, and the severity and duration of these conditions on our business cannot be predicted. The bulk of the third quarter revenue decline was due to a significant tightening in credit markets in the U.S. and to a lesser extent international markets due to higher interest rates, impacting our customers' ability and/or desire to secure capital equipment financing. In addition, our international results were negatively affected by an acceleration of our international strategy to wind down underperforming countries as we transitioned to third party distributors.Â We continue to focus on quality of revenue and despite the revenue decline, our cash used in operations was \$4.8Â million lower, or 40%, than the same period in 2023. On a positive note, the Federal Reserve Board (Fed), the European Central Bank, the Swiss National Bank and the Bank of Canada all recently reduced interest rates in an effort to reduce the degree of restrictiveness in monetary policy, and signaling future rate cuts over the near term.Â We remain focused on adapting to the challenges presented by the current macro-economic environment, as well as the opportunities presented by an easing of monetary policy.Â IsraelÂ â€“ Hamas conflict.Â Following the October 7, 2023 attack by Hamas on Israeli citizens and the declaration of war that followed, we have taken steps to mitigate exposure to risks related to our Israeli operations, the risks of which are further described in Item 1A, Risk Factors in this Quarterly Report on Form 10-Q.Â These efforts include but are not limited to, working with our contract manufacturers to accelerate inventory build, contingency planning with respect to alternative manufacturing sites within their network, and relocating larger amounts of finished goods to warehouses in North America to protect our ability to distribute products. Alongside the Company's continuity plan, we maintain daily contact with our employees in Israel and have instituted a wellness program designed to provide access to healthcare practitioners/consultants for short term counselling for colleagues and family members in order to provide assistance during the conflict.Â Supply chain.Â We did not experience significant supply issues during theÂ three and nine months ended September 30, 2024Â as weÂ continue to actively work with our suppliers and third-party manufacturers to mitigate supply issues and build inventory of key component parts. We continued to experienceÂ some supply challenges in the third quarter ofÂ 2024Â due to ongoing and intensified geopolitical disruption in the middle east impacting shipping lanes, deliveries of materials and component parts, impactingÂ production lead times that may impact our ability to manufacture the number of systems required to meet customer demand.Â In addition, since the second quarter of 2021 we have experienced significant inflationary pressures throughout our supply chain, which we expect to continue throughout the rest ofÂ 2024.Â We continueÂ to mitigate such pressures, where possible, through price increases and margin management.Â Global economic conditions.Â General global economic downturns and macroeconomic trends, including heightened inflation, capital markets volatility, interest rate and currency rate fluctuations, and economic slowdowns, have resulted and may continue to result in unfavorable conditions that negatively affect demand for our products and exacerbate some of the other risks that affect our business, financial condition and results of operations. Both domestic and international markets experienced significant inflationary pressures in fiscal year 2024. While inflation rates in the U.S., as well as in other countries in which we operate, are showing signs of moderation, the impact of such successive increases on cost structures remains, affecting governments, corporations and small businesses alike. Our customers have also been affected by higher inflation and higher interest rates, impacting their ability to secure third party financing or causing many of them to delay capital purchases due to high interest rates. As noted above, the Federal Reserve in the U.S. and other central banks in various countries have commenced a cycle ofÂ interest rate reductionsÂ in response to concerns about inflation and stagnant growth.Â Sales markets.Â We are a global business, having established a commercial presence in more than 60 countries during our history. While the continued post-pandemic recovery remains challenging due to the coexistence of high inflation and high interest rates, we continue to evaluate our direct operations, particularly those outside of North America.Â Accounts receivable collections.Â We remain fully focused on our revised credit screening practices and thereby reducing bad debt expenses. As of September 30, 2024, our allowance for expected credit lossesÂ stands at \$4.2Â million, which represents 12.2%Â of the gross outstanding accounts receivable as of that date. This represents a decreaseÂ of \$3.2Â million or 43%Â from our December 31, 2023Â allowance for expected credit losses balance of \$7.4Â million.Â Foreign Exchange fluctuations.Â WeÂ are primarily exposed to foreign exchange risk with respect to revenues generated outside of the United States denominated in New Israeli Shekels, Euros, Canadian dollars, Australian dollars, Hong Kong dollars, and Mexican pesos. We manage our foreign currency exposures on a consolidated basis, which allows us to net exposures and take advantage of any natural offsets. We do not hedge our entire foreign exchange exposure and are still subject to earnings and stockholders' equity volatility relating to foreign exchange risk. Financial market and currency volatility may limit our ability to cost-effectively hedge these exposures.Â 30 Table of Contents Â Basis of Presentation Â Revenues A We generate revenue from (1) sales of systems through our internal financingÂ programs, traditional system sales to customers and distributors, (2) other product revenues from the sale of ARTAS kits, Viva tips, other consumables, marketing supplies, and (3) service revenue from our extended warranty service contracts provided to existing customers.Â System Revenue Â For the three and nineÂ months ended September 30, 2024,Â approximately 23%Â and 28%,Â respectively, of our total system revenues were derived from our internal financing programs (Venus Prime andÂ our legacyÂ subscription model).Â For the three and nine months ended September 30, 2023,Â approximately 31%Â and 30%,Â respectively, of our total system revenues were derived from our internalÂ financing programs. Lease program revenues in the first nine months of 2024 have declined compared to the same period inÂ 2023,Â which is in line with our strategy to prioritize cash deals over internal financing programÂ deals in order to improve cash generation and preserve liquidity.Â Our internal financing programs areÂ designed to provide a low barrier to ownership of our systems and includes an up-front fee followed by monthly payments, typically over a 36-month period. The up-front fee serves as a down payment.Â For accounting purposes, our internal financing programs are considered to be sales-type finance leases, where the present value of all cash flows to be received under theÂ agreement is recognized as revenue upon shipment to the customer and achievement of the required revenue recognition criteria.Â For the three and nineÂ months ended September 30, 2024, approximately 61%Â and 59%, respectively, of our total system revenues were derived from traditional sales. For the three and nine months ended September 30, 2023, approximately 61%Â and 61%, respectively, of our total system revenues were derived from traditional sales. We continue to focus on traditional sales in line with our strategy to prioritize cash deals over internal lease programs deals in order to improve cash generation and preserve liquidity.Â Customers generally demand higher discounts in connection with traditional sales. We recognize revenues from products sold to customers based on the following five steps: (1) identification of the contract(s) with the customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the separate performance obligations in the contract; and (5) recognition of revenue when (or as) the entity satisfies a performance obligation.Â 31 Table of Contents Â We do not grant rights of return or early termination rights to our customers under either our traditional sales or internal lease programs. These traditional sales are generally made through our sales team in the countries in which the team operates.Â For the three and nineÂ months ended SeptemberÂ 30, 2024, approximately 16% and 13%, respectively,Â of our total system revenues were derived from distributor sales.Â For the three and nineÂ months ended SeptemberÂ 30, 2023, approximately 8% and 9% of our total system revenues were derived from distributor sales. The increase in distributor sales as a percentage of total system revenues isÂ in line with the Company's focus of driving international growth through strong distributor partnerships. Under the traditional distributor relationship, we do not sell directly to the end customer and, accordingly, achieve a lower overall margin on each system sold compared to our direct sales. These sales are non-refundable, non-returnable and without any rights of price protection or stock rotation. Accordingly, we consider distributors as end customers, and are accounted for using the sell-in method. A Procedure Based Revenue A We generate revenue from the harvesting, site making, and implantation procedures performed with our ARTAS system. The harvesting procedure, as the name suggests, is the act of harvesting hair follicles from the patientâ€™s scalp for implantation in the prescribed areas. To perform these procedures, a disposable clinical kit is required.Â These kits can be large (with an unlimited number of harvests) or small (with a maximum of 1,100 harvests). The customer must place an online order with us for the number and type of kits desired and make a payment. Upon receipt of the order and the related payment, we ship the kit(s), and the customer must scan the barcode on the kit label in order to perform the procedure. Once the kits are exhausted, the customer must purchase additional kits. The site making procedure uses the ARTAS system to create a recipient site (i.e., site making) in the patientâ€™s scalp affected by androgenic alopecia (or male pattern baldness). The site making procedure also requires a disposable site making kit. The site making kits are sold to customers in the same manner as the kits for harvesting procedures. The implantation procedure utilizes the same disposal kit that is used for siteÂ making and involves immediately implanting follicles into the created recipient site. The implantation kits are sold to customers in the same manner as the harvesting and site making kits.Â Other Product Revenue Â We also generate revenue from our customer base by selling Viva tips, Glide (a cooling/conductive gel which is required for use with many of our systems), marketing supplies and kits,Â various consumables and disposables, replacement applicators and handpieces, and ARTAS system training.Â Service Revenue Â We generate ancillary revenue from our existing customers by selling additional services including extended warranty service contracts. A Cost of Goods Sold and Gross Profit A Cost of goods sold consists primarily of costs associated with manufacturing our different systems, including direct product costs from third-party manufacturers, warehousing and storage costs and fulfillment and supply chain costs inclusive of personnel-related costs (primarily salaries, benefits, incentive compensation and stock-based compensation). Cost of goods sold also includes the cost of upgrades, technology amortization, royalty fees, parts, supplies, and cost of product warranties.Â Operating Expenses A Selling and Marketing A We currently sell our products and services using direct sales representatives in North America and in select international markets. Our sales costs primarily consist of salaries, commissions, benefits, incentive compensation and stock-based compensation. Costs also include expenses for travel and other promotional and sales-related activities as well as clinical training costs.Â Our marketing costs primarily consist of salaries, benefits, incentive compensation and stock-based compensation. They also include expenses for travel, trade shows, and other promotional and marketing activities, including direct and online marketing. As the business

environment improves, we expect sales and marketing expenses to continue to increase, but at a rate slightly below our rate of revenue growth. 32 Table of Contents General and Administrative. Our general and administrative costs primarily consist of expenses associated with our executive, accounting and finance, information technology, legal, regulatory affairs, quality assurance and human resource departments, direct office rent/facilities costs, and intellectual property portfolio management. These expenses consist of personnel-related expenses (primarily salaries, benefits, incentive compensation and stock-based compensation), audit fees, legal fees, consultants, travel, insurance, and expected credit losses. During the normal course of operations, we may incur expected credit losses on accounts receivable balances that are deemed to be uncollectible. Research and Development. Our research and development costs primarily consist of personnel-related costs (primarily salaries, benefits, incentive compensation, and stock-based compensation), material costs, amortization of intangible assets, clinical costs, and facilities costs in our Yokneam, Israel and San Jose, California research centers. Our ongoing research and development activities are primarily focused on improving and enhancing our current technologies, products, and services, and on expanding our current product offering with the introduction of new products and expanded indications. We expense all research and development costs in the periods in which they are incurred. We expect our research and development expenses to increase in absolute dollars as we continue to invest in research, clinical studies, and development activities, but to decline as a percentage of revenue as our revenue increases over time. Finance Expenses. Finance expenses consist of interest income, interest expense and other banking charges. Interest income consists of interest earned on our cash, cash equivalents and short-term bank deposits. We expect interest income to vary depending on our average investment balances and market interest rates during each reporting period. Interest expense consists of interest on long-term debt and other borrowings. The interest rates on our long-term debt were 8.35% for the MSLP Loan (now owned by Madryn), 13.97% for the Madryn Notes, and 13.60% for the 2024 Notes as of September 30, 2024 and 8.71% for the MSLP Loan and 14.03% for the Notes as of December 31, 2023. Foreign Exchange Loss. Foreign currency exchange loss changes reflect foreign exchange gains or losses related to the change in value of assets and liabilities denominated in currencies other than the U.S. dollar. Loss on Debt Extinguishment. Loss on Debt Extinguishment is due to the May 2024 exchange of \$52.1 million in aggregate principal amount outstanding under the MSLP Loan Agreement for \$17.1 million in aggregate principal of New Secured Notes and 576,986 shares of Series Y Convertible Preferred Stock. As part of the May 2024 extinguishment of principal, the Company recognized a \$10.9 million non-cash loss. Additionally, in September 2024 the Company exchanged \$15.0 million in aggregate principal of New Secured Notes for 203,583 shares of Series Y Convertible Preferred Stock. As part of the September 2024 extinguishment of principal, the Company recognized a \$0.5 million non-cash loss. Income Tax (Benefit) Expense. We estimate our current and deferred tax liabilities based on current tax laws in the statutory jurisdictions in which we operate. These estimates include judgments about liabilities resulting from temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. In certain jurisdictions, only the payments invoiced in the current period are subject to tax, but for accounting purposes, the discounted value of the total subscription contract is reported and tax affected. This results in a deferred tax credit which is settled in the future period when the monthly installment payment is issued and settled with the customer. Since our inception, we have not recorded any tax benefits for the net operating losses we have incurred in each year or for the research and development tax credits we generated in the United States. We believe, based upon the weight of available evidence, that it is more likely than not that all of our net operating loss carryforwards and tax credits will not be realized. Income tax (benefit) expense is recognized based on the actual taxable income or loss incurred during the three and nine months ended September 30, 2024. Non-Controlling Interests. We have minority shareholders in one jurisdiction in which we have direct operations. For accounting purposes, these minority partners are referred to as non-controlling interests, and we record the non-controlling interests' share of earnings in our subsidiaries as a separate balance within stockholders' equity in the consolidated balance sheets and consolidated statements of stockholders' equity (deficit). Results of Operations. The following tables set forth our consolidated results of operations in U.S. dollars and as a percentage of revenues for the periods indicated: Three Months Ended September 30, 2024 Nine Months Ended September 30, 2024 2023 2022 2021 2020 2019 2018 2017 2016 2015 2014 2013 2012 2011 2010 2009 2008 2007 2006 2005 2004 2003 2002 2001 2000 1999 1998 1997 1996 1995 1994 1993 1992 1991 1990 1989 1988 1987 1986 1985 1984 1983 1982 1981 1980 1979 1978 1977 1976 1975 1974 1973 1972 1971 1970 1969 1968 1967 1966 1965 1964 1963 1962 1961 1960 1959 1958 1957 1956 1955 1954 1953 1952 1951 1950 1949 1948 1947 1946 1945 1944 1943 1942 1941 1940 1939 1938 1937 1936 1935 1934 1933 1932 1931 1930 1929 1928 1927 1926 1925 1924 1923 1922 1921 1920 1919 1918 1917 1916 1915 1914 1913 1912 1911 1910 1909 1908 1907 1906 1905 1904 1903 1902 1901 1900 1909 1908 1907 1







information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and (e) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions): (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting. [SIGNATURE PAGE FOLLOWS] Date: November 13, 2024 By: /s/ Domenic Della Penna Name: Domenic Della Penna Chief Financial Officer (Principal Financial Officer) 0001437749-24-034660ex\_715031.htm Exhibit 32.1 Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Rajiv De Silva, the Chief Executive Officer of Venus Concept Inc. (the "Company"), hereby certify, that, to my knowledge: 1. The Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 (the "Report") of the Company fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and 2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. [SIGNATURE PAGE FOLLOWS] Date: November 13, 2024 By: /s/ Rajiv De Silva Name: Rajiv De Silva Chief Executive Officer (Principal Executive Officer) 0001437749-24-034660ex\_715032.htm Exhibit 32.2 Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Domenic Della Penna, the Chief Financial Officer of Venus Concept Inc. (the "Company"), hereby certify, that, to my knowledge: 1. The Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 (the "Report") of the Company fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and 2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. [SIGNATURE PAGE FOLLOWS] Date: November 13, 2024 By: /s/ Domenic Della Penna Name: Domenic Della Penna Chief Financial Officer (Principal Financial Officer)