UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 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 001-09341

iCAD, Inc.
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**02-0377419** **(I.R.S. Employer Identification No.)**
98 Spit Brook Road, Suite 100, Nashua, NH **(Address of principal executive offices)**	**03062** **(Zip Code)**

(603) 882-5200
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section12(b) of the Act:

Title of each class	**Trading symbol(s)**	**Name of each exchange on which registered**
Common Stock, $0.01 par value	**ICAD**	**The Nasdaq Stock Market LLC**

Indicate by check mark whether the registrant (1) has 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 requirement 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 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, an emerging growth company or a smaller reporting 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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

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 the close of business on August [], 2024, there were26,540,030 shares outstanding of the registrant's Common Stock, $0.01 par value.

iCAD, Inc.

INDEX

iCAD, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands, except for share data)
(Unaudited)

	June 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 20,353	$ 21,670
Trade accounts receivable, net of allowance for credit losses of $ 298 and $277 as of June 30, 2024 and December 31, 2023, respectively	5,383	6,392
Inventory, net	702	917
Prepaid expenses and other current assets	1,377	699
Total current assets	27,815	29,678
Property and equipment, net of accumulated depreciation of $ 1,298 and $1,045 as of June 30, 2024 and December 31, 2023, respectively	1,776	1,823
Operating lease assets	286	461
Other assets	493	849
Intangible assets, net of accumulated amortization of $ 8,527 and $8,488 as of June 30, 2024 and December 31, 2023, respectively	121	148
Goodwill	8,362	8,362
Deferred tax assets	86	97
Total assets	$ 38,939	$ 41,418
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 501	$ 712
Accrued and other expenses	2,521	2,448
Lease payable—current portion	220	188
Deferred revenue—current portion	3,317	3,400
Total current liabilities	6,559	6,748
Lease payable, net of current	249	273
Deferred revenue, net of current	1,164	974
Deferred tax	7	6
Total liabilities	7,979	8,001
Commitments and Contingencies (Notes 9 and 12)		
Stockholders' equity:		
Preferred stock, $0.01 par value: authorized 1,000,000 shares; none issued.	—	—
Common stock, $0.01 par value: authorized 60,000,000 shares; issued 26,540,030 as of both June 30, 2024 and December 31, 2023, respectively; outstanding 26,354,199 as of both June 30, 2024 and December 31, 2023, respectively.	265	265
Additional paid-in capital	306,754	306,250
Accumulated deficit	(274,644)	(271,683)
Treasury stock at cost, 185,831 shares as of both June 30, 2024 and December 31, 2023	(1,415)	(1,415)
Total stockholders' equity	30,960	33,417
Total liabilities and stockholders' equity	$ 38,939	$ 41,418

See accompanying notes to condensed consolidated financial statements.

iCAD, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(In thousands, except for per share data)
(Unaudited)

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Revenue:				
Products	$ 3,254	$ 2,301	$ 6,356	$ 4,762
Services	1,775	1,870	3,627	3,744
Total revenue	5,029	4,171	9,983	8,506
Cost of revenue:				
Products	371	411	850	835
Services	328	339	650	684
Amortization and depreciation	113	23	153	43
Total cost of revenue	812	773	1,653	1,562
Gross profit	4,217	3,398	8,330	6,944
Operating expenses:				
Engineering and product development	1,764	1,245	3,271	2,762
Marketing and sales	2,267	1,836	4,349	4,196
General and administrative	2,070	2,755	3,973	5,608
Amortization and depreciation	64	75	126	129
Total operating expenses	6,165	5,911	11,719	12,695
Loss from operations	(1,948)	(2,513)	(3,389)	(5,751)
Other income/ (expense):				
Interest expense	—	(2)	—	(2)
Interest income	206	182	409	333
Other income (expense), net	11	(3)	31	—
Other income (expense), net	217	177	440	331
Loss before provision for income taxes	(1,731)	(2,336)	(2,949)	(5,420)
Provision for income taxes	(8)	(4)	(12)	(9)
Loss from continuing operations	(1,739)	(2,340)	(2,961)	(5,429)
Income (loss) from discontinued operations, net of tax	—	590	—	(99)
Net loss and comprehensive loss	$ (1,739)	$ (1,750)	$ (2,961)	$ (5,528)
Net loss per share:				
Loss from continuing operations, basic and diluted	$ (0.07)	$ (0.09)	$ (0.11)	$ (0.22)
Income (loss) from discontinued operations, basic and diluted	$ —	$ 0.02	$ —	$ —
Net loss per share	$ (0.07)	$ (0.07)	$ (0.11)	$ (0.22)
Weighted average number of shares used in computing loss per share:				
Basic and diluted	26,354	25,261	26,354	25,261

See accompanying notes to condensed consolidated financial statements.

iCAD, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity
(In thousands, except shares)
(Unaudited)

For the three months ended June 30, 2024

	Common Stock Number of Shares Issued	Common Stock Par Value	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Stockholders' Equity
Balance at March 31, 2024	26,540,030	$ 265	$ 306,515	$ (272,905)	$ (1,415)	$ 32,460
Stock-based compensation	—	—	239	—	—	239
Net loss	—	—	—	(1,739)	—	(1,739)
Balance at June 30, 2024	26,540,030	$ 265	$ 306,754	$ (274,644)	$ (1,415)	$ 30,960

For the six months ended June 30, 2024

	Common Stock Number of Shares Issued	Common Stock Par Value	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Stockholders Equity
Balance at December 31, 2023	26,540,030	$ 265	$ 306,250	$ (271,683)	$ (1,415)	$ 33,417
Stock-based compensation	—	—	504	—	—	504
Net loss	—	—	—	(2,961)	—	(2,961)
Balance at June 30, 2024	26,540,030	$ 265	$ 306,754	$ (274,644)	$ (1,415)	$ 30,960

For the three months ended June 30, 2023

	Common Stock Number of Shares Issued	Common Stock Par Value	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Stockholders' Equity
Balance at March 31, 2023	25,446,407	$ 254	$ 303,485	$ (270,614)	$ (1,415)	$ 31,710
Stock-based compensation	—	—	214	—	—	214
Net loss	—	—	—	(1,750)	—	(1,750)
Balance at June 30, 2023	25,446,407	$ 254	$ 303,699	$ (272,364)	$ (1,415)	$ 30,174

For the six months ended June 30, 2023

	Common Stock Number of Shares Issued	Common Stock Par Value	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Stockholders' Equity
Balance at December 31, 2022	25,446,407	$ 254	$ 302,899	$ (266,836)	$ (1,415)	$ 34,902
Stock-based compensation	—	—	800	—	—	800
Net loss	—	—	—	(5,528)	—	(5,528)
Balance at June 30, 2023	25,446,407	$ 254	$ 303,699	$ (272,364)	$ (1,415)	$ 30,174

See accompanying notes to condensed consolidated financial statements.

iCAD, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	For the Six Months Ended June 30, Months ended June 30, 2024	2023
Cash flow from operating activities:		
Net loss	$ (2,961)	$ (5,528)
Adjustments to reconcile net loss to net cash used for operating activities:		
Amortization	27	94
Depreciation	253	138
Non-cash lease expense	112	248
Impairment of operating lease asset	184	—
Bad debt provision	21	62
Stock-based compensation	504	800
Deferred tax	12	8
Changes in operating assets and liabilities:		
Accounts receivable	988	3,089
Inventory	215	1,141
Prepaid and other assets	(322)	352
Accounts payable	(211)	(1,116)
Accrued and other expenses	73	(510)
Lease liabilities	(113)	(263)
Deferred revenue	107	(448)
Total adjustments	1,850	3,595
Net cash used for operating activities	(1,111)	(1,933)
Cash flow from investing activities:		
Additions to patents, technology and other	—	—
Additions to property and equipment	(106)	(307)
Capitalization of internal-use software development costs	(100)	(36)
Net cash used for investing activities	(206)	(343)
Decrease in cash and cash equivalents	(1,317)	(2,276)
Cash and cash equivalents, beginning of period	21,670	21,313
Cash and cash equivalents, end of period	$ 20,353	$ 19,037
Supplemental disclosure of cash flow information:		
Interest paid	$ —	$ —
Right-of-use asset obtained in exchange for operating lease liability	$ 121	$ —

See accompanying notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements:

Note 1 – Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements of iCAD, Inc. and its subsidiaries ("iCAD" or the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the reporting period and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. It is reasonably possible that changes may occur in the near term that would affect management's estimates with respect to assets and liabilities. In the opinion of the Company's management, these unaudited interim condensed consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the financial position of the Company at June 30, 2024, the results of operations of the Company for the three and six months ended June 30, 2024 and 2023, cash flows of the Company for the six months ended June 30, 2024 and 2023, and stockholders' equity of the Company for the three and six months ended June 30, 2024 and 2023.

As discussed in Note 2, the Company completed the sale of its Xoft business line on October 23, 2023. Accordingly, the Company now operates in one segment, Cancer Detection ("Detection"). Unless otherwise indicated, all disclosures and amounts in the Notes to Condensed Consolidated Financial Statements relate to the Company's continuing operations, or its Detection segment.

Although the Company believes that the disclosures made in these interim financial statements are adequate to make the information presented not misleading, certain information normally included in the footnotes prepared in accordance with US GAAP has been omitted as permitted by the rules and regulations of the Securities and Exchange Commission (the "SEC"). The accompanying interim financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the SEC on March 29, 2024. The results for the three and six months ended June 30, 2024, are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2024, or any interim or any future period.

Principles of Consolidation and Business Segments

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, iCAD France, LLC. All material inter-company transactions and balances have been eliminated in consolidation. The Company operates one reporting segment: Cancer Detection ("Detection"). The Detection segment consists of advanced image analysis and workflow products for the detection of cancer. As discussed in Note 2, the Company completed the sale of its Xoft business line on October 23, 2023. Unless otherwise indicated, all disclosures and amounts in the Notes to Condensed Consolidated Financial Statements relate to the Company's continuing operations, or its Detection segment.

Risk and Uncertainty

On March 12, 2020, the World Health Organization declared COVID- 19 to be a pandemic. In an effort to contain and mitigate the spread of COVID-19, the United States and most countries of the world imposed some level of unprecedented restrictions such as travel bans and business closures which caused substantial reductions in economic activity. While the worst of the disruptions appear to have subsided as of June 30, 2024, the Company continues to be impacted by slowness in the overall economic recovery. The Company's expected results for future periods could reflect a continuing negative impact from the COVID-19 pandemic for similar or additional reasons.

In late February 2022, Russian military forces launched significant military action against Ukraine. In early October 2023, an armed conflict between Hamas-led Palestinian militant groups and Israeli military forces broke out with a Hamas attack on southern Israel, to which Israeli military forces retaliated.

Sustained conflict and disruption in these regions has continued through December 31, 2023 and beyond. Economic, civil, military and political uncertainty may arise or increase in regions where the Company operates or derives revenue. Further, countries from which the Company derives revenue may experience military action and/or civil and political unrest; may be subject to government export controls, economic sanctions, embargoes, or trade restrictions; and experience currency, inflation, and interest rate uncertainties. While the impact to the Company has been limited to date, it is not possible to predict the potential outcome should the conflict expand and/or additional sanctions be imposed. For the six months ended June 30, 2024 and 2023, approximately 16% and 14%, respectively, of the Company's total revenue was derived from customers located outside the United States.

Recently Issued Accounting Pronouncements

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (ASU 2023-07). ASU 2023-07 is intended to improve reportable segment disclosure requirements, primarily through additional disclosures about significant segment expenses, including for single reportable segment entities. The new guidance is effective for us beginning with our annual reporting for fiscal year 2024 and for interim period reporting beginning in fiscal year 2025 and will be applied on a retrospective basis. We are evaluating the disclosure requirements related to the new standard.

In December 2023, the FASB issued ASU No. 2023-09, Improvements to Income Tax Disclosures (ASU 2023-09). ASU 2023-09 requires more detailed income tax disclosures. The guidance requires entities to disclose disaggregated information about their effective tax rate reconciliation as well as expanded information on income taxes paid by jurisdiction. The disclosure requirements will be applied on a prospective basis, with the option to apply them retrospectively. The standard is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. We are evaluating the disclosure requirements related to the new standard.

Note 2 – **Discontinued Operations**

On October 22, 2023, the Company entered into an Asset Purchase Agreement (the "Purchase Agreement"), by and among (i) the Company, Xoft Solutions, LLC, a Delaware limited liability company, and Xoft, Inc., a Delaware corporation, each a wholly owned subsidiary of the Company (collectively with the Company, the "Sellers" and each, a "Seller"), and (ii) Elekta Inc., a Georgia corporation, and Nucletron Operations B.V., a company organized under the laws of the Netherlands (together, "Buyers" and each a "Buyer"), pursuant to which the Company agreed to transfer to the Buyers substantially all of the assets and liabilities primarily related to the Company's Xoft business lines (the "Business"), including with respect to employees, contracts, intellectual property and inventory, for total cash consideration of approximately $5.76 million dollars from the Buyers to the Company, and the assumption by Buyers of all liabilities relating to the Business (the "Transaction"). This payment is guaranteed by Elekta AB, a company organized under the laws of Sweden, the ultimate parent company of the Buyers. In accordance with the Purchase Agreement, the Company received a cash payment of approximately $5 million in November 2023 with the remaining $0.7 million held in escrow for a period of 15 months following October 22, 2023. The escrow balance is reflected in the caption Prepaid expenses and other current assets as of June 30, 2024 and in Other assets in the long-term section of the Company's Consolidated Balance Sheet as of December 31, 2023.

The closing of the Transaction occurred simultaneously with the execution of the Purchase Agreement.

In connection with the Transaction, the parties entered into a transition services agreement pursuant to which the Company will provide certain migration and transition services to facilitate an orderly transition of the operation of the Business to the Buyers during the five-month period following consummation of the Transaction, extendable at the option of the parties.

The Purchase Agreement contains certain representations, warranties, covenants and indemnification provisions, including for breaches of covenants and for losses resulting from the Company's liabilities specifically excluded from the Transaction.

The Business, which had previously been presented as a separate reporting segment, meets the criteria for being reported as a discontinued operation and has been segregated from continuing operations. The following table summarizes the results from discontinued operations:

	Three Months Ended June 30, 2023	Six Months Ended June 30, 2023
Revenue	$ 1,694	$ 3,138
Total cost of sales	742	1,599
Gross profit	$ 952	$ 1,539
Total operating expenses	362	1,638
Provision for income taxes	—	—
Income (loss) from discontinued operations, net of tax	$ 590	$ (99)

Total operating expenses presented in the table above exclude amounts that had previously been allocated to the Business for certain shared marketing expenses. The previously allocated amounts were de minimis and $0.3 million for the three and six months ended June 30, 2023, respectively. The previously allocated expenses are included in the Marketing and sales line for all periods presented in the Condensed Consolidated Statements of Operations.

The Business is included in the Company's Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2023. Estimated cash provided by the Business during the six months ended June 30, 2023 was approximately $0.5 million, primarily from operating activities and excluding the impact of previously allocated marketing expenses.

Note 3 – Fair Value Measurements

The Company follows the provisions of FASB ASC Topic 820, "Fair Value Measurement and Disclosures" ("ASC 820"), which defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The Company applies the fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, which are the following:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value

The assigned level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Money market funds included in cash and cash equivalents in the accompanying consolidated balance sheet are considered a Level 1 measurement as they are valued at quoted market prices in active markets.

The following table sets forth the Company's assets which are measured at fair value on a recurring basis by level within the fair value hierarchy:

Fair Value Measurements as of June 30, 2024

	Level 1	Level 2	Level 3	Total
Assets				
Money market accounts	$ 16,405	$ —	$ —	$ 16,405
Total Assets	$ 16,405	$ —	$ —	$ 16,405

Fair Value Measurements as of December 31, 2023

	Level 1	Level 2	Level 3	Total
Assets				
Money market accounts	$ 15,475	$ —	$ —	$ 15,475
Total Assets	$ 15,475	$ —	$ —	$ 15,475

There were no Level 2 or 3 instruments measured at fair value as of June 30, 2024 or December 31, 2023.

Table of Contents

Note 4 - Revenue

Revenue Recognition

Revenue is recognized when a customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration which the Company expects to be entitled to receive in exchange for these goods or services and excludes any sales incentives or taxes collected from customers which are subsequently remitted to government authorities.

Disaggregation of Revenue

The following tables presents the Company's revenues disaggregated by major good or service line, timing of revenue recognition, and sales channel, reconciled to its reportable segments.

	Three months ended June 30, 2024
Major Goods/Service Lines	
Products	$ 3,254
Service contracts	1,775
	$ 5,029
Timing of Revenue Recognition	
Goods transferred at a point in time	$ 1,717
Services transferred over time	3,312
	$ 5,029
Sales Channels	
Direct sales force	3,637
OEM partners	1,392
	$ 5,029

	Three months ended June 30, 2023
Major Goods/Service Lines	
Products	$ 2,301
Service contracts	1,870
	$ 4,171
Timing of Revenue Recognition	
Goods transferred at a point in time	$ 1,876
Services transferred over time	2,295
	$ 4,171
Sales Channels	
Direct sales force	$ 2,743
OEM partners	1,428
	$ 4,171

	Six months ended June 30, 2024
Major Goods/Service Lines	
Products	$ 6,356
Service contracts	3,627
	$ 9,983
Timing of Revenue Recognition	
Goods transferred at a point in time	$ 4,004
Services transferred over time	5,979
	$ 9,983
Sales Channels	
Direct sales force	$ 7,269
OEM partners	2,714
	$ 9,983

	Six months ended June 30, 2023
Major Goods/Service Lines	
Products	$ 4,762
Service contracts	3,744
	$ 8,506
Timing of Revenue Recognition	
Goods transferred at a point in time	$ 3,945
Services transferred over time	4,561
	$ 8,506
Sales Channels	
Direct sales force	$ 5,461
OEM partners	3,045
	$ 8,506

Products. Product revenue consists of sales of cancer detection systems and perpetual licenses. The Company also sells cancer detection systems in the form of term licenses which generally commit the customer to a three year, non cancellable subscription with annual billing at the start of each year. The Company transfers control and recognizes a sale when the product is shipped from the manufacturing or warehousing facility to the customer.

Service Contracts. The Company sells service contracts in which the Company provides professional services including product installations, maintenance, training and service repairs. The service contracts range from 12 months to 48 months. The Company typically receives payment at the inception of the contract and recognizes revenue on a straight-line basis over the term of the agreement.

As discussed in Note 2, the Company completed the sale of its Xoft (Therapy) business line on October 23, 2023.

Contract Balances

Contract liabilities are a component of deferred revenue, current contract assets are a component of prepaid and other assets and non-current contract assets are a component of other assets. The following table provides information about receivables, current and non-current contract assets, and contract liabilities from contracts with customers.

Contract balances

	Balance at June 30, 2024	Balance at December 31, 2023	Balance at December 31, 2022
Receivables, which are included in 'Trade accounts receivable'	$ 5,383	$ 6,392	$ 5,769
Current contract assets, which are included in "Prepaid and other assets"	$ 7	$ —	$ 748
Non-current contract assets, which are included in "other assets"	$ 485	$ 157	$ 15
Contract liabilities, which are included in "Deferred revenue"	$ 4,481	$ 4,374	$ 4,046

Timing of revenue recognition may differ from timing of invoicing of customers. The Company records a receivable when revenue is recognized prior to receipt of cash payment and the Company has the unconditional right to such consideration, or unearned revenue when cash payments are received or due in advance of performance. For multi-year agreements, the Company generally invoices customers annually at the beginning of each annual service period.

The Company records net contract assets or contract liabilities on a contract-by-contract basis. The Company records a contract asset for unbilled revenue when the Company's performance is in excess of amounts billed or billable. The Company classifies the net contract asset as either a current or non-current based on the expected timing of the Company's right to bill under the terms of the contract. The current contract asset balance primarily relates to a net unbilled revenue balance, which the Company expects to be able to bill for within one year. The non-current contract asset balance consists of net unbilled revenue balances with several customer which the Company expects to be able to bill for in more than one year.

Changes in deferred revenue from contracts with customers were as follows:

	Six Months Ended June 30, 2024
Balance at beginning of period	$ 4,374
Deferral of revenue	6,871
Recognition of deferred revenue	(6,764)
Balance at end of period	$ 4,481

As of June 30, 2024, the aggregate amount of unsatisfied, or partially satisfied, performance obligations from contracts with customers was $4.5 million. The Company expects to recognize approximately $ 3.3 million of its remaining performance obligations as revenue over the next 12 months. The remainder of the balance is expected to be recognized over the next two to three years.

Note 5– Net Loss per Common Share

The Company's basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding for the period.

A summary of the Company's calculation of loss per share is as follows (in 000s, except for Net loss per share):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Loss from continuing operations	$ (1,739)	$ (2,340)	$ (2,961)	$ (5,429)
Loss from discontinued operations	-	590	-	(99)
Net loss	$ (1,739)	$ (1,750)	$ (2,961)	$ (5,528)
Shares used in the calculation of basic and diluted net loss per share	26,354	25,261	26,354	25,261
Loss per share from continuing operations - basic and diluted	$ (0.07)	$ (0.09)	$ (0.11)	$ (0.22)
Loss per share from discontinued operations - basic and diluted	-	0.02	-	-
Net loss per share - basic and diluted	$ (0.07)	$ (0.07)	$ (0.11)	$ (0.22)

The shares of the Company's common stock issuable upon the exercise of stock options that were excluded from the calculation of diluted net loss per share because their effect would have been antidilutive are as follows:

	June 30,	
	2024	2023
Stock options	3,048,004	3,265,920
Total	3,048,004	3,265,920

Note 6 – **Inventories**

The Company values its inventory at the lower of cost or net realizable value. Cost includes materials, labor, and manufacturing overhead and is determined using the first-in, first-out (FIFO) method. On a quarterly basis, management reviews inventory quantities on hand and analyzes the provision for excess and obsolete inventory based primarily on product expiration dating and estimated sales forecast, which is based on sales history and anticipated future demand. Inventory consisted of the following at June 30, 2024 and December 31, 2023, respectively:

	June 30, 2024	December 31, 2023
Raw materials	$ 499	$ 583
Work in process	77	55
Finished goods	204	324
Inventory gross	780	962
Inventory reserve	(78)	(45)
Inventory net	$ 702	$ 917

Note 7 – **Goodwill**

The Company tests goodwill for impairment on an annual basis and between annual tests if events and circumstances indicate it is more likely than not that the fair value of the reporting unit is less than its carrying value. Factors the Company considers important, which could trigger an impairment of such asset, include the following:

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner or use of the assets or the strategy for the Company’s overall business;
- significant negative industry or economic trends;
- significant decline in the Company’s stock price for a sustained period; and
- a decline in the Company’s market capitalization below net book value.

The Company considered indicators of impairment, and there were no triggering events identified, no indication of impairment of the Company’s goodwill and no impairment charges recorded during the three months ended June 30, 2024 or 2023.

Note 8 – **Long-lived Assets**

The Company assesses long-lived assets for impairment if events and circumstances indicate it is more likely than not that the fair value of the asset group is less than its carrying value.

There is no set interval or frequency for recoverability evaluation. Rather, the determination of when, if at all, an asset (or asset group) is evaluated for recoverability is based on “events and circumstances.” The following factors are examples of events or changes in circumstances that indicate the carrying amount of an asset (or asset group) may not be recoverable and thus is to be evaluated for recoverability.

- A significant decrease in the market price of a long-lived asset (or asset group);
- A significant adverse change in the extent or manner in which a long-lived asset (or asset group) is being used or in its physical condition;
- A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset (or asset group), including an adverse action or assessment by a regulator;
- An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset (or asset group); and
- A current operating period, or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset (or asset group).

The Company determined there were no such triggering events during the three or six months ended June 30, 2024 or 2023.

Note 9 – Lease Commitments

In accordance with *ASC Topic 842*, "Leases" ("ASC 842"), the Company determines if an arrangement contains a lease at inception. A lease is an operating or financing contract, or part of a contract, that conveys the right to control the use of an identified tangible asset for a period of time in exchange for consideration.

At lease inception, the Company recognizes a lease liability equal to the present value of the remaining lease payments, and a right of use asset equal to the lease liability, subject to certain adjustments, such as for lease incentives. In determining the present value of the lease payments, the Company calculates an incremental borrowing rate, which is determined by estimating the Company's applicable, fully collateralized borrowing rate, with adjustment as appropriate for lease term. The lease term at the lease commencement date is determined based on the non-cancellable period for which the Company has the right to use the underlying asset, together with any periods covered by an extension option if the Company is reasonably certain to exercise that option.

Assumptions made by the Company at the commencement date of each lease are re-evaluated upon occurrence of certain events, including a lease modification. A lease modification results in a separate contract when the modification grants the lessee an additional right of use not included in the original lease and when lease payments increase commensurate with the standalone price for the additional right of use. When a lease modification results in a separate contract, it is accounted for in the same manner as a new lease.

Right-of-use assets and obligations for leases with an initial term of 12 months or less are considered short term and are a) not recognized in the consolidated balance sheet and b) recognized as an expense on a straight-line basis over the lease term. The Company does not sublease any of its leased assets to third parties and the Company's lease agreements do not contain any residual value guarantees or restrictive covenants. The Company has lessor agreements that contain lease and non-lease components, but the Company is accounting for the complete agreement under ASC 606 after determining that the non-lease component is the predominant component of these agreements.

ASC 842 includes a number of reassessment and remeasurement requirements for lessees based on certain triggering events or conditions. There were no impairment indicators identified during the three and six months ended June 30, 2024 that would require impairment testing of the Company's right-of-use assets.

Certain of the Company's leases include variable lease costs to reimburse the lessor for real estate tax and insurance expenses, and certain non-lease components that transfer a distinct service to the Company, such as common area maintenance services. The Company has elected to separate the accounting for lease components and non-lease components for real estate and equipment leases.

In January 2024, in anticipation of the March 2024 end date of its leased warehouse in Nashua, NH, the Company entered into a 36 month lease for a new warehouse beginning February 1, 2024 through 2027. The new warehouse space, also in Nashua, NH, is for approximately 3,000 square feet with annual rent payments totaling approximately $46,000 for the duration of the lease. The new lease includes an option to extend the term for two one year periods. The Company recorded a right-of-use asset and lease liability upon commencement of the lease for approximately $0.1 million.

In July 2024, subsequent to June 30, 2024, the Company executed a sublease for its corporate headquarters at 98 Spit Brook Road in Nashua, New Hampshire. The sublease commences August 15, 2024 and ends on May 31, 2026. The sublease will provide the Company with monthly income of $8,262 and specifies that the sublessee shall reimburse the Company for all CAM expenses, electricity, and natural gas. The Company expects to fully exit the space by August 28, 2024. The sublease caused the Company to assess the fair value of its existing right of use asset related to the 98 Spit Brook Road facility. For the period ended June 30, 2024, the Company concluded that carrying value exceeded fair value. Accordingly, the Company recorded an impairment charge of $0.2 million for the period ended June 30, 2024 which is reflected in the General and administrative caption in the Condensed Consolidated Statements of Operations.

Components of Leases:

The Company has leases for office space and office equipment. The leases expire at various dates through 2028.

Lease Cost	Classification	Three Months Ended June 30, 2024	Six Months Ended June 30, 2024
Operating lease cost - Right of Use Asset	Operating expenses	$ 65	$ 136

Other information related to leases was as follows:

	Three Months Ended June 30, 2024	Six Months Ended June 30, 2024
Cash paid from operating cash flows for operating leases	$ 65	$ 136

	As of June 30, 2024
Weighted-average remaining lease term of operating leases (years)	2.3
Weighted-average discount rate for operating leases	7.2%

Maturity of the Company's lease liabilities as of June 30, 2024 was as follows:

2024	$ 126
2025	250
2026	131
2027	4
Total lease payments	511
Less: effects of discounting	(42)
Total lease liabilities	469
Less: current portion of lease liabilities	220
Long-term lease liabilities	$ 249

Note 10– Stockholders Equity

2024 Omnibus Equity Incentive Plan

At the Company's 2024 annual meeting of stockholders held on June 13, 2024, the Company's stockholders approved the Company's 2024 Omnibus Equity Incentive Plan (the "2024 Plan"). The 2024 The Plan permits the granting of any or all of the following types of awards to all grantees:

- stock options, including incentive stock options, or ISOs;
- stock appreciation rights, or SARs;
- restricted shares;
- deferred stock and restricted stock units;
- performance units and performance shares;
- dividend equivalents;
- bonus shares; and
- other stock-based awards.

The 2024 Plan provides for the issuance of up to 2,000,000 shares of common stock, from time to time, under the terms of the 2024 Plan. As of June 30, 2024, there were 2,000,000 shares available for future issuance under the 2024 Plan. There have been no awards granted under the 2024 Plan since its approval.

Stock-Based Compensation

The Company's stock-based compensation expense, including options and restricted stock by category is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Cost of revenue	$ —	$ 1	$ 1	$ 2
Engineering and product development	27	59	83	132
Marketing and sales	43	62	105	193
General and administrative	169	92	315	473
	$ 239	$ 214	$ 504	$ 800

During the three months ended March 31, 2023, the Company recorded incremental stock-based compensation of approximately $ 0.2 million as a result of modifications of certain stock option awards. The modifications related to extending the contractual life of certain stock options by five years for four grantees whose awards were scheduled to expire during 2023. In addition, the amount of time to exercise vested stock options upon termination for one grantee was extended from 90 days to 24 months.

As of June 30, 2024, there was approximately $ 1.0 million of total unrecognized compensation cost related to unvested options. That cost is expected to be recognized over a weighted average period of 2.22 years.

Options granted under the Company's stock incentive plans were valued utilizing the Black-Scholes model using the following assumptions and had the following fair values:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Average risk-free interest rate	4.66%	4.10%	4.44%	4.14%
Expected dividend yield	None	None	None	None
Expected life (average, in years)	2.8	3.1	3.1	3.0
Expected volatility	83.9% to 100.5%	77.7% to 96.3%	83.4% to 113.9%	72.7% to 96.3%
Weighted average exercise price	$ 1.50	$ 1.38	$ 1.52	$ 1.76
Weighted average fair value	$ 0.74	$ 0.76	$ 0.86	$ 0.95

The Company's 2024 and 2023 average expected volatility and average expected life is based on the average of the Company's historical information. The risk-free rate is based on the rate of U.S. Treasury zero-coupon issues with a remaining term equal to the expected life of option grants. The Company has paid no dividends on its common stock in the past and does not anticipate paying any dividends in the future.

The Company did not grant any shares of restricted stock during the three-months ended June 30, 2024 or 2023. The Company's restricted stock awards typically vest in either one year or three equal annual installments with the first installment vesting one year from the grant date. The grant date fair value for restricted stock awards is based on the quoted market value of Company stock on the grant date.

A summary of stock option activity for all stock option plans for the period ended June 30, 2024 is as follows:

	Number of Options	Weighted Average Exercise Price	Intrinsic Value
Outstanding as of December 31, 2023	2,897,663	$ 5.57	$ 252
Granted	512,574	$ 1.52	
Exercised	—	$ —	$ —
Cancelled	(362,233)	$ 9.73	
Outstanding as of June 30, 2024	3,048,004	$ 4.49	$ 8
Options Exercisable as of December 31, 2023	1,593,935	$ 8.08	$ 30
Options Exercisable as of June 30, 2024	1,797,625	$ 6.23	$ 3

Note 11– Income Taxes

The determination of the annual effective tax rate is based upon a number of significant estimates and judgments, including the estimated annual pretax income in each tax jurisdiction in which the Company operates and the development of tax planning strategies during the year. As such, there can be significant volatility in interim tax provisions.

Income tax expense was approximately $8,000 and approximately $12,000 for the three and six months ended June 30, 2024, respectively. Income tax expense was approximately $4,000 and $9,000 for the three and six months ended June 30, 2023, respectively. The effective tax rates for the three and six months ended June 30, 2024 and 2023 were less than 1% in each period. The difference between the Company's effective tax rates in 2023 and 2022 compared to the U.S. statutory tax rate of 21% is primarily due to changes in valuation allowances associated with the Company's assessment of the likelihood of the recoverability of deferred tax assets. The Company has valuation allowances against substantially all of its net operating loss carryforwards and tax credit carryforwards.

Note 12 – **Commitments and Contingencies**

Other Commitments

The Company is obligated to pay approximately $ 1.6 million for firm purchase obligations to suppliers for future product and service deliverables and $0.4 million for minimum royalty obligations.

Litigation

The Company may be a party to various legal proceedings and claims arising out of the ordinary course of its business. Although the final results of all such matters and claims cannot be predicted with certainty, the Company currently believes that there are no current proceedings or claims pending against it the ultimate resolution of which would have a material adverse effect on its financial condition or results of operations. However, should the Company fail to prevail in any legal matter or should several legal matters be resolved against the Company in the same reporting period, such matters could have a material adverse effect on the Company's operating results and cash flows for that particular period. In all cases, at each reporting period, the Company evaluates whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under *ASC 450*, "Contingencies." Legal costs are expensed as incurred.

Note 13 – **Restructuring**

On March 20, 2023, the Company committed to a restructuring plan intended to support its long-term strategic goals and reduce operating expenses by further aligning its cost structure to focus on areas the Company believes are more likely to generate the best long-term results, in light of current industry and macroeconomic environments (the "RIF"). The Company reduced its workforce by approximately 28%, decreasing its headcount by approximately 23 employees, predominantly from the Company's detection business unit. Xoft, Inc., a wholly-owned subsidiary of the Company at that time, furloughed 12 of its employees, or approximately 50% of its workforce. As discussed in Note 2, the Company completed the sale of its Xoft business line on October 23, 2023.

The Company incurred total charges of $0.2 million related to the RIF during the year ended December 31, 2023, of which $0.1 million were recorded during the three months ended March 31, 2023. All of the incurred charges were one-time, cash expenses and were recorded primarily in Cost of revenue and Marketing and sales in the Company's Condensed Consolidated Statements of Operations. No further charges or payments related to the RIF will occur.

Note 14 – **Issuances of Common Stock**

As previously disclosed, on August 11, 2023, the Company entered into an at-the-market issuance sales agreement (the "Sales Agreement") with Craig-Hallum Capital Group LLC whereby the Company, at its discretion, may issue and sell up to $25 million of shares of the Company's common stock, from time to time, by any method deemed to be an "at-the-market" offering, as defined in Rule 415 of the Securities Act of 1933, as amended, or any method specified in the Sales Agreement. There were no sales of the Company's common stock during the three or six months ended June 30, 2024 or 2023, respectively.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the accompanying notes included in Part I, Item 1 of this Form 10-Q, as well as our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on March 29, 2024. Some of the information contained in this discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. As a result of many factors, including those factors set forth in the section titled "Risk Factors," our actual results could differ materially from those discussed in or implied by these forward-looking statements. Please also refer to the section titled "Special Note Regarding Forward Looking Statements."

Special Note Regarding Forward Looking Statements

Certain information included in this Item 2 and elsewhere in this Form 10-Q that are not historical facts contain statements that may be deemed "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such statements involve or may involve a number of known and unknown risks, uncertainties and other factors that could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievement expressed or implied by such forward looking statements. These risks and uncertainties include, but are not limited to the following: the continuing impact of the COVID-19 pandemic, the outcomes of our commercial and strategic arrangements (including our respective arrangements with Google Health and Radiology Partners), the continuing impact of military and political conflict in Eastern Europe and the Middle East, the outcomes of the 2024 U.S. presidential election, the ability to achieve business and strategic objectives, the risks of uncertainty of patent protection, the impact of supply and manufacturing constraints or difficulties, uncertainty of future sales levels, protection of patents and other proprietary rights, the impact of supply and manufacturing constraints or difficulties, product market acceptance, possible technological obsolescence of products, increased competition, litigation and/or government regulation, changes in Medicare reimbursement policies, risks relating to potential future debt obligations, competitive factors, the effects of a decline in the economy or markets served by the Company, and other risks detailed in this report and in the Company's other filings with the United States Securities and Exchange Commission (the "SEC"). The words "believe", "plan", "intend", "expect", "estimate", "anticipate", "likely", "seek", "should", "would", "could" and similar expressions identify forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date the statement was made. Except as required by law, we undertake no obligation to update any such forward-looking statements to reflect events or circumstances after the date of such statements.

Unless the context otherwise requires, the terms "iCAD", the "Company", "we", "our", "registrant", and "us" mean iCAD, Inc. and its consolidated subsidiaries.

Overview

iCAD, Inc. is a global leader in AI-powered cancer detection on a mission to create a world where cancer can't hide. Cancer wins when it hides. Remaining undetected, cancer poses one of the greatest threats to life. The Company's ProFound Breast Health Suite enables medical providers and professionals to accurately and reliably identify where cancer may be hiding and when it might make its move. The ProFound Breast Health Suite offers solutions for breast cancer detection, density assessment, one or two years breast cancer risk evaluation, and cardiovascular risk related to elevated levels of breast arterial calcifications. As discussed in Note 2, the Company completed the sale of its Xoft business line on October 23, 2023. Unless otherwise indicated, all disclosures and amounts in the Notes to Condensed Consolidated Financial Statements relate to the Company's continuing operations, or its Detection segment.

Powered by the latest innovations in artificial intelligence (AI), and built on one of the largest, most diverse US-based and global data sets, the ProFound Suite uniquely offers 360-degree solutions for cancer detection, density assessment, and personalized risk evaluation, all based on a 2D or 3D mammogram's collection of images. The ProFound Detection solution scores cases and suspicious lesions, helping radiologists identify and focus on areas of most concern and highest suspicion of cancer. The ProFound Density Assessment standardizes and simplifies breast density reporting, algorithmically examining a woman's breast anatomy from the mammogram image. The ProFound Risk solution provides a near-term probability for developing breast cancer in the next one or two years, making it more actionable and relevant than generalized lifetime risk scores. The ProFound Heart Health solution identifies the presence and quantity of breast arterial calcification which is proven to correlate with calcifications elsewhere in the body, raising concern for cardiovascular or heart health concerns.

The ProFound Breast Health Suite is cleared by the US Food & Drug Administration (FDA) and has received CE mark and Health Canada licensing. Used by thousands of providers serving millions of patients, ProFound is available in over 50 countries. iCAD estimates that ProFound has been used for more than 40 million mammograms worldwide in the last five years.

The Company's headquarters is located in Nashua, New Hampshire, with a manufacturing facility in New Hampshire and an office in Lyon, France.

COVID-19 Impact

On March 12, 2020, the World Health Organization declared COVID-19 to be a pandemic. In an effort to contain and mitigate the spread of COVID-19, the United States and most countries of the world imposed some level of unprecedented restrictions such as travel bans and business closures which caused substantial reductions in economic activity. While the worst of the disruptions seem to have subsided as of June 30, 2024, and the pandemic emergency has been deemed to be over, we continue dealing with the impact of slowness in the overall economic recovery. Our expected results for the year ended December 31, 2024, including any interim or future periods, could reflect a continuing negative impact from continuing negative economic conditions.

We believe that our current liquidity and capital resources are sufficient to sustain operations through at least the next 12 months, primarily due to cash on hand of $20.4 million at June 30, 2024 and anticipated revenue and cash collections as well as cost savings actions taken.

Global Conflicts Impact

In late February 2022, Russian military forces launched significant military action against Ukraine. In early October 2023, an armed conflict between Hamas-led Palestinian militant groups and Israeli military forces broke out with a Hamas attack on southern Israel, to which Israeli military forces retaliated. Sustained conflict and disruption in the regions has continued and is likely to continue. Economic, civil, military and political uncertainty may arise or increase in regions where the Company operates or derives revenue. Further, countries from which we derive revenue may experience military action and/or civil and political unrest; may be subject to government export controls, economic sanctions, embargoes, or trade restrictions; and experience currency, inflation, and interest rate uncertainties. While the impact to us has been limited to date, it is not possible to predict the potential outcome should the conflict expand and/or additional sanctions be imposed. For the six months ended June 30, 2024 and 2023, approximately 16% and 14%, respectively, of the Company's revenue was derived from customers located outside the United States.

Xoft Sale

The Company completed the sale of its Xoft business line on October 23, 2023. The results of its operations for all periods presented are reflected as discontinued operations in the Condensed Consolidated Statements of Income. Unless otherwise indicated, all disclosures and amounts relate to the Company's continuing operations. In addition, the Company now has one reporting segment, Detection.

Critical Accounting Estimates

Our discussion and analysis of financial condition, results of operations, and cash flows are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States.

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the U.S. requires management to make judgments, assumptions and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company considers an accounting estimate to be critical to the financial statements if the estimate is complex in nature, requires judgment, and if different estimates were used, the results could have a material impact on the consolidated financial statements. On an ongoing basis, the Company evaluates its estimates and the application of its policies. The Company bases its estimates on historical experience, current conditions and on various other assumptions that are believed to be reasonable under the circumstances. See the section entitled "Critical Accounting Estimates" in our annual report on Form 10-K for the year ended December 31, 2023 filed with the SEC on March 29, 2024 for further discussion.

Due to the COVID-19 pandemic and its lingering impact, global armed conflicts and related political uncertainty, as well as dramatic inflation, there has been uncertainty and disruption in the global economy and financial markets. We are not aware of any specific event or circumstance that would require an update to its estimates or judgments or a revision of the carrying value of its assets or liabilities as of the date of issuance of this Quarterly Report on Form 10-Q. These estimates may change, as new events occur, and additional information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions.

Other than as described herein, there have been no additional material changes to our critical accounting estimates as discussed in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on March 29, 2024. For a comprehensive list of our critical accounting estimates, reference should be made to the 2023 10-K.

Results of Operations (in thousands, except share data or as noted)

Three and six months ended June 30, 2024 compared to three and six months ended June 30, 2023

Revenue

Three months ended June 30, 2024 and 2023 :

	Three Months Ended June 30,			
	2024	**2023**	**$ Change**	**% Change**
Product revenue	$ 3,254	$ 2,301	$ 953	41.4%
Services	1,775	1,870	(95)	(5.1)%
Total revenue	5,029	4,171	858	20.6%

Total revenue increased by approximately $0.9 million or 20.6%, from $4.2 million for the three months ended June 30, 2023 to $5.0 million for the three months ended June 30, 2024. The increase is due primarily to higher product revenue. During the second quarter of 2024, we have seen an increase in customer demand for subscription licenses, which currently remains a small portion of the Company's total license revenue. We believe this trend could accelerate, and we have begun to shift our marketing efforts to a subscription model.

Product revenue increased by approximately $1.0 million, or 41.4%, from $2.3 million for the three months ended June 30, 2023 to $3.3 million for the three months ended June 30, 2024. The overall increase is due primarily to higher software license revenue, including the impact of our transition to a subscription model.

Services revenue, which is primarily sold to direct customers, was flat at approximately $1.8 million for each of the three months ended June 30, 2023 and June 30, 2024.

Six months ended June 30, 2024 and 2023 :

	Six Months Ended June 30,			
	2024	2023	$ Change	% Change
Product revenue	$ 6,356	$ 4,762	$ 1,594	33.5%
Services	3,627	3,744	(117)	(3.1)%
Total revenue	9,983	8,506	1,477	17.4%

Total revenue increased by approximately $1.5 million or 17.4%, from $8.5 million for the six months ended June 30, 2023 to $10.0 million for the six months ended June 30, 2024. The increase is due primarily to higher product revenue. During the first six months of 2024, we have seen an increase in customer demand for subscription licenses, which currently remains a small portion of the Company's total license revenue. We believe this trend could accelerate, and we have begun to shift our marketing efforts to a subscription model.

Product revenue increased by approximately $1.6 million, or 33.5%, from $4.8 million for the six months ended June 30, 2023 to $6.4 million for the six months ended June 30, 2024. The overall increase is due primarily to higher software license revenue, including the impact of our transition to a subscription model.

Services revenue, which is primarily sold to direct customers, was flat at approximately $3.7 million for each of the six months ended June 30, 2023 and June 30, 2024.

Cost of Revenue and Gross Profit:

Three months ended June 30, 2024 and 2023 :

Cost of Revenue and Gross Profit:	Three Months Ended June 30,			
	2024	2023	$ Change	% Change
Products	$ 371	$ 411	$ (40)	(9.7)%
Services	328	339	(11)	(3.2)%
Amortization and depreciation	113	23	90	391.3%
Total cost of revenue	$ 812	$ 773	$ 39	5.0%

	Three Months Ended June 30,			
	2024	2023	$ Change	% Change
Gross profit	$ 4,217	$ 3,398	$ 819	24.1%

Gross profit for the three months ended June 30, 2024 was approximately $4.2 million, or 84% of revenue, as compared to $3.4 million, or 81% of revenue, for the three months ended June 30, 2023.

Cost of products decreased by approximately $41,000, or 9.7%, from $411,000 for the three months ended June 30, 2023 to $371,000 for the three months ended June 30, 2024. The decrease is due primarily to lower sales of hardware.

Cost of services was approximately flat for the three months ended June 30, 2023 and June 30, 2024 consistent with services revenue.

Amortization and depreciation, which relates primarily to intangible assets and depreciation of property and equipment, increased by approximately $90,000, or 391.3%, from $23,000 for the three months ended June 30, 2023 to $113,000 for the three months ended June 30, 2024. The increase results from the expense associated with the Company's ProFound Cloud solution which went live in March 2024.

Six months ended June 30, 2024 and 2023 :

Cost of Revenue and Gross Profit:	Six Months Ended June 30,			
	2024	2023	$ Change	% Change
Products	$ 850	$ 835	$ 15	1.8%
Services	650	684	(34)	(5.0)%
Amortization and depreciation	153	43	110	255.8%
Total cost of revenue	$ 1,653	$ 1,562	$ 91	5.8%

	Six Months Ended June 30,			
	2024	2023	$ Change	% Change
Gross profit	$ 8,330	$ 6,944	$ 1,386	20.0%

Gross profit for the six months ended June 30, 2024 was approximately $8.3 million, or 83% of revenue, as compared to $6.9 million, or 82% of revenue, for the six months ended June 30, 2023.

Cost of products increased by approximately $15,000, or 1.8%, from $835,000 for the six months ended June 30, 2023 to $850,000 for the six months ended June 30, 2024. Cost of products did not increase proportionately with product revenue as a result of lower sales of hardware.

Cost of services decreased by approximately $34,000, or 5.0%, from $684,000 for the six months ended June 30, 2023 to $65,000 for the six months ended June 30, 2024. Cost of services as a percentage of service and supplies revenue was approximately 18.3% for the six months ended June 30, 2023 as compared to 17.9% for the six months ended June 30, 2024.

Amortization and depreciation, which relates primarily to intangible assets and depreciation of property and equipment, increased by approximately $110,000, or 255.8%, from $43,000 for the six months ended June 30, 2023 to $153,000 for the six months ended June 30, 2024. The increase results from the expense associated with the Company's ProFound Cloud solution which went live in March 2024.

Operating Expenses:

Three months ended June 30, 2024 and 2023 :

	Three Months Ended June 30, 2024		2023		$ Change	% Change
Operating expenses:						
Engineering and product development	$	1,764	$	1,245	$ 519	41.7%
Marketing and sales		2,267		1,836	431	23.5%
General and administrative		2,070		2,755	(685)	(24.9)%
Amortization and depreciation		64		75	(11)	(14.7)%
Total operating expenses	$	6,165	$	5,911	$ 254	4.3%

Operating expenses increased by approximately $0.3 million, or 4.3%, from $5.9 million in the three months ended June 30, 2023 compared to $6.2 million in the three months ended June 30, 2024.

Engineering and Product Development . Engineering and product development costs increased by approximately $0.5 million, or 41.7%, from $1.2 million in the three months ended June 30, 2023 to $1.8 million in the three months ended June 30, 2024. The increase was related primarily to higher personnel costs across the periods.

Marketing and Sales. Marketing and sales expenses increased by approximately $0.4 million, or 23.5%, from $1.8 million in the three months ended June 30, 2023 to $2.3 million in the three months ended June 30, 2024. The increase was primarily related to higher commissions on increased sales revenue across the periods.

General and Administrative . General and administrative expenses decreased by approximately $0.7 million, or 25%, from $2.8 million in the three months ended June 30, 2023 to $2.1 million in the three months ended June 30, 2024. The decrease was primarily related to management's cost saving actions implemented in early 2023 and is primarily related to payroll costs. Offsetting the decrease is a one-time impairment charge of approximately $0.2 million related to an operating lease asset of the Company's corporate headquarters.

Amortization and Depreciation. Amortization and depreciation, which relates primarily to intangible assets and depreciation of property and equipment, was approximately flat when comparing the three months ended June 30, 2023 to the three months ended June 30, 2024.

Six months ended June 30, 2024 and 2023 :

	Six Months Ended June 30, 2024		2023		$ Change	% Change
Operating expenses:						
Engineering and product development	$	3,271	$	2,762	$ 509	18.4%
Marketing and sales		4,349		4,196	153	3.6%
General and administrative		3,973		5,608	(1,635)	(29.2)%
Amortization and depreciation		126		129	(3)	(2.3)%
Total operating expenses	$	11,719	$	12,695	$ (976)	(7.7)%

Operating expenses decreased by approximately $0.1 million, or 7.7%, from $12.7 million in the six months ended June 30, 2023 to $11.7 million in the six months ended June 30, 2024.

Engineering and Product Development . Engineering and product development costs increased by approximately $0.5 million, or 18.4%, from $2.8 million in the six months ended June 30, 2023 to $3.3 million the six months ended June 30, 2024. The increase was related primarily to higher personnel costs across the periods.

Marketing and Sales. Marketing and sales expenses increased by approximately $0.2 million, or 3.6%, from $4.2 million in the six months ended June 30, 2023 to $4.3 million in the six months ended June 30, 2024. The increase was primarily related to higher commissions on increased sales revenue across the periods.

General and Administrative . General and administrative expenses decreased by approximately $1.6 million, or 29.2%, from $5.6 million in the six months ended June 30, 2023 to $4.0 million in the six months ended June 30, 2024. The decrease was primarily related to management's cost saving actions implemented in early 2023 and is primarily related to payroll costs. Offsetting the decrease is a one-time impairment charge of approximately $0.2 million related to an operating lease asset of the Company's corporate headquarters.

Amortization and Depreciation. Amortization and depreciation, which relates primarily to intangible assets and depreciation of property and equipment, was approximately flat when comparing the six months ended June 30, 2023 to the six months ended June 30, 2024.

Table of Contents

Other Income and Expense:

Three months ended June 30, 2024 and 2023:

Other Income and Expense:

	Three Months Ended June 30,			
	2024	**2023**	**$ Change**	**% Change**
Interest income	$ 206	$ 182	$ 24	13.2%
Other income, net	11	(3)	14	(466.7)%
	$ 217	$ 179	$ 38	21.2%
Tax expense	$ (8)	$ (4)	$ (4)	(100.0)%
Loss from discontinued operations	$ —	$ 590	$ (590)	(100.0)%

Interest income. Interest income increased by approximately $24,000, or 13.2%, from $182,000 for the three months ended June 30, 2023 to $206,000 for the three months ended June 30, 2024. The increase results from higher interest rates in 2024 compared to 2023.

Other income. Other income was expense of $3,000 during the three months ended June 30, 2023 compared to income of $11,000 during the three months ended June 30, 2024.

Tax (expense). Income tax expense was approximately $8,000 and $4,000 for the three months ended June 30, 2024 and June 30, 2023, respectively. The effective tax rates for the three months ended June 30, 2024 and 2023 were less than 1% in each period. The difference between the Company's effective tax rates in 2024 and 2023 compared to the U.S. statutory tax rate of 21% is primarily due to changes in valuation allowances associated with the Company's assessment of the likelihood of the recoverability of deferred tax assets. The Company has valuation allowances against substantially all of its net operating loss carryforwards and tax credit carryforwards.

Discontinued operations, net of tax. This line represents the net income of the Company's former Xoft business line which was sold in October, 2023.

Six months ended June 30, 2024 and 2023 :

Other Income and Expense:

	Six Months Ended June 30,			
	2024	**2023**	**$ Change**	**% Change**
Interest expense	$ —	$ (2)	$ 2	(100.0)%
Interest income	409	333	76	22.8%
Other income	31	—	31	100.0%
	$ 440	$ 331	$ 109	32.9%
Tax benefit (expense)	$ (12)	$ (9)	$ (3)	33.3%
Loss from discontinued operations	$ —	$ (99)	$ 99	(100.0)%

Interest income. Interest income increased by approximately $76,000, or 22.8%, from $333,000 for the six months ended June 30, 2023 to $409,000 for the six months ended June 30, 2024. The increase results from higher interest rates in 2024 compared to 2023.

Other income. Other income was zero during the six months ended June 30, 2023 compared to $31,000 during the six months ended June 30, 2024. Included in the six months ended June 30, 2024 were amounts related to services rendered in connection with the transition services agreement related to the October 2023 sale of the former Xoft business.

Tax (expense). Income tax expense was approximately $12,000 and $9,000 for the six months ended June 30, 2024 and June 30, 2023, respectively. The effective tax rates for the six months ended June 30, 2024 and 2023 were less than 1% in each period. The difference between the Company's effective tax rates in 2024 and 2023 compared to the U.S. statutory tax rate of 21% is primarily due to changes in valuation allowances associated with the Company's assessment of the likelihood of the recoverability of deferred tax assets. The Company has valuation allowances against substantially all of its net operating loss carryforwards and tax credit carryforwards.

Discontinued operations, net of tax. This line represents the net loss of the Company's former Xoft business line which was sold in October, 2023.

Liquidity and Capital Resources (in thousands, except as noted)

The Company believes that its cash and cash equivalents balance of $20.4 million as of June 30, 2024, and projected cash balances are sufficient to sustain operations through at least the next 12 months. The Company's ability to generate cash adequate to meet its future capital requirements will depend primarily on operating cash flow. If sales or cash collections are reduced from current expectations, or if expenses and cash requirements are increased, the Company may require additional financing, although there are no guarantees that the Company will be able to obtain the financing if necessary. We will continue to closely monitor liquidity and the capital and credit markets.

We recently determined that, through an administrative error, a marketing certificate in the European Union (the "EU") for one of our non-breast products was not renewed. Sales of such product in the EU have constituted an insignificant amount of our total sales over the relevant five year period. We are working with relevant authorities to resolve any issues. If we are not able to renew and maintain the EU certificate, we may be unable to consummate future sales of such product within EU member states, and we may be subject to fines and penalties as a result of such sales following the lapse of the EU certificate.

The Company had net working capital of $21.1 million as of June 30, 2024. The ratio of current assets to current liabilities at June 30, 2024 and December 31, 2023 was 4.14 and 4.40, respectively.

	Six Months Ended June 30,	
	2024	**2023**
Net cash used for operating activities	$ (1,111)	$ (1,933)
Net cash used for investing activities	(206)	(343)
Decrease in cash and equivalents	$ (1,317)	$ (2,276)

Net cash used for operating activities for the six months ended June 30, 2024 was $1.1 million, compared to $1.9 million for the six months ended June 30, 2023. The improvement in net cash used for operating activities for the six months ended June 30, 2024 resulted primarily from the Company's focus on cost saving initiatives. We expect that net cash used for or provided by operating activities to fluctuate in future periods as a result of a number of factors, including fluctuations in our operating results, the timing of when we recognize revenue, collections of accounts receivable, inventory expansion due to supply chain risk, and the timing of other payments. Included in these figures are the cash flows from our discontinued Xoft business. For the six months ended June 30, 2023, the impact on cash flows from operating activities related to the Xoft business was cash inflows of approximately $0.5 million when excluding previously allocated marketing expenses.

Net cash used for investing activities for the six months ended June 30, 2024 was $206,000, compared to $343,000 for the six months ended June 30, 2023. The net cash used for investing activities for the six months ended June 30, 2024 was primarily related to the completion of the ProFound Cloud software project.

The Company is obligated to pay approximately $1.6 million for firm purchase obligations to suppliers for future product and service deliverables and $0.4 million for minimum royalty obligations.

Recent Accounting Pronouncements

See Note 1 to the Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

The Company's management, with the participation of its principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, as of June 30, 2024, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) were effective at a reasonable level of assurance.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. The Company conducts periodic evaluations to enhance, where necessary, its controls and procedures.

There were no changes to the Company's internal controls over financial reporting during the quarter ended June 30, 2024 that have materially affected or which are reasonably likely to materially affect internal control over financial reporting.

Table of Contents

PART II OTHER INFORMATION

Item 1A. Risk Factors:

Our business is subject to various risks, including those described in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the SEC on March 29, 2024 (our "Annual Report"), which we strongly encourage you to review. There have been no material changes to the risk factors described in the Annual Report.

Item 6. Exhibits

Exhibit No.	Description
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following materials formatted in Inline XBRL (eXtensible Business Reporting Language); (i) Condensed Consolidated Balance Sheets as of June 30, 2024 and December 31, 2023, (ii) Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2024 and 2023, (iii) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2024 and 2023, (iv) Condensed Consolidated Statements of Stockholders' Equity for the three and six months ended June 30, 2024 and 2023 and (v) Notes to Condensed Consolidated Financial Statements.
104*	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

* Filed herewith
** Furnished herewith

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.

	iCAD, Inc. (Registrant)
Date: August [ ], 2024	By: /s/ Dana Brown Name: Dana Brown Title: Chief Executive Officer (Principal Executive Officer)
Date: August [ ], 2024	By: /s/ Eric Lonnqvist Name: Eric Lonnqvist Title: Chief Financial Officer (Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Dana Brown, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 of iCAD, Inc.;

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(s) 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.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2024

/s/ Dana Brown

Name: Dana Brown
Title: Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Eric Lonnqvist, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 of iCAD, Inc.;

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(s) 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.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2024

/s/ Eric Lonnqvist

Name: Eric Lonnqvist
Title: Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of iCAD, Inc. (the “Company”) on Form 10-Q for the quarterly period ended June 30, 2024 (the “Report”), I, Dana Brown, the Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(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.

/s/ Dana Brown

Name: Dana Brown
Title: Chief Executive Officer
(Principal Executive Officer)

Date: August 13, 2024

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of iCAD, Inc. (the “Company”) on Form 10-Q for the quarterly period ended June 30, 2024 (the “Report”), I, Eric Lonnqvist, the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(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.

/s/ Eric Lonnqvist

Name:	Eric Lonnqvist
Title:	Chief Financial Officer
	(Principal Financial Officer)

Date: August 13, 2024