

REFINITIV

DELTA REPORT

10-Q

APYX - APYX MEDICAL CORP

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 882

█	CHANGES	97
█	DELETIONS	510
█	ADDITIONS	275

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2023** **March 31, 2024**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-31885



APYX MEDICAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

11-2644611

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

5115 Ulmerton Road, Clearwater, FL 33760

(Address of principal executive offices, zip code)

(727) 384-2323

(Registrant's telephone number)

Securities Registered Pursuant to Section 12 (b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock	APYX	Nasdaq Stock Global Select Market LLC

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes: No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes: No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes: No

As of May 8, 2024 of November 8, 2023, 34,643,855 34,643,926 shares of the registrant's \$0.001 par value common stock were outstanding.

APYX MEDICAL CORPORATION INDEX TO QUARTERLY REPORT ON FORM 10-Q

For the quarterly period ended September 30, 2023 March 31, 2024

	Page
Part I. Financial Information	2
Item 1. Condensed Consolidated Financial Statements (Unaudited)	2
Condensed Consolidated Balance Sheets at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023	2
Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023	3
Condensed Consolidated Statements of Changes in Equity for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023	4
Condensed Consolidated Statements of Cash Flows for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023	5
Notes to Condensed Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	25 13
Item 3. Quantitative and Qualitative Disclosures about Market Risk	36 21
Item 4. Controls and Procedures	37 22
Part II. Other Information	38 23
Item 1. Legal Proceedings	38 23
Item 1A. Risk Factors	39 24
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	40 25
Item 3. Defaults Upon Senior Securities	40 25
Item 4. Mine Safety Disclosures	40 25
Item 5. Other Information	40 25
Item 6. Exhibits	41 26
Signatures	42 27

PART I. Financial Information

ITEM 1. Condensed Consolidated Financial Statements

APYX MEDICAL CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	March 31, 2024 (Unaudited)	March 31, 2024 (Unaudited)	December 31, 2023
ASSETS			
Current assets:			
Current assets:			
Current assets:			
Cash and cash equivalents			
Cash and cash equivalents			
Cash and cash equivalents			
Trade accounts receivable, net of allowance of \$605 and \$608			
	September 30, 2023 (Unaudited)	December 31, 2022	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 22,134	\$ 10,192	
Trade accounts receivable, net of allowance of \$652 and \$668	12,648	10,602	
Income tax receivables	—	7,545	
Other receivables	596	99	
Inventories, net of provision for obsolescence of \$611 and \$457	11,285	11,797	
Inventories, net of provision for obsolescence of \$880 and \$875			
Inventories, net of provision for obsolescence of \$880 and \$875			
Inventories, net of provision for obsolescence of \$880 and \$875			

Prepaid expenses and other current assets	Prepaid expenses and other current assets	3,487	2,737
Total current assets	Total current assets	50,150	42,972
Property and equipment, net		2,093	6,761
Property and equipment, net of accumulated depreciation and amortization of \$3,642 and \$3,522			
Operating lease right-of-use assets	Operating lease right-of-use assets	5,274	710
Finance lease right-of-use assets	Finance lease right-of-use assets	74	115
Other assets			
Other assets	Other assets	1,855	1,217
Total assets	Total assets	\$ 59,446	\$ 51,775
LIABILITIES AND LIABILITIES EQUITY AND EQUITY			
LIABILITIES AND EQUITY			
LIABILITIES AND EQUITY			
Current liabilities:	Current liabilities:		
Current liabilities:			
Current liabilities:			
Accounts payable			
Accounts payable			

Accounts payable	Accounts payable	\$ 2,050	\$ 2,669
Accrued expenses and other current liabilities	Accrued expenses and other current liabilities	7,914	8,928
Current portion of operating lease liabilities	Current portion of operating lease liabilities	310	216
Current portion of finance lease liabilities	Current portion of finance lease liabilities	20	37
Total current liabilities	Total current liabilities	10,294	11,850
Term loan, net		9,009	—
Long-term debt, net of debt discounts and issuance costs			
Long-term operating lease liabilities	Long-term operating lease liabilities	4,992	470
Long-term finance lease liabilities	Long-term finance lease liabilities	58	73
Long-term contract liabilities			
Long-term contract liabilities			
Long-term contract liabilities	Long-term contract liabilities	1,326	1,408
Other liabilities	Other liabilities	181	181

Total liabilities	Total liabilities	25,860	13,982
EQUITY			
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; 0 issued and outstanding as of September 30, 2023 and December 31, 2022	—	—	
Common stock, \$0.001 par value; 75,000,000 shares authorized; 34,643,855 issued and outstanding as of September 30, 2023, and 34,597,822 issued and outstanding as of December 31, 2022	35	35	
EQUITY			
EQUITY			
Preferred Stock, \$0.001 par value; 10,000,000 shares authorized; 0 issued and outstanding as of March 31, 2024 and December 31, 2023			
Preferred Stock, \$0.001 par value; 10,000,000 shares authorized; 0 issued and outstanding as of March 31, 2024 and December 31, 2023			
Preferred Stock, \$0.001 par value; 10,000,000 shares authorized; 0 issued and outstanding as of March 31, 2024 and December 31, 2023			

Common stock, \$0.001 par value; 75,000,000 shares authorized; 34,643,926 issued and outstanding as of March 31, 2024 and 34,643,888 issued and outstanding as of December 31, 2023	Additional paid-in capital	78,154	73,282
Accumulated deficit	Accumulated deficit	(44,841)	(35,735)
Total stockholders' equity		33,348	37,582
Total stockholders' equity			
Non-controlling interest	Non- controlling interest	238	211
Total equity		33,586	37,793
Total liabilities and equity	liabilities and equity	\$ 59,446	\$ 51,775

The accompanying notes are an integral part of the condensed consolidated financial statements.

APYX MEDICAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)
(In thousands, except per share data)

	Three Months Ended		Nine Months Ended		
	September 30,		September 30,		
	2023	2022	2023	2022	
Three Months Ended					
March 31,					
Three Months Ended					
March 31,					
Three Months Ended					
March 31,					
2024					
2024					
2024					
Sales					
Sales					
Sales	Sales	\$ 11,976	\$ 9,114	\$ 37,687	\$ 31,899
Cost of sales	Cost of sales	3,998	3,357	12,857	11,009
Cost of sales					
Cost of sales					
Gross profit					
Gross profit					
Gross profit	Gross profit	7,978	5,757	24,830	20,890
Other costs and expenses:	Other costs and expenses:				
Other costs and expenses:					
Other costs and expenses:					
Research and development					
Research and development					
Research and development	Research and development	1,276	1,061	3,596	3,289
Professional services	Professional services	1,831	1,936	5,165	6,611
Professional services					
Professional services					
Salaries and related costs					

Salaries and related costs					
Salaries and related costs	Salaries and related costs	4,667	3,871	14,770	13,944
Selling, general and administrative	Selling, general and administrative	4,841	4,671	15,474	14,675
Selling, general and administrative					
Selling, general and administrative					
Total other costs and expenses	Total other costs and expenses	12,615	11,539	39,005	38,519
Gain on sale-leaseback					
Total other costs and expenses					
Loss from operations					
Loss from operations					
Loss from operations	Loss from operations	(4,637)	(5,782)	(11,483)	(17,629)
Interest income	Interest income	248	73	478	93
Interest income					
Interest income					
Interest expense	Interest expense	(585)	(1)	(1,362)	(12)
Other (expense) income, net		(19)	(35)	622	551
Total other (expense) income, net		(356)	37	(262)	632
Interest expense					
Interest expense					
Other loss, net					
Other loss, net					
Other loss, net					
Total other loss, net					
Total other loss, net					
Total other loss, net					
Loss before income taxes	Loss before income taxes	(4,993)	(5,745)	(11,745)	(16,997)
Income tax (benefit) expense					
Loss before income taxes					

Loss before income taxes						
Income tax expense (benefit)						
Income tax expense (benefit)						
Income tax expense (benefit)						
Net loss						
Net loss						
Net loss	Net loss	(4,675)	(5,795)	(9,226)	(17,213)	
Net loss attributable to non-controlling interest	Net loss attributable to non-controlling interest	(46)	(31)	(120)	(78)	
Net loss attributable to non-controlling interest						
Net loss attributable to non-controlling interest						
Net loss attributable to stockholders						
Net loss attributable to stockholders						
Net loss attributable to stockholders	Net loss attributable to stockholders	\$ (4,629)	\$ (5,764)	\$ (9,106)	\$ (17,135)	
Loss per share:	Loss per share:					
Loss per share:						
Loss per share:						
Basic and diluted						
Basic and diluted						
Basic and diluted	Basic and diluted	\$ (0.13)	\$ (0.17)	\$ (0.26)	\$ (0.50)	

The accompanying notes are an integral part of the condensed consolidated financial statements.

APYX MEDICAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

(In thousands)

**Three Months Ended September
30, 2023 and 2022**

	Common Stock		Additional		Non-controlling			Total Equity
	Shares	Par Value	Paid-In	Accumulated	Interest			
			Capital	Deficit				
Balance at June 30, 2022	34,493	\$ 34	\$ 69,793	\$ (23,922)	\$ 258			\$ 46,163
Shares issued on stock options exercises for cash	62	1	156	—	—			157
Stock based compensation	—	—	1,692	—	—			1,692
Shares issued on net settlement of stock options	33	—	—	—	—			—
Net loss	—	—	—	(5,764)	(31)			(5,795)
Balance at September 30, 2022	<u>34,588</u>	<u>\$ 35</u>	<u>\$ 71,641</u>	<u>\$ (29,686)</u>	<u>\$ 227</u>			<u>\$ 42,217</u>
Balance at June 30, 2023	34,629	\$ 35	\$ 76,773	\$ (40,212)	\$ 137			\$ 36,733
Contributions from non-controlling interest	—	—	—	—	—		147	147
Shares issued on stock options exercises for cash	10	—	30	—	—			30
Stock based compensation	—	—	1,351	—	—			1,351
Shares issued on net settlement of stock options	5	—	—	—	—			—
Net loss	—	—	—	(4,629)	(46)			(4,675)
Balance at September 30, 2023	<u>34,644</u>	<u>\$ 35</u>	<u>\$ 78,154</u>	<u>\$ (44,841)</u>	<u>\$ 238</u>			<u>\$ 33,586</u>

**Nine Months Ended September
30, 2023 and 2022**

	Common Stock		Additional		Non-controlling			Total
	Shares	Par Value	Paid-In	Accumulated	Interest			
			Capital	Deficit				
Balance at December 31, 2021	34,410	\$ 34	\$ 66,221	\$ (12,551)	\$ 305			\$ 54,009
Shares issued on stock options exercises for cash	106	1	364	—	—			365
Stock based compensation	—	—	5,056	—	—			5,056
Shares issued on net settlement of stock options	72	—	—	—	—			—

Net loss	—	—	—	(17,135)	(78)	(17,213)
Balance at September 30, 2022	34,588	\$ 35	\$ 71,641	\$ (29,686)	\$ 227	\$ 42,217
Balance at December 31, 2022	34,598	\$ 35	\$ 73,282	\$ (35,735)	\$ 211	\$ 37,793
Contributions from non-controlling interest	—	—	—	—	147	147
Shares issued on stock options exercises for cash	35	—	86	—	—	86
Stock based compensation	—	—	4,200	—	—	4,200
Shares issued on net settlement of stock options	11	—	—	—	—	—
Proceeds received from issuance of warrants	—	—	586	—	—	586
Net loss	—	—	—	(9,106)	(120)	(9,226)
Balance at September 30, 2023	34,644	\$ 35	\$ 78,154	\$ (44,841)	\$ 238	\$ 33,586

Three Months Ended March 31, 2024 and 2023

	Common Stock		Additional		Non-controlling		
	Shares	Par Value	Paid-In Capital	Accumulated Deficit	Interest	Total Equity	
Balance at December 31, 2022	34,598	\$ 35	\$ 73,282	\$ (35,735)	\$ 211	\$ 37,793	
Stock based compensation	—	—	1,367	—	—	—	1,367
Proceeds from debt allocated to warrants	—	—	586	—	—	—	586
Net loss	—	—	—	(3,483)	(49)	(3,532)	
Balance at March 31, 2023	34,598	\$ 35	\$ 75,235	\$ (39,218)	\$ 162	\$ 36,214	
Balance at December 31, 2023	34,644	\$ 35	\$ 81,114	\$ (54,448)	\$ 221	\$ 26,922	
Stock based compensation	—	—	1,128	—	—	—	1,128
Net loss	—	—	—	(7,576)	(14)	(7,590)	
Balance at March 31, 2024	34,644	\$ 35	\$ 82,242	\$ (62,024)	\$ 207	\$ 20,460	

The accompanying notes are an integral part of the condensed consolidated financial statements.

APYX MEDICAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited) (In thousands)	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities		
Net loss	\$ (9,226)	\$ (17,213)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	540	688
Provision for inventory obsolescence	229	158
(Gain) loss on disposal of property and equipment	(2,656)	76
Stock based compensation	4,200	5,056
Provision for allowance for doubtful accounts	176	283
Non-cash interest expense	354	—
Non-cash lease expense	56	—
Changes in operating assets and liabilities:		
Trade receivables	(2,192)	3,273
Prepaid expenses and other assets	(698)	(521)
Income tax receivables	7,545	97
Inventories	401	(5,672)
Accounts payable	(613)	(439)
Accrued and other liabilities	(1,153)	(1,536)
Net cash used in operating activities	<hr/> (3,037)	<hr/> (15,750)
Cash flows from investing activities		
Purchases of property and equipment	(440)	(868)
Proceeds from sale of property and equipment	7,267	—
Net cash provided by (used in) investing activities	<hr/> 6,827	<hr/> (868)
Cash flows from financing activities		
Proceeds from stock option exercises	86	365
Proceeds from term loan	9,289	—
Payment of debt issuance costs	(1,754)	—
Proceeds from issuance of warrants	586	—
Repayment of finance lease liabilities	(32)	(138)
Contributions from non-controlling interest	147	—
Net cash provided by financing activities	<hr/> 8,322	<hr/> 227

Effect of exchange rates on cash	(170)	354
Net change in cash and cash equivalents	11,942	(16,037)
Cash and cash equivalents, beginning of period	10,192	30,870
Cash and cash equivalents, end of period	\$ 22,134	\$ 14,833
Cash paid for:		
Interest	\$ 834	\$ 12
Income taxes	\$ 261	\$ 128
Non cash activities:		
Right-of-use assets capitalized and operating lease liabilities recognized upon execution of lease	\$ 4,917	\$ —
Right-of-use assets capitalized and operating lease liabilities recognized upon lease modification	\$ —	\$ 769
Right-of-use assets capitalized and finance lease liabilities recognized upon execution of lease	\$ —	\$ 103
Right-of-use assets and finance lease liabilities derecognized upon execution of lease modification	\$ —	\$ 28
	Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities		
Net loss	\$ (7,590)	\$ (3,532)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	157	203
Provision for inventory obsolescence	7	—
Loss on disposal of property and equipment	20	—
Stock based compensation	1,128	1,367
Allowance for credit losses	—	(142)
Non-cash lease expense	31	—
Non-cash interest expense	221	67
Changes in operating assets and liabilities:		
Trade receivables	1,478	837
Prepaid expenses and other assets	241	858
Income tax receivables	—	(207)
Inventories	138	879
Accounts payable	(599)	(776)
Accrued expenses and other liabilities	(1,573)	(1,435)

Net cash used in operating activities	(6,341)	(1,881)
Cash flows from investing activities		
Purchases of property and equipment	(35)	(110)
Net cash used in investing activities	(35)	(110)
Cash flows from financing activities		
Proceeds from long-term debt	—	9,289
Payment of debt issuance costs	—	(1,754)
Proceeds from debt allocated to warrants	—	586
Repayment of finance lease liabilities	(5)	(9)
Net cash (used in) provided by financing activities	(5)	8,112
Effect of exchange rates on cash	11	(58)
Net change in cash and cash equivalents	(6,370)	6,063
Cash and cash equivalents, beginning of period	43,652	10,192
Cash and cash equivalents, end of period	\$ 37,282	\$ 16,255
Cash paid for:		
Interest	\$ 1,175	\$ 1
Income taxes	6	125

The accompanying notes are an integral part of the condensed consolidated financial statements.

APYX MEDICAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. BASIS OF PRESENTATION

Apyx Medical Corporation (“Company”, “Apyx”, “it” and similar terms) was incorporated in 1982, under the laws of the State of Delaware and has its principal executive office at 5115 Ulmerton Road, Clearwater, FL 33760.

The Company is an advanced energy technology company with a passion for elevating people's lives through innovative products, including its Helium Plasma Technology products marketed and sold as Renuvion® in the cosmetic surgery market and J-Plasma® in the hospital surgical market. Renuvion® Renuvion and J-Plasma® J-Plasma offer surgeons a unique ability to provide controlled heat to tissue to achieve their desired results. The Company also leverages its deep expertise and decades of experience in unique waveforms through OEM agreements with other medical device manufacturers.

As part of its plan to accelerate and fully fund the development of its advanced energy business, with a focus in the cosmeticsurgery market, the Company sold its Core business in 2018 for gross proceeds of \$97 million. These proceeds were used to launch broad marketing and sales initiatives which resulted in rapid sales growth through December 31, 2021 and into the first quarter of 2022. This planned growth in the business was accompanied by scaled operations, including procurement of components, expanded manufacturing capacity to turn those materials into saleable inventory, additional discretionary expenditures, including increased global participation at trade shows, additional employee trainings, user meetings, increased travel and entertainment expenses, more expansive research and development projects, and additional headcount to support those activities. Additionally, the Company had, and still has, some significant non-recurring discretionary expenditures associated with completing its multi-year marketing initiatives related to its dermal resurfacing and skin laxity clearances.

On March 14, 2022, the U.S. Food and Drug Administration ("FDA") posted a Medical Device Safety Communication ("Safety Communication"). The FDA warned against the use of Renuvion/J-Plasma for procedures intended to improve the appearance of the skin through dermal resurfacing (a procedure on the skin to treat wrinkles) or skin contraction (a procedure under the skin that can be performed either alone or in combination with liposuction to achieve skin effects, such as "tightening"). At that time, the Renuvion/J-Plasma device system was FDA cleared for general use of cutting, coagulation, and ablation of soft tissue during open and laparoscopic surgical procedures, but had not yet been determined to be safe or effective for any aesthetic skin procedures (procedures intended to improve the appearance of the skin). Following the Safety Communication, the Company experienced slowed demand for the adoption of its Helium Plasma Technology.

On May 26, 2022, the Company announced that it received 510(k) clearance from the FDA for the use of the Renuvion® Dermal Handpiece for certain dermal resurfacing procedures, specifically, for the treatment of moderate to severe wrinkles and rhytides, limited to patients with Fitzpatrick Skin Types I, II or III.

On June 2, 2022, the FDA updated the Safety Communication to inform consumers and healthcare providers about the new 510(k) clearance for the Renuvion® device system for certain dermal resurfacing procedures.

On July 18, 2022, the Company announced that it received 510(k) clearance from the FDA for the use of the Renuvion® APR Handpiece for use in subcutaneous dermatological and aesthetic procedures to improve the appearance of lax (loose) skin in the neck and submental (under the chin) region.

On July 21, 2022, the FDA updated the Safety Communication to inform consumers and healthcare providers about the clearance for the Renuvion® APR handpieces for use under the skin in certain procedures intended to improve the appearance of loose skin.

On February 27, 2023, the Company announced that it received 510(k) clearance from the FDA for the use of the Renuvion® APR Handpiece for the delivery of radiofrequency energy and/or helium plasma where coagulation/contraction of soft tissue is needed. Soft tissue includes subcutaneous tissue.

On April 28, 2023, the Company announced that it received 510(k) clearance from the FDA for the use of the Renuvion® APR Handpiece for coagulation of subcutaneous soft tissues following liposuction for aesthetic body contouring.

On May 10, 2023, the FDA updated the Safety Communication to inform consumers and healthcare providers about the clearance for the Renuvion® APR handpiece for use under the skin in certain procedures intended to improve the appearance of the skin, including for coagulation of subcutaneous soft tissues following liposuction for aesthetic body contouring.

APYX MEDICAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

The May 10, 2023 FDA update to the Safety Communication addresses the issues set forth in the original Safety Communication from March 14, 2022. Management believes that receiving these additional clearances and the corresponding updates to the Safety Communication since March 14, 2022 should assist in mitigating the financial effects of the Safety Communication in future periods.

The accompanying unaudited condensed consolidated financial statements have been prepared assuming based upon SEC rules that permit reduced disclosure for interim periods. For a more complete discussion of significant accounting policies and certain other information, please refer to the Company will continue as a going concern. The going concern basis of presentation assumes that the Company will continue in operation one year after the date these consolidated financial statements are issued and will be able to realize its assets and discharge its liabilities and commitments included in the normal course Company's Annual Report on Form 10-K for the year ended December 31, 2023. In the opinion of business.

Pursuant to the requirements of the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") Topic 205-40, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, management must evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year from the date these unaudited condensed consolidated financial statements reflect all adjustments that are issued. This evaluation does not take into consideration necessary for a fair presentation of results of consolidated operations and financial condition for the potential mitigating effect of management's plans that have not been fully implemented or interim periods shown, including normal recurring accruals and other items. The results for the interim periods are not within control necessarily indicative of results for the Company as of the date the unaudited condensed consolidated financial statements are issued. When substantial doubt exists under this methodology, management evaluates whether the mitigating effect of its plans sufficiently alleviates substantial doubt about the Company's ability to continue as a going concern. The mitigating effect of management's plans, however, is only considered if both (1) it is probable that the plans will be effectively implemented within one year after the date that the financial statements are issued, and (2) it is probable that the plans, when implemented, will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued full year.

While sales were continuing to grow into the first quarter of 2022 prior to the FDA Safety Communication, over the last few years, exclusive of the Company's sale of the Core business segment to Symmetry Surgical during

2018, the Company has incurred recurring net losses and cash outflows from operations and the Company anticipates that losses will continue in the near term. During the year ended December 31, 2022, the Company incurred an operating loss of \$23.6 million and used \$20.3 million of cash in operations. During the nine months ended September 30, 2023, the Company incurred an operating loss of \$11.5 million and used \$11.1 million of cash in operations exclusive of the receipt of the Company's tax refund, including interest, of approximately \$8.1 million. As of September 30, 2023, the Company had cash and cash equivalents of \$22.1 million, of which the Company must maintain \$10.0 million under its Credit Agreement. These conditions raise substantial doubt about the Company's ability to continue as a going concern for a period of at least one year from the date of issuance of these unaudited condensed consolidated financial statements.

In an effort to alleviate these conditions, the Company pursued various funding solutions in order to improve liquidity.

On November 22, 2022, the Company filed a shelf registration statement providing it the ability to register securities in the aggregate amount up to \$100 million. The shelf registration included an embedded ATM facility for up to \$40 million. To date, the Company has not utilized this facility.

On February 17, 2023, the Company entered into a Credit, Security and Guaranty Agreement (the "MidCap Credit Agreement") with MidCap Funding IV Trust (as agent), and MidCap Financial Trust (as term loan servicer), and the lenders party thereto from time to time.

The MidCap Credit Agreement provided for an up to \$35 million facility, consisting of senior secured term loans and a secured revolving facility. The Credit Agreement provided for senior secured term loans of up to \$25 million, comprised of (i) an initial tranche of \$10 million, (ii) a second tranche of \$5 million, and (iii) a third tranche of \$10 million. The secured revolving facility provided for loans in an aggregate principal amount of up to \$10 million, subject to a borrowing base equal to certain percentages of the Company's eligible accounts receivable and inventory, as determined in accordance with the terms of the MidCap Credit Agreement.

On November 8, 2023, the Company entered into a Credit and Guaranty Agreement (the "Perceptive Credit Agreement"), by and among the Company (as borrower), Apyx China Holding Corp. and Apyx Bulgaria EOOD, the Company's wholly-owned subsidiaries (as subsidiary guarantors), and Perceptive Credit Holdings IV, LP (as initial lender and administrative agent) ("Perceptive"), and the lenders from time to time party thereto.

APYX MEDICAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

The Perceptive Credit Agreement provides for a facility of up to \$45 million, consisting of senior secured term loans. The Perceptive Credit Agreement provides for (i) an initial loan of \$37.5 million and (ii) a delayed draw loan of \$7.5 million.

For a more in depth description of the terms of the MidCap Credit Agreement and the Perceptive Credit Agreement, see Note 7.

On February 27, 2023, the Company's Board of Directors approved a plan to sell and leaseback the Company's real property located in Clearwater, FL. On March 14, 2023, the Company entered into a Purchase and Sale Agreement (the "Purchase Agreement") with VK Acquisitions VI, LLC (the "Purchaser"), for the sale of the Company's facility located at 5115 Ulmerton Road, Clearwater, Florida, as more fully described in the Purchase Agreement (collectively, the "Property") for a purchase price of \$7,650,000. On May 8, 2023, the Company closed on the Purchase Agreement and concurrently executed a 10-year agreement to leaseback the underlying Property from the Purchaser.

For a more in depth description of the terms of the Purchase Agreement, see Notes 4 and 5.

During January 2023, the Company was notified that the IRS examination process of our 2018, 2019 and 2020 tax returns was complete and that the Company's tax refunds were approved for approximately \$0.2 million more than the amount recorded in the Company's Consolidated Balance Sheet at December 31, 2022. On August 10, 2023, the Company received \$8.1 million from the IRS, which included approximately \$0.4 million of interest on the \$7.7 million income tax refunds. **Reclassifications**

The Company also re-assessed its operating expenditures has reclassified certain amounts presented in the prior period to conform to the current period presentation. These amounts primarily relate to management salaries that were previously included within salaries and cost structure related costs and made adjustments in light of expected levels of revenue. This are now included reducing some operating expenditures, including a reduction-in-force within research and development. These reclassifications had no impact on January 9, 2023, that reduced previously reported net loss, accumulated deficit or cash flows for the Company's U.S. headcount by 14%.

Management believes that the actions already taken, including replacing the MidCap Credit Agreement with the Perceptive Credit Agreement, alleviate the conditions that raised substantial doubt about the Company's ability to continue as a going concern for a period of at least one year from the date of issuance of its unaudited condensed consolidated financial statements. **periods presented.**

NOTE 2. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. The update changes the impairment model for most financial assets and certain other instruments, including trade and other receivables, contract assets, held-to-maturity debt securities and loans, and requires entities to use a new forward-looking expected loss model that will result in the earlier recognition of allowance for losses. This update, as originally issued, was effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842) Effective Dates*, which deferred the effective dates of these standards for Smaller Reporting Companies until fiscal years beginning after December 15, 2022. The Company adopted the new standard on January 1, 2023 and its impact was not material to the Company.

No other new accounting pronouncement issued or effective during the fiscal year had or is expected to have a material impact on our the Company's condensed consolidated financial statements or disclosures.

NOTE 3. INVENTORIES

Inventories consisted of the following:

(In thousands)	March 31,	December 31,
	2024	2023
Raw materials	\$ 3,941	\$ 4,112
Work in process	2,338	2,257
Finished goods	4,396	4,429
Gross inventories	10,675	10,798
Less: provision for obsolescence	(880)	(875)
Inventories, net	\$ 9,795	\$ 9,923

APYX MEDICAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

NOTE 3. INVENTORIES

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a first in, first out basis. Finished goods and work-in-process inventories include material, labor and overhead costs. Factory overhead costs are primarily allocated to inventory manufactured in-house based upon direct labor hours.

Inventories consisted of the following:

(In thousands)	September 30,	December 31,
	2023	2022
Raw materials	\$ 4,578	\$ 4,979
Work in process	2,522	2,160
Finished goods	4,796	5,115
Gross inventories	11,896	12,254
Less: provision for obsolescence	(611)	(457)
Inventories, net	\$ 11,285	\$ 11,797

APYX MEDICAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

NOTE 4. PROPERTY AND EQUIPMENT

<i>(In thousands)</i>	September		December 31, 2022
	30, 2023 (Unaudited)	2022	
Land	\$ —	\$ 1,600	1,600
Building and improvements	—	4,426	4,426
Machinery and equipment	2,635	2,613	2,613
Furniture and fixtures	216	211	211
Computer equipment and software	1,079	1,420	1,420
Leasehold improvements	178	178	178
Molds	1,017	847	847
Total property, plant and equipment	5,125	11,295	11,295
Less: accumulated depreciation and amortization	(3,489)	(5,041)	(5,041)
Property and equipment in service	1,636	6,254	6,254
Construction in progress	457	507	507
Property and equipment, net	\$ 2,093	\$ 6,761	\$ 6,761

In an effort to improve liquidity and the balance sheet condition of the Company, management explored options to leverage the Company's unencumbered real property. On February 27, 2023, the Company's Board of Directors approved a plan to sell and leaseback the Company's real property located in Clearwater, FL.

On March 14, 2023, the Company entered into a Purchase and Sale Agreement (the "Purchase Agreement") with VK Acquisitions VI, LLC (the "Purchaser"), for the sale of the Company's facility located at 5115 Ulmerton Road, Clearwater, Florida, as more fully described in the Purchase Agreement (collectively, the "Property") for a purchase price of \$7,650,000.

On May 8, 2023, the Company closed on the Purchase Agreement and concurrently executed a 10-year agreement to leaseback the underlying Property from the Purchaser (see Note 5). The Company received net cash proceeds of approximately \$6,600,000, after withholding the security deposit of approximately \$0.6 million, equal to one year's rent, taxes, first months rent, expenses, and fees. The \$2,700,000 gain on this transaction is presented in gain on sale-leaseback in the accompanying Condensed Consolidated Statement of Operations for the nine months ended September 30, 2023.

APYX MEDICAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

NOTE 5. LEASES

Operating Leases

The Company leases its facility in Sofia, Bulgaria and computers under non-cancelable operating lease agreements. These operating leases have terms expiring through December 2027.

In connection with the terms of the Purchase Agreement (see Note 4), during May 2023, the Company entered into a Single Tenant Industrial Building Lease (the "Lease"), pursuant to which the Property was leased back to the Company. The Lease has an initial term of ten (10) years commencing from the closing (the "Initial Term"), and a renewal term of five (5) years, exercisable at the Company's option. The annual fixed rent is \$619,500 for the first year of the Initial Term, and is subject to a 4% escalation every year thereafter through the Initial Term. Rent will be reset to the current market rate should the Company exercise the renewal option. The Lease provides for a 3% management fee on rent payments throughout the Initial Term and optional renewal term.

The Lease is a triple net lease, pursuant to which all costs, expenses, and obligations relating to the Property, including, repair and maintenance charges, utility charges, real estate taxes or other taxes that may be imposed that relate to the Property, shall be paid by the Company. In addition, the Lease contains other customary terms and provisions generally contained within leases of this type.

Information about the Company's weighted average remaining operating lease terms and discount rate assumptions are as follows:

	September 30, 2023	December 31, 2022
Weighted average remaining lease term (in years)	9.2	4.4
Weighted average discount rate	8.42%	2.54%

Maturities of operating lease liabilities as of September 30, 2023 are as follows:

(In thousands)	
2023	\$ 190
2024	773
2025	799
2026	826
2027	855
Thereafter	4,516
Total lease payments	7,959
Less imputed interest	(2,657)
Present value of lease liabilities	5,302
Less current portion of lease liabilities	(310)

Long-term portion of lease liabilities	\$ 4,992
--	----------

APYX MEDICAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

NOTE 6.4. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

		September December			March 31, 2024	December 31, 2023
(in thousands)	(in thousands)	30, 2023	31, 2022	(in thousands)		
Accrued payroll		\$ 879	\$ 563			
Accrued payroll and related costs						
Accrued bonuses	Accrued bonuses	1,188	—			
Accrued commissions	Accrued commissions	1,183	847			
Accrued product warranties	Accrued product warranties	386	391			
Accrued product liability claim	Accrued product liability claim					
Accrued insurance deductibles	Accrued insurance deductibles	2,060	1,825			
Accrued professional fees and legal related contingent liabilities	Accrued professional fees and legal related contingent liabilities	607	901			
Joint and several payroll liability		—	345			

Short-term contract liabilities	Short-term contract liabilities	712	853
Uncertain tax positions		—	2,079
Sales tax payable		245	245
Other accrued expenses and current liabilities			
Other accrued expenses and current liabilities			
Other accrued expenses and current liabilities	Other accrued expenses and current liabilities	654	879
Total accrued expenses and other current liabilities	Total accrued expenses and other current liabilities	\$ 7,914	\$ 8,928

During April 2023, the Company was relieved of the remainder of its joint and several payroll liability due to the lapse of the statute of limitations. This adjustment is included in other (expense) income, net for the nine months ended September 30, 2023.

APYX MEDICAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

NOTE 7.5. DEBT

The Company's outstanding debt with Perceptive Credit Holdings IV, LP (as initial lender and administrative agent) ("Perceptive Credit Agreement") at March 31, 2024 and December 31, 2023 bears interest at a floating rate based on one-month SOFR, subject to a floor of 5.0%, plus 7.0% (12.3% at March 31, 2024). Included in interest expense for the three and nine months ended September 30, 2023 March 31, 2024 are \$36,000 and \$87,000, respectively, \$65,000 of amortization of the debt issuance costs and \$81,000 \$156,000 of amortization of the debt discounts on outstanding debt. Included in interest expense for the three months ended March 31, 2023 are \$29,000 of amortization of the debt issuance costs and \$198,000, respectively, \$38,000 of amortization of the debt discounts including accretion of the exit fee on the term loan. Included in interest expense for the three and nine months ended September 30, 2023 are

\$25,000 and \$62,000, respectively, of amortization of the debt issuance costs and \$3,000 and \$7,000, respectively, of amortization of the debt discount on the revolving facility. Company's prior credit agreement.

The Company's term loan, net consists of the following at September 30, 2023:

<i>(In thousands)</i>	
Term loan	\$ 10,000
Unamortized debt issuance costs	(414)
Unamortized debt discount, including accretion of exit fee	(577)
Term loan, net	\$ 9,009

The term loan, net was paid in full on November 8, 2023 in connection with the execution of the Perceptive Credit Agreement. The Company is still determining the appropriate accounting treatment for the MidCap Credit Agreement and Perceptive Credit Agreement. While the Perceptive Credit Agreement contains a subjective acceleration clause, management has determined that there is remote probability that Perceptive would accelerate of the obligations under the subjective acceleration clause. Accordingly, term loan, net has been presented as a long term liability in the accompanying condensed consolidated balance sheet as of September 30, 2023. The Company expects to record a loss on extinguishment of the MidCap Credit Agreement of approximately \$2.5 A \$7.5 million in connection with the write-off of unamortized debt issuance costs, debt discounts and unamortized debt premiums.

MIDCAP CREDIT AGREEMENT

On February 17, 2023, the Company entered into a Credit, Security and Guaranty Agreement (the "MidCap Credit Agreement"), by and among the Company (as borrower) and Apyx China Holding Corp., the Company's wholly-owned subsidiary (as guarantor), and MidCap Funding IV Trust (as agent), and MidCap Financial Trust (as term loan servicer), and the lenders party thereto from time to time (collectively "MidCap").

The MidCap Credit Agreement provided for an up to \$35 million facility, consisting of senior secured term loans and a secured revolving facility. The MidCap Credit Agreement provided for senior secured term loans of up to \$25 million, comprised of (i) an initial tranche of \$10 million, (ii) a second tranche of \$5 million, and (iii) a third tranche of \$10 million. The secured revolving facility provided for loans in an aggregate principal amount of up to \$10 million, subject to a borrowing base equal to percentages of eligible accounts receivable and inventory determined in accordance with the MidCap Credit Agreement. The MidCap Credit Agreement was to mature on February 1, 2028. The outstanding borrowings under the MidCap Credit Agreement were repaid in full using proceeds from the execution of the Perceptive Credit Agreement.

Term Loans

The initial tranche of \$10 million was fully funded on February 17, 2023 less transaction costs. Subject to certain terms and conditions of the MidCap Credit Agreement, the second tranche would be available between June 30, 2023 and December 31, 2023 and the third tranche would be available between January 1, 2024 and September 30, 2024.

respectively. The Company's ability to access these additional tranches was conditioned upon, among other things, the achievement of certain minimum revenue targets.

Each term loan bore interest at a floating rate reset monthly based on an adjusted one month SOFR plus 0.1%, subject to a floor of 2.5%, plus 7.35% calculated on a 360 day basis (12.8% at September 30, 2023). Interest was payable monthly in arrears on the first day of each month.

The first twenty-four (24) months of the term loans constituted an interest-only period (with a possible twelve (12) month extension). Subsequent to the interest-only period, the outstanding principal amount of the term loans was to be repayable in thirty-six (36) equal monthly payments (or twenty-four (24) with the extension). All remaining outstanding principal, together with all accrued and unpaid interest, was to be due at maturity on February 1, 2028. The term loans could be voluntarily prepaid in full, or in part, at any time, subject to terms and conditions set forth in the MidCap Credit Agreement. Additionally, the term loans were subject to mandatory prepayment fees, pursuant to the terms of the MidCap Credit Agreement. Prepayments of the

APYX MEDICAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

term loans are subject to fees of 3%, 2%, and 1% of the prepayment amounts made during the first year, second year, and thereafter, respectively. At the time of the final payment of the term loans, the Company was also obligated to pay an exit fee of 4% of the total amount funded thereunder. The exit fee was being accreted over the life of the MidCap Credit Agreement utilizing the effective interest method. In connection with the satisfaction of the MidCap Credit Agreement, the Company paid MidCap a prepayment fee of 3% and the full 4% exit fee with proceeds from the Perceptive Credit Agreement discussed below.

As the MidCap Credit Agreement contained a subjective acceleration clause and the Company has experienced recurring losses, outstanding borrowings have been presented as a current liability in the accompanying condensed consolidated balance sheet as of September 30, 2023.

Revolving Facility

The Company could borrow, repay and reborrow under the revolving facility until February 1, 2028, at which time the facility would terminate and all outstanding amounts thereunder, including all accrued and unpaid interest, must have been repaid. Borrowings were limited to the lesser of the Company's borrowing base and the revolving commitment of \$10,000,000.

In connection with the revolving facility, the Company was required to maintain a lockbox account for the benefit of MidCap. Funds deposited into the lockbox account were swept daily to MidCap and applied to outstanding borrowings under the revolving agreement 5 days after the receipt of the funds by MidCap. Any balances in excess of the revolving borrowings were promptly returned to the Company.

Loans made under the revolving facility bore interest at a floating rate based on an adjusted one month SOFR plus 0.1%, subject to a floor of 2.5%, plus 4.00% calculated on a 360 day basis (9.4% at September 30, 2023). The

Company was obligated to pay a fee equal to 0.5% per annum on the outstanding balance of the revolving loans and the average unused portion of the available revolving commitments, respectively. Additionally, if the revolving facility was terminated or reduced before maturity, the Company was subject to a deferred origination fee. Terminations and reductions of the commitments were subject to fees of 3%, 2%, and 1% of the terminated or reduced commitments during the first year, second year, and thereafter, respectively. The Company was also required to maintain a minimum balance of 30% of the lesser of the borrowing base or \$10 million under the revolving facility. If the average outstanding balance for a month was less than the minimum balance, the Company paid a minimum balance fee for the difference between the minimum balance and the average outstanding balance for the month at the highest rate for the revolving loans during the month. For such loans, interest and fees were payable monthly on the first day of each month. In connection with the satisfaction of the MidCap Credit Agreement, the Company paid MidCap a deferred origination fee of 3% of the revolving commitment with proceeds from the Perceptive Credit Agreement discussed below.

As of September 30, 2023, the Company had drawn no amounts on the revolving facility. As of September 30, 2023, the Company had approximately \$7,800,000 available to be drawn on the revolving facility. As the MidCap Credit Agreement contained a subjective acceleration clause and the Company was required to maintain a lockbox, any amounts drawn on the revolving facility would be presented as a current liability in the consolidated balance sheet.

Collateral

The obligations of the Company under the MidCap Credit Agreement were secured by first priority liens on substantially all of its assets.

Covenants

The MidCap Credit Agreement contained customary affirmative and negative covenants, including covenants limiting the ability of the Company and its subsidiaries, among other things, to incur debt, grant liens, make distributions, enter certain restrictive agreements, pay or modify subordinated debt, dispose of assets, make investments and acquisitions, enter into certain transactions with affiliates, and undergo certain fundamental changes, in each case, subject to limitations and exceptions.

The MidCap Credit Agreement also required the Company to satisfy certain financial covenants, including minimum trailing twelve (12) month net revenue targets relating to its Advanced Energy segment (tested quarterly), with year-end targets of \$49 million, \$60 million and \$70 million for 2023, 2024, and 2025, respectively. Additionally, the Company had to maintain a balance of \$10 million in cash and cash equivalents during the duration of the MidCap Credit Agreement's term.

As of September 30, 2023, the Company was not in compliance with the minimum trailing twelve month net revenue financial covenant. As a result of the repayment of amounts outstanding under the MidCap Credit Agreement with proceeds from the Perceptive Credit Agreement discussed below, there were no implications to the Company from this event of noncompliance.

APYX MEDICAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

Events of Default

The MidCap Credit Agreement also contained customary Events of Default that include, among other things, certain payment defaults, cross defaults to certain other contracts and indebtedness, covenant defaults, inaccuracy of representations and warranties, bankruptcy and insolvency defaults, judgment defaults, change of control defaults, defaults related to the failure to remain registered with the Securities and Exchange Commission and listed for trading on the Nasdaq Stock Market, and any material adverse change.

Upon the occurrence and during the continuance of an Event of Default under the MidCap Credit Agreement, the respective administrative agent, if requested by the respective lenders, could, among other things, (i) suspend or terminate commitments, as well as obligations of the relevant administrative agent and lenders, (ii) declare all outstanding obligations under the agreement (including principal and accrued and unpaid interest) immediately due and payable, and (iii) exercise the other rights and remedies provided for under the agreement. The MidCap Credit Agreement provided that, under certain circumstances, a default interest rate would apply on all obligations under such agreement during the existence of an Event of Default, at a per annum rate equal to 2% in excess of the applicable interest rate.

The Company bifurcated a derivative liability related to the potential acceleration triggered upon an event of default (contingent put option) and the supplemental interest upon an event of default features of the MidCap Credit Agreement. The bifurcated derivative is de minimis to the Company's unaudited condensed consolidated financial statements.

Issuance of Warrants

In connection with the Company's obligations under the MidCap Credit Agreement, the Company issued to a statutory trust of MidCap Financial warrants to purchase up to 250,000 shares of its common stock, par value \$0.001, with an exercise price of \$3.40 per share.

The warrants have a 10 year term and can be exercised by issuing payment to the Company for the number of warrants exercised or exercised net by surrendering warrants with an intrinsic value equal to the cumulative exercise price of the warrants being exercised.

The Company determined that these warrants meet the criteria for equity classification and included the proceeds allocated to the warrants, on a relative fair value basis, as a debt discount and additional paid-in capital in the accompanying condensed consolidated financial statements.

Debt Issuance Costs

In connection with entering into the MidCap Credit Agreement, the Company incurred debt issuance costs of approximately \$1.8 million, comprised primarily of commissions paid to the financial advisor. These costs were allocated to the issued and unissued term loans and the revolving facility. The costs allocated to the issued term loan

were being amortized using the effective interest method over the life of the loan. The costs allocated to the unissued term loans have been deferred and were being amortized over the life of the term loans starting at the issuance date. The Company recognized the deferred costs at the point that the Company's rights to borrow on the term loans expired. The costs allocated to the revolving facility were to be recognized on a straight-line basis over the term of the MidCap Credit Agreement. The Company expects to recognize all unamortized costs in loss on extinguishment of the MidCap Credit Agreement.

The costs allocated to the issued term loan have been presented as a reduction of the term loan in the accompanying unaudited condensed consolidated balance sheet. The costs allocated to the unissued term loans and the revolving facility have been presented in prepaid expenses and other current assets in the accompanying unaudited condensed consolidated balance sheet.

PERCEPTIVE CREDIT AGREEMENT

On November 8, 2023, the Company entered into a Credit and Guaranty Agreement (the "Perceptive Credit Agreement"), by and among the Company (as borrower), Apyx China Holding Corp. and Apyx Bulgaria EOOD, the Company's wholly-owned subsidiaries (as subsidiary guarantors), and Perceptive Credit Holdings IV, LP (as initial lender and administrative agent) ("Perceptive"), and the lenders from time to time party thereto.

The Perceptive Credit Agreement provides for a facility of up to \$45 million, consisting of senior secured term loans. The Perceptive Credit Agreement provides for (i) an initial loan of \$37.5 million and (ii) a delayed draw loan of \$7.5 million. The Credit Agreement matures on November 8, 2028.

APYX MEDICAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

Loans

The initial loan of \$37.5 million was fully funded on November 8, 2023, with approximately \$11.0 million of the proceeds used to payoff the obligations under the MidCap Credit Agreement, including approximately \$1.0 million of related prepayment penalties and exit fees, and \$2.5 million for transaction fees and other expenses incurred in connection with the Perceptive Credit Agreement, which includes a 2% fee of the total facility payable to Perceptive at closing. The delayed draw loan is available until December 31, 2024, conditioned upon, among other things, the achievement of a minimum revenue target. After repayment of If drawn, the MidCap Credit Agreement and payment of transaction fees and other expenses in connection with the Perceptive Credit Agreement, the net proceeds of these loans loan will be used for working capital and general corporate purposes.

The initial loan and delayed draw loan bear interest at a floating rate based on one-month SOFR, subject to a floor of 5.0%, plus 7.0%. The first forty-eight (48) months of the loans constitute an interest-only period, with interest payable monthly on the last day of each month. Subsequent to the interest-only period, the outstanding principal amount of the loans is repayable in monthly payments of 3% of the outstanding balance on the payment date. All remaining outstanding principal, together with all accrued and unpaid interest, is due at maturity. The loans may be voluntarily

prepaid in full, or in part, at any time, subject to terms and conditions set forth in the Perceptive Credit Agreement. Additionally, the loans are subject to mandatory prepayment obligations, pursuant to the terms of the Perceptive Credit Agreement. Prepayments of the loans are subject to fees of 10%, 9%, 6%, 4% and 2% of the prepayment amounts made during the first year, second year, third year, fourth year, and thereafter, respectively.

Collateral

The obligations of the Company under the Perceptive Credit Agreement are secured by first priority liens on substantially all of its assets.

Covenants

The Perceptive Credit Agreement debt contains customary affirmative and negative covenants, including covenants limiting the ability of the Company and its subsidiaries, among other things, to incur debt, grant liens, make distributions, enter certain restrictive agreements, pay or modify subordinated debt, dispose of assets, make investments and acquisitions, enter into certain transactions with affiliates, and undergo certain fundamental changes, in each case, subject to limitations and exceptions set forth in the Perceptive Credit Agreement. The Perceptive Credit Agreement also requires the Company to satisfy certain financial covenants, including minimum trailing twelve month net revenue targets relating to its Advanced Energy segment (tested quarterly), with year-end targets of \$41.6 million, \$57.0 million, \$70.2 million, and \$87.8 million for 2024, 2025, 2026, and 2027, respectively. Additionally, the Company must maintain a balance of \$3 million in cash and cash equivalents during the duration of the Perceptive Credit Agreement's term.

Events As of Default March 31, 2024, the Company was in compliance with the financial covenants contained within the Perceptive Credit Agreement.

The Perceptive Credit Agreement also contains customary Events of Default (as defined in the Perceptive Credit Agreement) that include, among other things, certain payment defaults, cross defaults to certain other contracts and indebtedness, covenant defaults, inaccuracy of representations and warranties, bankruptcy and insolvency defaults, judgment defaults, change of control defaults, defaults related to the failure to remain registered with the Securities and Exchange Commission and listed for trading on the Nasdaq Stock Market, and any material adverse change.

Upon the occurrence and during the continuance of an Event of Default under the Perceptive Credit Agreement, the administrative agent, if requested by the respective lenders, may, among other things, (i) terminate commitments, (ii) declare all outstanding obligations under the agreement (including principal and accrued and unpaid interest) immediately due and payable, and (iii) exercise the other rights and remedies provided for under the agreement. The Perceptive Credit Agreement provides that, under certain circumstances, a default interest rate will apply on all obligations upon the occurrence and during the existence of an Event of Default, at a per annum rate equal to 3% in excess of the applicable interest rate.

Issuance of Warrants

In connection with the Company's initial term loan under the Perceptive Credit Agreement, net consists of the Company issued Perceptive warrants to purchase up to 1,250,000 shares of its common stock, par value \$0.001, with an

exercise price of \$2.43 per share. Upon the following:

(In thousands)	March 31,		December 31,	
	2024	2023		
Term loan	\$ 37,500	\$ 37,500		
Unamortized debt issuance costs	(1,175)	(1,240)		
Unamortized debt discount	(2,919)	(3,075)		
Term loan, net	\$ 33,406	\$ 33,185		

APYX MEDICAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

As of March 31, 2024, principal repayments on the debt are as follows:

issuance of the delayed draw loan, if applicable, the Company will issue Perceptive warrants to purchase up to 250,000 shares of its common stock, par value \$0.001, with an exercise price of equal to the 10-day volume weighted average sale price from the preceding business day.

(In thousands)	\$	—
2024	\$ —	—
2025	\$ —	—
2026	\$ —	—
2027	\$ 2,216	—
2028	\$ 35,284	—
Total repayments	\$ 37,500	\$ 37,500

APYX MEDICAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

NOTE 8.6. CHINA JOINT VENTURE

In 2019, the Company executed a joint venture agreement with its Chinese supplier (the "China JV") whereby the Company has a 51% ownership interest. The China JV has been consolidated in these condensed consolidated financial statements. The agreement required the Company to make capital contributions into the newly formed entity of approximately \$357,000, of which approximately \$203,000 and \$154,000, respectively, were contributed during the years ended December 31, 2021 and 2020, made in prior years. In June 2023, the Company executed an amendment to the joint venture agreement to increase the amount of its registered capital. The amendment requires the Company to make additional capital contributions to the China JV of \$255,000, of which \$153,000 has been made as of

September 30, 2023 March 31, 2024. As of the date of these condensed consolidated financial statements, the joint venture has not commenced principal operations.

Changes in the Company's ownership investment in the China JV were as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		Three Months Ended March 31,		Three Months Ended March 31,	
		Three Months Ended March 31,		Three Months Ended March 31,	
(In thousands)					
(In thousands)	(In thousands)	2023	2022	2023	2022
Beginning interest in China JV	Beginning interest in China JV	\$ 142	\$ 269	\$ 219	\$ 317
Contributions		\$ 153	\$ —	\$ 153	\$ —
Beginning interest in China JV					
Beginning interest in China JV					
Net loss attributable to Apyx	Net loss attributable to Apyx	\$ (48)	\$ (33)	\$ (125)	\$ (81)
Net loss attributable to Apyx					
Net loss attributable to Apyx					
Ending interest in China JV					
Ending interest in China JV					
Ending interest in China JV	Ending interest in China JV	\$ 247	\$ 236	\$ 247	\$ 236

NOTE 9.7. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share ("basic EPS") is computed by dividing the net income or loss by the weighted average number of common shares outstanding for the reporting period. Diluted earnings (loss) per share ("diluted EPS") gives effect to all dilutive potential shares outstanding. As the Company is in a net loss position for all periods presented, all potential shares outstanding are anti-dilutive. The following table provides the computation of basic and diluted loss per share.

Three Months Ended September 30,		Nine Months Ended September 30,	
----------------------------------	--	---------------------------------	--

		Three Months Ended March 31,		Three Months Ended March 31,		Three Months Ended March 31,	
(in thousands, except per share data)	(in thousands, except per share data)						
(in thousands, except per share data)	(in thousands, except per share data)						
Numerator:	Numerator:						
Numerator:							
Net loss attributable to stockholders							
Net loss attributable to stockholders							
Net loss attributable to stockholders	Net loss attributable to stockholders	\$ (4,629)	\$ (5,764)	\$ (9,106)	\$ (17,135)		
Denominator:	Denominator:						
Denominator:							
Weighted average shares outstanding - basic and diluted							
Weighted average shares outstanding - basic and diluted							
Weighted average shares outstanding - basic and diluted	Weighted average shares outstanding - basic and diluted	34,642	34,569	34,614	34,488		
Loss per share:	Loss per share:						
Loss per share:							

Loss per share:									
Basic and diluted									
Basic and diluted									
Basic and diluted	Basic and diluted	\$	(0.13)	\$	(0.17)	\$	(0.26)	\$	(0.50)
Anti-dilutive instruments excluded from diluted loss per common share:	Anti-dilutive instruments excluded from diluted loss per common share:								
Anti-dilutive instruments excluded from diluted loss per common share:									
Anti-dilutive instruments excluded from diluted loss per common share:									
Options									
Options									
Options	Options		7,713		6,635		7,713		6,635
Warrants	Warrants		250		—		250		—
Warrants									
Warrants									

APYX MEDICAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

NOTE 10.8. STOCK-BASED COMPENSATION

Under the Company's stock option plans, the Board of Directors may grant restricted stock and options to purchase common shares to the Company's employees, officers, directors and consultants. The Company accounts for stock options in accordance with FASB ASC Topic 718, *Compensation - Stock Compensation*, with stock-based compensation expense recognized over the vesting period based on the grant date fair value on the grant date utilizing the Black-Scholes model, which includes a number of estimates that affect the grant date fair value and the amount of expense to recognize.

The Company recognized approximately \$1,351,000 and \$4,200,000, respectively, \$1,128,000 in stock-based compensation expense during for the three and nine months ended September 30, 2023 March 31, 2024, as compared with \$1,692,000 and \$5,056,000, respectively, \$1,367,000 for the three and nine months ended September 30, 2022 March 31, 2023.

Stock option activity is summarized as follows:

Number of options	Number of options	Weighted average exercise price
Outstanding at December 31, 2023		
Outstanding at December 31, 2023		
Outstanding at December 31, 2023		
Granted		
Exercised		
Canceled and forfeited		
Outstanding at March 31, 2024		
Number of options	Weighted average exercise price	
Outstanding at December 31, 2022	6,520,444	\$ 7.12
Granted	1,527,865	2.63
Exercised	(57,000)	2.65

Canceled and forfeited	<u>(278,546)</u>	7.03
Outstanding at		
September 30, 2023	<u>7,712,763</u>	\$ 6.27

The Company allows stock option holders to exercise stock-based awards by surrendering stock-based awards with an intrinsic value equal to the cumulative exercise price of the stock-based awards being exercised, referred to as net settlements. These surrenders are included in stock options exercised in the options rollforward above. For the three months ended **September 30, 2023 and 2022, respectively**, **March 31, 2024**, we received **6,662 and 55,853** **531** options as payment in the exercise of **5,338 and 33,313** **38** options. For **There were no such exercises for the nine** **three** months ended **September 30, 2023 and 2022, respectively**, we received **10,967 and 92,520** options as payment in the exercise of **11,033 and 72,313** options. **March 31, 2023**.

Common shares required to be issued upon the exercise of stock options would be issued from authorized and unissued shares. The Company calculated the grant date fair value of options granted in **2023** **2024** ("2023 2024 Grants") utilizing a **Black-Scholes** **Black Scholes** model.

		2023 Grants		
		2024 Grants		
		2024 Grants		
Strike price				
Strike price				
Strike price	Strike price	\$2.50	-	\$4.21
Risk-free rate	Risk-free rate	3.6%	-	4.3%
Risk-free rate				
Risk-free rate				
Expected dividend yield				
Expected dividend yield				
Expected dividend yield	Expected dividend yield		—	
Expected volatility	Expected volatility	85.8%	-	88.4%
Expected volatility				
Expected volatility				
Expected term (in years)	Expected term (in years)		6	
Expected term (in years)				

Expected term (in years)

NOTE 11.9. INCOME TAXES

Income tax expense (benefit) expense was approximately \$(318,000) \$53,000 and \$50,000 \$(2,267,000) with effective tax rates of 6.4% (0.7)% and (0.9)% 39.1% for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. For the three months ended September 30, 2023, the effective rate differs from the statutory rate primarily due to interest income on the Company's income tax refund that it received during the quarter, partially offset by the full valuation allowance recorded on the net operating loss ("NOL") generated during the period. For the three months ended September 30, 2022 March 31, 2024, the effective rate differs from the statutory rate primarily due to the full valuation allowance recorded on the NOL net operating loss ("NOL") and net deferred tax assets generated during the period.

Income tax (benefit) expense was approximately \$(2,519,000) and \$216,000 with effective tax rates of 21.4% and (1.3)% for For the nine three months ended September 30, 2023 and 2022, respectively. For the nine months ended September 30, 2023 March 31, 2023, the effective rate differs from the statutory rate primarily due to the reversal of the Company's liability for uncertain tax positions, including accrued interest and penalties of approximately \$2.1 million which were sustained upon the completion in January 2023 of the IRS examination of the Company's Company's 2018 through 2020 income tax returns, and interest income partially offset by a valuation allowance on the Company's NOL and net deferred tax assets generated during the period.

APYX MEDICAL CORPORATION NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued (Unaudited)

income tax refund, partially offset by the full valuation allowance on the NOL and net deferred tax assets generated during the period. For the nine months ended September, 2022, the effective rate differs from the statutory rate primarily due to the full valuation allowance recorded on the NOL generated during the period, combined with interest and penalties on uncertain tax positions.

NOTE 12.10. COMMITMENTS AND CONTINGENCIES

Litigation

The medical device industry is characterized by frequent claims and litigation, and the Company may become subject to various claims, lawsuits and proceedings in the ordinary course of our business. Such claims may include claims by current or former employees, distributors and competitors, claims concerning the marketing and promotion of our the Company's products and product liability claims.

The Company is involved in a number of legal actions relating to the use of our Helium Plasma technology. The outcomes of these legal actions are not within the Company's control and may not be known for prolonged periods of time. It Management believes that such claims are adequately covered by insurance; however, in the case of one of the

Company's carriers, the Company is in a dispute regarding the total level of coverage available. Notwithstanding the foregoing, in the opinion of management, the Company has meritorious defenses, and such claims are not expected, individually or in the aggregate, to result in a material, adverse effect on its financial condition, results of operations and cash flows. However, in the event that damages exceed the aggregate coverage limits of the Company's policies or if its insurance carriers disclaim coverage, management believes it is possible that costs associated with these claims could have a material adverse impact on the consolidated financial condition, results of operations and cash flows.

During December 2021, the Company provided notice of contract termination to an international distributor of the Company. In March 2022, the Company received a letter from the former distributor citing improper contract termination and alleging damages. During 2022, the Company recorded an estimated loss of \$250,000 in professional services in the accompanying Condensed Consolidated Statement of Operations for the nine months ended September 30, 2022. The Company has not experienced any movement on the matter since our response to the distributor in the fourth quarter of 2022. Accordingly, we have revised our estimated loss on the matter to \$0 as it is no longer probable that a loss has been incurred. The reduction in estimated loss of \$250,000 is included in professional services in the accompanying Condensed Consolidated Statements of Operations for the nine months ended September 30, 2023.

As previously disclosed with the U.S. Securities and Exchange Commission on the Company's Current Report on Form 8-K filed June 7, 2022, on June 6, 2022, a complaint (the "Hattaway Complaint") was filed in the United States District Court for the Middle District of Florida (the "U.S. District Court") by plaintiff William E. Hattaway, individually and on behalf of all others similarly situated against the Company, Charles D. Goodwin ("Goodwin"), the Company's President and Chief Executive Officer and a member of the Company's Board of Directors, and Tara Semb ("Semb"), the Company's Chief Financial Officer, Treasurer and Secretary, alleging violations by the Company, Goodwin and Semb of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, primarily related to certain public statements and disclosures concerning the off-label usage of certain of the Company's Advanced Energy products and the impact such usage would have on the Company's business, operations and prospects. The Hattaway Complaint sought an unspecified amount of damages.

While the matter was in the early stages, management had determined that a loss was probable in the estimated range of \$475,000 to \$2,500,000. The Company recorded an estimated loss of \$475,000 in professional services in the accompanying Condensed Consolidated Statement of Operations for the nine months ended September 30, 2022. On June 15, 2023, the U.S. District Court issued an Order dismissing the Hattaway Complaint and granting plaintiff until July 3, 2023 to file a second amended complaint, failing which the U.S. District Court would close the case. On June 27, 2023, the Plaintiff formally notified the Court that a Second Amended Complaint will not be filed and on July 17, 2023, the case was marked closed based on the Court's June 15 dismissal order. This closed the matter for the estimated loss recorded by the Company.

During 2022, the Company was notified of certain procedures alleged to have been performed by the same physician and which are currently the subject of two related products liability cases within the courts. Subsequent to year end, the Company was notified by its insurance carriers that all or most of the ten individual plaintiff's allegations could be subject to separate deductibles notwithstanding the commonality of each underlying occurrence. The Company has determined that a loss is

APYX MEDICAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

probable and that a range of estimated losses is approximately \$1,450,000 to \$2,400,000. The Company recorded an estimated loss of \$1,450,000 related to the matters during 2022. It is at least possible that a change in the actual amount of loss will occur in the near term, though management expects the actual amount of loss will be within the estimated range of losses.

On March 1, 2023, Shiva Stein as plaintiff filed a derivative complaint in the Court of Chancery of the State of Delaware, captioned Stein v. Makrides, et al., C.A. No. 2023-0239-MTZ (the "Stein Suit") against individual members of the Company's board of directors and naming the Company as a nominal defendant, primarily concerning the facts at issue in a previously disclosed federal securities class action lawsuit filed in 2019 and settled in 2020, captioned Pritchard v. Apyx Medical Corporation, et al., Case No. 8:19-cv-00919 (M.D. Fla.) (the "Pritchard Case"). The Stein Suit sought unspecified damages alleged to have resulted from purported breaches of fiduciary duty, unjust enrichment and related claims based on the same set of allegedly misleading statements and material omissions described in the settled Pritchard Case, which concerned the 2018-2019 clinical study conducted by the Company to evaluate the safety and efficacy of its J-Plasma technology for dermal resurfacing. On April 3, 2023, the Company formally moved to dismiss the case as time-barred and on other legal grounds, which triggered the plaintiff's right to file an amended complaint. On July 12, 2023, plaintiff's counsel informed the Company's counsel that plaintiff Stein did not intend to file an amended complaint, and on July 17, 2023 plaintiff's counsel filed a notice of voluntary dismissal. An order of the Court dismissing the Stein Suit, with prejudice, was entered on July 20, 2023.

The Company accrues a liability in its **condensed** consolidated financial statements for these actions when a loss is known or considered probable and the amount can be reasonably estimated. If the reasonable estimate of a known or probable loss is a range, and no amount within the range is a better estimate than any other, the minimum amount of the range is recorded. If a loss is reasonably possible, but not known or probable, and can be reasonably estimated, the estimated loss or range of loss is disclosed in the notes to the **condensed** consolidated financial statements. In most cases, significant judgment is required to estimate the amount and timing of a loss to be recorded, actual results may differ from these estimates.

During 2022, the Company was notified of certain procedures alleged to have been performed by the same physician and which are currently the subject of two related products liability cases within the courts. During 2023, the Company was notified by its insurance carriers that all or most of the ten individual plaintiff's allegations could be subject to separate deductibles notwithstanding the commonality of each underlying occurrence. During March 2024, two of the plaintiffs claims were dismissed by the courts. The Company has determined that a loss, comprised of estimated costs to defend the Company against the lawsuits, is probable and that the range of estimated losses is approximately \$1,450,000 to \$1,950,000. The Company recorded an estimated loss of \$1,450,000 related to the matters during 2022. It is at least reasonably possible that a change in the actual amount of loss will occur in the near term, though management expects the actual amount of loss will be within the estimated range of losses.

During March 2024, the Company was named as a defendant in a number of product liability lawsuits filed under the direction of a single plaintiff's tort firm in connection with off-label use of Renuvion products and the Company's alleged mismarketing of the same. The suits are based predominantly in Florida and nearly all involve procedures conducted prior to 2023, which was before the Company received FDA 510k clearance for the use of Renuvion in the types of procedures at issue. The Company denies liability and intends vigorously to defend these suits and believes that it has

applicable substantive and procedural defenses. The Company has determined that a loss, comprised of estimated costs to defend the Company against the lawsuits, is probable and currently estimates the range of losses in connection with these matters to be between \$1,300,000 and \$1,500,000. The Company recorded an estimated loss of \$1,300,000 related to these matters during 2023. The Company has also determined that there is a reasonable possibility that there will be an additional loss related to the matters, but the Company is unable to provide an estimate of the range of such additional loss at this time.

Purchase Commitments

At **September 30, 2023** **March 31, 2024**, the Company had purchase commitments totaling approximately **\$3.5** **\$2.7** million, substantially all of which is expected to be purchased within the next twelve months.

APYX MEDICAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

NOTE 13.11. RELATED PARTY TRANSACTIONS

Several **Two** relatives of Nikolay Shilev, Apyx Bulgaria's Managing Director, are considered related parties. Teodora Shileva, Mr. Shilev's spouse, is an employee of the Company working in the accounting department. Svetoslav Shilev, Mr. Shilev's son, is a quality manager in the quality assurance department.

The partner in the **Company's** **Company's** China joint venture **JV** is also a supplier to the Company. For the three months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, the Company made purchases from this supplier of approximately **\$50,000** **\$51,000** and **\$85,000**, respectively. For the nine months ended **September 30, 2023** and **2022**, the Company made purchases from this supplier of approximately **\$501,000** and **\$455,000**, **\$44,000**, respectively. At **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively, the Company had net **deposits with and payables to and receivables from** this supplier approximately **\$12,000** **\$31,000** and **\$8,000**, **\$82,000**, respectively.

NOTE 14.12. GEOGRAPHIC AND SEGMENT INFORMATION

Operating segments are aggregated into reportable segments only if they exhibit similar economic characteristics. In addition to similar economic characteristics, the Company also considers the following factors in determining the reportable segments: the nature of business activities, the management structure directly accountable to its chief operating decision maker for operating and administrative activities, availability of discrete financial information and information presented to the Board of Directors and investors. Asset information is not reviewed by the chief operating decision maker by segment and is not available by segment, accordingly, the Company has not presented a measure of assets by segment.

The Company's reportable segments are disclosed as principally organized and managed as two operating segments: Advanced Energy and OEM. "Corporate & Other" includes certain unallocated corporate and administrative costs which

were not specifically attributed to any reportable segment. The OEM segment is primarily development and manufacturing contract and product driven, all related expenses are recorded as cost of sales, therefore no segment specific operating expenses are incurred.

Summarized financial information with respect to reportable segments is as follows:

		Three Months Ended September 30, 2023				Three Months Ended March 31, 2024				
		Three Months Ended March 31, 2024				Three Months Ended March 31, 2024				
(In thousands)	(In thousands)	Advanced		Corporate		(In thousands)	Advanced		Corporate & Other	Total
		Energy	OEM	& Other	Total		Energy	OEM		Total
Sales	Sales	\$ 9,836	\$ 2,140	\$ —	\$ 11,976					
Income (loss) from operations		70	591	(5,298)	(4,637)					
Interest income		—	—	248	248					
Interest expense		—	—	(585)	(585)					
Other loss, net		—	—	(19)	(19)					
Income tax benefit		—	—	(318)	(318)					
(Loss) income from operations										
(Loss) income from operations										
(Loss) income from operations										
Interest income										
Interest income										
Interest income										
Interest expense										
Other loss, net										
Income tax expense										
Income tax expense										
Income tax expense										

APYX MEDICAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

(In thousands)	Three Months Ended September 30, 2022				\$	
	Advanced		Corporate &			
	Energy	OEM	Other			
Sales	\$ 7,080	\$ 2,034	\$ —	\$ 9,114		
(Loss) income from operations	(1,174)	356	(4,964)	(5,782)		
Interest income	—	—	73	73		
Interest expense	—	—	(1)	(1)		
Other loss, net	—	—	(35)	(35)		
Income tax expense	—	—	50	50		

(In thousands)	Nine Months Ended September 30, 2023				\$	
	Advanced		Corporate &			
	Energy	OEM	Other			
Sales	\$ 31,248	\$ 6,439	\$ —	\$ 37,687		
(Loss) income from operations	(509)	1,795	(12,769)	(11,483)		
Interest income	—	—	478	478		
Interest expense	—	—	(1,362)	(1,362)		
Other income, net	—	—	622	622		
Income tax benefit	—	—	(2,519)	(2,519)		

Nine Months Ended September 30, 2022	Three Months Ended March 31, 2023	Three Months Ended March 31, 2023	Three Months Ended March 31, 2023
---	-----------------------------------	-----------------------------------	-----------------------------------

(In thousands)	(In thousands)	Advanced Energy	OEM	Corporate & Other	Total	(In thousands)	Advanced Energy	OEM	Corporate & Other	Total
Sales	Sales	\$ 26,258	\$ 5,641	\$ —	\$ 31,899					
(Loss)	(Loss)									
income	income									
from	from									
operations	operations	(3,765)	1,142	(15,006)	(17,629)					
Interest income		—	—	93	93					
Interest expense		—	—	(12)	(12)					
Other income, net		—	—	551	551					
Income tax expense		—	—	216	216					
(Loss) income from operations										
(Loss) income from operations										
Interest income										
Interest income										
Interest income										
Interest expense										
Interest expense										
Interest expense										
Other loss, net										
Income tax benefit										
Income tax benefit										
Income tax benefit										

International sales represented approximately 27.8% and 26.6% 31.9% of total revenues for the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared with approximately 23.2% and 29.5% 26.9% of total revenues for the three and nine months ended September 30, 2022, respectively. March 31, 2023.

APYX MEDICAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued (Unaudited)

Revenue by geographic region, based on the customer's "ship to" location on the invoice, are as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		Three Months Ended March 31,		Three Months Ended March 31,	
		Three Months Ended March 31,		Three Months Ended March 31,	
<i>(In thousands)</i>					
<i>(In thousands)</i>					
<i>(In thousands)</i>	<i>(In thousands)</i>	2023	2022	2023	2022
Sales by Domestic and International	Sales by Domestic and International				
Sales by Domestic and International					
Sales by Domestic and International					
Domestic					
Domestic					
Domestic	Domestic	\$ 8,652	\$ 6,997	\$ 27,660	\$ 22,492
International	International	3,324	2,117	10,027	9,407
International					
International					
Total					
Total					
Total	Total	\$ 11,976	\$ 9,114	\$ 37,687	\$ 31,899

APYX MEDICAL CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis in conjunction with our financial statements and related notes contained elsewhere in this report and with the audited consolidated financial statements and footnotes as of and for the year ended December 31, 2023 contained within our Annual Report on Form 10-K filed with the Securities and Exchange Commission, on March 21, 2024. This discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a variety of factors discussed in this report and those discussed in other documents we file with the SEC. In light of these risks, uncertainties and assumptions, readers are cautioned not to place undue reliance on such forward-looking statements. These forward-looking statements represent beliefs and assumptions as of the date of this report. While we may elect to update forward-looking statements and at some point in the future, we specifically disclaim any obligation to do so, even if our estimates change. Past performance does not guarantee future results.

Executive Level Overview

We are an advanced energy technology company with a passion for elevating people's lives through innovative products, including our Helium Plasma Technology products marketed and sold as Renuvion® in the cosmetic surgery market and J-Plasma® in the hospital surgical market. Renuvion® and J-Plasma® offer surgeons a unique ability to provide controlled heat to tissue to achieve their desired results. We also leverage our deep expertise and decades of experience in unique waveforms through OEM agreements with other medical device manufacturers.

As part of our plan to accelerate and fully fund the development of our advanced energy business, with a focus in the cosmeticsurgery market, we sold our Core business in 2018 for gross proceeds of \$97 million. These proceeds were used to launch broad marketing and sales initiatives which resulted in rapid sales growth through December 31, 2021 and into the first quarter of 2022. This planned growth in the business was accompanied by scaled operations, including procurement of components, expanded manufacturing capacity to turn those materials into saleable inventory, additional discretionary expenditures, including increased global participation at trade shows, additional employee trainings, user meetings, increased travel and entertainment expenses, more expansive research and development projects, and additional headcount to support those activities. Additionally, we had and still have, some significant non-recurring discretionary expenditures associated with completing our multi-year marketing initiatives related to our dermal resurfacing and skin laxity clearances.

On March 14, 2022, the U.S. Food and Drug Administration ("FDA") posted a Safety Communication that warns consumers and health care providers against the use of our Advanced Energy products outside of their FDA-cleared indications for general use in cutting, coagulation, and ablation of soft tissue during open and laparoscopic surgical procedures. Following the Safety Communication, we experienced slowed demand for the adoption of our Helium Plasma Technology.

On May 26, 2022, we announced that we received 510(k) clearance from the FDA for the use of the Renuvion Dermal Handpiece for specific dermal resurfacing procedures. On July 18, 2022, we announced that we received 510(k) clearance from the FDA for the use of the Renuvion® APR Handpiece for certain skin contraction procedures.

On June 2, 2022, and July 21, 2022, FDA updated the Medical Device Safety Communication to recognize the new 510(k) clearances for the Renuvion® Dermal handpiece, and the expanded indications for the Renuvion® APR handpieces. The 510(k) clearance for the Renuvion® Dermal handpiece allows surgeons to perform dermal resurfacing

procedures for the treatment of moderate to severe wrinkles and rhytides, limited to patients with Fitzpatrick Skin Types I, II or III. The 510(k) clearance for the Renuvion® APR handpieces now addresses improving the appearance of lax (loose) skin in the neck and submental region.

On July 18, 2022, we announced that we received 510(k) clearance from the FDA for the use of the Renuvion® APR Handpiece for use in subcutaneous dermatological and aesthetic procedures to improve the appearance of lax (loose) skin in the neck and submental (under the chin) region.

On July 21, 2022, the FDA updated the Safety Communication to inform consumers and healthcare providers about the clearance for the Renuvion® APR handpieces for use under the skin in certain procedures intended to improve the appearance of loose skin.

On February 27, 2023, we announced that we received 510(k) clearance from the FDA for the use of the Renuvion® APR Handpiece for the delivery of radiofrequency energy and/or helium plasma where coagulation/contraction of soft tissue is needed. Soft tissue includes subcutaneous tissue.

APYX MEDICAL CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

On April 28, 2023, we announced that we received 510(k) clearance from the FDA for the use of the Renuvion® APR Handpiece for coagulation of subcutaneous soft tissues following liposuction for aesthetic body contouring.

On May 10, 2023, the FDA updated the Safety Communication to inform consumers and healthcare providers about the clearance for the Renuvion® APR handpiece for use under the skin in certain procedures intended to improve the appearance of the skin, including for coagulation of subcutaneous soft tissues following liposuction for aesthetic body contouring.

The May 10, 2023 FDA update to the Safety Communication addresses the issues set forth in the original Safety Communication from March 14, 2022. We believe that receiving these additional clearances and the corresponding updates to the Safety Communication since March 14, 2022 should assist in mitigating the financial effects of the Safety Communication in future periods.

While sales were continuing to grow into the first quarter of 2022 prior to the FDA Safety Communication, over the last few years, exclusive of our sale of the Core business segment to Symmetry Surgical during 2018, we have incurred recurring net losses and cash outflows from operations and we anticipate that losses will continue in the near term. During the year ended December 31, 2022, we incurred an operating loss of \$23.6 million and used \$20.3 million of cash in operations. During the nine months ended September 30, 2023, we incurred an operating loss of \$11.5 million and used \$11.1 million of cash in operations exclusive of the receipt of our tax refund of approximately \$8.1 million. As of September 30, 2023, we had cash and cash equivalents of \$22.1 million, of which we must maintain \$10.0 million under our Credit Agreement. These conditions raise substantial doubt about our ability to continue as a going concern for a period of at least one year from the date of issuance of these unaudited condensed consolidated financial statements.

In an effort to alleviate these conditions, we pursued various funding solutions in order to improve liquidity.

On November 22, 2022, we filed a shelf registration statement providing us the ability to register securities in the aggregate amount up to \$100 million. The shelf registration included an embedded ATM facility for up to \$40 million. To date, we have not utilized this facility.

On February 17, 2023, we entered into a Credit, Security and Guaranty Agreement (the "Credit Agreement") with MidCap Funding IV Trust (as agent), and MidCap Financial Trust (as term loan servicer), and the lenders party thereto from time to time.

The Credit Agreement provided for an up to \$35 million facility, consisting of senior secured term loans and a secured revolving facility. The Credit Agreement provided for senior secured term loans of up to \$25 million, comprised of (i) an initial tranche of \$10 million, (ii) a second tranche of \$5 million, and (iii) a third tranche of \$10 million. The secured revolving facility provided for loans in an aggregate principal amount of up to \$10 million, subject to a borrowing base equal to certain percentages of the Company's eligible accounts receivable and inventory, as determined in accordance with the terms of the Credit Agreement.

On November 8, 2023, we entered into a Credit and Guaranty Agreement (the "Perceptive Credit Agreement") with Perceptive Credit Holdings IV, LP (as initial lender and administrative agent) ("Perceptive"), and the lenders from time to time party thereto.

The Perceptive Credit Agreement provides for a facility of up to \$45 million, consisting of senior secured term loans. The Perceptive Credit Agreement provides for (i) an initial loan of \$37.5 million and (ii) a delayed draw loan of \$7.5 million.

For a more in depth description of the terms of the MidCap Credit Agreement and the Perceptive Credit Agreement, see Note 7 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q.

On February 27, 2023, our Board of Directors approved a plan to sell and leaseback the our real property located in Clearwater, FL. On March 14, 2023, we entered into a Purchase and Sale Agreement (the "Purchase Agreement") with VK Acquisitions VI, LLC (the "Purchaser"), for the sale of our facility located at 5115 Ulmerton Road, Clearwater, Florida, as more fully described in the Purchase Agreement (collectively, the "Property") for a purchase price of \$7,650,000. The Purchase Agreement is subject to the satisfactory completion of due diligence by the Purchaser. On May 8, 2023, we closed on the Purchase Agreement and concurrently executed a 10-year agreement to leaseback the underlying Property from the Purchaser.

For a more in depth description of the terms of the Purchase Agreement, see Notes 4 and 5 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q.

APYX MEDICAL CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

During January 2023, we were notified that the IRS examination process of our 2018, 2019 and 2020 tax returns was complete and that the our tax refunds were approved for approximately \$0.2 million more than the amount recorded in the Company's Consolidated Balance Sheet at December 31, 2022. On August 10, 2023, we received \$8.1 million from the IRS, which included approximately \$0.4 million of interest on the \$7.7 million income tax refunds.

We also reassessed our operating expenditures and cost structure and made adjustments in light of expected levels of revenue. This included reducing some operating expenditures, including a reduction-in-force on January 9, 2023, that reduced the our U.S. headcount by 14%.

We believe that the actions already taken, including replacing the MidCap Credit Agreement with the Perceptive Credit Agreement, alleviate the conditions that raised substantial doubt about the our ability to continue as a going concern for a period of at least one year from the date of issuance of our unaudited condensed consolidated financial statements.

We continue to drive sales in our Advanced Energy business by increasing the adoption of our multifunction generator and utilization of our single-use handpieces by surgeons in the U.S. cosmetic surgery market and fulfilling demand from distributors in our international markets. Management estimates that our products have been sold in more than 60 countries. As of September 30, 2023 March 31, 2024, we had a direct sales force of 3631 field-based selling professionals and utilized 3 independent sales agencies. We also had 4 sales managers. This selling organization, along with our international network of distributors, is focused on the use of Renuvion® Renuvion and J-Plasma in the cosmetic surgery market, and hospital surgical markets, supported by our global medical affairs team. This global team of clinical support specialists focuses on supporting our users to ensure optimal outcomes for their patients. In 2023, we also began our direct to consumer marketing efforts, and began to further enhance our marketing to surgeons. In addition, we have invested in training programs and marketing-related activities to support accelerated adoption of Renuvion® Renuvion into physicians' surgeons' practices.

In regards to our operating segments, our results are aggregated into reportable segments only if they exhibit similar economic characteristics. In addition to similar economic characteristics, we also consider the following factors in determining the reportable segments: the nature of business activities, the management structure directly accountable to our chief operating decision maker for operating and administrative activities, availability of discrete financial information, and information presented to the Board of Directors and investors. Asset information is not reviewed by the chief operating decision maker by segment and is not available by segment and, accordingly, we have not presented a measure of assets by reportable segment.

Our reportable segments are disclosed as principally organized and managed as two operating segments: Advanced Energy and OEM. "Corporate" "Corporate & Other" "Other" includes certain unallocated corporate and administrative costs which are not specifically attributed to any reportable segment. The OEM segment is primarily development and manufacturing contract and product driven, and all related expenses are recorded as cost of sales, therefore no segment specific operating expenses are incurred.

In response to the global supply chain instability and inflationary cost increases, we continue to take action to minimize, as much as possible, any potential adverse impacts by working closely with our suppliers to closely monitor the availability of raw material components (i.e. semiconductors and plastics), lead times, and freight carrier availability. We

expect global supply chain instability will continue to have an impact on our business, but to date that has not been material to our financial performance. The consequences of the pandemic, global supply chain instability and inflationary cost increases and their adverse impact to the global economy, continue to evolve. Accordingly, the significance of the future impact to our business and financial statements remains subject to significant uncertainty.

We strongly encourage investors to visit our website: www.apyxmedical.com to view the most current news and to review our filings with the Securities and Exchange Commission.

APYX MEDICAL CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Results of Operations

Sales

		Three Months Ended September 30,			Nine Months Ended September 30,		
		Three Months Ended March 31,			Three Months Ended March 31,		
		Three Months Ended March 31,			Three Months Ended March 31,		
(In thousands)	(In thousands)	(In thousands)	2023	2022	Change	2023	2022
Sales by Reportable Segment	Sales by Reportable Segment	Advanced Energy	\$ 9,836	\$ 7,080	38.9 %	\$ 31,248	\$ 26,258
Advanced Energy	Advanced Energy						19.0 %
Sales by Reportable Segment	Sales by Reportable Segment	Advanced Energy	\$ 9,836	\$ 7,080	38.9 %	\$ 31,248	\$ 26,258
Advanced Energy	Advanced Energy						19.0 %

OEM	OEM	2,140	2,034	5.2	%	6,439	5,641	14.1	%
OEM									
OEM									
Total									
Total									
Total	Total	\$ 11,976	\$ 9,114	31.4	%	\$ 37,687	\$ 31,899	18.1	%
									(632,000)
Sales by	Sales by								
Domestic and	Domestic and								
International	International								
Sales by Domestic and International									
Sales by Domestic and International									
Domestic									
Domestic									
Domestic	Domestic	\$ 8,652	\$ 6,997	23.7	%	\$ 27,660	\$ 22,492	23.0	%
International	International	3,324	2,117	57.0	%	10,027	9,407	6.6	%
International									
International									
Total									
Total									
Total	Total	\$ 11,976	\$ 9,114	31.4	%	\$ 37,687	\$ 31,899	18.1	%

Total revenue increased decreased by 31.4% 15.6%, or approximately \$2.9 \$1.9 million, for the three months ended September 30, 2023 March 31, 2024 when compared with the three months ended September 30, 2022 March 31, 2023. Advanced Energy segment sales increased 38.9% decreased 23.1%, or approximately \$2.8 \$2.2 million, for the three months ended September 30, 2022 March 31, 2023. The Advanced Energy sales increase decrease was driven by domestic customers who upgraded their generators to our new Apyx One Console, which sales, where we launched had decreases in January 2023, and a higher average selling price on the sales of new our generators due to as a result of economic uncertainty in the introduction of capital equipment market that is being experienced in the Apyx One Console. These domestic increases were accompanied by increases aesthetic space, as well as a decrease in generator and handpiece sales single-use handpieces over the same period in international markets. 2023.

OEM segment sales increased 5.2% 13.8%, or approximately \$0.1 0.3 million, for the three months ended September 30, 2023 March 31, 2024 when compared with the three months ended September 30, 2022 March 31, 2023. The increase in OEM sales was due to increases in sales volume to existing customers.

Total revenue increased by 18.1%, or approximately \$5.8 million, for the nine months ended September 30, 2023 when compared with the nine months ended September 30, 2022. Advanced Energy segment sales increased 19.0%, or approximately \$5.0 million, for the nine months ended September 30, 2023 when compared with the nine months ended September 30, 2022. The Advanced Energy sales increase was driven by domestic customers who upgraded their Symmetry Surgical under our 10-year generator to our new Apyx One Console, which we launched in January 2023, manufacturing and a higher average selling price on sales of new generators due to the introduction of the Apyx One Console. OEM segment sales increased 14.1%, or approximately \$0.8 million, for the nine months ended September 30, 2023 when compared with the nine months ended September 30, 2022. The increase in OEM sales was due to increases in sales volume to existing customers as well as incremental new sales upon the commencement of the supply arrangement related to the completion of the development portion of some of our OEM development agreements. agreement.

International sales represented approximately 27.8% and 26.6% 31.9% of total revenues for the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared with 23.2% and 29.5% 26.9% of total revenues for the same period in the prior year. Management estimates our products have been sold in more than 60 countries through local dealers coordinated by sales and marketing personnel through our facilities in Clearwater, Florida and Sofia, Bulgaria.

Gross Profit

(In thousands)	Three Months Ended March 31,			Change
	2024	2023		
Cost of sales	\$ 4,295	\$ 4,569		(6.0)%
Percentage of sales	41.9 %	37.6 %		
Gross profit	\$ 5,949	\$ 7,573		(21.4)%
Percentage of sales	58.1 %	62.4 %		

Gross profit for the three months ended March 31, 2024, decreased 21.4% to \$5.9 million, compared to \$7.6 million for the same period in the prior year. Gross margin for the three months ended March 31, 2024, was 58.1%, compared to 62.4% for the same period in 2023.

The decrease in gross profit margins for the three months ended March 31, 2024 from the prior year period is primarily attributable to changes in the sales mix between our two segments, with our OEM segment comprising a higher percentage of total sales and geographic mix within our Advanced Energy segment, with international sales comprising a higher percentage of total sales.

APYX MEDICAL CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Gross Profit

<i>(In thousands)</i>	Three Months Ended September 30,			Change	Nine Months Ended September 30,			Change	
	2023	2022	2023	2022	2023	2022	2023	2022	
Cost of sales	\$ 3,998	\$ 3,357	\$ 12,857	\$ 11,009	19.1 %	38.6 %	24,830	20,890	16.8 %
Percentage of sales	33.4 %	36.8 %	34.1 %	34.5 %					
Gross profit	\$ 7,978	\$ 5,757	\$ 24,830	\$ 20,890	38.6 %	65.9 %	65.5 %	18.9 %	
Percentage of sales	66.6 %	63.2 %	65.9 %	65.5 %					

Gross profit for the three months ended September 30, 2023, increased 38.6% to \$8.0 million, compared to \$5.8 million for the same period in the prior year. Gross margin for the three months ended September 30, 2023, was 66.6%, compared to 63.2% for the same period in 2022. The increase in gross profit margins for the three months ended September 30, 2023 from the prior year period is primarily attributable to changes in the sales mix between our two segments, with our Advanced Energy segment comprising a higher percentage of total sales and product mix within our Advanced Energy segment. These increases were partially offset by geographic mix within our Advanced Energy segment, with international sales comprising a higher percentage of total sales.

Gross profit for the nine months ended September 30, 2023, increased 18.9% to \$24.8 million, compared to \$20.9 million for the same period in the prior year. Gross margin for the nine months ended September 30, 2023, was 65.9%, compared to 65.5% for the same period in 2022. The increase in gross profit margins for the nine months ended September 30, 2023 from the prior year period is primarily attributable to changes in the product mix within our Advanced Energy and OEM segments and geographic mix within our Advanced Energy segment, with domestic sales comprising a higher percentage of total sales.

Other Costs and Expenses

Research and development

Three Months Ended September 30,	Three Months Ended September 30,	Nine Months Ended September 30,
	March 31,	March 31,
	March 31,	March 31,

Three Months Ended March 31,							
(In thousands)	(In thousands)	2023	2022	Change	2023	2022	Change
Research and development expense		\$ 1,276	\$ 1,061	20.3 %	\$ 3,596	\$ 3,289	9.3 %
(In thousands)							
Research and development							
Research and development							
Research and development							
Percentage of sales							
Percentage of sales							
Percentage of sales	Percentage of sales	10.7 %	11.6 %		9.5 %	10.3 %	

Research and development expenses increased **20.3%** **9.9%** for the three months ended **September 30, 2023** **March 31, 2024**, primarily due to **higher** **higher** spending on our product development initiatives and clinical studies (\$0.1 million) and increased labor and benefits costs from the same period in the prior year (\$0.1 million) **million**.

Research and development expenses increased 9.3% for the nine months ended September 30, 2023, primarily due to higher spending on our product development initiatives and clinical studies (\$0.2 million) and increased labor and benefits costs from the same period in the prior year (\$0.1 million).

Professional services

(In thousands)	Three Months Ended September 30,			Nine Months Ended September 30,			Change
	2023	2022	Change	2023	2022	Change	
Professional services expense	\$ 1,831	\$ 1,936	(5.4)%	\$ 5,165	\$ 6,611	(21.9)%	
Percentage of sales	15.3 %	21.2 %		13.7 %	20.7 %		

Professional services expense decreased 5.4% for the three months ended September 30, 2023, primarily attributable to decreases in legal expenses (\$0.1 million) and recruiting expenses (\$0.1 million). These decreases were partially offset by an increase in board of directors option expense (\$0.1 million).

(In thousands)	Three Months Ended March 31,		
	2024	2023	Change

Professional services	\$ 1,574	\$ 1,740	(9.5)%
Percentage of sales	15.4 %	14.3 %	

APYX MEDICAL CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Professional services expense decreased 21.9% 9.5% for the nine months ended September 30, 2023, primarily attributable to decreases in legal expenses (\$1.2 million) associated with the estimated loss recorded in the prior year for the class action lawsuit and current year reversal of a legal loss contingency, accounting and audit fees (\$0.1 million), physician consulting fees (\$0.1 million) and board of directors option expense (\$0.1 million).

Salaries and related costs

(In thousands)	Three Months Ended September 30,			Nine Months Ended September 30,			Change
	2023	2022	Change	2023	2022	Change	
Salaries and related expenses	\$ 4,667	\$ 3,871	20.6 %	\$ 14,770	\$ 13,944	5.9 %	
Percentage of sales	39.0 %	42.5 %		39.2 %	43.7 %		

During the three months ended September 30, 2023, salaries and related expenses increased 20.6%, primarily driven by increases in bonus expense (\$0.7 million) and labor and benefits costs (\$0.3 million). These increases were partially offset by lower stock based compensation expense (\$0.2 million).

During the nine months ended September 30, 2023, salaries and related expenses increased 5.9%, primarily driven by increases in bonus expense (\$1.0 million), temporary labor expenses (\$0.3 million) and labor and benefits costs (\$0.2 million) March 31, 2024 as compared to the same period in the prior year. These increases are partially offset by, primarily attributable to decreases in physician consulting fees (\$0.1 million) and non-employee option expense (\$0.1 million).

Salaries and related costs

(In thousands)	Three Months Ended March 31,			Change
	2024	2023	Change	
Salaries and related costs	\$ 4,696	\$ 4,918	(4.5)%	
Percentage of sales	45.8 %	40.5 %		

During the three months ended March 31, 2024, salaries and related expenses decreased 4.5%, primarily driven by lower stock based compensation expense (\$0.7 million) and temporary labor expenses (\$0.1 million).

Selling, general and administrative expenses

(In thousands)	Three Months Ended September 30,			Nine Months Ended September 30,			Change
	2023	2022	Change	2023	2022	Change	
SG&A expense	\$ 4,841	\$ 4,671	3.6 %	\$ 15,474	\$ 14,675	5.4 %	
Percentage of sales	40.4 %	51.3 %		41.1 %	46.0 %		
Three Months Ended March 31,							
(In thousands)	2024		2023		Change		
	\$	4,897	\$	5,255	(6.8)%		
Percentage of sales		47.8 %		43.3 %			

During the three months ended **September 30, 2023** **March 31, 2024**, selling, general and administrative expense increased 3.6% decreased 6.8%, primarily driven by increases decreases in commissions (\$0.3 million) and travel and entertainment expense (\$0.1 million). These decreases were partially offset by increases in regulatory and regulatory audit costs (\$0.2 million), bad debt building lease expense (\$0.1 million) and regulatory costs bad debt expenses (\$0.1 million). These increases were partially offset by lower employee meeting and training costs (\$0.2 million) and lower insurance expense, including product liability claims on our policies (\$0.1 million).

During the nine months ended September 30, 2023, selling, general and administrative expense increased 5.4%, primarily driven by increases in commissions (\$0.7 million), travel expense (\$0.4 million), insurance expense, including product liability claims on our policies (\$0.3 million), and regulatory costs (\$0.2 million). These increases were partially offset by decreases in advertising expense, including trade show fees and related costs (\$0.4 million), employee meeting and training costs (\$0.3 million) and bad debt expense (\$0.1 million).

Gain on sale-leaseback

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,		
	2023	2022	2023	2022	
Other income, net	—	\$ —	2,692	\$ —	
Percentage of sales	— %	— %	7.1 %	— %	

During the nine months ended September 30, 2023, gain on sale-leaseback was approximately \$2.7 million as a result of the gain on the sale and leaseback of our Clearwater, FL facility in May 2023.

APYX MEDICAL CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Interest Income (Expense)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		Three Months Ended March 31,		Nine Months Ended September 30,	
		Three Months Ended March 31,		Nine Months Ended September 30,	
(In thousands)	(In thousands)	2023	2022	2023	2022
(In thousands)					
Interest income					
Interest income	Interest income	\$ 248	\$ 73	\$ 478	\$ 93
Percentage of sales	Percentage of sales	2.1 %	0.8 %	1.3 %	0.3 %
Percentage of sales					
Interest expense	Interest expense	\$ (1)		\$ (1,362)	\$ (12)
Interest expense					
Interest expense					
Percentage of sales	Percentage of sales				
Percentage of sales	Percentage of sales				
Percentage of sales	Percentage of sales	(4.9) %	— %	(3.6) %	— %

Interest income increased approximately \$0.2 million and \$0.4 million, respectively, for the three and nine months ended September 30, 2023 March 31, 2024, when compared with the same periods period in the prior year. This increase is due to a higher yields on average balance in our investments in money market funds and U.S. Treasury securities included in cash and cash equivalents partially offset by a lower average balance..

Interest expense increased approximately \$0.6 million and \$1.4 million, respectively, \$1.2 million for the three and nine months ended September 30, 2023 March 31, 2024, when compared with the same periods period in the prior year. These increases are This increase is due to cash and noncash interest expense on the Perceptive Credit Agreement executed on February 17, 2023. Agreement.

Income Taxes

		Three Months Ended September 30,		Nine Months Ended September 30,	
		Three Months Ended March 31,		Three Months Ended March 31,	
		Three Months Ended March 31,		Three Months Ended March 31,	
(In thousands)					
(In thousands)					
(In thousands)	(In thousands)	2023	2022	2023	2022
Income tax expense (benefit)	Income tax expense (benefit)	\$ (318)	\$ 50	\$ (2,519)	\$ 216
Income tax expense (benefit)					
Income tax expense (benefit)					
Effective tax rate					
Effective tax rate	Effective tax rate	6.4 %	(0.9) %	21.4 %	(1.3) %

Our income tax expense (benefit) was approximately \$(318,000) \$53,000 and \$50,000 \$(2,267,000) with effective tax rates of 6.4% (0.7)% and (0.9)% 39.1% for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. For the three months ended September 30, 2023 and 2022, the effective rate differs from the statutory rate primarily due to interest income on our income tax refund that we received during the quarter, partially offset by the full valuation allowance recorded on the net operating loss ("NOL") generated during the period. For the three months ended September 30, 2022 March 31, 2024, the effective rate differs from the statutory rate primarily due to the full valuation allowance recorded on the NOL and net deferred tax assets generated during the period.

Our income tax expense was approximately \$(2,519,000) and \$216,000 with effective tax rates of 21.4% and (1.3)% for the nine months ended September 30, 2023 and 2022, respectively. For the nine months ended September 30, 2023 March 31, 2023, the effective rate differs from the statutory rate primarily due to the reversal of the our liability for uncertain tax positions, including accrued interest and penalties, of approximately \$2.1 million, \$2.1 million which were sustained upon the completion in January 2023 of the IRS examination of our 2018 through 2020 income tax returns, and interest income on our income tax refund, partially offset by the full a valuation allowance on the our NOL and net deferred tax assets generated during the period. For the nine months ended September, 2022, the effective rate differs from the statutory rate primarily due to the full valuation allowance recorded on the NOL generated during the period, combined with interest and penalties on uncertain tax positions.

Liquidity and Capital Resources

At September 30, 2023 March 31, 2024, we had approximately \$22.1 37.3 million in cash and cash equivalents as compared to approximately \$10.2 43.7 million in cash and cash equivalents at December 31, 2022 December 31, 2023. Our working capital at September 30, 2023 March 31, 2024 was approximately \$39.9 million \$51.5 million compared with \$31.1 million \$57.6 million at December 31, 2022 December 31, 2023. The increase decrease in working capital at September 30, 2023 March 31, 2024 was primarily due to proceeds received from the execution of the MidCap Credit agreement, the proceeds received upon the sale of our Clearwater, FL facility in May 2023 and the reversal of our liability for uncertain tax positions upon the completion in January 2023 of the IRS examination of our 2018, 2019 and 2020 income tax returns. This increase was partially offset by the the net loss we experienced through incurred in the first three quarters quarter of 2023, 2024, excluding non-cash activity, comprised primarily of stock-based compensation.

For the three months ended March 31, 2024, net cash used in operating activities was approximately \$6.3 million, which principally funded our loss from operations of \$6.6 million, compared with net cash used in operating activities of approximately \$1.9 million in 2023. The increase in cash used in operations is primarily due to the payment of accrued bonuses in the first quarter of 2024, no bonuses were paid in 2023, and the increase in operating loss driven by lower Advanced Energy sales compared to the same period in the prior year.

Net cash used in investing activities for the three months ended March 31, 2024 and 2023, were \$35 thousand and \$0.1 million, respectively, related to purchases of property and equipment.

Net cash provided by financing activities for the three months ended March 31, 2023 was \$8.1 million related to proceeds received upon the execution of the prior debt agreement (\$9.9 million) less debt issuance costs incurred in the transaction (\$1.8 million). This agreement was paid off in November 2023 with proceeds from the Perceptive Credit Agreement.

APYX MEDICAL CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

We have incurred recurring net losses and cash outflows from operations and we anticipate that losses will continue in the nine months ended September 30, 2023, net near term. We plan to continue to fund our operations and capital funding needs through existing cash, used in operating activities exclusive of the receipt sales of our income tax refund was approximately \$11.1 million, which principally funded products and if necessary additional equity and/or debt financing. However, we cannot be certain that additional financing will be available when needed or that, if available, financing will be obtained on terms favorable to us or our loss from operations existing stockholders. The sale of \$11.5 million, compared with net cash used additional equity would result in dilution to our stockholders. Incurring additional debt financing would result in further debt service obligations, and the instruments governing such debt could provide for operating activities and financing covenants that would restrict our operations. If we are unable to raise additional capital in sufficient amounts or on acceptable terms, we may be required to delay, limit, reduce, or terminate our sales, marketing and product development. Any of approximately \$15.8 million in the same period for 2022. As discussed in the Executive Level Overview, these actions could harm our operating loss, cash used in business, results of operations and current cash and cash equivalents balance of \$22.1 million, of which we must maintain \$10.0 million under our Credit Agreement, raise substantial doubt about our ability to continue as a going concern for a period of at least one year from the date of issuance of our unaudited condensed consolidated financial statements.

In an effort to alleviate these conditions, we pursued various funding solutions in order to improve liquidity prospects.

On November 22, 2022, we filed a shelf registration statement providing us the ability to register and sell our securities in the aggregate amount up to \$100 million. The shelf registration statement included an embedded ATM facility for up to \$40 million. To date we have not utilized this facility.

On February 17, 2023, we entered into a Credit, Security and Guaranty Agreement (the "Credit Agreement") with MidCap Funding IV Trust (as agent), and MidCap Financial Trust (as term loan servicer), and the lenders party thereto from time to time.

The Credit Agreement provided for an up to \$35 million facility, consisting of senior secured term loans and a secured revolving facility. The Credit Agreement provided for senior secured term loans of up to \$25 million, comprised of (i) an initial tranche of \$10 million, (ii) a second tranche of \$5 million, and (iii) a third tranche of \$10 million. The secured revolving facility provided for loans in an aggregate principal amount of up to \$10 million, subject to a borrowing base equal to certain percentages of the Company's eligible accounts receivable and inventory, as determined in accordance with the terms of the Credit Agreement.

On November 8, 2023, we entered into a Credit and Guaranty Agreement (the "Perceptive Credit Agreement") with, by and among Apyx Medical (as borrower), Apyx China Holding Corp. and Apyx Bulgaria EOOD, our wholly-owned subsidiaries (as subsidiary guarantors), and Perceptive Credit Holdings IV, LP (as initial lender and administrative agent) ("Perceptive"), and the lenders from time to time party thereto.

The Perceptive Credit Agreement provides for a facility of up to \$45 million, consisting of senior secured term loans. The Perceptive Credit Agreement provides for (i) an initial loan of \$37.5 million and (ii) a delayed draw loan of \$7.5 million.

For a more in depth description of the terms of the MidCap Credit Agreement and the Perceptive Credit Agreement, see Note 7 of Notes to Condensed Consolidated Financial Statements 11 in Item 18 of this Quarterly our

On February 27, 2023, our Board of Directors approved a plan to sell and leaseback the our real property located in Clearwater, FL. On March 14, 2023, we entered into a Purchase and Sale Agreement (the "Purchase Agreement") with VK Acquisitions VI, LLC (the "Purchaser"), 10-K for the sale of our facility located at 5115 Ulmerton Road, Clearwater, Florida, as more fully described in the Purchase Agreement (collectively, the "Property") for a purchase price of \$7,650,000. On May 8, 2023, we closed on the Purchase Agreement and concurrently executed a 10-year agreement to leaseback the underlying Property from the Purchaser.

For a more in depth description of the terms of the Purchase Agreement, see Notes 4 and 5 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q.

During January 2023, we were notified that the IRS examination process of our 2018, 2019 and 2020 tax returns was complete and that the Company's tax refunds were approved for approximately \$0.2 million more than the amount recorded in the Company's Consolidated Balance Sheet at December 31, 2022. On August 10, 2023, we received \$8.1 million from the IRS, which included approximately \$0.4 million of interest on the \$7.7 million income tax refunds.

We also continue to re-assess our operating expenditures and cost structure to be commensurate with our expected levels of revenue and we have the ability to reduce or delay expenditures to enhance and preserve liquidity. We have already reduced some operating expenditures, including a reduction-in-force on January 9, 2023, that reduced our U.S. headcount by 14%.

We believe that the actions already taken, including replacing the MidCap Credit Agreement with the Perceptive Credit Agreement, alleviate the conditions that raised substantial doubt about the our ability to continue as a going concern for a period of at least one year from the date of issuance of our unaudited condensed consolidated financial statements.

APYX MEDICAL CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Net cash provided by investing activities for the nine months ended September 30, 2023 was \$6.8 million related to the sale of our Clearwater, FL facility (\$7.3 million), partially offset by investments in property and equipment (\$0.4 million). Net cash used in investing activities for the nine months ended September 30, 2022 was \$0.9 million related to investments in property and equipment.

Net cash provided by financing activities for the nine months ended September 30, 2023 was \$8.3 million, which primarily related to proceeds received upon the execution of the Credit Agreement (\$9.9 million) less debt issuance costs incurred in the transaction (\$1.8 million).

At September 30, 2023, our borrowing availability under the revolving facility was approximately \$7.8 million December 31, 2023.

At September 30, 2023 March 31, 2024, we had purchase commitments for inventories totaling approximately \$3.52.7 million, substantially all of which is expected to be purchased within the next twelve months.

APYX MEDICAL CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Critical Accounting Estimates

In preparing the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), we have adopted various accounting policies. Our most significant accounting policies are disclosed in Note 2 to the consolidated financial statements included in our 2022 Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on March 16, 2023 March 21, 2024.

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Our estimates and assumptions, including those related to inventories, intangible assets, property, plant and equipment, legal proceedings, research and development, warranty obligations, product liability, sales returns and discounts, stock-based compensation and income taxes are updated as appropriate, which in most cases is at least quarterly. We base our estimates on historical experience, or various assumptions that are believed to be reasonable under the circumstances and the results form the basis for making judgments about the reported values of assets, liabilities, revenues and expenses. Actual results may materially differ from these estimates.

Estimates are considered to be critical if they meet both of the following criteria: (1) the estimate requires assumptions about material matters that are uncertain at the time the accounting estimates are made and (2) other materially different estimates could have been reasonably made or material changes in the estimates are reasonably likely to occur from period to period. Our critical accounting estimates include the following:

Stock-Based Compensation

Under our stock option plans, options to purchase common shares of the Company may be granted to employees, officers and directors of the Company by the Board of Directors. We account for stock options in accordance with FASB ASC Topic 718-10, *Compensation-Stock Compensation*, with compensation expense recognized over the vesting period. Options are valued using the Black-Scholes model, which includes a number of estimates that affect the amount of our expense. We have determined that the most critical of these estimates are the estimates of expected life and volatility used in the calculations.

Expected life

For employee stock-based compensation awards, we estimate the expected life of awards utilizing the SEC's simplified method. We utilize this method, as we have not historically granted stock-based compensation awards to employees in

sufficient volumes to determine a reasonable estimate of the life of awards. For awards granted to non-employees, we calculate expected life using a combination of past exercise behavior, the contractual term and expected remaining exercise behavior.

Volatility

We determine the volatility by utilizing the historical volatility of our stock over the period of the awards expected life. The SEC allows us to include periods in excess of the useful life if we determine that they provide a more reasonable basis for the volatility of our stock. Additionally, ASC 718-10 allows us to exclude periods from the volatility if they pertain to events or circumstances that in our judgment are specific to us and if the event or transaction is not reasonably expected to occur again during the expected term of the awards. We have not included any additional periods, nor disregarded any periods, in calculating our volatility.

Accounts Receivable Allowance

We maintain a reserve for uncollectible accounts receivable. When evaluating the adequacy of the allowance for doubtful accounts, we analyze historical bad debt experience, the composition of outstanding receivables by customer class, and the age of outstanding balances, and we make estimates in connection with establishing the allowance for doubtful accounts, including the expected impacts of changes in the operating environment and other trends. Changes in estimates are reflected in the period they are made. If the financial condition of our customers deteriorates, resulting in an inability to make payments, additional allowances may be required.

APYX MEDICAL CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Inventory Obsolescence Allowance

We maintain a reserve for excess and obsolete inventory resulting from the potential inability to sell our products at prices in excess of current carrying costs. The markets in which we operate are highly competitive, with new products and surgical procedures introduced on an ongoing basis. Such marketplace changes may cause our products to become obsolete. We make estimates regarding the future recoverability of the costs of these products and record a provision for excess and obsolete inventories based on historical experience and expected future trends. If actual product life cycles, product demand or acceptance of new product introductions are less favorable than projected by management, additional inventory write-downs may be required, which would unfavorably affect future operating results.

Litigation Contingencies

In accordance with authoritative guidance, we record a liability in our consolidated financial statements for these actions when a loss is known or considered probable and the amount can be reasonably estimated. If the reasonable estimate of a known or probable loss is a range, and no amount within the range is a better estimate than any other, the minimum amount of the range is accrued. If a loss is reasonably possible, but not known or probable, and can be

reasonably estimated, the estimated loss or range of loss is disclosed in the notes to the consolidated financial statements. In most cases, significant judgment is required to estimate the amount and timing of a loss to be recorded; actual results may differ from these estimates.

Income Taxes

The provision for income taxes includes federal, foreign, state and local income taxes currently payable and those deferred because of temporary differences between the financial statement and tax bases of assets and liabilities. Deferred tax assets or liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities using enacted marginal tax rates. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Deferred income tax expenses or credits are based on the changes in the asset or liability from period to period.

As a result of historical losses and our expectation to continue to generate losses in the near future, we recorded a valuation allowance on our net deferred tax assets. Exclusive of the carryback provisions of the CARES Act and the associated income tax benefit recognized in 2020, we do not anticipate recording an income tax benefit related to our deferred tax assets. We will reassess the realization of deferred tax assets each reporting period and will be able to reduce the valuation allowance to the extent our results of operations improve, and it becomes more likely than not that the deferred tax assets will be realized. As Management has not fully determined the timing of when it will generate taxable income in the U.S., we continued to record a valuation allowance on the net deferred tax assets balance as of **September 30, 2023** **March 31, 2024**.

We assess the financial statement impact of an uncertain tax position taken or expected to be taken on an income tax return at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized in the financial statements unless it is more likely than not of being sustained. **sustained based on the technical merit of the position.**

Inflation

The consequences of **the pandemic**, global supply chain instability and inflationary cost increases and their adverse impact to the global economy, continue to evolve. Accordingly, the significance of the future impact to our business and financial statements remains subject to significant uncertainty. **We continue to work on initiatives to combat inflation, including finding alternative suppliers that meet our quality standards, streamlining our supplier network to reduce the use of middlemen and redesigning some components to achieve better volume purchase prices.** Inflation has not, to date, materially impacted our operations or financial performance. However, as these trends continue for raw materials, freight, and labor costs, our future financial performance could be adversely impacted.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements at this time.

APYX MEDICAL CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Recent Accounting Pronouncements

[See Note 2 of the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Form the Quarterly Report on from 10-Q.](#)

APYX MEDICAL CORPORATION

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

APYX MEDICAL CORPORATION

ITEM 4. Controls and Procedures

Disclosure Controls and Procedures

Our management has established and maintains disclosure controls and procedures that are designed to ensure that the information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act" "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of **September 30, 2023****March 31, 2024**, the Company's Company's disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

In February 2023, we entered into a Credit, Security and Guaranty Agreement ("Credit Agreement"). We have developed new control activities around the accounting for the Credit Agreement, including the review and compliance with debt covenants. We are in the process of testing the effectiveness of the new controls. There were no other changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by the Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

APYX MEDICAL CORPORATION

PART II. Other Information

ITEM 1. Legal Proceedings

See Note 12 10 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q.

APYX MEDICAL CORPORATION

ITEM 1A. Risk Factors

There have been no material changes to the risk factors described under Item 1A of our Annual Report on Form 10-K for the fiscal year ended **December 31, 2022** **December 31, 2023**.

APYX MEDICAL CORPORATION

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

Not Applicable.

ITEM 5. Other Information

None.

APYX MEDICAL CORPORATION

ITEM 6. Exhibits

3.1	Articles of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 to the Registrant's report on Form 10-K/A filed on March 31, 2011)
3.2	By laws of the Registrant (Incorporated by reference to Exhibit 3.2 to the Registrant's report on Form 10-K/A filed on March 31, 2011)
3.3	Certificate of Amendment of the Certificate of Incorporation of the Registrant (Incorporated (Incorporated by reference to Exhibit 3.5 to the Registrant's Quarterly Report on Form 10-Q filed on November 3, 2017))
3.4	Certificate of Elimination (Incorporated (Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on May 3, 2018))
3.5	Certificate of Amendment of the Certificate of Incorporation of the Registrant (Incorporated (Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on December 28, 2018))
10.1	First Amendment to Purchase and Sale Agreement, dated April 12, 2023 (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8 filed on April 18, 2023) .
31.1*	Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002
31.2*	Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002
32.1*	Certification pursuant to Section 906 of Sarbanes-Oxley Act of 2002
32.2*	Certification pursuant to Section 906 of Sarbanes-Oxley Act of 2002
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Label Presentation Document

* Filed herewith.

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended and otherwise is not subject to liability under these sections.

APYX MEDICAL CORPORATION

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Apyx Medical Corporation

Date: **November 9, 2023** **May 9, 2024**

By: /s/ Charles D. Goodwin II

Charles D. Goodwin II

President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: **November 9, 2023** **May 9, 2024**

By: /s/ Tara Semb Matthew Hill

Tara Semb Matthew Hill

Chief Financial Officer,
Treasurer and Secretary
(Principal Financial Officer)

4227

EXHIBIT 31.1

**Certificate Pursuant to Section 302
of Sarbanes – Oxley Act of 2002
CERTIFICATION OF CEO**

I, Charles D Goodwin II, the Registrant's Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Apyx Medical Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over

financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. 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 controls over financial reporting.

Date: November 9, 2023 May 9, 2024

By: /s/ Charles D. Goodwin II

Charles D. Goodwin II

President and Chief Executive Officer

EXHIBIT 31.2

**Certificate Pursuant to Section 302
of Sarbanes – Oxley Act of 2002
CERTIFICATION OF CFO**

I, **Tara Semb**, **Matthew Hill**, the Registrant's Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Apyx Medical Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. 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 controls over financial reporting.

Date: **November 9, 2023** **May 9, 2024**

By: **/s/ Tara Semb Matthew Hill**

Tara Semb Matthew Hill

Chief Financial Officer, Treasurer and Secretary

EXHIBIT 32.1

**Certificate Pursuant to 18 U.S.C Section 1350, as adopted pursuant to
Section 906 of Sarbanes – Oxley Act of 2002
CERTIFICATION OF CEO**

In connection with the quarterly report on Form 10-Q of Apyx Medical Corporation (the "Company") for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **May 9, 2024**

By: **/s/ Charles D. Goodwin II**

Charles D. Goodwin II

President and Chief Executive Officer

EXHIBIT 32.2

**Certificate Pursuant to 18 U.S.C Section 1350, as adopted pursuant to
Section 906 of Sarbanes – Oxley Act of 2002
CERTIFICATION OF CFO**

In connection with the quarterly report on Form 10-Q of Apyx Medical Corporation (the "Company") for the period ended **September 30, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Financial Officer certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **November 9, 2023** **May 9, 2024**

By: /s/ Tara Semb Matthew Hill

Tara Semb Matthew Hill

Chief Financial Officer, Treasurer and Secretary

EXHIBIT 32.1

**Certificate Pursuant to 18 U.S.C Section 1350, as adopted pursuant to
Section 906 of Sarbanes – Oxley Act of 2002**
CERTIFICATION OF CEO

In connection with the quarterly report on Form 10-Q of Apyx Medical Corporation (the "Company") for the period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **November 9, 2023**

By: /s/ Charles D. Goodwin II

Charles D. Goodwin II

President and Chief Executive Officer

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.